



Isle of Man
Government

Reillys Ellan Vannin



Report by the UK Government Actuary
on the operation of the Social Security Acts
in the Isle of Man for the period
1st April 2007 to 31st March 2012

Presented to Tynwald pursuant to Section 166
of the Social Security Administration Act 1992
(as applied to the Isle of Man)

May 2014

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The Treasury
Yn Tashtey



**Report by the UK Government Actuary on the operation of the
Social Security Acts in the Isle of Man for the period 1 April 2007 to
31 March 2012**

Date: 4 March 2014

Author: Trevor Llanwarne

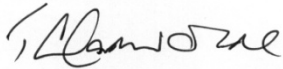
Review of the Isle of Man National Insurance Fund as at 31 March 2012

The Social Security Administration Act 1992 as applied to the Isle of Man by the Social Security Administration Act 1992 (Application) Order 1994.

Report by the Government Actuary on the operation of the Social Security Acts in the Isle of Man for the period 1 April 2007 to 31 March 2012.

To the Minister for Social Care:

In accordance with the terms of section 166 of the Social Security Administration Act 1992 as applied to the Isle of Man by the Social Security Administration Act 1992 (Application) Order 1994 (S.D. 506/94), I have reviewed the operation of the Social Security Acts in the Isle of Man during the period from 1 April 2007 to 31 March 2012. A summary of my conclusions is given in the first section of the attached report on this review.



Trevor Llanwarne FIA
United Kingdom Government Actuary
4 March 2014

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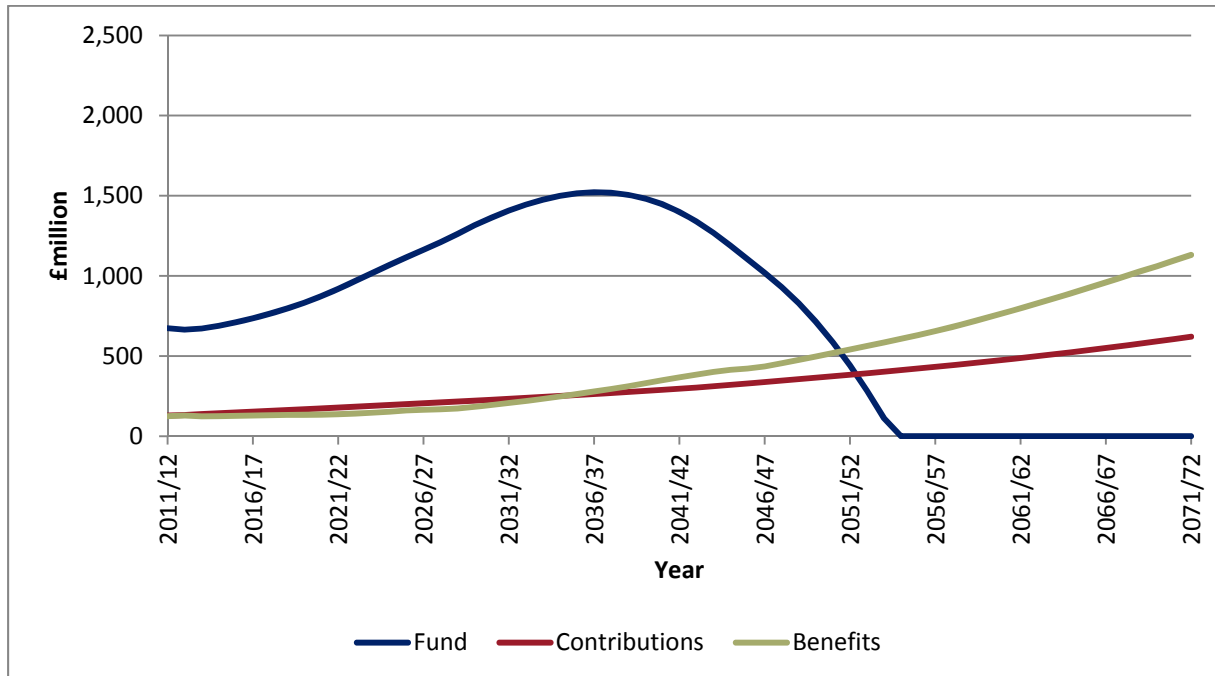
1 Executive summary

- 1.1 This report has been prepared for the Isle of Man Department of Social Care.
- 1.2 Section 166 of the Social Security Administration Act 1992 as applied to the Isle of Man by the Social Security Administration Act 1992 (Application) Order 1994 (S.D. 506/94), requires an actuary to review the operation of the Social Security Acts at intervals not exceeding five years. The previous review was as at 31 March 2007. This report addresses this requirement as at an effective date of 31 March 2012 (the valuation date). The next report will be due as at an effective date no later than 31 March 2017.
- 1.3 The aim of this report is to review the financial condition of the Isle of Man National Insurance Fund ("the Fund") and the adequacy of the contributions payable. It includes projections over the period from 2012 to 2072 for:
- > the projected income and expenditure of the Fund; and
 - > the future progress of the Fund assuming that the Isle of Man benefit rates will continue to be increased in accordance with current practice and that the Isle of Man will continue with contribution rates at their current levels.
- 1.4 This review allows for changes in benefits which have been implemented since the previous review as at 31 March 2007, including those which have been implemented since the valuation date and before the date of this report. The projections also allow for actual increases in benefits and earnings between the valuation date and the date of this report. Where appropriate, allowance is made in contribution and benefit figures for the net effect of settlements with the United Kingdom.
- 1.5 The projections suggest that by 2054-55 the Fund will be exhausted on the central assumptions and assuming contribution rates to the National Insurance Fund remain at their current levels.

Projection of income and expenditure of the Fund

- 1.6 The figure below shows the projected contributions and benefits payable and the resulting size of the Fund at the start of each year after allowing for investment income and expenses and with the impact of price inflation removed. The contribution rates are assumed to remain at current levels. The chart is based on the central assumptions. Once the fund is exhausted, which is projected to take place by 2054-55, we have shown it as remaining at zero thereafter.

Figure 1.1: projected benefit outgo, contribution income and fund size (£million) 500 net in migration per annum, 2.25% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK



Data and projections

- 1.7 We have used actual benefit and contribution data provided by the Isle of Man Departments of Social Care and The Treasury. This generally seems to be of good quality and adequate for our projections. However, we have had to make a number of simplifications in our projections for the effect of transfers to and from the United Kingdom and there is consequently a degree of additional uncertainty in the results. Further details are in Section 4 and Appendix F.
- 1.8 Table 1.1 below compares the population of the Isle of Man projected to 2012 at the time of the 2007 review with the actual count from the April 2011 census. Using the 2011 census information and following discussion with the Isle of Man Departments of Social Care and the Treasury, the population of the Isle of Man has been projected to 2072 on three migration bases, as in Table 1.2 below. These have been set to give an indication of the impact of different levels of migration and are not meant to imply that future migration will be at any of these levels. Results using these three migration bases are in Section 5.

Table 1.1: Comparison of Isle of Man population at April 2011 with 2012 projections from the 2007 review

April 2011 (census)	2012 projected population from the 2007 review	
	Nil net in migration per annum	500 net in migration per annum
Around 85,000	80,800	84,000

Table 1.2: Isle of Man population projections

Migration basis (net inward migration of people per annum)	Projected population in 2072 (rounded)	Comment
Nil	78,400	From 2052 onwards the rate of decrease is around 3.0% per decade
500 (central assumption)	112,000	Rate of increase falls until around 2060 then fluctuates, before beginning to rise from around 2065
1000	145,800	Annual rate of increase slowly falls over the projection period

1.9 The following table shows the pensioner age support ratio (the ratio of the size of the working age population to the number of people of pension age) for the Isle of Man (based on 500 net in migration per annum) and the equivalent for Great Britain. We have calculated the impact of transfers from the GB and Northern Ireland National Insurance Funds on the Isle of Man pensioner support ratio, based on data provided by the Isle of Man Department of Social Care.

Table 1.3: Pensioner age support ratios

	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Isle of Man (unadjusted)	3.04	3.08	2.66	2.21	2.28	2.23	2.15
Isle of Man (adjusted based on numbers of pensioners)	4.62	4.68	4.05	3.36	3.47	3.40	3.28
Isle of Man (adjusted based on pension payments from accounts)	4.60	4.67	4.03	3.35	3.45	3.38	3.26
GB	3.24	3.47	3.16	2.79	2.93	2.68	2.62

Note that, in connection with the pensioner support ratios shown above for the Isle of Man:

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- > because they are based on numbers of pensioners, they effectively assume that everyone is receiving 100% pension, which will not be the case;
- > they do not allow for people in the working age group who are not working due to ill health, studying or some other reason;
- > conversely they do not allow for those people of State Pension Age and over who are still working; and
- > they only relate to pension payments from the National Insurance Fund and not to other social benefits such as health care where residents may be fully eligible for benefits even if they are not fully eligible for a pension from the National Insurance Fund.

Assumptions

1.10 The figures illustrated above are projections and depend on assumptions made about the future. The principal central assumptions adopted in carrying out the current Fund review are summarised in Table 1.4 below (please refer to Section 4 and Appendix F for further information). Variant results to illustrate the sensitivity of the projections to the assumptions are in Section 5. Users should read the main body of this report to understand the uncertainty and limitations surrounding these projections.

Table 1.4: Summary of principal central assumptions used in the current Fund Review

Factors	Central assumption
Mortality	2010-based projections for Great Britain, adjusted
Fertility	2010-based projections for England and Wales, adjusted
Migration	Net in-migration of 500 per annum
Price inflation (CPI)	2.0% per annum
Real earnings growth	2.25% per annum
Real investment return	1.15% per annum
Uprating of benefits	Basic state pension in line with the triple guarantee, but otherwise mostly in line with UK CPI
Triple guarantee	Earnings increases plus 0.25% per annum
Uprating of earnings limits for NI contributions	In line with earnings, with certain exceptions

Findings

1.11 Our projections suggest that by 2054-55 the Fund will be exhausted on the central assumptions, assuming that contribution rates and existing benefit arrangements remain in their current form. The projected Fund exhaustion date has deteriorated by around 5 years since the 2007 review. The introduction of triple guarantee pension increases and an overall decline in the numbers of contributors between the two reviews have served to bring forward the Fund exhaustion date but this has been offset to an extent by the effect of bringing forward increases in State Pension Age and a reduction in the uprating of certain benefits. Other demographic developments and the updates to economic assumptions between the two reviews have had a broadly neutral effect, in aggregate. The operation of the Fund is due to be reviewed again no later than as at 31 March 2017.

2 Introduction and scope of the review

- 2.1 This report has been prepared for the Isle of Man Department of Social Care in accordance with the terms of section 166 of the Social Security Administration Act 1992 as applied to the Isle of Man by the Social Security Administration Act 1992 (Application) Order 1994 (S.D. 506/94). The previous review was as at 31 March 2007. This report addresses this requirement as at an effective date of 31 March 2012 (the valuation date). I have reviewed the operation of the Social Security Acts in the Isle of Man during the period from 1 April 2007 to 31 March 2012. The legislation under which this report has been prepared, as confirmed by the Department of Social Care for the purposes of the 31 March 2012 review, is shown in Appendix A. The next report will be due as at an effective date no later than 31 March 2017.
- 2.2 To meet the legislative requirement described above, this report includes a brief commentary on the operation of the Fund over the period of 2007 to 2012 (and, to a lesser extent, to the current time) and of the operation of the underlying pieces of legislation that govern contributions paid to and benefits paid from the Fund. It also includes projections over the period from 2012 to 2072 for:
- > the projected income and expenditure of the Fund; and
 - > the future progress of the Fund assuming that the Isle of Man benefit rates will continue to be increased in accordance with current practice and that the Isle of Man will continue with contribution rates at their current levels.
- 2.3 The National Insurance scheme in the Isle of Man is closely modelled on the schemes which apply in Great Britain and Northern Ireland. Originally, the Isle of Man scheme was similar in all respects to those in the United Kingdom but now there are several differences (see Appendix B). The scheme is, in theory, a pay-as-you-go scheme (under which the contribution rate would be set such that the expenditure in a year broadly equals the contribution income) but the terms of the reciprocal agreement with the United Kingdom (outlined in Appendix C) mean that the contribution rates to the National Insurance Fund are usually similar to those in Great Britain.
- 2.4 The latest Quinquennial Review (QR) of the Great Britain scheme was published in March 2010 and showed estimates of the rates of contribution likely to be required under that scheme for years up to 2070 on alternative assumptions about the basis of future up-ratings of flat-rate benefits and different increases of earnings net of prices. The next QR is due to be published shortly. Since the Isle of Man arrangement generally follows the contribution rates in Great Britain (see paragraph C1), this report does not project specific Isle of Man contribution rates that would be required in the Isle of Man to support the benefit expenditure from the Isle of Man National Insurance Fund. Instead, this report includes projections of the income and expenditure of the Fund and also shows the projected progress of the Fund on the assumption that the rates of contribution remain constant at current levels. Where appropriate, allowance is made in contribution and benefit figures for the net effect of settlements with the United Kingdom.
- 2.5 Section 3 of this report summarises the results of the projections on the central assumptions. This is based on the data supplied by the Departments of Social Care and The Treasury as summarised in Appendices D and E and the methods and assumptions as described in section 4 (with more details on the assumptions given in Appendix F). The projections of benefit expenditure and the progress of the Fund depend crucially on a projection of the population of the Isle of Man, detailed results of

which are given in Appendix G. Further details of the projected benefit outgo are given in Appendix H and details of the income, total outgo and balance of the Fund are given in Appendix I.

- 2.6 The actual amounts of future contribution income and benefit expenditure will tend to rise because of the increases in earnings and prices. This makes it difficult to compare different years and to identify the underlying trends of the income and outgo. Because of this, the amounts in the estimates are expressed in terms of constant prices at the 2011-12 level, although the projections also allow for actual increases in benefits, prices and earnings between the valuation date and the date of this report.
- 2.7 The projections are dependent on the data, methodology and assumptions used. They are particularly sensitive to the approach used to up-rate benefit rates and earnings limits, and to the future population profile of the Isle of Man. We have therefore included projections based on varying the migration assumption and the level of future earnings growth. There is considerable uncertainty about the future progress of the Fund and actual experience could differ materially from the projections. Section 5 shows the results of projections using the variant assumptions for migration and earnings growth.

Reliances and limitations

- 2.8 This report has been prepared for the Isle of Man Department of Social Care. We understand that the information in this report may be made available to others. However GAD does not accept any liability to third parties in relation to this report.
- 2.9 This review relies on the accuracy of data and information provided by the Isle of Man Departments of Social Care and The Treasury. GAD does not accept responsibility for advice based on wrong or incomplete data or information provided. We have reproduced in Appendices A, B, C, D and E (excluding the population projections) our understanding of the legislative environment, benefit and contribution rates and the financial data provided to us.
- 2.10 The advice provided must be taken in context. Advice is intended to be read and used as a whole and not in parts. GAD does not accept responsibility for advice that is altered or used selectively.
- 2.11 Clarification should be sought if there is any doubt about the intention or scope of advice provided in this report. GAD is not responsible for any decision taken by the Isle of Man Department of Social Care, except to the extent that the decision has been made in accordance with specific advice provided.
- 2.12 It is anticipated that the results in this report will be used by the Isle Of Man Departments of Social Care and The Treasury for information purposes and for considering possible changes to contributions or benefits payable. However, before deciding on any potential changes, further actuarial advice should be sought in order to confirm the likely impact on the finances of the Fund. Furthermore, in making decisions about the Fund, it will also be appropriate to take into account non-actuarial matters, such as legal, administrative and policy issues.

3 Results based on the central assumptions

3.1 This report includes commentary on the operation of the Fund over the period of 2007 to 2012 (and, to a lesser extent, to the current time) of the operation of the underlying pieces of legislation that govern contributions paid to and benefits paid from the Fund. These are:

- > Parts I to IV of the Contributions and Benefits Act 1992 (except Part I of Schedule 8);
- > the provisions of the Jobseekers Act 1995 relating to contribution-based jobseeker's allowance;
- > Section 2 of the Social Security (Amendment) Act 2009 (of Tynwald); and
- > the Social Security Administration Act 1992 and chapter II of Part I of the Social Security Act 1998 in so far as they relate to the provisions in the bullet points above.

