

# The Proposed New Manx Pension

## Frequently Asked Questions

### **1. What has happened?**

Tynwald has approved a set of proposals (set out [here](#)) that will form the foundation of a new state pension in the Isle of Man – the “new Manx Pension”.

The proposed new Manx Pension will be separate from the new State Pension introduced in the UK from 6<sup>th</sup> April 2016.

### **2. Who will it affect?**

Anyone who reaches State Pension Age after 5<sup>th</sup> April 2019 - that is any man or woman born after 5<sup>th</sup> January 1954.

### **3. When will it be introduced?**

It is proposed that the new Manx Pension will come into effect from 6<sup>th</sup> April 2019.

### **4. I am already getting my State Pension – will this affect me?**

No - If you are already in receipt of your State Pension the introduction of the new Manx Pension will not alter the amount you are paid or how your pension is made up.

### **5. I am currently getting the Manx Pension Supplement Scheme – will the changes affect me?**

No - As long as you remain resident in the Isle of Man you will continue to receive the Manx Pension Supplement.

### **6. I have put off (“deferred”) claiming my pension – will the changes affect me?**

No – This is because the new rules will only apply to people who reach state pension age on or after 6<sup>th</sup> April 2019.

If you reach state pension age before then, the current rules will apply to you irrespective of when you ultimately decide to claim your pension.

The option to defer claiming your state pension ceased for any person reaching State Pension Age on or after 6<sup>th</sup> April 2016.

## **7. So what is changing?**

The current Manx state pension is made of three parts:-

- 1) The basic pension is a flat rate payment of £119.30 per week and is paid to people who have at least 30 qualifying years. People who have less than 30 years get a reduced amount.
- 2) The additional pension is earnings related and individuals who are employed, or in receipt of certain National Insurance credits, will build up entitlement to this payment. People who are self-employed do not build up entitlement to any additional state pension during periods of self-employment.
- 3) The graduated retirement scheme – which operated between 1961 and 1975 - enabled employees to pay earnings-related contributions, in return they receive extra units of pension.

Going forward these three payments are being merged into a single flat-rate payment – a “single tier pension” - which will ultimately be the same for everyone.

These changes won't affect anyone born before 6<sup>th</sup> January 1954.

## **8. What is a qualifying year?**

A qualifying year is a tax year in which a person has qualifying earnings or National Insurance credits of at least 52 times the Lower Earnings Limit for that year.

For example, the Lower Earnings Limit for the 2015/16 tax year is £112 per week. Therefore, for it to be a “qualifying year” a person has to have earnings or National Insurance Credits equivalent to at least £5,824 in that year (£112 x 52)

## **9. What is a single tier pension?**

A single tier pension is a flat rate pension that is payable to everyone who has a minimum of 10 qualifying years. In the Isle of Man the new pension will be called the new Manx Pension.

## **10. How much will the new Manx Pension be?**

The new Manx Pension will initially be set at the rate of £170 per week (at today's value), but may be slightly more when it is introduced in April 2019.

The rate will be increased each April in line with average earnings.

### **11. Who will be entitled to the new Manx Pension?**

A person will need at least 35 qualifying years of National Insurance contributions, or credits, in the Isle of Man to be entitled to the full amount of the new Manx Pension.

A person with less than 35 qualifying years – but at least 10 qualifying years – will be entitled to a reduced rate “pro rata” pension. So, for example, a person with 20 qualifying years in the Isle of Man will get 20/35<sup>th</sup> of the full rate - that is £97.14 week.

A person will need at least 10 qualifying years to be entitled to any new Manx Pension. If a person has less than 10 qualifying years in the Isle of Man, qualifying years in the UK may be added, but those years will not be used to calculate the amount of new Manx Pension to be paid.

If you have been a member of a “contracted out” occupational or personal pension scheme see Question 17 below.

