

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 13 August 2018 in the PSPA Meeting Room, Prospect House, Douglas

Present: **PSPA**
Mr J B Carter, (Chairman)
Hon C C Thomas, MHK (Vice Chairman)
Mrs J Poole-Wilson MLC
Mrs D Halsall
Mr I Wright

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

Apologies: Ms K C Brondon

Minute No. Minute

The Chair welcomed Mrs Halsall and Mr Wright to the PSPA

38/18 Conflicts of Interest

Mrs Halsall and Mr Wright confirmed they considered there were no conflicts of interest in relation to their membership of the PSPA. For the remaining members of the Board no Conflicts of Interest were declared in addition to those previously recorded.

39/18 Minutes

The Minutes of the meeting of 11 June were approved and signed by the Chairman.

40/18 Risk Register Review

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

In relation to the risk relating to key members of staff, the Board noted that the Finance Manager was currently on a long term absence and the role was being covered by the Finance Officer. The Board noted that whilst there were no other members of the Finance Team, the Finance Officer was being supported by the Senior Management Team.

Equality Act

The Board considered that any risks relating to the enactment of the Equality Act should be included on the risk register. The Board requested that a briefing paper relating to the Equality Act be prepared for its consideration at the September Board meeting.

41/18 Quarterly Performance Report – Quarter 1, 2018/19

Owing to the absence of the Director Operations, the Board determined to hold this report over to its September meeting.

42/18 Isle of Man Government Unified Scheme 2011 – cost sharing

The Board considered a memorandum, dated 31 July 2018, from the Chief Executive providing an update on the proposed Cost Sharing legislation.

A brief overview of the proposals was provided and the Board noted that the proposals had been developed in conjunction with the Pensions Officers from a number of the Trade Unions, and as such it was

considered that the Unions were broadly supportive of the proposals. The Board noted that a key area of difference was in relation to the length of the 'recovery period'. The Board was advised that it was considered that the longer the recovery period the less effective any cost sharing mechanism would be and this would therefore be an area where the views of all parties would be sought during the consultation exercise.

The Board noted that the proposals initially applied to The Unified and Teacher's Schemes, and that discussions were being progressed with the members of the Judiciary and Police Schemes, and that cost sharing proposals would be brought forward in due course in relation to these two employment groups.

The Executive sought the Board's approval to meet with Treasury, given that the proposals were different to those set out in the Unified Scheme, and that in order to progress the underpinning legislation to Tynwald it would require Treasury concurrence. After due consideration the Board agreed that the Executive should meet with Treasury.

The Board noted that it was anticipated that, following consultation, the finalised scheme would be submitted to the Board for final consideration with a view to submitting them to the December sitting of Tynwald. The Vice-Chair advised that Tynwald was expecting the cost sharing provisions to be submitted to the December 2018 sitting of Tynwald. The Vice Chair also advised that Treasury's view for a recovery period was likely to be in favour of a shorter rather than longer period. He noted that the UK had a 15 year recovery period, but that reliance should not necessarily be placed upon what has been agreed in the UK, given that the circumstances in the Island were very different to those of the UK.

After due consideration the Board agreed that cost sharing should be the main topic for discussion at its September meeting and that the PSPA's Actuary should be invited to attend in order to partake in the Board's discussions, with the aim of agreeing finalised proposals for consultation.

43/18

Pensions Reform

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

Judicial Scheme

In relation to the Judicial Scheme the Board noted that following the receipt of a formal response to the PSPA's proposals which outlined that the Judiciary was not supportive of the PSPA's proposals, a further proposal had been made to the Judiciary. However, a response was not anticipated to be received until after the summer holiday period, which would be towards the end of September.

44/18

Cabinet Office Report - "Public Sector Pensions - Legacy Funding"

The Board considered a memorandum, dated 2 August 2018, from the Chief Executive, concerning outcomes arising from the Tynwald motion regarding the Report of the Cabinet Office entitled "Public Sector Pensions - Legacy Funding"

The Board noted that the PSPA had been tasked with exploring in greater depth the feasibility of utilising a number of options to manage costs including:

- (i). Introducing a voluntary Defined Contribution Scheme for public servants which should become the default scheme for future new public servants;
- (ii). Capping the salary on which pension benefits are based at a given level;
- (iii). Linking the Normal Pension Age or equivalent for each public sector Scheme to State Pension Age;
- (iv). Introduce a Career Average Revalued Earnings scheme;
- (v). The possibility of using a mirror scheme to aid in the transition from the current defined benefit scheme to the proposed defined contribution scheme for new public servants.

The Board considered that in addition to exploring the items set out in the Tynwald motion, it was equally important to aid the understanding of politicians and other key stakeholders of the progress that had been made in recent years, in particular given the volume of reforms to schemes which had been progressed by the PSPA.

In addition the Board considered that it was important for political representatives to hear the views of employees in relation to the reforms which had already been made

The Board requested that an action plan be prepared for its consideration.

Date of Next Meeting

The next meeting will be held on Monday 17 September commencing at 10.00.

There being no other business the meeting closed at 11:45.

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