

# The Teachers' Superannuation Order 2011

## A Guide for members

### You can use this guide to:

- » Understand the benefits of the Teachers' Superannuation Order 2011
- » Find out how much you could receive when you retire.
- » See what protection your loved ones could be eligible for.

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**Isle of Man  
Government**

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## About this guide

This guide has been designed to help you understand the benefits offered by the Teachers' Superannuation Order 2011 (the Scheme). We recommend that you take time to read and understand the benefits the Scheme can provide for you, both before and after retirement. This guide only applies to teachers and lecturers employed on the Isle of Man.

### The Teachers' Superannuation Order 2011 (the Scheme)

The Teachers' Superannuation Order 2011 (the Scheme) (SD 0134/11) is a statutory public sector pension scheme and applies the following amendments:

Teachers' Pension (Amendment) Order 2012 (0688/2012)

Teachers' Superannuation (Amendment) Scheme 2018 (2018/0240)

This booklet is intended to be a plain English guide to the benefits provided by the Scheme. However, if there is a difference between the legislation governing this scheme and the information in this guide, the legislation will apply.

Further information regarding the Scheme, including factsheets and forms are available on the PSPA's website at [www.pspa.im](http://www.pspa.im)

### Data Protection

The Public Sector Pensions Authority will use any information you provide in connection with the Scheme to administer and operate the Scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the Scheme. The PSPA may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public money, the PSPA may use information it holds to prevent and detect fraud. It may also share information with other organisations that handle public funds. More information can be found in the PSPA Privacy Notice which is on the website at [www.pspa.im](http://www.pspa.im)

### Disclaimer

Where we use technical terms, we aim to explain them in the jargon buster on page 4. This document is a guide only and does not represent any entitlement to the benefits described. The Isle of Man Government reserves the right to modify, amend or terminate the Teachers Superannuation Order 2011 (the Scheme) at any time in the future. The definitive terms governing the Teachers' Superannuation Order 2011 are contained in the Statutory Documents (as above) which are approved by Tynwald and can be viewed on the website. In the event of any conflict between this guide and those documents, the legal documents (as amended from time to time by the Isle of Man Government) will prevail.



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## Jargon buster

*Some of the words used in this member guide may not be words you hear every day. Here's an explanation of some of the tricky ones.*

### Accrual rate (or growth rate)

This is the rate by which a member earns pension benefits. As a member of the Scheme your accrual rate is dependent upon the date you joined the Scheme.

#### Pre 2007 joiners

Pensions and lump sums are calculated by multiplying the amount of service you have by your average salary and dividing the result by an accrual rate.

If you were a member before 1st January 2007 your normal pension age is 60. Your pension is calculated as follows:

Part 1:  $\frac{1}{80}$ th of Average salary for each year of Pensionable Service before 31 October 2018

and

Part 2:  $\frac{1}{83}$ <sup>rd</sup> of Average salary for each year of Pensionable Service after 1 November 2018

#### Joiners on or after 1<sup>st</sup> January 2007

The pension is calculated by multiplying the amount of service you have by your average salary and dividing the result by an accrual rate. If you became a member on or after 1st January 2007 your normal pension age is 65 and your accrual rates are split into two parts.

Your pension is calculated as follows:

Part 1:  $\frac{1}{60}$ th of Average salary for each year of Pensionable Service before 31 October 2018.

and

Part 2:  $\frac{1}{62.5}$  of Average salary for each year of Pensionable Service after 1 November 2018

#### Joiners on or after 1 November 2018

The pension is calculated by multiplying the amount of service you have by your average salary and dividing the result by an accrual rate. Your normal pension age is 65 and your accrual rate is:

$\frac{1}{62.5}$  of Average salary for each year of Pensionable Service

### Active member

A teacher who is currently in teaching employment and contributing to the Scheme.

### Cash lump sum

Pre 2007 joiners receive an automatic lump sum of 3 x the value of their annual pension. However, if you wish, you can opt to (permanently) give up some of your annual pension in order to receive a larger lump sum. The maximum amount of additional lump sum you can commute is 30% of the value of your pension.



Joiners on or after 1st January 2007 do not receive an automatic lump sum, but if you wish you can commute (permanently give up) part of your pension in order to receive one. For every £1 of pension given up you will receive a one-off lump sum of £12.00. The maximum you can commute is 30% of the value of your pension.

### **Important**

It's up to you how much pension (if any) you want to commute; you don't have to take the maximum or any at all. However, it's worth mentioning again, that whereas commuting any portion of your pension into a lump sum is a one-off, the subsequent reduction in your annual pension is for life.

### **Contribution rates**

This is the percentage rate of your annual contributable salary for each month which you pay to be a member of the Scheme. For part-time employees the rate which applies is the rate applicable to employees working the full time equivalent hours.

Annual contributable salary	Rate
Up to £14,999	6.4%
£15,000 to £25,999	7.2%
£26,000 to £31,999	8.3%
£32,000 to £39,999	9.5%
£40,000 to £44,999	9.9%
£45,000 to £74,999	11%
£75,000 to £99,999	11.6%
£100,000 and above	12.4%

Your employer contributes to your pension as well. Employer contributions at the time of writing are set at 15%.



## Contractual Normal Retirement Age

Most members will have a Contractual Normal Retirement Age in their employment terms and conditions (or contract) with their employer. Your Contractual Normal Retirement Age is the age at which your employer will expect you to retire. If you want to continue in your post after this age, you may need to seek their agreement to do this.

## Deferred Members

A member who left the Scheme and has deferred or preserved benefits.

## Defined benefit

A pension scheme offering a guaranteed benefit. It's worked out using a formula usually related to your pay and/or length of service (including transferred in service).

## Dependent children

Children who are financially dependent on you and who are:

- » under 17; or
- » if over 17, have remained in full-time education, or have been training for a trade or profession for at least two years, without a break of more than one academic year. If so they may be classed as a child up to the age of 23; or
- » permanently incapacitated and unable to earn a living due to ill health at the time of your death. This will need to be confirmed by a doctor and we will also need to be informed about any other benefits they are in receipt of;
- » the child, or children must be born during your lifetime or within 12 months of your death;
- » children born to a previous partner, adopted children and un-adopted children who are financially dependent on you may also be covered if they are living as part of your family at the time of your death;
- » to be classed as children they must be unmarried and not in a civil partnership.

## Average Salary

The amount used to calculate your Final Pensionable Pay in the Scheme is the higher of either:

- » your pensionable salary (the salary on which you pay your pension contributions) in the last 365 days before you retire; or
- » your average salary over the best three consecutive years salaries (revalued to take into account inflation) during the 10 years prior to leaving teaching service.

## Guaranteed minimum pension

Up to 5 April 1997, one of the conditions of contracting out of (i.e. leaving) the State Earnings Related Pension Scheme (SERPS) was that the Isle of Man Public Service Pension arrangements had to provide you with a pension which is at least as good as the pension you would have built up through SERPS. This is known as your guaranteed minimum pension (GMP). After your death, the Scheme must pay an amount equivalent to a widow's, widower's or surviving civil partner's GMP when your State Pension would have come into payment.



Since 6 April 1997, a scheme has no longer had to provide a GMP to be contracted out. Instead, the scheme must pass a test of scheme quality set out in the Pensions Act 1995.

### **Inflation**

The change in the 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. At the time of writing this Guide pension increases are applied in April each year and inflation is calculated by reference to the UK Consumer Prices Index (CPI) as at September the year before.

