



**Isle of Man**  
**Government**

*Reilrys Ellan Vannin*



# Manx National Insurance Fund Account

For the Year Ended 31 March 2022

Treasury

Presented to Tynwald pursuant to Section 161(2) of the Social Security Administration Act 1992  
(as applied to the Isle of Man)

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# 1. Foreword

## 1.1. Statutory Background

- 1.1.1. The National Insurance Scheme ("the Scheme") was established in 1948 to provide unemployment benefit, sickness benefit, retirement pensions and other benefits in cases where individuals meet contribution and other qualifying conditions. The Manx Pension Supplement has also been provided under the Scheme since 1993. The Social Security Contributions and Benefits Act 1992 (as applied to the Isle of Man) sets out the conditions for entitlement to most benefits and the basis for assessing liability to pay National Insurance Contributions ("NICs").
- 1.1.2. The Social Security Administration Act 1992 (as applied to the Isle of Man) provides that benefits due under the Scheme are payable out of the Manx National Insurance Fund ("the Fund"). The principal source of income for the Fund is NICs payable by employees, employers and others.
- 1.1.3. Section 161(1) of the Social Security Administration Act 1992 (as applied to the Isle of Man) places the control and management of the Fund with the Treasury.
- 1.1.4. Section 161(2) of the Social Security Administration Act 1992 (as applied to the Isle of Man) requires Treasury to lay the accounts of the Fund before Tynwald.

## 1.2. Financial Performance

- 1.2.1. The book cost value of the Fund was £883,262,000 at 31 March 2022 compared with £839,772,000 at 31 March 2021: an increase of £43,490,000. The market value of the fund was £1,031,611,000 at 31 March 2022 compared with £982,785,000 at 31 March 2021: an increase of £48,826,000.
- 1.2.2. The Fund operates essentially on a 'pay-as-you-go' basis with NICs income in each year, matching or exceeding benefit expenditure. For a number of reasons it is prudent to have a surplus in the Fund. In the United Kingdom, the Government Actuary's Department ("GAD") recommended a minimum surplus amounting to  $\frac{1}{6}$ <sup>th</sup> of annual benefit expenditure. A GAD report for the Isle of Man Government in 2002 recommended that the Fund should have a surplus of twice the annual benefit expenditure, although no formal policy was put in place as a result of that report. At March 2022, the overall book cost value of the Fund was 4.8 times annual benefit expenditure.

## 1.3. Risks to the Fund

- 1.3.1. Prior to April 2016 expenditure from the Fund was in large part determined by United Kingdom Government policy, which sets most contributory benefits and their rates. By virtue of a long-standing reciprocal arrangement, the Scheme in the Isle of Man mirrored that in the United Kingdom. The exception is the Manx Pension Supplement which is set by Tynwald.
- 1.3.2. From April 2016 the reciprocal agreement with the United Kingdom has amended so that the Isle of Man no longer had to apply the United Kingdom's policy on state pensions awarded after that date. In April 2019 the Treasury introduced a reformed state pension "the Manx State Pension" for all individuals who had paid NICs in the Island. However there are a significant number of pensioners still entitled to the previous state pension and therefore at present a large proportion of payments are still determined by United Kingdom Government policy.

- 1.3.3. The fund has seen significant expenditure in the previous two years as a result of the COVID pandemic with two support schemes, the Manx Earnings Replacement Allowance (MERA) and the Salary Support Scheme being paid out of the fund. This short-term increase in expenditure will have had an impact on the fund exhaustion date however the payments supported the economy and enabled many businesses to remain viable and therefore ensured that the fund revenue returned to expected levels.
- 1.3.4. Currently there economy is experiencing a number of pressures caused by a sudden increase in inflation and interest rates. This is leading to volatility in the markets and therefore investment returns for the coming year remain uncertain. The increase in the cost of living brought about by the increase in inflation will inevitably lead to increased employer costs and potentially increased unemployment, however the short-term picture is still unclear and NICs receipts for 22/23 remaining strong at present.
- 1.3.5. Currently the Treasury and HMRC are in discussions about the method for the calculation of payments for the transfer of contributions between the two NI Fund schemes. This has been ongoing for a number of years and there is the potential that the Fund could have to make a payment of £4.9 million to the UK Fund.
- 1.3.6. The Income Tax Division are updating the current legacy National Insurance IT system. This is a multiyear project which will be funded from the Fund.

