



Public Sector Pensions Authority Department Financial Plan 2024/25

Contents

1. Executive summary	2
2. Background	3
3. Overview of funding assessment.....	5
4. Cost and savings analysis	6
5. Summary of expected benefits	6
6. Total funding request.....	7
7. Approvals.....	7

1. Executive summary

1.1 Total requested Revenue Funding for the Public Sector Pensions Authority (PSPA) for 2024/25 is £2,017,189. This intended spend is:

1.2	Annual funding:	£
	Salaries	864,569
	Overtime	5,514
	ERNI	99,597
	ERSA	49,350
	Other payroll	16,554
	Grants	7,500
	Revenue Budget	874,104
	Total	£2,017,189

1.3 Analysis of funding

Payroll Costs

Payroll costs for 2023/24 plus 2%, $£1,113,317 \times 1.02 =$ **£1,135,584**

Grants

Grants **£7,500**

Revenue Budget Allocation

Business As Usual (BAU) costs for 2023/24 plus 2%,
 $£543,015 \times 1.02 =$ £553,876

Potential Admin System changes following Cost Sharing
Exercise £150,000

Admin System Annual Licence Fee and maintenance costs,
£183,000 - £94,322 from existing BAU above £88,678

Bi-annual Member Tracing Service for 2024/25 £6,000

Six month extension to Project SEO (LTA) = £30,144
plus (Eers NI and Superannuation), £37,980

Computer Hardware - 20 new laptops x £1,800,
for optimal use of the new pensions administration system £36,000

Computer Hardware – Headsets and telephone upgrade for
optimal use of new pensions administration system £1,570

Total Revenue Budget Allocation **£874,104**

Total Budget Allocation as per Pink Book **£2,017,189**

- 1.4 In addition to the Revenue funding, the PSPA has had Project Funds approved for the purchase of its replacement administration system for £1,033,814.00.

2. Background

Statutory responsibilities

- 2.1 The PSPA is a Statutory Board of Isle of Man Government which under the Public Sector Pensions Act 2011 (the Act) has a statutory responsibility for making, properly maintaining and administering pension schemes for the superannuation of public sector employees. It is also responsible for advising the Council of Ministers on public sector pension's policy and for preparing and having independently audited annual accounts. The cost to provide these services is re-accruing each year.
- 2.2 The PSPA is required to administer (via a tailored software package) its pension schemes which means maintaining member records and undertaking various member calculations (death, retirement, leaving, transfer etc.) as well as providing data extracts to the actuaries and auditors. The software system has an annual charge for licences and maintenance. The cost of this charge will re-occur each year and will increase by each year by UK CPI. The cost is detailed in paragraph 2.5 below.
- 2.3 As part of the ongoing sustainability of public sector pensions, a Cost Sharing basis has been established across all public sector pension schemes' such that any future changes in costs as assessed by the PSPA actuaries (either cost increases or cost decreases) are shared in the proportion 75% to Scheme members and 25% to Employers/Government. This exercise will take place every 6 years. The first cost sharing implementation changes will take place from 1 April 2024. The results may require significant amendments to the schemes and programming of the administration software. The PSPA has made provision of £150,000 for this in its budget submission and this covers the estimated cost of any software changes.
- 2.4 The PSPA will be tendering for a bi-annual Member Tracing Service. The cost will vary based on the missing addresses at each attempt. Average cost is £15 per member. Current estimation for 2024/25 is £6,000.
- 2.5 In carrying out its functions the PSPA may also take such independent professional advice as it considers appropriate and any ad-hoc costs, for these services will be funded from the Revenue Budget.

The total likely costs to provide and/or support the PSPA in the provision of its statutory duties will be funded from the Revenue Budget. In 2024/25 the known costs are:

Annual Audited Accounts	£78,000.00
Annual Pensions Software Costs	£183,000.00
One-off Cost Sharing Software	£150,000.00

Annual Member Tracing £6,000.00

Audited accounts – with the appointment of the new Auditor General and the expiry of the audit contract term during 2024/25, it is possible that the Auditor General may wish to re-tender for the PSPA schemes audit alongside other audits in order to achieve cost savings. If this is the case, the future audit costs would be unknown until that exercise was undertaken.

