Isle of Man Government
Unified Scheme

Member guide for Section 7 Firefighters
June 2018

You can use this guide to:

- Understand the benefits of the Unified Scheme.
- Find out how much you could receive when you retire.
- See what protection your loved ones could be eligible for.

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 Isle of Man Government Unified Scheme 2011 (the Unified Scheme) in Section 7 (firefighters). We recommend that you take time to read and understand the benefits the Unified Scheme can provide for you, both before and after retirement. This guide only applies to firefighters.

Data Protection

The Public Sector Pensions Authority will use any information you or your employer provide to us in connection with the Unified Scheme to administer and operate the Unified Scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the Unified 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

Contents

Use these key questions to navigate your way through this guide and understand your benefit provisions:

Disclaimer

Where we use technical terms, we aim to explain them in the jargon buster on page 3. This document is a guide only and does not represent any entitlement to the benefits described. Whilst the Isle of Man Government has every intention to maintain the Isle of Man Government Unified Scheme 2011 'the Unified Scheme' in a form as described in this guide, it reserves the right to modify, amend or terminate the Unified Scheme at any time in the future. The definitive terms governing the Unified Scheme are contained in the regulations. 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. The Public Sector Pensions Authority (PSPA) will not accept any responsibility for any errors, omissions or inaccuracies.

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 Section 7 member your accrual rate is 2.23%, so for each year of service you earn 2.23% of your Final Pensionable Pay. A member retiring after 30 years with a Final Pensionable Pay of £30,000 will therefore receive a pension of 30 X 2.23% X £30,000 = £20,070. See pages 10 and 11 for details.

Cash lump sum

When you retire you can choose to take a one-off cash lump sum on top of a regular pension income. To do this, you generally give up some of your pension.

Contribution rates

This is the percentage you pay to be a member of the pension scheme (as a proportion of your Pensionable Pay). The contribution rates described in this guide are those that applied from the date the Unified Scheme was introduced on 1 April 2012 and amended from 1 April 2017 and 2018. However, the scheme includes a cost-sharing mechanism and these rates could change in the future.

Comparable job

This applies to ill-health benefits. The employer and Scheme Medical Adviser will consider what skills are required for you to undertake your current job and what skills may be transferable to an alternative/comparable job. It's considered less likely that individuals with specific skills in their current job (particularly qualifications or experience) would be able to undertake a comparable job. An appropriate measure may be that at least 80% of the skills required to undertake the current job must be transferable. See page 22 for details.

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 Unified Scheme and has deferred (also known as preserved) benefits. We will preserve the pensionable pay and service you have built up if you leave the scheme before pension age (we will only do this if you have built up more than two years' qualifying service.) Deferred benefits can be paid from age 60.

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).

Dependant children

Children who are financially dependent on you and who are:

- under 18;

- receiving full-time education or vocational training (up to age 23); or
- permanently incapacitated and unlikely to be able to earn a living.

Existing Member

A current active member, who transferred to the Unified Scheme from an eligible previous scheme on 1 April 2012. You would have had your past service converted into the Unified Scheme. See page 26 for details.

Existing Deferred Member

A member who had their deferred pension benefits transferred from an Existing Scheme to the Unified Scheme on 1 April 2012. See page 26 for details.

Final Pensionable Pay

The pay used to work out your benefits. In a defined benefit pension scheme your benefits are calculated when you retire using your salary near retirement. This is known as your Final Pensionable Pay. The amount used to calculate your Final Pensionable Pay in the Unified Scheme is the annual average of the best three consecutive years' pay in the last 13 years, revalued by the increase in inflation. See Final Pensionable Pay Factsheet for more information.

Firefighter

For the purposes of eligibility to the Unified Scheme, a firefighter is any person permanently employed for the purposes of firefighting or whose duties relate wholly or mainly to firefighting.

