

PUBLIC SECTOR PENSIONS AUTHORITY

PENSIONS UPDATE

Isle of Man Government Unified Scheme

The purpose of this notice is to bring you up to date with the latest position with regard to Public Sector Pension Scheme Reform, and in particular to the PSPA's report that was debated at the June 2016 sitting of Tynwald.

The PSPA's report entitled "Fairness and Sustainability of Public Sector Pension Schemes – Revised Proposals" was put forward for debate at the June 2016 sitting of Tynwald and the following Motion was approved:

That Tynwald:

- a) Receives the report of the Public Sector Pensions Authority entitled "Fairness and Sustainability of Public Sector Pension Schemes – Revised Proposals;"
- b) Endorses the proposals for reform of the Government Unified Scheme through the adoption of a cost envelope approach as recommended by the PSPA's Technical Advisory Group (**parts 4.1 and 4.2 of the report**);
- c) Endorses the proposals for reform of the Tynwald Members Scheme (**part 5.1 of the report**);
- d) Endorses the continued process for negotiating reforms of the Teachers and Police Schemes with a view to consulting on detailed scheme changes and thereafter, preparing formal amendments to be laid before Tynwald for approval (**parts 5.2 and 5.3 of the report**);
- e) Requests the PSPA to commence reform negotiations with members of the Judicial Pension Scheme once the outcome of the UK judicial review is known (**part 5.4 of the report**);
- f) Requests the Public Sector Pensions Authority to consult on detailed scheme changes with a view to formal amendments to all schemes being laid before Tynwald for approval by February 2017;
- g) Agrees that the options for managing the legacy position in the longer term will be subject to further investigation by the PSPA and the Treasury in conjunction with Tynwald Members and a further report will be submitted to Tynwald for consideration after the General Election.

A copy of the report can be viewed on the PSPA website [here](#).

**Progression of reforms to the Isle of Man Government Unified Scheme
2011**

In order to progress the reforms, the PSPA over the coming months will commence work on determining how the benefit design within the agreed Cost Envelope will look. The PSPA's preferred approach would be to do this collectively with the trade unions, staff representatives and employers.

The alternative would be for the PSPA to determine what it considers to be appropriate Scheme design changes and then go out to consultation on them, taking on board your views and those of your representatives as part of the consultation process before finalising any changes.

In anticipation that the preferred approach is adopted, this work will include discussions around the benefit design options with a view to reaching agreement for reforms that will achieve the required immediate cost saving of 1.8% of Pensionable Pay (which equates to a 6% reduction in **future service** benefits) and also seek to agree how and when the employee contribution increase of 2.5% of Pensionable Pay should be introduced.

Thereafter, these proposed changes to the Scheme will be drafted into amending legislation and formally consulted upon with Scheme members, their representatives, employers and the Treasury before being submitted for approval to Tynwald in February 2017.

If approval to the amending legislation is received in February 2017 it is expected changes will be implemented from April 2017.

As a reminder, some of the benefit design options which are under consideration as part of future discussions are listed (but not limited to) below:

- Linking Normal Pension Age under public sector schemes to State Pension Age;
- Linking, in the future, the earliest age at which retirement from a public sector scheme can take place to "State Pension Age, less 10 years";
- Changing the rate at which future benefits are built up;
- Changing the Final Pensionable Pay (FPP) definition;
- Capping Pensionable Pay and also pay rises close to retirement for pension calculation purposes;
- Capping future pension increases;
- Changing the lump sum commutation factor.

It is important to reassure you that the proposed reforms will impact only on the pension benefits that you will build up in the future. All pension benefits built up prior to the reforms being implemented will not be changed, adjusted or reduced in any way.

You will note that the following options for reform are no longer under consideration by the PSPA for this aspect of the reforms:

- Raising the early retirement age from 55 to 58;
- Taxing or changing the commutation rate for lump sums above £200,000

Over the course of the next few weeks, the PSPA will be issuing more information on how these proposed changes to the benefit design may impact on the pension benefits you build up in the future. In the meantime the PSPA would welcome any feedback you have on your preferred option or options for moving this forward.

The PSPA would also welcome feedback from Scheme members and trade unions as to an appropriate mechanism for taking forward collective discussions on Scheme design changes, which could involve re-forming the PSPA Pensions Committee and also the Technical Advisory Group (TAG) which came up with the original Cost Envelope proposal which was approved by Tynwald, or some alternative collective approach.

You can email your views to the PSPA directly at Feedback.PSPA@gov.im or alternatively send these via to your Union official.

The PSPA would welcome your feedback and those of trade unions by the end of **August 2016** so that they can be collated and discussed at the September PSPA Board Meeting in order to determine how to progress GUS Scheme design and contribution changes.

Public Sector Pensions Authority

20 July 2016