

GD No. 2015/0004

Isle of Man
Government Unified Scheme 2011

Public Sector Pensions Authority
Annual Report and Accounts
for year ending 31 March 2014



Isle of Man
Government

Reiltey Ellan Vannin

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1. Introduction

- 1.1. In accordance with the Public Sector Pensions Act 2011 (the 'Act'), the Public Sector Pensions Authority ('PSPA') was established as the Statutory Body responsible for the administration and management of the majority of public sector pension schemes (the 'schemes') as defined in the Act. The PSPA is a Statutory Board and thereby functions under the Statutory Boards Act 1987.
- 1.2. Prior to the establishment of the PSPA on the 17 January 2012, the Pensions Division of the Office of Human Resources was responsible for the administration of these schemes. The Civil Service Commission was responsible for the management of the majority of these schemes.
- 1.3. In accordance with Section 5 (3) of the Act the PSPA's Members were appointed by the Council of Ministers. The Members comprise of a legally qualified Chair, who is independent of employer and employee interests, two Members representing the interests of employers, one being the Chair of the Civil Service Commission who is also the Vice-Chair of the PSPA. Two further Members represent the interests of employees, one being nominated by the Isle of Man Trades Council and the other by any other Isle of Man trade union body representing the interests of public sector employees.
- 1.4. The PSPA operates in a similar way to a corporate trustee for a private sector pension scheme, with the PSPA Members representing the interests of all the schemes' beneficiaries and not solely the interests of the body or union that nominated them. However, the PSPA is not constituted as a trustee body.
- 1.5. Under the Act, the PSPA is responsible for ensuring that the schemes are properly maintained and administered. The PSPA Members meet on a regular basis to consider management and administrative matters, delegating the day to day management and administration to the officers of the PSPA.
- 1.6. Under the Act the functions of the PSPA include:
 - Administering and managing the majority of the public sector pension schemes established on the Island;
 - Acting as a policy adviser to the Council of Ministers on the superannuation of public sector employees;
 - Making and amending public sector superannuation schemes, subject to Tynwald approval; and
 - Preparing annual accounts hereafter referred to as financial statements, relating to those schemes it administers and manages.
- 1.7. The Isle of Man Treasury provides the PSPA with finance and payroll services. In practice, the PSPA coordinates and administers the calculation and set up of expenditure and monitors income, whilst the Treasury makes payments and receives funds from contributions and transfers to the schemes.

PSPA's Mission Statement

- 1.8. To deliver high quality pension and other superannuation benefit services, which are customer focused and cost effective for all stakeholders.

PSPA's Management and Administration Costs

- 1.9. In accordance with Section 9 (3) (c) of the Act, the cost for the management and administration of the schemes must be paid by the PSPA out of monies provided by Tynwald or from such other sources of funding as is approved by Tynwald. These costs are not reflected in the annual report and financial statements of the individual schemes.

2. Public Sector Pensions Authority and Advisers

Mr J Carter, LLB Chair (Independent) 17 January 2012 to present

PSPA Members representing the interests of Employers

Hon C Robertshaw, MHK Vice Chair 1 April 2014 to present

Mr T Wild, MLC 1 April 2014 to present

Members who served on the PSPA prior to Mr Robertshaw and Mr Wild

Mr A Cannan, MHK 17 January 2012 to 31 March 2014

Mr L Singer, MHK 16 July 2012 to 7 May 2013

Mr J Turner, MLC 7 May 2013 to 31 March 2014

PSPA Members representing the interests of Employees

Mr K Flint 18 September 2014 to present

Mr E Holmes 17 January 2012 to present

Members who served on the PSPA prior to Mr Flint

Mr A Shipley 17 January 2012 to 31 August 2014

Scheme Management and Administration

Public Sector Pensions Authority

Goldie House

1-4 Goldie Terrace

Douglas

Isle of Man IM1 1EB

Financial and Payroll Services

Treasury

Bucks Road

Douglas

Isle of Man IM1 3PZ

Scheme Actuary

Hymans Robertson LLP

20 Waterloo Street

Glasgow G2 6DB

Independent Auditor

PricewaterhouseCoopers LLC

Third Floor

Sixty Circular Road

Douglas

Isle of Man IM1 1SA

Bankers (Via Treasury)

Isle of Man Bank Limited

2 Athol Street

Douglas

Isle of Man IM99 1AN

3. Public Sector Pensions Authority's Report

- 3.1. The Isle of Man Government Unified Scheme 2011 (the 'Scheme') is a public sector pension scheme which commenced on 1 April 2012. The Scheme amalgamated 19 separate public sector pension schemes and brought them together under one unified scheme.
- 3.2. The Scheme is an unfunded, contributory, voluntary membership, defined benefit scheme which provides retirement, death and dependants' benefits for qualifying members.