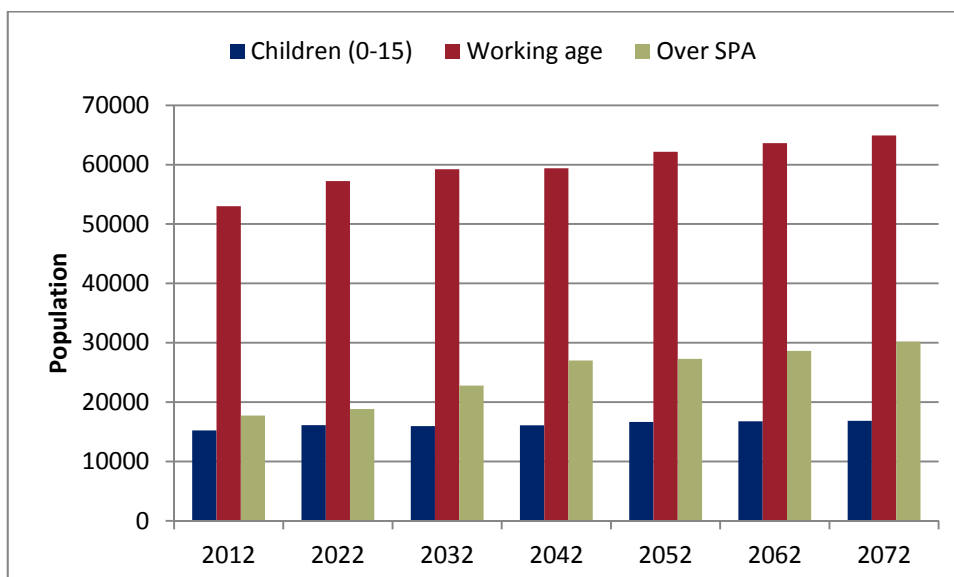
3.2 As the Isle of Man legislation, like the equivalent in the United Kingdom, has been subject to many changes over time we have relied on the provision of legislative information by members of the Departments of Social Care and The Treasury. We have however, applied our knowledge and experience of the Great Britain National Insurance scheme to help ensure that we have not overlooked any changes. We include in Appendix B details of differences between the Isle of Man scheme and the Great Britain scheme and also brief details of recent changes in legislation.

3.3 The report also includes projections over the period from 2012 to 2072 for:

- > the projected income and expenditure of the Fund; and
- > the future progress of the Fund assuming that the Isle of Man benefit rates will continue to be increased in accordance with current practice and that the Isle of Man will continue with contribution rates at their current levels.

Commentary on population projections

Figure 3.1: Projected population of the Isle of Man 2012 – 2072 assuming 500 net in migration per annum



- 3.4 The population of the Isle of Man at the census date in April 2011 was around 85,000. This compares with the projected 2012 population as shown in the 2007 review of around 80,800 assuming nil net in migration and 84,000 assuming 500 net in migration per annum. The higher population will be one of the factors leading to an increase in the projected level of benefits and contributions in this review compared to the previous review.
- 3.5 The population of the Isle of Man has been projected to 2072 on three migration bases: 500 net in migration per annum (the central assumption), nil and 1,000 net in migration per annum. These were set following discussion with the Isle of Man Departments of Social Care and The Treasury. These have been set to give an indication of the impact of different levels of migration and are not meant to imply that future migration will be at any of these levels. On the 500 net in migration assumption the population would increase to around 112,000 by 2072 with the rates of increase falling until about 2060, then fluctuating before beginning to rise from around 2065. Under the nil net migration assumption the population would fall to around 78,400 in 2072. From 2052 onwards the rate of decrease would be around 3.0% per decade. Under the 1,000 net in migration assumption the population would increase to around 145,800 by 2072 although the annual rate of increase slowly falls over the projection period.
- 3.6 The following table shows the pensioner age support ratio (the ratio of the size of the working age population to the number of people of pension age) for the Isle of Man (based on 500 net in migration per annum) and the equivalent for Great Britain. We have calculated the impact of transfers from the GB and Northern Ireland National Insurance Funds on the Isle of Man pensioner support ratio, based on data provided by the Isle of Man Departments of Social Care and The Treasury.

Table 3.1: Pensioner age support ratios

	2011- 12	2021- 22	2031- 32	2041- 42	2051- 52	2061- 62	2071- 72
Isle of Man (unadjusted)	3.04	3.08	2.66	2.21	2.28	2.23	2.15
Isle of Man (adjusted based on numbers of pensioners)	4.62	4.68	4.05	3.36	3.47	3.40	3.28
Isle of Man (adjusted based on pension payments from accounts)	4.60	4.67	4.03	3.35	3.45	3.38	3.26
GB	3.24	3.47	3.16	2.79	2.93	2.68	2.62

Note that, in connection with the pensioner support ratios shown above for the Isle of Man:

- > because they are based on numbers of pensioners, they effectively assume that everyone is receiving 100% pension, which will not be the case;
- > they do not allow for people in the working age group who are not working due to ill health, studying or some other reason;
- > conversely they do not allow for those people of State Pension Age and over who are still working; and

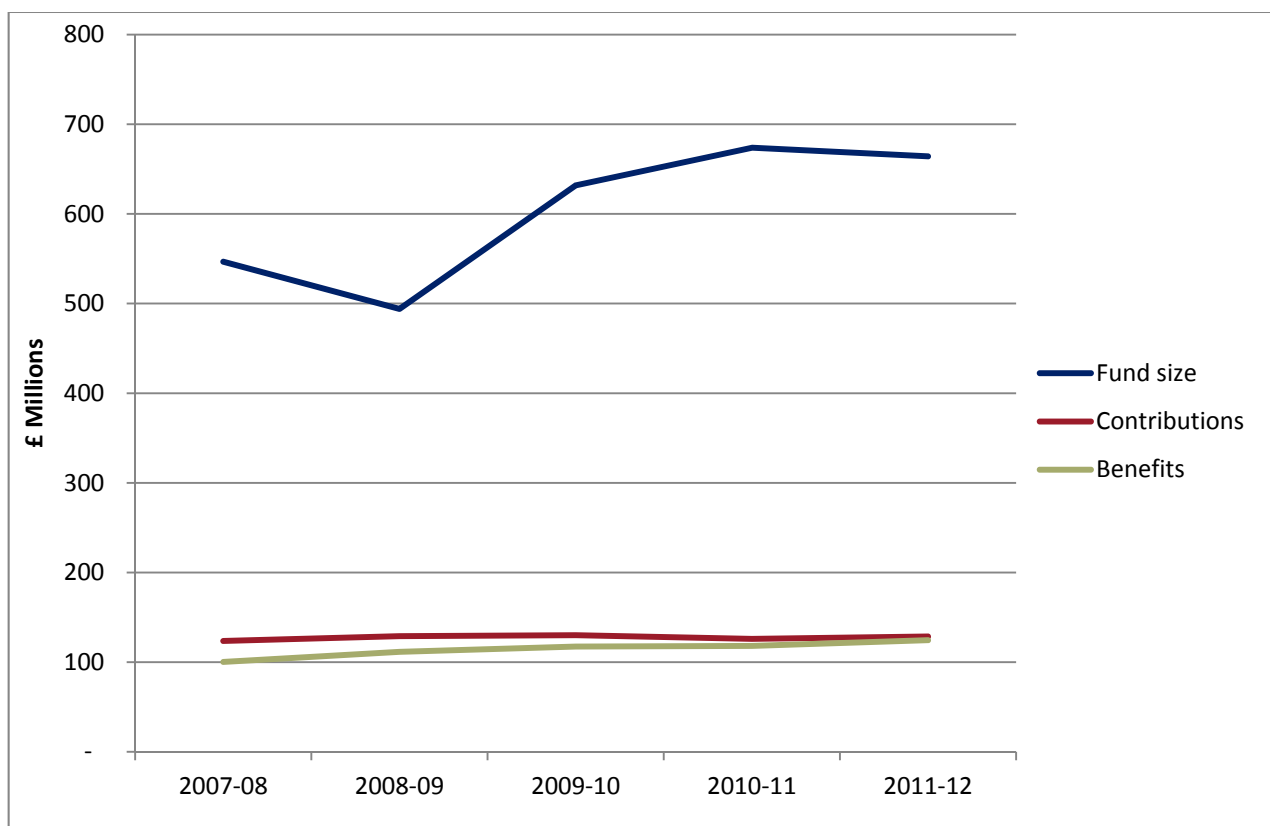
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- > they only relate to pension payments from the National Insurance Fund and not to other social benefits such as health care where residents may be fully eligible for benefits even if they are not fully eligible for a pension from the National Insurance Fund.

Commentary on the operation of the Fund during the review period

3.7 During the period since the last review the market value of the Fund increased from £547 million at the end of the financial year 2007-08 to £664 million at the end of the 2011-12 financial year.

Figure 3.2: Benefit outgo, contribution income and fund size (£million) 2007-12 net of settlements with the UK



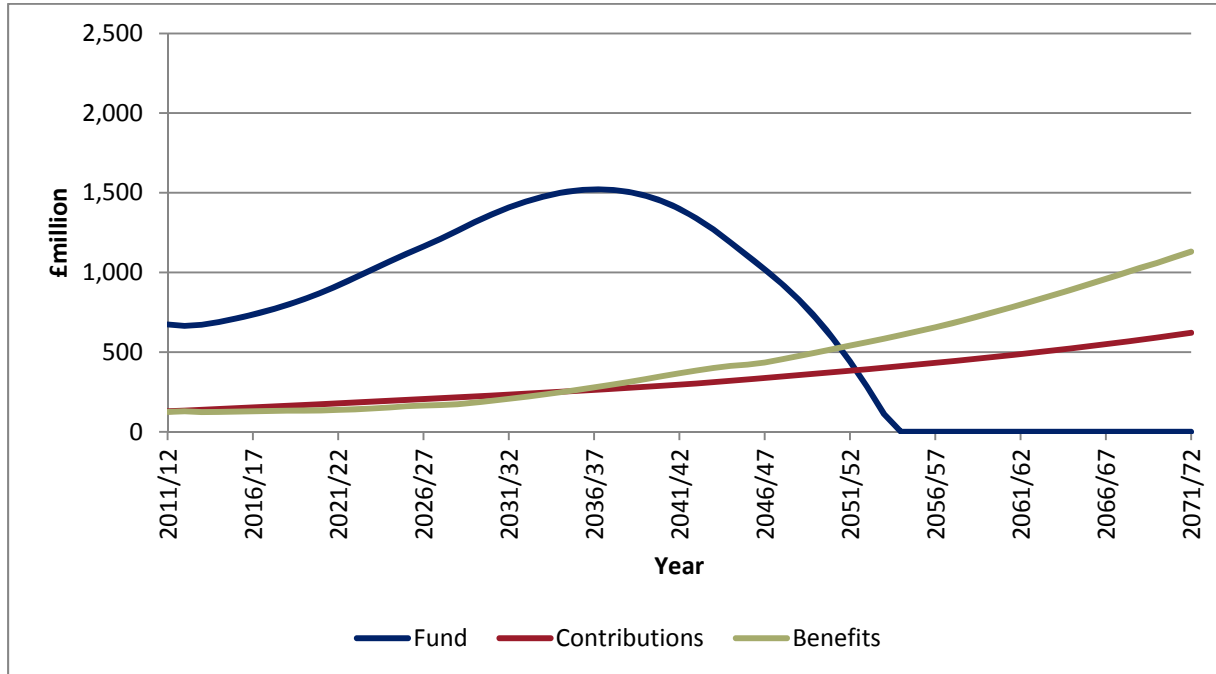
Contributions are net of contracted out salary-related rebates, while benefits include other forms of contracted out rebates. Contributions and benefits are net of their respective share of the settlement with the United Kingdom. The fund value is based on the market value of assets at end of period (source: Isle of Man Government Accounts, various years).

3.8 The value of contributions was slightly higher than the value of the benefits being paid (net of settlement with the United Kingdom). However, as the difference between contribution income and benefit outgo has been decreasing in the last few years and it is relatively small, most of the net movement in Fund size is due to investment income including realised and unrealised gains.

Fund progress assuming future contribution rates remain at current levels

3.9 The following chart shows the contribution income, benefit outgo and progress of the fund over the projection period based on the central assumption of net in migration of 500 per annum and 2.25% real earnings growth. The figures are in real terms, i.e. net of the effect of future price inflation.

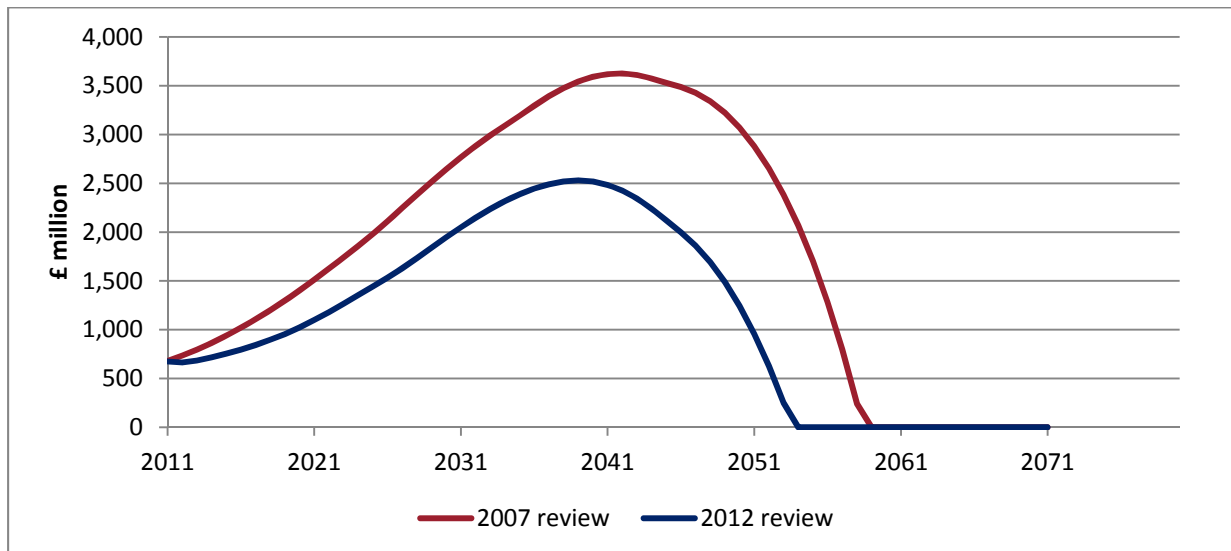
Figure 3.3: projected benefit outgo, contribution income and fund size (£million) 500 net in migration per annum, 2.25% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK



Comparison to previous review

3.10 The following chart shows how the projected balance on the Fund differs between the 2007 review and the 2012 review, based on the assumptions in Appendix F. As the measure of price inflation altered between the two reviews, the chart is not in constant price terms but is instead in nominal terms, to facilitate comparison.

Figure 3.4: Projected Fund balance in the current and previous review (500 net in migration per annum, 2.25% pa real earnings growth and 2.0%pa consumer price inflation 2012 review, 1.5%pa real earnings growth and 2.87%pa retail price inflation 2007 review), net of settlements with the UK



3.11 To provide a breakdown of these results, the following table shows the difference between the projected income, expenditure and end-year Fund balance between the current and the previous review, based on the assumptions in Appendix F. As the measure of price inflation altered between the two reviews, the table is not in constant price terms but is again in nominal terms, to facilitate comparison.

Table 3.2: Comparison of income, expenditure and Fund balance in the 2007 and 2012 reviews (500 net in migration per annum, 2.25% pa real earnings growth and 2.0%pa consumer price inflation 2012 review, 1.5%pa real earnings growth and 2.87%pa retail price inflation 2007 review), net of settlements with the UK

Year	Income (£ million)		Expenditure (£ million)		Surplus (Deficit) (£ million)		Fund balance (£ million)	
	2007 review	2012 review	2007 review	2012 review	2007 review	2012 review	2007 review	2012 review
2011-12	181	119	126	128	54	-9	735	664
2021-22	317	253	203	172	114	81	1,626	1,180
2031-32	521	410	405	314	116	96	2,883	2,146
2041-42	786	615	780	673	6	-59	3,624	2,426
2051-52	1,109	876	1,337	1,205	-228	-330	2,652	626
2061-62	1,507	1,313	2,324	2,162	-817	-849	0	0
2071-72	2,349	2,037	3,869	3,728	-1,520	-1,691	0	0

3.12 Our projections suggest that by 2054-55 the Fund will be exhausted on the central assumptions, assuming that contribution rates and existing benefit arrangements remain in their current form. The projected Fund exhaustion date has deteriorated by around 5 years since the 2007 review. The key drivers for this were the introduction of triple guarantee pension increases and an overall decline in the numbers of contributors between the two reviews, which together served to bring forward the Fund exhaustion date by around 10 years, offset to an extent by the effect of bringing forward increases in State Pension Age and a reduction in the uprating of certain benefits, which together pushed back the Fund exhaustion date by around 4 years. Other demographic developments and the updates to economic assumptions between the two reviews have had a broadly neutral effect, in aggregate.

