

Isle of Man Government Unified Scheme

Supplementary guide for practitioners

June 2018

You can use this guide to:

- » Understand the benefits for practitioners.
- » Find out how much you could receive when you retire.
- » Supplement the information in the main Unified Scheme member guide.



**Isle of Man
Government**

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About this guide

This supplementary member guide is for Practitioner Members only, to explain how pensions for practitioner service are calculated. This guide should be read in conjunction with the Unified Scheme member guide. If you are a Practitioner (General or Dental) you will have membership of a Career Average Revalued Earnings (CARE) section (Sections 1, 5 or 6) of the Unified Scheme. This means the growth of your pension benefits in these sections are calculated differently to other Unified Scheme members. If you are a Practitioner who also works as an officer, you may have a pension earned on a final salary basis as well as on a CARE basis. Any pensionable work undertaken as an officer will be recorded and paid separately, under either one of the Unified Scheme final salary sections 1, 2 or 4. You should read the Unified Scheme member guide for details on how your pension is worked out in these sections. Unless stated in the supplementary guide, all Unified Scheme benefit provisions covered in the member guide will apply.

Data Protection

The Public Sector Pensions Authority will use any information you provide 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 headings to navigate your way through this guide and understand your benefit provisions:

| | |
|---|-----------|
| » Jargon buster | 3 |
| » Understanding your CARE benefits | 4 |
| » Existing benefits for Practitioner Members | 6 |
| » Other information | 9 |
| » Find out more | 10 |

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.



Jargon buster

Some of the words used in this supplementary guide may not be words you hear every day or those covered in the main Unified Scheme member guide. Here's an explanation of some of the tricky ones.

Growth rate (or accrual rate)

This is the rate by which an employee earns pension benefits. For example, if your growth rate is 1.63% then for each year of service you earn 1.63% of your Final Pensionable Pay. So a person retiring after 40 years with a Final Pensionable Pay of £30,000 will therefore receive a pension of $40 \times 1.63\% \times £30,000 = £19,560$.

CARE Pensionable Pay or Career Earnings

The pay used to work out your benefits. In the CARE sections, this is used to refer to your final 'career average revalued earnings'.

Where benefits are based on CARE, they will be based on the average of total pensionable earnings whilst you are/were a member of the pension scheme (as a Practitioner), and revalued to the date you leave service or retire.

This is achieved by recording your pensionable Practitioner earnings for each year of membership in the Scheme and applying a revaluation factor. The revaluation factor used is 1.5% above the amount of the annual increase due under the Pensions Increase Act. The resulting figure is known as your Revalued Earnings. An example of how we calculate this is shown on page 5.

Existing Practitioner Member

A current active Practitioner member, who transferred to the Unified Scheme from either the NHS Superannuation Scheme 2007 or the NHS Pension Scheme 2008 on 1 April 2012. If you fall into this category you would have had your past service converted into the Unified Scheme – see page 6.

CARE Final Pensionable Pay

This is the total revalued earnings throughout your practitioner service divided by your Pensionable Service. For death in service lump sums it is the average of your last three years' earnings.

Normal Pension Age

This is generally the earliest age you can retire and take your benefits. Under the Unified Scheme you can choose when you want to retire (generally between 55 and 75) and your benefits will be adjusted accordingly.

Pensionable Service or Reckonable Service

The total number of years and days which count towards your benefits in the Unified Scheme. Your Pensionable Service may be different to the length of time you have worked and contributed to the Unified Scheme (e.g. if you have 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.



Understanding your CARE benefits

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. You can receive £18 of lump sum for each £1 of annual pension you exchange. This cash lump sum can currently be taken tax-free.

How does your pension grow in the Unified Scheme?

As a Practitioner member of a defined benefit pension scheme, your pension savings will grow each year based on your years of service and your CARE Pensionable Pay. 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
- » which section of the Unified Scheme you're in.

How are your benefits calculated?