Gainful Employment

A job that pays annual earnings that are equal to or exceed the higher of:-

a) 20% of the rate of annual earnings applicable to the Member on the day before the first day of relevant sickness absence, increased, in respect of each 12 month period after that date, in line with the Index; and

(b) the annual rate of the lower earnings limit determined by Treasury from time to time

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 IOM 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 Unified 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. Every three years the scheme actuary has to confirm that the Unified Scheme has passed this test.

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.

Normal Pension Age

This is generally the earliest age you can retire from active service and take your benefits without any reduction for early payment. Under the Unified Scheme you can choose when you want to retire (generally between 50 and 75) and your benefits will be adjusted accordingly. Please note this differs from your Contractual Retirement Age.

Pensionable Service (also known as Reckonable Service)

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.

Qualifying service

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

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. It is currently 65 for men. For women, it will increase to 65 over the years 2010 to 2020.

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 value of your built up pension rights within a pension scheme that may be used to transfer benefits from that scheme to another state or occupational pension scheme.

How does your pension work?

Your Unified Scheme 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 as a firefighter in Section 7.

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 Unified Scheme work?

The Unified Scheme is a defined benefit pension scheme and this is the same style of scheme as the previous Isle of Man public sector schemes. Both you and the Isle of Man Government will contribute money towards the retirement benefits you receive.

What benefits will the Unified Scheme provide?

When you retire you will receive a pension (e.g. a regular retirement income) and an optional cash lump sum. The amount you receive will be based on your pay and how long you have worked for the Isle of Man public sector. So, unlike a bank account, your total savings aren't calculated based on how much money you contribute.

Annual Unified Scheme pension + **Lump sum** + **State pension**

Under the Unified 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;
- pay a contribution rate of 11%, increasing to, or for new members starting from 13.50%;
- receive valuable life cover; and
- receive protection for your family.

Your pension in Section 7 of the Unified Scheme pension is calculated on a final salary basis.

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's 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 benefits.

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.

Currently, the Basic State Pension could provide up to £6,203.60 each year, so Ben would need an annual pension of £9,796.40 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 Section 7?

Only certain firefighters in the Isle of Man Government have access to Section 7 of the Unified Scheme. Here's where you can find out how to join and what your options are if you're eligible.

Which section of the Unified Scheme can you join?

From the 1 April 2012, the Isle of Man Government Unified Scheme was introduced and Existing Members of 15 public sector schemes were given the choice to join the Unified Scheme and become a member either the Standard Section or their Protected Section.

Members from the Firemen's Pension Scheme 1980 and Airport Firemen's Superannuation Scheme 1989 joined Section 7 of the Unified Scheme.

From 1 April 2012 all new firefighters will also join Section 7.

Important note: Only members who are employed as a permanent firefighter are eligible for membership of Section 7.

What counts towards your membership?

As described on page 10, the final pension benefits you receive are based on how long you have worked for the Isle of Man public sector (this is called your Pensionable Service).

Your membership of the Unified Scheme starts from your first day of employment. For every day you work, you will build up a day of Pensionable Service in the Unified 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 employments, you will be enrolled into the Unified Scheme for each employment.

This means you will hold a separate membership record for each of your employments and each membership will be treated separately when we calculate your retirement benefits.

It's important to note that the total benefits you can build up under two or more concurrent employments will be limited to what you could build up under one full-time membership. The PSPA will adjust the benefits payable to you accordingly.

You cannot receive your benefits until all of your active memberships have stopped.

Can you opt out of the Unified Scheme?

You can opt out of the Unified Scheme. However, we recommend that you think very 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. 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

There is more information on page 16 about what happens to the pension benefits you may have built up if you choose to opt out now.

Can you opt back into the Unified scheme?

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

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

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 Unified Scheme.

You can transfer your benefits at any time, as long as you're an active contributing member of the Unified Scheme. To transfer your benefits, simply complete our transfer in request form available on the website at 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 Unified 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 Unified Scheme does not participate in the Public Sector Transfer Club arrangements.

