



IoMG Unified Scheme

# Pensions factsheet

## How the Unified Scheme will affect you

Yn raad er oaie The way forward

# Civil Service Pension Scheme

## Nuvos Section

This factsheet explains how the Unified Scheme will work for members of the Civil Service Pension Scheme Nuvos section (the Nuvos 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. For those that would like to understand more, there is also a factsheet that explains how your Nuvos CARE benefits will be converted into final salary benefits and you should read this as well.

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 Nuvos 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.

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

## 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.

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](mailto: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
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## 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%.

$$1.16\% \times £30,000 \times 35 = £12,180 \text{ annual pension}$$



## 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.

## Protected section

Your Protected section is designed to closely match your current pension entitlements. So if you've been planning for a certain level of pension 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 1.67%.

$$1.67\% \times £30,000 \times 35 = £17,535 \text{ annual pension}$$



## Moving from CARE to final salary

To help ensure you don't pay more for a smaller pension, your benefits in your Protected section will be calculated on a final salary basis rather than a CARE basis. You can find out more in the 'Converting your Nuvos CARE benefits' to final salary benefits factsheet available on the website.

## 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 65th birthday is broadly equivalent to the rate you would have received from the Nuvos Scheme at age 65. However, they are based on a final salary calculation rather than a Career Average method (or CARE).

It is expected that most members will have a higher pension if they protect on this basis than if the Career Average method was continued, but this would depend on the actual pay rises you receive in the future.

You will be offered the opportunity of joining the same section as members of the Civil Service Premium Scheme, the scheme that was in place before the Nuvos Scheme was introduced. The CARE growth rate will be replaced by a final salary percentage growth rate that will vary according to the age that the benefits are taken. For example, at age 60 this is 1.67% and at age 65 it is 2.17%.

In your Protected section, you're only protecting the broadly equivalent growth rate of your current scheme's pension at your current scheme's Normal Pension Age of 65. 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 65, the growth rates will be different, as shown in the table on page 7. This could be different to what the Nuvos 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.

# 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

We need to convert your Career Average earnings to the amount you would have received if it was a final salary scheme.

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 your Career Average earnings before 1 April 2012.

The conversion factor used for your Career Average earnings 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 65 when the Unified Scheme is introduced. The rates will vary according to age for those who are above age 65 and you can contact us if you would like details on these.

## Conversion terms

Standard section	Your pension
Nuvos	1.54
Nuvos linked service	1.12

Protected section	Your pension
Nuvos	1.06
Nuvos linked service	0.77

To convert your service, we first divide your Career Average earnings by your full-time equivalent salary. Then we multiply this amount by the relevant conversion factor.



## What is linked service?

This is any service that has come from a club transfer into the scheme (e.g. from another UK public sector scheme).

It is used to work out the final salary element of your pension when you retire.



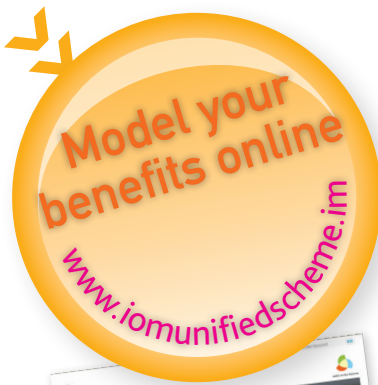
### Example

If your Career Average earnings were £100,000 and your full-time equivalent salary was £15,000, this means that in the Standard section you would receive 10 years and 97 days' service, calculated as follows:

$$\text{£}100,000 / \text{£}15,000 \quad \times \quad 1.54 \quad = \quad 10.266 \quad (\text{or } 10 \text{ years and } 97 \text{ days})$$

Any linked service would be converted separately.





Model your benefits online

www.iomunifiedscheme.im



Your survivor's pension level will be 0.625% of your Final Pensionable Pay in the Standard or Protected section.

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.

## 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 9.75%. 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.



### 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](http://www.iomunifiedscheme.im) for details.

#### Unified Scheme Standard section

	Nuvos Scheme	2012	2013
Contribution rate % of Pensionable Pay	3.5	4.5	5

#### Unified Scheme Protected section

	Nuvos Scheme	2012	2013	2014	2015	2016	2017	2018
Contribution rate % of Pensionable Pay	3.5	4.5	5.5	6.5	7.5	8.5	9.5	9.75

Your Protected section costs more because its benefits are higher.



#### 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	9.75%	X	£30,000	=	£2,925 each year (£ 243.75 each month)



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

## Support towards the cost of protection for those near retirement

If you are aged 58 or over when the Unified Scheme is introduced, you will be able to join your Protected section without paying more than the Standard rate of contribution.

## 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.

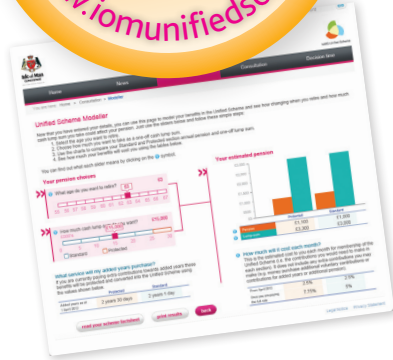
To provide greater flexibility and choice, the current 12 month limit by which you must decide whether to transfer your benefits from your previous pension scheme will be removed. However, the scheme that your benefits are being transferred to or from may have time limits.

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



# Comparing your benefits – the Nuvos Scheme

Scheme provision	Nuvos Scheme	Unified Scheme	
		Standard section	Protected section
Your pension	2.3% of each year's Pensionable Pay plus RPI at the Normal Pension Age	A percentage of Final Pensionable Pay for each year of Pensionable Service depending on your retirement age  e.g. <b>55</b> 0.81% <b>60</b> 1.16% <b>65</b> 1.50% <b>70</b> 2.03% <b>75</b> 2.55%	A percentage of Final Pensionable Pay for each year of Pensionable Service depending on your retirement age  e.g. <b>55</b> 1.29% <b>60</b> 1.67% <b>65</b> 2.17% <b>70</b> 2.93% <b>75</b> 3.69%
Maximum pension	45 years' service	75% of Final Pensionable Pay	
When you can retire	65	Variable between age 55 and 75	
Your contributions % of Pensionable Pay	3.5%	5%	9.75%
Tax free lump sum	Optional up to 25% of pension value by exchanging part of your pension at the rate of £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	3/8ths of the member's pension	0.625% of Final Pensionable Pay (equivalent to 1/160th) for each year of Pensionable Service	
Ill health retirement	Two tiers depending on degree of incapacity:  » <b>Lower tier</b> – pension and lump sum payable if you are permanently unable to do your current or a comparable job  » <b>Upper tier</b> – enhanced pension and lump sum payable if you are incapable of any type of regular employment, due to permanent ill health	Two tiers depending on degree of incapacity:  » <b>Lower Tier</b> – pension and lump sum payable if you are permanently incapable of doing your current or a comparable job  » <b>Upper Tier</b> – 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	



## Find out more

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

Visit [www.iomunifiedscheme.im](http://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](http://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.

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







**Isle of Man**  
Government

*Reiltys Ellan Vannin*

## Where can I go for help?

Contact the Unified Scheme Project Team



[www.iomunifiedscheme.im](http://www.iomunifiedscheme.im)



[unifiedenquiries@gov.im](mailto:unifiedenquiries@gov.im)



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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.