IoMG Unified Scheme

Pensions factsheet

How the Unified Scheme will affect you

Yn raad er oaie The way forward

Civil Service Pension Scheme

Classic Section

This factsheet explains how the Unified Scheme will work for members of the Civil Service Pension Scheme Classic Section (the Classic Scheme).

It has been designed to help you understand the benefits offered under the new scheme and to help you make an important decision about which section you want to join – the Standard section or your Protected section.

The key features of the Unified Scheme include the following:

- A good level of pension at a reasonable cost for members who join the Standard section.
- An option to pay extra contributions to earn a higher rate of pension in your Protected section.
- Support towards the cost of protection for those who are within seven years of retirement or are already over their current scheme's Normal Pension Age.

This factsheet relates to Classic Section members of the Financial Supervision Commission Superannuation Scheme 1984, Superannuation (Officers of Boards) Scheme 1959, Principal Civil Service Pension Scheme, Insurance Authority Superannuation Scheme 1986 and Superannuation (Harbour Police Civilian Auxiliaries) Scheme 1988.

Inside this factsheet

- Understand the difference between the Standard section and your Protected section.
- See how the benefits that you have earned so far will be protected.
- Find out how much you will pay in the Unified Scheme.
- Learn how the Unified Scheme compares with your current pension scheme.

Remember

Please submit your decision form before 28 February 2012.

Issued by the Steering Group on behalf of the Council of Ministers

January 2012

What do I need to do?

You need to decide which section of the Unified Scheme you want to join when it is introduced on 1 April 2012.

To make your choice, you need to complete one of the decision forms sent to you in early 2012. If you need a new form, please contact us at unifiedenquiries@gov.im

Please submit your form by 28 February 2012.

What does it mean?

Cash lump sum
When you retire you can choose to take a one-off cash lump sum on top of a regular pension income. To do this, you generally give up some of your pension.

What does this mean for me?

To understand your Standard and Protected section benefits under the Unified Scheme:

- Read the pension comparison illustration posted to you in early 2012.
- Use the online Unified Scheme Modeller on the website.

Understanding the Unified Scheme

As a member of the Unified Scheme, when you retire you will receive a pension (this is a regular retirement income) and an optional one-off cash lump sum.

The Unified Scheme gives you the flexibility to create a pension to suit your needs and circumstances and there are two different sections you could join:

- The Standard section – Designed to offer a good level of pension at a reasonable cost.

  or
- Your Protected section – Designed to reflect the pension and one-off cash lump sum that you are entitled to in your current scheme.

You need to decide which section of the Unified Scheme you want to join. The value of your benefits built up before 1 April 2012 is protected automatically regardless of which section you join. However, how much pension you get for future service in the Unified Scheme is up to you.

When you retire, your annual pension will be calculated as follows, regardless of which section you join:

Unified Scheme growth rate	X	Your Final Pensionable Pay	X	Your Pensionable Service	=	Annual pension

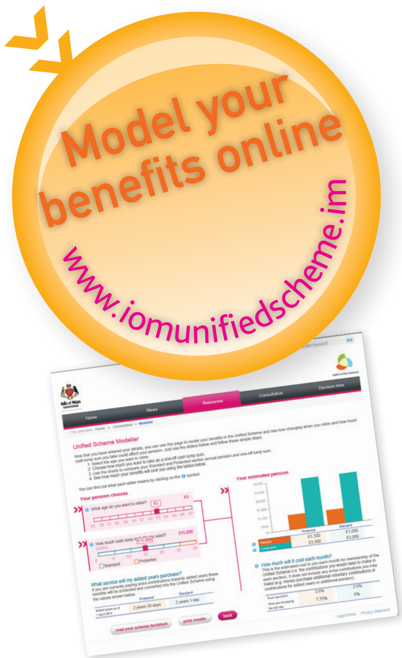
Standard section

The Standard section of the Unified Scheme will provide you with a pension based on a percentage of your Final Pensionable Pay for each year of service you have. The percentage you receive (known as your accrual rate or growth rate) will depend on the age at which you retire and these are shown in the table on page 7. The later you retire, the greater your pension will be.

Example

The example below shows how this would work for Anna – a member who joined the Standard section. Anna retired at age 60 with 35 years' Pensionable Service and Final Pensionable Pay of £30,000. The Standard section growth rate at this age is 1.16%.