Projected expenditure on benefits and administration

3.13 The following table shows the projected benefit payments on the central assumptions (500 net in migration per annum and 2.25%pa real earnings growth) and with the impact of price inflation removed (in constant 2011-12 prices).

Table 3.3: Projected expenditure assuming 500 net in migration per annum and 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	63,691	104,391	197,350	297,299	444,981	638,659
Retirement Pension Additional Pension (1) (2)	11,690	16,113	24,647	43,180	64,665	98,465	138,225
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	34,730	54,627	101,224	151,391	225,678	323,248
Jobseeker's Allowance (contribution based)	501	516	520	524	538	549	561
Incapacity Benefit (Short Term)	2,609	2,887	2,904	2,883	3,004	3,079	3,158
Incapacity Benefit (Long Term)	6,996	8,317	8,461	8,225	8,441	8,118	7,891
Incapacity Benefit (Youth)	123	70	80	76	77	80	80
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	571	496	432	433	417	426
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	3,894	3,882	4,051	4,099	4,079	4,204
Adoption and Paternity Allowances (5)	103	97	97	101	102	102	105
Disablement Benefit	493	680	869	1,100	1,423	1,819	2,316
Lump Sum (Christmas Bonus)	1,894	1,980	2,372	2,834	2,888	3,004	3,161
Redundancy Rebates (5)	71	210	269	340	440	563	716
Insolvency Payments (5)	25	191	244	309	400	511	651
Old Persons Pension (5)	122	208	417	689	1,137	1,589	2,133
Funeral Payments (5)	195	253	364	528	719	930	1,142
Nursing Care Contribution Scheme (4)	1,105	1,471	2,306	2,982	3,845	4,199	4,404
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,284	4,561	4,776	4,950	5,087	5,224
Total	128,251	141,023	211,508	371,604	545,851	803,250	1,136,305

Notes

- (1) Net of settlements with the United Kingdom.
- (2) In the accounts, Retirement Pension Additional Pension is included in 'Retirement Pension'. This is true also for Widows Benefit / Bereavement Benefit.
- (3) Age Addition is included in the projected costs for retirement pension and therefore is not shown as a separate item.
- (4) The Nursing Care Contribution Scheme came into operation on 5 October 2008. Payments under this scheme have been made from the NI Fund from 1 April 2011.
- (5) Benefit not separately itemised in the accounts.

3.14 The data on which the results in this section are based, and the methodology and assumptions used in producing them, are discussed in section 4, with more details in appendices E and F. The effects of using different migration and earnings assumptions are shown in section 5.

4 Data, methodology and assumptions used

4.1 The results provided in this report are projections and depend on data and information provided by the Isle of Man Departments of Social Care and The Treasury, the methodology adopted and assumptions made about the future.

Data

4.2 The accuracy of the projections provided for this review of the Isle of Man National Insurance Fund is fundamentally dependent on the data on which it is based. Where possible, we have carried out reasonableness checks on the data. The data appear to be of generally good quality, and are adequate for the purposes of the review. Nevertheless, it should be noted that if any of the data used for the calculations are materially incorrect or incomplete, this could have a significant effect on the results. In particular, we have had to make a number of simplifications in our projections for the effect of transfers to and from the United Kingdom and there is consequently a degree of additional uncertainty in the results.

4.3 There was an apparent discrepancy between the data on the number of contributors and census-based employment figures. Between 2007 and 2012 the number of contributors has fallen while the 2006 and 2011 censuses showed an increase in the number of employed. In addition, it was noted by the Department of The Treasury that there was an inconsistency between the individual contributor data tables that we use and the totals within the same contributor data. Having liaised with the Departments of Social Care and The Treasury, both Departments have assured us that the data that we are using is appropriate. We have carried out no further examination of the data and have used this data in our calculations, aligning our projections of contributions with recent accounting information to ensure that they tie in with actual recent experience.

4.4 Data are used in three main areas:

- > as the starting point of the projections
- > to help determine appropriate assumptions about the future
- > in validating the projection methodology.

4.5 Data for this review have been provided by the Isle of Man Departments of Social Care and The Treasury. Details of the data provided are set out below, with summaries of key data items given in tables in Appendix E.

Data used as the starting point of the projections

4.6 The central population projections and the population projections for the variant migration scenarios are based on population data as at the census date of 27 March 2011. Details of the projected population of the Isle of Man based on the census population are given in table E1 in Appendix E.

4.7 The projections of the balance in the Fund are based on the market value of the assets as at 31 March 2012 as shown in the 2011-12 accounts as summarised in Appendix D. The results for the projection of the Fund balance should be seen in the context of the general volatility of market values of some classes of investment.

- 4.8 Projections of the numbers of future contributors and amounts of future contributions are based on the number of contributors and level of contributions in the year 2011–12. Details are given in Table E2 in Appendix E.
- 4.9 The data in respect of benefits paid from the Fund are based on data provided by the Isle of Man Department of Social Care. The data are summarised in Appendix E.

Data used to help determine appropriate assumptions about the future

- 4.10 The Isle of Man population count data and the ONS's 2010-based principal population projections for Great Britain have been used to determine the mortality and fertility assumptions, including allowance for future mortality improvement. The ONS's 2008-based principal population projections for England and Wales have been used to determine the proportions married assumptions.
- 4.11 Projections of contributions and benefits are based on data including the number of contributors and their earnings and the number of beneficiaries and the amount of benefit paid (as shown in the tables in Appendix E). Information was also provided on current contribution rates, earnings limits and benefit rates, and also recent contribution and benefit settlements with the United Kingdom.
- 4.12 Economic assumptions have been set with reference to the long term and adopted following discussion with the Isle of Man Departments of Social Care and The Treasury.

Data used in validating the projection methodology

- 4.13 The results of our projection of the income and outgo in 2011–12 based on our assumptions were compared with actual cashflows in 2011–12 to help ensure the projections are robust. Where the projections differed from the actual results in 2011–12 we adjusted the projections to ensure that the actual and expected figures in 2011–12 were the same and made equivalent adjustments to future projected figures.

Methodology

- 4.14 Having projected the future population of the Isle of Man we then projected the number and amount of contributors and then the amount of benefits payable. For the most significant benefits we based our projections on the population projections. In projecting the less significant benefits and the administration costs we used approximate approaches based on identifying the most appropriate drivers for the projection of these benefits and costs as described in more detail in paragraph F42 below.

Assumptions

- 4.15 This material is adapted from the Assumptions paper sent to the Department of Social Care in June 2013, allowing for the subsequent discussion between us and the Department. Please see Appendix F for further information.

Demographic assumptions

General

- 4.16 In terms of the demographic assumptions there were insufficient data from the Isle of Man population as a whole to derive the demographic assumptions from actual experience. We therefore used assumptions on the equivalent bases for Great Britain

or England and Wales, adjusted to reflect expected differences between these and the Isle of Man. These adjustments are based on our review of the actual experience of the Isle of Man over the period 2007-08 to 2011-12.

- 4.17 Overall results for the projection of the population based on the assumptions set out below are given in Appendix G.

Mortality

- 4.18 The assumption used involved application of adjustments as shown in Table F1 in Appendix F to the mortality rates underlying the 2010-based principal population projections for Great Britain produced by the Office for National Statistics (ONS).
- 4.19 The impact of changing the mortality assumptions can be seen in the changes in expectation of life shown in the following table:

Table 4.1 Life expectancies at age 65 for 2010-11 and 2040-41

		2012 review	2007 review
Male age 65 in	2012	21.3	21.6
Male age 65 in	2041	24.7	24.4
Female age 65 in	2012	24.0	24.1
Female age 65 in	2041	27.2	26.9

Fertility

- 4.20 The assumption used was derived by applying the adjustments shown in Table F3 in Appendix F to the England & Wales fertility rates used in the 2010-based principal population projections for Great Britain produced by the ONS. We have used England & Wales rather than GB as fertility rates are not available for GB. The adjustment factors are close to the average of the actual fertility experienced in the Isle of Man over the last five years.

Migration

- 4.21 We have used as the central migration assumption 500 in migrants per annum split equally between men and women. The future level of migration is inherently uncertain and could be affected by a variety of policy measures, as well as by economic factors in the Island and elsewhere. Therefore we have shown results on alternative, variant, assumptions. As variants we have used nil net and 1,000 in migrants per annum, as suggested by the Isle of Man Departments of Social Care and The Treasury, the latter also split equally between men and women. The age distribution is shown in Appendix F. Results using the variant assumptions are shown in section 5.

Economic assumptions

- 4.22 The most important economic assumptions required for the review of the Isle of Man National Insurance Fund are the rate of inflation, the rate of real earnings growth, the triple guarantee assumption and the real rate of return on investments.

Table 4.2: Key economic assumptions at this and at previous review

	2007 review assumptions	2012 review assumptions
Price inflation	2.87% (RPI)	2.0% (CPI)
Real earnings growth (growth of earnings in excess of price inflation)	1.5% (with a variant assumption of 2%)	2.25% (with a variant assumption of 2.75%)
Triple guarantee ¹	N/A	Earnings increases plus 0.25% per annum
Real return on investments (return on investments in excess of price inflation)	2.0%	1.15%

4.23 The results of the 31 March 2007 review were prepared with reference to Retail Price Inflation, whereas the results of the 31 March 2012 review have been prepared with reference to Consumer Price Inflation, and any comparison of the real assumptions in the table above with those of the 31 March 2007 review should be carried out with this in mind.

4.24 The impact on the results of changing the price inflation assumption will be relatively minor. We have only included variants on different earning assumptions and hence on earnings uprating.

Other assumptions

4.25 Details of the other assumptions used are included in Appendix F.

¹ The level of increase to be applied to the Basic State Pension and the Pension Supplement.

5 The effects of varying assumptions

- 5.1 We have produced variant projections on a combination of different migration and real earnings growth assumptions. The projections of the value of benefits (in constant 2011-12 prices) on the central and variant assumptions are shown in Appendix H and the projections of the progress of the Fund on the central and variant assumptions are shown in Appendix I.
- 5.2 The following charts show the progress of the Fund and the level of contributions and benefits under the 6 variant scenarios. The figures are in real terms i.e. net of the effect of future price inflation and the fund is shown as at the start of each year.

Figure 5.1: projected benefit outgo, contribution income and fund size (£million) 500 net in migration per annum, 2.75% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK

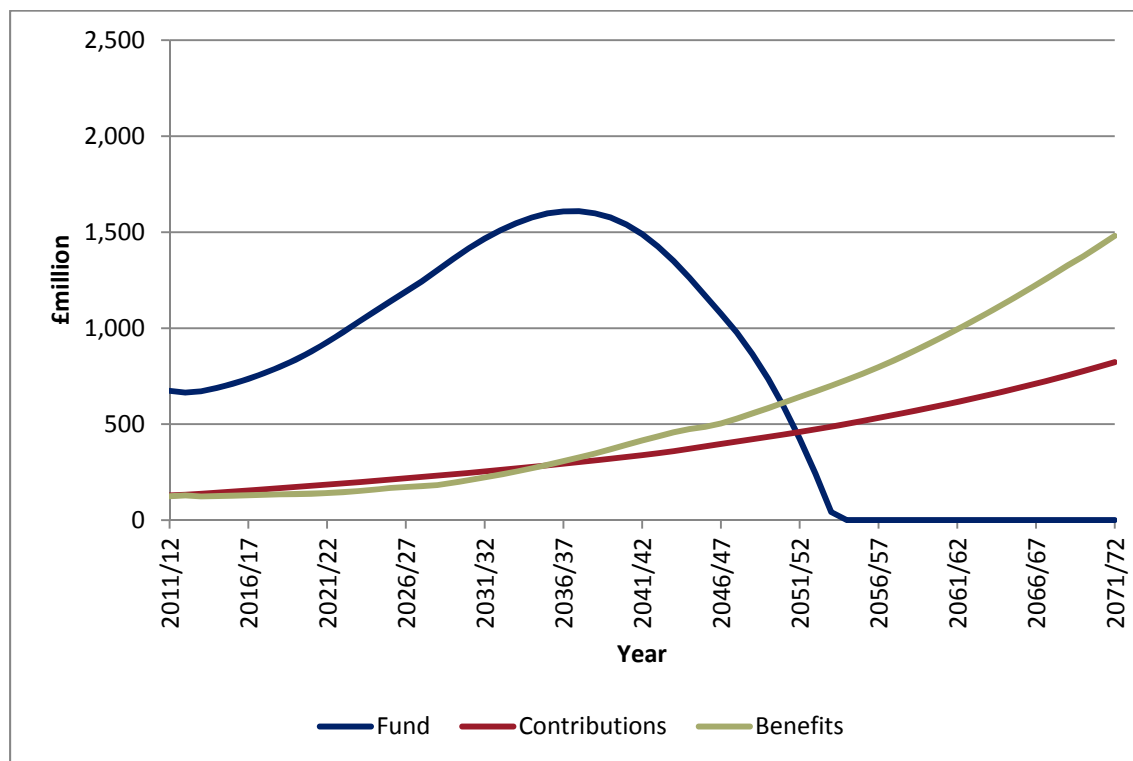


Figure 5.2: projected benefit outgo, contribution income and fund size (£million) nil net migration per annum, 2.25% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK

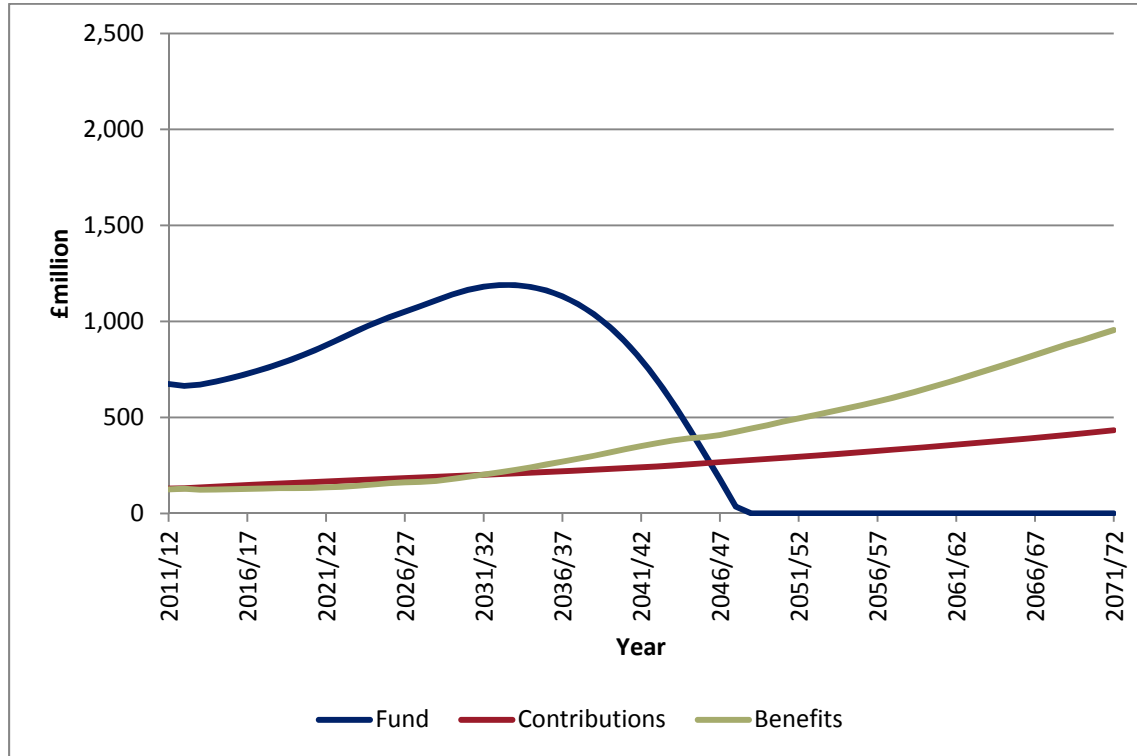


Figure 5.3: projected benefit outgo, contribution income and fund size (£million) nil net migration per annum, 2.75% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK

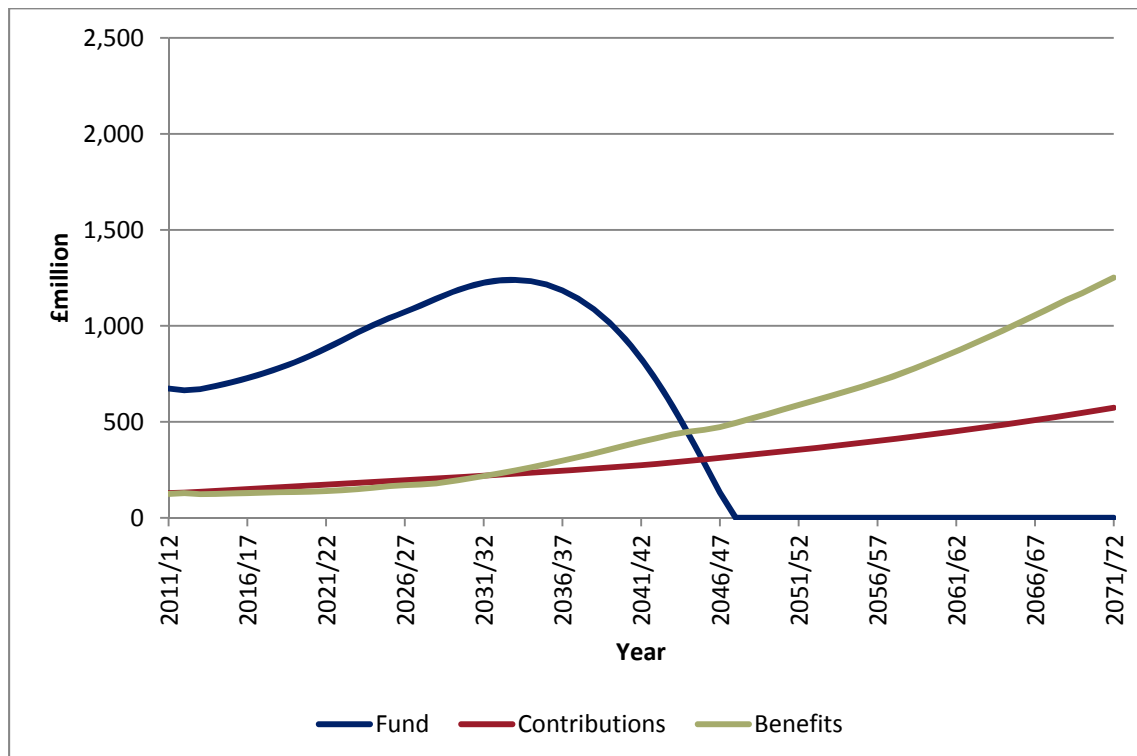


Figure 5.4: projected benefit outgo, contribution income and fund size (£million) 1,000 net in migration per annum, 2.25% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK

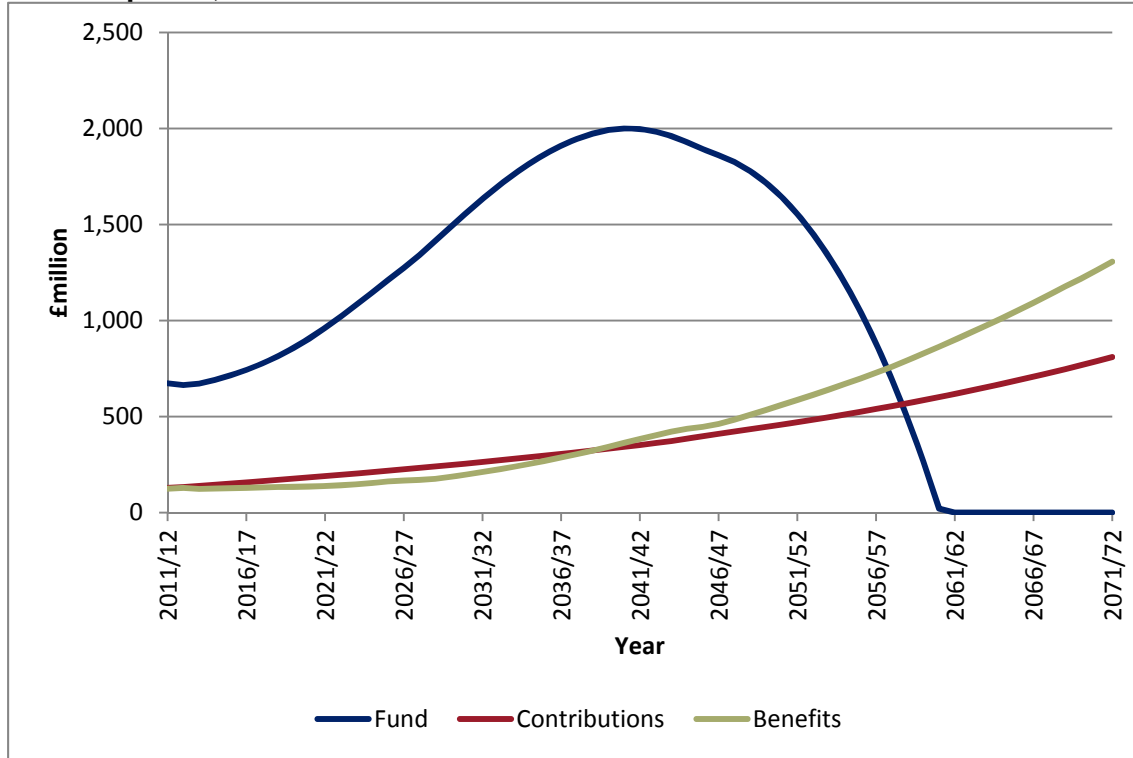
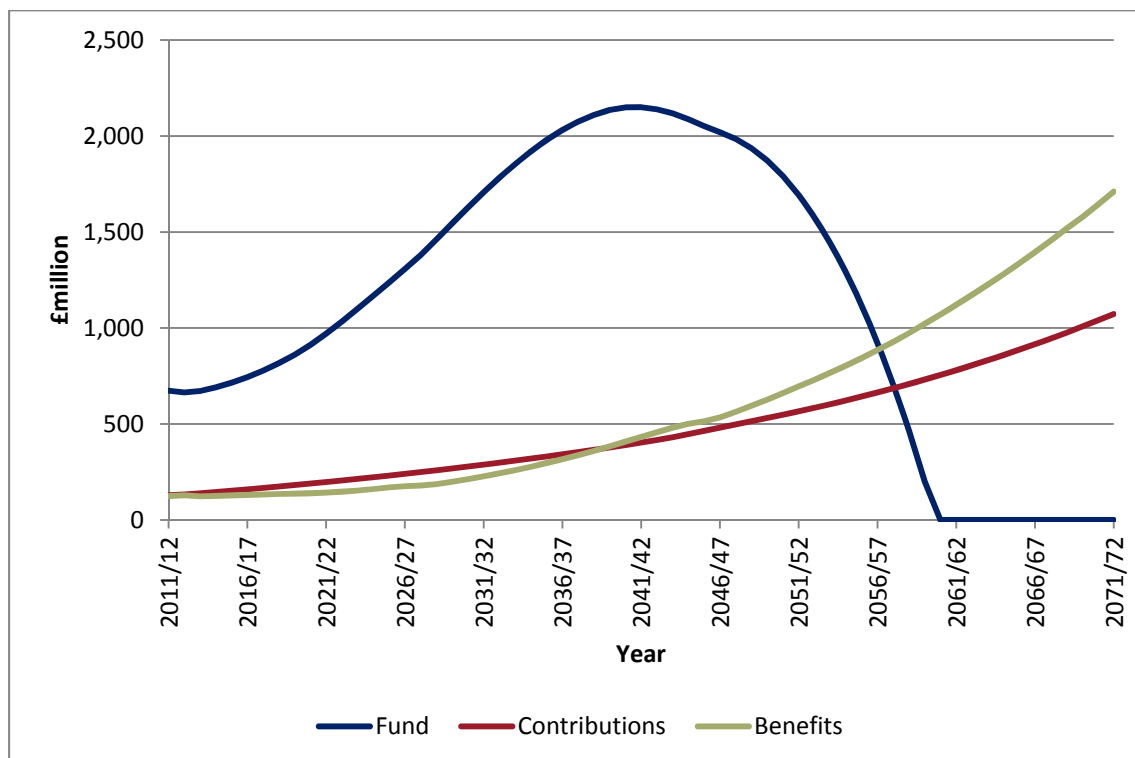


Figure 5.5: projected benefit outgo, contribution income and fund size (£million) 1,000 net in migration per annum, 2.75% per annum real earnings growth; constant 2011–12 prices, net of settlements with the UK



5.3 The following table shows when the Fund is projected to run out under the various assumptions:

Table 5.1: Projected years in which the Fund will fall to zero under the central and variant assumptions, net of settlements with the UK

Assumptions	Year by which Fund projected to run out
500 net in migration per annum; 2.25%pa real earnings growth (central assumptions)	2054 - 55
500 net in migration per annum; 2.75%pa real earnings growth	2054 - 55
Nil net migration per annum; 2.25%pa real earnings growth	2048 - 49
Nil net migration per annum; 2.75%pa real earnings growth	2047 - 48
1,000 net in migration per annum; 2.25%pa real earnings growth	2061 - 62
1,000 net in migration per annum; 2.75%pa real earnings growth	2060 - 61

Appendix A: Legislation governing the review

Section 166 of the Social Security Administration Act 1992 (UK), as applied to the Isle of Man, provides:

“Financial Review and Report

166. (1) As from the end of the period 5 years beginning on 6th April 1997, or such shorter period as the Department may determine, the Department shall arrange for –
- (a) the Government Actuary or Deputy Government Actuary; or
 - (b) a Fellow of the Institute of Actuaries; or
 - (c) a Fellow of the Faculty of Actuaries,
- such person hereinafter referred to as “the Actuary”, to review the operation during that period of:
- (i) Parts I to IV of the Contributions and Benefits Act (except Part I of Schedule 8);
 - (ii) the provisions of the Jobseekers Act 1995 relating to contribution-based jobseeker’s allowance; and
 - (iii) this Act and chapter II of Part I of the Social Security Act 1998 so far as they relate to the provisions specified in paragraphs (i) and (ii) above.
- (2) As from the end of each review period, the Department shall arrange for the Actuary to review the operation during that period of –
- (a) Parts I and IV of the Contributions and Benefits Act (except Part I of Schedule 8);
 - (b) the provisions of the Jobseekers Act 1995 relating to a contribution-based jobseeker’s allowance; and
 - (c) this Act and chapter II of Part I of the Social Security Act 1998 so far as they relate to the provisions specified in paragraphs (a) and (b) above.
- (3) For the purpose of subsection (2) above, a review period is –
- (a) the period of five tax years, or
 - (b) such shorter period as the Department may direct in respect of any review,
- from the end of the last period to be subject to a review under this scheme.
- (4) It shall be the object of a review under this section to determine the extent to which the level at which the Manx National Insurance Fund stands from year to year may be expected in the longer term to bear a proper relation to demands in respect of payments of benefit; and for this purpose the Actuary shall take into account –
- (a) current rates of contributions or such higher rates of contributions as the Actuary thinks are likely to be payable in the future;
 - (b) the yield to be expected from contributions in the longer term; and
 - (c) such other matters as he considers to be relevant as affecting the present and future level of the Fund.
- (5) After completing his review, the Actuary shall report to the Department his opinion on the question referred to in subsection (4) above; and the Department shall lay a copy of the report before Tynwald.”

Appendix B: Summary of contribution and benefit rates as at 31 March 2012, with changes in periods 2007 to 2012 and since 2012

- B1 The basis for the calculation of the contributions payable to and the benefits payable from the Isle of Man National Insurance Fund are the same, in most respects, as those relating to the Great Britain National Insurance Fund. The main differences between the Isle of Man National Insurance Scheme and the Great Britain National Insurance Scheme are:
- > The age addition and the Christmas bonus are paid at a higher rate in the Isle of Man.
 - > There are some benefits paid from the Isle of Man National Insurance Fund which have no equivalent benefit within Great Britain. These are the pension supplement and the retirement pension premium.
 - > Also, several benefits paid out of the fund in the Isle of Man are met by general taxation in Great Britain. These are old persons' pensions, disablement benefit and funeral payments.
 - > From 1 April 2011 the Nursing Care Contribution scheme has been funded out of the National Insurance Fund.
 - > Upper Earnings Limits (UELs) and thus Upper Profits Limits (UPLs, which are 52 x UEL) have recently been set at a lower level than Great Britain's.
 - > Great Britain announced, as part of the 2012 Autumn Statement, that a small number of contribution limits and working age benefits would be constrained to increase by a fixed 1% per annum in the short-term and equivalent constraints were introduced in the Isle Of Man, where required under its reciprocal obligations with the United Kingdom.
 - > The introduction of Employment and Support Allowance (ESA) in the Isle of Man is following a different timetable to Great Britain's and we have been instructed by the Department of Social Care to continue to model the existing incapacity benefits, for the purposes of the 2012 review.
 - > The Isle of Man have not implemented the 2012-13 reduction in contracted-out rebates for COSR schemes, as Great Britain did.

Table B1: Earnings limits

£ a week	Financial year						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Lower earnings limit (LEL)	87.00	90.00	95.00	97.00	102.00	107.00	109.00
Upper earnings limit (UEL)	670.00	695.00	730.00	730.00	750.00	770.00	784.00
Primary threshold (PT)	100.00	105.00	110.00	110.00	115.00	118.00	120.00
Secondary threshold (ST)	100.00	105.00	110.00	110.00	115.00	115.00	117.00

Review of the Isle of Man National Insurance Fund as at 31 March 2012

Table B2: Benefit rates

Benefit Rates	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
RP Basic							
Personal	87.30	90.70	95.25	97.65	102.15	107.45	110.15
BSP Lower Rate (was Cat BL)	52.30	54.35	57.05	58.50	61.20	64.40	66.00
Adult Dept.	52.30	54.35	57.05	57.05	58.80	61.85	63.20
CDI - 1st child	11.35	11.35	11.35	11.35	11.35	11.35	11.35
CDI - Other children	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Age Addition	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Lump Sum (Xmas bonus)	82.50	82.50	82.50	82.50	82.50	82.50	82.50
Pension supplement (max)	43.65	45.35	47.63	47.65	49.85	52.45	53.75
Minor Benefit							
Jobseeker's allowance (contributory), aged 25 or over	59.15	60.50	64.30	65.45	67.50	71.00	71.70
Disablement benefit (100%), over 18	131.70	136.80	143.60	145.8	150.30	158.10	161.60
Maternity allowance - employed (max)	156.10	162.20	172.75	172.75	179.85	179.85	179.85
Maternity allowance - self employed	112.75	117.18	123.06	124.88	128.73	135.45	136.78
Weeks paid for MA (max)	39.00	39.00	39.00	39.00	39.00	39.00	39.00
Paternity allowance (max)	180.40	187.45	172.75	172.75	179.85	179.85	179.85
Adoption Allowance (max)	156.10	162.20	172.75	172.75	179.85	179.85	179.85
Old persons pension	52.30	54.35	57.05	58.50	61.20	64.40	66.00
Funeral payments	210.00	210.00	210.00	210.00	210.00	210.00	210.00
Widows Benefit							
Bereavement Payment (lump sum)	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Widowed Parent's Allowance Bereavement	87.30	90.70	95.25	97.65	100.70	105.95	108.30
Allowance/Widows' Pension Age Related							
45	26.19	27.21	28.58	29.30	30.21	31.79	32.49
46	32.30	33.56	35.24	36.13	37.26	39.20	40.07
47	38.41	39.91	41.91	42.97	44.31	46.62	47.65
48	44.52	46.26	48.58	49.80	51.36	54.03	55.23
49	50.63	52.61	55.25	56.64	58.41	61.45	62.81
50	56.75	58.96	61.91	63.47	65.46	68.87	70.40
51	62.86	65.30	68.58	70.31	72.50	76.28	77.98
52	68.97	71.65	75.25	77.14	79.55	83.70	85.56
53	75.08	78.00	81.92	83.98	86.60	91.12	93.14
54	81.19	84.35	88.58	90.81	93.65	98.53	100.72
Full Rate	87.30	90.70	95.25	97.65	100.70	105.95	108.30
Dependents For each child	11.35	11.35	11.35	11.35	11.35	11.35	11.35

Review of the Isle of Man National Insurance Fund as at 31 March 2012

Benefit Rates	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<u>Incapacity Benefit</u>							
- Short Term							
- Lower rate (under SPA)	61.35	63.75	67.75	68.95	71.10	74.80	76.45
- Higher rate (under SPA)	72.55	75.40	80.15	81.60	84.15	88.55	90.50
- Long Term							
- Age related increase (higher rate)	81.35	84.50	89.80	91.40	94.25	99.15	101.35
- Age related increase (lower rate)	17.10	17.75	15.65	15.00	13.80	11.70	10.70
- Dependents							
- Each child (1)	8.55	8.90	6.55	5.80	5.60	5.90	6.00
- Adult dependent	11.35	11.35	11.35	11.35	11.35	11.35	11.35
- Pension supplement	48.65	50.55	53.10	53.10	54.75	57.60	58.85
-	40.68	40.68	40.68	40.68	40.68	40.68	40.68

(1) For dependent children the additions have not been payable for new claims since 7th April 2003. Existing claims at that date continue in payment.

