

## **In Confidence**

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held via MS Teams, at 1.45pm on 8 March 2021.

**Present:**

**PSPA**

Mr J B Carter (Chairman)  
Mr R Harmer, MHK (Vice Chairman)  
Mrs J Poole-Wilson MLC (14.00)  
Mr I Wright  
Mrs D Halsall

**In Attendance:**

Mr I T Murray  
Ms K C Brondon  
Mrs R Hussey (Secretary)  
Mrs M Ludwig-Looney (Assistant Secretary)

**Apologies:**

**Minute No.**    **Minute**

**Introduction**

Mrs Marta Ludwig-Looney was introduced to members of the Board and the Board was advised that going forward Mrs Ludwig-Looney would be responsible for taking the minutes and other administration functions associated with Board meetings.

**01/21    Conflicts of Interest**

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

Mrs Halsall advised that she had already declared that she was a deferred member of GUS and that [REDACTED] was an active member of GUS.

**02/21    Minutes**

The minutes of the meeting held on 14 December 2021 were approved and arrangements would be made to have them signed outside of the meeting.

**03/21    Matters Arising**

i.    Tynwald Members consultation update ( minute 95/20 refers)

The Board noted that the 4 week consultation period had commenced and that a number of members had contacted the CEO for either clarification or additional information and that he had offered to meet with individuals (via MS Teams) should they wish to do so.

ii.    Voluntary Defined Contribution Scheme - VDC ( minute 89/20 refers)

The Board received a verbal update from the Deputy CEO in respect of the matter; the Board noted that the matter remained with Treasury, primarily due to the fact that issues relating to the recent Budget and the COVID 19 situation were taking priority.

The Deputy CEO advised that she would provide Treasury with a timely

reminder in the next few weeks.

iii. Isle of Man Government Unified (Amendment )(No2) Scheme) (minute 87/20 refers)

The Deputy CEO advised that the legislative amendments continued to be reviewed by Chambers and that the Bank Legislation Drafter was assisting with the process.

The Board noted that the delay was partially due to the Tynwald Members Scheme taking priority, which had been dictated by Treasury's time frame.

The Deputy CEO reminded the Board that the majority of amendments were either administrative or were required due to legislative changes.

The Chair queried whether the consultation periods of the respective schemes were sufficient given the current circumstances, being of the view that there may be some individuals who may require additional time due to personal circumstances.

The Board noted that in respect of the GUS (Amendment )(No2) Scheme), the consultation period was 3 months, the usual period being 6-8 weeks and that whilst the changes to the Tynwald Members Scheme were straight forward, the PSPA would not be averse to the consultation period of 6 weeks being extended if requested to do so.

**04/21 Actuarial valuation assumptions – issue raised by the PSPA auditors, PWC.**

The Board noted that it had previously considered a paper from the Chief Executive (PSPA Paper No. 01/21 and Appendix 1 refers) which provided the Board with guidance with regard to a query in connection with the Discount Rate assumption posed by the PSPA's Auditors, PWC.

In addition the Board noted that it had agreed by email round robin that no further action was required with regard to the Discount Rate assumption at this stage and that the Appendix attached to the paper should be forwarded to the auditors.

Jane Poole-Wilson joined the meeting at 2pm

The CEO advised that he had forwarded the Appendix to the Auditors and whilst the Auditors had advised him of adjustments made to the assumptions in the UK, the adjustments were not judged sufficient to change the response already furnished to the Auditors.

**05/21 Update on timescales and work in connection with the baseline Cost Sharing valuations due at 31/3/16 and triennial Actuarial Valuations due at 31/3/19**

The Board received paper PSPA No. 02/21 from the Chief Executive, updating the Board in regard to the timescales and next steps involved in the baseline Cost Sharing valuations and triennial Actuarial Valuations.

The Board noted the next steps and timescales with regard to the Actuarial

Valuations of the schemes as well as for the baseline Cost Sharing valuations for the Unified and Teachers Schemes.

The CEO advised that there had been an element of slippage to the given time scales primarily due to the amount of data which had to be processed, line by line, by the actuaries.

The Board acknowledged the concerns of the CEO, particularly in respect of the length of time it was taking in bringing the valuation process to conclusion and noted that the process would recommence in 2022.

The Board agreed to the CEO's suggestion that an action plan be drafted over the next few months with the aim of reducing the time taken to undertake and complete the process as well as reviewing the current processes with a view to making them more efficient.

In addition, the Board agreed to the CEO's suggestion that Hyman's join the April Board meeting via MS Teams in order that they could contribute to the discussion on the valuation results.