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

Your benefits under the Unified Scheme

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

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

When you retire you can choose to take an annual pension and a one-off cash lump sum of up to 30% of the value of your pension.

You take a one-off cash lump sum by exchanging some of your annual pension for cash. This cash lump sum can currently be taken tax-free.

How does your pension grow in the Unified 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; and
- how much your salary grows between now and retirement

How are your benefits calculated?

Your annual pension

When you retire, you will receive a percentage of your Final Pensionable Pay for each year of Pensionable Service (this is known as your growth rate). Please note that pension accrued from your pensionable service from 1 April 2017 up until your last day of service will be reduced by 6% (x 94%).

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

Your annual pension will be calculated as follows:

Section 7 growth rate of 2.23% x **Your Final Pensionable Pay** x **Your Pensionable Service** = **Annual pension**

Please refer to the jargon buster at the beginning of this guide for more information on how we calculate these important elements.

>>Example – calculating a pension in Section 7

The example below shows how this would work for Bob – a member of Section 7. Bob retired at age 55 after 30 years' Pensionable Service. 5 years of this service was accrued after 1 April 2017. His Final Pensionable Pay is £40,000. This means his pension would be:

Pension for Service to 31 March 2017

2.23%	**X**	**£40,000**	**X**	**25**	**=**	**£22,300**

Service from 1 April 2017

2.23%	**X**	**£40,000**	**X**	**5**	**X 94%**	**£4,192**

Total Pension per year

£22,300	**+**	**£4,192**	**=**	**£26,492**

Your pension in the Unified Scheme, before you take any lump sum, will be subject to a maximum overall limit of 66.9% of Final Pensionable Pay. In this example, Bob is within the 66.9% limit because his pension of £26,760 is just under 66.9% of his Final Pensionable Pay.

Your cash lump sum

You also have the option to exchange part of your annual pension for a one-off cash lump sum. To take a cash lump sum you will need to give up some of your pension.

You can choose to exchange up to 30% of your pension value for a lump sum at variable rates. The variance in the rates is dependent on your age at retirement and whether or not you have special protection of commutation rates if you were within 7 years of age 55 as at 1 April 2012.

"Your pension in the Unified Scheme, before you take any lump sum, will be subject to a maximum overall limit of 66.9% of Final Pensionable Pay."

How do you exchange your pension for lump sum?

To work out what 30% of your pension value is, we use the following formula:

Your annual pension	**X**	**6**	**/**	0.7 + (6/Commutation Rates)	**=**	**Maximum lump sum**

The commutation rate we use is determined by your age at retirement (but may be different for those with additional protection – see page 12):

- If you are aged 55 or over the commutation rate will be £18.
- If you are under aged 55 or have protected commutation rates then the commutation rates are shown on pages 12 and 13.

>> Example – taking a lump sum at age 55

The example below shows each stage of the calculation for Bob, a member who is 55 and will have a commutation rate of £18 (see page 12) and an annual pension of £26,492.

£26,492	**X**	**6**	**/**	0.7 + (6/£18)	**=**	**£153,824 maximum lump sum**

What are the lump sum commutation rates?

Do you want to retire between age 50 and 55?

If you are aged over 50 but below age 55 when you retire, your lump sum is exchanged using the rate shown below. For every £1 of pension you give up, you will receive the relevant amount stated below. For example, at age 54, you will receive £18.20 for every £1 of annual pension you give up.

The maximum you can take is dependent on your age at retirement.

Years	Age in years and completed months on day pension commences											
	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
50	19	18.98	18.97	18.95	18.93	18.92	18.90	18.88	18.87	18.85	18.83	18.82
51	18.8	18.78	18.77	18.75	18.73	18.72	18.7	18.68	18.67	18.65	18.63	18.62
52	18.6	18.58	18.57	18.55	18.53	18.52	18.5	18.48	18.47	18.45	18.43	18.42
53	18.4	18.38	18.37	18.35	18.33	18.32	18.3	18.28	18.27	18.25	18.23	18.22
54	18.2	18.18	18.17	18.15	18.13	18.12	18.1	18.08	18.07	18.05	18.03	18.02

Do you want to retire after age 55?