### **Normal Pension Age (NPA)**

This is generally the earliest age you can retire and take your benefits without any reduction for early payment and depends upon when you became a member of the Scheme. Please note this may differ from your Contractual Retirement Age.

### **Pre 2007 joiners**

If you were a member before 1st January 2007 your normal pension age (NPA) is 60 providing you have not had a break in service of more than 5 years. If you have had a break in service longer than this, your normal pension age remains at 60 with regard to your service up to the end of the break in service, but any future service has a pension age of 65. A period of less than 60 days qualifying service, or 30 days reckonable service in any period of 365 days, does not count for the purpose of retaining a normal pension age of 60.

### **Joiners on or after 1<sup>st</sup> January 2007**

If you became a member on or after 1st January 2007 your normal pension age (NPA) is 65.

### **Pensionable Service (also known as Reckonable Service)**

The total number of years and days you have accumulated in the scheme, which count towards your scheme benefits. Your Pensionable Service may be different to the length of time you have worked and contributed to the scheme (e.g. if you have worked part-time or had periods of unpaid leave). Pensionable Service includes any service transferred in from previous pension arrangements and any added years of pension you may have purchased and built up. Part-time service builds up on a pro-rata basis.

### **Preserved benefits**

We will hold (preserve) the pension benefits you have built up if you leave the scheme before pension age and have decided not to transfer them to another pension scheme. However, we will only do this if you have built up more than two years' qualifying service.

### **Qualifying service**

The service that determines whether you are eligible for (preserved) pension benefits.

### **Scheme**

For the purposes of this guide we refer to the Teachers' Superannuation Order 2011 as the Scheme.

### **Scheme Actuary**

An adviser on financial questions involving probabilities relating to mortality and other pension scheme matters.



### State Pension Age

The age at which you can receive your State pension. State Pension Ages are dependent on when you were born. You can find out more on the Social Security website at [www.gov.im](http://www.gov.im)

### State Second Pension (S2P)

The additional State pension, paid on top of the Basic State Pension. It was previously known as the State Earnings Related Pension (SERPS). The amount you get depends on your National Insurance contributions.

### Transfer value

The cash equivalent value of pension rights within a pension scheme that may be used to transfer benefits from that scheme to another pension scheme.

### Trivial Pensions

If the total value of all your pensions, from the Scheme and any other schemes you may be due a pension from is small, then you may be able to commute (or exchange) your pension from the Scheme for a one-off lump sum.





## How does your pension work?

*Your Teachers' pension will help you secure a regular income in your retirement. There is also a range of benefits you may be entitled to through this scheme. Here's where you can learn about how your pension works.*

### What is a pension?

While you're working, you earn money to help you pay for the things you need in life. When you stop working, you need to ensure you have a retirement income to support yourself.

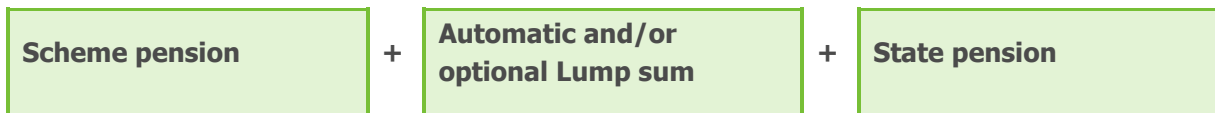
The Government will provide you with a State pension once you reach a certain age. However, it may not be enough to live off on its own. That's why the Isle of Man Government gives you the opportunity to join a pension scheme that will help you save more for retirement.

### How does the Scheme work?

The Scheme is a defined benefit pension scheme, the same style of scheme as other Isle of Man public sector schemes. Both you and your employer will contribute money towards the retirement benefits you receive.

### What benefits will the Scheme provide?

When you retire you will receive a pension (a regular retirement income) and an automatic and/or optional cash lump sum. The amount you receive will be based on your pay and how long you have worked whilst being a member of the Scheme. Unlike a bank account, your total savings aren't calculated based on how much money you contribute.



Under the Scheme you:

- » choose your level of benefits;
- » can take up to 30% of the value of your pension in cash at retirement;
- » choose when you retire. If you have service on or after 30 March 2000 you can claim your retirement benefits from age 55. However if you do, your pension will be actuarially reduced. As a rule of thumb this works out at about 5% less for every year you take your pension earlier than your normal pension age;
- » pay a contribution rate based on your monthly contributable salary (see page 5);
- » receive valuable life cover; and
- » receive protection for your family.

Your pension in the Scheme is calculated on an average salary basis (see page 6).



## Start planning for your future today

Even if retirement feels a long way off, the decisions you make today are likely to have a big impact on your future. Here are some key things you need to consider when planning for your retirement.

### When do you want to retire?

When you retire will depend on many factors – like your interests, your savings and your health. Do you want to retire completely by a certain age, or work part time and ease yourself into your retirement? Think about your goals and how many years you have left to build up your retirement pot.

### What lifestyle do you want in retirement?

When you think about your retirement, what do you see? A modest lifestyle or something more comfortable with regular holidays and evenings out? What you want could cost more than you think...

### How much you will need?

The Department of Work and Pensions (DWP) in the UK has set out how much income people need to replace in retirement as a percentage of income before retirement. In other words, how much of your working life income would you need to cover your costs when you stop working? This is a good starting point and gives you an idea of how much you might need in retirement to enjoy a minimum acceptable standard of living.

#### What proportion of your income would give you an acceptable standard of living?

Annual income bracket	Target replacement income
Under £12,000	80%
£12,000 to £22,100	70%
£22,100 to £31,600	67%
£31,600 to £50,500	60%
Over £50,500	50%

### Why are replacement levels lower when you're earning more?

These ratios are based on research by the Pensions Commission, who found that:

- » people on higher incomes are more likely to have saved more; and
- » those on lower incomes may need a higher replacement rate to enjoy what society considers a minimum acceptable standard of living.

#### >> Example

Ben is 35 years old and his salary is £24,000. As he's in the income bracket £22,000 to £31,600 we estimate that he'll need a pension of 67% of his salary, or £16,000.

If the Basic State Pension is £125.95 each week, Ben would need an annual pension of £9,450.60 to make up the difference. As your earnings change throughout your working life, you'll need to review your target retirement income to ensure you remain on track.



## Who can become a member of the Scheme?

*Only teachers employed by:*

- *the Department of Education, Culture and Sport (the Department) in connection with its education functions;*
- *the Department in a school or college which the authority maintains;*
- *the governing body of a school or college maintained by a local authority; or*
- *an institution providing further or higher education (or both) maintained by a local authority.*
- *a teacher employed by the proprietor of, or anyone else concerned in the management of, an accepted school; or*
- *a teacher employed in a children's home (within the meaning of the Children and Young Persons Act 2001 (an Act of Tynwald)).*

### How do you join the Scheme?

Whether you work full-time or part-time, if you are a teacher or lecturer, membership of the Scheme is automatic.

### What counts towards your membership?

As described on page 14, the final pension benefits you receive are based on your Pensionable Service. Pensionable Service (sometimes referred to as Reckonable Service) is the total number of years and days which count towards your scheme benefits. Your Pensionable Service may be different to the length of time you have worked and contributed to the scheme (e.g. if you have worked part-time or had periods of unpaid leave). Pensionable Service includes any service transferred in from previous pension arrangements and any added years of pension you may have purchased and built up.

Your membership of the Scheme starts from your first day of employment. For every day you work, you will build up a day of Pensionable Service in the Scheme.

Part-time service counts on the basis of the actual hours you work and the equivalent full-time hours.

Your pension may also be affected if you have a temporary absence from work. This will depend on the type of absence, so please contact your employer for more information.



