

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held in the King Orry Room, 3rd Floor, Main Government Building, Bucks Road and via TEAMS on 26 September 2022 at 12 noon.

Present: PSPA

Mr M Kiernan (Chair)

Mr R Mercer MLC

Mr I Wright

In Attendance: Mr IT Murray

Ms K Brondon (Board Secretariat)

Mr J McMillan (Assistant Board Secretariat)

Apologies: Ms K Lord-Brennan MHK (Vice Chair), Mrs D Halsall

Minute No. Minute

39/22 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.

40/22 Minutes

The Board approved the Minutes of the meeting held on 25 July 2022.

41/22 Matters Arising

All matters were covered on the Agenda

42/22

PSPA Operations Report Q1 2022/23

The report was discussed and it was raised that it would be useful if the historic cashflow figures shown could be uprated to include inflation for comparison purposes. The Deputy Chief Executive (DCE) advised that this could be done and will be reflected in the next quarterly report. The DCE advised that upcoming work for October / November included the issuing of Annual Benefit Statements and the Declaration of Entitlement exercise for all Pensioner Members who are not resident on the Isle of Man.

43/22

Risk Register

A detailed discussion took place on the updated Risk Register and the following points were raised;

- Item 6 - Failure in business critical supplies (1) Employment data: Has the Board ever written to the PSC regarding OHR / Payroll service delivery – The Chief Executive (CE) advised that many conduits had been used already to communicate this including meetings with the Executive Director of OHR, other OHR staff, the Minister and GTS. Additionally, the Public Services Commission had been made aware of the issues via previous PSPA Board members. He further advised that regular one-to-one meetings at appropriate levels within the PSPA and OHR were eliciting better provision of data but that there were still areas for improvement.
- Item 9 – Failure to implement new and emerging GDPR legislation – The DCE advised the Treasury are aware that the AX payments system used by the PSPA and across Government is not GDPR compliant. Treasury is in the process of procuring a new payments system and will look to address this in the new system.

- Data Breaches – Should the Board be made aware of any data breaches by the PSPA? The DCE advised that the PSPA comply with ICO requirements in respect of data breaches. She also confirmed that any data breaches could be reported to the Board in future as part of the quarterly governance schedule.

44/22

Police Pension Regulations 1991 and 2010

The DEC outlined the proposed changes to the Regulations (the Schemes) and the Board noted the accompanying paper 12/22. The proposed changes would allow members under both Schemes to commute up to a maximum of 30% of their pension fund value for a lump sum. The 30% maximum is set by the Treasury and would bring these Schemes in line with Isle of Man Government Unified Scheme 2011 and the Teachers Superannuation Order 2011 whose members can currently commute up to 30% of their pension fund value. Additionally, the commutation factors in the 1991 scheme have not been updated for some time and it is proposed that the inverse commutation factors in the 2010 scheme will be the commutation factors for both schemes going forward. These will be in line with the actuarial assumptions used for the schemes valuations.

A detailed discussion on the proposals followed and the Board approved the proposals and consultation on the draft Police Pension (Amendment) Regulations 2022

The PSPA will consult with scheme members, their representatives, their employers, AGs and the Treasury.

45/22

Teachers' Superannuation Order 2011

The DCE outlined the proposal to add an annual inflation increase to the Contributable Salary Tables and the Board noted accompanying paper 13/22. At the PSPA's Teachers' Pension Advisory Board (TPAB) meeting in June 2022, Employee

Representatives raised an issue that the Contributable Salary Table, referenced in Rule 18 and Schedule 3 of the Scheme, has not been updated since it was first implemented in 2014.

A detailed discussion followed and it was agreed by the Board to increase the Contributable Salary by the cumulative amount of UK September CPI for the period from September 2014, with effect from April 2022, and to increase the Contributable salary tiers annually thereafter in line with UK September CPI.