Your annual pension

As a Practitioner member, you build up pension based on your earnings throughout your career. These are revalued to keep up with the rising costs of living and are known as CARE pensions. Please note that any pension built up on pensionable service from 1 April 2017 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:

| | | | | | | |
|----------------------------|---|---------------------------------|---|--------------------------|---|----------------|
| Unified Scheme growth rate | X | Your CARE Final Pensionable Pay | X | Your Pensionable Service | = | Annual pension |
|----------------------------|---|---------------------------------|---|--------------------------|---|----------------|

>>Example – calculating a pension in section 5



The example below shows how this would work for Sally – a Dental Practitioner member of the Protected Section 5. Sally retired at age 60 after 35 years' Pensionable Service. 15 years of her service was built up after 1 April 2017. The CARE Final Pensionable Pay is £75,000.

This means her pension would be: **Pension for Service to 31 March 2017**

| | | | | | | |
|-------|---|---------|---|----|---|---------|
| 1.63% | X | £75,000 | X | 20 | = | £24,450 |
|-------|---|---------|---|----|---|---------|

Service from 1 April 2017

| | | | | | | |
|-------|---|---------|---|----|-------|---------|
| 1.63% | X | £75,000 | X | 15 | X 94% | £17,237 |
|-------|---|---------|---|----|-------|---------|

Total Pension per year



$$\boxed{\pounds 24,450} + \boxed{\pounds 17,237} = \boxed{\pounds 41,687}$$



>>Example – calculating a pension in Section 6

The example below shows how this would work for Bill – a General Practitioner member of Protected Section 6. Bill retired at age 55 after 10 years, with a CARE Final Pensionable Pay of £89,153.50. This means his pension would be:

$$\boxed{1.01\%} \times \boxed{\pounds 89,153.50} \times \boxed{10} = \boxed{\pounds 9,004.50 \text{ annual pension}}$$

Your pension in the Unified Scheme, before you take any lump sum, will be subject to a maximum overall limit of 75% of CARE Final Pensionable Pay. In this example, Bob is within the 75% limit with his pension of £9,004.50 being 10.10% of CARE Final Pensionable Pay.

How is CARE Final Pensionable Pay worked out?

The following example shows how we have worked out Bill’s CARE Final Pensionable Pay of £89,153.50.

| Year End | CARE Pensionable Pay | Revaluation factors for the year 2011 to 2012 | Revalued Earnings |
|-------------------------------|----------------------|---|--------------------|
| 2003 | £50,000 | 1.830 | £91,500.00 |
| 2004 | £55,000 | 1.621 | £89,155.00 |
| 2005 | £60,000 | 1.348 | £80,880.00 |
| 2006 | £65,000 | 1.207 | £78,455.00 |
| 2007 | £70,000 | 1.207 | £84,490.00 |
| 2008 | £75,000 | 1.207 | £90,525.00 |
| 2009 | £80,000 | 1.133 | £90,640.00 |
| 2010 | £85,000 | 1.116 | £94,860.00 |
| 2011 | £90,000 | 1.067 | £96,030.00 |
| 2012 | £95,000 | 1.000 | £95,000.00 |
| Total to 31 March 2012 | | | £891,535.00 |

The revaluation factors applied reflect the percentage rate of increase in the index applicable to the Pensions Increase Order plus 1.5%.

The total revalued earnings are then divided by Bill’s pensionable service of 10 years to give a CARE Final Pensionable Pay figure:

$$\boxed{\pounds 891,535.00} / \boxed{10} = \boxed{\pounds 89,153.50 \text{ CARE Final Pensionable Pay}}$$



Existing Practitioner Members

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 Practitioner Members are the names we give Practitioner 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.



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.

If you're an Existing Practitioner 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.

The value you received for your previous scheme benefits (built up to 1 April 2012) were the same regardless of whether you chose the Standard or your Protected Section.

How was past service converted?