The Rules Affecting the Scheme

- 3.3. The Rules governing the management and administration of the Scheme came into operation on 1 April 2012. Various amendments to those Rules have subsequently been made and approved by Tynwald.

Sponsoring Employers

- 3.4. At 31 March 2014, Scheme members were employed by the following sponsoring employers:-
 - Civil Service Commission
 - Department of Community, Culture and Leisure (Dissolved, 1 April 2014)
 - Department of Economic Development
 - Department of Education and Children
 - Department of Environment, Food and Agriculture
 - Department of Health, including General Practitioners and Dental Practitioners
 - Department of Home Affairs
 - Department of Infrastructure
 - Department of the Treasury
 - Department of Social Care (subsumed by the Department of Health and Social Care, 1 April 2014)
 - Financial Supervision Commission
 - Government House
 - Hospice Isle of Man
 - Industrial Relations Office
 - Insurance and Pensions Authority
 - Manx Electricity Authority (subsumed by the Manx Utilities Authority, 1 April 2014)
 - PSPA
 - Office of the Data Protection Supervisor
 - Office of the Clerk of Tynwald
 - Radio Manx Limited
 - Water and Sewerage Authority (subsumed by the Manx Utilities Authority, 1 April 2014)

Information about the Scheme

- 3.5 Information about the Scheme is provided in a "member guide", on the PSPA website at <http://www.pspa.im>

Benefits of the Scheme

- 3.6. Benefits under the Scheme, including pensions and lump sums are calculated using final pensionable pay and length of pensionable service.
- 3.7. A number of factors determine the benefits under the Scheme payable to members, including which Section of the Scheme they belong to and whether members have chosen to make contributions at a rate that provides standard benefits or a higher rate that provides protected benefits.
- 3.8. Further information about the Scheme's benefits are contained in the member guide on the website, which addresses various issues such as early retirement, protection for member's families and lump sum benefits.

Approved Changes to the Scheme since 1 April 2013

Isle of Man Government Unified Scheme (Amendment) Scheme 2013

- 3.9. The Isle of Man Government Unified Scheme (Amendment) Scheme 2013 updated current and inserted new definitions, none of which change the fundamental provisions of, or benefits under, the Scheme. It also removed any remaining references to the repealed Superannuation Act 1984 and updated the Rules with appropriate references to the Public Sector Pensions Act 2011.
- 3.10. The Amendment Scheme also clarified the rules for:
 - Definition of Pensionable Service;
 - Final Pensionable Pay for Hospital Doctors within 7 years of their previous Normal Pension Age;
 - Scheme Eligibility for Hospice Care Members (replicating previous provisions);
 - The treatment of some periods of absence (also replicating provisions of previous schemes);
 - Contractual Additional Pension members who either die or qualify for the Upper Tier of Ill-Health retirement;
 - Pension Credit Members (on divorce) and the age from which they can take retirement benefits;
 - Provision of Incapacity Pension;
 - The death in service benefits for an active member; and
 - Forfeiture.
- 3.11. Finally, the Amendment Scheme clarifies the retirement lump sum commutation factors for Section 7 (fire-fighter) members between the ages of 50 and 55.
- 3.12. Whilst the Isle of Man Government Unified Scheme (Amendment) Scheme 2013 clarifies these points, it does not practically affect the Unified Scheme's overall design as approved by Tynwald in June 2011.

Public Sector Compensation Scheme 2013

- 3.13. The Public Sector Compensation Scheme 2013 reformed the Government's redundancy compensation arrangements through the introduction of new compensation benefits for a number of Public Sector employment groups (primarily Civil Service and analogous employment groups, Manual Workers and NHS Employees) in respect of compulsory or voluntary 'loss of office' (including termination of employment by way of redundancy).
- 3.14. The Scheme harmonised and simplified provisions for those that experience compulsory or voluntary redundancy by providing a compensation lump sum based upon a formula of pay and length of service. This is made up of one month's pay for each year of service up to certain maximum levels, for permanent employees and those appointed on a limited or fixed term basis (with agreed redundancy terms) with at least two years' service.
- 3.15. Members of the Unified Scheme are able to exchange some or all of their lump sum to buy additional service to enhance their pension subject to certain conditions. Other than the option to buy added service, the Compensation Scheme breaks the link with the Unified Scheme and no longer provides for the automatic enhancement of pension on redundancy.
- 3.16. The Scheme was approved at the March 2014 sitting of Tynwald.

Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2014

- 3.17. In order to further rationalise the number of legacy schemes that the PSPA is required to administer, the Authority drafted separate Bulk Transfer Regulations in relation to the Isle of Man Government Unified Scheme 2011 specifically to enable the transfer of existing pensioners and deferred members' benefits from 4 existing schemes into the Scheme. The Regulations effect the transfer of benefits for existing pensioners and deferred members (previous leavers with preserved benefits) only.
- 3.18. Legacy schemes bulk transferred into the Isle of Man Government Unified Scheme 2011:-
 - The Superannuation (Traffic Wardens) Scheme 1989;
 - The Superannuation (Officers of Boards) (Isle of Man Electricity Board) Scheme 1960;
 - Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976; and
 - The Superannuation (Manual Workers) (No. 2) Scheme 1973.
- 3.19. The Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2014 are administrative in nature as they do not amend the benefits received by the pensioner members within the schemes covered by the Regulations. In order to simplify the administrative processes of managing the membership of these schemes, the Regulations were made retrospective to 31 March 2013.
- 3.20. The Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2014 were approved at the April 2014 sitting of Tynwald.

Public Sector Pension Schemes (Revocation) Scheme 2014

- 3.21. This Scheme revoked those schemes that were closed to new members, whose active, deferred and pensioner members transferred to the Isle of Man Government Unified Scheme 2011 following the approval of the Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2012 and the Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2014 and whose liabilities were therefore discharged.
- 3.22. The effective date of these Regulations is 31 March 2013 so as to enable the PSPA to simplify the administrative processes of managing the membership of these schemes.
- 3.23. The Public Sector Pension Schemes (Revocation) Scheme 2014 was approved at the April 2014 sitting of Tynwald.

Public Sector Pensions Administration (Fees) Order 2014

- 3.24. This Order applies across all the schemes administered by the Public Sector Pensions Authority and introduced a charge for the administration associated with implementing Pension Sharing and Earmarking Orders and the provision of transfer information on Divorce and the Dissolution of Civil Partnerships and the provision of multiple, hypothetical and ad hoc estimates for pension benefits and transfer values.
- 3.25. The Order was approved at the April 2014 sitting of Tynwald.

Public Sector Pensions (Admission) Regulations 2014

- 3.26. These Regulations seek to provide, where appropriate, for continued public sector pension provision for those public sector employees who may move to the private or third sector should the services they provide be transferred and thereafter their employment to an external commercial organisation. The Regulations work in tandem with the Unified Scheme (Amendment) Scheme below.
- 3.27. The Order was made by the PSPA on 18 July 2014 and is now in force. It is to be laid before the November 2014 sitting of Tynwald.

Isle of Man Government Unified Scheme (Amendment) Scheme 2014

- 3.28. This Scheme amends the Unified Scheme to allow for the terms under which affected staff participate within the Scheme and the requirements of the external provider in relation to the Scheme.
- 3.29. The Order was made by the PSPA on 18 July 2014 and is now effective. It is to be laid before the November 2014 sitting of Tynwald.

Isle of Man Government Unified Scheme (Amendment) (No.2) Scheme 2014

- 3.30. The purpose of this Scheme is to clarify that additional service purchased through the Public Sector Compensation Scheme 2013 by staff being made redundant does not count towards the service of a "40 Year Member" as defined under the Government

Unified Scheme (GUS). The amendment is only of relevance to a small number of civil servants who have been notified that they are "40 Year Member's" and only then if they are being made redundant.

- 3.31. The Scheme was made by the PSPA on 13 August 2014 and approved at the October 2014 sitting of Tynwald.

Employer Contributions

- 3.32. Employer contributions to the Scheme are covered by Rule 24 – Employing Authorities' Contributions, which states "An Employing Authority must, in respect of each person who is an Active member of this Scheme and in employment with the Employing Authority, pay or arrange to have paid into the revenue of the Island the amount of contributions that the PSPA, having regard to the Scheme Actuary, shall decide."
- 3.33. The PSPA approved the continuation of the current percentage rate of contributions from Employing Authorities into the Scheme at its meeting in March 2012. Employers will also continue to pay the same rate of contributions for new employees in like for like roles.
- 3.34. Since 1 April 2012 employers have paid contribution rates into the Scheme at rates varying between 0% and 22.1% of pensionable pay.

Member Contributions

- 3.35. Member contributions to the Scheme are covered under Rule 26 – Member Contributions.
- 3.36. Members are allocated to one of seven sections that operate within the Scheme. A member's contribution rate is dependent on the section they are in and whether they make contributions at the standard rate or protected rate for their section (pre 1 April 2012 members only).
- 3.37. Members' contribution rates will change by 1% per annum until they have reached the limit of their standard or protected contribution rates for their section. This transition of contributions from the existing pre 1 April 2012 rates was agreed as part of the inception of the Scheme. Some members reached the limit of their rate in 2012 to 2014 whilst other members will reach their limit between 2015 and 2018.
- 3.38. The maximum Standard contribution rate is 5%, other than for those members within Section 7 of the Scheme whose rate is 11%. The maximum "Protected" contribution rate varies between 6.6% and 11% dependent upon the member's section.
- 3.39. Members who were bulk transferred into the Scheme under the Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2012, and were due to retire within 7 years of 1 April 2012, continue to pay the same contribution rate they were paying in their legacy scheme (provided this is not above the protected rate of contribution for their section), or 5% if they are currently contributing below 5% via the transitional 1% per annum increases.

