

Changes to transfer options, etc. for members of public sector pension scheme members - Pension Schemes Act 1993 (Application) (Amendment) Order 2014 (SD 2014/0347)

The Pension Schemes Act 1993 (Application) (Amendment) Order 2014 was approved by Tynwald on 20 January 2015.

The Order amends provision in Chapters 4 and 5 of Part 4 of the Pension Schemes Act 1993 as it has effect in the Island. Chapter 4 deals with pension transfer values and Chapter 5 with cash transfer sums and contribution refunds.

Part 4 of the 1993 Act gives certain rights to members of occupational pension schemes who leave pensionable service under the scheme before reaching retirement age (normally on changing job). Such persons are called "early leavers". Those rights include the right to a future pension under the scheme provided the early leaver has been in pensionable service under the scheme for least 2 years or transferred rights under a personal pension scheme to the scheme.

Under Chapter 4 of Part 4 early leavers are entitled to be provided with a written statement of the amount of the cash equivalent of the pension benefits they have accrued under the scheme. Members of salary-related occupational pension schemes (like public service pension schemes) are entitled to a "guaranteed cash equivalent" of their accrued benefits.

Early leavers can choose to take a cash equivalent in one of four ways (transfer to another occupational pension scheme, transfer to a personal pension scheme, buy an annuity or subscribe to certain other pension arrangements) on applying to the scheme's trustees or managers.



The Treasury

Under Chapter 5 of Part 4 early leavers who have been in pensionable service for at least 3 months but less than 2 years who have not accrued pension rights when their pensionable service ends are entitled to a cash transfer sum or a contribution refund, whichever they choose. A cash transfer sum represents the pension benefits they would have accrued had they been in pensionable service for at least 2 years or transferred rights under a personal pension scheme into the scheme. Early leavers can use a cash transfer sum in a similar way to taking a cash equivalent.

The changes made by the Order place new conditions on the ways members of a public sector pension scheme (i.e. a scheme made, or treated as made, under the Public Sector Pensions Act 2011) who are early leavers may take a guaranteed cash equivalent or use a cash transfer sum.

They will now only be able to do so if the managers of the scheme consent. But members must be allowed to take a guaranteed cash equivalent or use a cash transfer sum in any of the following ways –

- a) to acquire transfer credits under another occupational pension scheme which is approved by the Assessor of Income Tax or registered with HMRC;
- b) to acquire transfer credits under a public service pension scheme in the Island, the United Kingdom or (subject to conditions) elsewhere; or
- c) to acquire transfer credits under another occupational or personal pension scheme on the making of a pension sharing order by the court.

You can read the Pension Schemes Act 1993 (Application) (Amendment) Order 2014 and more about the Order by following the links

<http://www.tynwald.org.im/business/opqp/sittings/Tynwald%2020142016/2014-SD-0347a.pdf>

<http://www.tynwald.org.im/business/opqp/sittings/Tynwald%2020142016/MEMO-2014-SD-0347a-Public.pdf>.

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We hope that you have found this information useful. If you have any comments or queries about any of it please contact Nick Gough Tel. 01624 685223 or

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