Factsheet GUS FS10
Existing Deferred Members Statement of Benefits

This Factsheet provides additional information for Existing Deferred Members of the Isle of Man Government Unified Scheme 2011

As you are aware, from April 2012, 15 of the Isle of Man public service pension arrangements were brought together into one scheme – the Isle of Man Government Unified Scheme.

This factsheet is to remind you of the key facts about what being an Existing Deferred Member in the Unified Scheme means to you and to help you understand your Statement of Benefits.

If you are an Existing Deferred Member and you haven't received a Statement of Benefits, please let us know by emailing us at abs@pspa.im or calling us on 01624 685598.

What does it mean for me?

You are an Existing Deferred Member if you previously contributed to one of the schemes listed below, but are no longer in pensionable service and have not yet started to receive your pension. Your benefits are held in the scheme until you retire or choose to transfer them to another pension scheme.

Key facts for Existing Deferred pension members:

- There was no change to the amount of pension and any fixed lump sum that you could receive at your previous scheme's Normal Pension Age.
- Survivor benefits for partners and dependent children have been simplified.

Which schemes were brought into the Unified Scheme?

The following schemes will be brought into the Unified Scheme in April 2012:

- Superannuation Order 1973 - Principal Civil Service Pension Scheme (PCSPS)
- Superannuation (Officers of Boards) Scheme, 1959
- Superannuation (Harbour Police Civilian Auxiliaries) Scheme 1988
- Insurance Authority Superannuation Scheme 1986
- Financial Supervision Commission Superannuation Scheme 1984
- Leisure Services Superannuation Scheme 2000
- Manual Workers Superannuation Scheme 1977
- Manx Electricity Authority Superannuation Scheme 1985
- National Transport Limited Pension Scheme 1978
- Firemen's Pension Scheme 1980
- Airport Firemen's Superannuation Scheme 1989
- NHS Superannuation Scheme 2007
    - Officer members section
    - Practitioner members section

- NHS Pension Scheme 2008
    - Officer members section
    - Practitioner members section
- Hospice Care Superannuation Scheme 2001
- Radio Manx Limited Pension Scheme 1980

Statement of Benefits

Each year we will write to Existing Deferred Members to tell them the current value of their deferred benefits.

We will continue to send you a Statement of Benefits each year, which will show how much your deferred benefits have increased each year.

If you have received a Statement of Benefits then you may find the following information is useful in helping you understand the key facts for the benefits and options you have as an Existing Deferred Member in the Unified Scheme.

Has my deferred pension changed under the Unified Scheme?

No. As you will see from the table on Page 1 of your Statement of Benefits, as an Existing Deferred Member, your pension entitlement which you accrued up to the date you left your previous scheme have not changed in the Unified Scheme.

There is no change to the amount of pension and any Automatic Lump Sum you may receive at your current scheme's Normal Pension Age (age 60 or 65 for many former Isle of Man Government employees).

Your deferred benefits have been transferred to the Unified Scheme and their value will be protected.

When will my pension be paid to me?

If you are an Existing Deferred Member your pension is payable from the date on which you attain the normal pension age of the scheme of which you were previously a member prior to GUS, or if you continued to work past that date, your last day of service. If you claim your pension later than this date then your pension will be backdated to the day it was due for payment.

We will pay the current up-rated value of your pension at the date you make your claim.

How do I claim my Existing Deferred Pension?

We will write to you three months before you reach your normal retirement age to remind you to apply for your benefits. If you do not claim them by age 75 then we will contact you to arrange payments to commence.

You can claim your pension by completing a Deferred Benefits Claim Form. Please contact us if you would like a copy either by emailing pensions@pspa.im or by writing to PSPA, Prospect House, 27-29 Prospect Hill, Douglas IM1 1ET.

Pension payments are paid on the 25th of each month. We will aim to make your first payment on the 25th of the month following your date of retirement and your lump sum within 2 weeks of your retirement date.

Can I claim my pension benefits before I reach the normal pension age for my previous scheme?

Yes, you can claim the pension from age 55 but the pension benefits will be reduced to reflect the fact that it is being paid earlier and will be in payment for longer.

