The Superannuation (Manual Workers) (No.1) Scheme 1973

Public Sector Pensions Authority
Annual Report and Accounts
for year ended 31 March 2020

Isle of Man Government

Reiltys Ellan Vannin

Contents

1. Introduction

1.1 The Public Sector Pensions Authority (PSPA) was established in 2012, as the Statutory Board responsible for the administration and management of the majority of public sector pension schemes (the 'schemes') as defined in the Public Sector Pensions Act 2011 (the 'Act').

1.2 Board Members are appointed by the Council of Ministers and comprise of a legally qualified Chair, who is independent of employer and employee interests, two Members representing the interests of employers, one being the Chair of the Public Services Commission, who is also the Vice-Chair of the PSPA. Two further Members represent the interests of employees, one being nominated by the Isle of Man Trades Council and the other by any other Isle of Man trade union body representing the interests of public sector employees.

1.3 The Board operates in a similar way to a corporate trustee for a private sector pension scheme, with the Board members representing the interests of all the schemes' beneficiaries and not solely the interests of the body or union that nominated them. However, the Board is not constituted as a Trustee Board and does not therefore have the same fiduciary responsibilities.

1.4 Under the Act, the PSPA is responsible for ensuring that the schemes are properly maintained and administered. The Board meets on a regular basis to consider management and administrative matters, delegating the day to day management and administration to the officers of the PSPA.

1.5 Under the Act the functions of the PSPA include:

- Administering and managing the majority of the public sector pension schemes established in the Island;
- Acting as a policy adviser to the Council of Ministers on the superannuation of public sector employees;
- Making and amending public sector superannuation schemes, subject to Tynwald approval; and
- Preparing annual accounts hereafter referred to as financial statements, relating to those schemes it administers and manages.

1.6 The Isle of Man Treasury and Cabinet Office provide the PSPA with finance and payroll services. In practice, the PSPA coordinates and administers the calculation and set up of expenditure and monitors income, whilst the Treasury makes payments and receives funds from contributions and transfers to the Schemes.

PSPA's Mission Statement

1.7 To deliver high quality pension and other superannuation benefit services, which are customer focused and cost effective for all stakeholders.

PSPA's Management and Administration Costs

1.8 In accordance with section 9(3)(c) of the Act, the cost for the management and administration of the schemes must be paid by the PSPA out of monies provided by Tynwald or from such

other sources of funding as is approved by Tynwald. These costs are not reflected in the annual report and financial statements of the individual schemes.

2. Public Sector Pensions Authority Board

Mr J Carter, LLB Chair (Independent)	Re-appointed 12 January 2017

PSPA Members representing the interests of Employers

Hon. C C Thomas, MHK Vice Chair	Resigned 27 May 2020
Hon. R Harmer, MHK Vice Chair	Appointed 3 June 2020 - Resigned 23 September 2021
Hon. K Lord-Brennan Vice Chair	Appointed 24 September 2021
Mrs J Poole – Wilson MLC	Appointed 22 March 2018 - Resigned 23 September 2021
Mr Rob Mercer MLC	Appointed 24 September 2021

PSPA Members representing the interests of Employees

Mr I Wright	Appointed 28 June 2018
Mrs D Halsall	Appointed 26 July 2018

3. Public Sector Pensions Authority Advisers

Scheme Management and Administration
Public Sector Pensions Authority
3rd Floor Prospect House
27-29 Prospect Hill
Douglas
Isle of Man IM1 1ET

Financial and Payroll Services
Office of Human Resources
Payroll Team
Cabinet Office
Illiam Dhone House
Circular Road
Douglas
Isle of Man IM1 3AG

Scheme Actuary
Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Independent Auditor
PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas
Isle of Man IM1 1SA

Bankers (via Treasury)
Isle of Man Bank
2 Athol Street
Douglas
Isle of Man IM99 1AN

4. Public Sector Pensions Authority Board's Report

4.1 The Superannuation (Manual Workers) (No.1) Scheme 1973 (the 'Scheme') is a public sector pension scheme which commenced on 1 January 1973.

4.2 The Scheme is an unfunded, contributory, voluntary membership, defined benefit scheme which provides retirement, death and dependants' benefits for qualifying members. The Scheme is not contracted-out and is integrated with the state basic old age pension.

The Rules Affecting the Scheme

4.3 The Rules governing the management and administration of the Scheme came into operation on the 1 January 1973. Amendments to those Rules in 1979 and 2009 have been approved by Tynwald.