If you are aged 55 or above when you retire, you will receive £18 cash for every £1 of pension you give up.

Protection of higher commutation rates for eligible members

You may be eligible for protection of a higher commutation rate if you were born on or before 1 April 1964 and are able to build up 30 years of Pensionable Service before age 55. To be eligible, you must have been a member of the scheme on 1 April 2012 and have written confirmation from the PSPA.

On transfer of service from the former Firemen's Pension Scheme 1980 and Airport Firemen's Scheme 1989 into the Unified Scheme, the PSPA ensured that the group of members who might satisfy the above criteria would not be disadvantaged.

The commutation rates to be applied to this group are in the table on page 13. For more information read the PSPA Member Notice dated 13 December 2012.

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
Below 50	23.4											
50	22.4	22.3	22.3	22.3	22.3	22.2	22.2	22.2	22.2	22.1	22.1	**22.1**
51	22.1	22.0	22.0	22.0	22.0	21.9	21.9	21.9	21.9	21.8	21.8	**21.8**
52	21.8	21.7	21.7	21.7	21.7	21.6	21.6	21.6	21.6	21.5	21.5	**21.5**
53	21.5	21.4	21.4	21.4	21.3	21.3	21.3	21.3	21.2	21.2	21.2	**21.1**
54	21.1	21.1	21.1	21.0	21.0	21.0	21.0	20.9	20.9	20.9	20.9	**20.8**
55	20.8	20.8	20.8	20.7	20.7	20.7	20.6	20.6	20.6	20.5	20.5	**20.5**
56	20.4	20.4	20.4	20.4	20.3	20.3	20.3	20.2	20.2	20.2	20.1	**20.1**
57	20.1	20.0	20.0	20.0	19.9	19.9	19.9	19.8	19.8	19.8	19.7	**19.7**
58	19.7	19.6	19.6	19.6	19.5	19.5	19.5	19.4	19.4	19.4	19.3	**19.3**
59	19.3	19.2	19.2	19.2	19.1	19.1	19.1	19.0	19.0	19.0	18.9	**18.9**
60	18.9	18.8	18.8	18.7	18.7	18.7	18.6	18.6	18.6	18.5	18.5	**18.5**
61	18.4	18.4	18.4	18.3	18.3	18.2	18.2	18.2	18.1	18.1	18.1	**18.0**
62	18.0	18.0	17.9	17.9	17.8	17.8	17.8	17.7	17.7	17.7	17.6	**17.6**
63	17.5	17.5	17.5	17.4	17.4	17.4	17.3	17.3	17.2	17.2	17.2	**17.1**
64	17.1	17.1	17.0	17.0	16.9	16.9	16.9	16.8	16.8	16.8	16.7	**16.7**
65	16.6											

How much pension will you have left when you take a lump sum?

If you decide to take a lump sum, you must commute or '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:

Annual pension - **(Lump sum / Commutation rate)** = **Residual pension**

>> Example – taking a lump sum in Section 7

Bob takes a one-off cash lump sum of £153,824 which is the maximum he is allowed. This means his annual pension would be reduced as follows:

£26,492	-	**(153,824/£18)**	=	**£17,946 annual pension**

>> Example – taking a lump sum in Section 7

You have the flexibility to have any combination of pension and lump sum (up to the maximum). If Bob chose to take £70,000 as a lump sum, his annual pension would be reduced as follows:

£26,492	-	**(£70,000 ÷ £18)**	=	**£22,603 annual pension**

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

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

This annual statement will show you the expected pension and lump sums assuming you retire when you reach age 50 and 55.

Pension benefit statements are an important tool to help you plan for your retirement and to check that the personal information we hold 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 30.

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 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:

> "Pension benefit statements are an important tool to help you plan for your retirement"

- » how much you contribute;
- » the performance of the 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 Unified Scheme contributions. For further information, please refer to our website www.pspa.im

How much does the Unified Scheme cost?