## Do you have multiple jobs with the Isle of Man Government?

If you hold two or more part-time teaching employments, providing each one is classed as pensionable employment, you will be enrolled into the Scheme for each employment.

However, it's important to note that the total benefits you can build up under two or more concurrent teaching employments will be limited to what you could build up under one full-time membership. This means:

- you cannot accrue more than 365 days service in any one year and no more than 45 years of service overall;
- if you work full time in one job and part-time (in a teaching post) elsewhere the part-time job is not able to be pensionable. The PSPA will adjust the benefits payable to you accordingly.
- Conversely, if you have a full-time teaching post and a part-time teaching role and stop working full-time, the part-time role will automatically become pensionable.

## How do we work out your pension if you have more than one teaching post?

We take all the different periods worked so as to obtain the total length of service and then compare them to the full-time equivalent salary for each of the posts. We then calculate the average of all the full-time annual salaries for each post you worked in over that period. This means that if you have one period of employment in a post with a significantly lower salary than the others, it will reduce the average salary over the whole of that particular period.

## Can you opt out of the Scheme?

You can opt out of the Scheme. However, we recommend that carefully about what you're giving up – this includes valuable retirement savings and access to life insurance and other benefits that could protect your loved ones if something happens to you.

Before you make your decision, please read the Opt out factsheet on the website at [www.pspa.im](http://www.pspa.im). You may also wish to consult an independent financial advisor.

If, after carefully considering your options, you still want to opt out, please complete the Opt out form available on the website at [www.pspa.im](http://www.pspa.im)

If you do decide to opt-out you may be able to make an election to opt-back in again at some point in the future.

There is more information on page 22 about what happens to the pension benefits you may have built up if you choose to opt out now.

## Do you want to transfer in benefits from other pension schemes?

If you have pension benefits in a different scheme from a previous employer, you can transfer them into the Scheme as long as you're an active contributing member of the Scheme.

Unless you were previously a member of a pension scheme for teachers in public employment in any part of the British Islands outside of the Isle of Man, you have to apply to transfer your benefits

you think very



### Can you opt back into the Scheme?

If you have opted out previously, you can opt back in again.

If you want to opt back in, simply tell your employer that you want to join the Scheme. They will then make the necessary arrangements to start deducting your contributions.



within one year of entering pensionable teaching employment. To transfer your benefits, simply complete our transfer-in request form available on the website at [www.pspa.im](http://www.pspa.im)

Transfers will be on a cash equivalent basis. This means that the scheme you're transferring from uses a transfer value that reflects the value of the benefits you have built up to that point.

This transfer value will be used to secure you benefits of equivalent value in the Scheme. However, your previous scheme may refuse the transfer if it doesn't cover the cost of your guaranteed minimum pension. Your previous scheme may also refuse a transfer if certain scheme requirements are not met – please contact your previous scheme directly for more information.

The Isle of Man Scheme is also registered with Her Majesty's Revenue and Customs as a Qualifying Recognised Pension Scheme (QROPS).

You should seek independent financial advice if you're thinking about transferring your benefits.



## Your benefits under the Scheme

*Here's where you can find out more about the specific benefits you will receive under the Scheme and how they are calculated.*

### What will you receive when you retire from the Scheme?

This depends upon when you joined the Scheme. The accrual rates and benefits differ depending upon whether you joined before or after the 1<sup>st</sup> January 2007 or after the 1 November 2018.

For example pre-2007 joiners receive an automatic lump sum of 3 times their annual pension and can commute (permanently give up) some of their annual pension to get a bigger lump sum (with a reduced pension).

Those who joined the Scheme on or after 1<sup>st</sup> January 2007 don't get an automatic lump sum but they can apply to commute (convert) some of their pension in order to get one.

Cash lump sums can currently be taken tax-free.

### How does your pension grow in the Scheme?

As a member of a defined benefit pension scheme, your pension savings will grow each year based on your years of service and your salary. How much your pension will grow by will generally depend on:

- » when you want to retire;
- » how much your salary grows between now and retirement; and
- » when you joined the Scheme.

### How are your benefits calculated?

#### Your annual pension and lump sum

Joiners before 2007 receive a pension and lump sum based on an accrual rates of 1/80<sup>th</sup> (for service up to 31 October 2018) and 1/83<sup>th</sup> for service from 1 November 2018.

Joiners on or after 1<sup>st</sup> January 2007 receive an accrual rate of 1/60<sup>th</sup> (for service up to 31 October 2018) and 1/62.5 for service from 1 November 2018. There is no automatic lump sum, but they are able to commute some of their pension if they wish.

You cannot build up any benefits after you reach age 75.

Depending upon when you joined the Scheme, your annual pension will be calculated as over the page:



## Joiners before 1<sup>st</sup> January 2007

If you were a member before 1st January 2007 your normal pension age is 60 and your annual pension and lump sum is calculated by multiplying the amount of service you have by your average salary and dividing the result by the accrual rates.

For Service up to 31 October 2018:

$$\boxed{\text{accrual rate of } 1/80} \times \boxed{\text{Your Average Salary}} \times \boxed{\text{Your Pensionable Service}} = \boxed{\text{Annual pension}}$$

Plus For Service built up from 1 November 2018 to date of leaving:

$$\boxed{\text{accrual rate of } 1/83} \times \boxed{\text{Your Average Salary}} \times \boxed{\text{Your Pensionable Service}} = \boxed{\text{Annual pension}}$$

In addition to your pension you will also receive an automatic lump sum of three times your annual pension.

$$\boxed{\text{Annual Pension}} \times \boxed{3} = \boxed{\text{Lump sum}}$$

However, if you wish, you can opt to (permanently) give up some of your annual pension in order to receive a larger lump sum, up to a maximum of 30% of the value of your pension. This additional lump sum is calculated by multiplying your annual pension by 13 and dividing the result by 4. The resultant amount is then added to your automatic lump sum and your pension is reduced accordingly for life.

Additional lump sum =  $\frac{\text{annual pension} \times 13}{4}$

4

### How much pension would you have left if you take a lump sum?

If you decide to take a lump sum, you must "commute" or permanently give up some of your pension in exchange for the lump sum. To calculate how much pension needs to be commuted and deducted from your pension, in exchange for the lump sum the following formula is applied:

$$\boxed{\text{Annual pension}} - \boxed{\frac{\text{Additional Lump sum} / 12}{\text{Commutation rate}}} = \boxed{\text{Residual pension}}$$

## Joiners on or after 1<sup>st</sup> January 2007

If you became a member on or after 1st January 2007 your normal pension age is 65 and your annual pension is calculated by multiplying the amount of service you have by your average salary and dividing the result by the accrual rates.



For service built up to the 31 October 2018:

accrual rate of 1/60	X	Your Average Salary	X	Your Pensionable Service	=	Annual pension
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Plus for service built up from the 1 November 2018 to date of leaving:

accrual rate of 1/62.5	X	Your Average Salary	X	Your Pensionable Service	=	Annual pension
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**No automatic lump sum, but you can opt to permanently give up some of your annual pension in exchange for a lump sum, up to a maximum of 30% of the value of your pension.**

For joiners on or after 1st January 2007 there is no automatic lump sum, but if you wish you can commute (permanently give up) part of your pension in order to get one. For every £1 of pension (permanently) given up you will receive a one-off lump sum of £12.00. This is calculated by multiplying your annual pension by 5.

$$\text{Maximum which can be commuted} = \text{Annual pension} \times 5$$

It's up to you how much pension (if any) you want to commute; you don't have to take any, or the maximum. However, it is important to note, that whereas commuting any portion of your pension into a lump sum is a one-off, the reduction in your annual pension is for life.

