

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 14 June 2019 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)
Ms K C Brondon
Mrs J Mooney

Apologies:

Minute No. Minute

30/19 Conflicts of Interest

Mrs Poole-Wilson advised that, as a member of the Judiciary Constitutional and Legal Affairs Committee, she had a conflict of interest in relation to agenda item 9 regarding the Public Sector Pensions (Amendment) Bill 2019.

After due consideration, the Chair advised that he was content for her to remain for that item, as her views would be welcomed by the remaining members of the Board. However, she did have the option of recusing herself from that item if she felt it appropriate.

There were no other conflicts of interest declared in addition to those previously recorded.

31/19 Minutes

The minutes of the meetings of 20 May 2019 were approved and signed by the Chair.

Matters Arising

21/19 Public Sector Pensions Reform

It was noted that the amendments to the Judicial Scheme were being finalised by the legislative drafter in the Attorney General's Chambers.

32/19 Risk Register Review

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

Risk 6 (regarding the Judicial Scheme) and Risk 7 (regarding Cost Sharing) were noted as being agenda items for further discussion.

33/19 PSPA Privacy Notice

The Board noted the PSPA's Privacy Notice which applies to PSPA Staff and Board members.

34/19 Administration Issues

The Operations Director provided the Board with a verbal update on current administration issues and advised that the Executive had concerns regarding both the quality and timeliness of the information being

received from OHR Payroll and the difficulties being experienced in the development of reports from the PiP system.

With regard to the latter, the reporting issues were now back with the software provider MHR who were dealing with this on behalf of I-Trent and there was no expected date of completion for this work. The Board noted that the GTS project manager was due to be absent for the next four weeks.

The Executive considered that a lack of experienced staff within the Payroll team, as well as the diversion of payroll staff to other projects, has resulted in the perceived disorganisation within that team and consequently the information being received by the PSPA is both of poor quality and late.

The Board noted that there were a significant number of complaints from members in recent weeks specifically about issues relating to trying to contact payroll and the resultant delays in the payment of their retirement benefits. In order to manage members' expectations with regards to the timescale for payment of benefits, the PSPA website was due to be updated to reflect the fact that payment would be outside the two week period currently expected by members.

The Executive noted that whilst income tax and national insurance notifications seem to be made automatically as part of the current payroll processes relating to leavers, this does not apply to providing the PSPA with the required data. In the Executive's view the onus has fallen on the PSPA to chase up Payroll constantly for information regarding leavers.

The Board noted that the lack of information about leavers could also potentially have a knock-on impact on preservations and transfers out to other occupational pension schemes, which may have timescale restrictions on them. This was a further risk issue.

The Board noted that the lack of information, in particular the Annual Financial Information, would result in PSPA not be able to issue annual benefit statements within the required timescales set out in Social Security Disclosure Regulations, [*The Occupational Pension Schemes (Disclosure of Information) Regulations 1996*].

The Board noted that in order to try to remedy the situation, the PSPA has assisted payroll through the training of staff, testing reports and assisting with the implementation of pensioner payroll.

The Board noted that currently in some cases the PSPA is having to make provisional payments to members based on the historical information currently held, with the benefits needing to be recalculated once the final information was received from Payroll, thus resulting in a duplication of work.

The Board noted a report was due to be submitted to the Public Services Commission (PSC) on 1 July 2019 which would include reference to the above issues.

The Executive made the point that it appreciated the difficult and challenging circumstances that the OHR and Payroll teams found themselves in (mirrored by a similar position within the PSPA), but that as this had been the position for some time, further specific measures should be considered in order to move towards a planned position where these

issues would be practically rather than theoretically addressed.

The Board expressed its concerns over the matters raised by the Executive and considered that the issues raised were resulting in the PSPA being unable to carry out two of its core statutory functions, namely to manage and administer the pension schemes for which it was responsible.

After due consideration the Board determined that there should be communication with OHR ahead of the PSC meeting on 1 July 2019 and that:

- The government representatives on the Board would take up the issue, with the full support of the Board, given that the Board was being put in a position of being unable to carry out its statutory functions;
- The Board was cognisant that the current situation placed an onerous burden on its staff and wished to see what measures could be taken to alleviate this;
- The Board wished to formally record its appreciation of the work the staff of the PSPA undertook by way of a letter from the Chair which would thank them and also explain to them the actions being taken.