### **12. Will any National Insurance contributions I have paid in the UK count towards the new Manx Pension?**

Ordinarily, no. Entitlement to the new Manx Pension will be based only on National Insurance contributions attributed to the Isle of Man.

If, however, a person has less than 10 qualifying years in the Isle of Man, qualifying years in the UK may be added, but those years will not be used in the final calculation of their new Manx Pension which will be based only on the number of Isle of Man qualifying years they have.

### **13. Will any National Insurance contributions my spouse or civil partner has paid count towards my entitlement to the new Manx Pension?**

No – entitlement will be based only on the personal contribution record of the individual.

### **14. What if I have less than 10 qualifying years?**

Ordinarily you will need at least 10 qualifying years under the Isle of Man scheme to receive a payment under the new Manx Pension. If you have less than 10 years you might still be able to qualify for a payment if you have paid or been credited with National Insurance (NI) contributions in the UK.

You might also be able to pay additional voluntary National Insurance contributions to increase the number of qualifying years you already have.

**15. What if I have built up entitlement to more than £170 under the current rules?**

When the new Manx Pension is introduced we will work out what you have accrued under the existing scheme - that is basic pension plus additional pension - and compare that with your entitlement under the new Manx Pension. You will get whichever is the higher amount.

**16. What happens if I am unable to work?**

Under the proposed new Manx Pension people who are unable to work will still be able to build up entitlement, through a system of National Insurance credits.

If you have received Jobseeker's Allowance, Incapacity Benefit, Carer's Allowance or have a child under 12 you may be awarded National Insurance credits that will protect your National Insurance record.

**17. I have been a member of a contracted-out pension scheme – how will this affect my entitlement to the new Manx Pension?**

If you have been a member of a contracted-out pension scheme you would have paid a lower rate of National Insurance contribution, and as a result you would not have contributed to the Additional Pension scheme.

When your entitlement under the new Manx Pension is calculated a deduction will be made to take into account the fact that you have been a member of a contracted-out scheme. You will receive a pension from the contracted out scheme in place of the Additional Pension.

If you are unsure if you have been a member of a contracted-out pension scheme at any time please contact the Social Security Division at [nmp@gov.im](mailto:nmp@gov.im) or call 685432.

**18. I have been a member of an Appropriate Personal Pension– how will this affect my entitlement to the new Manx Pension?**

An Appropriate Personal Pension is a pension scheme run by an insurance company which was able to receive a percentage of the National Insurance contributions you paid. The insurance company use these contributions to provide you with a pension that will replace any Additional Pension under the state scheme.

When we work out your entitlement to the new Manx Pension a deduction will be made to take into account the fact that you have been a member of an Appropriate Personal Pension.

If you are unsure if you have been a member of an Appropriate Personal Pension at any time please contact the Social Security Division at [nmp@gov.im](mailto:nmp@gov.im) or call 685432

## **19. What is happening to the Manx Pension Supplement?**

It is proposed that the Manx Pension Supplement will be phased out over a 20 year period starting from 6<sup>th</sup> April 2019.

This will only apply to new pensioners. People who are already getting a state pension on 6<sup>th</sup> April 2019 won't be affected.

The rate of the Manx Pension Supplement will decrease each tax year after 6 April 2019. In year 1 there will be a 5% reduction to the full rate of £53.75, this means if you become entitled to the Supplement in that year the maximum amount payable will be £51.06 and this is the amount you will continue to receive. In the following tax year there will be a 10% reduction applied to the full rate of £53.75, therefore the payment made to anyone becoming entitled to the supplement in that year will be £48.37. The supplement will be decreased by an additional 5% each year until it no longer exists. This means that after 6<sup>th</sup> April 2019 people reaching state pension age at different times will receive differing amounts of the supplement.

## **20. Is the State Pension Age changing?**

Yes. Please see the information provided [here](#) .

## **21. Where can I find out how much my State Pension is currently worth?**

Contact the Social Security Division by emailing [pensionstatement@gov.im](mailto:pensionstatement@gov.im) or phone 685432.