Will I still receive my one-off cash lump sum?

Yes, you have kept your entitlement to any automatic cash lump sum when the Unified Scheme was introduced and the current value of this benefit will be shown on your Statement.

Do I have the option of increasing my Lump Sum?

Yes, under the Unified Scheme all Existing Deferred members will be able to give up part of their pension for a higher one-off cash lump sum of up to 30% of the value of their benefits. For each £1 of pension given up, a lump sum of £18 will be paid. (Firefighters may have different retirement age restrictions and commutation rates and these are explained in the Unified Scheme rules.) The Maximum Lump Sum you can take is approximately 5.8 times your pension, before you take a lump sum.

How is the Maximum Lump Sum calculated?

The Maximum Lump Sum for Existing Deferred Members is calculated dependant on their entitlement to an Automatic Lump Sum. Some sections of the former Isle of Man Public Sector Schemes provided for members to have an automatic lump sum.

If you have the right to an Automatic Lump Sum it will be shown in the table on page 1 of your Statement of Benefits and you should look at Example 1.

All other members should refer to Example 2

Example 1 - is an example of how a Maximum Lump Sum is calculated if you have the right to an Automatic Lump Sum.

Example 2 - is an example of how a Maximum Lump Sum is calculated if you have no Automatic Lump Sum.

Example 1 - Existing Deferred Member with the right to an Automatic Lump Sum

This example assumes that at age 60, the Existing Deferred member is due to be awarded a Pension of £10,000 a year and an Automatic one-off Lump Sum of £30,000. The member has the option to commute or 'give up' some of the £10,000 pension in exchange for a higher lump sum.

Stage 1 – we calculate a notional pension per annum amount that may have been payable had there not been an Automatic Lump Sum payable using the following formula:

Pension per annum + (automatic one-off lump sum / conversion rate of extra lump sum per £1 of pension per annum)

In this example the calculation would be

£10,000 + (£30,000 /18) = <u>£11,666.67</u>

Stage 2 – we then calculate the Maximum Lump Sum this member can take. Under the Rules of the Unified Scheme '30% of the value of the pension' and to find this value we apply a factor of 5.80645 to the notional pension of £11,666.67 as calculated in Stage 1 above:

Maximum Lump Sum   5.80645 x £11,666.67 = <u>£67,741.94</u>

Stage 3 – we find out how much of the £10,000 pension per annum the member has to 'give up' in exchange for getting a Maximum Lump Sum of £67,714.94. The member already has an Automatic Lump Sum of £30,000, so in this example we calculate the pension the member needs to give to purchase an extra cash lump sum of £37,741.94. (£67,741.94 – £30,000).

For every £18 of extra lump sum the member has to give up a £1 of pension.

£37,741.94 ÷ £18 = <u>£2,096.77</u>

Stage 4 – as the member has given up £2,096.77 of their pension for the Maximum Lump Sum of £67,741.94 we calculate the reduced pension per annum as show below:

£10,000 - £2,096.77 = <u>£7,903.23</u>

This means that this member can choose:

- A pension of £10,000 a year and an Automatic Lump Sum of £30,000; or
- A maximum one-off lump sum of £67,741.94 plus a pension of £7,903.23 a year; or
- Some other combination of pension and lump sum up to the maximum allowed.

Example 2 - Existing Deferred Member with no Automatic Lump Sum

If on your Statement, there is no mention of an Automatic Lump Sum, then you are still able to commute or 'give up' some of your pension in exchange for a lump sum.

This example assumes that at age 60, the Existing Deferred Member is due to be awarded a pension of £15,000 a year.

Stage 1 – we calculate the Maximum Lump Sum this member can take, in the same way as Example 1.

Maximum Lump Sum   5.80645 x £15,000 = £87,096.75

Stage 2 – we find out how much of the £15,000 pension the member has to 'give up' in exchange for getting a Maximum Lump Sum of £87,096.75.

For every £18 of lump sum the member has to give up £1 of pension.