## **2. Statement of Responsibilities for the Statement of Account**

### **2.1. Treasury's Responsibilities**

- 2.1.1. The Chief Financial Officer is responsible for the preparation of the Manx National Insurance Fund Account.
- 2.1.2. In preparing the Account, the Chief Financial Officer observes relevant accounting and disclosure requirements, and applies appropriate accounting policies on a consistent basis.
- 2.1.3. In preparing this Statement of Account, the Chief Financial Officer has:
  - selected suitable accounting policies and then applied them consistently; and
  - made judgements and estimates which were reasonable and prudent.
- 2.1.4. The Chief Financial Officer has also:
  - kept proper accounting records which are up to date; and
  - taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **2.2. Certificate**

- 2.2.1. I certify that the Statement of Account properly present the receipts and payments relating to the Manx National Insurance Fund for the year ended 31 March 2022.
- 2.2.2. The information in this Statement of Account has been extracted from the audited Annual Government Accounts.

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**David Catlow**  
Chief Financial Officer  
Treasury Department  
22 February 2023

### 3. National Insurance Operating Account Receipts and Payments

Prepared in accordance with Section 161 of the Social Security Administration Act 1992

	Notes	2021-22	2020-21
<b>Receipts</b>			
National Insurance Contributions (Gross)	3.1	£230,107,308	£219,256,206
State Scheme Premiums	3.2	£36,687	£36,728
Income from Investment Account	3.3	£30,000,000	£40,000,000
Other Income	3.4	£47,774,321	£45,378,620
<b>Total</b>		<b>£307,918,316</b>	<b>£304,671,554</b>
<b>Less</b>			
<b>Payments</b>			
Benefit Payments	3.5	£230,242,277	£289,713,390
National Health Service Contribution	3.6	£41,444,400	£38,900,004
Administrative Costs	3.7	£3,471,844	£3,219,052
Refunds	3.8	£1,436,408	£1,305,682
Bad Debts	3.9	(£316,714)	£0
Transfer to United Kingdom National Insurance Fund	3.10	£0	£0
<b>Total</b>		<b>£276,278,215</b>	<b>£333,138,128</b>
<b>Excess/(Deficit) of Receipts over Payments</b>	3.11	<b>£31,640,101</b>	<b>(£28,466,574)</b>

#### Notes

The Notes from Page 7 onwards form part of this Account.

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**David Catlow**  
Chief Financial Officer  
22 February 2023

## Notes to the Account

### 3.1. National Insurance Contributions

	Note	2021-22	2020-21
Class 1 (employed earner)	i	£222,929,286	£212,747,225
Class 2 (self-employed flat rate)	ii	£1,675,792	£1,786,353
Class 3 (voluntary contribution)	iii	£1,204,355	£796,949
Class 4 (self-employed earnings related)	iv	£4,297,875	£3,925,679
<b>Total</b>		<b>£230,107,308</b>	<b>£219,256,206</b>

Different groups of people pay different classes of contributions.

- i. Class 1 contributions are divided into: primary contributions payable by employees and secondary contributions payable by employers.
- ii. Self-employed people pay flat rate weekly Class 2 contributions.
- iii. Class 3 voluntary flat-rate contributions are paid to maintain a contributor's National Insurance record for certain benefits and/or pension purposes.
- iv. Self-employed people also pay earnings related Class 4 contributions. This figure includes interest charged on the late payment of Class 4 contributions.

### 3.2. State Scheme Premiums

	2021-22	2020-21
State Scheme premiums	£36,687	£36,728

State Scheme Premiums are payable to the Fund in respect of employed people who cease to be covered by a contracted-out pension scheme. The premiums buy back the person's additional pension entitlement in the state additional pension scheme.

### 3.3. Investment Income

The National Insurance Fund Investment Account is invested by external investment managers on behalf of the Treasury. During the 2021/22 fiscal year, the investment account received £16,782,000 in investment income. During the 21/22 year £30,000,000 was transferred from the Investment Account to the Operating Account to cover the deficit in the account that was carried over to the 2021/22 tax year which was as a result of additional expenditure incurred with the COVID support schemes that were paid in that year.

