

## **In Confidence**

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 10 July 2017 in the PSPA Meeting Room, Prospect House, Douglas

**Present: PSPA**

Mr J B Carter, (Chairman)

Hon C C Thomas, MHK (Vice Chairman)

Mr D J Ashford

Ms A B Moffatt

**In Attendance:** Mr I W C Burnett, (Secretary)

Mr I T Murray

Ms K C Brondon

**Apologies:** Mr E R Holmes

**Minute No. Minute**

**40/17 Conflicts of Interest**

There were no Conflicts of Interest declared in addition to those previously recorded.

**41/17 Minutes**

The Minutes of the meeting of 19 June 2017 were approved and signed.

**42/17 Matters Arising**

**37/17 – Contracting Out**

The Board noted that concerns had been raised by Employee Representatives in relation the impact the cessation of contracting out may have on Scheme Members.

The Board agreed that a draft response should be prepared by the Executive and that it should refer to the Treasury consultation document. Once prepared it would be circulated to Board Members for approval.

**43/17 Risk Register Review**

The Board considered and noted the contents of the Risk Register.

The PSPA Finance Manager joined the meeting.

**44/17 Public Sector Pension Scheme Accounts – ‘Going Concern’ statement**

The Board considered a memorandum from the Deputy Chief Executive dated 4 July 2017 seeking the Board’s approval to a ‘going concern’ assessment of all pension schemes it manages on a ‘global’ basis for the year ended 31 March 2017.

The Finance Manager outlined the Annual Audit process and the requirement for a going concern statement from Treasury. The Board noted the letter, dated 1 June 2017, received by the PSPA from Treasury’s

Chief Account confirming that the cash flow relating to Public Sector Pensions in the short and medium-long term will be met.

After due consideration the Board gave its approval to the 'going concern' assessment of all pension schemes it manages on a 'global' basis for the year ended 31 March 2017.

**45/17**

**Recovery of Damages under Public Sector Injury Benefit Scheme 2015**

Personal Case – Minute not published.

**46/17**

**Public Sector Reform**

The Board received a verbal update from the Executive in relation to latest developments in the Public Sector Pensions Reform agenda and noted the position in relation to the Teachers, Police and Judicial Schemes and noted the dates for future meetings with scheme member representatives.

The Executive outlined the work that was being undertaken by Treasury/Cabinet Office in relation to the legacy funding of accrued benefits. The Board noted that all available options were being reviewed including the closing of Schemes, the introduction of a Defined Contribution Scheme and the cutting of accrued benefits as well as various taxation and borrowing options.

**47/17**

**Actuarial Contract**

The Board noted that following the tendering exercise in relation to the PSPA's Actuarial Contract Hyman' Robertson had been successfully appointed for a further six year term.

Hymans Robertson joined the meeting for the next Agenda item only

**48/17**

**Public Sector Pension Schemes Valuation**

The Board received a presentation from Robert Bilton from Hymans Robertson in relation to the Public Sector Pension Scheme Valuations for the period ending 31 March 2016 and cash flow projections for future expenditure.

The Board noted Hyman's view that the Data it had received was in 'better' shape' than that which it had received in 2012/13 and that in its view it was fit for the purpose of conducting the valuation exercise.

Hymans confirmed the assumptions it had used for the valuation and also confirmed that these assumptions had been approved following discussions with Treasury. The Board noted that the mortality rate was not based upon Isle of Man experience but rather upon similar schemes across the public and private sector. In addition it noted that whilst the rate of life expectancy continued to improve, the rate of improvement had slowed down.

The Board noted that in relation to the Membership of the Schemes, the Memberships had remained steady, but that the numbers of deferred and pensioner members had increased by approximately 2,000 since the 2013 valuation.

The Board noted the assumption for those taking the maximum

commutation had risen from 50% to 90% based on experience.

The Board considered the key messages that it could take from the presentation were that the liabilities had increased, but at a slower rate due primarily to changes in assumptions and experience, that the future service funding position for GUS had fallen (but still broadly reflected the previously agreed cost envelope position), due to the GUS reforms, that some of the assumptions had changed from those used for the 2013 valuation and that the active Membership numbers remained relatively stable.

Rob Bilton outlined the revised Cash Flow projections, and the assumptions it had used in preparing them. The Board noted that the cash flow projections had altered from those previously provided in 2013.

The Board noted Hymans view that the reforms introduced in 2012 had had a positive effect on pensions expenditure, and that the further recent reforms to GUS would have a future positive impact on funding by way of both future benefit reductions and contribution increases.. Hymans considered the key factors that had affected the cashflow projections included lower than anticipated pension increases, which had a positive effect, greater proportion of members taking the maximum lump sum and lower than anticipated salary growth. However, lower projected salary growth did also mean lower contributions in the long term which had a negative effect on future cashflow. However, overall the Board noted that whilst lower wage growth meant lower contributions in the short and longer term, in the medium to long term this would also lead to lower benefits at the point of retirement.

The Board thanked Hymans Robertson who left the meeting.

Ms Moffatt left the meeting at 12.10

The Board considered that the presentation that had been received should be discussed with Treasury, and following this should be delivered to Members of Tynwald and to the Trade Unions.

The Board considered that a key message must be that the reforms had had a positive effect on pension expenditure and that in going forward the Schemes and their expenditure are being better managed.

#### **Date of Next Meeting**

The next meeting will be held on Monday 11 September 2017 commencing at 10.00 am.

**There being no other business the meeting closed at 12.30 a.m.**

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**Date**