

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held in the Committee Room, 3rd Floor, Main Government Building, Bucks Road at 9:30am.

Present: PSPA

Mr J B Carter (Chair)

Mrs D Halsall

Mrs J Poole-Wilson MHK

Mr I Wright

In Attendance:

Mr IT Murray

Ms KC Brondon (Secretary)

Mrs M Ludwig-Looney (Assistant Secretary)

Apologies:

Mr R Harmer, (Vice Chair)

Minute No.

Minute

50/21

Conflicts of Interest (minutes 12/21, 22/21 and 42/21 refer)

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

51/21

Minutes

The Board approved the minutes of the meeting held on 12 July 2021, which were then signed by the Chair.

52/21

Matters Arising

There were no matters arising which weren't covered elsewhere in the minutes.

Compliance Schedule Update (minute 25/21 refers)

The Board received a paper from the CEO (PSPA Paper No. 22/21) with regard to compliance information for the quarterly review along with the updated Governance Work Schedule. The CEO briefed the Board and the following items were discussed:

- i. Cost Sharing Valuation – the Board noted that the Baseline Valuation report, following the Board’s approval in June 2021, was subsequently distributed to the TAG Group of Unions and also discussed with Teaching Unions. The report was also submitted to the Treasury Board for comments. The Treasury Board has indicated that it would like the PSPA Chief Executive to attend a future meeting to present the baseline results.
- ii. Schedule of Contributions – The Board noted that PSPA’s Auditors PwC have spotted an error in Teachers “NRD 65” contributions are calculated on the Payroll Software – PiP. The Board was informed by the Chief Executive that the fault occurred at the PiP programming stage. This has resulted in around 300 teachers’ contributions being incorrectly calculated over the last few years. The PSPA is working with Payroll to rectify the error and to reclaim any underpaid contributions, as long as they are above £50. The Board, after a brief discussion, noted that recovering of underpayments below £50 would not be undertaken due to the small impact upon benefits and the associated administrative cost.
- iii. Employers participating in the Schemes – the Board noted that the status of the newly formed body – Manx Care, which is a Statutory Board, was checked by the PSPA to ensure their staff are correctly entitled to be members of GUS by virtue of the Public Sector Pensions Act 2011. The Board was informed however that the PSPA were now undertaking work to establish the status of one private company contracted by Manx Care to

provide GP services, an employee of which appears to believe that they should be eligible to join the GUS Scheme.

- iv. Director of HR Services - the Board noted the SMT's concern over the forthcoming departure of the Director of HR Services in October 2021. The Chief Executive informed the Board that this role is not to be directly replaced and this consequently may affect the well-established engagement and data exchange between Offices of Human Resources and the PSPA. The Chief Executive reiterated to the Board that this role is very technical and with lots of intricacies and there is a real concern that the departure of the HR Services Director may create setbacks in the exchange of data. The Board further noted that the Chief Executive will be in further discussions with the Executive Director of OHR on how the ongoing work will be allocated in the future and who will take on the overall supervisory and coordination role within OHR and on the MFI project.
- v. Board Training – the Chief Executive informed the Board of the further training sessions to be developed for future meetings once new political members are in place. The Board noted that the new Chair has been recently selected by the Council of Ministers chosen and a Letter of Appointment has been issued. The Board was of the view that the new Chair should be invited to attend future meetings in a non-participative capacity once formally appointed until he formally takes over in January 2022.
- vi. Governance Work Schedule – the Deputy Chief Executive advised that the Governance Work is proceeding as “business as usual” despite the departure of the former Deputy Chief Executive, and first and second Governance and Legislation Manager. The current work is primarily around:
 - Ordinary Maternity Leave;
 - Partial Retirement;
 - Indexation of GMPs.

The Deputy Chief Executive undertook to revert to the Board at future meetings with a more detailed update.

54/21

Risk Register – Quarterly Update (minute 31/21 refers)

The Board reviewed the Risk Register and in particular the changes highlighted and was overall satisfied with its contents. The following items were highlighted:

- i. Working with OHR to improve quality of supply – The Deputy Chief Executive has briefed the Board on the ongoing work between OHR and the PSPA. The specification for the MFI has now been signed off. A new report designed by the PSPA’s Data Manager has been put in place albeit with high manual intervention from OHR. The DCE highlighted that the new reporting mechanism is working well.
- ii. Ill Health Retirement Procedures – The DCE briefed the Board on the importance of a thorough review of the Ill Health Retirements and Personal Injury Benefits decisions on an ongoing basis and if required, questioning the determinations supplied by the PSPA’s Independent Medical Advisors. The Ill Health Retirement process has been under the review in order to determine the robustness of the procedure and whether it would stand a legal challenge or a challenge from the Pensions Ombudsman.
- iii. QROPS HMRC – The DCE informed the Board that the work identifying potential cases of where the PSPA potentially has not complied adequately with the Overseas Transfer Charge Regime has been completed. The missing report forms have been declared to HMRC QROPS team. The potential risk of 40 cases so far have been reported with, as of yet, no action from HMRC. A new process has now been set up and is in place for Transfers In and retirements reporting.

