

Isle of Man Government

Defined Contribution Pension Arrangement Policy

A Government Policy

1. Introduction

This policy sets out the key aims and provisions of the IOM Government's Defined Contribution Pension Arrangement Policy (DC Policy) to establish the IOM Government Defined Contribution Arrangement (DC Arrangement) with Aviva (DC Provider).

At its sitting in March 2019 Tynwald approved and directed the establishment of a voluntary DC Arrangement for new public servants. The Policy has been endorsed by the Council of Ministers. Council has directed the Public Sector Pensions Authority (the PSPA) under Section 6(1)(f) of the Public Sector Pensions Act 2011, to formally establish on behalf of the IOM Government and its participating employers the IOM Government's Defined Contribution Pensions Arrangement.

2. Policy Commencement Date

The policy commences on 1 October 2022.

3. DC Arrangement Commencement Date

The DC Arrangement will be open to new eligible employees who commence their employment with a Participating Employer from 1 January 2023.

4. Policy Purpose

The purpose of this policy is to formally establish the Isle of Man Government Defined Contribution Pension Arrangement Policy (the DC Policy) to enable new Public Sector Employees and all Public Sector Employers to participate in, and make payments to, the IOM Government Defined Contribution Arrangement (the DC Arrangement).

This Policy sets out the:

- Provisions of the DC Policy;
- roles and responsibilities of the appointed DC Provider to provide a DC Arrangement for the benefit of public sector employees in accordance with the provisions of this DC Policy;
- role and responsibilities of Employers;
- role and responsibility of the PSPA;

- Employee eligibility
- Employee and Employer contribution rates.

The DC Arrangement has been approved by the Assessor under the Income Tax (Retirement Benefit Schemes) Act 1978 or Part 1 (personal pension schemes) of the Income Tax Act 1989, in respect of persons who are eligible to participate in the DC Arrangement and are admitted to membership of it.

The DC Arrangement shall be administered in accordance with the provisions set out in this Policy.

The money necessary for the purposes of this DC Arrangement shall be furnished by:

- Contributions made by Employees and deducted from their pay;
- Contributions made by the Employing Authorities of public sector Employees;

and may be invested in accordance with section 9 of this DC Policy.

4. Overriding Provisions of the Policy

Unless otherwise required to do so, the PSPA when making a decision or when giving or withholding its agreement or consent or when exercising or not exercising a power in relation to this DC Policy or the present or future DC arrangements can do so at its absolute and uncontrolled discretion.

Participating Employing Authorities will be responsible for the administration of the DC Arrangement and will, via either a Ministerial Direction or Agency Agreement or Service Level Agreement or as directed by the PSPA, authorise the PSPA to contract directly with the DC Provider and each Employing Authority will be bound by the terms of that contract.

The decision of the PSPA is final on all questions that are left to its determination or decision in relation to this DC Policy where the provisions of this DC Policy are silent.

Nothing in this DC Policy may be used in aggravation of damages or compensation in proceedings brought against an Employing Authority or the PSPA in respect of an Employee covered by this DC Policy.

The Employer Contribution shall not exceed a Maximum Limit of 15% of the Employee's Gross Pay.

An Employing Authority must, in respect of each employee who elects to join and is an active member of the DC Arrangement, pay or arrange to have paid from its revenue the amount of Employer contribution having regard to the rates specified in Schedule 2.

All payments must be made to the DC Provider in accordance with the DC Provider's specified timescales and process and in all cases payments must be made no later than the 19th day of the month after the calendar month in which the Employing Authority took the payment from the Employee's pay.

The Employer contribution will not be paid to the DC Arrangement during periods when the Employee is not being paid by the Employing Authority.

The Isle of Man Government, the Public Sector Pensions Authority or participating Employers will have no liability whatsoever to Employees in relation to the investment choices made by an Employee under any DC Arrangement provided for in this Policy.

Each participating Employee will be required to contract directly with the DC Provider in accordance with the terms and conditions of the DC arrangement.

All new public sector Employees who choose to join the DC Arrangement, whether based on the recommendation of an Independent Financial Adviser or not, do so at their own risk.

In choosing to invest under any arrangement provided under this policy to secure defined contribution benefits, Employees do so entirely at their own risk.

Employees, once participating in the DC Arrangement, will not be permitted the opportunity to switch, move to or transfer to any of the Defined Benefits Pension Schemes under the management of the PSPA, during a single employment period.

Only in the event of the Employee being re-employed (after a break of 31 days or more) and by right becomes an Eligible Employee as defined in this DC Policy, then they will be permitted the option to default to their respective DB Scheme or remain in the DC Arrangement.

