

## Changes to State pensions for persons reaching state pension age on or after 6 April 2016

Tynwald has recently approved a number of changes relating to state pensions. Although they are not directly relevant to occupational or personal pension matters the following information may be useful to you.

### Changes to the National Insurance contributions (NICs) rules for IOM and UK state pensions

The current 1977 social security Reciprocal Agreement is disapplied for the purposes of IOM state retirement pensions for persons reaching state pension age on or after 6 April 2016. Instead a new Reciprocal Agreement will apply. The changes are made following the introduction of the new single-tier state pension in the UK (but not in the IOM).

The main effect is that persons reaching state pension age on or after 6 April 2016 will get an IOM state pension which takes into account only IOM NICs that they have paid – and not the aggregate of IOM and UK NICs they have paid as now.

People in the IOM who have paid UK NICs may qualify for a UK state pension as well as an IOM state pension.

People under state pension age at 6 April 2016 and people who have not paid UK NICs are unaffected by the changes.

You can find the Order making the above changes [here](#).

### New pension top-up

From 6 April 2016 certain people living in the IOM will be able to qualify for a payment called a “pension top-up”, following changes to the NICs rules for IOM and UK state pensions from that date.

The payment will compensate them if their total IOM state pension (including the pension supplement) and their total UK state pension is less than their total IOM state pension would have been if they had reached state pension age before 6 April 2016.



The Treasury

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A person can qualify for a pension top-up if–

- a) they are present in the IOM when they reach pensionable age and remain ordinarily resident in the IOM after that;
- b) they are entitled to an IOM Category A or Category B retirement pension and the new UK state pension;
- c) when they first satisfy condition b) their total IOM state pension under the rules as they stood before 6 April 2016 would be greater than their total IOM and UK state pension is under the rules as they stand from 6 April 2016; and
- d) they make a claim for a top-up or are treated as having done so.

You can find the Order introducing the pension top-up [here](#).

### **New UK state pension to be an overlapping benefit with IOM contributory and non-contributory benefits (except Category A retirement pension)**

The new UK state pension is made an overlapping benefit with any IOM contributory or non-contributory benefit payable (except for Category A retirement pension).

As a result, the amount of any IOM contributory or non-contributory benefit payable to a person (except for Category A retirement pension) will be reduced by the amount of any new UK state pension payable to that person at the same time.

You can find the Order making the above changes [here](#) (Part 3).

### **Abolition of Category D (non-contributory retirement) pension**

Persons who reach age 80 on or after 6 April 2016 will no longer be able to qualify for a Category D retirement pension. Persons who reach age 80 before 6 April 2016 will be able to do so as now.

You can find the Orders making the above changes [here](#) and [here](#) (Part 4).

### **Abolition of state pension deferment**

People reaching state pension age on or after 6 April 2016 will not be able to defer their entitlement to a state retirement pension in exchange for an increased rate of pension or taxable lump sum when they claim their state pension.

People will also not be able to defer their pension supplement if they reach state pension age before 6 April 2016.

People who reach state pension age before 6 April 2016 are unaffected.

You can find the Orders making the above changes [here](#) and [here](#).

## **Contact us**

We hope that you have found this information useful. If you have any comments or queries about any of it please contact Nick Gough Tel. 01624 685223 or [Nick.gough@gov.im](mailto:Nick.gough@gov.im)