Comparisons of a Defined Benefit Scheme and a Defined Contribution

Please note the information contained in this document is meant as an "at a glance" comparator between the two pension vehicles. It is not in any way meant to replicate the rules, policy or regulations associated with either arrangement. For more information on the DB contact the PSPA and on the DC contact MAC or Aviva

	Defined Benefit (DB) Scheme	**Defined Contribution (DC) Arrangement**
What kind of pension scheme is it?	It's a statutory defined benefit scheme. Managed and administered by the PSPA. It offers a pension income based on your years of membership in the scheme, an annual growth rate and the average of your pay close to retirement. The Defined Benefits Schemes are the: • IOM Government Unified Scheme 2011 • Police Pension Regulations 2010 • Teachers Superannuation Order 2011 Click on the schemes to find out more.	It is a type of pension where benefits in retirement are dependent on contributions made and the growth of the pension fund. The DC Arrangement is the IOM Government Group Personal Pension Scheme Click on the scheme to find out more.
Is the pension guaranteed?	The benefits payable are specified by the scheme Rules and once in payment, are guaranteed, secure and inflation proofed. All benefits are backed by the IOM Government. However, the rate at which benefits build up or your contributions may change during membership, with generally only past service rights being guaranteed not to change.	Contributions are invested in order to grow the value of your own personal pension fund but the growth rate isn't guaranteed. The value of a fund can go up as well as down. The Employee, as the policyholder bears the risk of the investment and administration cost of the plan and there is no guarantee of the amount of eventual benefits. The individual has a choice of the type of benefits to take on retirement.
How much will I contribute?	It will vary depending which of the Defined Benefits Schemes you are able to join. You will pay a % of your pay as a contribution. Unified Scheme is 7.5% of your pay (may vary depending on the section you join) Police Pension Regulations 2010 depends on your pay and ranges from 11% to 12.75% of your pay	You can decide how much you wish to contribute. You can pay up to 100% of your earnings and receive tax relief, the maximum contribution is £50,000 pa.

	Teachers depends on your pay and ranges from 7.2% to 12.4% of your pay	
How much will my employer contribute?	In most cases your employer contributes an amount equal to 15% of your pay towards your pension. However, where there is a shortfall in costs, this is also met by the IOM Government.	Your employer will make a contribution of double your contribution up to a Maximum of 15% of your pay into your personal pension fund. Example: if you contribute 5% of your pay, your employer will contribute an amount equal to 10% of your pay.
Do I get tax relief on my contributions?	Yes, you get tax relief, subject to Income Tax, Treasury rules.	Yes, you get tax relief, subject to Income Tax, Treasury rules.
Do I pay an administration charge?	Only for certain administration functions, such as implementation of Court Orders and multiple estimates. See the PSPA Fees Order 2021	Yes. There is an Annual Management Charge (AMC) of 0.95% of the fund value. Also, If you choose to Drawdown from your fund at retirement, you will need to transfer to another arrangement with a provider that can allow for this option, as it is not currently permitted. There will be a charge for the ongoing administration of this new arrangement plus you will pay for any advice that you take.
How does the pension build up?	Pension is based on a set formula using the service you have built up, and your final pay near retirement and a growth rate. In the Unified Scheme the growth rate is dependent on the age at which you choose to retire, so the longer you work the higher the growth rate and pension built up. Police Pension Regulations the growth rate will be 1/75th. Teachers Scheme the growth rate will be 1/62.5 For the Police and Teachers' Schemes, a reduction factor is applied to the growth rate if benefits are taken on early retirement.	Contributions are invested into an investment fund. Over time the fund builds up and depending on the investment returns, builds up your personal pension fund. You can use this fund to: 1. Buy a guaranteed annuity and take up to 40% of the fund as a lump sum which you can do from Aviva or 2. Draw down cash and/or a regular income. To do this you will need to transfer to another provider and there will be an administration and/or advice charge to do this. MAC (or your adviser) and Aviva can explain the options and potential costs at point of retirement. Information on the current options and costs are on the FAQ's on the PSPA website.
Can I take a lump sum?	You can choose to exchange up to 30% of the value of your retirement pension for a tax-free lump sum.	You can choose to draw a lump sum from your fund. This can be up to 40% Tax Free Cash. Information on the current options and costs are on the FAQ's on the PSPA website
When can I claim my pension?	You can claim your pension from age 55. Some groups of members may be able to claim it from age 50. You will have to retire from your employment to take your pension.	You can buy an annuity or draw down a regular income from your fund from age 55. You don't have to retire from your employment to take your pension.