The Board agreed to next review the Risk Register in the January 2022 quarter.

55/21 The Public Sector (Cost Sharing) (Amendment) Scheme 2021 – Police Pension Regulations 1991 and 2010 Cost Sharing. – draft Consultation response document (minute 40/21 refers)

The Board received an update and recommendations (PSPA Paper No. 23/21) from the Deputy Chief Executive with regard to the recently concluded consultation. The Board considered the feedback and approved the draft Consultation Response document and the Public Sector Pensions (Cost Sharing) (Amendment) Scheme 2021. It was agreed that the Chair will sign the Scheme on a separate occasion due to current technical issues with the drafting software. The Board noted that upon its approval of the Scheme the PSPA will seek final approval from the Council of Ministers and thereafter the Scheme will be laid before Tynwald in December.

56/21 Public Sector Pension Schemes (IDRP)(Amendment) Regulations 2021 (the Amending Regulations) – draft Consultation response document

The Board received an update and recommendations (PSPA Paper No. 24/21) from the Deputy Chief Executive with regard to the recently concluded consultation. The Board considered the feedback and approved the draft Consultation Response document and the Public Sector Pension Schemes (IDRP)(Amendment) Regulations 2021 (the Amending Regulations). It was agreed that the Chair will sign the Scheme on a separate occasion due to current technical issues with the drafting software. The Board noted that upon its approval of the Scheme the PSPA will seek final approval from the Council of Ministers and thereafter the Scheme will be laid before December Tynwald.

57/21 Public Sector Pensions Administration (Fees Order) 2021 - draft Consultation response document (minutes 08/21, 17/21ii, 41/21v refer)

The Board received an update and recommendations (PSPA Paper No. 25/21) from the Deputy Chief Executive with regard to the recently concluded consultation. The Board considered the feedback and noted the response to the consultation made by the Association of School and College Leaders (ASCL). The Union was particularly concerned with the perceived 86% increase in the cost of the administration of pension sharing and earmarking orders (in cases of Divorce or Civil Partnership Dissolution). The DCE explained to the Board that the stated increase of 86% is incorrect, with Pension Sharing Order's fee increase of 25% and Earmarking Order of 12% where also one order excludes the other. Additionally, the DCE highlighted that the proposed fees for the Pensions Sharing Order are the minimum fees recommended by the Pensions and Lifetime Savings Association (PLSA).

The Board noted that the PSPA was not an income generating Statutory Board and acknowledged the fees represented a charge that it passed on to scheme members for a number of administrative functions that fell outside its legislative obligations and for which it was entitled to make a charge.

The Board approved the draft Consultation Response document and the Public Sector Pensions Administration (Fees Order) 2021. It was agreed that the Chair will sign the Scheme on a separate occasion due to current technical issues with the drafting software. The Board noted that upon its approval of the Scheme the PSPA will seek final approval from the Council of Ministers and thereafter the Scheme will be laid before December Tynwald

58/21 Triennial Actuarial Valuation 2019– final report (minutes 05/21, 18/21 refer)

The Board received a verbal update on the final report for the triennial Actuarial Valuation 2019 (PSPA Paper No. 26/21) from the Chief Executive with associated recommendations.

The Chief Executive confirmed that the results followed those in the presentation previously given by Hymans Robertson and highlighted the general improvements across all schemes based on the current assumptions, details of which were also in the paper. It was noted that the methodology for determining the Discount Rate assumption used in the valuation was different to that used in the Government accounts, thus giving rise to a much higher liability figure in the Government accounts. The Board requested that when the final report was placed on the PSPA website, some appropriate wording was also included to point out this difference in assumptions.

The Board also requested that the technicalities of the most recent valuation together with the Legacy Funding Gap issue and the three pieces of legislation to go before Tynwald be explained to the new administration members in the form of a presentation once the legislation has been placed on the Register of Business. The Chief Executive assured the Board that he was already in communication with Chief Secretary in relation to setting up such a meeting which would probably occur at the end of October/beginning of November.

