

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 29 April 2020 held virtually at 11.15 am via MS Teams

Present:

PSPA

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

In Attendance:

Mr I T Murray
Mr I W C Burnett, (Secretary)
Ms K C Brondon
Mrs J Mooney (Assistant Secretary)

Apologies:

Minute No.	Minute
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26/20	Conflicts of Interest
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There were no other conflicts of interest declared in addition to those previously recorded.

27/20	Minutes
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The minutes of the meeting of 9 March 2020 were approved and it was agreed they may be signed by the Chair subsequent to the meeting.

28/20	Actuarial Valuation Assumptions
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It was agreed that discussion of the assumptions put forward by the PSPA Actuaries for valuations due as at 31 March 2019 (PSPA paper 06-20 refers) should be adjourned to a later meeting. It was considered there may be implications arising out of the current situation with COVID-19 which may impact on the assumptions being proposed and that it would therefore be advisable to discuss this with the Actuaries again before considering the paper.

It was noted that the actuarial valuations in themselves would not impact significantly on future Government finances but that firstly, they would be used for the baseline cost sharing position (assuming a cost sharing basis had been implemented) and secondly, they would be used for revised future cashflow projections which would be important to Government in determining its future financial commitments and how these would impact upon emergence through the current COVID-19 financial issues.

It was agreed that there should be a telephone call with the Actuaries at the next meeting of the Board in May 2020.

There was a brief discussion about the role of the Treasury in this process with comment being made that the actuarial assumptions should be determined on a politically neutral basis. It was considered disappointing that the minute from Treasury indicated that it was disinclined to provide a direction however it was

suggested that the Economic Affairs Division, which was now a Division of the Cabinet Office (and which had previously been situated within the Treasury), might be a more appropriate point of reference in this regard, rather than the Treasury which had a pre-declared position.

The Executive confirmed that when the Rules of GUS were written eight years previously, Treasury was the appropriate body for consultation on actuarial assumptions at the time. It was noted that whilst the function of the Economic Affairs Division had been moved to the Cabinet Office, the legislation had not changed therefore the PSPA would need to go back to Treasury for a view but they could also seek the view of the Economic Affairs Division. It was agreed that the Executive and the Cabinet Office should seek to find a way through this issue.

29/20 Data Project and Administration Issues

The Board received a report (paper ref no. 07/20) from the Data Project Manager in regard to administration issues. It was reported that progress over the last month had been heavily impacted by a major update to iTrent and there had been no progress in terms of reporting for the MFI. It was essential that the data from the Oracle system could be put into a report that the PSPA had access to because of the gaps in historical data. In short, there were ongoing issues in terms of receiving information from payroll which placed pressure on the PSPA in terms of making awards and managing members' expectations.

It was likely that the financial information for the year to 31 March 2019 would be loaded and tested ready for the issue of Annual Benefit Statements by the end of May 2020 rather than in April, as previously anticipated.

It was reported that, as a short term measure, it had been agreed that some members of the PSPA staff may have access to payroll information in PiP – it was to be emphasised however that this was a short term measure only, the requirement was still for there to be accurate reporting from PiP and for the PSPA to have independent provision and verification of data for audit purposes.

The Board agreed that the position should be reviewed in one month. In the meantime the Data Project Manager, whilst they were now back at the PSPA as their secondment period had concluded, would remain involved with OHR until the MFI report was developed as it is hoped that once the MFI report is in and working many of the current issues should be resolved.

It was noted that there remained a significant impact upon the ongoing work of the PSPA and morale of PSPA staff and that this had changed little since the issue was raised in the PSPA Strategy Review 18 months ago.

The Board wished to thank the Data Project Manager for his continued work and resilience in dealing with this project.

30/20 Succession Planning

The Board received a verbal update from the Chief Executive regarding the succession planning arrangements in place at the PSPA which were in line with the previous PSPA Strategy Review.

31/20 Cost Sharing – Consultation Response and Draft Scheme

The Board considered the Response to the Consultation on Cost Sharing for Public Sector Pension Schemes and the Public Sector Pensions (Cost Sharing)

Scheme 2020 (paper 05/20). It was noted that the Executive was of the opinion that the cost sharing basis of a 75% split of costs/savings to scheme members and a 25% split of costs/saving to Government/Employers inclusive of a small buffer of 0.5% of pay, with cost sharing reviews being undertaken every six years, remained the appropriate basis to be introduced for the GUS and Teachers' Pension Schemes (and other schemes), the reasoning behind this opinion being contained within the Consultation Response Document.