**06/21 Baseline Cost Sharing valuations – other Demographic Assumptions review**

The Board considered paper PSPA no. 07/21 from the Chief Executive outlining the results of the other demographic assumptions review undertaken by Hymans Robertson in respect of the baseline Cost Sharing valuations for the Government Unified and Teachers' Schemes.

The CEO provided a brief verbal synopsis of the report, the methodology used by Hymans and advised that whilst there were slight differences in respect of 'expected' and 'actual', the differences were not significant enough to skew the assumptions nor to affect the baseline position.

The Board noted the conclusions of the Hymans report attached at Appendix 1 of the paper and subsequently made a number of observations, particularly in respect of Ill Health Retirement (IHR) and Death in Service assumptions.

In addition, the Board expressed concerns in respect of the short 3 year review period for some of the assumptions, but acknowledged that the necessary records were not available prior to 2013 and that the assumptions would be refined in the future as more comparison data became available over time.

The Board also noted that pre GUS, there was only one level of IHR for most schemes and not two, with the consequence that the IHR threshold pre GUS may have been easier to obtain and costs might have therefore been higher.

After further discussion the Board determined that Hymans should revisit the review of pre-retirement demographic assumptions for IHR only with a view to moving the IHR assumptions used nearer to the actual experience.

Whilst expressing the wish to be open and transparent with the TAG group and the Teaching unions, the Board determined that it wished to see the revised

'report' or update on the position before sharing it with the respective parties.

**07/21 Cost Sharing Video (minute 93/20 refers)**

The cost sharing video was deferred to the April Board meeting, however in the interim officers would endeavour to investigate whether there were alternative means for the Board to view the short video clip.

**08/21 Public Sector Administration (Fees) (Amendment) Order 2021**

The Board considered paper PSPA No. 04/21 from the Finance Executive, requesting that the Board consider and approve the making of the Public Sector (Fees) (Amendment) Order 2021.

The Deputy CEO provided the Board with a brief background to the matter and the rationale for proposing an increase in the fees.

After consideration and discussion, the Board agreed:

- To the proposed increased fees/charges within the paper
- That the PSPA consult on the proposals, for a period of not more than 6 weeks, with the relevant parties, to include Treasury and Attorney General's Chambers.
- Subject to any changes, the Fees Order being laid before Tynwald in June 2021

The Deputy CEO advised that the June date maybe later given the current situation.

The Board noted that the views of the Courts, Law Society and a number of individual Advocates would be sought as part of the consultation exercise.

The CEO confirmed to the Board that, once the order was in place, the revised fees would only apply to new cases and that the previous fees would apply to cases in progress.

**09/21 Unpaid Ordinary Maternity Leave and Pensionable Service**

The Board considered PSPA paper no. 06/21 from the Legislation and Compliance Manager which informed the Board of the requirement to change GUS and Teachers' Superannuation Order 2011 Scheme rules in respect of unpaid Ordinary Maternity Leave, in order that this period of unpaid family leave became treated as pensionable service.

The Board noted that the effective date was to apply retrospectively to 30 September 2007.

During discussions the Board noted:

- the rationale for the required changes and that the changes, to the scheme rules, were required to comply the Equality Act 2017

- that the PSPA were currently seeking ways in which the affected women could be identified, with a view to them being contacted

After further discussion the Board determined that further specialist legal advice should be sought in respect of who might meet the costs of back dated pensionable service, whether unpaid ordinary adoption leave should be treated in the same manner as ordinary maternity leave and in respect of any other associated issues.

The Board expressed the view that regardless of who met the cost, it would be Isle of Man Government who ultimately met the cost and therefore once the number of individuals were known and the likely cost implications, Treasury should be informed of this cost liability.

The Board expressed the view that whilst the PSPA had an obligation to change the appropriate scheme rules, given that the change was required by the Employment Act 2007, the matter going forward should be employer driven and suggested that an OHR/PSPA joint working group be set up in order to resolve this matter.

The Board noted that work continued within the PSPA in attempting to identify these women and it was agreed that public sector unions could be contacted at a future date to be determined with a view to them sending out a members notice requesting that women who had been on periods of unpaid ordinary maternity leave since 30 September 2007, should contact the PSPA.

After further discussion the Board determined that:

- specialist legal advice should be sought in respect of the matter
- the PSPA to liaise with OHR with a view to forming a joint working group
- Treasury be contacted once numbers and an estimated cost impact is known
- the Chief Secretary is apprised of the situation, advising him that legal costs will be incurred by both OHR and the PSPA in order to resolve this issue
- Trade unions may issue a note to members in the future as and when agreed by the Board.