### 3.4. Other Income

	Note	2021-22	2020-21
Agency Payment from the United Kingdom (UK)	i	£47,702,823	£45,307,022
Transfer from UK National Insurance Fund	ii	£0	£0
Rental Income	iii	£72,000	£71,583
Medical and Care	iv	(£517)	£0
Miscellaneous Income		£15	£15
<b>Total</b>		<b>£47,774,321</b>	<b>£45,378,620</b>

- i. The agency payment from the United Kingdom relates to the net settlement in respect of individuals who have paid NICs into one fund, but have received benefit from the other fund.
- ii. Prior to April 2016, where an individual was employed in the Isle of Man but their National Insurance record was held in the United Kingdom, the NICs paid in the Isle of Man were transferred to the United Kingdom after a deduction was made for the Isle of Man National Health Service allocation. HM Revenue and Customs (HMRC) made a similar deduction from contributions sent to the Isle of Man from the United Kingdom. Depending on the amounts involved, either the United Kingdom, or the Isle of Man made a balancing payment each year. Since April 2016 this process was discontinued however there is still a requirement to deal with legacy issues, also following the splitting of state pensions following the changes to the reciprocal agreement adjustments are occasionally made to individuals National Insurance records that require a financial adjustment to be made. This process is currently suspended following issues with HMRC IT systems, see note at 1.3.5.
- iii. The Fund owns Nivison House, Prospect Hill, Douglas, and receives rent from its tenants.
- iv. The reference to Medical and Care is as a result of a payment being applied to the Fund incorrectly and although the monies have been transferred to General Revenue they are included for accounting purposes only.

### 3.5. Benefit Payments

	Notes	2021-22	2020-21
State Pension	i	£140,020,683	£142,773,643
Manx State Pension	ii	£14,470,829	£6,325,350
Manx Pension Supplement	iii	£35,603,396	£35,358,127
Incapacity Benefit	iv	£13,136,651	£12,551,198
Contributory Jobseeker's Allowance	v	£325,691	£1,007,286
Christmas Bonus	vi	£986,040	£961,340
Nursing Care Contribution Scheme	vii	£3,603,129	£3,203,420
Maternity Benefit	viii	£3,520,736	£3,610,804
Bereavement Benefits	ix	£1,220,696	£1,214,568
Disablement Benefit	x	£681,322	£687,771
Carers Allowance	xi	£3,370,027	£3,386,553
Salary Support Scheme	xii	£11,871,294	£66,508,400
Manx Earnings Replacement Allowance	xiii	£666,326	£11,601,235
Manx Isolation Payment	xiv	£271,800	£0
Other Benefits	xv	£493,657	£523,695
<b>Total</b>		<b>£230,242,277</b>	<b>£289,713,390</b>

- i. State pension is made up of different elements. The largest is the basic state retirement pension, followed by the additional state pension, the graduated pension scheme retirement premium and the age addition. This figure includes pensions which the SSD pays on behalf of the United Kingdom (see Note 3.4 above).
- ii. The Manx State Pension was introduced from 6<sup>th</sup> April 2019 and is paid to all individuals who reach state pension age after that date.