59/21 Procurement of legal services to re-write the Teachers Superannuation Order, Police Pension Regulations 1991 and Police Pension Regulations 2010

The Board received a verbal update from the Deputy Chief Executive on the procurement of legal services to re-write the Teachers and Police Schemes. The DCE highlighted to the Board that the PSPA had the Additional Funding relating to this matter agreed by the Treasury some time ago, however due to the Attorney General Chamber's workloads the exercise was initially delayed. It was further noted that the process is now underway for the procurement to be advertised this month.

The DCE informed the Board that the work is estimated to take up to 12-15 months to complete and that the drafters will most probably be appointed from the UK. The DCE informed the Board that the PSPA had

also engaged Keystone Law (IOM) as additional advisors to provide support on Manx pension law issues.

60/21 Operations Report – Q1 2021

The Board noted the Operational Report for Quarter 1, 2021/2022 (PSPA Paper No. 27/21).

The contents of the report were discussed and in particular the Deputy Chief Executive briefed the Board with regard to the operations which were now recovering after the year of lockdowns. The Board noted that the Annual Benefit Statements are due to be sent out in October and that the pensioner Declaration of Entitlement process is underway. The Board was also made aware that the Data Team was now fully staffed and is currently working through data issues.

61/21 Additional verbal updates:

- i. Introduction of a Defined Contribution arrangement (minutes 9/20, 03/21ii, 17/21i, 27/21, 39/21 refer) – The Deputy Chief Executive briefed the Board in relation of the results of the recent tender exercise. The DCE highlighted that despite communicating with appropriate DC Pension Schemes providers on the forthcoming tender only 2 responses to the tender were received which was unexpected. It was noted that the Executive would be re-running the tender exercise with some different membership criteria in the next 2 months in the hope that other providers would be willing to quote.
- ii. Judicial Cost Sharing (minute 40/21 refers) – The Deputy Chief Executive briefed the Board in relation of the results of the recent meeting with the two Judges. The Board noted that the judges had agreed to review the draft of the Judicial Cost Sharing Amending Legislation, however it was pointed out by the judges that they may wish to have the draft independently reviewed. It was noted that the PSPA had not previously paid

for any independent review of the cost sharing legislation for other groups.

- iii. Ongoing data issues (minutes 78/20, 84/20, 97/20, 11/21, 84/20, 78/20, 11/21, 17/21iv, 29/21, 37/21 refer) – The Deputy Chief Executive provided the Board with an update on the data exchange with the OHR. The Board noted that despite the Service Level Agreement now being in place, there were issues around staff shortages within OHR and large volumes of work which had not been anticipated which were slowing down the provision of some data, but that OHR were still fully committed to maintaining the generally improved service to the PSPA. It was also noted that the specification for the MFI has been signed off and that the PSPA Data Manager currently awaits the 1st draft of the report.
- iv. Appointment of new medical advisers – The Board noted that an occupational health company – BHSF Group Ltd. was recently appointed as the PSPA's new Independent Medical Advisors.
- v. Annual Reports & Accounts update 2019/20 (minute 48/21iv refers) – The Board received an update from the Chief Executive on the recent developments in relation to the finalisation of the Audit 2019/2020. The Board noted that the PwC is still working with OHR on contribution testing with the conclusion being now in sight. The Board further noted that PwC had lost significant amount of staff due to geographic arrangements during the Covid pandemic and thus the Audit 2020/2021 has been rescheduled to start in January 2022.
- vi. Appointment of new Chair from January 2022 – In addition to the matter already discussed in minute 52/21 v. the Board agreed to invite the new Chair to future Board Meetings as well as any Tynwald workshops and presentations.

62/21

Any Other Business

Retained Firefighters

The Deputy Chief Executive provided the Board with a verbal update on recent work being undertaken at the Department of Home Affairs in relation to employment group of retained firefighters. The Board noted that retained firefighters historically were excluded from GUS as there were independent pension arrangements in place for this employment group provided by AVIVA. The DCE helpfully reminded the Board that the PSPA was always of the view that the Retained Firefighters should be invited into GUS in order to be on an equal footing with full time firefighters. The Board further noted that should the matter be concluded in favour of the retained firefighters, there was likely to be an issue regarding retrospective admission to GUS (and its forerunner) potentially going back to 2006 which would involve repayment of both employer and employee contributions.

Date of the next meeting – 8 November 2021 at 2:30pm

Signed

Date

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