

Fact Sheet GUS FS1 - Opting Out of the Isle of Man Government Unified Scheme 2011

This fact sheet provides important information for you to read if you are thinking about opting out of (leaving) the Isle of Man Government Unified Scheme (the Unified Scheme).

What will it mean for me?

Pension rights are a valuable asset and you need to think very carefully about what you will be giving up and missing out on. If you are thinking about opting out of the Unified Scheme, please remember that you will be missing out on:

- A range of valuable benefits for you and your family: including a pension, lump sum and potential pension benefits for your surviving dependants;
- Cover for death in membership benefits including life assurance
- An important part of your pay and reward package – as you will miss out on a generous employer contribution towards your pension; and
- The peace of mind that comes from knowing you have made a start on planning toward your retirement.
- Tax relief on contributions and reduced rate NI

There are lots of reasons for thinking about opting out of a pension scheme, the most common being;

- I don't want to pay a percentage of my pay towards a pension;
- I'm too young to think about a pension; or
- I'm not planning on staying long in the public service.

If these are some of the reasons why you are thinking about opting out, then please read on:

I don't want to pay a percentage of my pay towards a pension;

Depending on when you joined the Unified Scheme you will currently be paying (or transitioning up to) a contribution ranging from 6% to 15% of your pensionable earnings, but your contributions actually cost you less than this because of tax relief.

You will also pay a reduced rate of National Insurance contributions in the Unified Scheme and if you opt out, your National Insurance contributions will increase. Your employer's pay office will be able to give you an indication of how much you will pay if you opt out and pay the higher NI rate.

A majority of the overall cost of pension benefits is subsidised by the Isle of Man Government – if you had your own pension plan you would have to meet the full cost yourself for a similar retirement income.

By opting out you are turning down an employer subsidised pension and possibly putting greater dependence on state benefits to support you in retirement.

I'm too young to think about a pension

You are never too young to start building up a pension – the earlier the better. If you want to enjoy “life after work”, a pension built up over your working life could be the key to achieving this.

I'm not planning on staying long in the public sector

That doesn't matter – your pension rights are transferable and can easily follow you through your working life with both public and private sector employers both in the IOM and overseas.

If I opt out what happens to the benefits I have built up so far?

If you leave the Unified Scheme within 3 months you will have a refund of your contributions. If you have more than 3 months but less than 2 years you will have the choice of a refund of contributions or to apply to transfer the value of your pension you have built up to another occupational pension scheme.

If you have more than 2 years' service or you have transferred in pension benefits from another provider it will mean that you will have the option to either preserve (freeze) the benefits you have built up in the Unified Scheme and these can be paid to you whenever you choose, between age 55 and 75 or you could apply to transfer the value of your pension to another occupational pension scheme.

Where can I find further information?

Please read the Unified Scheme guide on the website at www.pspa.im for further information about the valuable benefits offered by your employer's pension scheme arrangements.

Alternatively, you can contact the PSPA to talk to a pension's administrator about opting out – our contact details are on page 3. PSPA staff can not give you financial advice about the Unified Scheme and how it may enhance your financial future. We do recommend that you seek independent financial advice if considering opting out. You should always check that any independent adviser you consult is authorised and /or licensed to give the advice you are seeking. Most financial advisers will charge for their advice.

Please think very carefully before making your decision and consider taking independent financial advice to help make the right choice for you and your dependant's financial future.

I have read the advice in this fact sheet, but I still want to Opt Out?

Action: Complete Opt Out Form and tell your employer

If you still decide you wish to opt out of the Unified Scheme completely, then you should complete Section 1 and 2 of the Opt Out Form and hand it in to your employer's payroll office.

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They will make the necessary adjustments to take you out of the scheme and adjust your payroll records, before passing it on to the PSPA. Once the PSPA receives the form, we will update your pension record to show that you have opted out.

Can I opt out and then rejoin the Unified Scheme in the future?

Yes, you will have one opportunity to re-join the Unified Scheme, but your admittance may be subject to conditions and special arrangements that the PSPA may impose.

If you opt out and re-join within a period of 28 days then you will rejoin the same section of the Unified Scheme as you were previously in (unless benefits have actually been paid out).

After 28 days you can only be a member of the Standard section or, if you are a fire-fighter, Section 7.

Disclaimer

This fact sheet is a guide only and does not represent any entitlement to the provisions described. This fact sheet provides information to help you think about the consequences of opting out and does not cover every aspect of the scheme. The full details are contained only in the Rules of the Isle of Man Government Scheme 2011, which are the legal basis of the scheme. Nothing in this fact sheet will override the Rules, and in the event of any unintentional difference, the rules will apply.

Where can I go for help?

Visit the website at: www.pspa.im

Contact the Unified Scheme administrators at the PSPA:

Email: pspa@gov.im

Write to:
PSPA
3rd Floor, Prospect House
27-29 Prospect Hill
Douglas
ISLE OF MAN
IM1 1ET

You can telephone us on 01624 685598, however we always recommend putting your enquiry in writing if you can, so that there is a written record of your enquiry and our response.