Additionally, the PSPA undertakes other policy and scheme management work during the year for which it requires legal and actuarial consultancy support. The PSPA has some ongoing projects it has been working on for several years, and some that are "one off" within each year. A list of the policy and management work undertaken in the last year for which support is required, some of which is ongoing into 2024/5, is attached at **Appendix 1**.

Also, outside of the ongoing projects, the PSPA cannot predict exactly what work it will undertake each year. Hence the balance of the costs from the Revenue budget which it allocated internally (excluding items such as training, business travel, IT/hardware, printing costs etc.) is only utilised as and when required. If professional support is not required to the level anticipated, then the appropriate Revenue budget is not completely spent for that year. The PSPA has a history of not always spending all of its allocated budget for this reason as highlighted below:

- 2020/21 Revenue Budget £481k, actual spend £351k,
- 2021/22 Revenue Budget £487k, actual spend £455k
- 2022/23 Revenue Budget £552K, actual spend £490k

2023/24 budget saving

2.6 Budget savings are highlighted in 2.5 above.

Current issues and successes

2.7 The PSPA has undertaken a large project to establish a new Voluntary DC arrangement for new public servants which went live in June 2023. This was previously approved by Tynwald as part of the assessment of the legacy funding gap. The ongoing governance of this arrangement will be considered by the PSPA, the DC provider and the DC arrangement's consultants in 2023/24 with a view to ensuring appropriate governance procedures are in place for future years.

2.8 The PSPA also undertook a large project this year to address a backlog of preservation / refund cases where a member had left their role and the PSPA had not been advised at that time. This involved the recruitment of a Limited Term EO but resulted in a significant number of membership records being set to the correct status (circa 900 memberships) and letters being issued to the relevant members.

- 2.9 The PSPA also has ongoing issues with the timely and accurate provision of data from OHR payroll services and the PiP HR system. It has worked closely with OHR to manage and resolve these issues which have been ongoing for some years, and the officer endeavours across the PSPA and OHR are now working towards a more efficient and streamlined way of sharing data. Work to programme a direct interface to extract data on a monthly basis from PiP to the PSPA in an automated format has not worked and therefore alternative data transfer solutions are being further investigated, which currently means PSPA resources will need to be directed to manage incoming data (which is unlikely to be fully automated) on a full time basis. The implementation of the new pensions administration software ("Mantle") may allow for improvement in the transfer of data with OHR and this will be explored as part of the implementation.
- 2.10 PSPA officers have been working to support the Department of Infrastructure (DOI) as the Scheme Manager on the island's Local Government Superannuation Scheme to update the Scheme and to make it more sustainable, with the aim of reducing the pension cost burden on the island's ratepayers. The project is ongoing and the PSPA officer support has been gratefully received by the DOI, Douglas City Council and the Local Government Superannuation Scheme Pensions Committee. Costs for this work have been funded both by the DOI and by the PSPA from its existing business as usual budget.
- 2.11 The PSPA has had difficulties in attracting and retaining staff in what is a highly technical and specialist area. This is also often stressful on staff in dealing with public servants and their relatives whose expectations of what can be done is a short timescale, often with limited resourcing, needs careful managing. The current PSPA Chief Executive Officer (CEO) is due to retire at the end of March 2024 which will require a recruitment process potentially utilising specialist pensions recruiters in the UK.