1.16%	X	£30,000	X	35	=	£12,180 annual pension



Protected section

Your Protected section is designed to provide you with the same pension and any automatic cash lump sum that your current scheme provides at its Normal Pension Age. So if you've been planning for a certain level of pension and lump sum at a certain age, this section will help you keep these plans in place.

Your Protected section will cost you more, because these benefits are worth more than the Standard section. If you choose your Protected section the percentage rates by which your pension will grow are shown in the table on page 7.

Example

The example below shows how this would work for Anna if she joined her Protected section. Anna retired at age 60 with 35 years' Pensionable Service and Final Pensionable Pay of £30,000. Her Protected section growth rate at this age is 1.46%.

1.46% X £30,000 X 35 = £15,330 annual pension

What does it mean?

Pensionable Service

The total number of years and days membership which count towards your scheme benefits.

Final Pensionable Pay

The pay used to work out your benefits. In a defined benefit pension scheme your benefits are calculated when you retire using your salary near retirement. This will be the annual average of the best three consecutive years' pay in the last 13 years, revalued by the increase in inflation.

What am I really protecting in my Protected section?

To replicate your current scheme entitlements, your Protected section has been designed so that the growth rate used if you retire on your 60th birthday is broadly equivalent to the rate you would have received from the Classic Scheme at age 60.

The growth rate in your current scheme has been converted to an equivalent rate under the Unified Scheme of 1.46%.

In your Protected section, you're only protecting the growth rate of your current scheme's pension and any automatic lump sum that you would have received at your current scheme's Normal Pension Age of 60. All other features of the scheme will change and be the same in both the Standard and Protected sections (e.g. the way in which Final Pensionable Pay is calculated and your death benefits).

If you retire earlier or later than age 60, the growth rates will be different, as shown in the table on page 7. This could be different to what the Classic Scheme could provide.

What is a conversion factor?

This is really just a value (e.g. a number) given for your benefits.

You could look at it a bit like an exchange rate you would get when you convert your money to go abroad on holiday.

We have set an exchange rate that ensures your benefits are transferred into the Unified Scheme fairly and you do not miss out.

"Your benefits will be converted based on the service you have built up before 1 April 2012."

What happens to the benefits I have built up so far?

When the Unified Scheme is introduced, we will be transferring the benefits you have built up in your current scheme into the Unified Scheme. To do this, we will be converting these benefits to an equivalent value in the Unified Scheme.

The value of the benefits you build up before 1 April 2012 is protected automatically and the value you receive for these benefits will be the same regardless of whether you choose the Standard or Protected section.

How your past service will be converted

Your benefits will be converted based on the service you have built up before 1 April 2012. This is how many years and days of Pensionable Service you have built up in your current scheme before this date.

A conversion factor (i.e. an exchange rate) is used to convert your current benefits. This conversion factor essentially gives you a certain number of years and days in the Unified Scheme for every year and day of service you had built up in your current scheme.

The conversion factor used for your past service will be different depending on which section of the Unified Scheme you join and this is shown in the table below. These factors apply to those who are below age 60 when the Unified Scheme is introduced. The rates will vary according to age for those who are above age 60 and you can contact us if you would like details on these.

Conversion terms

	Standard section	Protected section
Your pension	1.26	1
Survivor's pension	1	1

Using the table above, you can see that you will get 1.26 years or days' membership in the Standard section for every year or day that you have in the Classic Scheme.

The Protected section conversion factor shown above is lower than the Standard section factor because the percentage growth rates used to calculate Protected section benefits are higher. For example, the growth rate used at age 60 in the Protected section is 1.46% and in the Standard section it is 1.16%.

Your pension in the Unified Scheme, before you take any lump sum, will be subject to a maximum overall limit of 75% of Final Pensionable Pay.

Your Protected section costs more because its benefits are higher.

Support for lower income earners

If you earn below £25,000 (full time equivalent) a year and join the Unified Scheme, you will be given a rebate if the 5% contribution rate for the Standard section is higher than your current contribution rate.

Visit www.iomunifiedscheme.im for details.

How much will I have to pay in the Unified Scheme?

The contribution rate is 5% of your Pensionable Pay if you choose to join the Standard section. If you choose your Protected section you will pay 7.75%. Your Protected section costs more because its benefits are higher.