Member Contributions - Additional Voluntary Contributions

- 3.40. Scheme members may increase their retirement benefits by the payment of Additional Voluntary Contributions ('AVC') in the following ways;
- Paying AVCs into a Group Personal Pension arrangement with Aviva Life UK Services Limited;
 - Paying AVCs into with-profits contracts with Aviva Life UK Services Limited and Prudential Pensions Limited; and
 - Paying AVCs into the Scheme to purchase added pension or additional pensionable service.
- 3.41. The purchase of additional pensionable service or additional pension is not now available to members of the Scheme. However, upon transfer from the former schemes, members with existing additional pensionable service or additional pension contracts were permitted to continue with these contracts, at the individually agreed contribution rate.

Annual Pension Increase

- 3.42. Pension increases are made in accordance with the Pensions (Increase) Act 1974, by way of the Isle of Man Treasury's Pensions Increase (Annual Review) Order. The Order is made under Section 59 of The Social Security Pensions Act 1975, as it has effect in the Isle of Man, which requires the Isle of Man Treasury to increase the annual rate of an "official pension" by the same percentage as it is raised by the Secretary of State for Work and Pensions in the United Kingdom.
- 3.43. Pension increases are linked to those for additional state pension, such as the State Second Pension, and any up rating takes into account the rate of UK inflation over the previous year to September.
- 3.44. The pension increase at 8 April 2013 was in line with the UK's Consumer Prices Index for the 12 months to September 2012 at 2.2%. The Scheme's pensioner members have received this increase.

Membership Information

- 3.45. In accordance with Rule 15 Concurrent Employments, this Scheme records memberships and therefore an individual can have multiple memberships in this Scheme.
- 3.46. Details of the membership of the Scheme are as follows:-

	31 March 2014	1 April 2013
Active members	8,093	7,592
Deferred Members with Preserved Benefits	2,691	2,469
Pensioners	4,396	4,132
Total membership	15,180	14,193

Movements within the Scheme's Active Membership during the Year

Active membership	2013/14	2012/13
Active membership at 1 April	7,592	7,196
Additions		
New Active Memberships	882	723
Late Notifications/Data Alterations/Misc Corrections	138	9
Reductions		
Retirements	(229)	(185)
Members leaving entitled to contribution refund or transfer out	(101)	(15)
Deaths in service	(9)	(3)
Leavers with deferred benefits	(180)	(133)
Active membership at 31 March	8,093	7,592

Movements within the Scheme's Deferred Membership during the Year

Deferred membership	2013/14	2012/13
Deferred membership at 1 April	2,469	2,448
Additions		
Leavers with deferred benefits	180	133
Late Notifications/Data Alterations/Misc Corrections	149	0
Reductions		
Retirements	(62)	(107)
Transfers Out	(38)	(3)
Deaths in deferment	(7)	(2)
Deferred membership at 31 March	2,691	2,469

Movements within the Scheme's Pensioner Membership during the Year

Pensioner membership	2013/14	2012/13
Pensioner members at 1 April	4,132	3,931
Additions		
Schemes bulk transferred into GUS	27	0
Adjustment to include memberships not members	40	0
Retirements	291	292
Widows/Widowers/Dependents	21	36
Reductions		
Deaths in retirement and pensions ceasing	(115)	(127)
Pensioner membership at 31 March	4,396	4,132

Note: The figures include Pensioners, Child Allowances, Surviving Adult Dependent Pensions, Injury Pensions/Awards and Additional Pension beneficiaries.

An adjustment has been made to the 2013/14 financial statements to reflect pensioner memberships rather than individual pensioners, this aligns the data in the same way active and deferred members are recorded.

We currently record scheme memberships thus, 1 post, 1 membership. However, we are currently reviewing the appropriateness of this method of membership recording and may introduce 1 member, 1 membership.

Tax and National Insurance Status

- 3.47. The Scheme is contracted-out of the State Second Pension Scheme ("S2P") and is exempt approved for the purposes of the Income Tax (Retirement Benefit Schemes) Act 1978 and Part I of the Income Tax Act 1989 (Acts of Tynwald). Full tax relief is granted on the employers' and members' contributions paid to the Scheme.

Funding Status

- 3.48. The PSPA has undertaken an assessment of the future funding of all the schemes it manages and administers on a collective basis. The PSPA expects the schemes, including this Scheme to continue operating on an unfunded basis for the foreseeable future, with any shortfall between income and expenditure being funded by the Treasury.