### Breaks in Service

If you have had a break in service for longer than 5 years, your normal pension age remains at 60 up to the end of your break in service. However, any future service you may have will have a normal pension age of 65. If you have taught in the UK without a break of more than 5 years this may entitle you to still have a normal pension age of 60. Please check with us if this is the case and we'll let you know.



#### >>Example 1 – Pre 2007 joiner - calculating a pension in the Teachers' Pension Scheme

The example below shows how pension is worked out for a member who retires at age 60 after 35 years' Pensionable Service, where 20 years were before the 31 October 2018 and 15 years were after 1 November 2018. The Average Salary is £35,000.

Part 1 – Service to 31 October 2018:

1/80	X	£35,000	X	20	=	£8,750
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Part 2 – Service from 1 November 2018 to date of leaving

plus

1/83	X	£35,000	X	15	=	£6,325.30
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The total Pension is the Part 1 and Part 2 added together to equal a pension of **£15,075.30 a year**.

The pension in the Scheme, before you take any lump sum, will be subject to a maximum overall limit of 45 years' service and members cannot accrue more than 365 days of service in each year.

### Cash lump sum

For this example, there would also be automatic lump sum of 3 x pension payable. In this case it would be £45,225.90.

In addition there is also the option to increase the lump sum up to a maximum limit of 30% of the value of pension, but in exchange part of the annual pension. See Example 3 to see how this is calculated.



### >> Example 2 – Joiners on or after 1<sup>st</sup> January 2007 - calculating a pension in the Scheme

The example below shows how this would work for a member of the Scheme who retired at age 65 after 43 years, were 3 years were built up before 31 October 2018 and 40 years were built up after 1 November 2018. The Average Salary is £35,000.

Part 1: Service up to 31 October 2018:

<b>1/60</b>	X	<b>£35,000</b>	X	<b>3</b>	=	<b>£1,750 annual pension</b>
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Part 2: Service from 1 November 2018 to date of leaving:  
plus

<b>1/62.5</b>	X	<b>£35,000</b>	X	<b>40</b>	=	<b>£22,400 annual pension</b>
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The total pension is Part 1 and Part 2 added together to equal a **£24,150 a year**.

The pension in the Scheme, before you take any lump sum, will be subject to a maximum overall limit of 45 years' service and members cannot accrue more than 365 days of service in each year.

### Cash lump sum

There is the option to exchange part of the annual pension for a one-off cash lump sum. To take a cash lump sum part of the pension will be given up. For each £1 of pension given up the member receives £12 of cash. See Example 4 to see how this is calculated.



### >> Example 3 – taking the Maximum Lump Sum in the Scheme

#### Pre January 2007 Joiner

If we go back to the earlier example 1, the member who joined the Scheme before 1st January 2007 and the pension of £15,075.30 and an automatic lump sum of £45,225.90. There is the option to (permanently) give up some of the annual pension to receive a larger lump sum, up to a maximum limit of 30% of the value of the pension.





**Important** - Please Note that you cannot receive your benefits until all of your active memberships have stopped.

### Trivial Pensions

If your expected total value of your pension from all your pension arrangements, including the Scheme has a value of £100,000 or less, then you may be able to claim them on grounds of triviality.

This means that instead of paying you a small pension each year, we will exchange the pension for a one-off trivial cash lump sum.

If you choose to do this, any surviving partner pension will be included in the trivial lump sum. All liability for a surviving partner pension and any death benefit lump sum will be discharged once the trivial commutation is paid.

This can only be paid to you if you are under age 75 at the time of payment and if you are not already in receipt of the pension benefits.



### How will you know how much pension and lump sum to expect?

We will send you an annual benefit statement to tell you about how much service you have built up to date and give you an idea of what level of benefits you may get from the Scheme in the future.

**“Pension benefit statements are an important tool to help you plan for your retirement”**

This annual statement will show you the expected pension and lump sums assuming you retire when you reach age 60 or 65, depending upon when you joined the Scheme.

Pension benefit statements are an important tool to help you plan for your retirement and to check that the personal information we hold for you is correct and up to date. When you receive your statement each year, you must check it and let us know if anything looks wrong using the contact details on page 38.



## Boosting your pension with additional contributions

If you think you might need a bigger pension, there are a number of options for you to consider through various providers on the Isle of Man.

The PSPA have selected a Group Personal Pension Scheme, which is provided for by Aviva and administered by MAC Financial Services.

This arrangement lets you to pay additional voluntary contributions to boost your retirement savings. Using this method, you can save what you can afford to at different times of your life.

This type of pension scheme is known as a defined contribution pension scheme. This is your own retirement account with Aviva and means that the benefits you receive from it when you retire are based on:

- how much you contribute;
- the performance of your investment options you choose; and
- the cost of buying a retirement income when you retire.

When you retire you use this fund to buy an additional pension for you (or for you and your dependants). You can also take some of this money as a cash lump sum.

The most that you can save in additional contributions is 100% of your taxable pay, less your Scheme contributions.

For further information, please refer to our website [www.pspa.im](http://www.pspa.im)

## Buying Additional Pension

You can also buy additional pension to increase your pension benefits when you retire.

Additional Pension is calculated separately from your regular pension benefits. You can buy it in units of £250 up to the age of 65 and buy it for yourself, or for yourself and your adult beneficiary. How you pay is up to you. You can pay by regular deductions from your salary or by a one-off lump sum.

The maximum you can buy is £6000 and the maximum repayment period is 20 years, but repayments must be completed before you retire. Exactly how much it costs depends on how old you are and how much additional pension you want. Additional Pension is index linked to inflation so that it maintains its value in line with the cost of living. If your normal pension age is 60, but you carry on teaching in pensionable employment after that, you can buy Additional Pension based on a normal retirement age of 65.

Having bought your Additional Pension, you can take some of it as a lump sum, but only up to the maximum amount allowed.

### Important

Monthly deductions made to buy additional pension may be reviewed and monthly contribution rates amended.



## How much does the Scheme cost?

*Here's where you can find out about how much you and your employer save towards your pension.*

### Who pays for the Scheme?

Your pension, together with your pay, forms part of your total benefits package.

As a member of the Scheme, you will pay a percentage of your Pensionable Pay and your employer pays 15% towards the cost. The contributions you make go towards the cost of your benefits and benefits for your loved ones if you die.

Your employer is responsible for taking the contributions from your pay. They do this before working out the tax, so you will automatically receive income tax relief – see page 37 for details.

### How much do you need to pay?

Scheme contribution rates vary depending on how much you earn. For part-time employees the rate which applies is the rate applicable to employees working the full time equivalent hours.

Annual contributable salary	Rate
Up to £14,999	6.4%
£15,000 to £25,999	7.2%
£26,000 to £31,999	8.3%
£32,000 to £39,999	9.5%
£40,000 to £44,999	9.9%
£45,000 to £74,999	11%
£75,000 to £99,999	11.6%
£100,000 and above	12.4%



## Your options when you leave the Scheme

*Your options when you leave the Scheme will depend on how long you have been contributing to the Scheme.*

### What happens if you leave the Scheme before you retire?

If you leave voluntarily or opt out of the Scheme before you retire, your choices depend on how long you were a member.

#### If you leave with less than two years' service

If you leave having completed less than two years' Pensionable Service, you will not qualify for pension benefits under the Scheme and can choose to:

- » request a refund of your benefits in the scheme; or
- » transfer your benefits to a new employers pension scheme but you must do so within 12 months of leaving the Scheme; or

Leave your benefits in the scheme and defer for payment at retirement.

