

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 on 23 January 2023 at 12 noon.

Present: PSPA

Mr M Kiernan (Chair)

Ms K Lord-Brennan MHK (Vice Chair)

Mr R Mercer MLC

Mrs D Halsall

Mr I Wright

In Attendance: Mr IT Murray

Ms K Brondon (Board Secretariat)

Mr J McMillan (Assistant Board Secretariat)

Apologies: None

Minute No. Minute

01/23 Minutes

The Board approved the Minutes of the meeting held on 5 December 2022.

02/23 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.

03/23 Matters Arising

All matters were covered on the Agenda or under Any Other Business.

04/23

Risk Register

The Board received the Risk Register and the Chief Executive (CEO) covered various items and also advised that updates covering Judicial Cost Sharing, amendments to Police Lump Sums, Admin System Procurement and Budget issues, items which were on the Risk Register, would be covered later in the meeting. There were no further questions raised on the Risk Register.

05/23

Governance and Compliance Schedules

The Board received PSPA Paper No. 01/23 and Governance and Compliance Schedules, and the CEO gave an update to the Board as follows;

Actuarial Valuation

Annual Benefit Statements had been issued and the Actuarial Valuation data would be forwarded shortly to the actuaries. Valuation results are expected around June 2023 and Cost Sharing results 3 or 4 months later.

Payroll / OHR issues

OHR / Payroll confirmed that it was now accepted that the MFI programme, which was expected to resolve a number of the data problems between OHR / Payroll and the PSPA, would not work. An OHR / Payroll project team has now been set up to address the issues over the next 18 months. The CEO was still having regular quarterly catch up meetings with the Interim Director of OHR and the PSPA Data Manager would also be involved in the project. Regular reports would be provided to the Board. The Interim Chief Secretary was also now aware of the data problems between OHR / Payroll and the PSPA.

The CEO advised of a significant backlog of Leaver records that needed to be closed, mainly due to lack of information from OHR / Payroll when these members originally left. A new resource

(Limited Term - Executive Officer) had been appointed by the PSPA to address this and good progress was being made.

The CEO also advised that new Whistleblowing Procedures were now in place and that there were no data breaches to report.

06/23 Operations Report Q2

The Board received the PSPA's Operation Report for the Q2 to 30 September 2022.

07/23 Audit Report and Audited Accounts for the financial year to 31 March 2021

The Board received PSPA Paper No. 02/23, to discuss, approve and, if appropriate, sign the Audit Report and Audited Accounts for the Public Sector Pension Schemes for which the PSPA holds responsibility.

██████████ and ██████████ from PwC joined the meeting at 12.12 pm

███ and ███ distributed copies of their "Audit findings for the year ended 31 March 2021" report to Board Members and presented their findings to the Board.

███ and ███ took the Board through each page of the report and the following points were discussed;

- Difference in contributions between actual and Actuarial Valuation (as per the 2019 Actuarial Valuation). Further valuation (2022) results due in June 2023. Confirmation of letter from the Treasury who continue to fund the Schemes as a "going concern".
- Quality of information / data from OHR Payroll. Both ███ and ███ advised that the quality and timeliness of the information provided by OHR / Payroll to the PSPA continues to be an issue. However, they acknowledged that

progress had been made from last year. Errors were being identified but fixed after the event. It was noted that some contribution “drop offs” had occurred but were not material, however these should continue to be monitored. The appointment of the Project Team by OHR / Payroll was welcomed and it was hoped that better reporting on Starters / Leavers and contributions drop-offs can be established which would help reconcile OHR / Payroll records to PSPA records. The CEO advised of his quarterly updates with Interim Director of OHR and the Vice Chair asked to be made aware of any slippage in progress.

- ■ asked about the scheme rules and the PSPA website. The CEO advised that the Isle of Man Government Unified Scheme 2011 (GUS) consolidated rules were on the website and that Teachers and Police updates were in progress.
- ■ summed up by advising that the audit reports on the validity of the financial statements will be unqualified and that their additional specific statements about contributions to the Schemes (where applicable) will be qualified as normal, but with no material significance.
- ■ offered his thanks to the CEO and the PSPA team for their assistance throughout the audit

■ and ■ left the meeting at 12.42 pm

The Board discussed the accounts and it was agreed that they would be afforded more time to read through them and give comments by 31 January 2023, with a view to signing them off on 2/3 February 2023.