Accounting Records

- 3.49. Prior to 1 April 2012, the legacy schemes' accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements. The PSPA and Treasury agreed that historic debtor and creditor balances between the legacy schemes, the sponsoring employers and the Treasury would be cancelled as the legacy schemes' accounting records contain insufficient information on these balances at the date these schemes closed, being 31 March 2012.
- 3.50. Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pensions Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Statement of PSPA Responsibilities

- 3.51. The financial statements, which are prepared in accordance with United Kingdom Accounting Standards, are the responsibility of the PSPA. The Act requires the PSPA to make available to the Council of Ministers audited financial statements for each scheme year which means that it should:
- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the liabilities to pay relevant benefits after the end of the Scheme year; and
 - contain the information specified by United Kingdom Accounting Standards, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007).

- 3.52. The PSPA has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.
- 3.53. The PSPA is also responsible for making available certain other information about the Scheme in the form of an Annual Report.
- 3.54. The PSPA is also responsible for keeping records in respect of contributions received by Treasury in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employers in accordance with the Scheme rules and the recommendation of the Scheme actuary.
- 3.55. The PSPA also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme (if any) and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.
- 3.56. The PSPA is also responsible for the maintenance and integrity of the PSPA website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Further Information

- 3.57. The Council of Ministers has established the Public Sector Pensions Joint Working Group to review Public Sector Pensions. It is therefore possible that the outcome of that review may effect this Scheme going forward.
- 3.58. Enquiries about the Scheme generally, or about an individual member's entitlements to benefit, should be addressed to:-

Scheme Administrator
Public Sector Pensions Authority
Goldie House
1-4 Goldie Terrace
Douglas
Isle of Man
IM1 1EB



Mr J Carter, LLB
Chair, PSPA
17 December 2014



Hon C Robertshaw, MHK
Vice Chair, PSPA
17 December 2014

4. Actuarial Statement

Addressee and purpose

- 4.1 This statement has been prepared for the Public Sector Pensions Authority ("PSPA"). The purpose of this statement is to set out the disclosures required for the 2013/14 Annual Report and Accounts of the Isle of Man Government Unified Scheme 2011 ("the Scheme").

Description of the Scheme

- 4.2 The Scheme is an unfunded defined benefit scheme, the rules of which are set out in The Isle of Man Government Unified Scheme Regulations 2011 and any subsequent amendments.

Background to the Scheme

- 4.3 The Scheme came into effect on 1 April 2012. The terms of the Scheme apply to active members from most of the existing public service pension schemes in the Isle of Man at 31 March 2012, as well as employees who joined this scheme following this date.
- 4.4 Service in the Scheme is based on a "Standard" set of terms applicable to all members. However, members in service at 31 March 2012 had a one-off option to pay additional contributions to receive a higher level of "Protected" benefits. This enabled members to continue accruing benefits broadly in line with their existing scheme at 31 March 2012.
- 4.5 All benefits accrued prior to 1 April 2012 in predecessor arrangements have been converted to benefits in the Scheme.

Principal Actuarial Assumptions and Method used to value the liabilities

- 4.6 The financial and demographic assumptions adopted are consistent with those used for the actuarial valuation of the PSPA pension schemes as at 31 March 2013. Details are set out below.
- 4.7 Data provided by the PSPA for the purpose of the actuarial valuation as at 31 March 2013 was used in the preparation of this statement.

Method

- 4.8 The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.
- 4.9 The calculation of the estimated cost of benefits earned (or 'accrued') by existing members over the year from 1 April 2013 allows for all expected future pay and pension increases, and is based on the Projected Unit Method of calculation. This amount is expressed as a percentage of the members' pensionable pay over the year.

Assumptions

- 4.10 The same financial and demographic assumptions were adopted for all PSPA pension schemes at the 2013 valuation.

The key financial assumptions adopted are set out below.

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	5.0%	3.0%
Pay increases	4.5%	2.5%
Price inflation/Pension increases	2.0%	-

- 4.11 The key demographic assumption is the allowance made for longevity. The life expectancy assumptions are based on Club Vita tables used for the 2013 PSPA valuations, with improvements in line with the CMI 2013 projections model, assuming that the recent rate of improvements will continue to rise in the short term before falling to a long term rate of improvement of 1.25% p.a.

- 4.12 Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	24.1 years	26.0 years
Future Pensioners*	26.7 years	28.8 years

*Future pensioners are assumed to be 45 at the 2013 valuation.

- 4.13 Please note, the life expectancy assumption adopted for the 2013 valuation of the PSPA pension schemes is different to that adopted for the 2012/13 actuarial statement.

