

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held in the Committee Room, 3rd Floor, Main Government Building, Bucks Road on 20 April 2022 at 9am.

Present: PSPA

Mr M Kiernan (Chair)

Mr R Mercer MLC

In Attendance: Mr IT Murray

Ms K Brondon (Board Secretariat)

Apologies: Ms K Lord-Brennan MHK

Mr I Wright

Mrs D Halsall

Minute No. Minute

17/22 Conflicts of Interest (minutes 12/21, 22/21, 42/21 and 64/21 refer)

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

18/22 Minutes

The Board approved the Minutes of the meeting held on 14 March 2022 and also approved the corrected Minutes of the meeting held on 14 February 2022.

19/22 Matters Arising

It was noted that the Board was not quorate but that no decisions were required at the meeting.

There were no further matters arising.

20/22

Implementation of the Voluntary Defined Contributions Arrangement Policy (minutes 89/20, 03/21ii, 17/21i, 27/21, 39/21, 72/21i, 76/21ii, 09/22i, 14/22 refer)

The Board received a paper (PSPA Paper No. 06/22) from the Deputy Chief Executive (DCE).

The DCE provided the Board with an update on developments in relation to the Voluntary Defined Contributions Arrangement and in particular, noted that it was likely that the proposed start date of July 2022 will be delayed by a few months. It was also noted that preliminary work was well underway and that project work streams are being progressed with OHR, Employers and Aviva. The Executive anticipates being able to confirm a start date at the Board's next meeting.

The Board was asked to note that work is still ongoing, with legal advice being sought, to establish the most efficient way for the numerous employers to contract with Aviva. The preferred method is to do this collectively for the employing authorities who are serviced centrally by OHR, which would cover a majority of employers. Discussions with Aviva, OHR and Attorney General's Chambers are ongoing.

21/22

Operations Report Q4 2021/22

The Board noted the Operations Quarterly performance report (PSPA Paper No. 07/22) and a verbal explanation of the report was given by the Deputy Chief Executive. It was noted that the income and expenditure for the year was in line with the budget values predicted for the year and reported in Treasury's Pink Book.

22/22

Any Other Business

The Chief Executive provided the Board with the following verbal updates:

i. PSPA Valuations – Actuarial Assumptions

The Chief Executive advised the Board that the next set of PSPA scheme valuations are due as at the 31 March 2022 and gave an overview of the process and expected timetable.

The Board noted that preparatory work on the reconciliation of membership numbers from the last valuations in 2019 had been completed and that once the active membership data to 31 March 2022 has been processed and pension results determined (expected by November 2022) the Actuary will start working on the valuations in early 2023 with final results expected by June 2023.

Concurrently, discussions on the Actuarial Assumptions to be applied to the valuations between the Actuary, PSPA and Treasury are also being progressed. (Actuarial Assumptions determine how both the historic and future long term cost of pensions will be calculated by the Actuary and include such items as the Discount Rate, rates of future salary, inflation growth, demographics and mortality assumptions). In accordance with scheme rules, the PSPA determines the assumptions after receiving the advice from Treasury.

In particular, the Chief Executive reported that following comments from the latest Audit and a request by Treasury, consideration will be given to how the Discount Rate is to be derived. (The Discount Rate is one of the most important assumptions as it determines how future benefits payments are discounted back to today's values and as such has a significant effect of the schemes current liabilities and the predicted cost of future benefits). In the 2016 and 2019 valuations the discount rate used was 4.5%, this being derived from the Island's projected long term income growth, plus 1% income growth for future net migration.

Discussions on the assumptions will be ongoing over the next 6 months, and a paper will be presented to the Board by the Actuary in due course for its consideration and approval. Thereafter, a paper will be presented to Treasury outlining the proposed assumptions, including the derivation of the Discount Rate, for its consideration and input. The agreed assumptions will then be used for the valuation output.

ii. Local Government Pension Scheme reform

The Chief Executive advised the Board that he was assisting the DOI and Local Government Superannuation Scheme (LGSS) Pensions Committee in introducing changes to the IOM LGSS, as Chair of its Pensions Reform Group. The Group is tasked with producing reform options and has appointed [REDACTED] as its actuarial consultants to assist with this work. Preliminary discussions have taken place and a plan outlined, however, the Chief Executive advised there was currently an issue with project funding and until the DOI has resolved this, work will not progress.

Once started, this will be a significant project to manage on behalf of the DOI.

The Board were asked to note that part of the initial considerations highlighted by the LGSS Pensions Committee was how the PSPA may remain involved in the Scheme in the future given its pensions expertise.