

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 11 September 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
Mr E R Holmes

In Attendance: Mr I W C Burnett, (Secretary)
Mr I T Murray
Ms K C Brondon

Apologies:

Minute No. Minute

58/17 Conflicts of Interest

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

59/17 Minutes

The Minutes of the meeting of 10 July 2017 were approved and signed.

51/17 Matters Arising

37/17 – Contracting Out

The Board ratified its decision, made via e-mail, to approve the finalised Consultation Response Document in relation to Treasury's consultation on the cessation of contracting out and that the Response Documents should be submitted to Treasury.

48/17 Public Sector Pension Schemes Valuation

The Board noted that Public Sector Pension Schemes valuation report would be completed within the next week by the PSPA's Actuary and would be circulated to the Board once received.

52/17 Risk Register Review

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

The Board noted the revised risk relating to Member data, and in particular that the PSPA's reconciliation reports showed a number of anomalies that had arisen.

The Board was informed that this included a number of issues which had occurred as a consequence of the actions of Employer Payroll Department's which had resulted in members not paying the correct contribution rates. The Board noted that the PSPA Executive was working with Payroll Departments to resolve these issues.

53/17 Public Sector Pension Scheme Nominations for Surviving Partner Pensions

The Board considered a memorandum from the Director Operations dated 2 September 2017 regarding the impact of a Supreme Court ruling on 8 February 2017 upon nominations for surviving partner pensions.

The Executive outlined the background to the nomination procedure, the background to the legal case and the action that had been taken by the pension authorities in other jurisdictions as a consequence of the Supreme Court Ruling.

After due consideration the Board determined, that subject to the Attorney General's view, the PSPA should:

- follow the Supreme Court Ruling in Northern Ireland and remove the mandatory requirement for members to have to submit a form to nominate a partner to receive a pension in the event of their death;
- encourage Scheme members to complete a form as a record of their wish and to ensure prompt payment of benefits on death;
- amend the respective Pension Scheme Rules to remove the mandatory requirement for completing the form; and
- review previous cases that had been rejected on the grounds that a partner declaration had not been completed and if the relevant criteria were met, make a retrospective award.

54/17

PSPA Pensions in Payment – Declaration of Entitlement to Public Sector Pensions and Allowances Annual Review 2017

The Board considered a memorandum from the Director Operations dated 2 September 2017 regarding a proposed Pensions in Payment - Declaration of Entitlement Policy.

The Board noted the background to this procedure, and in particular that it had previously been carried out on behalf of the PSPA by Treasury. The Board noted that owing to recent changes, Treasury was not in a position to be able to carry out these checks and it had reverted back to the PSPA.

The Board noted an Internal Audit report regarding proof of life checks, and in particular the recommendation that the PSPA should have a Board approved policy for how these checks will be carried out and that all operating procedures should be adequately documented to ensure that all key stages are undertaken and that an appropriate level of risk based sample checks are identified.

The Board noted that this applied to all Schemes managed by the PSPA including Injury Benefit Schemes.

The Board considered the Declaration of Entitlement Policy and noted the requirement for Pensioner Members' declarations to be witnessed. The Board noted the reference to Policy Discretions within the Policy and requested that when such discretions are applied they should be reported to the Board on an annual basis.

After due consideration the Board approved the Declaration of Entitlement Policy.

55/17

Quarterly Performance Report – Quarter 1, 2017/18

The Board considered and noted the Quarterly Performance Report for the first quarter of 2017/18, ending March 2018.

Isle of Man Government Unified Scheme 2011 (GUS) – cost sharing

The Board considered a memorandum from the Chief Executive dated 1 September 2017 regarding cost sharing for the Isle of Man Government Unified Scheme 2011.

The Board noted its previous determination that as a consequence of a joint union letter regarding cost sharing it had tasked the Chief Executive to discuss the issues raised with the joint unions with a view to seeking some degree of agreement in order to progress the introduction of a cost sharing mechanism for GUS.

The Board noted the current Unified Scheme Rules relating to cost sharing and that following discussions with the Joint Unions it was proposed that the current mechanism for cost sharing should be reviewed.