Sponsoring Employers

4.4 On 31 March 2020, there were no active members, only pensioners and deferred members with preserved benefits. As such, there were no sponsoring employers.

Information about the Scheme

4.5 Information about the Scheme is provided in the Member Guide, available from the PSPA.

Benefits of the Scheme

4.6 Benefits under the Scheme, including pensions and lump sums, are calculated using final pensionable pay and length of pensionable service.

4.7 Further information about the Scheme's benefits is contained in the Member Guide on the website, which addresses matters such as early retirement, protection for members' families and lump sums.

Annual Pension Increase

4.8 Pension increases are made in accordance with the Pensions (Increase) Act 1974, by way of the Isle of Man Treasury's Pensions Increase (Annual Review) Order. The Order is made under Section 59 of The Social Security Pensions Act 1975, as it has effect in the Isle of Man, which requires the Isle of Man Treasury to increase the annual rate of an "official pension" by the same percentage as it is raised by the Secretary of State for Work and Pensions in the United Kingdom.

4.9 Pension increases are linked to those for additional state pension, such as the State Second Pension, and any uprating takes into account the rate of UK inflation over the previous year to September.

4.10 The pension increase on 8 April 2019 was in line with the UK's Consumer Prices Index for the 12 months to September 2018, and this was 2.4%.

Membership Information

4.11 The Scheme was closed to new members from the 1 April 1977. At this time, the scheme membership was for certain manual workers employed by the Isle of Man Government, who on 1 January 1973 were males under 45 years of age and females under 40 years of age. Active members at this date were given the opportunity to join an alternative public service scheme, the then Manual Workers Superannuation Scheme 1977, members of which are now in the Isle of Man Government Unified Scheme 2011.

4.12 Details of the membership of the Scheme are as follows:-

	31 March 2020	31 March 2019
Active members	0	0
Deferred members with preserved benefits	4	4
Pensioners	64	64
Total members	**68**	**68**

Movements within the Scheme's Deferred Membership during the Year

Deferred members	2019/20	2018/19
Deferred membership on 1 April	4	4
Retirements	0	0
Deferred members on 31 March	**4**	**4**

Movements within the Scheme's Pensioner Membership during the Year

Pensioner members	2019/20	2018/19
Pensioner members on 1 April	64	68
Late notifications/data alterations/misc. correction	0	0
Additions		
Widows/widowers/dependents	1	0
Reductions		
Deaths in retirement	(1)	(4)
Pensioner members on 31 March	**64**	**64**

Note: The figures include Pensioners, Child Pensions, Widow/Widower Pensions, Injury Pensions/Awards and Additional Pension beneficiaries.

Tax Status

4.13 Full tax relief is granted on the employers' and members' contributions paid to the Scheme.

4.14 The Income Tax (Approved Pensions Schemes)(Trivial Commutation Lump Sums)(Amendment) Regulations 2018 approved by Tynwald in February 2018, increased the trivial commutation limit from £50,000 to £100,000.

National Insurance Status

4.15 The Scheme was initially 'contracted-out' of the State Second Pension Scheme (S2P) up until the 6th April 1997. During the contracted-out period the employer and employee paid lower National Insurance (NI) contributions, but did not build up credits towards 'Additional Pension' S2P.

4.16 When the Scheme became 'contracted-in', both the employer and employee paid higher NI contributions; in return employees began to earn credits towards S2P.

4.17 At pensionable age the pension is reduced by 1/45th of the annual rate of a single person's State Pension for each year of service subject to a limit of 1/80th of one and a half times the National Insurance lower earnings limit for each year of service. Therefore, the Scheme is "integrated" with basic state pension and has always been established on this basis.

Funding Status

4.18 The PSPA has undertaken an assessment of the future funding of all the schemes it manages and administers on a collective basis. The PSPA expects the schemes, including this Scheme, to continue operating on an unfunded basis for the foreseeable future, with any shortfall between income and expenditure being funded by the Treasury.

Accounting Records

4.19 Prior to 1 April 2012, the Scheme's accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements.

4.20 Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pensions Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Statement of PSPA's Responsibilities for the financial statements

4.21 The financial statements, which are prepared in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"), are the responsibility of the PSPA. The Public Sector Pensions Act 2011 requires the PSPA to make available to the Council of Ministers audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than the liabilities to pay relevant benefits after the end of the scheme year;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- contain the information specified in the Public Sector Pensions Act 2011.

4.22 The PSPA has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis. The PSPA is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern;
- using the going concern basis of accounting unless they either intend to close the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of an annual report, information about the Scheme, which they should ensure is consistent with the financial statements it accompanies.

