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## Final Pensionable Pay on your annual benefit statement

If you're an active member of the Isle of Man Government's Unified Scheme you will receive your benefit statement. Your benefits are calculated using your salary near retirement, known as your Final Pensionable Pay. Your Final Pensionable Pay at or near retirement is not currently known, so we use an estimate at different ages (e.g. 55, 60 and 65). If you're over age 42 and nearing retirement, the Final Pensionable Pay estimates shown on your statement may look different to what you expect. This is because of the way it is estimated and this factsheet gives more information to help you understand why.

This factsheet does not apply to practitioners in Sections 5 or 6 of the Unified Scheme, your benefits are worked out using Career Average Revalued Earnings, not Final Pensionable Pay.

### Inside this factsheet

You can use this factsheet to:

- Learn how we calculate Final Pensionable Pay.
- Understand why Final Pensionable Pay amounts may seem irregular.
- Find out how to seek more information about your benefits.

## Understanding your benefits in the Unified Scheme

### What benefits could you receive when you retire?

When you retire you can choose to take an annual pension and a one-off cash lump sum of up to 30% of the value of your pension.

As a member of a defined benefit pension scheme, your pension savings grow each year based on your years of service and your salary. Your pension at retirement will generally depend on:

- when you want to retire;
- your working pattern;
- how much your salary grows between now and retirement; and
- which section of the Unified Scheme you're in.

### How are your benefits calculated?

When you retire, you will receive a percentage of Final Pensionable Pay for each year of Pensionable Service (this is known as your growth rate and is listed in your Member Guide). Your annual pension is calculated as follows:

$$\text{Unified Scheme growth rate} \times \text{Your Final Pensionable Pay} \times \text{Your Pensionable Service} = \text{Annual pension}^*$$

\*Pension accrued from service after 1 April 2017 will be reduced by 6%.

### How is your Final Pensionable Pay worked out?

Your benefits are calculated using your salary near retirement, known as your Final Pensionable Pay.

We use the following method to work out your Final Pensionable Pay at retirement:

- 1 The salaries for your last 13 years are increased to current day value using the inflationary index (except for the last year's pay).
- 2 The three highest consecutive amounts over that 13 year period are then added together and divided by three to give the average.
- 3 This amount is your Final Pensionable Pay.

#### Inflation

Inflation is a measure of the change of prices for goods and services over time.

Your Final Pensionable Pay is not currently known, so in your annual benefit statements we use an estimate, projecting forward your pensionable earnings and service during the 2019/2020 tax year. Remember that this is just an estimate to help you understand what you might receive. It is based on a number of assumptions and is unlikely to be the same as your actual Final pensionable Pay when you retire.

### How is the Final Pensionable Pay estimate worked out for people under age 42?

In the Unified Scheme you can retire at any time from age 55, so we generally show your projected pension at age 55, 60 and 65 in your annual benefit statement.

The Final Pensionable Pay estimate used in your annual benefit statement will be the same as your last recorded pensionable salary. This is because you are more than 13 years from any of the retirement ages shown.

## How is the Final Pensionable Pay estimate worked out for people over age 42?

If you are within 13 years of any of the retirement ages shown on your annual pension benefit statement, some of the salary amounts used to estimate your Final Pensionable Pay will be increased using the appropriate inflationary index (i.e. so it's shown in today's money).

>> Example

On 31 March 2023, Joe was 54 and his current salary was £39,000.

The table below shows how his Final Pensionable Pay is estimated at age 55, 60 and 65 as at 31 March 2023.