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

Who pays for the Unified Scheme?

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

As a member of the Unified Scheme, you will pay a percentage of your Pensionable Pay and the Isle of Man Government meets the rest of the cost. The contributions you make go towards the cost of your benefits and the 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 29 for details.

How much do you need to pay?

What you contribute depends on when you started contributing to the Unified Scheme.

If you started contributing to the Unified Scheme before 1 April 2017 and are a member of Section 7, the contribution rate is 11% but will increase to 13.5% of your pensionable pay from 1 April 2018. The increases will be limited to no more than 1% each year from 1 April 2018.

If you are in this group, then your contributions will increase up to 13.5% as follows:

1 April 2018 – 11%

1 April 2018 – 12%

1 April 2019 – 13%

1 April 2020 – 13.5%

If you join the Unified Scheme and Section 7 on or after 1 April 2017 your contribution rate will be 13.50% of your pensionable pay.

Your options when you leave the Unified Scheme

Your options when you leave the Unified Scheme will depend on how long you have been contributing to the Unified Scheme and whether you are simply changing jobs.

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

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

If you leave with less than three months' service

If you leave with less than three months' Pensionable Service in the scheme, you will receive a refund. This refund will include any contributions you made to your pension (less tax).

If you leave with more than three months' service but less than two years' service

Provided you have not transferred in service from another pension scheme and if you leave having completed more than three months' Pensionable Service but less than two years' Pensionable Service, you can choose to:

» request a refund of your benefits in the scheme; or

» transfer your benefits to your new employers pension arrangement.

If you leave with two or more years' service

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 your new employers pension arrangement.

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

Transfers to personal pension arrangements are not permitted from this scheme. Further information can be found in the Transfer Out Factsheet on our website. To transfer your benefits, simply complete the Transfer out request form available from the website at www.pspa.im within 12 months of the date you left the scheme.

Deferred (preserved) benefits within the Unified Scheme

If you choose to leave your benefits in the Unified Scheme, you will be entitled to a pension from the scheme when you retire (known as a deferred or preserved pension).

The deferred pension will be based on your Final Pensionable Pay 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.

You can claim your deferred (preserved) pension from age 60 up to age 75. However, you can take your deferred benefits before age 55 if you meet the following criteria:

- You suffer from poor health and are permanently unable to carry out any gainful employment. For further information on ill health read our Ill health factsheet available on the website at www.pspa.im
- You cannot work due to compelling personal reasons and do not have enough money to live on.

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

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

You will only be re-admitted to Section 7 if you re-join as a firefighter.

If you leave Section 7 and your firefighting post, but subsequently re-join the Unified Scheme, you will be admitted to the Standard Section (Section 1). Details of the benefits available under this section can be found in the Unified Scheme Member Guide.

Rejoining the Unified Scheme within five years

If you re-join Section 7 of the Unified Scheme after a break in service of five years or less, you can link your two periods of service together.

This means your benefits will be worked out in whichever of the following two ways gives you the highest benefits:

- your periods of membership will be added together and your total membership and Final Pensionable Pay will be used to work out your benefits; or
- the benefits you have earned for each period of membership will be worked out separately, revalued in line with inflation and then added together.

This option applies to deferred benefits, but you must select this within 12 months of rejoining to have your two periods of service linked.

Transferring your Unified Scheme benefits to another pension scheme

You can ask for a transfer payment to be made to your new employer's pension scheme. Please note transfers to certain pension arrangements, such a Personal Pension Plans or Self-Invested Personal Pension Plans are not permitted – read the Transfer Out Factsheet to find out more. The transfer payment will be equal to the cash value of your benefits.

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

- 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 Unified 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.

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

What happens when you retire?

The Unified Scheme gives you the flexibility to retire when it suits you and your financial situation. Here's where you can understand your options at retirement and the decisions you'll need to make.

When can you retire from the Unified Scheme?