Table B3: Class 1 (employed persons) contribution rates

%	Financial year						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Full Class 1 rate							
Primary (PT-UEL)	10.00	10.00	10.00	11.00	11.00	11.00	11.00
Secondary (ST-UEL)	12.80	12.80	12.80	12.80	12.80	12.80	12.80
Above UEL	0.0	0.0	0.0	1.0	1.0	1.0	1.0
Total	22.80	22.80	22.80	24.80	24.80	24.80	24.80
Contribution to NIF after deducting NHS allocation							
Primary (PT-UEL)	8.95	8.95	8.95	8.95	8.95	8.95	8.95
Secondary (ST-UEL)	10.90	10.90	10.90	10.90	10.90	10.90	10.90
Total	19.85	19.85	19.85	19.85	19.85	19.85	19.85
Contribution reduction (on earnings between PT and UEL) for those contracted out into salary-related schemes (COSRSs)							
Primary	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Secondary	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Total	5.30	5.30	5.30	5.30	5.30	5.30	5.30
Contribution reduction (on earnings between PT and UEL) for those contracted out money purchase schemes* (COMPSs)							
Primary	1.60	1.60	1.60	1.60	1.60	0.00	0.00
Secondary	1.40	1.40	1.40	1.40	1.40	0.00	0.00
Total	3.00	3.00	3.00	3.00	3.00	0.00	0.00

* In addition to this main rate, until 1 April 2012 there were age-related rebates

Table B4: Other Contribution Limits and Rates

	Financial year						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Class 2							
Small earnings exception (£ per annum)	4,635	4,825	5,075	5,075	5,315	5,595	5,725
Contribution (£ a week)	2.20	2.30	2.40	2.40	2.50	2.65	2.70
Class 3							
Contribution (£ a week)	7.80	8.10	12.05	12.05	12.60	13.25	13.55
Class 4							
Lower profits limit (LPL) (£ per annum)	5,225	5,435	5,715	5,715	5,980	6,136	6,136
Upper profits limit (UPL) (£ per annum)	34,840	36,140	37,960	37,960	39,000	40,040	40,768
Contribution between LPL and UPL (%)	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Contribution above UPL (%)	0.0	0.0	0.0	1.0	1.0	1.0	1.0

Changes in legislation April 2007 to March 2012

- > The Pensions Act 2007 provides that entitlement to full basic pension changed from a requirement of 44 qualifying years for men and 39 qualifying years for women for retirements before April 2010 to a requirement of 30 qualifying years (for both men and women) for retirements from April 2010.
- > A new system of credits was introduced from April 2010 to allow parents and carers to build up qualifying years. This replaces Home Responsibilities Protection.
- > The Pensions Act 2007 also introduced the linking of the annual cost of living increases in basic State Pension to earnings rather than prices from a date to be announced (subsequently set at April 2011 and a "triple guarantee" announced, such that future increases would reflect growth in average earnings, prices or 2.5%, whichever is highest). In the GB context, "prices" refers to the Consumer Prices Index (CPI).
- > The form of the Pension Supplement was changed from 6 April 2010 so that the amount of the benefit was fixed, from that date, at 48.8% of the basic rate of retirement pension and other qualifying benefits, rather than 50% as previously. The amount of Pension Supplement payable with long-term Incapacity Benefit has been frozen at £40.68 per week.

- > People who do not claim their retirement pension (including pension supplement) at state pension age are awarded higher pension when they subsequently claim. Until April 2005 the increase was 1/7th of 1% for each week of deferment up to 5 years. Since April 2005 the increase has been 1/5th of 1% for each week of deferment with no maximum period of deferment. People who defer for one year or more may opt to receive a lump sum payment instead.
- > The Pensions Act 2007 provides for state pension age to increase to age 68 for men and women. Each year's increase will be phased in over two consecutive years in each decade, rising to age 66 over the period 2024 - 2026, age 67 over the period 2034-36 (subsequently announced as part of the 2012 the UK Chancellor's Autumn Statement to be brought forward to the 2020s) and age 68 over the period 2044 - 46. Changes to the age limits at which entitlement to certain other benefits begin and end are made consequentially. Under its reciprocal obligations, the Island must follow suit.
- > The Child Support, Pensions and Social Security Act 2000 altered the form of the state earnings-related additional pension for pension accruing from April 2002, when it became known as the "State Second Pension".
- > The maximum period for which maternity allowance was paid was increased to 26 weeks from April 2003. The flat-rate benefit increased at the same time from £75 a week to £100 a week or 90% of average weekly earnings if less. The maximum period for which maternity allowance was paid was further increased to 39 weeks from 24 June 2007. The maximum period for adoption allowance was extended from 26 weeks to 39 weeks from 1 April 2007.
- > The child dependant's addition was abolished for new awards of contribution-based benefits from April 2003.
- > Adult dependency increases were abolished for new awards of benefits from April 2010. Existing increases will be paid until April 2020 (while eligibility conditions remain satisfied).
- > Various payments were made available in respect of civil partnerships from 5 December 2005. Other benefits were made available from April 2010.
- > Contracting-out for occupational and personal pension schemes on a money purchase basis was abolished from April 2012.
- > From 1 April 2011 the Nursing Care Contribution scheme has been funded out of the National Insurance Fund. We have included this benefit in the projected benefits payable from the National Insurance Fund.
- > Great Britain announced, as part of the 2012 Autumn Statement, that a small number of contribution limits and working age benefits would be constrained to increase by a fixed 1% per annum in the short-term and equivalent constraints were introduced in the Isle Of Man, where required under its reciprocal obligations with the United Kingdom.

Appendix C: Settlements with the United Kingdom

- C1 The payments under the reciprocal agreements between the Isle of Man and the United Kingdom are an important factor in the finances of the Isle of Man scheme because of the number of migrants who move between the two countries. The agreements provide for
- residence, presence and contributions paid in one territory to count towards eligibility for benefit in the other, and
 - the contribution rates paid to the National Insurance Fund to be the same in both regions.
- For retirement and widows' pensions, where the benefit is calculated using the contribution record over the whole working life, the total pension is paid from the Fund of the country in which the pensioner is resident at the time the benefit is paid (except where residence is temporary or the pensioner has lived in that country for less than six months). Annual financial adjustments are made between the funds to ensure that the net cost is met from the Fund to which the contributions giving entitlement to the benefit were paid. Where contributions have been paid in both the Isle of Man and the United Kingdom, the liability is split in proportion to the contribution records in the two countries. Settlements are also made each year, to adjust for contributions paid.
- C2 For movements prior to April 1978, transfer values were paid by the country the migrant was leaving to the receiving country, which then took over the liability. The transfer values represented the capital value at the date of transfer of the future benefit payments attributable to contributions paid in the country. They were based on the benefit rates ruling at the time of transfer and supplementary transfer values were made, up to and including that which took place in November 1980, representing the capital value of the increase in the future benefit payments.
- C3 For movements from April 1978 onwards, the payment of transfer values was discontinued. The share of the pension costs for which the country in which the beneficiary is no longer resident is liable is now met annually on a pay-as-you-go basis in respect of the pension payments in that year. This basis also applies to the amounts due in respect of upratings of benefits after November 1980 for pre-April 1978 transfers.
- C4 The net migration to and from the Isle of Man varies with age but the overall effect is typically an inflow into the Island. As a result, the net amount of benefit paid by the Isle of Man fund in respect of contributions paid in the United Kingdom has been substantial. In 2011-12 it amounted to around 35% of expenditure on retirement and widows' benefits, including the effects of the pre 1978 transfers but excluding the pension supplement.
- C5 The transfer values received by the Isle of Man in respect of pre-April 1978 transfers, less the corresponding amounts payable in respect of movement to the United Kingdom, were carried to the Investment Account from which the corresponding future benefit payments are to be met. The net current payments from the United Kingdom on the pay-as-you-go basis, which applies to transfers from April 1978 onwards and to the post-November 1980 upratings for pre-April 1978 transfers, relate

to current expenditure under the scheme and are therefore credited to the Operating Account.

- C6 The estimates of future expenditure on retirement and bereavement benefits exclude the net amounts which will be met by the United Kingdom under the reciprocal agreements or for which transfer values have already been paid. For this reason, the pension costs shown in the projections are on a different basis from those shown in the accounts of the scheme, since the latter represent the gross payments to the pensioners before adjustment for the part of the benefits met from payments from the United Kingdom under the reciprocal agreements. A similar situation pertains in respect of the settlements that adjust for contributions paid.
- C7 For pre-April 1978 transfers, the adjustments to future pension expenditure because of the reciprocal agreements have been based on data relating to past transfer values. For transfers from April 1978 but before 2011-12, the adjustments have been based on assumptions consistent with payments actually made. For future transfers, the adjustments have been based on the assumptions about the numbers and age distribution of migrants adopted for the projections of the future population of the Island as described in section 4.

Appendix D: Fund accounts from 2007-08 to 2011-12

Table D1: Income, Expenditure and Fund Balances (source: Isle of Man detailed Government accounts)

£000s	2007-08	2008-09	2009-10	2010-11	2011-12
Fund at beginning of year (investments at cost)	478,224	539,919	547,719	571,480	609,990
Contributions	121,902	128,417	129,157	129,278	131,272
Investment income	17,092	16,905	14,059	14,961	15,452
Net profits on sale of investments	28,895	(15,837)	854	20,554	8,840
Net settlement with UK	31,871	33,515	37,049	34,833	40,226
Other income	(2,946)	(5,246)	1,318	801	1,822
Total Income	196,814	157,754	182,438	200,426	197,614
Benefits	125,284	138,223	147,266	150,350	162,288
Contracted out rebates	5,197	6,179	6,179	5,781	5,023
Administration	3,438	4,080	3,750	3,849	3,873
Investment management fees	1,201	1,430	1,435	1,936	2,175
Other Outgo	0	41	45	1	6
Total Outgo	135,120	149,954	158,676	161,917	173,365
Excess of income over outgo	61,694	7,801	23,761	38,509	24,248
Fund at end of year (investments at cost)	539,919	547,719	571,480	609,990	634,238
Unrealised capital appreciation on investments	6,747	(53,716)	60,412	63,705	29,990
Fund at the end of year (investments at market values)	546,663	494,001	631,892	673,695	664,229

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Table D2: Benefit expenditure from 2007-08 to 2011-12 (source: Isle of Man detailed Government accounts)

£ 000s	2007-08	2008-09	2009-10	2010-11	2011-12
Retirement Pension – Basic plus Additional	82,559	91,050	98,163	101,209	108,885
Retirement Pension – age addition	413	429	420	417	426
Retirement pensions- premium	1,896	1,929	1,870	1,699	1,714
Retirement Pension - supplement	26,041	28,204	29,519	29,809	32,041
Enhanced Jobseeker's Allowance	210	34	-	-	-
Incapacity Benefit (Short Term)	1,811	2,282	2,303	2,350	2,609
Incapacity Benefit (Long Term)	5,597	5,993	6,207	6,416	6,996
Incapacity Benefit (Youth)	39	33	48	96	123
Bereavement Benefits	431	571	640	622	639
Disablement	402	454	488	396	493
Lump Sum (Christmas Bonus)	1,737	1,786	1,809	1,861	1,894
Jobseekers (Contribution based)	453	450	607	423	501
Maternity benefits	2,633	3,668	4,156	4,025	4,102
Nursing care Contribution Scheme	-	-	-	-	1,102
Other benefits	1,061	1,340	1,037	1,028	764
Total	125,284	138,223	147,266	150,350	162,288

The above benefits are before allowing for the effect of settlements with the United Kingdom.

Appendix E: Summary of data used

This section contains a summary of the population, contribution and benefit data for 2011-12.

Table E1: Population of the Isle of Man at the census in 2011 and mid-year 2012 assuming 500 net in migration per annum

	Census 2011		Mid-year 2012	
	Male	Female	Male	Female
0-4	2,386	2,248	2,416	2,305
5-9	2,373	2,144	2,399	2,139
10-14	2,543	2,342	2,545	2,310
15-19	2,627	2,481	2,640	2,514
20-24	2,441	2,278	2,500	2,333
25-29	2,228	2,341	2,201	2,299
30-34	2,423	2,512	2,472	2,520
35-39	2,754	2,921	2,621	2,832
40-44	3,297	3,220	3,334	3,240
45-49	3,430	3,318	3,383	3,338
50-54	3,017	3,038	3,148	3,099
55-59	2,707	2,628	2,773	2,688
60-64	2,953	2,861	2,795	2,821
65-69	2,239	2,273	2,459	2,431
70-74	1,748	1,833	1,760	1,855
75-79	1,280	1,443	1,355	1,482
80-84	850	1,272	870	1,240
85+	675	1,373	699	1,423
0-19	9,929	9,215	9,999	9,267
20-64	25,250	25,117	25,224	25,169
65+	6,792	8,194	7,142	8,430
Total	41,971	42,526	42,365	42,865

Table E2: Number of contributors to the National Insurance Fund in 2011-12

	Male	Female
16-19	954	885
20-24	2,000	1,861
25-29	2,106	1,915
30-34	2,287	2,033
35-39	2,442	2,207
40-44	2,953	2,573
45-49	2,942	2,610
50-54	2,618	2,354
55-59	2,031	1,773
60-64	1,597	296
65+	215	0
Total	22,145	18,507

Table E3: Number of retirement pensions paid from the National Insurance Fund as at 31 March 2012

	Male	Female
60-64	9	2,180
65-69	2,466	2,433
70-74	1,841	1,921
75-79	1,397	1,519
80-84	894	1,272
85-89	489	895
90-94	160	434
95+	40	127
Total	7,296	10,781

Review of the Isle of Man National Insurance Fund as at 31 March 2012

Table E4: Number of claims in payment

	As at 31 March					
	2007	2008	2009	2010	2011	2012
Retirement pension	16,498	16,990	17,393	17,861	18,025	18,396
Pension Supplement - R.P.	11,442	11,830	12,156	12,604	12,823	12,998
Age Addition	3,714	3,748	3,758	3,800	3,805	3,852
Retirement Pension Premium	3,932	3,794	3,621	3,468	3,272	3,226
Old Person's Pension	65	58	51	48	45	43
Nursing Care Contribution (see note 1)	-	-	-	-	292	325
Widowed Mother's Allowance (see note 2)	25	23	13	11	10	8
Widow's Pension (see note 3)	98	88	78	63	53	44
Pension Supplement - Widow's	98	90	75	61	53	48
Bereavement Allowance (see note 4)	90	80	110	108	107	121
Pension Supplement - Bereavement	21	21	23	28	34	31
Guardians Allowance	4	2	3	2	1	0
Incapacity Benefit - long-term	1,390	1,396	1,427	1,427	1,517	1,607
Pension Supplement - LTIB (see note 5)	947	942	803	669	592	504
Incapacity Benefit - short-term (see note 6)	430	430	446	520	547	997
Maternity Allowance	300	392	503	505	515	488
Adoption Allowance	0	2	1	2	2	1
Paternity Allowance	15	7	21	14	19	25
Industrial Disablement Allowance	220	222	221	227	231	263
Jobseeker's Allowance:						
contribution-based	73	125	200	180	147	214
enhanced allowance (see note 7)	30	54	0	0	0	0

Notes:

1. The Nursing Care Contribution Scheme came into operation on 5 October 2008. Payments under this scheme were initially made from general revenue but have been paid from the National Insurance Fund from 1 April 2011.
2. Widowed Mother's Allowance is only applicable where the late husband died before 9 April 2001.
3. Widows Pension is only applicable where the late husband died before 9 April 2001.
4. Bereavement Allowance is only applicable where the claimant's late spouse died on or after 9 April 2001.
5. New awards from April 2008 can only be made if the person also qualifies for the highest rate care component of DLA.
6. Short-term incapacity benefit caseload is erratic. Therefore average caseload for year is shown.
7. Jobseeker's Enhanced Allowance was abolished from April 2008, subject to up to 6 months transitional protection for existing cases at that time.