It is recognised that this will mean a change for many members so there will be a transitional period for anyone currently paying more or less than these rates. This means that you won't face a change in contributions of more than 1% of your Pensionable Pay in any year.

The tables below show how your contribution rate will increase over time in either the Standard or Protected sections.

	Classic Scheme	Standard section			
		2012	2013	2014	2015
Contribution rate % of Pensionable Pay	1.5	2.5	3.5	4.5	5.0

	Classic Scheme	Protected section						
		2012	2013	2014	2015	2016	2017	2018
Contribution rate % of Pensionable Pay	1.5	2.5	3.5	4.5	5.5	6.5	7.5	7.75

Example

The example below shows how this would work for Anna, when Anna's Pensionable Pay was £30,000 each year. As you can see, your Protected section will cost more, but remember it will also deliver you higher benefits.

	Contribution rate	X	Pensionable Pay	=	Total cost each year
Standard section	5%	X	£30,000	=	£1,500 each year (£125 each month)
Protected section	7.75%	X	£30,000	=	£2,325 each year (£193.75 each month)

Support towards the cost of protection for those near retirement

If you are aged 53 or over when the Unified Scheme is introduced, you will be able to join your Protected section without paying more than the Standard section rate of contribution.

> Under the Unified Scheme, transfers to and from other Isle of Man or UK pension schemes will still be allowed.

What happens to transfers?

Under the Unified Scheme, transfers to and from other Isle of Man or UK pension schemes will still be allowed.

Transfers into the Unified Scheme will be on a cash equivalent basis which means that the scheme you are transferring from provides a transfer value that reflects the value of the benefits you have built up to that point. This transfer value will be used to secure you benefits of equivalent value in the Unified Scheme.

To provide greater flexibility and choice, the current 12 month limit by which you must decide whether to transfer your benefits from your previous pension scheme will be removed. However, the scheme that your benefits are being transferred to or from may have time limits.

You should seek independent financial advice if you are thinking about transferring your benefits.

I'm a Pre Fresh Start Prison Officer – how am I affected?

After 20 years, Pre Fresh Start Prison Officers earn 2/80ths of Final Pensionable Pay for each year of subsequent membership in the Classic Scheme.

If you are a Pre Fresh Start Prison Officer and choose your Protected section you will be able to continue to earn benefits based on this level of pension. You are also able to retire from age 55 without a reduction to your benefits.

If you choose your Protected section you will be able to retire between age 55 and 60 and you will receive the age 60 growth rate in section 2 of 1.46%. If you do not choose your Protected section you will receive the Standard section benefit levels.

Civil servants able to retire after 40 years

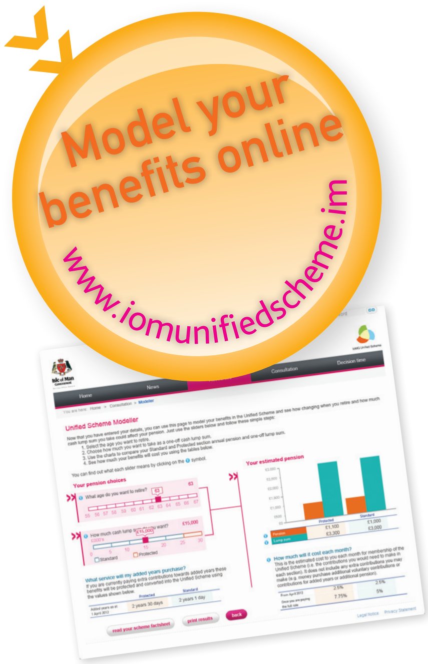
Some members of the Civil Service Pension Scheme – Classic Section have been advised by their employer that they may retire once they have achieved 40 years' service without their benefits being reduced, even if this is before their current normal pension age of 60.

The Unified Scheme allows these commitments to be honoured. This means that on retirement after 40 years' service the accrued benefits can be payable without reduction but the level of benefit payable will depend on whether or not you choose your Protected section.

If you choose the Standard section, your benefits for service between the introduction of the Unified Scheme and retirement will be those that would be earned at the Standard section rate at age 60 (i.e. 1.16% of Final Pensionable Pay for each year of service). If you have opted for protection, the benefits would be based on the age 60 accrual rate of 1.46%. If you took the same proportion of lump sum as your current scheme automatically provides, you will receive pension and lump sum benefits comparable to your existing expectations.

