

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 2.30pm on 14 September 2020, 3rd Floor, Prospect House, 27-29 Prospect Hill, Douglas

Present:

PSPA

Mr J B Carter (Chair)
Hon. R Harmer, MHK (Vice Chair)
Mrs J Poole-Wilson MLC (via conference call)
Mr I Wright

In Attendance:

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

Apologies:

Mr I C W Burnett (Secretary)
Mrs D Halsall

Minute No.

64/20 Conflicts of Interest

There were no other conflicts of interest declared in addition to those previously recorded. It was noted that the two political members of the Board were also members of the PSC and that previously when items which impacted the PSC were discussed, they had each separately represented one of the two Boards, and that this would be born in mind in relation to the item on the agenda concerning Administration Issues.

65/20 Minutes

The minutes of the meeting of 13 July 2020 were approved and signed by the Chair.

66/20 Matters Arising

The following were matters arising from the minutes not covered by the agenda for this meeting:

- (i) The Chief Executive advised that the Annual Reports and Accounts for the Schemes for which the PSPA had responsibility, for the financial year to 31 March 2019, were laid before Tynwald, and approved, at its sitting in July 2020.
- (ii) The PSPA had received a "Letter of Undertaking" from the Treasury which confirmed the ongoing support for the schemes for the next three years.
- (iii) The Chief Executive advised that Treasury had approved the actuarial assumptions to be used for the 2019 valuations.

67/20 Administration Issues

The Director of HR Services, Anne Shorrock and the PSPA Data Project Manager attended the meeting for this item.

The Board had previously considered Paper 19/20, and associated Management Report, from the Data Project Manager.

MW confirmed that there were essentially issues in four main areas:

- The Starters Report (which was incomplete)
- The Leavers Report
- Movements from one assignment to another
- The Monthly Financial Information (MFI)

It was estimated that there were approximately 1200 “missing” leavers who had been identified by gaps indicated on the Annual Financial Information which had been received. The key elements to address were: preventing the data going further out of kilter; being able to satisfy entitlements to transfers; refunds; and CETVs; and solve the missing historic data. Part 11 of the report put forward proposals for resolving the issues.

The Director of HR Services highlighted the issue of the complexity attributable to the range of different terms and conditions and employment groups to be catered for in the reporting function of PiP. In addition, people moving within the organisation and those holding multiple assignments added further complexity.

It was now agreed that the reporting tool in PiP will not work for the function of providing MFI and, as such, OHR were going to use a different reporting tool as recommended by MHR. This revised reporting tool had proved deliverable with the blue light services in the UK but unfortunately OHR had only just become aware of it. OHR were jointly, with the PSPA, disappointed over the delays with developing the reporting function. An approach had been made to the PiP Steering Group for funding to be made available, however the first issue was to scope the requirements so until that was done they would not be in a position to give a likely delivery date.

Whilst acknowledging these comments, the Chair reiterated the Board’s previous concerns regarding the risk of a breach of its responsibilities in terms of Section 6 of the Public Sector Pensions Act 2011 and other overarching pensions legislation and emphasised that the Board could not opt out of its statutory obligations.

The Vice Chair commented on the fundamental need for the underlying base data to be coherent as without that a new reporting tool will make no difference.

The main concern from the PSPA’s perspective remained the availability of resources to undertake the work in relation to, for example, the provision of Gen 1/12s and the historic backlog, as this appeared to be vested in the same two people in OHR and if the work was to be completed that resource needed to be ring fenced for that activity and not redirected to other tasks. It was also noted that additional payroll/OHR resources would be required to address the requirements of the proposed new reporting tool and that provision of support from the existing OHR staff would be difficult and would need to be carefully managed. It was also considered that the PSPA would need an additional resource of perhaps two posts to deal with the data issues.

The Director of HR Services advised that there was no additional resource available in OHR which was currently experiencing underfunding in other areas of its operations such as recruitment and payroll. The indication was also that there would be no further funding from Treasury.

Due to the seriousness of the position in terms of the Board potentially being in breach of its statutory obligations and at risk of both the implementation of fines should cases be reported to the Ombudsman and reputational damage, it was agreed that a joint approach should be made to Treasury requesting additional funding for resources for both OHR and the PSPA to resolve the outstanding

issues.