Appendix F: Background material on assumptions underlying the projections

General

F1 In terms of the demographic assumptions, we have been provided with data on births and deaths registered in the Isle of Man by calendar year together with the Isle of Man population estimates for the census dates in 2006 and 2011. These data have been used to derive numbers of deaths by age and year, estimates of numbers of inward and outward migration by age and year and mid-year population estimates. Numbers of births by age of mother and year have also been derived. As there are no official population projections for the Isle of Man we have produced population projections using the Isle of Man population estimates at the 2011 census date projected forward using mortality and fertility rates from the latest Great Britain or England and Wales 2010-based projections (published by the Office for National Statistics), adjusted to reflect differences between Great Britain or England and Wales experience and the derived Isle of Man experience, for the period 2006-11. The profile of migrants by age and sex were derived from the Isle of Man experience. The following paragraphs provide more detail on the assumptions.

Mortality

F2 The mortality basis includes the adjustments shown in the following table to the mortality rates underlying the 2010-based principal population projections for Great Britain produced by the Office for National Statistics (ONS). Where an age group has a factor greater than 1 this implies that the Isle of Man has higher mortality than Great Britain in that age group.

Table F1: Adjustment factors for Isle of Man mortality projections

Age group	Male factor		Female factor	
	2012 review	2007 review	2012 review	2007 review
0-4	1.00	1.00	1.00	1.00
5-9	1.00	1.00	1.00	1.00
10-14	1.00	1.00	1.00	1.00
15-19	1.30	1.30	1.00	1.00
20-24	1.40	1.30	1.30	1.30
25-29	1.10	1.20	1.30	1.20
30-34	1.00	1.10	1.00	1.00
35-39	1.00	1.05	1.00	1.00
40+	1.00	1.00	1.00	1.00

Male mortality

F3 The actual number of deaths in the Isle of Man over the period 2006-11 was broadly similar to that over the period 2001-06 in spite of an increasing population. Overall mortality rates appear to have moved broadly in line in with those in Great Britain over the period 2001-11 at most ages except the youngest and oldest.

F4 Mortality rates in the Isle of Man were higher than those in Great Britain for those in their late teens and early twenties, as was the case for the last review. Adjustment

factors at these ages have been assumed as shown in the above table; these are similar to those used for the last review. It should be noted that the number of deaths at these ages is so small that that these factors have only a small effect.

- F5 Mortality rates at ages 50 to 75 appear to be lower than for Great Britain; those at ages 80 and over appear to be higher. However, the differentials were small, with no overall pattern. A factor of 1.0 has been assumed at all these ages. This was also the case for the previous review.

Female mortality

- F6 A similar point applies for female mortality as described in F3 above for males.
- F7 Historically, the 20-29 age group has had a loading factor greater than 1, i.e. we have allowed for higher mortality in the Isle of Man for this age group. The factor for the 2012 review is based on the period 2001-11. This takes into account the latest trends whilst allowing for an appropriate level of smoothing of the experience.
- F8 A loading factor higher than 1 could be justified for ages between 45 and 49, based on recent experience. However, it has been closer to 1 on a longer-term basis; on the other hand the factor for age groups 50-64 are less than 1. Factors for older age groups are generally near to 1 except at the very oldest ages where they are higher. Taken together a factor of 1 has been used for all these groups, as was used at the previous review.
- F9 The impact of the mortality assumptions can be seen in the following table which shows the projected cohort expectations of life in the Isle of Man at age 65 for the 2012 assumptions and those used in the previous review. Cohort life expectancy allows for future changes in mortality as a person ages through time and hence is the length of time someone would be expected to live, on average, if future age specific mortality rates are as projected. As can be seen the life expectancies are now projected to be a little lower in the immediate future but are higher in later years due to changes in the projected mortality rates for Great Britain since the previous review:

Table F2: Cohort expectation of life at age 65

	Year age 65 attained	2012 review	2007 review
Male age 65	2012	21.3	21.6
	2041	24.7	24.4
Female age 65	2012	24.0	24.1
	2041	27.2	26.9

Fertility

- F10 For fertility we have compared the Isle of Man experience to that of England and Wales, rather than Great Britain, as fertility rates are not available for Great Britain. We have applied the following adjustments to the England & Wales fertility rates used in the 2010-based principal population projections for England and Wales produced by the ONS.

Table F3: Adjustment factors for Isle of Man fertility projections

Age of mother	Factor 2012 review	Factor 2007 review
15-20	0.92	1.00
21-25	0.97	0.87
26-30	1.02	1.00
31-35	1.02	1.05
36-40	1.04	1.10
41-45	1.05	1.30
46+	1.00	2.00

F11 The 2012 adjustment factors are close to the average of the actual fertility experienced in the Isle of Man over the last five years

F12 The assumed total fertility rates for 2012 and 2041 are shown in the following table together with those assumed for the previous review. The table also shows the comparative figure from the national projections for England and Wales (E&W) used as the base for the two reviews. As can be seen the effects of the adjustments are to assume slightly higher overall fertility in the Isle of Man compared to that for England and Wales. Whilst the long term assumed total fertility rate is the same under both the previous and current reviews, the short term rate is rather higher than assumed previously. This reflects the increase in fertility in E&W in recent years and which has also occurred in the Isle of Man, although there is some evidence that fertility rates in the Isle of Man declined during 2011.

Table F4: Adjustment factors for Isle of Man fertility projections

	2012 review		2007 review	
	Isle of Man	E&W	Isle of Man	E&W
2012	2.05	2.04	1.88	1.87
2041	1.86	1.85	1.86	1.85

Migration

F13 The migration assumptions used for the 2007 review as agreed with the Isle of Man Department of Social Care were a central migration assumption of net in migration of 500 per annum (250 males and 250 females) with variant assumptions of nil and 1,000 net in migration per annum. These migration assumptions were set to give an indication of the impact of different levels of migration and were not meant to imply that future migration would be at any of these levels. It has been agreed with the Departments of Social Care and The Treasury to use these same central and variant migration assumptions for the 2012 review. We have, in addition, analysed recent Isle of Man population data and discussed with the Department of Social Care the emerging profile of migrants by age and sex, to agree the assumed age and sex distribution of migrants.

F14 Our analysis of the Isle of Man population by age and sex suggests there has been a net inward migration between the 2006 census and the 2011 census of about 730

persons per annum. This compares with an estimated net inward migration between the 2001 census and the 2006 census of about 700 persons per annum.

- F15 Our calculations suggest that there was net outward migration at ages 0 and 1 over the period 2006-11, as was the case for the period 2001-2006, but the numbers were lower than for the previous quinquennium. This may perhaps be due to people on short-term contracts leaving the Isle of Man with children born whilst on the Island. There is also net outward migration in the age group 19 to 23, which was not the case at the time of the previous review. This may be linked to numbers of students going to university or other higher education outside the Isle of Man or perhaps young people leaving the Isle of Man to work in the United Kingdom and elsewhere. The figures also suggest relatively high numbers of out migrants at ages 85 and over (around 25 males and 90 females a year); this wasn't a feature of the data for the previous quinquennium where there were quite high numbers of in migration at these ages. It has been agreed with the Isle of Man that this out-migration should be ignored in deriving an assumed age distribution for migrants.
- F16 There appears to have been slightly more net inward migration of males than females (roughly in the proportions 53% to 47% respectively). However, the difference is small so we have assumed that the total numbers of male and female migrants are the same. This is the same assumption as was made for the previous review.
- F17 Based on the Department of Social Care's desired central assumption of total inward migration of 500 persons per annum, the assumed age distribution of migrants is as follows:

Table F5: Age distribution for 500 net in migrants a year

Age range	2012 review		2007 review	
	Males	Females	Males	Females
0 – 4	2	-6	-12	-12
5 – 9	26	29	20	24
10 – 14	21	24	20	16
15 – 19	4	0	10	4
20 – 24	-10	-4	4	8
25 – 29	18	32	22	34
30 – 34	28	35	32	30
35 – 39	41	35	34	30
40 – 44	35	31	26	24
45 – 49	25	23	24	20
50 – 54	23	16	20	16
55 – 59	11	17	14	14
60 – 64	15	13	10	8
65 – 69	9	5	6	6
70 – 74	2	0	6	6
75 – 79	0	0	4	4
80 – 84	0	0	4	4
85 – 89	0	0	2	6
90 – 94	0	0	2	4
95 – 99	0	0	2	4
100 +	0	0	0	0

F18 The age distribution for the 1,000 net in migration per annum scenario would have the same shape and twice the number of migrants at each age. The nil net migration assumptions assume zero net migration at all ages for both males and females.

Proportions married

F19 We inspected the relationship between the 2011 Isle of Man-specific census data and the Great Britain equivalent derived by us using ONS's England & Wales 2008 population statistics (the latest available) and then used this relationship to project proportions married in future years. Where necessary for our modelling (for example, converting these proportions to those suitable for new death cases), we have made further adjustments in line with ONS information available for England & Wales. A similar approach was used in previous reviews of the Fund. A table with examples of these (post-adjustment for new death case) proportions is below.

Table F6: Proportions married

		2012 Review		2007 Review	
		2012	2062	2012	2062
Males	30	0.161	0.130	0.189	0.189
	70	0.634	0.430	0.660	0.473
Females	30	0.323	0.267	0.323	0.322
	70	0.535	0.388	0.472	0.355

Economic assumptions

F20 The most important economic assumptions required for the review of the Fund are the rate of price inflation, the rate of real earnings growth and the real rate of return on investments. The assumptions set out in Table F7 below are long term assumptions, although based on economic conditions and outlook as at 31 March 2012.

F21 The Isle of Man have introduced triple guarantee increases to basic state pensions (the larger of CPI, earnings increases and 2.5% each year), in line with the United Kingdom approach. The Pension Supplement component relating to the basic state pension also increases in line with the triple guarantee. In contrast, it has been clarified by the Department of Social Care that the Retirement Pension Premium should be assumed to increase in line with CPI.

Table F7: Economic assumptions

	2012 review	2007 review
Price inflation	2.0% (CPI)	2.87% (RPI)
Real earnings growth	2.25% (net of CPI, with a variant assumption of 2.75%)	1.5% (net of RPI, with a variant assumption of 2%)
Real return on investments	1.15% (net of CPI)	2% (net of RPI)
Triple guarantee (see para F21)	Earnings increases plus 0.25%	N/A

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- F22 The results of the 31 March 2007 review were prepared with reference to Retail Price Inflation, whereas the results of the 31 March 2012 review have been prepared with reference to Consumer Price Inflation, and any comparison of the real assumptions in the table above with those of the 31 March 2007 review should be carried out with this in mind.
- F23 The projections from 31 March 2012 take into account legislated rates and limits and policy regarding their future uprating. We understand from correspondence with Isle of Man Treasury that following the United Kingdom's Autumn Statement 2012 announcement about overriding certain contribution thresholds with 1%pa increases in the short term equivalent constraints were introduced in the Isle Of Man, where required under its reciprocal obligations with the United Kingdom.

Contributions

Earnings distributions

- F24 We were provided with copies of recent Isle of Man earnings surveys. However, as was the case with the 2007 review, as these only covered full-time employees, the Great Britain earnings distributions have been used. This is because not taking account of those employees who are not full-time could result in underestimating the proportion of the working population who have low earnings, which could have a significant effect on the projected amount of contributions.
- F25 Limited information was available on the earnings distributions of those contracted out. As was the case in the 2007 review, the Great Britain contracted out earnings distributions have been used to calculate the level of salary-related contracted out rebates.
- F26 Similarly, the Great Britain earnings distributions for the self-employed have been used.

Numbers of contributors

- F27 We have compared the numbers of contributors, sub-divided by class of contribution, age and sex, with the corresponding numbers in the (working-age) population. At the time of the 2007 review, there was little evidence to suggest that we would need to allow for trends in the proportion of contributors among the working-age population and so we maintained the same proportions throughout the whole of the projection period. Following analysis of the combined 2007 review and 2012 review datasets (covering the period 2003-11) and discussion with the Department of Social Care, the Department of Social Care have asked us to retain this approach for the 2012 review.

Contracting-out

- F28 Forms of contracting out other than on a salary-related basis have now ceased. In Great Britain, salary-related contracting out is also due to cease from 2016 (assuming that the single tier proposals are introduced); however, because details of the United Kingdom's policy as regards single tier and ceasing to contract out are currently still under development, the Department of Social Care instructed us to proceed with the 2012 review on the basis that the existing arrangements will continue.
- F29 Because from 2012 only the continuation of contracting-out on a salary-related basis (COSR) is modelled, the assumptions for the proportions of Great Britain employees

contracting-out on a salary-related basis have been used and the emerging modelling results aligned with actual recent Isle of Man COSR rebate accounts information to ensure that the projection of Isle of Man COSR rebates is in line with recent Isle of Man experience.

- F30 Isle of Man Treasury informed us that the Isle of Man did not adopt the April 2012 reduction in salary-related contracted out rebate rates and this has been taken into account in the 2012 review.

Alignment against recent accounting information

- F31 We received accounting information on the contributions split by Class and used this in the adjustments that we make to our projections as we seek to tie these in to the most recent set of accounting information.

Retirement pensions

- F32 The approach and assumptions used in the 2012 review for projecting retirement pensions are outlined below. These follow the same approach as was adopted for the 2007 review.

Pensioner numbers

- F33 The assumptions have been based, as far as possible, on the recent experience of the Isle of Man Fund. It should be noted that Isle of Man pensioners living in the United Kingdom did not appear in the experience due to the reciprocal arrangements between the Isle of Man and the United Kingdom.
- F34 The proportion of the population that are pensioners is assumed to be 1.05 for all those aged 70 to 75 for both males and females, based on recent experience. The reason the number of pensioners is generally greater than the size of the relevant population is that some pensioners live outside of the Isle of Man and the United Kingdom. At older ages at the review date the proportions differ for males and females but in both cases it is assumed that the proportions will converge to 1.05 over time. For the age group 65-69, where deferred retirement reduces the proportion with a pension, it is assumed that the future proportion claiming a pension will be 1.01 for both men and women for future years. This is consistent with the experience in the recent past. In addition a proportion of 0.97 is assumed for women in the age range 60-64 (before allowance for the increase in state pension age in this age group). In all cases the assumptions were further increased at appropriate ages and years to allow for the estimated effects on the proportions as a result of the changes introduced in the Pensions Act 2007 and the Pension Act 2011.

Proportions of the standard rate of pension payable

- F35 Estimates have been made of the proportions of standard rate of pension being received by male and female pensioners at the review date. For males, it is assumed that these cohorts will retain the same proportions as they age through time. New pensioners are assumed to have a proportion of 95% of the standard rate. This is based on an analysis of trends over the last quinquennium and compares to a figure of 94% used in the previous review, before adjustment to allow for the estimated effects of the changes introduced by the Pensions Acts of 2007 and 2011. For females receiving the lower rate of pension it is assumed that the proportion would be 1.0% higher than that assumed for a male 5 years older. This compares to an assumption of 0.5% higher than that of a male 5 years older for the previous review.

The analysis suggests that in recent years there has been a small increase in the differential, which has been reflected in the assumption. However the analysis used is necessarily relatively crude because of the data available. For females receiving the higher rate of pension, it is assumed that the changes in the proportions derived from the data would broadly follow the changes in the Great Britain proportions. The lack of data on the average proportion of the full standard rate paid to pensioners analysed by age makes it difficult to detect any trends over time.

Earnings-related additional pensions

- F36 As was the case for the 2007 review, the costs of earnings-related additional pensions are being derived from data on past contributions, estimates of future contributions (the projection of which is mentioned above) and data on earnings-related additional pensions in payment. The modelling of this benefit for the 2012 review is consistent with previous reviews but shall be reviewed and additional data analysed, at the time that modelling of single tier commences.

