

## **In Confidence**

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held in the King Orry Room, 3<sup>rd</sup> Floor, Main Government Building, Bucks Road on 25 September 2023 at 12 noon.

**Present: PSPA**

Mr J Carter (Chair)

Mr R Mercer MLC

Mr I Wright

Mrs D Halsall

**In Attendance:** Mr IT Murray

Ms K Brondon (Board Secretariat)

Mr J McMillan (Assistant Board Secretariat)

**Apologies:** Ms K Lord-Brennan MHK (Vice Chair)

**Minute No. Minute**

**58/23 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.

**59/23 Presentation on Draft Triennial Actuarial Valuation results at 31 March 2022**

The Board received a paper from the Chief Executive (CEO), Paper No. 16/23 and draft report from Hymans Robertson, to present the draft results of the 2022 Actuarial Valuation. [REDACTED]  
[REDACTED] from Hymans Robertson LLP joined the meeting at

12.05pm and delivered a detailed presentation on the 2022 Triennial Actuarial Valuation results.

■ advised that the purpose of the presentation was to present the initial results of the 2022 valuation for discussion with the PSPA and other relevant IOM stakeholders. Given that the results may identify small changes required to the underlying membership data, the results in this report should be treated as indicative at this stage. The valuation results will be finalised and presented in a final report at a later date.

■ advised that minor updates to data are expected but would not have a material effect on the report.

■ advised that the actuarial valuation was entirely in line with expectations and agreed assumptions, with the exception of the 10.1% pension increase applied in 2023. This was significantly higher than expected. The long term position was that future service costs were reducing over time due to the reforms made by the PSPA and in real terms (today's values), the differential between contribution income and benefit outgo was deemed manageable and in line with previous projections.

This 10.1% increase has however resulted in an increase in the cost of future benefits in the 2022 valuation of around 8% which would diminish over time.

With regard to the financial assumptions (as considered and approved by the Board in July 2022 (minute 35/22)), ■ advised that the assumptions remained unchanged from the 2019 valuation. The Discount Rate used for the 2022 valuation remained at 4.5%. The Board queried whether this rate was realistic. ■ advised that the rate was in line the Treasury's income rate growth policy of 3.5% plus 1% for population growth and had been approved by Treasury, and was deemed

appropriate as it reflected government policy. He advised that the rate could be reviewed at the next valuation in 3 years' time if government policy changed or if the assumption proved not to be born out in practice.

The Salary Increase assumption remained at 4%, it was accepted that this may be higher in the short term but would reduce over the long term.

The Pension Increase assumption remained at 2% in line with the Bank of England long term goal with the exception of the recent pension increase of 10.1% which had been factored into the short term position.

■ advised that the future profile of members showed that contributions and benefits would be lower in future as new GUS members would be in the Standard Section and the number of members in the Protected sections across all schemes continued to reduce.

The Board asked if the Defined Contribution (DC) arrangement would have any effect on the valuation. The Deputy Chief Executive (DCE) advised that the uptake of the DC arrangement was minimal at present and would therefore not affect the valuation at this time.

The CEO asked ■ if the valuation could be shared with Treasury and the PSPA auditors. ■ advised that it could be shared but reiterated that the report was subject to minor changes that would not materially affect the results.

The Board agreed that, subject to any input / comment from the Vice Chair (VC), a copy of the draft report could be sent to Treasury for comment and the draft report could be finalised subject to minor data changes and other reviews.

The CEO advised the Board that he would contact the VC and update them on the above if any questions arose.

**60/23**

### **Cost Sharing**

The Board received a paper from the Chief Executive, Paper No. 17/23 and reports from Hymans Robertson, and ■ from Hymans Robertson gave a detailed presentation on the cost sharing methodology and draft assumptions reports to be used for the 2022 Cost Sharing Valuation.

■ advised that the Cost Sharing valuation was quite different from the Triennial Valuation and focussed only on changing costs for Active scheme members. It had a real world impact as it could result in changes to employee and employers contributions and/or changes to accrual rates.

■ advised that the cost sharing legislation was very prescriptive on what calculations and assumptions should be used and allowed for very little discretion.

The Board asked if the methodology was the same as the UK. ■ advised that it was not but that it was an appropriate basis suitable for the Isle of Man unfunded schemes and had been approved by Treasury.

The Board approved the assumptions, subject to any input / comment from the Vice Chair and a copy of the draft assumptions could be sent to Treasury for comment and once approved, circulated to the UK Unions pensions Technical Advisory Group (TAG) and Teaching Unions for comments in advance of results being available.

The Chair asked that the CEO contact the Vice Chair (VC) and confirm that the Board was happy with the detail and clarity of the assumptions and had unanimously accepted them.

The CEO advised the Board that he would contact the VC and update them on the above if any questions arose.

The Chair thanked ■ for his detailed presentations and for the transparent way in which they had been presented.

■ and DH left the meeting at 14.21 pm

## **61/23**

### **Minutes**

The Board approved the Minutes of the meetings held on 26 June and 24 July 2023 and they were signed by the Chair.

## **62/23**

### **Matters Arising**

All matters were covered on the Agenda or under Any Other Business. The PSPA Board Meeting Actions Log was reviewed and will be updated for the next meeting.

## **63/23**

### **Any Other Business**

- i) DC Arrangement - The DCE advised that the all of the big employers had now signed up to the arrangement apart from the Department for Education, Sport & Culture which was currently working towards sign up.
- ii) Risk Register – RM asked that the Risk Register be updated in line with page 36 of the 2022 Triennial Valuation report.
- iii) Recruitment of new CEO - the CEO advised that stage 1 interviews had taken place and 2<sup>nd</sup> interviews for a shortlist of candidates where scheduled for mid-October.

**64/23**

**Date of the next meeting – 23 October 2023 at 12 noon**

The meeting closed at 14.28 pm