The Board whilst acknowledging that there had been no actual financial loss yet to individuals given most would have not yet retired, gave a commitment that the matter would be addressed and rectified.

The CEO advised that the PSPA were liaising with OHR on 2 other equality issues and that in time they would be brought to the attention of the Board.

## **10/21 Operations Report for Quarter 3, 2020/21**

The Board noted the operations report for quarter 3 2020/21 and that performance levels had slightly decreased since the last report, but that performance was still over 75%

The contents of the report were discussed and in particular:

- Ongoing data issues
- Annual Benefit Statements (ABS)

The Deputy CEO advised the Board of the various difficulties and challenges faced by the team during the ABS process and whilst a number of possible improvements had been identified, it had to be acknowledged that next year's ABS process would still be challenging.

The Board whilst noting that there had been a slight decrease in performance was of the view that staff had performed extremely well in difficult circumstances over the past 12 months and requested that their views be made known to staff and that staff be thanked for their efforts.

The Deputy CEO advised that despite some of the admin systems not lending themselves to remote working the staff had responded well to the current and previous lock down.

## **11/21 Administration Issues (minutes 97/20, 84/20 and 78/20 refer)**

The Board considered and noted PSPA paper no. 05/21, updating the Board on the progress made in relation to the issues regarding the provision of data from OHR.

The CEO and Deputy CEO provided clarification to points raised by the Board.

The Board noted that the situation continued to slowly improve and OHR continued to positively engage with the PSPA at 2 levels i.e. both at senior management level and operational level.

However, the Board noted that there were still issues in respect of starters and leavers' reports and that progress remained erratic.

Discussions then turned to MFI issues and in particular the quality of information provided and the timeliness of the information

The Deputy CEO re-iterated the problems associated with the current MFI issues in respect of the 2019/20 Annual Benefit Statements and advised that whilst a number of potential improvements in respect of the process had been identified, the service and pay data in respect of the 2020/21 financial year would again be provided as an annual submission(AFI).

The Deputy CEO confirmed that whilst the PSPA had a SLA with OHR in respect of Gen1/12s it did not have an SLA in respect of MFI.

Discussions then turned to who would be financially liable should the PSPA be fined by the Pension Ombudsman for failure to supply a scheme member with an estimate of benefits within a prescribed time frame, when the delay was due to OHR not providing the necessary financial data in a timely manner.

The CEO advised that the majority of claims to the Pension Ombudsman were in respect of financial loss and that in most cases the PSPA could resolve any issues short of financial loss should a scheme member contact the PSPA.

The Board noted that recruitment to the Data Project Team had been delayed by approximately 6 weeks due to more pressing operational issues; however the recruitment process was now underway.

## **12/21 Governance Issues**

The Board considered PSPA paper no. 03/21 from the Legislation and Compliance Manager providing the Board with an update with regard to the action points that came from the Governance Review Sub Group's Governance workshop with Bucks and seeking the Board's concurrence to update the PSPA

Governance Statement and associated documents.

After considering the paper, the Board agreed to:

- i. The revised Governance Statement (Appendix A of the paper), subject to minor amendments being made
- ii. The revised Register of Members Interests (Appendix B of the paper)
- iii. A Conflicts of Interest Register being adopted (Appendix C of the paper)
- iv. The revised Register of Members Interests document being circulated to Board members for completion.

**13/21 Governance Workshop**

Given that the Board meeting was conducted by way of MS Teams via different devices, the Board considered and noted slides of a presentation entitled Conflicts of Interest, by the Compliance and Legislation Manager, rather than receive a formal presentation.

The subject matter of the slides being:

- Conflicts of Interest – the Legal requirements
- Actual and Potential conflicts of interest
- Perceived conflicts of interest
- How conflicts perceived or otherwise could arise
- The consequences of not managing them in a timely manner

Officers of the PSPA provided clarification to points raised by the Board.

There was a brief discussion in respect of perceived conflicts of interest, how they may manifest themselves and how a third party may interpret the circumstances.

The Board acknowledged that in a compact jurisdiction like the Isle of Man, it was important to be appropriately robust and not overly sensitive.

**14/21 Meetings Being Quorate**

The Chair thanked Board members for their efforts in attending the meeting remotely adding that the views of each member were important in order to ensure the diversity of discussions at meetings.

There being no further business the meeting closed at 3.25pm

**Signed:** .....

**Date:** .....

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