You can generally choose to retire between age 55 and 75 (or from age 50 if you have at least 25 years' qualifying service). This is subject to any contractual restrictions and some members may be able to access their pension benefits earlier.

What do you need to do if you're planning to retire?

If you're planning to retire, 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 jobs to qualify for all your retirement benefits. If you have two or more concurrent employments, you must retire from all – see page 8.
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 Final Pensionable Pay and Pensionable Service worked in your final year.
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.
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 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.

Once we receive the completed form and all the required information, we can then make the necessary arrangements to settle your claim.

What's in your retirement pack?

Included is 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 Final Pensionable Pay.

For information on how your pension and lump sum are calculated – see pages 10 and 11.

Receiving your pension and lump sum

How is your pension paid?

All Unified Scheme pensions are paid by Payroll Shared Services, Treasury. 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 Shared Services 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;
- 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 two weeks after your retirement date.

Pension increases each year

Unified Scheme 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.

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

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%.

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.

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.

Who will pay the increases?

If your pension includes a Guaranteed Minimum Pension (GMP) the cost of paying increases is met by the Unified 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 Unified Scheme and the Department of Social Care (DSC) as explained in the table below. The Unified Scheme's share of the increases will be paid with your Unified 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 Unified 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 Unified 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

Unless you are in receipt of an ill health pension, your pension is not affected if you take up employment after retirement. If you are in receipt of an ill health pension, then please contact the PSPA and tell them if you return to work as your pension may be affected. If you're thinking about returning to employment with the Isle of Man Government you must tell your prospective employer that you have an Isle of Man Government pension when you apply for a new job. As a pensioner member, you may not be permitted to work for the Isle of Man Government and you are certainly not permitted to re-join the Unified Scheme. Please make sure you talk to your employer if you return to work and if you are re-employed make sure that they do not automatically place you in the Unified Scheme and deduct any contributions.

Protection for you and your family

The Unified 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 Unified 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?

There are two tiers of ill-health retirement and the benefits awarded will depend on whether or not you're capable of undertaking employment elsewhere.

The Lower Tier will give lower benefits, as you will be assessed as being able to return to work in some form of gainful employment after ill-health retirement. The Upper Tier gives a higher benefit as you will have been assessed as being incapable of returning to work in any form of gainful employment.

The criteria for each are below:

» **Lower Tier Pension:** If you're medically assessed as being unable to undertake the duties of your own or a Comparable Job having undertaken all appropriate medical treatment to reverse your condition, you will be entitled to early payment of retirement benefits based on your built up Pensionable Service (excluding any enhancement given on conversion of past service on transfer into the Unified Scheme on 1 April 2012 or subsequently on transfer between sections but including any past-service undertaking calculated by the actuary) to the date of your retirement.

» **Upper Tier Pension:** If you're assessed as being permanently incapable of any Gainful Employment (to age 55) through illness or injury following medical assessment and having undertaken all appropriate medical treatment to reverse your condition, you will receive an enhanced pension based on your expected Pensionable Service (excluding any enhancement given on conversion of past service on transfer into the Unified Scheme on 1 April 2012 or subsequently on transfer between sections but including any past-service undertaking calculated by the actuary) to age 55.

Enhancement can also be considered if you apply for benefits whilst on sick leave, maternity leave, paternity, parental or adoption leave, or a career break which immediately followed a period of pensionable employment.

What ill health benefits can deferred pension members receive?

If you have left pensionable employment, your service won't be enhanced if you retired on ill-health grounds. To qualify for ill-health benefits, you must be permanently unable to undertake any gainful employment (i.e. you must satisfy the criteria for Upper Tier Ill-Health benefits).

More information on ill health retirement can be found in the Ill health retirement factsheet on the website at www.pspa.im

What happens when you die?

Death in service benefits

If you die in service before you retire, the Unified Scheme will pay:

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

The lump sum will be three times your Pensionable Pay.