The Public Sector Pensions Authority shall keep the arrangements it makes under this DC Policy under review.

5. The DC Provider

The PSPA must appoint at least one authorised provider for the purpose of providing benefits under this Policy that are in accordance with Part 1 of the Income Tax Act 1989 and Section 61H(S) of Part 5A of the Income Tax Act 1970.

The authorised provider shall be responsible for the discharge of all duties relating to the DC Arrangement which are imposed on the administrator under the Income Tax (Retirement Benefit Schemes) Act 1981.

The DC Provider is the Scheme Administrator and Scheme Trustee as set out in the Trust Deed and Rules of the DC Arrangement.

6. Participating Employers

The PSPA, on behalf of and in respect of the Employing Authorities stated in Schedule 3 will collectively contract with the DC Provider via a statutory delegation under Section 6 of the Public Services Commission Act 2015 on behalf of the Public Services Commission in order to provide the DC Arrangement in accordance with this DC Policy. Conversely, each of the Employing Authorities stated on Schedule 3, will be bound to apply with this DC Policy.

Each of the Employing Authorities stated on Schedules 4 and 5, will expressly consent to permit the PSPA to contract with the DC Provider via a Ministerial Delegation, Service Level or Agency Agreement in order for it to provide the DC Arrangement in accordance with this DC Policy. Conversely, each of the Employing Authorities stated in Schedules 4 and 5, will be bound to apply with this DC Policy.

Individuals appointed by the Crown or Members of Tynwald will have a direct agreement with the PSPA.

The participating Employers of this DC Policy are required to offer the DC Arrangement as an alternative choice to the appropriate current Defined Benefit Scheme to new Employees from the date the DC Arrangement commences and will be responsible for the administration of that contract, from recruitment to retirement date or the date that the employee leaves the Employer's employ (whichever is the sooner).

In order that Employees can be properly informed and engaged, participating Employers will adapt and maintain all pension related Employee information including recruitment, terms and conditions, employee handbooks, HR Recruitment and Payroll systems to be able to administer the DC Arrangement for its employees.

Employers must facilitate and pay the cost of providing all eligible new public sector Employees with access to an Independent Financial Adviser, contracted to provide this service, in accordance with the PSPA's instructions.

7. Recruitment and New and Default Membership

To align with this policy, participating Employers must adapt and include information on the DB Scheme and DC Arrangement choices in all recruitment information for pensionable employments.

The PSPA and the DC Provider will provide a range of statements and supporting communications to each contracted Employing Authority.

8. New and Default Membership

In the absence of any decision at the time of joining employment, each Employer must place all eligible new Employee's into their respective DB Scheme as the default pension scheme.

If within 2 months of joining, the new Employee, after having access to and taking Independent Financial Advice, makes an election to join the DC Arrangement then the Employer must make the necessary start-up arrangements with the DC Provider and arrange to back date and pay the correct level of employee and employer contributions to the DC Provider.

The Employer must also adjust any over or underpayment of Employee and Employer contributions and refund or deduct as necessary via its own payroll system.

The Employer must also advise the PSPA to terminate membership of the DB Scheme for the relevant employee.

The Employer via its payroll systems will have the responsibility of deducting the correct employee and employer contributions from the pay and paying to the DC Provider each month.

As this is a regulated process, the contributions must be paid accurately and on time and in accordance with the DC Provider's contract.

Other general administration (changes to individual contribution rates, investment criteria, and personal details) and claims will be managed by the employee and the DC Provider directly.

9. Death of an Employee

This paragraph applies to an individual who is making contributions to a DC Arrangement provided for under this DC Policy and who suffers death whilst being a Public Sector Employee. If an Employee of a DC Arrangement dies a lump sum may be payable in accordance with the Public Service (Defined Contribution) (Death Benefits) Scheme 2022.

10. PSPA DC Arrangement Governance

The PSPA will, on behalf of the participating Employer Authorities, take on the role of overseeing the DC Arrangement's Governance, which will include consideration of regular governance reports from the DC Provider, covering performance against administration service standards, investment performance and scheme member statistics.

It will conduct contract reviews and will conduct any future procurement exercises, either if the chosen provider ceases to provide the arrangements or in the event the contract ceases.

The PSPA, in consultation with Treasury will review and if necessary amend the future employer contribution rate.

The PSPA will monitor the numbers of employees joining the DC arrangement and costs and report to Treasury every 6 months.