4.23 The PSPA is responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schemes rules or contracts under which they are payable, and with the recommendation of the scheme actuary.

4.24 The PSPA also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

4.25 The PSPA is responsible for the maintenance and integrity of the PSPA website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Further Information

4.26 The Isle of Man Government Unified Scheme (Amendment) Scheme 2017, was approved with amending motion at February 2017 sitting of Tynwald. The following related to this Scheme:-

- that the PSPA and Treasury should further investigate options for managing the legacy position in the long term in order to report back to the Council of Ministers so that it can put forward full options and proposals to Tynwald by November 2017. In July 2018 Tynwald considered a PSPA report which included proposals for managing the legacy funding gap, with a further report being submitted in March 2019. Action points from the report, including the establishment of a voluntary defined contributions pension scheme, to be approved by Tynwald, are currently being addressed with a further report being done after the next election.

4.27 Enquiries about the Scheme generally, or about an individual member's entitlements to benefit, should be addressed to:-

Scheme Administrator
Public Sector Pensions Authority
3rd Floor Prospect House
27-29 Prospect Hill
Douglas
Isle of Man
IM1 1ET

Mr J Carter, LLB
Chair, PSPA
22 December 2021

Hon. K Lord-Brennan, MHK
Vice Chair, PSPA
22 December 2021

5. Actuarial Statement

Addressee and Purpose

5.1 This statement has been prepared for the Public Sector Pensions Authority ("PSPA"). The purpose of this statement is to set out the disclosures required for the 2019/20 Annual Report and Accounts of The Superannuation (Manual Workers) (No.1) Scheme 1973 ("the Scheme").

Description of the Scheme

5.2 The Scheme is one of a number of unfunded defined benefit schemes with relatively small numbers of members in the Isle of Man that are governed by the PSPA.

Background to the Scheme

5.3 The Scheme was closed to new entrants from 1 April 1977. As at 31 March 2019 there are no active members in the Scheme.

Principal Actuarial Assumptions and Method used to Value the Liabilities

5.4 The financial and demographic assumptions adopted are consistent with those used for the actuarial valuation of the PSPA pension schemes as at 31 March 2019. Details are set out below.

5.5 Data provided by the PSPA for the purpose of the 2019 actuarial valuation was used in the preparation of this statement.

Method

5.6 The liabilities were assessed using an accrued benefits method.

Assumptions

5.7 The same financial and demographic assumptions were adopted for all PSPA pension schemes at the 2019 valuation.

5.8 The key financial assumptions adopted are set out overleaf.

Financial assumptions	31 March 2019	
	% p.a. Nominal	% p.a. Real
Discount rate	4.5%	2.5%
Pay increases	4.0%	2.0%
Price inflation/pension increases	2.0%	-

5.9 The key demographic assumption is the allowance made for longevity. The life expectancy assumptions are based on the Club Vita tables used for the 2019 valuations, with future improvements based on the CMI 2019 projections model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.5% p.a.

5.10 Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.2 years	23.5 years
Future pensioners	24.1 years	26.0 years

** Future pensioners are assumed to be 45 at the 2019 valuation.*

Other Demographic Assumptions

5.11 The Scheme has no active members as at 31 March 2019. As such, we have not allowed for any pre-retirement events occurring and assume that members in deferment then retire upon their Normal Retirement Age.

5.12 Family details – A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. Males are assumed to be 3 years older than females.

5.13 Cash commutation – Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 90% of the maximum amount permitted.

Value of Past Service Liabilities as at 31 March 2019

5.14 The PSPA commissioned an actuarial valuation of the Scheme as at 31 March 2019. This valuation revealed the past service liabilities of the Scheme as at 31 March 2019 to be £5.22 million. A breakdown of this is provided in the table below.

	Past Service Liabilities £000
Active Members	-
Deferred Members	261
Pensioner Members	4,954
Total	**5,215**

5.15 Technical Actuarial Standard (TAS)[1] 100 is applicable in relation to this report.

Robert Bilton FFA

Robert Bilton FFA
For and on behalf of Hymans Robertson LLP
Scheme Actuary

Signature:

Email: [redacted]

[1] Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

6. Independent auditor's report to the Public Sector Pensions Authority in respect of The Superannuation (Manual Workers) (No.1) Scheme 1973

Report on the audit of the financial statements

Our opinion

In our opinion, the Superannuation (Manual Workers) (No.1) Scheme 1973 financial statements:

- give a true and fair view of the amount and disposition of the assets and liabilities of the Scheme at 31 March 2020, other than liabilities to pay relevant benefits after the end of the year, and of the financial transactions of the Scheme during the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in the Public Sector Pensions Act 2011.