				Revalued salary: The salaries shown below are revalued if the inflation figure is known. Future salaries are estimated to be the last year's known salary and are not revalued.					
Age	Tax Year Ending 31 March	Pay Earned in the Tax Year (pensionable pay)	Inflation (Pension Increase) for 2023	Age 55	Age 55 - Average of 3 Years of Salary	Age 60	Age 60 - Average of 3 Years of Salary	Age 65	Age 65 - Average of 3 Years of Salary
65	2034	£ 38,000.00	1.0000					£ 38,000.00	£ 38,000.00
64	2033	£ 38,000.00	1.0000					£ 38,000.00	£ 38,000.00
63	2032	£ 38,000.00	1.0000					£ 38,000.00	£ 38,000.00
62	2031	£ 38,000.00	1.0000					£ 38,000.00	£ 38,000.00
61	2030	£ 38,000.00	1.0000					£ 38,000.00	£ 38,000.00
60	2029	£ 38,000.00	1.0000			£ 38,000.00	£ 38,000.00	£ 38,000.00	£ 38,000.00
59	2028	£ 38,000.00	1.0000			£ 38,000.00	£ 38,000.00	£ 38,000.00	£ 38,000.00
58	2027	£ 38,000.00	1.0000			£ 38,000.00	£ 38,000.00	£ 38,000.00	£ 38,000.00
57	2026	£ 38,000.00	1.0000			£ 38,000.00	£ 38,000.00	£ 38,000.00	£ 38,000.00
56	2025	£ 38,000.00	1.0000			£ 38,000.00	£ 38,333.33	£ 38,000.00	£ 38,333.33
55	2024	£ 38,000.00	1.0000			£ 38,000.00	£ 39,979.67	£ 38,000.00	£ 39,979.67
54	2023	£ 39,000.00	1.0000	£ 39,000.00	£ 41,691.33	£ 39,000.00	£ 41,691.33	£ 39,000.00	
53	2022	£ 39,000.00	1.1010	£ 42,939.00	£ 42,381.01	£ 42,939.00	£ 42,381.01	£ 42,939.00	
52	2021	£ 38,000.00	1.1351	£ 43,134.98	£ 41,990.41	£ 43,134.98	£ 41,990.41		
51	2020	£ 36,000.00	1.1408	£ 41,069.04	£ 41,472.61	£ 41,069.04	£ 41,472.61		
50	2019	£ 36,000.00	1.1602	£ 41,767.21	£ 42,059.27	£ 41,767.21	£ 42,059.27		
49	2018	£ 35,000.00	1.1880	£ 41,581.58	£ 42,555.98	£ 41,581.58			
48	2017	£ 35,000.00	1.2237	£ 42,829.03	£ 43,114.56	£ 42,829.03			
47	2016	£ 35,000.00	1.2359	£ 43,257.32	£ 43,430.35				
46	2015	£ 35,000.00	1.2359	£ 43,257.32	£ 43,569.19				
45	2014	£ 35,000.00	1.2508	£ 43,776.41	£ 43,153.12				
44	2013	£ 34,000.00	1.2845	£ 43,673.84	£ 42,831.82				
43	2012	£ 32,000.00	1.3128	£ 42,009.10					
42	2011	£ 31,000.00	1.3810	£ 42,812.52					
Final Pensionable Pay (Best 3 Average of 3 years of Salary)					£ 43,569.19		£ 42,381.01		£ 39,979.67

Each past years salary is revalued so that it is shown in today's money. We can do this because we know the historic inflation rate. Joe's salary in the future remains the same as his current salary because we are showing the value in today's money (and therefore there is no inflation to apply).

The three highest consecutive amounts in the 13 years before the retirement date are then averaged to give the Final Pensionable Pay.

If Joe was to retire at age 60 then the 13 salary amounts before this year (shaded blue) are used. The three highest consecutive amounts (highlighted dark blue) are then averaged to give an estimated Final Pensionable Pay of £42,381.01.

Joe's actual Final Pensionable Pay if he retires when he is 60 will be different as it will be based on his actual revalued salary each year and not estimated for the future.

As you can see Joe's estimated Final Pensionable Pay reduces as the length of time to his retirement increases. This is because the calculation uses less revalued salary amounts.

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### Why does your calculation look different?

Your calculation is specific to you and depends on how many years you are from retirement and your salary each year.

### Will this affect how much I receive when I retire?

No. These are just estimates and your actual Final Pensionable Pay when you retire will be different as it will be based on your actual revalued salary each year to retirement.

### Can I change the Final Pensionable Pay figure used on my statement so it's more accurate?

No. Before you retire, we will send you a retirement pack which will include an accurate value of your Final Pensionable Pay.

## Find out more

### Where can I go for help?

Contact the Public Sector Pensions Authority

- [www.pspa.im](http://www.pspa.im)
- [pensions@pspa.im](mailto:pensions@pspa.im)

PSPA

Prospect House, 27-29 Prospect Hill

Douglas ISLE OF MAN IM1 1ET

You can telephone us on 01624 685598. However, we recommend that you email your enquiry whenever possible to ensure that you have a record of your enquiry and the response.

### Disclaimer

This document is a guide only and does not represent any entitlement to the benefits described.

Whilst the Isle of Man Government has every intention of maintaining the Unified Scheme in the form described in this factsheet, it reserves the right to modify, amend or terminate the Unified Scheme at any time in the future, and to change benefits and contributions. The definitive terms governing your benefits are contained in the regulations and other documents governing the Unified Scheme. In the event of any conflict between this factsheet and those documents, the legal documents (as amended from time to time by the Isle of Man Government) will prevail. Actual benefits will depend on future events, scheme regulations, and the circumstances as at the date you join, retire, leave or die, including earnings growth. Neither the Isle of Man Government nor their advisers can accept any responsibility for any errors, omissions or inaccuracies.