The Board also approved not make any retrospective adjustments to either the tier Scheme members have been allocated to or to the amount of contribution they have paid to date.

Various other options were also discussed such as:

- reducing the number of bands in the table from 8 to 3;
- introducing an average percentage deduction across the Board;
- a tiered increase approach as proposed by Teachers' representatives, whereby the first tranche of pay attracts contributions at certain rate, the second band of pay attracts a contributions at different, etc.

However, it was noted that Treasury was unlikely to support any changes which would reduce overall contributions to the Scheme and that if significant changes were made to the current bandings, the payroll system would need to be able to cope with these.

The Board noted that the PSPA would further discuss options at the next TPAB meeting.

46/22

Public Service (Defined Contributions) (Death Benefits) Scheme 2022

The DCE briefly outlined the purpose of the Scheme and the Board noted the accompanying paper 14/22. The Scheme provides for a Death in Service lump sum for members of the DC arrangement in line with the current DB schemes, and benefits will be paid by the Employer from monies provided by the Treasury.

The Board approved that consultation on the Public Service

(Defined Contribution) (Death Benefits) Scheme 2022 should be progressed.

47/22

Any Other Business

The following verbal update was given by the Chief Executive (CE);

- i. **Actuarial Assumptions 2022** - The CE advised that he had met with Treasury and that they were content with the assumptions approved by the Board at its last meeting. Additionally, the actuaries had agreed that whilst the idea of a Confidence Rating being attached to the assumptions was a good idea in principle, it would be difficult to assign a rating given the very long term nature of the assumptions. They suggested that in future valuations more information on the derivation of assumptions / economic factors would be provided to assist Board Members.

The DCE gave the following verbal updates;

- ii. **Defined Contribution Arrangement**– The DCE advised that the DC Policy had been approved by Council on 1st October 2022, and new employees would be given the option to join from 1st January 2023. Work was still to be done with the 20 or so Employers and Aviva on establishing the arrangement. Due diligence was also still to be undertaken by Aviva and Mac Financial. Employer's communications for new jobs / positions would be put in place shortly.
The CE mentioned that he had had a discussion with the Vice Chair regarding giving an update to Tynwald on the progress of the DC arrangement in the New Year.
- iii. **Re-Drafting of Teachers and Police Schemes** – The DCE advised that work was ongoing. The final draft of the Teachers Scheme was expected by the end of October 2022, then there would be consultation with Teachers' representatives initially before going out to a member

consultation. The Police Scheme is on hold at present but is considered less complicated than the Teachers' Scheme and could be picked up before the end of the year.

- iv. **Judicial Cost Sharing** – Consultation closes on Friday 30th September 2022 and results will be considered and fed back to the Board for agreed action.
- v. **Procurement of a new Pensions Administration System** – The DCE confirmed they were awaiting confirmation of Treasury approval for funding of the project following a bid for funds. A formal response from Treasury was expected March / April 2023 as part of Government's Budget discussions. In the meantime, preliminary work is being undertaken to identify what systems are in the marketplace and what are best fit for the PSPA. Advice is being sought from specialist pension system advisers and GTS regarding data extraction and system build, etc. given PSPA staff are not experts in this area. Backfilling of staff is also expected to be required once the formal procurement and installation of a new system commences. The Board noted that the current system is not supported beyond April 2024 so action will have to be taken prior to this date.
- vi. Mr Mercer asked if training on the UK Pensions Regulator Public Sector toolkit in Item 1 of the Risk Register is logged. Mr Wright advised that when you work through the modules you get a certificate at the end. Mr Mercer also asked if we could identify the best modules to work through i.e. the ones most relevant to the PSPA. The DCE advised that she will look at the modules and identify the most relevant. It was also noted that a forthcoming Governance event on pensions was being held on island in November and the CE agreed to circulate details if Board members were interested in attending for training purposes.

48/22

Date of the next meeting –24 October 2022 at 12 noon

The meeting closed at 13.15 pm