3. Overview of funding assessment

The PSPA's key plans for the year 2024/25 are as follows:

- 3.1 The implementation of the new pension's administration system will be complete in 2024/25. This will introduce significant changes in how PSPA staff administer the schemes on a day-to-day basis and also how they engage with the schemes' membership. Post implementation, the PSPA will offer a much improved service and will seek to use more digital methods, via its new system, to communicate with scheme members. This reflects the key aims of the "Our Island Plan" for more government departments to become more digitally enabled. However, the success is heavily reliant on the accuracy and timeliness of the data the PSPA receives from Government employers. As the data still requires improvement, the PSPA will divert its resources to ensure the data is correct.
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- 3.2 The PSPA is also seeking third party services to provide a bi-annual member tracing service to track down members for whom the PSPA has no or expired contact details.
- 3.3 The PSPA has ongoing data issues in collaboration with OHR payroll which it will continue to manage and intends to further improve during the year. The new Mantle administration software may help with identifying data inaccuracies in order to enable quicker correction. However, the PSPA and OHR payroll will need to continue with a largely manual and generally labour intensive system for transferring data and there is unlikely to be significant improvement in this area.

4. Cost and savings analysis

- 4.1 Due to staffing and in particular, ongoing recruitment issues, the PSPA has tended to underspend its full staffing budget each year- 20/21 basic pay was underspent by £2k, 2021/22 basic pay underspent by £25k, 2022/23 basic pay underspent by £78K. For 2023/2024, one member of staff has returned from maternity leave on reduced hours and another has reduced their hours. However, the PSPA will be recruiting a new CEO to be in post by 1 January 2024 who will work in tandem with the current Chief Executive for a period of 3 months, and the additional 3 month's salary of £30,200 will be met from the 2023-24 salary budget.
- 4.2 Previous years' cost savings are highlighted in paragraph 2.5 above. The PSPA would again emphasise that it will only expend costs on external professional fees where these are warranted.

5. Summary of expected benefits and risks

- 5.1 The implementation of the new pensions administration system, Mantle, will modernise/upgrade the way the PSPA administer pensions including improved member engagement through an updated website and potentially a phone App.
- 5.2 The DC scheme is now live and available to certain new public servants (where their employer has met the criteria to offer the scheme). This is as an alternative type of pension provision, and provides more freedom, choice and control of an individual's pension position for those who feel it is suitable for them. This may be the first stage in determining whether the current schemes should remain the primary basis of pension provision for Isle of Man Government and public servants moving forward. Reporting of progress of the new scheme will be to the Treasury and Council of Ministers and ultimately to Tynwald. It is key that the scheme has robust and transparent governance in place to ensure member confidence and financial probity, and the PSPA will work with the DC provider and its consultants to ensure this is in place.
- 5.3 The results of the first Cost Sharing valuation for the PSPA pension schemes are expected in 2023/24, following which, changes may be required to the schemes to protect their long term sustainability. This ties in with page 6 of Our Island Plan, "Resilient & sustainable economy", "Maintain healthy

Government finances over the long term”.

- 5.4 Further updating legislation is likely during the year for schemes to remove outdated references to former UK schemes, to bring them up to date with Equality and other legislation and to simplify the administration. Legislation will be put forward by the PSPA, to the Council of Ministers and thereafter to Tynwald for approval.
- 5.5 Further work to streamline the transfer of date from OHR payroll in order to better meet the expectations of scheme members, to meet overriding legislative disclosure regulations, to provide a better service to members and to avoid costly complaints and possible referrals to the Isle of Man Pensions Ombudsman and reputational damage. This progresses the work already started in this area by the PSPA and OHR. Progress will be reported via the PSPA's quarterly Operations Reports which are approved by the Board and posted on the PSPA website.


6. Total funding request

	2024/25 funding from Pink Book	Anticipated additional income/cost savings	Additional cost pressures identified	Net position 2024/25
Income				
Employee costs	£1,135,584			£1,135,584
Infrastructure costs				
Transport costs				
Supplies & services	£874,104			£874,104
Other	£7,500			£7,500
Net expenditure	£2,017,189			£2,017,189


7. Approvals

- Approval of the document by DFO, AO/CO and Minister

Designated Finance Officer

Name:	John McMillan
Title:	Finance Officer, PSPA
Date:	27/07/23
Signature:	

Accountable Officer/Chief Officer

Name:	Ian Murray
Title:	Chief Executive Officer, PSPA
Date:	27/7/23
Signature:	

Minister/Chair

Name:	Jerry Carter
Title:	Chair, PSPA
Date:	27/7/23
Signature:	