Settlements with the United Kingdom

- F37 The reciprocal agreements with the United Kingdom in respect of persons moving between the two countries typically result in a significant proportion of the cost of retirement pensions in the Isle of Man being met by payments from the United Kingdom funds and contributions being settled by the Isle of Man making payments to the United Kingdom. The adjustments we have made to allow for this are based on the data supplied for calculating the payments due under the reciprocal agreements in respect of past movements and on the migration assumptions adopted for the population projections in respect of future movements, together with information supplied regarding recent settlements for contributions.

Retirement Pension Premium

- F38 Those receiving Retirement Pension Premium are a closed group of pensioners who diminish in number by 2030. Following discussions with the Department of Social Care, we have modelled this benefit by assuming that the existing caseload group diminish on a straight line basis by 2030. As in paragraph F21 we have assumed that the benefit rate increases in line with CPI from year to year.

State Pension Age (SPA)

- F39 The Department of Social Care asked us to prepare results following the Great Britain arrangement, including the effect of allowing for the recent Great Britain announcement regarding bringing forward SPA 67 to the 2020s.²

Jobseeker's Allowance

- F40 As the amount of Jobseeker's Allowance paid is relatively small we have continued to assume that the amount paid remains constant in future except for uprating increases and changes in the projected numbers of persons of working age in the Isle of Man.

Incapacity Benefit

- F41 While the costs of incapacity benefits are not insignificant (about 6% of total benefits paid for the Fund) they are very complex to model. For the 2007 review we adopted a simplified approach, basing our projections on the results of using the model used for the equivalent benefits in the 2005 Quinquennial Review of the Great Britain

² Details of these GB SPAs may be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181343/spa-timetable.pdf.

National Insurance Fund. We then compared the projections based on the Great Britain model with the actual incapacity benefits paid for the years 2006-07 to 2009-10 and adjusted the projected results for future years in line with the results of the comparison. Although the United Kingdom is in the process of replacing incapacity benefit with Employment and Support Allowance, the Isle of Man is following a different timetable and the Department of Social Care instructed us to ignore this development, for the purposes of the 2012 review. Consequently, for the 2012 review we are continuing to use the simplified approach adopted for the 2007 review. We have, however, set the pension supplement rate equal to the current rate, for all future years.

Other Benefits

F42 There are a number of other, substantially less material benefits that, consistently with the 2007 review, have been modelled in a simplified manner, using average claim rates and expected future changes in the size of the relevant insured population.

Benefits Uprating

F43 The table below summarises the form of uprating modelled for each benefit. For the 2007 review, most benefits were assumed to increase in the future in line with earnings.

Table F8: Form of uprating modelled

Benefit	Form of uprating modelled
Retirement Pension	Triple guarantee
Retirement Pension Additional Pension	Earnings increases before retirement, CPI in retirement
Retirement Pension Premium	CPI
Pension Supplement	Triple Guarantee (but fixed for Incapacity Benefit element and CPI for Bereavement Benefit element)
Contributory Jobseeker's Allowance	1% each year to 2015-16, then CPI
Maternity/Paternity/Adoption Allowance	1% each year to 2015-16, then CPI
Bereavement Benefits	CPI
Widow Benefits	CPI
Incapacity Benefits	CPI (except Pension Supplement element)
Disablement Benefit	Earnings increases
Redundancy Rebates	Earnings increases
Insolvency Payments	Earnings increases
Funeral Payments	Earnings increases
Nursing Care Contribution Scheme	CPI
Lump Sum Christmas Bonus	CPI
Old Person's Pension	Triple guarantee

References to CPI in the table above are to the UK Consumer Prices Index.

Cost of Administration

- F44 The cost of administration appears to have followed the expenditure on benefits in the past. For the 2007 review, it was assumed that this would continue in the future and the cost of administration would change in line with the cost of benefits. Based on the experience of the years 2001-2007, for the 2007 review we therefore allowed for administration expenses in the Fund of 3.0% of the benefits paid from the Fund.
- F45 For the 2012 review, we noted that administration expenses appeared to have stabilised at around £3.8m per annum in the last few years, although benefit expenditure has continued to increase from year-to-year. Following discussions with the Departments of Social Care and the Treasury, we have assumed that administration expenses will increase in line with CPI and the projected population growth.

Variant assumption sets

- F46 The table below summarises the variant result sets prepared for the 2007 and 2012 reviews.

Table F9: Variant assumption sets

2012 review variants	2007 review variants
500 net in migration per annum, 2.25%pa real earnings growth (central assumption)	500 net in migration per annum, 1.5%pa real earnings growth (central assumption)
500 net in migration per annum, 2.75%pa real earnings growth	500 net in migration per annum, 2.0%pa real earnings growth
Nil net migration per annum, 2.25%pa real earnings growth	Nil net migration per annum, 1.5%pa real earnings growth
Nil net migration per annum, 2.75%pa real earnings growth	Nil net migration per annum, 2.0%pa real earnings growth
1,000 net in migration per annum, 2.25%pa real earnings growth	1,000 net in migration per annum, 1.5%pa real earnings growth
1,000 net in migration per annum, 2.75%pa real earnings growth	1,000 net in migration per annum, 2.0%pa real earnings growth

Appendix G: Projected population of the Isle of Man

G1 The following tables provide details of the projected future population of the Isle of Man by age and sex based on the central and variant migration assumptions.

G2 The census in 2011 showed that the population of the Isle of Man was around 85,000 an increase of some 5,000 from the previous census in 2006.

Table G1: Projected population, assuming 500 net in migration per annum

Year	2012	2022	2032	2042	2052	2062	2072
Male							
0-9	4,814	5,196	5,041	5,158	5,351	5,312	5,394
10-19	5,185	5,215	5,597	5,442	5,559	5,752	5,713
20-29	4,701	5,206	5,235	5,617	5,462	5,579	5,772
30-39	5,092	5,117	5,621	5,660	6,042	5,895	6,015
40-49	6,717	5,710	5,738	6,246	6,289	6,677	6,541
50-59	5,921	6,973	6,028	6,076	6,582	6,638	7,028
60-69	5,253	5,760	6,810	5,964	6,056	6,567	6,658
70-79	3,115	4,489	5,032	6,030	5,373	5,539	6,066
80-89	1,343	1,953	3,028	3,553	4,402	4,054	4,334
90-99	221	390	731	1,261	1,633	2,179	2,159
100+	5	18	44	105	215	341	530
Total male	42,365	46,024	48,902	51,108	52,960	54,530	56,207
Female							
0-9	4,443	4,750	4,607	4,707	4,888	4,853	4,927
10-19	4,824	4,872	5,178	5,035	5,135	5,316	5,281
20-29	4,632	4,892	4,940	5,246	5,103	5,203	5,384
30-39	5,352	5,237	5,497	5,545	5,851	5,708	5,808
40-49	6,578	5,945	5,846	6,110	6,176	6,482	6,344
50-59	5,787	6,853	6,243	6,155	6,431	6,503	6,820
60-69	5,251	5,782	6,843	6,288	6,233	6,523	6,618
70-79	3,337	4,718	5,278	6,304	5,856	5,863	6,177
80-89	2,109	2,370	3,549	4,106	5,019	4,768	4,903
90-99	541	716	1,031	1,708	2,138	2,762	2,784
100+	13	40	78	164	322	488	720
Total female	42,865	46,172	49,088	51,365	53,150	54,467	55,763
Total population	85,230	92,196	97,990	102,473	106,110	108,997	111,970

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Table G2: Projected population, assuming nil net in migration per annum

Year	2012	2022	2032	2042	2052	2062	2072
Male							
0-9	4,785	4,902	4,529	4,352	4,318	4,058	3,903
10-19	5,157	4,785	4,902	4,529	4,352	4,318	4,058
20-29	4,697	5,157	4,785	4,902	4,529	4,352	4,318
30-39	5,024	4,685	5,139	4,782	4,899	4,529	4,352
40-49	6,654	4,928	4,591	5,053	4,711	4,846	4,510
50-59	5,887	6,454	4,800	4,483	4,943	4,610	4,746
60-69	5,228	5,459	6,050	4,534	4,269	4,728	4,432
70-79	3,112	4,363	4,671	5,260	4,001	3,834	4,285
80-89	1,343	1,949	2,938	3,292	3,829	3,011	3,004
90-99	221	390	729	1,223	1,511	1,884	1,592
100+	5	18	44	105	211	317	457
Total male	42,113	43,090	43,178	42,515	41,573	40,487	39,657
Female							
0-9	4,421	4,531	4,180	4,017	3,983	3,744	3,604
10-19	4,795	4,421	4,531	4,180	4,017	3,983	3,744
20-29	4,609	4,795	4,421	4,531	4,180	4,017	3,983
30-39	5,281	4,609	4,795	4,421	4,531	4,180	4,017
40-49	6,523	5,245	4,601	4,789	4,421	4,531	4,180
50-59	5,753	6,392	5,142	4,525	4,724	4,374	4,494
60-69	5,232	5,479	6,126	4,954	4,382	4,585	4,261
70-79	3,336	4,637	4,942	5,582	4,558	4,076	4,296
80-89	2,109	2,369	3,485	3,843	4,441	3,705	3,409
90-99	541	716	1,030	1,672	2,000	2,430	2,150
100+	13	40	78	163	313	454	632
Total female	42,613	43,234	43,331	42,677	41,550	40,079	38,770
Total population	84,726	86,324	86,509	85,192	83,123	80,566	78,427

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Table G3: Projected population, assuming 1,000 net in migration per annum

Year	2012	2022	2032	2042	2052	2062	2072
Male							
0-9	4,842	5,494	5,574	5,979	6,409	6,602	6,921
10-19	5,213	5,643	6,295	6,375	6,780	7,210	7,403
20-29	4,704	5,254	5,684	6,336	6,416	6,821	7,251
30-39	5,159	5,553	6,102	6,536	7,188	7,274	7,684
40-49	6,779	6,491	6,888	7,440	7,875	8,531	8,622
50-59	5,955	7,491	7,247	7,661	8,218	8,665	9,325
60-69	5,278	6,061	7,568	7,394	7,834	8,406	8,883
70-79	3,117	4,615	5,390	6,794	6,747	7,239	7,841
80-89	1,343	1,954	3,121	3,810	4,969	5,104	5,658
90-99	221	390	732	1,300	1,751	2,466	2,724
100+	5	18	44	106	224	369	601
Total male	42,616	48,964	54,645	59,731	64,411	68,687	72,913
Female							
0-9	4,466	4,970	5,047	5,420	5,817	5,986	6,282
10-19	4,852	5,323	5,827	5,904	6,277	6,674	6,843
20-29	4,655	4,988	5,459	5,963	6,040	6,413	6,810
30-39	5,422	5,865	6,198	6,669	7,173	7,250	7,623
40-49	6,633	6,645	7,090	7,431	7,910	8,418	8,509
50-59	5,820	7,314	7,343	7,794	8,142	8,624	9,139
60-69	5,270	6,084	7,558	7,623	8,096	8,459	8,959
70-79	3,337	4,797	5,610	7,022	7,147	7,659	8,058
80-89	2,109	2,370	3,608	4,371	5,593	5,836	6,408
90-99	541	716	1,031	1,743	2,277	3,088	3,424
100+	13	40	78	163	329	521	808
Total female	43,118	49,112	54,849	60,103	64,801	68,928	72,863
Total population	85,734	98,076	109,494	119,834	129,212	137,615	145,776

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- G3 The tables below sub-divide the projected future population of the Isle of Man, based on the central and variant migration assumptions, into children (0-15 years), those of working age and pensioners (above pension age). For the purpose of preparing these tables, the planned increases in the pension age have been allowed for.
- G4 We have also included tables showing the split of the population between male and female. These show that, using our assumptions, over the long term the proportion of women in the population will fall. Also, even after allowing for the impact of the change in female pension age between 2012 and 2022 there is a significant change in the sex structure of the pension age population between 2012 and 2022.

Table G4: Projected population, assuming 500 net in migration per annum

Year	2012	2022	2032	2042	2052	2062	2072
Male							
Children	7,881	8,374	8,321	8,388	8,683	8,735	8,785
Working age	27,343	28,706	29,754	29,958	31,557	32,357	33,083
Pension age	7,142	8,944	10,828	12,762	12,721	13,438	14,339
Total	42,365	46,024	48,902	51,108	52,960	54,530	56,207
Female							
Children	7,269	7,754	7,647	7,697	7,967	8,020	8,064
Working age	25,248	28,526	29,486	29,424	30,617	31,260	31,847
Pension age	10,348	9,893	11,956	14,245	14,567	15,188	15,853
Total	42,865	46,172	49,088	51,365	53,150	54,467	55,763
Total							
Children	15,150	16,128	15,968	16,085	16,650	16,755	16,849
Working age	52,590	57,232	59,239	59,382	62,173	63,617	64,930
Pension age	17,490	18,837	22,784	27,007	27,288	28,626	30,192
Total	85,230	92,196	97,990	102,473	106,110	108,997	111,970
Ratio of women to men							
Children	92.2%	92.6%	91.9%	91.8%	91.7%	91.8%	91.8%
Working age	92.3%	99.4%	99.1%	98.2%	97.0%	96.6%	96.3%
Pension age	144.9%	110.6%	110.4%	111.6%	114.5%	113.0%	110.6%
Total	101.2%	100.3%	100.4%	100.5%	100.4%	99.9%	99.2%

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Table G5: Projected population, assuming nil net in migration per annum

Year	2012	2022	2032	2042	2052	2062	2072
Male							
Children	7,827	7,813	7,384	7,037	6,922	6,630	6,310
Working age	27,156	26,567	25,606	24,155	24,360	23,838	23,180
Pension age	7,130	8,710	10,188	11,323	10,291	10,019	10,167
Total	42,113	43,090	43,178	42,515	41,573	40,487	39,657
Female							
Children	7,219	7,264	6,822	6,494	6,387	6,117	5,824
Working age	25,060	26,260	25,125	23,298	22,967	22,361	21,640
Pension age	10,334	9,710	11,384	12,885	12,196	11,601	11,306
Total	42,613	43,234	43,331	42,677	41,550	40,079	38,770
Total							
Children	15,046	15,077	14,206	13,531	13,309	12,747	12,134
Working age	52,216	52,827	50,731	47,453	47,327	46,199	44,820
Pension age	17,464	18,420	21,572	24,208	22,487	21,620	21,473
Total	84,726	86,324	86,509	85,192	83,123	80,566	78,427
Ratio of women to men							
Children	92.2%	93.0%	92.4%	92.3%	92.3%	92.3%	92.3%
Working age	92.3%	98.8%	98.1%	96.5%	94.3%	93.8%	93.4%
Pension age	144.9%	111.5%	111.7%	113.8%	118.5%	115.8%	111.2%
Total	101.2%	100.3%	100.4%	100.4%	99.9%	99.0%	97.8%

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Table G6: Projected population, assuming 1,000 net in migration per annum

Year	2012	2022	2032	2042	2052	2062	2072
Male							
Children	7,933	8,938	9,277	9,765	10,477	10,894	11,322
Working age	27,529	30,847	33,903	35,765	38,787	40,937	43,099
Pension age	7,154	9,179	11,465	14,201	15,147	16,856	18,492
Total	42,616	48,964	54,645	59,731	64,411	68,687	72,913
Female							
Children	7,320	8,246	8,481	8,929	9,588	9,961	10,355
Working age	25,435	30,793	33,851	35,573	38,285	40,184	42,094
Pension age	10,363	10,073	12,517	15,601	16,928	18,783	20,414
Total	43,118	49,112	54,849	60,103	64,801	68,928	72,863
Total							
Under 16	15,253	17,184	17,758	18,694	20,065	20,855	21,677
16 - SPA	52,964	61,640	67,754	71,338	77,072	81,121	85,193
Over SPA	17,517	19,252	23,982	29,802	32,075	35,639	38,906
Total	85,734	98,076	109,494	119,834	129,212	137,615	145,776
Ratio of women to men							
Children	92.3%	92.3%	91.4%	91.4%	91.5%	91.4%	91.5%
Working age	92.4%	99.8%	99.8%	99.5%	98.7%	98.2%	97.7%
Pension age	144.9%	109.7%	109.2%	109.9%	111.8%	111.4%	110.4%
Total	101.2%	100.3%	100.4%	100.6%	100.6%	100.4%	99.9%

Appendix H: Projected benefit outgo

The following tables show the projected benefits in constant 2011-12 prices i.e. the effect of future price inflation has been removed from the figures.