The Vice Chair and Mr Mercer mentioned that their date of appointment to the PSPA was not correct on the accounts and should be 27 October 2021.

08/23

PSPA Delegation of Functions

The Board received PSPA Paper No. 03/23 from the DCE seeking to update the Board on the current Delegation of its functions to the PSPA staff. The DCE advised that due to the recent change of Chair and changes to senior staff at the PSPA, it was a good time to review and update the PSPA delegation of functions to its staff. The Board approved the updated Delegation of Functions.

09/23

Public Service (Defined Contributions) (Death Benefits) Scheme 2023

The Board received PSPA Paper No. 04/23 in respect of the Public Service (Defined Contributions) (Death Benefits) Scheme 2023, from the DCE. The Board were asked to note the responses to the consultation and if content, approve the making of the Scheme and its progression to Tynwald.

The DCE advised the Board that the Scheme had been redrafted to include comments from the consultation. The Scheme allows for a payment of a lump sum on Death in Service for members who are in the Defined Contribution arrangement. Payment is made by the Employer but funded by Treasury.

The Board approved the making of the Scheme, the publication of the Consultation Response Documents and its now progression to Tynwald for approval.

10/23

Police Pension (Amendment) Regulations 2023

The Board received PSPA Paper No. 05/23, in respect of the Police Pension (Amendment) Regulations 2023 (the Scheme), from the DCE. The Police Pension (Amendment) Regulations 2023 allows members of both Police schemes to take the maximum permitted lump sum under Isle of Man Income Tax regulations, which is 30% of the pension fund value. This brings the regulations in line with both GUS and the Teachers Pensions Scheme.

The Board approved the making of the Scheme and the publication of the Consultation response document. The Scheme comes into operation from the 24 January 2023. The Scheme will now be progressed to be laid before Tynwald at the next opportunity.

11/23

Any Other Business

- Judicial Cost Sharing – The CEO advised that following a recent meeting with the First Deemster, Deputy High Bailiff and the Chief Registrar, agreement in principle was reached with the Judiciary to introduce Cost Sharing to the active members of the Judicial Pension Scheme. The PSPA are awaiting written agreement from the final 2 members of the Judiciary. Under the agreement, the Cost Sharing results that are applied to GUS and the Police schemes will be applied to the Judicial Scheme. A Cost Sharing Scheme for the Board to approve should follow in February 2023.
- Procurement of Pensions Administration System – The DCE gave a verbal update on this item. The PSPA had finalised its system requirements and the system was currently in the tender stage. Tenders will be evaluated in February 2023 and the supplier selected in early March 2023.

Approval in principle for funding has been given by the Treasury, however, a new Capital Bids process is due to come into place in April 2023 and the PSPA may be required to follow this process. However, it may be that the likely capital cost will fall below the threshold for the new process, which will be approved by Tynwald in February.

There then followed a discussion on the potential impact of the problems with data / information from OHR / Payroll on a new system.

- Redrafting of Teachers Scheme – Consultation with Teachers’ Unions was underway and it is anticipated would be complete by the next Teachers’ Pension Advisory Board meeting in March 2023. The draft Scheme would then go out to member’s consultation in the summer.
- Redrafting of Police Schemes – Drafting was still ongoing and would take a further 3-4 months.
- Defined Contribution Arrangement- The DCE advised that employer due diligence with Aviva was underway for the PSPA, GSC and MUA. Due diligence was taking approximately 2 months. The first members in the DC arrangement were expected in February / March 2023. The DCE also advised that they had met with the FSA in December 2022 regarding concerns on the advice / guidance members were being given in respect of making a decision on whether to join the DC arrangement or a DB scheme. It was felt that any FSA concerns had been addressed. The Chair also raised an independence issue regarding the relationship between Aviva and Mac Financial. It was noted that the FSA had been asked to set up a meeting to discuss further and that the matter would be discussed further at the next Board Meeting.

12/23

Date of the next meeting – 27 February 2023 at 12 noon

The meeting closed at 13.30 pm