The Director of HR Services and the PSPA Data Project Manager left the meeting at 3.12pm.

It was acknowledged that OHR were potentially in a difficult position in terms of requesting additional funding for PiP given that it was brought in on the basis of it achieving future savings for the organisation. It was agreed for the time being that the Board would not write to the PSC in line with the recommendation at point 27.a. in Paper 19/20 but the Executive would instead work on a joint approach to Treasury, from OHR and the PSPA, in the strongest terms given the potential statutory breach and cost implications for the PSPA, requesting additional funding for resources for both the PSPA and OHR.

68/20 Risk Register

The Board reviewed the Risk Register as at September 2020 and noted the changes.

69/20 Progression of a Voluntary Defined Contribution pension arrangement

The Board received a report from the Chief Executive (PSPA Paper No. 17/20 and Appendix 1 refers) providing an update in regard the progression of a voluntary Defined Contribution (DC) scheme.

The Director Operations advised the Board that a paper had been submitted to the Treasury which included a straw man design and associated cost modelling implications.

The question was raised as to the likely outcome in terms of number of joiners to such a scheme and it was considered that potentially it would be between 5-10% of employees given that many groups of public servants were used to a defined benefit pension. It was also considered that the views of the unions would be an influencing factor in this.

In terms of costs to the organisation, if only a small number of members joined a DC scheme the cost to the organisation would be manageable.

A question was raised concerning certain columns on the modelling spreadsheet and the Chief Executive and Director Operations agreed to review the modelling figures used. In the meantime, the PSPA were waiting for the response from Treasury and would then revert to the Board with the outcome. The next steps would be referral to COMIN and workshops for Tynwald members in October/November 2020.

It was noted that the TAG group have asked to have sight of the costing scenarios and it was agreed that the Treasury response should be reviewed by the Board first before responding to TAG's request for this and other information.

70/20 Cost Sharing Update

The Board received a paper from the Chief Executive (PSPA Paper No. 18/20 and Appendices 1 and 2 refer) updating the Board on the progression of cost sharing now that the legislation has been approved. It was noted that there were issues with cost sharing for the Judicial and Police schemes due to the small number of members in each of these schemes which meant that a small number of, for example, ill health retirements could skew the overall costs of the scheme.

The feedback from the Judiciary was that cost sharing should be introduced once the transition period for their contributions increases was complete. However, the Executive considered that this should not preclude the relevant legislation

being introduced at an early stage even if it was not to take effect for some years. Discussions with the Judiciary are therefore ongoing.

The Chief Executive advised that the Executive was working with a local firm of animators to produce an "animation" clip which could be used to help to explain cost sharing to members.

It was agreed that the 2013 valuation assumptions should be used for the cost sharing baseline position as at 31/3/16 (with an appropriate short review of some of the demographic assumptions by the PSPA actuaries) but that both the Treasury and the TAG Group should be consulted on the assumptions first before being finalised by the PSPA.

71/20 Operations Report for Quarter 1

The Board noted the quarterly performance report for the first quarter of 2020/21 and wished to acknowledge the work of the teams during the challenging times of Lockdown and working remotely.

PSPA Audit for the financial year ending 31 March 2020

72/20

The Board received a verbal update from the Governance and Legislation Manager in relation to the commencement of the audit for 2019/20 by PWC.

73/20 Any Other Business

- (i) The Governance and Legislation Manager requested the completion of Declaration of Relationship forms by the Board as these would be required by the auditors.
- (ii) The Board were advised that the Annual Benefit Statements for the year to 31 March 2019 had been issued in July 2020.
- (iii) The Chief Executive advised the Board of the forthcoming retirement of the Assistant Secretary.

Date of next meeting

74/20

The next meeting will be held at 3.15pm on Monday 5 October September 2020 with the meetings for the remainder of 2020 being held on Monday 9 November 2020 at 2.30pm and Monday 14 December 2020 at 2.30pm.

There being no other business the meeting closed at 4.18 pm.

_____ **Date** _____