» **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 dependant children on your death. This will be equal to 1.11% of Final Pensionable Pay per year of Pensionable Service. Your Pensionable Service will be enhanced to equal the service you would have built up had you remained in service up to age 55 (or 30 years if less). Children will receive 50% of a survivor's pension each, up to maximum of 100% for two or more children. Benefits built up from service after 1 April 2017 will be reduced by 6%.

>> Example – death benefits for your partner or children

Ben dies at age 45 with Pensionable Service of 15 years (5 of which were after 1 April 2017 and Final Pensionable Pay of £45,000. He leaves a spouse and two children. The protection they will receive is shown below:

Long-term survivor's pension

10	**X**	**1.11%**	**X**	**£45,000**		**=**	**£4,995**	
5	**X**	**1.11%**	**X**	**£45,000**	**X 94%=**	**=**	**£2,348**	**+**
10	**X**	**1.11%**	**X**	**£45,000**	**X 94%=**	**=**	**£4,695**	**+**
					Total Pension		**£12,038**	

Children's pension

£12,038	**X**	**50%**	**=**	**£6,0019 per child**

Death after retirement benefits

If you die after you have retired, the Unified Scheme will pay:

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

If you die within the first five years of your retirement date, a lump sum will be paid of the balance of five years' pension payments at the rate of your annual pension at the time of death.

» **A short-term survivor pension**

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

» **A long-term survivor pension**

This will be the same as the survivor pension described under death in service benefits above, but without any enhancement to service.

>> Example – calculating the cash lump sum for your beneficiaries

Sarah's annual pension is £7,500 and she dies 11 months after retiring.

Her maximum benefit is:	5 x £7,500 = £37,500.
Less the pension instalments she has already received:	£6,875 (11 months' pension)
The cash lump sum to pay is:	£37,500 - £6,875 = £30,625

Death whilst a deferred member

If you die whilst you're a deferred member (e.g. you have stopped working for a Unified Scheme employer but have not yet retired) the Unified Scheme will pay:

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

The lump sum will be calculated based on your years of service, Final Pensionable Pay (revalued in line with inflation) and a growth rate of 2.23%.

» **A long-term survivor pension**

This will be equal to 1.11% of Final Pensionable Pay (increased in line with the inflation index to the date of death) for each year of Pensionable Service. A child's allowance may also be payable.

Long-term survivor pensions are payable for the life of the recipient and will not stop on re-marriage or co-habitation.

Payment of a children's pension will stop when the recipient stops being a child. To be a child, they must be below age 18 or below age 23 if undergoing full time education.

Have you purchased Additional Death Benefits?

If you previously purchased Additional Death Benefits, a pension equivalent to 50% of your extra pension is paid as a survivor pension.

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.

You can nominate anyone (including a child, and / or an organisation) to receive the death benefit lump sum. The advantage of making a nomination is that we can then pay the benefit without delay.

If you do not nominate anyone, we will pay the lump sum to your personal representative.

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

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. The one exception to this is when you nominate your husband, wife or civil partner and the marriage/civil partnership comes to an end, through divorce/ dissolution (but not separation). The nomination is then no longer valid and you should make a new nomination.

If you separate from a partner who you are neither married to 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.

What happens if you injure yourself at work?

If you have suffered an injury or contracted a disease whilst undertaking your duties at work, then you may be eligible to apply for an injury award as provided for under the Public Sector Injury Benefits Scheme 2015. This scheme provides an annual income if you suffer a temporary or permanent loss of earning ability. Further information can be found in the Rules of the Public Sector Injury Benefits Scheme 2015 on the website at www.pspa.im

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 will depend on your status and whether you are a:

- An Active member
- A Deferred member
- A Pensioner member

Information about Pension sharing can be found in the Pensions and Divorce factsheet on the website at www.pspa.im

Understanding Existing Member benefits

Existing Members were transferred into the Unified Scheme when it was introduced on 1 April 2012. Here's where you can find information on how your pension benefits were protected and converted when your pension rights were transferred.

