

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 25 May 2020 held virtually at 9.30 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
Ms K C Brondon
Mrs J Mooney (Assistant Secretary)

Apologies:

Mr I C W Burnett (Secretary)

Minute No.

35/20 Actuarial Valuation Assumptions

The Board agreed that item 35/20 of the Agenda should be taken first and Adrian Loughlin and Robert Bilton of Hymans Robertsons LLP, The PSPA's actuarial advisors, joined the meeting for the first agenda item and made a presentation to the Board in relation to the 2019 Valuations on the purpose of the valuations and assumption setting. A copy of the presentation is attached to these Minutes.

Clarification was provided about the accounting valuations which were provided annually for inclusion in the Government annual report and accounts and which were in line with FRS102 requirements compared to those provided in the context of cost sharing valuations (once every six years) which were used for monitoring changes in pension scheme costs, or triennial valuations every three years to monitor cash flow projections in the long term and changes in both past service liabilities and future costs. The prescriptive FRS102 requirements which focus on the yield on corporate bonds in respect of the Discount Rate assumption are not considered appropriate for unfunded schemes like IOMG where we need to understand the cost of scheme benefits in relation to Government's ability to fund them

It was emphasised that with pension schemes, whilst the short term is important the long term is more important and whilst tweaks might be necessary in the short term to reflect the current position, the focus is to transition to the long term cash flow and costs position over time.

It was suggested that in order to gain more IOM objectivity, IOM specific statistics may be available from the Economic Affairs Division of the Cabinet Office as they produce: quarterly estimates of population; and a Household Income and Expenditure survey (data available for the year April 2018 – April 2019) which could be drilled down to identify public sector employee income. In addition, the Public Health Directorate had produced a report "An Unequal Society" in 2019 which was in relation to improving the deprivation index. The

representatives from Hymans noted the availability of these potential sources of data.

The Board considered that the inclusion of the section regarding the potential impact of COVID-19 was particularly salient in future discussions and Hymans confirmed that it would be included within the valuation.

The Hymans Robertson representatives made a comprehensive presentation on the various assumptions involved in an actuarial valuation, including the financial assumptions (discount rate, long term benefit increases, long term salary growth) and demographic (longevity and demographic experience).

At the conclusion of the presentation, the Board confirmed that they were in concurrence with the recommendations by the actuaries in relation to the following:

- (i) Continue to use a long term growth rate for the Isle of Man (and therefore a valuation Discount Rate) assumption of 4.5%;
- (ii) Continue to use a long term benefit increase assumption of 2% per annum;
- (iii) Continue to use a long term salary growth rate assumption of 4% per annum;
- (iv) Agree to adopt a "wait and see" approach in relation to longevity assumptions;
- (v) The undertaking of a demographic experience analysis review; and
- (vi) That this information should be forwarded to the Treasury for their view on the discount rate and pay elements.

The Board thanked the representatives from Hymans Robertson for their presentation and they left the meeting at that point.

36/20 Conflicts of Interest

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

37/20 Minutes

The Board considered the minutes of the meeting held on 29 April 2020 and, subject to an amendment being made to minute number 31/20 to make reference to the number of individual response received in the penultimate paragraph in addition to the Union responses, agreed that they were approved and could be signed by the Chair subsequent to the meeting.

38/20 Matters Arising

The following matters arising from the minutes of the meeting held on 29 April 2020 were raised, not being covered on the agenda for this meeting:

- (i) Cost Sharing - the Chief Executive reported that the Public Sector Pensions (Cost Sharing) Scheme 2020 had been considered by the Council of Ministers the previous Thursday and approval had been given for it to be progressed to the June sitting of Tynwald for approval. The PSPA Executive, together with their actuarial advisors, Hymans Robertson, were due to make a presentation to Tynwald Members on Wednesday 27 May 2020.
- (ii) Meeting with Teachers' representatives – it had been noted at the last meeting that plans were underway to introduce an Industrial Relations Forum which would potentially facilitate meetings with the

Teachers' representatives. In addition, a meeting of this Forum was scheduled for Friday 29 May 2020. Whilst the Board considered that they would be happy for the PSPA to attend the Forum, should they be invited, it was felt that the rationale for the setting up of the Teachers' Advisory Group should be re-visited as this was established specifically for communications around pension issues which the Industrial Relations Forum was not. It was agreed that there should be liaison with the Teachers' Advisory Group with a view to recommencing the meetings with them and that Mrs Poole-Wilson would take this forward on behalf of the Board.