Comparing your benefits – the Classic Scheme

Scheme provision	Classic Scheme	Unified Scheme: Standard section	Unified Scheme: Protected section
Your pension	1/80th of Final Pensionable Pay for each year of service (reduced if taken early)	A percentage of Final Pensionable Pay for each year of Pensionable Service depending on your retirement age e.g. **55** 0.81% **60** 1.16% **65** 1.50% **70** 2.03% **75** 2.55%	A percentage of Final Pensionable Pay for each year of Pensionable Service depending on your retirement age e.g. **55** 1.12% **60** 1.46% **65** 1.90% **70** 2.56% **75** 3.23%
Maximum pension	45 years' service	75% of Final Pensionable Pay	
When you can retire	60	Variable between age 55 and 75	
Your contributions % of Pensionable Pay	1.5%	5%	7.75%
Tax free lump sum	3 x pension payable in addition to your pension. Option to increase to 25% of pension value by exchanging pension at £12 of lump sum for each £1 of pension	Optional up to 30% of pension value by exchanging part of your pension at the rate of £18 of lump sum for each £1 of pension	
Death in service lump sum	2 x Pensionable Pay	3 x Pensionable Pay	
Survivor's pension	1/160th of Final Pensionable Pay for each year of Pensionable Service	0.625% of Final Pensionable Pay (equivalent to 1/160th) for each year of Pensionable Service	
Ill health retirement	An enhanced pension and lump sum payable if your health breaks down permanently and you cannot do your current job	Two tiers depending on degree of incapacity: » **Lower Tier** – pension and lump sum payable if you are permanently incapable of doing your current or a comparable job » **Upper Tier** – enhanced pension and lump sum payable if you are permanently incapable of gainful employment	
Topping up your pension benefits	Purchase of added pension and the ability to make Additional Voluntary Contributions (AVC) into a Money Purchase AVC account which can be used to buy additional pension and/or lump sum on retirement	Ability to make Additional Voluntary Contributions (AVC) into a Money Purchase AVC account which can be used to buy additional pension and/or lump sum on retirement	



"If you need financial advice you can speak to an independent and authorised financial adviser."

Find out more

Want to learn more about your pension and the Unified Scheme?

Visit www.iomunifiedscheme.im to access:

- » the Unified Scheme Member Guide with more details on dependants' benefits, ill health, topping up your benefits, added years and additional pension;
- » the latest information about the Unified Scheme;
- » the online Unified Scheme Modeller – to help you compare your future benefits in each section; and
- » the Isle of Man Government Unified Scheme regulations.

Ask us a question

Unified Scheme one-to-one help sessions will be held throughout the decision making period at locations all over the Isle of Man.
Visit www.iomunifiedscheme.im for details.

Do you need financial advice?

Please note that we can't give you financial advice about the Unified Scheme and how it may affect you and your retirement plans.

If you need financial advice you can speak to an independent and authorised financial adviser and a list of advisers is provided on the website. We have briefed a number of financial advisers on the Unified Scheme and they have been provided with detailed information to help you understand your options. They may charge you for this advice, so we have negotiated a fixed fee for the first hour of £80. If you require more than one hour of advice, you will need to agree a fee with the adviser.

You should always check that any independent financial adviser you consult is authorised and/or licensed to give the advice you are seeking. Most financial advisers will charge you for their advice.

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 introducing and 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 existing benefits are contained in the regulations and other documents governing the scheme of which you are currently a member. 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.

The statements and benefits set out within this factsheet are based on the assumption that your employer joins the Unified Scheme at the first available date. The contribution rates described are the initial contribution rates and could change in the future.

Neither the Isle of Man Government nor their advisers can accept any responsibility for any errors, omissions or inaccuracies.

Isle of Man Government
Reiltys Ellan Vannin

Where can I go for help?

Contact the Unified Scheme Project Team

www.iomunifiedscheme.im

unifiedenquiries@gov.im

Pensions Division
Goldie House
1 - 4 Goldie Terrace
Upper Church Street, Douglas
ISLE OF MAN IM1 1EB

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.

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