#### If you leave with two or more years' service, you can choose to:

- » leave your benefits in the scheme until you retire; or
- » transfer your benefits to a new employers scheme.

To transfer your benefits, you must do so before your normal pension age. Simply complete the Transfer out request form available from the website at [www.pspa.im](http://www.pspa.im). Please note: You can only transfer your pension benefits to another scheme if the new scheme agrees to accept them and, if it is to a UK Scheme, it satisfies HMRC (Her Majesty's Customs and Revenue) requirements. The Isle of Man Scheme is registered with HMRC as a "Qualifying Recognised Overseas Pension Scheme" (QROPS). Transfers to personal arrangements such as Personal Pension or Self Invested Personal Pension Schemes are not permitted from this scheme.

How much you receive in benefits depends upon the Scheme you are transferring to. We recommend you seek Independent Financial Advice if you are considering transferring-out. More information about transferring out is at page 23.

### Deferred (preserved) benefits within the Scheme

As mentioned earlier, if you choose to leave your benefits in the Scheme, you will only be entitled to a pension from the scheme when you retire (known as a deferred or preserved pension) providing you have built up at least 2 years qualifying service.

The deferred pension will be based on your Average Salary and Pensionable Service to your date of leaving, worked out in the same way as if you were still an active member. Deferred benefits are increased each year in line with inflation. This helps keep their value up to the date they become payable.

**"If you choose to leave your benefits in the Scheme, you will be entitled to a pension from the scheme when you retire."**



You can claim your deferred pension from age 55, but if you claim it earlier than your normal pension age it will be actuarially reduced to compensate for it being paid for longer.

However, you may be able to take your deferred benefits before age 55 if you are too ill to work and the Scheme medical adviser confirms that your ill health permanently prevents you from teaching or carrying out any other gainful employment. If this is the case you may be able to claim the benefits you have accrued, although no enhancement will be awarded.

If you do not claim your deferred benefits by age 75, we will automatically pay them to you.

### Can you re-join the Scheme if you've left?

If you leave teaching and later return to pensionable employment as a teacher you will automatically become a member of the Scheme (although it's not compulsory – you can opt-out). Whether the post is "pensionable" is up to your employer. If you have previous pensionable service as a teacher, and the post is pensionable, any future pensionable service is added to it.

### **Important** - Re-joining the Scheme after a break of more than five years

If, having started teaching before 2007, you leave service as a teacher with a normal pension age of 60, you subsequently return to teaching in a pensionable role after a break of more than five years, any future service will have a normal pension age of 65 and an accrual rate of 1/60th.

This means that you will still be able to retire at 60 if you wish, but you will only receive a pension based on your service prior to your break. If you carry on working after age 60 any further pension accrued is not normally paid until you reach age 65 (although see the section on "Actuarially Reduced Pensions" at page 24 ) and any pension being paid for service prior to age 60 may be subject to abatement. Please see the section headed "Re-employment after retirement" on page 30.



## Transferring your Scheme benefits to another pension scheme

You can ask for a transfer payment to be made to your new employer's pension scheme. The transfer payment will be equal to the cash value of your benefits.

You need to consider the following issues before making a transfer:

- » If you want to transfer your benefits, you must apply to do so before your normal pension age.
- » The transfer value may not necessarily buy the same length of service in your new pension arrangement. Before making your decision, make sure you receive an estimate from your new arrangement which shows how much your Teachers Pension Scheme benefits will buy.
- » The range and type of benefits offered may be different and perhaps less appropriate for your needs.
- » You must apply for the transfer before we start paying your pension benefits.

### **Personal Pension Schemes (PPP) and Self-Invested Personal Pension Plans (SIPP)**

Transfers from this scheme are not permitted to personal pension arrangements such as PPP and SIPPS

**“You can ask for a transfer payment to be made to your new employer's pension scheme.”**





## When can you retire from the Scheme?

### Normal Age Retirement

Your Normal Retirement Age depends on when you became a member of the Scheme. If you were a member before 1<sup>st</sup> January 2007, provided you have not had a break in pensionable service of more than 5 years, you will have a normal pension age of 60.

However, if you have only been a member of the Scheme since 1<sup>st</sup> January 2007 your normal retirement age will be 65.

It's worth stating again, that if you leave service as a teacher with a normal pension age of 60, if you subsequently return to teaching in a pensionable role after a break of more than five years, any future service will have a normal pension age of 65 and an accrual rate of 1/62.5.

This means that you will still be able to retire at 60 if you want, but you will only receive a pension based on your service prior to your break. Your pension from any pensionable service afterwards will not be paid until you are 65. But please read carefully the section that follows headed "Re-employment after Retirement".

### Early Retirement

#### Actuarially Reduced Retirement

Pensions can be taken from the age of 55 (or earlier if due to ill health). Where a pension is being paid out before the Normal Pension Age (NPA) the benefits are reduced using actuarial factors because it is being paid out for a longer period than if taken at NPA. Consequently the annual pension must be adjusted to reflect this point, which we do by applying a factor to the calculation.

#### Example of a Pre 2007 joiner - Actuarially Reduced pension

Member retired at age 55 with a pension of £11,250 per year. As a Pre 2007 joiner the pension would have an actuarial reduction factor of 0.794 applied to pension. This means the Actuarially Reduced pension would be:

$$\boxed{\text{£11,250}} \quad \times \quad \boxed{0.794} \quad = \quad \boxed{\text{£8,932.50}} \\ \text{annual pension}$$

The actuarial reduction factors (based on ages in years and months) that are applied to pensions paid early can be found on page 36. Please note that these rates will change from time to time, for an estimate of what your pension may be if you retired early please refer to your annual benefit statement or request an estimate from the PSPA.



### Phased Retirement

Phased retirement is intended to facilitate a gradual move from work to retirement, rather than the sudden “stop” that happens if you take normal age retirement.

It enables people to reduce their hours and/or level of responsibility in the run up to retirement, and take some or all of the pension and lump sum they’ve built up whilst they carry on working.

But you must meet certain requirements:

- you have to be at least 55 years of age;
- you must reduce your pensionable salary by at least 20% of the salary you received in the last 6 months;
- the reduction has to be for a minimum of 12 months and can be achieved by either reducing your hours, or by taking a post with less responsibility.
- Your employer has to agree to the arrangement and provide confirmation of the reduction of your salary when you apply;
- application must be made within 3 months of starting employment in a reduced capacity.
- you are only allowed to exercise this option twice before final retirement.

### Premature retirement

Premature retirement is not a right. It is granted on a discretionary basis by your employer who will be responsible for paying part of your pension and lump sum.

### Ill-health retirement

If, due to illness, you become permanently unfit to teach before you reach your normal pension age, you may be eligible for ill-health benefits. These are discussed at page 31 under the heading “Protection for your you and your family”.