£87,096.75 ÷ £18 = £4,838.71

Stage 3 - as the member has given up £4,838.71 of their pension for the Maximum Lump Sum of £87,096.75, their reduced pension per annum is:

£15,000 - £4,838.71 = £10,161.29

This means this member can choose:

- A pension of £15,000 a year; or
- A maximum one-off Lump Sum of £87,096.75, plus a pension of £10,161.29 a year; or
- Some other combination of pension and lump sum up to the maximum allowed.

How does taking a higher lump sum affect my future survivors' benefits?

Reducing your annual pension in this way has no impact on your survivors' pensions as these are based on your pension before you give any up for a higher lump sum.

Will my benefits increase in line with inflation?

Your deferred benefits will continue to increase each year in line with the inflation index in the Unified Scheme, in the same way as they did in your old scheme.

Your Statement of Benefits shows your deferred pension benefits, increased since you left service by the annual cost of living increase applicable up to 9 April 2018.

Can I transfer out my deferred benefits from the Unified Scheme?

Yes, you can ask for a transfer payment to be made to your new employer's scheme, as long as this meets certain criteria and they are prepared to accept it. Please refer to our FS12- Transferring out Factsheet for more information on the types of pension arrangement that the PSPA permits transfers too.

Transfers from the Unified Scheme are on a cash equivalent basis which means that the Unified Scheme provides a transfer value that reflects the current value of the benefits you have built up and have preserved in the Unified Scheme.

This transfer value would then be used to secure benefits of an equivalent value in your new scheme/arrangement.

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

- there may be a time limit in the receiving scheme's rules (for example, if it is a member of the Public Sector Transfer Club, the time limit is 12 months from the date the member first became eligible to join the new employer's pension scheme).

- the transfer value may not necessarily buy the same length of service in the new scheme – you should receive an estimate from the new scheme of how much your Unified Scheme benefits will buy before you make your decision

- 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

What changes will be made to survivor benefits for my partner or dependants?

Rules relating to survivor benefits for partners and dependants have been simplified in the Unified Scheme.

There is now a wider definition of who can qualify as a surviving adult dependant in the Unified Scheme, to include spouse, nominated partners and civil partners.

There is no reduction to the prospective pensions to be paid to your surviving adult dependants (spouse, civil or nominated partner) or dependent children.

Short-term pensions have been standardised to three months for all members.

If you die whilst you are a deferred pension member the Unified Scheme will pay:

- A cash lump sum to your beneficiary. The lump sum will be calculated based on your pension and will be detailed on your statement of entitlement.

- A long-term survivor pension. A pension will be paid to your partner (spouse, civil or nominated) and/or dependent children. This will be equal to 0.625% of Final Pensionable Pay per year of Pensionable Service (or 0.625% of Career Earnings for practitioners), increased in line with the inflation index to the date of death. Children will receive 50% of a survivor's pension each, up to maximum of 100% for two or more children.

How do I nominate a beneficiary?

You can nominate a beneficiary to receive the cash lump sum, by completing the Unified Scheme Lump Sum Nomination Form, which can be found in the forms and guides section of our website.

What happens if I become ill before I retire?

Existing Deferred members who become permanently incapable of carrying out any gainful employment because of ill health, will be entitled to apply to take their pension early.

More information can be found in the Unified Ill Health Retirement Factsheet which is available on our website at www.pspa.im

Where can I go for help?

Contact the Unified Scheme administrators at the PSPA:
Email: abs@pspa.im

Write to:

PSPA
Prospect House, 27-29 Prospect Hill
Douglas ISLE OF MAN IM1 1ET

You can telephone us on +44 (0)1624 685598, however we always recommend putting your enquiry in writing if you can, so that there is a written record of your enquiry and our response.

Disclaimer

This fact sheet is a guide only and does not represent any entitlement to the provisions described. This fact sheet provides information to Existing Deferred Members of the Unified Scheme and supports the issuance of Statement of Benefits and does not cover every aspect of the scheme. The full details are contained only in the Rules of the Isle of Man Government Scheme 2011, which are the legal basis of the scheme. The Rules can be found on the Forms and Publications page of website at www.pspa.im Nothing in this fact sheet will override the Rules, and in the event of any unintentional difference, the rules will apply.

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