

PENSIONS CONSULTATION UPDATE

On 19 February, the Public Sector Pensions Authority (PSPA) began consultation on the proposed changes to the Isle of Man Teachers' Pension Scheme. All members should have received a copy of the consultation document via email from the Department of Education, Sport and Culture.

The changes that are being proposed are to address an increased future service cost that was highlighted in the most recent valuation. This increase in costs has arisen in part due to increased longevity and also changes to the assumptions that are made during the valuation process. The NASUWT remains concerned that some of the assumptions, particularly around the expected growth in salaries, are unrealistic and lead to an overly pessimistic valuation of the scheme.

The changes are detailed below. It should be noted that, although the proposals still represent a detriment when compared to existing entitlements, sustained pressure from the NASUWT including comprehensive responses and in-depth analyses of PSPA proposals have resulted in a far less detrimental set of proposals than was originally put forward, and also less detrimental compared to changes in some other jurisdictions.

The changes proposed by the PSPA are primarily to the accrual rate, i.e. how fast your pension grows. Currently for members who joined the scheme before 1 January 2007, each year of service contributes 1/80 to their final pension. This will change to 1/83 for service after 1 April 2018.

For all other scheme members, the rate will change from 1/60 to 1/62.5 for service from 1 April 2018.

The only other change proposed is to raise the cap on the maximum tax-free lump sum a scheme member can take from 25% of the total pension to 30%, if the member chooses to commute annual pension into a lump sum.

Members who joined before 1 January 2007 will also continue to receive an automatic lump sum equivalent to three times their annual pension.

There are no other amendments proposed to the Isle of Man Teachers' Pension Scheme, including no changes to retirement ages or contributions, and the Scheme remains a final salary scheme.

Equally, there will be no effect on service that has already been accrued – changes only affect future pensionable service.

Impact on Members

The impact of the changes will be that members will have a smaller pension at their retirement age and will need to work longer to achieve the same level of benefits.

The exact impact depends on the member's age at the implementation date, and the level of previous/future service the member has accrued or will accrue, and their final salary.

Continued overleaf



In general, the closer a member is to retirement, the less the impact will be.

A teacher aged 55 is likely to have a reduction in pension of around £100 per year, which will require an extra ten weeks' service to make up, whereas a 25 year old member is likely to have a reduction of around £1,000 per year on retirement, which will require 86 weeks' additional service to make up.

The PSPA consultation documentation contains further example calculations.

Next Steps

The NASUWT will be making a formal response to the consultation paper on behalf of members, and the Union is keen to hear the views of members. These can be emailed to nasuwt@mail.nasuwt.org.uk. The Union will also be holding meetings to discuss the changes with members. Further details of the meetings will follow.

The NASUWT has also developed online calculators which members can use to obtain an indication of the likely personal impact of the changes. These calculators can be found on the Isle of Man section of the NASUWT website www.nasuwt.org.uk/isleofman. Members will need to log in to the website to access the calculators. Members can also make their own responses to the consultation. However, the Union would strongly advise attending one of the pension meetings before doing so, in order to be fully informed on the changes.



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