

Explanatory Memorandum to Tynwald Members

Issued by the Public Sector Pensions Authority (PSPA).

To the Hon Clare Christian, President of Tynwald and the Hon Council and Keys in Tynwald assembled

1. Title of measure

Tynwald Membership Pension Scheme Bulk Transfer Regulations 2016.

2. Changes in policy

There are no changes in policy.

3. Effects of the measure

The purpose of these Regulations is to permit the bulk transfer of all members' liabilities (active, deferred and pensioner) from the Tynwald Membership Pension Scheme 1995 and the Tynwald Membership Pension Scheme 1985 into the Isle of Man Government Unified Scheme 2011 and as such discharges all the liabilities owed to members under their former Schemes via the transfer of those liabilities to the Unified Scheme.

4. Reasons for the measure

In accordance with the recommendations made in the Public Sector Joint Working Group Report – "Fairness and Sustainability", the PSPA commenced a programme of negotiation and consultation with the Tynwald Emoluments Committee (the Emoluments Committee) and the Members of the Tynwald Membership Pension Scheme 1995 (the Scheme) with a view to progressing the implementation of the proposed changes recommended in the report.

Prior to any to any formal negotiation and consultation taking place, the PSPA was asked to set out its proposals for reforming the Scheme for consideration by the Emoluments Committee and Scheme members, with a view to collating their feedback and reaching agreement in principle to the reforms by the end of July 2015.

Subsequently, the Emoluments Committee and the PSPA concluded that pension scheme arrangements for Members of Tynwald should be reformed and that any reforms should be in place by October 2016.

The proposed reforms have been progressed in two parts:

Part One - To make legislative changes that would transfer the responsibility for the management of the Scheme from the Emoluments Committee to the PSPA and put the Scheme on a statutory footing in line with other public pension schemes.

Part Two - To close the Scheme and transfer the membership to the Unified Scheme and introduce a range of reforms to put the pension arrangements for Tynwald Members on a more affordable and sustainable footing in line with other public sector schemes.

Part One was completed with the making and subsequent approval by Tynwald in May 2016 of the Public Sector Pensions (Admission) Regulations 2016 and the Tynwald Membership Pension Scheme (Amendment) Scheme 2016.

5. Consultation

This paper relates to Part Two, the closure of the Scheme and the transfer of its membership to the Unified Scheme via the Tynwald Membership Pension Scheme Bulk Transfer Regulations 2016.

For serving Members of Tynwald, including the President of Tynwald, Members of the Legislative Council and Members of the House of Keys it is proposed that these provisions will become effective on the day after the General Election, 23rd September 2016.

In respect of those who previously served as a Member of Tynwald, including pensioner and deferred Members of the Tynwald Membership Pension Scheme 1995 and persons who were Members of the House of Keys before the 2016 General Election who did not stand, or who were not returned to the House of Keys following the General Election, the bulk transfer will take place on 23rd January 2017.

In addition to making the Tynwald Membership Pension Scheme Bulk Transfer Regulations 2016 the PSPA is also seeking to make the Isle of Man Government Unified (Amendment) Scheme 2016 so as to introduce a range of reforms to put the pension arrangements for Tynwald Members on a more affordable and sustainable footing in line with other public sector schemes.

In summary the Tynwald Members Pension Scheme Bulk Transfer Regulations 2016 permit the bulk transfer of all members' pension liabilities (active, deferred and pensioner) from the Tynwald Membership Pension Scheme 1995 into the Unified Scheme and as such discharges all the liabilities owed to members under the Tynwald Membership Pension Scheme 1995.

Following this the PSPA will take steps to revoke the Tynwald Membership Pension Scheme 1995.

Treasury concurred with the plans subject to Council of Ministers view (Treasury Minute 493/15 refers).

The Council of Ministers concurred with the proposals and for the PSPA to formally consult on these proposals. Council also agreed that the proposals for reforming the Scheme were not a matter for Council and were instead a Parliamentary issue.

The Consultation ran from 12 April 2016 to noon on 24 May 2016. There were no requests for this period to be extended.

6. Consultation feedback

There were 3 responses to the consultation.

- (i) Two respondents agreed with the proposals.
- (ii) A third sought clarification in relation to the commencement date, transitional arrangements and the calculation of Final Pensionable Pay.

Having given consideration to the comments received the PSPA has made minor amendments to the Scheme, in particular relating to the effective date of the legislation.

7. Legal Powers or Legal Advice obtained

The PSPA has made these Regulations under section 6(1)(c) and 11(a) of the Public Sector Pensions Act 2011 which states:

Section 6(1)(c):

“The PSPA must make schemes providing for the superannuation of public sector employees, subject to the approval of Tynwald;”

Section 11(a):

“The PSPA may, after consulting the Treasury, make regulations with respect to public sector employees who, being in pensionable service of one kind, enter into pensionable service of another kind, and may modify any scheme, in such circumstances as may be specified in the regulations —

(a) so as to entitle those employees to receive superannuation in respect of the first-mentioned service;”

8. Resource implications

The changes are administrative in nature, providing a platform to close the Scheme and bulk transfer the membership to the Unified Scheme and introduce a range of reforms to put the pension arrangements for Tynwald Members on a more affordable and sustainable footing in line with other public sector schemes.

Treasury has urged the PSPA to secure formal Tynwald approval to the proposed scheme changes before the General Election.

9. Tynwald procedure

These Regulations are required to be moved before Tynwald for approval under section 15(1) of the Public Sector Pensions Act 2011.