



IoMG Unified Scheme

Pensions factsheet

How the Unified Scheme will affect you

Yn raad er oai The way forward

Converting your Nuvos CARE benefits to final salary

This factsheet explains how Career Earnings (CARE) benefits in the Nuvos Scheme will be converted to the Unified Scheme on a final salary basis. It looks at the reasons for the change, the impact on your benefits, the costs and how your past service will be converted.

Make sure you read this factsheet alongside the 'How the Unified Scheme will impact you – Nuvos Scheme' factsheet, as well as the personalised comparison illustration sent to you in January 2012.

You can use this factsheet to:

- » Learn how your Nuvos CARE benefits will be converted to final salary benefits.
- » Find out how much you will pay in the Unified Scheme.
- » Understand your personalised comparison illustration.



Remember

Please submit your decision form before 28 February 2012.

What is changing under the Unified Scheme?

The Unified Scheme will be a final salary pension scheme. This means that you will receive a pension and optional cash lump sum when you retire that is based on your pay near retirement and how long you have worked for the Isle of Man Public Service.

You are being given a one-off opportunity to join either the Standard section or your Protected section of the Unified Scheme. Each section will provide you with a different level of benefits:

- » The **Standard section** – Designed to offer a good level of pension at a reasonable cost.
- » Your **Protected section** – Designed to reflect the pension and one-off cash lump sum that you are entitled to in your current scheme. Your Protected section benefits cost more, because benefits in this section are designed to be higher.


Pensions provided in the current Nuvos Scheme are based on Career Earnings (CARE), which means that each year, your earnings are recorded and revalued to the date you leave or retire. However, once the Unified Scheme is introduced, you will be provided with a final salary benefit under both the Standard or Protected sections of the Unified Scheme.

Why are you changing my Protected section benefits from CARE to final salary?

We're making this change to ensure you don't end up paying more for a smaller pension.

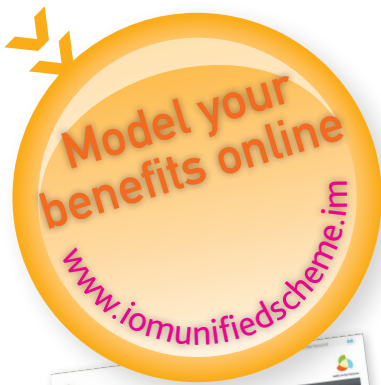
We considered giving you the choice to protect your benefits on a CARE basis or an equivalent final salary basis. However, the difference between the Standard and Protected sections mean that you could end up paying more and receiving a smaller pension if you protected your benefits on a CARE basis. (This would depend on your pay growth relative to inflation over your career and the outcome would not be known until you retired.)

To ensure you don't pay more for a smaller pension, your benefits in your Protected section will be calculated on a final salary basis using the same calculation used for members of current Premium section – section 3. This approach simplifies future administration and means that Nuvos Scheme members who choose the Protected section will definitely receive a larger pension than members who join the Standard section.



We're making this change to ensure you don't end up paying more for a smaller pension. »





Will this change how much I pay for my Protected section?

If you join your Protected section, it will cost you an additional 4.75% of your Pensionable Pay (a total of 9.75% including the 5% Standard section contribution rate). This is the same rate that will apply to current Premium section members who choose the Protected section.

What is the Premium section?

The Premium section is one part of the current Isle of Man Principal Civil Service Pension Scheme. Various employers have members in the Premium section of this scheme.

Your Nuvos Scheme benefits are similar to those of the Premium section, except that the Premium section is calculated based on final salary. This is why we have proposed using the same calculation for the Nuvos Schemes as the Premium section.

Like the other Civil Service Pension sections, these members will transfer to the Unified Scheme when it starts in April 2012. Members of these sections will be able to choose to join a Protected section that protects their own level of benefits.



What does it mean?

Inflation

The change in prices of goods and services over time. Generally, inflation increases each year, which means that goods and services become more expensive. This means it is important that your pension savings increase enough each year to at least match the growing costs of living.

How will this impact my benefits?

This will impact different members in different ways, depending on factors like your age, current pension scheme and salary. As mentioned previously, it also depends on how much your pay grows relative to inflation over your career.

Example – how NuvoS Scheme benefits could compare in the Unified Scheme

Joe is a 36 year old member of a NuvoS Scheme. On 1 April 2012 he will be earning £27,000 each year.