Table H1: Projected benefit outgo – 500 net in migration per annum, 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	63,691	104,391	197,350	297,299	444,981	638,659
Retirement Pension Additional Pension (1) (2)	11,690	16,113	24,647	43,180	64,665	98,465	138,225
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	34,730	54,627	101,224	151,391	225,678	323,248
Jobseeker's Allowance (contribution based)	501	516	520	524	538	549	561
Incapacity Benefit (Short Term)	2,609	2,887	2,904	2,883	3,004	3,079	3,158
Incapacity Benefit (Long Term)	6,996	8,317	8,461	8,225	8,441	8,118	7,891
Incapacity Benefit (Youth)	123	70	80	76	77	80	80
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	571	496	432	433	417	426
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	3,894	3,882	4,051	4,099	4,079	4,204
Adoption and Paternity Allowances (5)	103	97	97	101	102	102	105
Disablement Benefit	493	680	869	1,100	1,423	1,819	2,316
Lump Sum (Christmas Bonus)	1,894	1,980	2,372	2,834	2,888	3,004	3,161
Redundancy Rebates (5)	71	210	269	340	440	563	716
Insolvency Payments (5)	25	191	244	309	400	511	651
Old Persons Pension (5)	122	208	417	689	1,137	1,589	2,133
Funeral Payments (5)	195	253	364	528	719	930	1,142
Nursing Care Contribution Scheme (4)	1,105	1,471	2,306	2,982	3,845	4,199	4,404
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,284	4,561	4,776	4,950	5,087	5,224
Total	128,251	141,023	211,508	371,604	545,851	803,250	1,136,305

Notes – apply to all tables

- (1) Net of settlements with the United Kingdom.
- (2) Widows Benefit / Bereavement Benefit Additional Pension is included in 'Retirement Pension Additional Pension' and therefore is not shown as a separate item.
- (3) Age Addition is included in 'Retirement Pension' and therefore is not shown as a separate item.
- (4) The Nursing Care Contribution Scheme came into operation on 5 October 2008. Payments under this scheme have been made from the NI Fund from 1 April 2011.
- (5) Benefit not separately itemised in the accounts.

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Table H2: Projected benefit outgo – 500 net in migration per annum, 2.75%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	66,226	113,971	226,233	357,846	562,380	847,506
Retirement Pension Additional Pension (1) (2)	11,690	16,240	25,825	47,255	73,536	116,972	171,579
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	36,033	59,483	115,817	181,921	284,833	428,435
Jobseeker's Allowance (contribution based)	501	516	520	524	538	549	561
Incapacity Benefit (Short Term)	2,609	2,887	2,904	2,883	3,004	3,079	3,158
Incapacity Benefit (Long Term)	6,996	8,317	8,461	8,225	8,441	8,118	7,891
Incapacity Benefit (Youth)	123	70	80	76	77	80	80
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	571	496	432	433	417	426
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	3,894	3,882	4,051	4,099	4,079	4,204
Adoption and Paternity Allowances (5)	103	97	97	101	102	102	105
Disablement Benefit	493	713	958	1,273	1,730	2,321	3,103
Lump Sum (Christmas Bonus)	1,894	1,980	2,372	2,834	2,888	3,004	3,161
Redundancy Rebates (5)	71	220	295	392	533	714	955
Insolvency Payments (5)	25	200	268	356	484	649	868
Old Persons Pension (5)	122	218	459	798	1,382	2,027	2,856
Funeral Payments (5)	195	265	399	608	870	1,182	1,522
Nursing Care Contribution Scheme (4)	1,105	1,471	2,306	2,982	3,845	4,199	4,404
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,284	4,561	4,776	4,950	5,087	5,224
Total	128,251	145,063	227,340	419,616	646,678	999,792	1,486,040

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Table H3: Projected benefit outgo – nil net migration per annum, 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	63,607	103,305	190,550	274,364	390,492	541,709
Retirement Pension Additional Pension (1) (2)	11,690	16,101	24,393	41,533	59,238	86,023	117,762
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	34,574	53,842	97,465	139,441	197,804	274,008
Jobseeker's Allowance (contribution based)	501	479	448	421	414	401	391
Incapacity Benefit (Short Term)	2,609	2,682	2,475	2,268	2,270	2,220	2,169
Incapacity Benefit (Long Term)	6,996	7,748	7,230	6,392	6,234	5,704	5,277
Incapacity Benefit (Youth)	123	65	71	64	60	60	57
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	529	421	333	320	295	287
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	3,642	3,443	3,403	3,289	3,099	3,018
Adoption and Paternity Allowances (5)	103	91	86	85	82	77	75
Disablement Benefit	493	633	750	890	1,095	1,334	1,614
Lump Sum (Christmas Bonus)	1,894	1,933	2,238	2,538	2,389	2,274	2,256
Redundancy Rebates (5)	71	197	234	277	341	416	503
Insolvency Payments (5)	25	179	212	252	310	378	457
Old Persons Pension (5)	122	208	411	656	1,032	1,311	1,567
Funeral Payments (5)	195	248	349	487	633	766	865
Nursing Care Contribution Scheme (4)	1,105	1,471	2,276	2,839	3,488	3,463	3,235
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,035	4,051	3,994	3,901	3,782	3,678
Total	128,251	139,283	206,236	354,449	498,901	699,897	958,928

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Table H4: Projected benefit outgo – nil net migration per annum, 2.75%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	66,139	112,786	218,438	330,241	493,515	718,853
Retirement Pension Additional Pension (1) (2)	11,690	16,228	25,554	45,431	67,281	102,049	146,014
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	35,876	58,648	111,552	167,605	249,694	363,214
Jobseeker's Allowance (contribution based)	501	479	448	421	414	401	391
Incapacity Benefit (Short Term)	2,609	2,682	2,475	2,268	2,270	2,220	2,169
Incapacity Benefit (Long Term)	6,996	7,748	7,230	6,392	6,234	5,704	5,277
Incapacity Benefit (Youth)	123	65	71	64	60	60	57
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	529	421	333	320	295	287
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	3,642	3,443	3,403	3,289	3,099	3,018
Adoption and Paternity Allowances (5)	103	91	86	85	82	77	75
Disablement Benefit	493	665	826	1,030	1,331	1,702	2,162
Lump Sum (Christmas Bonus)	1,894	1,933	2,238	2,538	2,389	2,274	2,256
Redundancy Rebates (5)	71	206	256	319	413	528	670
Insolvency Payments (5)	25	187	233	290	375	480	610
Old Persons Pension (5)	122	218	453	760	1,254	1,672	2,098
Funeral Payments (5)	195	259	383	561	765	972	1,154
Nursing Care Contribution Scheme (4)	1,105	1,471	2,276	2,839	3,488	3,463	3,235
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,035	4,051	3,994	3,901	3,782	3,678
Total	128,251	143,314	221,880	400,719	591,710	871,988	1,255,218

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Table H5: Projected benefit outgo – 1,000 net in migration per annum, 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	63,776	105,470	204,135	320,208	499,491	735,610
Retirement Pension Additional Pension (1) (2)	11,690	16,125	24,900	44,823	70,084	110,913	158,692
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	34,885	55,407	104,977	163,329	253,567	372,493
Jobseeker's Allowance (contribution based)	501	552	593	626	663	697	733
Incapacity Benefit (Short Term)	2,609	3,091	3,332	3,498	3,739	3,940	4,153
Incapacity Benefit (Long Term)	6,996	8,883	9,690	10,063	10,662	10,557	10,546
Incapacity Benefit (Youth)	123	76	89	89	93	100	103
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	613	571	532	546	540	565
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	4,152	4,324	4,725	4,930	5,090	5,391
Adoption and Paternity Allowances (5)	103	104	108	118	123	127	135
Disablement Benefit	493	726	987	1,310	1,753	2,306	3,023
Lump Sum (Christmas Bonus)	1,894	2,027	2,506	3,129	3,385	3,736	4,068
Redundancy Rebates (5)	71	223	303	402	538	708	928
Insolvency Payments (5)	25	203	276	366	489	644	844
Old Persons Pension (5)	122	208	422	723	1,243	1,868	2,701
Funeral Payments (5)	195	255	379	564	805	1,093	1,414
Nursing Care Contribution Scheme (4)	1,105	1,471	2,334	3,126	4,202	4,934	5,576
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,533	5,072	5,560	6,005	6,401	6,782
Total	128,251	142,763	216,766	388,766	592,800	906,714	1,313,757

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Table H6: Projected benefit outgo – 1,000 net in migration per annum, 2.75%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Retirement Pension (1)	54,736	66,314	115,150	234,010	385,422	631,272	976,161
Retirement Pension Additional Pension (1) (2)	11,690	16,253	26,095	49,076	79,784	131,903	197,149
Retirement Pension Premium	1,714	812	0	0	0	0	0
Age Addition (3)							
Pension Supplement	32,041	36,191	60,314	120,074	196,224	319,989	493,661
Jobseeker's Allowance (contribution based)	501	552	593	626	663	697	733
Incapacity Benefit (Short Term)	2,609	3,091	3,332	3,498	3,739	3,940	4,153
Incapacity Benefit (Long Term)	6,996	8,883	9,690	10,063	10,662	10,557	10,546
Incapacity Benefit (Youth)	123	76	89	89	93	100	103
Widows Benefit (5)	243	49	2	0	0	0	0
Bereavement Benefit	639	613	571	532	546	540	565
Widows Benefit and Bereavement Benefit Additional Pension (2)							
Maternity Allowance	4,102	4,152	4,324	4,725	4,930	5,090	5,391
Adoption and Paternity Allowances	103	104	108	118	123	127	135
Disablement Benefit	493	762	1,089	1,517	2,131	2,943	4,051
Lump Sum (Christmas Bonus)	1,894	2,027	2,506	3,129	3,385	3,736	4,068
Redundancy Rebates (5)	71	233	333	464	651	899	1,238
Insolvency Payments (5)	25	212	302	421	592	818	1,125
Old Persons Pension (5)	122	218	465	836	1,510	2,382	3,617
Funeral Payments (5)	195	267	416	650	974	1,389	1,885
Nursing Care Contribution Scheme (4)	1,105	1,471	2,334	3,126	4,202	4,934	5,576
Contracted-out Rebates	5,023	0	0	0	0	0	0
Administration Expenses	3,826	4,533	5,072	5,560	6,005	6,401	6,782
Total	128,251	146,812	232,785	438,514	701,637	1,127,718	1,716,940

Appendix I: Projected income, outgo and balance of the Isle of Man National Insurance Fund

The tables in this appendix show the projected income and outgo and the fund balance over the projection period on the central and 5 variant assumption sets, specified at the end of Appendix F. The figures are in real terms, i.e. net of the effect of future price inflation.

Table I1: Projected income, outgo and fund balance – 500 net in migration per annum, 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Fund at start of year (market value)	673,695	919,394	1,407,492	1,398,857	442,042	0	0
Contributions (1)	128,606	178,792	232,277	295,720	382,458	487,764	620,890
Investment return	-11,643	10,573	16,186	16,087	5,083	0	0
Other income	1,822	0	0	0	0	0	0
Benefits (1)	124,425	136,739	206,947	366,829	540,901	798,163	1,131,081
Administration	3,826	4,284	4,561	4,776	4,950	5,087	5,224
Excess of Income over Outgo	-9,466	48,342	36,955	-59,798	-158,309	-315,486	-515,414
Fund at end of year (market value)	664,229	967,736	1,444,447	1,339,059	283,733	0	0
Ratio of fund to benefit outgo (multiple)	5.3	7.1	7.0	3.7	0.5	0.0	0.0

Note – applies to all tables

(1) Benefits and contributions are net of settlements with the United Kingdom.

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Table I2: Projected income, outgo and fund balance – 500 net in migration per annum, 2.75%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Fund at start of year (market value)	673,695	927,433	1,466,283	1,489,663	424,221	0	0
Contributions (1)	128,606	185,814	253,927	338,645	459,543	615,478	822,935
Investment return	-11,643	10,665	16,862	17,131	4,879	0	0
Other income	1,822	0	0	0	0	0	0
Benefits (1)	124,425	140,779	222,780	414,840	641,728	994,705	1,480,816
Administration	3,826	4,284	4,561	4,776	4,950	5,087	5,224
Excess of Income over Outgo	-9,466	51,417	43,449	-63,840	-182,257	-384,314	-663,105
Fund at end of year (market value)	664,229	978,850	1,509,732	1,425,823	241,965	0	0
Ratio of fund to benefit outgo (multiple)	5.3	7.0	6.8	3.4	0.4	0.0	0.0

Table I3: Projected income, outgo and fund balance –nil net migration per annum, 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Fund at start of year (market value)	673,695	876,953	1,180,784	800,032	0	0	0
Contributions (1)	128,606	166,744	200,756	239,399	294,457	358,085	433,059
Investment return	-11,643	10,085	13,579	9,200	0	0	0
Other income	1,822	0	0	0	0	0	0
Benefits (1)	124,425	135,248	202,186	350,454	495,000	696,116	955,250
Administration	3,826	4,035	4,051	3,994	3,901	3,782	3,678
Excess of Income over Outgo	-9,466	37,546	8,099	-105,849	-204,444	-341,813	-525,870
Fund at end of year (market value)	664,229	914,499	1,188,883	694,183	0	0	0
Ratio of fund to benefit outgo (multiple)	5.3	6.8	5.9	2.0	0.0	0.0	0.0

Note – applies to all tables

(1) Benefits and contributions are net of settlements with the United Kingdom.

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Table I4: Projected income, outgo and fund balance – nil net in migration per annum, 2.75%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Fund at start of year (market value)	673,695	883,957	1,224,801	828,591	0	0	0
Contributions (1)	128,606	173,290	219,458	274,152	353,813	451,852	573,993
Investment return	-11,643	10,166	14,085	9,529	0	0	0
Other income	1,822	0	0	0	0	0	0
Benefits (1)	124,425	139,279	217,830	396,725	587,809	868,206	1,251,540
Administration	3,826	4,035	4,051	3,994	3,901	3,782	3,678
Excess of Income over Outgo	-9,466	40,142	11,663	-117,039	-237,897	-420,135	-681,225
Fund at end of year (market value)	664,229	924,099	1,236,464	711,553	0	0	0
Ratio of fund to benefit outgo (multiple)	5.3	6.6	5.7	1.8	0.0	0.0	0.0

Table I5: Projected income, outgo and fund balance – 1,000 net in migration per annum, 2.25%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Fund at start of year (market value)	673,695	961,585	1,633,567	1,996,859	1,554,825	0	0
Contributions (1)	128,606	190,824	263,733	352,083	470,717	618,057	810,069
Investment return	-11,643	11,058	18,786	22,964	17,880	0	0
Other income	1,822	0	0	0	0	0	0
Benefits (1)	124,425	138,230	211,693	383,206	586,795	900,312	1,306,975
Administration	3,826	4,533	5,072	5,560	6,005	6,401	6,782
Excess of Income over Outgo	-9,466	59,119	65,753	-13,719	-104,202	-288,656	-503,687
Fund at end of year (market value)	664,229	1,020,704	1,699,320	1,983,140	1,450,623	0	0
Ratio of fund to benefit outgo (multiple)	5.3	7.4	8.0	5.2	2.5	0.0	0.0

Note – applies to all tables

(1) Benefits and contributions are net of settlements with the United Kingdom.

Table I6: Projected income, outgo and fund balance – 1,000 net in migration per annum, 2.75%pa real earnings growth; constant 2011–12 prices, net of settlements with the UK

£000s	2011-12	2021-22	2031-32	2041-42	2051-52	2061-62	2071-72
Fund at start of year (market value)	673,695	970,657	1,707,112	2,149,899	1,692,613	0	0
Contributions (1)	128,606	198,321	288,326	403,187	565,582	779,880	1,072,755
Investment return	-11,643	11,163	19,632	24,724	19,465	0	0
Other income	1,822	0	0	0	0	0	0
Benefits (1)	124,425	142,279	227,713	432,953	695,632	1,121,316	1,710,157
Administration	3,826	4,533	5,072	5,560	6,005	6,401	6,782
Excess of Income over Outgo	-9,466	62,672	75,172	-10,603	-116,590	-347,837	-644,184
Fund at end of year (market value)	664,229	1,033,329	1,782,285	2,139,296	1,576,023	0	0
Ratio of fund to benefit outgo (multiple)	5.3	7.3	7.8	4.9	2.3	0.0	0.0

Note – applies to all tables

(1) Benefits and contributions are net of settlements with the United Kingdom.



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