What we have audited

The Superannuation (Manual Workers)(No.1) Scheme 1973 financial statements comprise:

- the statement of net assets available for benefits as at 31 March 2020;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The other information comprises all of the information in the Annual Report and Accounts other than the financial statements and our auditor's report thereon and our statement on contributions. The Public Sector Pension Authority is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Public Sector Pension Authority for the financial statements

The Public Sector Pension Authority is responsible for the preparation of the financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards and Isle of Man law, and for such internal control as the Public Sector Pension Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Public Sector Pension Authority is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Public Sector Pension Authority either intends to close the Scheme or to cease operations, or has no realistic alternative but to do so.

The Public Sector Pension Authority is responsible for overseeing the Scheme's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Public Sector Pension Authority.
- Conclude on the appropriateness of the Public Sector Pension Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Public Sector Pension Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion, has been prepared for and only for the Public Sector Pension Authority in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC

Chartered Accountants

Douglas, Isle of Man

22 December 2021

7. Fund Account for the Year Ended 31 March 2020

	Notes	2020 £000	2019 £000
Benefits and other outgoings			
Benefits	9.15	(354)	(351)
Net withdrawals from dealings with members		(354)	(351)
Net assets of the Scheme at 1 April		0	0
Cancellation of current assets and current liabilities	9.4 to 9.7, 9.13	354	351
Net assets of the Scheme at 31 March		**0**	**0**

7.1 The notes on pages 19 to 22 form part of these financial statements.

8. Statement of Net Assets Available for Benefits as at 31 March 2020

	Notes	2020 £000	2019 £000
Current assets	9.4 to 9.7, 9.13	0	0
Current liabilities	9.4 to 9.7, 9.13	0	0
Net assets available for benefits		**0**	**0**

8.1 The notes on pages 19 to 22 form part of these financial statements.

8.2 The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the PSPA. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the actuarial statements on pages 12 to 13, and these financial statements should be read in conjunction with them.

8.3 These financial statements were approved by the PSPA Board on 22 December 2021

Mr J Carter, LLB
Chair, PSPA
22 December 2021

Hon. K Lord-Brennan, MHK
Vice Chair, PSPA
22 December 2021

9. Notes to the Financial Statements for the Year Ended 31 March 2020

Statement of Compliance with FRS102

9.1 The financial statements have been prepared in accordance with applicable Isle of Man law, United Kingdom Accounting Standards ('UKAS'), including the Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised May 2018)(the "SORP"), and comply with UKAS to the extent that it is considered to be appropriate for an unfunded pension scheme.

Basis of Accounting

9.2 Prior to 1 April 2012, the legacy schemes' accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements. The PSPA and Treasury agreed that historic debtor and creditor balances between the legacy schemes, the sponsoring employers and the Treasury would be cancelled as the legacy schemes' accounting records contain insufficient information on these balances at the date these schemes closed, being 31 March 2012.

9.3 Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pension Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Accounting Treatment – Cancellation of Current Assets and Current Liabilities

9.4 The Scheme operates on an unfunded basis and as such a separate fund has not been established from which the Scheme can pay the members' benefits and other out-goings.

9.5 As a consequence, the PSPA and Treasury have agreed that with effect from 1 April 2012 that neither party will seek the payment of the amounts due from the other party being:

- Amounts due to the PSPA, mostly contributions which have been collected by the Treasury and paid into the Isle of Man Government's General Reserves; and
- Amounts due from the PSPA to the Treasury, mostly members' benefits and other out-goings paid by the Treasury.

9.6 This agreement is subject to the Treasury continuing to provide sufficient additional funding, to meet the Scheme's financial obligations to pay pensions and benefits as they fall due after the end of the Scheme year.

9.7 The financial statements and the notes to the financial statements have been prepared on this basis. The cancellation of these balances occurs annually, as reflected in the fund account. The PSPA has concluded that this accounting treatment presents fair and true view of the Scheme's financial position and financial performance.

Accounting Policies

9.8 The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

Currency

9.9 The Scheme's functional currency and presentational currency is pound sterling (GBP).

Other Payments

9.10 Administrative expenses are borne by the PSPA and have not been reflected in these financial statements.

Funding of Current Year Benefits and Other Outgoings

9.11 Benefits and other out-goings are funded on a 'pay as you go' basis, using funding provided by the Treasury, including transfers from the Public Service Employees Pension Reserve ('PSEPR'), a non ring-fenced reserve of the Isle of Man Government.