- iii. The Manx Pension Supplement is primarily paid to those pensioners who have paid sufficient contributions into the Scheme and are resident in the Isle of Man. The supplement is also paid to those in receipt of either Widow's or Bereavement Benefit and to individuals who claimed Incapacity Benefit before 6 April 2008 (the supplement has not been paid since then in respect of new claims). For those who reach state pension age after 6<sup>th</sup> April 2019 the amount of the supplement is being reduced each year so that anyone who reaches state pension age after January 2039 will not be entitled to a payment,
- iv. Incapacity Benefit is paid at different rates, dependent on age and the length of incapacity, to persons who have paid either Class 1 or Class 2 NICs.
- v. Contributory Jobseeker's Allowance is payable to individuals who are capable of working, available for work and actively seeking work, who have paid or are treated as having paid NICs: and is payable for 26 weeks.
- vi. The Christmas Bonus is a tax-free payment of £40 to individuals in receipt of a qualifying benefit. In the United Kingdom the amount is £10 and is paid only to pensioners.
- vii. Nursing Care Contribution is paid to qualifying individuals who reside in a nursing home.
- viii. Maternity Benefit is paid for up to 39 weeks at a standard weekly rate, depending upon a woman's level of earnings and whether they are employed or self-employed.
- ix. Bereavement Benefits consist of Bereavement Allowance, which is a regular payment for 52 weeks; and Bereavement Payment, which is a lump-sum. This figure includes Widowed Parent's Allowance; which is a regular payment whilst the individual has dependent children in respect of whom they receive Child Benefit. These benefits are all based on the NICs of the deceased spouse. Also included in this figure are Widow's Benefit payments.
- x. Industrial Injuries Disablement Benefit is payable to an individual who was employed and suffered a loss of faculty due to an accident at work or from a prescribed disease.
- xi. Carers Allowance is paid to persons not in full-time work caring for someone in receipt of a disability benefit. Prior to 6 April 2013 this benefit was funded from general revenue.
- xii. The Salary Support payment was a payment made to employers during the COVID pandemic to assist with salary costs.
- xiii. The Manx Earnings Replacement Allowance was a new benefit introduced during the COVID pandemic and was paid to individuals who stratified certain contribution conditions.
- xiv. The Manx Isolation payment was only introduced during the 2021/22 year and was a payment made to individuals who were required to isolate as part of the COVID pandemic mitigation requirements
- xv. Other Benefits include the Old Person's Pension, Funeral Payments, Paternity Allowance, Insolvency Payments, Redundancy Rebates, Adoption Allowance and Guardian's Allowance.

### 3.6. NHS Contribution

The Social Security Administration Act 1992 (as applied to the Isle of Man) provides for a proportion of NICs collected each year to be transferred directly to the Department of Health and Social Care to contribute to the costs of the National Health Service.

The National Health Service allocation is paid monthly and is based on the NICs which have been received. During the 2021/22 fiscal year the NHS allocation was £41,444,400 (2020/21: £38,900,004).

	<b>2021-22</b>	<b>2020-21</b>
Class 1	£40,281,480	£37,813,608
Class 2	£232,500	£275,760
Class 3	£62,004	£71,520
Class 4	£868,416	£739,116
<b>Total</b>	<b>£41,444,400</b>	<b>£38,900,004</b>

### 3.7. Administrative Costs

Administrative costs relate to services directly attributable to the Fund and are reimbursed to the department, division or organisation providing those services. During the 2021/22 fiscal year, the Treasury received £3,471,844 (2020/21: £3,219,052) to cover costs relating to the awarding and payment of contributory benefits and the collection of NI contributions. It should be noted that although not included in this account a further £2,174,000 is charged against the investment account for Investment Management and Custodian Fees.

### 3.8. Refunds

There is a maximum amount of NICs that an individual can pay in any given tax year, and any amount paid which exceeds this limit is refunded to the individual. Treasury introduced an NIC rebate scheme for individuals moving to the Island to work or returning students, these payments are included in the overall refund figure.

### 3.9. Bad Debt

Enforcement procedures, which include the Courts of Justice and the Coroners, aim to ensure that individuals and employers pay the correct amount of NICs. Occasionally, it is not possible to recover unpaid NICs, and this leads to amounts being written off.

### 3.10. Transfer to United Kingdom National Insurance Fund

Previously where an individual was employed in the Isle of Man but their National Insurance record was held in the United Kingdom; the NICs paid in the Isle of Man were transferred to the United Kingdom after a deduction was made for the Isle of Man National Health Service allocation. HM Revenue and Customs (HMRC) made a similar deduction from contributions sent to the Isle of Man from the United Kingdom. Depending on the amounts involved, either the United Kingdom or Isle of Man would need to make a balancing payment each year. This settlement is made 20 months after the end of the fiscal year it relates to.

With effect from 6<sup>th</sup> April 2016 the Isle of Man and United Kingdom no longer operate the same state pension schemes and therefore NICs will remain in the country they are paid in. Transfers regarding contributions for tax years prior to 6<sup>th</sup> April 2016 will continue to be made however due to outstanding IT issues payments have not been made during the period of these accounts.

### **3.11.Excess of Receipts over Payments**

The NI operating account started the year with a significant deficit due to the increased expenditure in 20/21 year as a result of the COVID pandemic, a transfer from the Investment account of £30,000,000 was required to clear the deficit. It should be noted that overall the operating account would have ended the period in credit.



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*Reilrys Ellan Vannin*



The information in this booklet can be provided in large print or audio tape on request

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