Other Demographic Assumptions

- 4.14 The tables below show details of the demographic assumptions adopted for the 2013 valuation at specimen ages.
- 4.15 Age retirements - All existing members of sections 1 to 6 of the Scheme, and current deferred members, are assumed to retire at age 60. Section 7 members are assumed to retire at age 55. No allowance is made for early retirements (other than on grounds of ill-health).
- 4.16 Retirements in ill health - Allowance has been made for ill-health retirements before Normal Pension Age (see table overleaf).
- 4.17 Tier 1

Incidence for 1,000 active members p.a. Age	Male Ill Health	Female Ill Health
20	0.00	0.00
25	0.00	0.36
30	0.45	0.60
35	0.60	1.20
40	1.05	1.56
45	2.40	2.52
50	6.60	4.92
55	13.50	12.96
60	27.00	0.00

4.18 Tier 2

Incidence for 1,000 active members p.a. Age	Male Ill Health	Female Ill Health
20	0.00	0.00
25	0.00	0.19
30	0.24	0.32
35	0.32	0.64
40	0.56	0.83
45	1.28	1.34
50	3.52	2.62
55	7.20	6.91
60	14.40	0.00

4.19 Withdrawals - Allowance has been made for withdrawals from service (see table below).

Incidence for 1,000 active members p.a. Age	Male Withdrawals	Female Withdrawals
20	122.40	116.10
25	80.85	78.10
30	57.35	65.45
35	44.80	56.45
40	36.05	46.95
45	29.50	38.65
50	22.85	29.45
55	19.80	22.70
60	12.00	10.55

- 4.20 Death in service – Allowance has been made for death in service (see table below).

Incidence for 1,000 active members p.a. Age	Male Death in Services	Female Death in Services
20	0.30	0.16
25	0.30	0.16
30	0.36	0.24
35	0.42	0.40
40	0.72	0.64
45	1.20	1.04
50	1.92	1.52
55	3.00	2.00
60	5.40	2.56

- 4.21 Promotional salary scale – The promotional pay scale is in addition to the allowance for general pay inflation described above.

Promotional Salary Scales Age	Male Salary Scale	Female Salary Scale
20	100	100
25	100	100
30	123	123
35	138	138
40	148	148
45	158	158
50	168	168
55	168	168
60	168	168

- 4.22 Family details - A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. Husbands are assumed to be 3 years older than wives.
- 4.23 Cash commutation - Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 50% of the amount.

Value of past service liabilities as at 31 March 2013

- 4.24 The PSPA commissioned an actuarial valuation of the Scheme as at 31 March 2013. This valuation revealed the past service liabilities of the Scheme as at 31 March 2013 to be £1,558m. A breakdown of this is provided in the tables below;

	Past Service Liabilities (£000)
Active Members	910,638
Deferred Members	121,614
Pensioner Members	525,743*
Total	1,557,995

**Please note, during 2013/14 four schemes with only pensioner members were transferred into the Scheme. These were The Superannuation (Traffic Wardens) Scheme 1989, The Electricity Board Manual Workers Superannuation Scheme 1976, The Superannuation (Officers of Boards) (Isle of Man Electricity Board) Scheme 1960 and The Superannuation (Manual Workers) (No.2) Scheme 1973. The past service liabilities as at 1 April 2012 in respect of these schemes totalled £882,000.*

Cost of accruing benefits as at 31 March 2013

- 4.25 The scheme is an unfunded arrangement. Active members pay contributions based on their pensionable pay, with the balance of cost being met by employers (principally, the Isle of Man Government).
- 4.26 The employer's share of the cost of accruing benefit as at 31 March 2013 on the assumptions set out above is 22.5% and the employees' cost is 6.1%. These rates do not reflect the actual contribution rates payable by employers, which vary considerably.
- 4.27 The following Technical Actuarial Standards¹ are applicable in relation to this report:
- Pensions TAS;
 - TAS R – Reporting;
 - TAS M – Modelling; and
 - TAS D – Data.



Peter Summers FFA

For and on behalf of Hymans Robertson LLP

Scheme Actuary

1 September 2014

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

5. Independent Auditor's report to the PSPA in respect of the Isle of Man Government Unified Scheme 2011

Report on the financial statements

Our opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Accounting Standards.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements, which are prepared by the PSPA, comprise:

- the net assets statement as at 31 March 2014;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable Isle of Man law and United Kingdom Accounting Standards.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the PSPA; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the PSPA

As explained more fully in the statement of PSPA responsibilities, the PSPA is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable Isle of Man law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report including the opinion has been prepared for and only for the PSPA as a body in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purposes or any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
~~17 December 2014~~

16 January 2015

6. Independent Auditor's Statement about Contributions to the PSPA in respect of the Isle of Man Government Unified Scheme 2011

Statement about contributions

Our qualified opinion

In our opinion, except for the matter described in the basis for our qualified opinion paragraph, the contributions payable to the Scheme for the year ended 31 March 2014 have in all material respects been paid in accordance with the Scheme Rules and the cost of accruing benefits as advised by the Scheme Actuary.