35/19

Cost sharing relating to Public Sector Pensions Schemes

The Board considered a memorandum, dated 10 June, from the Deputy Chief Executive which provided an update with regard to the feedback received from the Cost Sharing consultation and sought the Board's views on next steps.

The Board noted the adverse feedback received regarding the way in which people had been informed of the consultation which had primarily been via the weekly Internal Mail "A word from Will". The Executive advised that this would be remedied for future consultations. However, the Board could be assured that the consultation had been carried out properly.

The Chief Executive advised that he was due to meet with the Treasury the following week to provide further explanation regarding the 'buffer option'.

The Board considered each of the options set out in the consultation documentation and noted the feedback received. After due consideration the Board considered that a 2% buffer with an 8 year recovery period was its preferred approach. This was because:

- Whilst the numbers of individual responses preferred the 75%/25% with small buffer option, the responses received from all of the trade unions, (who represent several thousand members) supported the 2%;
- The 2% buffer provided Government with a cap on the future cost of public sector pensions, whereas the other options did not provide a cost cap;
- The current 75/25 methodology had been included only in the rules of the Unified Scheme and not in the Police, Teachers or Judiciary Schemes. In addition, its inclusion within the Unified Scheme had not been fully consulted upon in 2011 as the focus had been upon contributions and benefits and not cost sharing.

The Board agreed that the next steps, before the Consultation Response document is finalised, should be as follows:

- There should be a continuation of the dialogue at officer level;
- Re-engagement with the TAG group – it was considered that a meeting should be arranged for July or August to discuss cost sharing. It was noted that at the same time discussions could be considered in relation to a voluntary DC and a collective DC Scheme.
- The Board requested that the consultation response document should record that participants in the consultation were thanked for their contribution to the consultation and assured that their contributions were given full consideration.
- The Chief Executive agreed to provide feedback on any further input from the Treasury following his meeting with them.
- Feedback was to be provided to the Cabinet Office Communications Office regarding the adverse comments received in relation to the way in which the consultation was initially advertised.

36/19 Public Sector Pensions (Amendment) Bill 2019

The Board considered a memorandum, dated 10 June 2019, from the Deputy Chief Executive concerning the next steps following the consultation upon the Public Sector Pensions (Amendment) Bill 2019.

The specific feedback received from the Judiciary in relation to Section 3 was noted and included within the Response document.

The Board was advised that the Attorney General's Chambers were seeking confirmation from the Ministry of Justice (MOJ) that the proposals, if approved by Tynwald, would receive Royal Assent.

The Board considered what impact the Bill as drafted may have in particular in relation to the Judiciary. The Board noted that the draft Bill had been considered by the Council of Ministers at its most recent meeting and that subject to the advice which was due to be received from the MOJ, wished the Bill to be progressed as drafted.

The Board noted that being mindful of the potentially contentious nature of the Bill, Council had determined that it should be progressed in its name and not by the PSPA.

After considerable debate the Board unanimously agreed that the Bill should be submitted as drafted. The Board considered that there was merit in exploring a range of options in the future in relation to the substitution for the Judicial consent provision which would ensure fairness.

In addition the Board requested that the position of Tynwald Auditor General be added.

It was noted that Minister Thomas would take the Bill through the House of Keys. With regard to the progression through the Legislative Council Mrs Poole-Wilson felt that due to her notified conflict of interest it would be inappropriate for her to deal in this regard.

The Board considered the Impact Assessment document and the Consultation Response document. It was highlighted that references

made to the challenges lodged under the Equality Act, in the Response document, were incorrect. A number of points were raised in relation to the Impact Assessment. The Executive advised that both documents would be revised in line with the views expressed by the Board.

37/19

Any Other Business

The Chair advised that in the interests of Continuous Professional Development (CPD) for the Board it was proposed to introduce short training sessions in the future and that these should be recommenced in the autumn. It was also noted that the forthcoming Governance Workshop would highlight possible future training needs which could be built into future Board training sessions.

Date of Next Meeting

The next meeting will be held on Monday 15 July 2019 commencing at 2.30pm.

There being no other business the meeting closed at 11.40.

Date