Benefits

9.12 Pensions in payment are accounted for in the period to which they relate. Other benefits are recognised on a similar basis being on the date of retirement, death or leaving the Scheme as appropriate. The objective is to ensure that all benefits that fall due for payment in the accounting period are recognised in the financial statements.

	2020 £000	2019 £000
Pensions	(354)	(351)
Commutations and lump sums	0	0
Benefits Total	**(354)**	**(351)**

Cancellation of Current Assets and Current Liabilities

9.13

	2020 £000	2019 £000
Contributions due from sponsoring employers to the Scheme	0	0
Amounts due from the Scheme to the Treasury in respect of benefits and other payments	(354)	(351)
Cancellation of current assets and current liabilities Total	**(354)**	**(351)**

Related Party Transactions

9.14 Related party transactions and balances comprise:

- During the financial year there was no serving PSPA members, or their close family, who were active, deferred or pensioner members of this scheme. (2018/19: no active, deferred or pensioner members);

- The provision of administrative services by the PSPA and Treasury was without recharge to the Scheme (see note 9.10); and
- Fees and expenses of £7,200 (2019: £7,200) paid by the PSPA, on behalf of all the Schemes that it administers to certain PSPA members that were not in the current employment of any of the sponsoring employers.

Contingent Liabilities and Commitments

9.15 In the opinion of the PSPA the Scheme has no contingent liabilities and commitments other than those items disclosed elsewhere in the financial statements.

Investment Risk

9.16 The Scheme holds no financial assets in its own right and, as stated in the "Accounting treatment – Cancellation of current assets and current liabilities" section amounts due to and from the Treasury are cancelled on an annual basis, as reflected in the fund account. As a consequence, no disclosure of information is required by FRS 102.

Future funding

9.17 The PSPA has performed an assessment of when the contractual obligations to pay pensions and benefits will fall due after the balance sheet date and, how these contractual obligations will be funded. This assessment has been performed on a combined basis for all public sector pension schemes (the 'schemes') as defined under the Public Sector Pensions Act 2011 (the 'Act').

9.18 The policy adopted in the 2017 Isle of Man Government Budget and Five Year Financial Plan is to cover the 'funding gap' between the overall cost of pensions and the contributions to the schemes through utilisation of the Public Service Employees Pensions Reserve. Once that reserve is depleted, there is an anticipated additional £45m pressure on the general revenue position, which the Five Year Financial Plan will allow to be accommodated within the revenue targets through a combination of income growth, expenditure restraint and cost savings over that period.

9.19 There continues to be a legacy funding gap between the schemes' cash payments and cash receipts as described in the Cabinet Office paper called 'Public Sector Pensions – Addressing the Legacy Funding Gap', which was informally discussed with Tynwald Members and alluded to in the pensions debate and Motion in June 2016 Tynwald. The work undertaken by the Cabinet Office indicated that:

- Government funding will need to increase annually, reaching a forecast £155.6m by 2034/35; and that
- Government funding will continue to be met through a combination of transfers from General Reserves and the non ring-fenced Public Service Employees Pension Reserve ('PSEPR') until the PSEPR is exhausted in 2022/23 (based on current budget projections). The PSEPR's market value at 31 March 2020 was £81 million (2019: £110 million).

9.20 The PSPA had supported the work of Treasury and the Cabinet Office to develop options for managing the legacy funding position. Detailed work on the legacy funding gap, the historic difference between contribution income and expenditure, which commenced after the 2016 valuation of schemes was completed with the assistance of the PSPA actuaries. Although the

scope of possible options had been developed beforehand, this extremely technical piece of work required detailed actuarial input in order to be as precise as possible on the implications of the options being explored. A report was submitted to Tynwald in July 2018, with a further report being submitted in March 2019 and Tynwald approved the introduction, in the future, of a voluntary defined contribution scheme by 31 December 2020, once further cost assessments have been undertaken with Treasury and a design and communication budget plan has been put in place and that its take up should be monitored over a 3-5 year period. In addition, Tynwald approved that the PSPA continues to manage future costs via regular actuarial valuation assessments and the introduction of a Cost Sharing mechanism across all unfunded public sector schemes, with the exception of the Scheme, which has no active members.

9.21 Irrespective of any uncertainties over the future funding arrangements for the Schemes based on the Isle of Man Government's future financial projections, the PSPA has concluded that the schemes can continue to meet their contractual obligations as they fall due with any shortfall between income and expenditure being funded by the Treasury.