Your options on how your previous scheme service was converted depended on your employment as at 1 April 2012 and to reflect this we created four practitioner categories:

| | | |
|---|--|---|
| Category A Practitioner with no active practitioner posts | If you didn't have any active practitioner posts (and therefore no active CARE earnings) at 1 April 2012, your existing benefits were converted to the Unified Scheme on a final salary basis. | |
| Category B Practitioner with no active officer posts | If you didn't have any active officer posts (and therefore active final salary contracts) at 1 April 2012, your existing benefits were converted to the Unified Scheme on a CARE basis, in either Sections 1, 5 or 6. | |
| Category C Practitioner with both CARE and Final Salary earnings | If you had active practitioner and officer posts on 1 April 2012 (and therefore both final salary and CARE earnings), we calculated your benefits and converted them based on the calculation that gave you the best outcome | If our calculations showed that you would get a better outcome if your existing benefits were converted to the Unified Scheme based entirely on CARE, your existing benefits would have been converted on a CARE basis in either Section 1, 5 or 6. |
| | Category D Practitioner with both CARE and Final Salary earnings | If our calculations showed that you would get a better outcome if your existing benefits were converted to the Unified Scheme based on both a final salary and CARE basis, this is how we would have converted your benefits. |



We would have stated the category we would have expected you to be on page 6 of the personalised comparison sent to you early 2012. This was also confirmed in your annual benefits statement issued in April or May 2013.

Your benefits were converted based on your category of membership – see the table on page 6. A conversion factor (i.e. an exchange rate) was used to convert your benefits and applied differently to different benefits.

Your benefits were converted based on your practitioner earnings, service and the CARE pension you have built up before 1 April 2012. The conversion factor essentially gives you a remuneration figure and a certain number of years and days in the Unified Scheme.

An average remuneration figure is then calculated by dividing the total practitioner remuneration by your pensionable service (see the example for Bill on page 5). This average remuneration figure is the amount used to calculate your pension in the Unified Scheme.

Conversion factors from the NHS Superannuation Scheme 2007

The conversion factor used is different depending on which section of the Unified Scheme you joined and whether your benefits were converted on a final salary or CARE basis. This is shown in the table below. These factors applied to those who were below age 60 when the Unified Scheme was introduced. The factors will vary according to age for those above age 60 and you can contact us if you would like details on these.

| | Standard Section 1 | | Protected Section 2 and 5 | |
|---------------------------|--------------------|------|---------------------------|------|
| | Final Salary | CARE | Final Salary | CARE |
| Your pension | 1.26 | 1.41 | 1 | 1.01 |
| Survivors pensions | 1 | 1.12 | 1 | 1.12 |

Conversion factors from the NHS Pension Scheme 2008

The conversion factor used is different depending on which section of the Unified Scheme you joined and whether your benefits were converted on a final salary or CARE basis. This is shown in the table below. These factors applied to those who were below age 65 when the Unified Scheme was introduced. The factors vary according to age for those above age 65 and you can contact us if you would like details on these.

| | Standard Section 1 | | Protected Section 4 and 6 | |
|---------------------------|--------------------|------|---------------------------|------|
| | Final Salary | CARE | Final Salary | CARE |
| Your pension | 1.12 | 1.25 | 1 | 1 |
| Survivors pensions | 1 | 1.13 | 1 | 1.13 |



What does this mean in practice?

If your benefits were converted on a final salary basis and you were a member of the NHS Superannuation Scheme 2007 who opted to join the Standard section 1, you would get 1.26 times the service credit you had accrued in your previous scheme.

If your benefits are converted on a CARE basis and you were a member of the NHS Pension Scheme 2008 who opted to join the Standard section 1, you would get 1.25 times the remuneration you had accrued in your previous scheme.

The Protected section conversion factor shown above is lower than the Standard section factor because the percentage growth rates used to calculate Protected section benefits are higher.

For example, the growth rate used at age 60 in the Protected section 6 is 1.44% and in the Standard section it is 1.16%. Please refer to the Unified Scheme member guide for more information on the growth rates.

What happened to my added years?

Added years

If, on the 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 the 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 current scheme.



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).

Details of the IDR procedures can be found on the Contact Us page of the website at www.pspa.im

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.

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.



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."