		Information on the current options and costs are on the [FAQ's]() on the PSPA website
What provisions are there for my dependents in the event of my death?	If you die in service a lump sum of 3 x pay will be paid to the people or organisations that you nominate. If you die after retirement, your pension is guaranteed to be paid for 5 years and any balance pension will be paid to your beneficiary as a lump sum. In all cases dependents pensions may be payable to either your dependent partner and or dependent children.	If you die in service which a DC member, a lump sum of 3 x pay will be paid to the people or organisations that you nominate from funds provided by Treasury. Additionally, in these circumstances, the full value of the fund as at the date of your death, would be payable to your estate and can be detailed in an 'Expression of Wishes' form. Once you have accessed your benefits you can choose how you would like to leave your benefits to your estate, this will depend on how you access your benefits. If you are unsure please ask Aviva.
What happens if I am ill?	You can apply for ill-health retirement. If the PSPA determines that your health will permanently prevent you from being able to do your current job you can have your pension paid early. If you are deemed unable to do any type of paid employment, then your pension may be increased.	You may be able to access your pension fund early if you become seriously ill or incapacitated and unable to carry out any paid work. Any benefits will be based upon the value of your personal pension fund on ill health retirement.
How is the pension scheme or arrangement governed?	The schemes are statutory scheme made under the Public Sector Pensions Act 2011 and managed by the Public Sector Pensions Authority. Any changes to the Scheme benefits or contributions are approved by Tynwald.	The arrangement is established by the IOM Government Defined Contribution Policy, which facilitates eligible employees to join and contract directly with Aviva. Governance is undertaken by the PSPA and Aviva.
Am I eligible to join?	If you are eligible your employer will automatically enrol you in a scheme. You cannot join this scheme if you are already in receipt of a Public Sector pension. This includes a pension from the Unified Scheme (or former schemes amalgamated into it), the Police Pension Regulations 1991 and 2010, Judicial Pension Scheme 1992 and 2004 or the Teachers Superannuation Order 2011.	Your Employer will tell you if you are eligible to consider joining. You must be a "**new employee**" on or after 1 January 2023 to be eligible to consider joining. A "new employee" must: **not be employed** (**or appointed**) by any **Public Sector Employer** on the IOM (except IOM Local Government and IOM Post Office). If you have been employed in the past, your break in service must be more than 31 days; **not be an active member** (or **a pensioner** in receipt of a Public Sector pension from) of the Unified Scheme (or former schemes amalgamated into it), Judicial 2004 and

		1992, Police Pension Regulations 1991 and 2010 or Teachers Superannuation Order 2011. A Public Sector Employer is a Department, Board or Office of the IOM Government, MUA, King Williams College, GP and DP Practices, IOM Hospice, Manx Radio.
When can I join?	Membership is automatic from the first day you start pensionable employment. You can choose to Opt Out.	When you are recruited, your Employer will automatically enrol you in its DB Scheme but will offer you a choice to consider joining the DC arrangement. You must tell your employer that you wish to join the DC arrangement after you are recruited to the post and after considering the advice of MAC Financial. You must make your decision within 2 months of starting employment. If you don't make a decision to join the DC arrangement then you will remain in the DB Scheme and will not be offered the choice again.
How can I top up my pension savings?	Unified Scheme: You have the option of paying Additional Voluntary Contributions (AVC's) to the Aviva Group Personal Pension Scheme. To find out more click the link above or contact MAC Financial. Teachers' scheme: You have two options: 1. By paying additional contributions or a lump sum into the scheme to purchase added pension. To find out more refer to the scheme guide or contact the PSPA. 2. By paying Additional Voluntary Contributions (AVC's) to the Aviva Group Personal Pension Plan. To find out more please contact MAC Financial. For more information click the scheme link above. Police scheme:	In the DC Arrangement, you can pay more to boost your potential pension fund value. You can adjust your pension contribution once a year if you wish to change contributions.

	1. By paying additional contributions or a lump sum into the scheme to purchase extra years/days of Sector. 2. By paying Additional Voluntary Contributions (AVC's) to the Aviva Group Personal Pension Plan. To find out more please contact MAC Financial. For more information click the scheme link above.	