## What to do once you've decided to retire

*Here's where you can understand your options at retirement and the decisions you'll need to make.*

If you're planning to retire, just follow these simple steps:

1. **Notify your employer as soon as you can:** When you decide to retire, you must first agree your last day of service with your employer as far in advance as you can. If possible, the PSPA will require your application form to be submitted at least three months before your retirement date. This gives us enough time to calculate your benefits.
2. **Stop work in all jobs:** You must stop work in all your teaching jobs to qualify for all your retirement benefits. The exception to this is if you have taken "phased retirement" where you must have a salary reduction of 20%, or if you have opted out of the Scheme after your normal pension age. If this is the case your lump sum is payable, but your pension may be stopped or suspended part way through the year. Please also see the section about "abatement" on page 30.
3. **Tell the PSPA that you're retiring:** Your employer will tell the PSPA that you're retiring and will also give us details of your Average Salary and Pensionable Service worked in your final year, but it's a good idea to let us know as well.
4. **Read your retirement pack:** Once we have all of this information from your employer, we can then send you your retirement pack, which tells you about your pension benefits, along with a personal claim form. Included will be a statement that will tell you the amount of pension and lump sum you can choose, based on your Pensionable Service to retirement and your Average Salary. For information on how your pension and lump sum are calculated – see page 15.
5. **Consider your options and return your forms:** Once you have your retirement pack, carefully consider the benefit package you wish to take. For example, how much, if any, cash lump sum do you want? When you have decided, complete the form. We will ask you for your bank details and proof of your identity. Once you have completed and signed the form, return it to the PSPA as quickly as possible.
6. **Then it's over to us:** Once we receive the completed form and all the required information, we can make the necessary arrangements to settle your claim.



## What happens when you've retired?

### Receiving your pension and lump sum

#### How is your pension paid?

Teachers' pensions are paid by Payroll Office, Office of Human Resources. Pensions are paid in monthly instalments on the 25th of each month, direct to either your bank or building society account.

If your retirement falls after the 7th of the month, the first instalments will not be paid into your bank account until the 25th of the following month. For example, if you retired on 10 May, the first pension instalment will be made on 25 June.

When the payment date falls on a weekend or public holiday, the payment will go into your account on the last working day before the weekend or the holiday.

#### When will tax be deducted?

Your pension is treated as earned income for tax purposes, so any tax that's due will be deducted before your pension is paid.

#### Where will your pension be paid?

Payroll will only pay your benefits into a bank or building society account, as this is the safest method of payment.

It's important that the Isle of Man or UK bank or building society account you provide is able to accept electronic payments by the Bankers Automated Clearing Services (BACS) method. If the account details you provide cannot accept BACS payments, your payment will be rejected and this may lead to a delay in payment of your pension benefits.

The account can be at a bank or building society with a branch in the:

- » Isle of Man;
- » United Kingdom (but not National Savings and Investments (NS&I)); and
- » Channel Islands.

You should tell the PSPA if:

- » you change your address;
- » your bank or building society account details change;
- » you marry, remarry, form a civil partnership or wish to nominate a qualifying partner for a survivor's pension;
- » there are any changes in your job if you are re-employed – see page 30; or
- » a child for whom you are receiving child allowance goes to live on their own.

#### What happens if you die?

If you die, your spouse, civil partner, nominated qualifying partner, nominee or personal representative must tell the PSPA straight away, quoting your pension reference number. They will then be sent an application form so that they can claim any pension that may be due to them.



### **What happens if you're over paid?**

If your pension or lump sum is overpaid for any reason, the money will have to be repaid. We may recover this overpayment by reducing your pension.

### **How are one-off cash lump sums paid?**

Cash lump sums are paid directly into your bank or building society account.

The PSPA aim to pay out the cash lump sum between the Friday following your retirement date and within two weeks after your retirement date.

### **Declare your entitlement to your pension**

The Public Sector Pensions Authority (PSPA) is required by law to protect the public funds it pays to pensioners. To make sure that all pensions are being paid to the right people and at the correct rate, the PSPA will write to you at regular intervals and ask that you confirm your continued entitlement to your pension, by signing a Declaration of Entitlement Form. We will ask you to have your signature authenticated by a witness. Failure to complete and return the form as required could result in a pension being suspended or stopped completely. Please note that the PSPA will take steps to recover all overpayments of public sector pensions.



## Pension increases each year

Teachers' pensions are reviewed annually and are increased, as appropriate, to keep pace with rises in the cost of living.

Increases are paid in April and reflect any rise in the rate of inflation in the 12 month period up to the end of September in the previous year. Public sector pensions are increased by a measure determined by the Isle of Man Government. We will tell you the rate applied each year within the annual pensioner update distributed in April.

All pensioners aged 55 or over get these increases. If you're aged under 55 you will receive the increases if:

- » you retired because of ill health; or
- » the pension is paid to a surviving adult dependant; or
- » the pension is paid for a child.

Increases apply to all of your pension. However, as the increases are paid from April the increase you receive in the first year will depend on when your pension started. For example, if the full increase is 1.5% but your pension has only been in payment for six months, the increase would only be 0.75% as illustrated below.



### >> Example – how pension increases are applied

Lana retires in mid-October with an annual pension of £7,500. The following April, the cost of living increase is 1.5%.

**“Teachers’ pensions are reviewed annually and are increased, as appropriate, to keep pace with rises in the cost of living.”**

As Lana retired exactly half way through the relevant 12 month period, the pension is increased proportionately (that is, by one half of the total increase – 0.75%).

During the second year, the cost of living increase is 2.0%. Lana's annual pension becomes £7,556.25 after six months and £7,707.38 a year later.

### Increases part way through the month

A part month of 16 days or more (from the pension payable date to the last day in the month) will count as if it was a full month. However, a part month of 15 days or less will not count as a full month. A pension that begins 15 days or less before the increase date in April will not get an increase until the following year.

Increase dates in April will often fall part way through your pension month. Where this happens, your pension for April will be partly at the rate before the increase and partly at the new rate. Your pension for the following month will be all at the new rate.

Increases are applied to the whole of your pension, including any previous increases less any Guaranteed Minimum Pension.

### Who will pay the increases?

If your pension includes a Guaranteed Minimum Pension (GMP) the cost of paying increases is met by the Scheme between your GMP age (60 for women and 65 for men) and your State Pension Age



(SPA). From SPA the cost of paying increases on a GMP is shared between the Scheme and the Treasury as explained in the table below. The Scheme share of the increases will be paid with your Scheme pension. DSC will pay their share of GMP increases with your State Pension.

For GMPs based on Scheme membership	Who pays the increases from SPA?
Built up to 5 April 1988:	DSC pay any applicable increases.
Built up between 6 April 1988 and 5 April 1997:	Increases up to 3% will be paid by the Scheme; any increase over 3% will be paid by DSC.
Built up from 6 April 1997: (all GMPs ceased from this date)	All the increases based on membership that does not include a GMP will be paid by the Scheme.

### Changes at State Pension Age

When you reach State Pension Age, the pensions increase relating to your guaranteed minimum pension is paid with your State Pension.

### Re-employment after retirement

If you're thinking about returning to employment in teaching, you should read this section. You must tell your employer that you have an Isle of Man Government pension when you apply for a new job, because as a pensioner member, your pension may be subject to "abatement". Abatement will apply if your pension was awarded to you either on, or after the Normal Pension Age (NPA). If you are a Pre 2007 member the NPA is 60 or, if you are a Post 2007 member the NPA is 65. If you claimed your pension early before the NPA of 60 or 65 and were awarded an Actuarially Reduced pension abatement will not apply.

### Guaranteed Minimum Pension

Up to 6 April 1997, we had to provide you with a pension which is at least as good as the pension you would have built up through the State Earnings Related Pension Scheme (SERPS). This is known as the Guaranteed Minimum Pension.