The tables below show the annual pension he could expect to receive if he retired at age 60 and 65 in:

- » The current NuvoS Scheme;
- » the Protected section of the Unified Scheme; and
- » the Standard section of the Unified Scheme.

The first table shows what Joe could receive if his salary grew by 1.5% above inflation each year over his career.



Example

Joe's salary increases by 1.5% each year (plus promotional increases)

Retirement Age		Current	Protected	Standard
60	Annual pension	£30,668	£36,983	£25,740
	% of final pay	33.2%	40%	27.8%
65	Annual pension	£60,094	£72,508	£50,121
	% of final pay	52.2%	62.9%	43.5%

We can see that in the example above where salary growth is 1.5% above inflation, the pension offered in the Protected section is larger than the NuvoS Scheme.

The second example below does not include any salary increases above inflation.



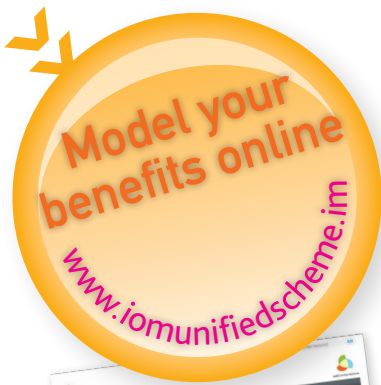
Example

Joe's salary does not grow above inflation over his career

Retirement Age		Current	Protected	Standard
60	Annual pension	£22,723	£21,954	£15,280
	% of final pay	41.4%	40%	27.8%
65	Annual pension	£42,439	£40,041	£27,678
	% of final pay	66.7%	62.9%	43.5%

Any linked service would be converted separately.





Both of Joe's examples on the previous page show that the Protected section provides significantly higher benefits than the Standard section of the Unified Scheme.

It also shows that the Protected section benefit is greater than the expected Nuvos benefit if his salary rises by 1.5% each year. It's only slightly less than the expected Nuvos benefit if Joe's salary doesn't grow above inflation.

Do salaries usually grow above inflation?

'Real salary growth' is where salaries rise above the rate of inflation; typically this averages out to be growth of about 1.5% a year over a full career. In most cases, we would expect some element of real salary growth over the lifetime of your membership.

Even where there is no real salary growth at all, the Protected section produces a level of pension that is just 1.4% below the current Nuvos Scheme benefit at age 60 and is materially higher than the Standard section of the Unified Scheme.



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 overseas.

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

How will my Nuvos Scheme service 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) has been 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 to 31 March 2012, the day before the Unified Scheme is introduced.

The table below shows the conversion factors for Nuvos Scheme members converting to the Standard section and the Protected section of the Unified Scheme.

If you are over 65 you will need an individual conversion term calculated for you.

	Protected section	Standard section
Your pension	1.06	1.54

The protected section conversion terms are lower than the Standard section, but the growth rates used to calculate Protected section benefits are higher. For example, the growth rate used at age 65 in the Protected section is 2.17% and in the Standard section it is 1.50%.

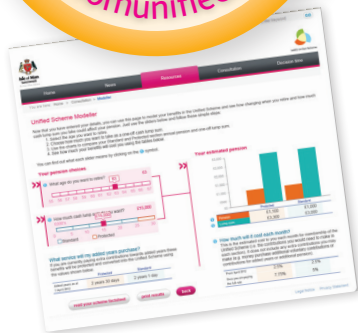
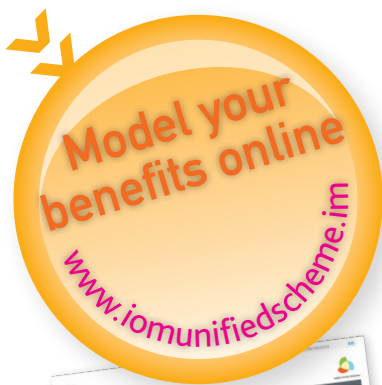
Some members have transferred in membership which has different benefits to the Nuvos Scheme, this is called linked service. Linked service will convert to the Unified Scheme as shown in the table below. This will then all be treated in the same way and will be payable when you choose to retire.

	Protected section	Standard section
Your pension	0.77	1.12

To see an example of how these conversions work in practice, read the Civil Service Pension Scheme Nuvos section factsheet.

Your dependant's benefits will also be converted to final salary benefits using factors that protect their value.





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.

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



Isle of Man
Government

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Where can I go for help?

Contact the Unified Scheme Project Team



www.iomunifiedscheme.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.