11. Eligibility

In order to be eligible to join the DC Arrangement provided for under this Policy an individual must be:

- a) a new public sector Employee on or after the commencement date of the DC Arrangement and at the time of joining employment; and
- b) be in an Eligible Employment that has been deemed pensionable by the Employee's Employing Authority.

Subject to sub-paragraphs (i and ii below) a new public sector Employee may elect to join the DC Arrangement provided under this Policy, by making written application in such form as the Public Sector Employee's Employing Authority and the DC Provider require and by having such an application accepted.

- i. Those Employees who are currently Members of (or eligible to be members of having opted out) and making contributions to, or in receipt of a pension from, a DB Scheme are not permitted to join and become a Member of a DC Arrangement provided under this DC Policy.
- ii. Those individuals who have preserved accrued rights from a former membership of a DB Scheme are not permitted transfer those rights into any DC Arrangement provided under this DC Policy.

All Employees choosing to join the DC Arrangement have only one opportunity to do so and this must be within 2 months of the date of joining employment.

Employees, once participating in the DC Arrangement will not be permitted the opportunity to switch, move to or transfer to any of the Defined Benefits Schemes managed by the PSPA.

The Public Sector Pensions Authority may with effect from such date as it may determine instruct an Employer to close a DC Arrangement made under this DC Policy to future public servants who are not Members of the DC Arrangement at that date.

12. Free Independent Financial Advice to Employees

All Employees will be offered the opportunity to have a meeting with a qualified Independent Financial Adviser (IFA) contracted by the PSPA, to provide support, guidance and advice.

Based on the information supplied by the Employee, the IFA will offer comparison information and make a recommendation as to the best pension arrangement to meet the Employee's pension saving requirements.

Employees are strongly advised to take up the offer of this free advice before making their decision to join the DC Arrangement or a DB Scheme.

The cost of this will be met by the Employer and has been fixed at £150 per person at outset.

13. Contributions

Employee & Employer Contributions

An Employee may make contributions to the DC Arrangement of such an amount (expressed as a monetary or percentage amount) at such times and in such manner as may be specified in the Contribution Structure in Schedule 2 of this DC Policy with the approval of the DC Provider with which the contributions are to be invested.

The Employee's Employer shall deduct the Employee's contribution from the Employee's Pay. In addition, the Employer will pay the respective Employer Contribution as specified in Schedule 2 and pay both contributions to the DC Provider in the manner and timescale specified by the DC Provider.

Employees may elect to commence their contributions by giving written notice of his or her intention to do so in accordance with arrangements made by the DC Provider and the Employer.

Employees will have one opportunity per year to elect alter the rate of their employee contribution. Elections will take effect from the next available pay date or as soon as practicable after that date.

The aggregate contributions shall be invested in such investments as the Employee may from time to time determine (subject to the rules of the DC scheme), save that such contributions may not be used for the purpose of making any loan whatsoever.

Temporary absence

During a period of temporary absence from employment or secondment, without in either case becoming a Member of a Public Sector Pension Scheme, Employer contributions to the DC Arrangement may continue in such circumstances as the Employing Authority may determine.

Change of employment

Contributions may continue when an Employee changes employment provided that the Employee remains a Public Sector Employee, in the Employment of an Employer and in an Eligible Employment deemed pensionable by the Employer.

Employer Contributions must cease if:

- a) an individual ceases to be Public Sector Employee; or
- b) for any period of time when the Employee remains employed but is not participating in paid employment, for example Unpaid Family Leave, Bank Staff, Teaching Supply or other relief or casual staff.

Transfer values in

A transfer value shall only be accepted by the DC Arrangement if it meets such conditions as the DC Provider may determine. Transfer values from an Employee's former pensionable service in any of the Public Sector Pension Schemes, as defined in this DC Policy, are not permitted to the DC Arrangement.

Schedule 1

Definitions

In this DC Policy:

- “DC Provider”** means Aviva or any other authorised provider appointed from time to time for the purpose of providing benefits under this Policy that are in accordance with Part 1 of the Income Tax Act 1989 and Section 61H(S) of Part 5A of the Income Tax Act 1970. In relation to the investment of any sums paid by way of Employer or Employee contributions or the provision of any benefit, means— a person or institution who has permission under Part 2 of the Financial Services Act 20081 ACT to invest such sums or, as the case may be, to provide that benefit.
- “DC Arrangement”** means the Aviva Personal Pension Scheme.
- “DB Scheme”** means a defined benefit Public Sector Pension Scheme managed and administered by the PSPA.
- “Eligible Employment”** means employment or appointment as an Employee.
- “Employee”** means a public sector employee who is a person in respect of whom this policy applies and in respect of whom the Public Sector Pensions Authority may make a scheme under section 6(1)(c) of the [Public Sector Pensions]2011 Act.
- “Employee Contribution Rate”** means the percentage or an amount of Pay an Employee chooses to pay to the DC Arrangement as set out in Schedule 2 of this DC Policy.
- “Employer Contribution Rate”** means the percentage or an amount of Pay an Employer will pay to the DC Arrangement as set out in Schedule 2 of this DC Policy, up to a maximum rate of 15% of Pay.
- “Employing Authority and Employer”** means the Employer of an Employee or, if the Employee is a public sector office holder, means the person for the time being paying the pay of the Employer.
- “Employment”** means permanent or fixed term Employment as an Employee. Employment includes an office or appointment and related expressions are to be read accordingly.
- “Members”** means a person in Pensionable Service who is currently accruing or in receipt of a pension benefits relating to that persons pensionable service from a DB Scheme.
- “Participating Employer”** means an Employing Authority and Employer, who has contracted with DC Provider, via a delegated means as stated in Schedules 3 or 4 this DC Policy.
- “Pay”** means, in respect of a particular period, the amount of an Employee’s basic pay, salary wages or fees paid to the Employee from their Employing Authority.

“Pay” does not include any payments made for overtime, bonuses or any element of irregular payment not deemed by the Employing Authority to be the Employee’s basic pay.

“Personal Pension Scheme” means a registered scheme that is a “personal pension scheme” as defined in section 1 of the Pension Schemes Act 1993 (an Act of Parliament)..

“Public Sector Pension Scheme” means the Isle of Man Government Unified Scheme 2011, The Police Pension Regulations 2010, the Police Pension Regulations 1991, Judicial Pension Scheme 2004, Judicial Pension Scheme 1992, Superannuation Manual Workers No1 Scheme 1973 and the Teachers Superannuation Order 2011.

Schedule 2

Contribution Structure

The Employer Contribution will match Employee Contributions at a rate of 2:1 (Employer to Employee).

The Maximum Employer Contribution Rate is 15% of an Employee’s Gross Pay.

Employees can opt to pay Employee Contributions above the level of 7.5% but the Employer Contribution Rate will not increase above the Maximum 15%.

Contributions can be expressed as a monetary or percentage of pay.

Example Matched Contribution Rates	
Employee Contribution rate as a % of Pay	Employer Contribution rate as a % of Pay
5%	10%
5.5%	11%
6%	12%
6.5%	13%
7%	14%
7.5%	15%
8%	15%
9%	15%
10%	15%
11%	15%
12% +	15%

Schedule 3

List of Employing Authorities bound by Statutory Delegation, Section 6 of Public Services Commission Act 2015, delegating authority to the PSPA to contract with the DC Provider.

Cabinet Office
Department of Education, Sport and Culture (*not including Teachers*)
Department Enterprise
Department Health and Social Care
Department of Home Affairs (not including Fire Fighters and Police)
Department of Infrastructure
The Treasury
Manx Care
FIU
General Registry (*not including Judiciary or persons appointed by Crown or Tynwald*)
IOM Information Commissioner
Manx National Heritage
Road Transport Licencing Committee
Safe Guarding Board
Coroners
Attorney Generals Chambers (*not including persons appointed by Crown or Tynwald Members*)
Office of Fair Trading

Schedule 4

List of appointees Department bound by Ministerial Delegation delegating authority to the PSPA to contract with the DC Provider.

Department Education, Sport and Culture – Teachers only
Department of Home Affairs - Isle of Man Constabulary (Police)
Department of Home Affairs – Isle of Man Fire and Rescue (Fire Fighters)

Schedule 5

List of Employing Authorities bound by Service Level Agreement delegating authority to the PSPA to contract with the DC Provider.

Communications and Utilities Regulatory Authority
Gambling Supervision Commission
Financial Services Authority
Public Sector Pensions Authority
Clerk of Tynwald Office
Manx Utilities Authority

List of Employing Authorities bound by Agency Agreement delegating authority to the PSPA to contract with the DC Provider.

King Williams College
Manx Radio
IOM Hospice
Ballasalla Medical Centre
Castletown Medical Centre
Finch Hill Medical Centre
Hailwood Medical Centre
Kensington Medical Centre
Laxey and Village Walk Medical Centre
Palatine Medical Centre
Peel Medical Centre
Ramsey Medical Centre
Snaefell Medical Centre
Southern Medical Centre
Individual GPs/DPs contracts managed by Finance, Legislation and Externally Commissioned Services Directorate, HSC.