Abatement is the reduction of a pension if your pension and re-employed earnings exceed your "salary of reference". Your salary of reference is the highest salary used to calculate your pension in the average salary period. "Pension" includes any mandatory or discretionary payments that your employer at retirement may be paying and when we make an assessment to see if your pension should be abated, these are included in the calculations we make. Your index-linked salary of reference minus the annual rate of pension payments equals the limit that your earnings may reach in the tax year before your pension is affected. If your earnings in the tax year exceed the limit, your pension will be stopped to prevent any overpayments being made to you which you later have to pay back

**Note:** If you work for Government in a different capacity, your pension may not be affected. Essentially, abatement only applies if you are being paid a pension and a salary from the same source. In other words if you were receiving a pension from the Scheme and later employed as a civil servant, it would not affect your pension.

**If you were retired on ill-health grounds and return to teaching your ill-health pension may be affected. It is your responsibility to notify us in writing immediately of any employment undertaken whilst in receipt of ill-health benefits. If you are considering doing this you should contact us before you take things further. Any overpayment of pension will have to be recovered.**



## Protection for you and your family

*The Scheme provides you and your family with valuable protection. Find out how ill health retirement and death benefits will work.*

### What happens if you are too ill to work?

If you are too ill to work, you may be able to retire. If the Scheme medical adviser confirms that your ill health permanently prevents you from carrying out the duties of your job, you may be eligible to retire early and take your pension and lump sum immediately.

### What ill health benefits can active members receive?

#### **Permanently unable to teach but able to do other work**

If you are assessed as being permanently unable to teach but can do other work up to your normal pension age, you may be eligible for accrued benefits, which are based on your accrued reckonable service.

#### **Permanently unable to teach and unable to do any other work**

If you are assessed as being both totally unable to teach or take up gainful employment, you may be eligible for enhanced (or Total Incapacity) benefits. This is in addition to the benefits based on your accrued reckonable service.

Enhancement:

- This is on top of your standard benefits.
- The maximum amount of enhancement you could get is half the service you could have completed before your normal pensionable age. If you've been barred from teaching and apply for ill health benefits, your case will be reviewed to determine whether benefits can be granted. If you're under investigation for misconduct but are not subsequently barred from teaching, your application will be backdated if it's accepted. Lastly, if you've already been awarded premature or actuarially adjusted retirement benefits you can't normally obtain ill health benefits.

### What ill health benefits can deferred pension members receive?

Only accrued benefits with no enhancement may be awarded.

Your application will be assessed using the criteria for total incapacity. That means you must be incapable of being able to teach and unable to undertake any other gainful employment.

### Terminal illness

If you have a life expectancy of less than a year, your ill health pension may be fully converted to a lump sum payment. However, you have to ask for this when you apply for ill health benefits because a pension can't be converted to a lump sum once it has come into payment. The lump sum payment will be approximately five times the annual pension. We will automatically convert the maximum amount of pension to lump sum.





## What happens when you die?

### Death in service benefits

If you die whilst in pensionable employment before you retire, the Scheme will pay:

» **A cash lump sum to your beneficiary**

The lump sum will be three times your average salary.

» **A short-term survivor pension**

To help with any immediate costs there are extra payments in the first few months following your death. The short-term survivor pension lasts for three months. It will be the same as your monthly Pensionable Pay at your date of death.

» **A long-term survivor pension**

If you have at least two years' Pensionable Service, a pension will be paid to your partner (spouse, civil or nominated) and dependent children on your death.

Members who have lived with their partner for more than 2 years are able to nominate their partner to receive family benefits after their death providing they meet certain requirements. A nomination form is available on the PSPA website [www.pspa.im](http://www.pspa.im). You must tell the PSPA if your partnership ends. After your death we will check to ensure that the nomination was still valid.

For surviving adults a long term pension is paid at the rate of 1/160th of your final average salary for each year of your survivor benefits service.

Members who are unmarried and not in a civil partnership may be able to nominate an unmarried or widowed parent, a step parent or an unmarried brother or sister to benefit from their pension after they death, but they must nominate them before they retire. However, if the member subsequently marries or forms a civil partnership or the nominee ceases to be dependent upon them because they die, or marry or for any other reason, the nomination becomes void.

### Children's pensions

Children born during the lifetime of the member, or within 12 months of their death are eligible to receive benefits. Children born to a previous partner, adopted children and unadopted but financially dependent children living with you as part of your family at the time of your death are also covered.

To be classed as a child they must be:

- » Under 17; or if over 17, have remained in full-time education, or been in training for a trade or profession for at least two years, without a break of more than one academic year, up to age 23 at the latest; or
- » Incapacitated and unable to earn a living due to ill health at the time of your death (a doctor will need to confirm this and tell us about any benefits they may be receiving).
- » Children must be unmarried and not living in a civil partnership.

Children's pensions are based on all pensionable service under the Scheme from 1<sup>st</sup> April 1972.



Children receive 50% of a survivor's pension each, up to maximum of 100% for two or more children. A higher rate of service may be applied if there is no adult dependant's pension payable.



### >> Example – death benefits for your partner or children

Ben dies at age 45 with Pensionable Service of 20 years and an average salary of £25,000. He leaves a spouse and two children. The protection they will receive is shown below:

#### Long-term survivor's pension

$$\frac{20 \times \pounds 25,000}{160} = \pounds 3,125 \text{ (annual pension)}$$

#### Children's pension

$$\frac{20 \times \pounds 25,000}{160} = \pounds 3,125$$

This is the total amount of annual pension which could be paid, which would then be divided equally between each child. If there were more than 2 children the annual pension would remain the same, but divided equally amongst each of the children. If there was only one child they would receive half this amount and the calculation would be:

$$\frac{20 \times \pounds 25,000}{320} = \pounds 1,256.50$$

If there was no adult pension payable, a higher rate of service may be applied. The calculation for one child would be:

$$\frac{20 \times \pounds 25,000}{240} = \pounds 2,083.33$$

For two (or more) children it would be:

$$\frac{20 \times \pounds 25,000}{120} = \pounds 4,166.66 \text{ (equally divided between each of the children).}$$

### Death after retirement benefits

If you die after you've retired, the Scheme may pay:

#### » A cash lump sum to your beneficiary

If you die within the first five years of your retirement date, a lump sum may be payable.

#### » A short-term survivor pension

The short-term survivor pension usually lasts for three months. It will be the same as the monthly pension being paid at your date of death.

#### » A long-term survivor pension



Paid at the rate of 1/160<sup>th</sup> of your final average salary for each year of family benefits service. Providing all of your service counts towards family benefits, the pension will be half the pension earned up to the date of your death, however it will be commensurately less if only part of your service covers you for family benefits. If you die in service, the survivor pension may be increased by allowing service enhancement to count for family benefit

» **A child's pension**

Payable at the same rate as described on the previous page.

**Death whilst a deferred member**

If you die whilst you're a deferred member (e.g. you have stopped working as a teacher but have not yet retired) and have at least two years pensionable employment, the Scheme will pay:

» **A cash lump sum to your beneficiary**

The lump sum will be calculated based on either:

- a) Your retirement lump sum accrued to date; or
- b) your pension contributions, plus interest at 3% if there is no adult pension payable.

» **A long-term survivor pension**

Long-term pensions for adult survivors are paid at the rate of 1/160 of the final average salary for each year of your survivor benefits service.

If all your service counts for survivor benefits, the pension will be half the pension you have earned up to the date of your death. If only part of your service is covered for survivor benefits, the pension will be less.

If you don't have two years pensionable employment your beneficiaries will receive your pension contributions, plus interest at 3%.

Payment of a children's pension will stop when the recipient stops being a child. To be a child, they must be under 17 or 17 or over and under 23 if undergoing full time education or in training for a trade or profession for at least two years, without a break of more than one academic year.