- (iii) The Chief Executive advised the Board that the Death in Service Benefit Scheme relating to potential death in service benefits for former Key Worker public servants who had returned to work to assist with COVID-19 had been approved by Tynwald as part of the emergency legislation measures.

39/20 Risk Register Review

The Board noted the items on the Risk Register which had been updated in April and May 2020 and agreed that a full quarterly review of the Register should be undertaken at the next meeting.

40/20 Operations Report for Quarter 4

The Board noted the quarterly performance report for the fourth quarter of 2019/2020. The Director Operations advised that the performance level in relation to the Service Level Agreements for the fourth quarter had fallen to 75% which was mainly attributable to delays in receiving accurate data. These delays had similarly had an impact on the issue of Annual Benefit Statements for the year to 31 March 2019 and this was now delayed until June 2020. In addition, the Board noted that there had been 30-40 late payments of benefits which were attributable to the fourth quarter but which PSPA staff had not been able to process until the first quarter of 2020/2021 due to the late arrival of data from the employer.

The Board noted the Report and agreed that it may be published on the website.

Administration Issues

41/20

The Board received a report (PSPA paper no. 08/20) from the Data Project Manager in regard to administrative issues. The Board was advised that the Data Project Manager's secondment to OHR had been extended for a further three months so that the Executive continued to have access to the payroll system. There were less than 100 memberships which remained to be matched between the payroll system and Compendia and it was anticipated that this extended timeframe would allow for the completion of that task.

There was still a delay with the development of the Monthly Financial Information (MFI) report and it was still not known what the final version of this would look like. Issues had also come to a head in the past week and as a result an action plan had been drawn up to establish a daily process for starter and leaver data pending finalisation of the MFI report.

Overall, however, there were still significant concerns and reservations about the quantity and quality of the data which was coming through. The main driver is to

establish the MFI report but there is no date as yet for this being finalised.

It has been confirmed that whilst the PSPA may have access to pensioner payroll (as that is its data) the advice from both the Attorney General's Chambers and the Data Protection Officer is that it may not have access to the PiP payroll for active members.

The Director Operations remained hopeful that the new action plan would result in the PSPA receiving the urgent data it required to process the payments due to those members awaiting their benefits.

The Board, however, remained concerned that this issue had still not been resolved after several years and that the PSPA was being put in the position of not being able to properly discharge its statutory obligations and had been for some time. It was noted that previous action plans had progressed in the short term but there had not been commitment from OHR to recruit or retain staff who could be trained up for the longer term to maintain them. The Chief Executive advised that options for progressing this issue to a higher level through the appropriate channels, and in line with the correct protocols, were being explored by the Secretary to the Board. The Board requested that the Secretary revert to it, by way of a paper, identifying the appropriate remedies and options available to escalate the matter.

Audited Report and Accounts for the financial year to 31 March 2019

42/20

The Board were advised that the Annual Report and Accounts for the financial year to 31 March 2019 were now at the second review stage with the auditors, KPMG. It was intended that, subject to approval by both the Board and the Council of Ministers, they would be laid before Tynwald at its sitting in July 2020. It was agreed that KPMG should be invited to attend the meeting of the Board scheduled for 15 June 2020 to discuss the report and accounts, with a view to the Board approving and signing them on that date if appropriate.

Any Other Business

43/20

There were no further items of Any Other Business.

Date of next meeting

44/20

The next meeting will be held at 10.30am on Monday 15 June 2020.

There being no other business the meeting closed at 11.47 am.

Date