Basis for our qualified opinion

The contributions paid to the scheme for the year ended 31 March 2014 were at a lower percentage of pensionable pay than the cost of accruing benefits as advised by the Scheme Actuary in the latest actuarial valuation as at 31 March 2013.

This opinion is to be read in the context of what we say in the remainder of this statement.

What we have examined

We have examined the contributions paid to the Scheme for the year ended 31 March 2014.

What an examination of the contributions payable involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the Scheme Rules and the cost of accruing benefits as advised by the Scheme Actuary and, the timing of those payments.

Responsibilities for the statement about contributions

Our responsibilities and those of the PSPA

As explained more fully in the statement of PSPA responsibilities, the PSPA is responsible for monitoring whether contributions are made to the Scheme by the employers in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the PSPA as a body in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC

Chartered Accountants

Douglas, Isle of Man

~~17 December 2014~~ 16 January 2015

7. Fund Account for the Year Ended 31 March 2014

	Notes	2014 £000	2013 Restated £000
Contributions and other income			
Contributions	9.16, 9.28	56,344	61,539
Transfers from other schemes		1,038	3,103
Other income		1,623	1,576
Benefits and other outgoings			
Benefits	9.18	(56,937)	(47,514)
Payments to and on account of leavers		(3,955)	(1,320)
Other payments		(142)	(220)
Net (withdrawals)/additions from dealings with members		(2,029)	17,164
Net assets of the Scheme at 1 April		0	0
Cancellation of current assets and current liabilities	9.4 to 9.7, 9.19, 9.28	2,029	(17,164)
Net assets of the Scheme at 31 March		0	0

7.1. The notes on pages 26 to 90 form part of these financial statements.

8. Net Assets Statement as at 31 March 2014

	Notes	2014 £000	2013 £000
Current assets	9.4 to 9.7	0	0
Current liabilities	9.4 to 9.7	0	0
Net assets of the Scheme at 31 March		0	0

- 8.1. The notes on pages 26 to 30 form part of these financial statements.
- 8.2. The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the PSPA. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the actuarial statements on pages 15 to 19, and these financial statements should be read in conjunction with them.
- 8.3. These financial statements were approved by the PSPA on 17 December 2014.



Mr J Carter, LLB
Chair, PSPA
17 December 2014



Hon C Robertshaw, MHK
Vice Chair, PSPA
17 December 2014

9. Notes to the Financial Statements for the Year End 31 March 2014

Basis of Preparation

- 9.1. The financial statements have been prepared in accordance with applicable Isle of Man law, United Kingdom Accounting Standards ('UKAS') and, with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007), to the extent that it is considered to be appropriate for an unfunded pension scheme.

Basis of Accounting

- 9.2. Prior to 1 April 2012, the legacy schemes' accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements. The PSPA and Treasury agreed that historic debtor and creditor balances between the legacy schemes, the sponsoring employers and the Treasury would be cancelled as the legacy schemes' accounting records contain insufficient information on these balances at the date these schemes closed, being 31 March 2012.
- 9.3. Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pension Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Accounting Treatment – Cancellation of Current Assets and Current Liabilities

- 9.4. The Scheme operates on an unfunded basis and as such a separate fund has not been established from which the Scheme can pay the members' benefits and other out-goings.
- 9.5. As a consequence, the PSPA and Treasury have agreed that with effect from 1 April 2012 that neither party will seek the payment of the amounts due from the other party being:
- Amounts due from the sponsoring employers to the PSPA, mostly contributions which have been collected by the Treasury and paid into the Isle of Man Government's General Reserves; and
 - Amounts due from the PSPA to the Treasury, mostly members' benefits and other out-goings paid by the Treasury.
- 9.6. This agreement is subject to the Treasury continuing to provide sufficient additional funding to meet the Scheme's financial obligations to pay pensions and benefits as they fall due after the end of the Scheme year.

- 9.7. The financial statements and the notes to the financial statements have been prepared on this basis. The cancellation of these balances occurs annually, as reflected in the fund account.

Accounting Policies

- 9.8. The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

Contributions

- 9.9. Normal contributions, from the sponsoring employers and members are accounted for on an accruals basis.
- 9.10. Additional Voluntary Contributions ('AVCs') including augmentations are accounted for on an accruals basis. Amounts paid in respect of money purchase AVCs to secure additional defined contribution benefits under arrangements made by the PSPA are not reflected in these financial statements.

Benefits

- 9.11. Where members take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are recognised in the fund account at the later date of retirement and the date the option is exercised. Other benefits are recognised on a similar basis being on the date of retirement, death or leaving the Scheme as appropriate.