**Don't forget to nominate your beneficiaries**

To ensure your benefits go to the right person if you die, it's important to nominate your beneficiaries and keep them up to date. If you are married, in a civil partnership or have a surviving nominated partner they will automatically receive your death grant, unless you nominate someone else. If there is no adult beneficiary or death grant nominee we will pay the death grant lump sum to your estate.

**How to make your death benefit nominations**

You must complete a death benefit nomination form to make your nominations. You can download the form from the website at [www.pspa.im](http://www.pspa.im)

Please make sure that you keep it up to date and that you send the PSPA a new form if your circumstances change.

The nomination will remain valid unless you change or cancel it, or if the person you nominated dies.



If you separate from a partner who you are neither married nor in a civil partnership with and you had nominated them as a beneficiary, the nomination will remain valid. You will, however, be able to change the nomination or cancel it, if you want.

Important note: At the time of a divorce or dissolution, a court may order that all or part of the death benefit must be paid to the ex-husband, ex-wife or ex-civil partner. If this is the case, we will pay any balance to the person you nominated (nominee) or to your personal representative.

### Pensions and divorce

If you get divorced, you and your ex-partner may decide to offset any pension benefits that either party may have against other assets, such as your joint home. However, sometimes a Pension Sharing Order will be enforced. This splits the pension benefits which you built up between you and your ex-partner. The way in which they are divided depends on your status and whether you are a:

- » Active member
- » Deferred member
- » Pensioner member

Information about Pension sharing can be found in the Pensions and Divorce factsheet on the website at [www.pspa.im](http://www.pspa.im)

## Other information

### Actuarial Reduction Factors

#### Pension and Lump Sum Factors for NPA 65 members (Post 1 January 2007 Joiners)

Ages in years and complete months at date of early retirement

	0	1	2	3	4	5	6	7	8	9	10	11
55	0.613	0.616	0.618	0.620	0.623	0.625	0.627	0.630	0.632	0.635	0.637	0.639
56	0.642	0.644	0.647	0.649	0.652	0.654	0.657	0.660	0.662	0.665	0.667	0.670
57	0.672	0.675	0.678	0.680	0.683	0.686	0.688	0.691	0.694	0.696	0.699	0.702
58	0.705	0.707	0.710	0.713	0.716	0.719	0.722	0.725	0.728	0.730	0.733	0.736
59	0.739	0.742	0.745	0.748	0.751	0.754	0.757	0.760	0.764	0.767	0.770	0.773
60	0.776	0.779	0.782	0.786	0.789	0.792	0.795	0.799	0.802	0.805	0.809	0.812
61	0.815	0.819	0.822	0.826	0.829	0.833	0.836	0.840	0.843	0.847	0.850	0.854
62	0.857	0.861	0.865	0.868	0.872	0.876	0.880	0.883	0.887	0.891	0.895	0.898
63	0.902	0.906	0.910	0.914	0.918	0.922	0.926	0.930	0.934	0.938	0.942	0.946
64	0.950	0.955	0.959	0.963	0.968	0.972	0.976	0.981	0.985	0.989	0.994	0.998



## Pension and Lump Sum Factors for NPA 60 members (Pre 1 January 2007 Joiners)

Ages in years and complete months at date of early retirement

	0	1	2	3	4	5	6	7	8	9	10	11
55	0.794	0.797	0.800	0.803	0.806	0.809	0.812	0.815	0.818	0.821	0.824	0.827
56	0.830	0.834	0.837	0.840	0.843	0.847	0.850	0.853	0.856	0.860	0.863	0.866
57	0.869	0.873	0.876	0.880	0.883	0.887	0.890	0.894	0.897	0.900	0.904	0.907
58	0.911	0.915	0.918	0.922	0.926	0.929	0.933	0.937	0.940	0.944	0.948	0.951
59	0.955	0.959	0.963	0.967	0.971	0.975	0.979	0.982	0.986	0.990	0.994	0.998

### Disagreements and complaints procedures

If you have a complaint about the Scheme benefits or scheme administration, and you have not been able to sort it out with the pensions administration team at the PSPA, you can ask them for a written explanation of their decision under the Internal Dispute Resolution (IDR) procedures.

If, after receiving their decision, you still feel that you have a valid complaint, you (or someone representing your interests, such as a friend or trade union) can appeal to the PSPA. You must do so within six months of the date of the first stage decision.

Details of the IDR procedures can be found on the Contact Us page of the website at [www.pspa.im](http://www.pspa.im)

### Isle of Man Pensions Ombudsman

The Isle of Man Pensions Ombudsman has the power to investigate and make decisions about complaints or disagreements in relation to occupational pension schemes. He can investigate any complaint about the injustice as a result of poor administration or questions of fact and law. He will expect you to have used the IDR procedures before he will investigate any complaint himself. Contact details for the Isle of Man Pensions Ombudsman can be found in the IDR procedures on the PSPA's website.

### The Public Sector Pensions Authority (PSPA)

The Scheme is managed and Administered by the Public Sector Pensions Authority 'PSPA'.

The Scheme is made under the Public Sector Pensions Act and the PSPA may amend the scheme's provisions from time to time by laying an amendment scheme before Tynwald. The PSPA can only make changes after consultation with the scheme members, proposed members, their representatives, their employers and Treasury.

### State benefits

To help support your income, the Government will also provide you with a State pension when you retire.

The pension payable from the State is made up of two parts – the Basic State Pension and the additional earnings-related pension (called the Second State Pension or S2P). The State pension is paid from State Pension Age and increases each year in line with inflation.

The minimum retirement age in the Scheme is age 55. If you plan to retire at this age, please make sure you consider whether you will have enough income to support yourself until your State pension starts.



Your membership of the Scheme does not affect your entitlement to the Basic State Pension. However, you may not be entitled to the earnings-related element as the Scheme is contracted out of the S2P.

Knowing how much State pension you will receive is an important part of your retirement planning.

Visit [www.gov.im/socialcare](http://www.gov.im/socialcare) to find out how much you might receive.

## Tax and pensions

### Tax relief on your pension contributions

The contributions you make towards your pension are taken out of your pay before tax is applied (i.e. using your gross pay). This helps reduce the income tax you pay on your salary and ensures you receive tax relief on your contributions. Ultimately, this means that your pension contributions won't reduce your take home pay as much as you might think.



#### >> Example – tax relief

Jan earns £30,000 a year (£2,500 each month). Her Scheme contribution rate is 7.9% or £197.50 each month. However, Jan pays tax at the higher rate, so she will get tax relief at 20%. This means the real cost to Jan is:

$$\boxed{\text{£197.50}} - \boxed{\text{£39.50 (i.e. 20\% of £197.50)}} = \boxed{\text{£158.00}}$$



## Find out more

### Where can I go for help?

Contact the Public Sector Pensions Authority

- » Website: [www.pspa.im](http://www.pspa.im)
- » Email: [pensions@pspa.im](mailto:pensions@pspa.im)
- » Write to us: Public Sector Pensions Authority  
3<sup>rd</sup> Floor, Prospect House  
27-29 Prospect Hill, Douglas,  
ISLE OF MAN IM1 1ET

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.

### Do you need financial advice?

Please note that we can't give you financial advice. If you need financial advice you can speak to an independent and authorised financial 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. You will be responsible for paying any costs associated with this advice.

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

### Data Protection

The Public Sector Pensions Authority will use any information you provide in connection with the Scheme to administer and operate the Scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the Scheme. The PSPA may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public money, the PSPA may use information it holds to prevent and detect fraud. It may also share information with other organisations that handle public funds. More information can be found in the PSPA Privacy Notice which is on the website at [www.pspa.im](http://www.pspa.im)