The Board noted the proposals that both the Executive and Joint Unions agreed upon included:

- The introduction of an Employer Cost cap with a "buffer" of +/- 2% of pay. The Board noted that this was the position in the UK on public sector scheme cost sharing;
- Discussions would be held with the Joint Unions whether cost increases which fall on scheme members should be implemented via contribution increases or reductions in future accrual rates, but that the default position if agreement cannot be reached within a reasonable timeframe should be a reduction in future accrual rates;
- Past service would be included in the cost sharing mechanism, but would exclude the benefit costs for members who had been active at the previous cost sharing valuation but had subsequently become deferred or pensioner members. Thus active members would not be sharing the costs of those members who had subsequently left or retired; and
- Assumptions for mortality should include an allowance for expected future improvements in mortality.

The Board noted that the area upon which agreement could not be reached was with regard to the period for recovering any cost increases. The Board noted that this had previously been set at three years, but that this was at a time when the Unified Scheme had been implemented and the detail for cost sharing had yet to be finalised.

The Board noted that the joint union view was that the period should be for 15 years, in line with the recovery period for UK Public Sector Pension Schemes. The Board noted the Executive's position was that the three year recovery period should be maintained.

The Employer Representatives of the Board appreciated as to why the Joint Unions would wish for a longer recovery period, but considered that a longer recovery period would increase the financial risks for the Scheme and considered that any proposal which increased the recovery period from three years would not secure political support when the proposals when submitted to Tynwald seeking approval.

The Employer Representatives therefore did not support a recovery period of any longer than three years.

In regard to seeking Tynwald approval, the Vice Chair expressed his disappointment that the PSPA was not in a position to put forward a Cost Sharing Scheme for consideration at the November 2017 sitting of Tynwald, as this was a commitment that had previously been given.

The Employee Representatives expressed their disappointment that the proposals regarding the recovery period, put forward by the Joint Unions, could not be supported by the Employer Representatives.

The Employee representatives considered that the benefits for a longer recovery period included smaller increases in costs to Scheme members, in particular after a sustained period of pension change and thereby maintained confidence in the scheme and would be less likely to lead to Scheme Members leaving the Scheme and thereby reducing contribution income.

The Chair recognised the views of both sides of the discussion. He recognised why Scheme Member Representatives favoured a longer recovery period given that Members of the Unified Scheme had been through an extended period of change. Equally the Chair recognised the need for Treasury to reduce the draw upon Government Revenues and understood why Employers would favour a shorter recovery period.

The Chair considered that the Board should not make a determination at this time the PSPA may wish to seek the views of all stakeholders through the consultation exercise and that the consultation document should set out the arguments for a longer and shorter recovery period.

The Chair concluded that whilst he did not favour making a decision at this time, if he was required to do so he would favour a longer recovery period owing to the sustained period of change which Scheme Members had been through.

After due consideration the Board agreed that the consultation documents should be finalised for its consideration ahead of a formal consultation, with a view that the finalised proposals and supporting Cost Sharing Regulations could be considered at the January 2018 sitting of Tynwald.

Mr Ashford left the meeting at 11.30

57/17

Pensions Reform

The Board noted the ongoing work in relation to other Public Sector Schemes.

With regard to the Teachers Scheme the Board noted that the Teaching Unions had queried the Valuation Assumptions and that these were to be discussed with the PSPA's Actuary. The Board noted that progress had slow in relation to bringing forward reforms and agreed that, in terms of the Risk Register, the level of risk regarding reform for the Teachers' Pension Scheme should be raised from medium to high.

With regard to the Judicial Scheme noted a meeting had taken place with the first and second Deemster. The Board noted the Executive's proposal that a meeting with all members of the Judicial Pension Scheme should be held in the near future.

Ms Moffatt left the meeting at 11.55

58/17

Judicial Pension Scheme

The Board noted that the Executive had received a letter from the Judge of Appeal regarding his pension entitlement. The Board noted that as this had not arrived under cover of the Internal Dispute Procedures it was being dealt with by the Executive.

In relation to the pension entitlement of Panel Deemsters the Executive confirmed that at present their remuneration was not pensionable.

Meeting closed at 12.20

Date of Next Meeting

The next meeting will be held on Monday 16 October 2017 commencing at 10.00 am.

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

_____ **Date**