Transfers To and From Other Schemes

- 9.12. Transfer values represent the capital sums either receivable in respect of members from other schemes of previous employers or payable to the Scheme of new employers for members who have left this Scheme. They are accounted for on an accruals basis on the date that the PSPA or the receiving scheme accepts the liability. The liability normally transfers when a payment is made.

Other Income – Early Retirement

- 9.13. Where sponsoring employers choose to terminate a member's employment in the interests of efficiency or, on the grounds of redundancy or ill health, the additional cost of providing early retirement benefits is borne by the sponsoring employer and paid to the Scheme, with the early retirement benefits paid to the member by the Scheme. The cost to the sponsoring employer is calculated by the Scheme Actuary or by the administrators or staff of the PSPA, dependent upon the type of benefits provided and the calculations required.

Other Payments

- 9.14. Other payments include the refund of contributions.

- 9.15. Administrative expenses are borne by the PSPA and have not been reflected in these financial statements.

Contributions

- 9.16. Using the actuarial statement dated 31 March 2013, Employers' normal contributions receivable have been calculated as 22.5% of pensionable pay (2013: 26.6%). Employers' normal contributions received equate to 5.0% of pensionable pay (2013: Restated 5.3%).

	2014 £000	2013 Restated £000
Employers' Contributions		
Normal	44,167	50,328
Members' Contributions		
Normal	11,953	10,964
Additional Voluntary	224	247
Contributions Total	56,344	61,539

Funding of Current Year Benefits and Other Outgoings

- 9.17. Benefits and other out-goings are funded on a 'pay as you go' basis, primarily through a combination of:
- Contributions paid by the sponsoring employers' and members to the Treasury;
 - Transfers from other schemes in respect of new members, paid to the Treasury; and
 - Additional funding provided by the Treasury, including transfers from the Public Sector Employees Pension Reserve ('PSEPR'), a non-ring fenced reserve of the Isle of Man Government.
- 9.18. Benefits

	2014 £000	2013 £000
Pensions	(33,682)	(30,858)
Commutations and lump sums	(23,255)	(16,656)
Benefits Total	(56,937)	(47,514)

9.19. Cancellation of Current Assets and Current Liabilities

	2014 £000	2013 Restated £000
Amounts due from the sponsoring employers to the Scheme	59,005	66,218
Amounts due from the Scheme to the Treasury in respect of benefits and other payments	(61,034)	(49,054)
Cancellation of current assets and current liabilities Total	(2,029)	(17,164)

Related Party Transactions

- 9.20. Other than those items disclosed elsewhere in the financial statements, there were no other related party transactions.

Contingent Liabilities and Commitments

- 9.21. In the opinion of the PSPA the Scheme has no contingent liabilities and commitments other than those items disclosed elsewhere in the financial statements.

Future funding

- 9.22. The PSPA has performed an assessment of when the contractual obligations to pay pensions and benefits will fall due after the balance sheet date and, how these contractual obligations will be funded. This assessment has been performed on a combined basis for all public sector pension schemes (the 'schemes') as defined under the Public Sector Pensions Act 2011 (the 'Act').
- 9.23. There is a funding gap between the schemes' cash payments and cash receipts (hereafter the 'funding gap'), which is met by the Treasury through a combination of transfers from the Isle of Man Government's General Reserves and the non-ring fenced Public Sector Employees Pension Reserve ('PSEPR'). The PSEPR's market value at 31 March 2014 was £237.3 million (2013: £250.8 million).
- 9.24. This year's funding gap was £46 million (2013: £35 million), with £22.5 million (2013: £22 million) being funded from General Reserves and £23.5 million (2013: £13 million), being funded from the PSEPR.
- 9.25. It is anticipated that the annual funding gap will continue to increase as a larger proportion of the schemes' membership reaches retirement and that additional funding will be required from the Treasury.
- 9.26. The PSPA has concluded that the schemes can continue to meet their contractual obligations, subject to the Treasury being able to fund the schemes' annual funding gap and the High Court of Tynwald continuing to provide monies to meet the payment of pension benefits in accordance with Section 9(3)(b) of the Act.

- 9.27. To ensure that the schemes can continue to meet their contractual obligations in the future, the funding gap will remain under review on an ongoing basis by the PSPA and Treasury.

Comparative figures

- 9.28. The comparative figures for contributions receivable and the cancellation of current assets and current liabilities have been restated. Contributions receivable was overstated as a result of the accrual for employers' contributions receivable being calculated using Full Time Equivalent Pensionable Pay, rather than Actual Pensionable Pay. The restatement has resulted in the comparative figures being reduced by £11,051,000. There was no impact on the net assets of the Scheme as reported at 31 March 2013.