Were your benefits transferred to the Unified Scheme on 1 April 2012?

Existing Members are the names we give active members, who joined the Unified Scheme on 1 April 2012, when 15 of the Isle of Man Government's public sector schemes formed the Unified Scheme.

If you're an Existing Member, the benefits you built up in your previous schemes were transferred into the Unified Scheme when it was introduced. To do this, we converted these benefits into an equivalent value in the Unified Scheme to ensure you didn't miss out.

How was past service converted?

Your benefits were converted based on the service you had built up to 1 April 2012. This was how many years and days of Pensionable Service you had built up in your previous scheme before this date.

A conversion factor (i.e. an exchange rate) was used to convert your previous benefits into Section 7. This conversion factor essentially gave you a certain number of years and days in the Unified Scheme for every year and day of service you had built up in your previous scheme.

The conversion factor applied depends on whether you could achieve 30 years of membership before your 55th birthday or not:

- If you could achieve 30 years of membership before your 55th birthday: You got a year for year credit in the Unified Scheme for your service at 1 April 2012.
- If you could not achieve 30 years of membership before your 55th birthday: Individual conversion factors applied that allow for your potentially shorter service at age 55.

You also have an equal credit for your service in the Unified Scheme which will provide a survivor's pension that is broadly equal to your current scheme.

What's a conversion factor?

This is really just a value (e.g. a number) given for your benefits. You could look at it a bit like an exchange rate you would get when you convert your money to go overseas. We set an exchange rate that ensured benefits were transferred into the Unified Scheme fairly and nobody missed out.

How do you know what service was converted for you?

You would have received a benefit statement in May 2013, which would have confirmed to you the total number of years and days transferred into the Unified Scheme up to and including 31 March 2012.

If you need a copy of that statement, please request this by emailing pensions@pspa.im

What happened to your added years and additional pension?

Added years

If, on 1 April 2012, you were paying extra pension contributions towards added years and decided to stop these, the benefits you purchased would have been converted into the Unified Scheme too, in the same way as shown above.

If, on 1 April 2012 you opted to continue to pay extra contributions, your agreement would have been carried forward into the Unified Scheme to provide you with the same additional service as you would have expected to receive in your previous scheme.

Added pension

If, on 1 April 2012 you were buying additional pension, you would have been able to continue to buy the same amount in the Unified Scheme.

If you opted to stop paying for additional pension, the extra amount you had purchased would have been calculated and will be available for you when you retire. If you retire before the date it would have been paid, it may be reduced.

Other information

Disagreements and complaints procedures

If you have a complaint about Unified 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 Procedures (IDRP).

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 IDRP can be found on the Contact Us page of the website at 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. The Ombudsman can investigate any complaint about the injustice as a result of poor administration or questions of fact and law. The Ombudsman will expect you to have used the IDR procedures before any complaint is investigated. The Isle of Man Pensions Ombudsman can be contacted via email at ombudsman@pensions-ombudsman.im

The Public Sector Pensions Authority (PSPA)

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

The Unified Scheme was set up 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 Unified Scheme is age 55 (or from age 50 if you have at least 25 years' qualifying service). 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 Unified Scheme does not affect your entitlement to the Basic State Pension. However, you may not be entitled to the earnings-related element as the Unified Scheme is contracted out of the S2P.

Employers who provide schemes that are contracted out have reference numbers. The following numbers are relevant to your employment.

- Employer's contracting-out number: E3700001X
- Scheme's contracting-out number: S2800067D

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

Visit 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 in the Standard Section

Jan earns £30,000 a year (£2,500 each month). Her Unified Scheme contribution rate is 5% or £125 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:

£125	**-**	**£25 (i.e. 20% of £125)**	**=**	**£100**

Find out more

Where can I go for help?

Contact the Public Sector Pensions Authority

- Website: www.pspa.im
- Email: pensions@pspa.im
- Write to us: Public Sector Pensions Authority, 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 and a list of advisers is provided on the website.

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."