The Executive considered that the Consultation Response Document demonstrated the mitigations in place to address the concerns raised by the Trade Unions with regard to sustainability, and to support the view that 75:25% split was a viable option. It also noted that the cost sharing provisions in the UK referred to in the Trade Union response were under review. It had been interesting to see the feedback but in the Executive's position little had been received to change their view.

It was agreed that, throughout the consultation process, the focus from all parties had been from a position of ensuring sustainability, and not from one of self-interest and what had been achieved was against a background of everyone working collaboratively and in good faith.

Particular comment was made in respect of the Table contained on page 8 of the Consultation Response Document which it was felt clearly demonstrated the impact of the "cliff edge" position members may find themselves in should the 2% buffer option be actioned; and the implications in terms of affordability of the scheme for members should that position arise.

By a majority decision the Board concluded that they were content with the Consultations Response Document and the proposed conclusions set out therein; and approved the Public Sector Pensions (Cost Sharing) Scheme 2020 subject to some minor drafting amendments being made.

One of the Employee representatives on the Board wished to express their disappointment that there appeared to have been no importance attached to the weight of Union responses and the number of responses received from individuals. However, the Chair considered that the Board, as required under the Pensions Act 2011, had undertaken the requisite consultation and had considered all the views expressed in detail and the arguments presented, however, on this occasion, the view expressed by the unions was not in accord with that of the majority of the Board. The Board wished to fully acknowledge the constructive response from the unions and that their involvement had been very valuable in eliciting a comprehensive examination of each element of the proposals.

In terms of next steps, some minor amendments were requested in the Consultation Response Document and draft Scheme which the Executive agreed to action. It was agreed that there should be engagement with Members of Tynwald, by way of a presentation, (virtual if necessary), before the Scheme went for consideration by Tynwald in June.

Matters Arising

32/20

The following matters arising from the minutes of the meeting held on 9 March 2020 were raised, not having previously considered on the agenda:

- (i) The meeting which the Board had requested be set up with the Teachers' representatives to discuss the cost sharing consultation had been arranged but unfortunately, due to the current circumstances with COVID-19, had been unable to go ahead. The option to submit

further views in writing after the deadline had been offered but had not been taken up.

- (ii) Treasury had progressed legislation in respect of transfers which had been approved at the April sitting of Tynwald. As a result the GN11 basis will be changed to an actuarial basis for the calculation of transfer values and there are restrictions on transfers out from schemes. Transfers out will only be permitted to other public sector occupational pension schemes in the UK or Isle of Man; or to other similar public sector pension arrangements in Canada, New Zealand or Australia.
- (iii) Voluntary DC Scheme – this has not been progressed as yet but it is intended to submit a paper to the Treasury on cost implications within the next six weeks.

33/20

Any Other Business

- i. The Chief Executive reported that remote working was working well for the PSPA and that whilst there had been some technical issues initially 90% of normal business was being undertaken albeit at a slower pace than normal.
- ii. Collective DC Scheme – The Chief Executive reported that the UK Post Office were looking at CDCs and we would be keeping a watching brief on developments in this regard. This was being considered as an alternative to a voluntary DC scheme, not to the current DB schemes.
- iii. The Public Sector Pensions (Amendment)(Appointed Day) Order 2020 which brings into operation, on 4 May 2020, those sections of the Public Sector Pensions (Amendment) Act 2020 which are not already in operation becomes effective the day after it was signed by the Chair as made. The Board agreed that the Chair may sign the Order and that it can be laid before Tynwald.
- iv. The Deputy Director reported that he had been working with the Cabinet Office on emergency legislation relating to potential death in service benefits for former public servants who had returned to work to assist with COVID-19.
- v. It was requested that thought be given to scheduling a meeting with the Teachers' representatives and the topics for discussion with them.
- vi. The Board was advised that another forum was being established for the Teachers' unions and that further information would be provided at a future date.

34/20

Date of next meeting – provisionally 18 May 2020 (as originally scheduled but subject to confirmation)

There being no other business the meeting closed at 12.55 pm.

Date