



Government Circular No. 9/05

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
THE PENSION SUPPLEMENT (AMENDMENT) SCHEME 2005

Approved by Tynwald on

16th March 2005

Coming into operation in accordance with paragraph 1

Citation, commencement and effect

1. (1) This Scheme may be cited as the Pension Supplement (Amendment) Scheme 2005 and shall come into force on 6th April 2005.

(2) This Scheme shall have effect in relation to periods of deferment of entitlement to a Category A or Category B retirement pension under the Social Security Contributions and Benefits Act 1992 in existence on or after 6th April 2005.

Amendment of the Pension Supplement Scheme 2001 (G.C. 53/01)

2. (1) Amend the Pension Supplement Scheme 2001 in accordance with the following subparagraphs.

(2) After paragraph 6 (rate of pension supplement payable) insert -

“Pension Supplement and “Deretiring”

6A. In the case of a person who -

(a) has become and remains entitled to -

(i) a Category A or Category B retirement pension, and

(ii) a supplement; and

(b) has elected that regulations made under section 54 of the Contributions and Benefits Act (“deretiring”) should apply in his case,

this Scheme shall have effect as if that person had not become entitled to a supplement.

Increase of Pension Supplement where Entitlement is Deferred

6B. (1) Where a person's entitlement to a supplement is deferred, the Schedule to this Scheme shall have effect for increasing the rate of that person's supplement.

(2) For the purposes of this Scheme, a person's entitlement to a supplement is deferred if and so long as that person -

- (a) does not become entitled to a Category A or Category B retirement pension by reason only -
 - (i) of not satisfying the conditions of section 1 of the Administration Act (entitlement to benefit dependent on claim), or
 - (ii) in the case of a Category B retirement pension payable by virtue of a spouse's contributions, of the spouse not satisfying those conditions with respect to his Category A retirement pension; or
- (b) in consequence of an election under section 54(1) of the Contributions and Benefits Act (deretiring), falls to be treated as not having become entitled to that pension;

and, in relation to a supplement, "period of deferment" shall be construed accordingly."

(3) At the end of the Scheme add -

"SCHEDULE

PENSION SUPPLEMENT INCREASE OR LUMP SUM WHERE ENTITLEMENT TO SUPPLEMENT IS DEFERRED

Increase of supplement where person's entitlement is deferred

1. (1) This paragraph applies where a person's entitlement to a pension supplement is deferred and one of the following conditions is met -

- (a) the period of deferment of his supplement is less than 12 months, or
- (b) the person has made an election under paragraph A1(1)(a) of Schedule 5 to the Contributions and Benefits Act (entitlement to increase of pension by way of increments) in relation to the period of deferment of his Category A or Category B retirement pension.

(2) The rate of the person's supplement shall be increased by an amount equal to the aggregate of the increments to which he is entitled under paragraph 2, but only if that amount is enough to increase the rate of his supplement by at least 1%.

Rate of increase of supplement by way of increments

2. (1) A person is entitled to an increment under this paragraph for each complete incremental period in his period of deferment.

(2) In this Schedule “incremental period” means any period of six days which are treated by regulations made under the Contributions and Benefits Act as being days of increment for the purposes of Schedule 5 to that Act in relation to the person and the Category A or Category B retirement pension to which he would have been entitled if his entitlement to that pension had not been deferred.

(3) The amount of the increment for any such incremental period shall be 1/5th% of the weekly rate of the supplement to which he would have been entitled for the period if his entitlement to a supplement had not been deferred.

(4) Where an amount is required to be calculated in accordance with the provisions of sub-paragraph (3) above, the amount so calculated shall be rounded to the nearest penny, taking any 1/2p as nearest to the next whole penny above.

Lump sum where person's entitlement to a supplement is deferred

3. (1) This paragraph applies where -

- (a) a person's entitlement to a supplement is deferred, and
- (b) he has made (or is treated as having made) an election under paragraph A1(1)(b) of Schedule 5 to the Contributions and Benefits Act (entitlement to a lump sum) in relation to the period of deferment of his Category A or Category B retirement pension.

(2) The person is entitled to an amount calculated in accordance with paragraph 4 (a “lump sum”).

Calculation of lump sum

4. (1) The lump sum is the accrued amount for the last accrual period beginning during the period of deferment of his entitlement to a supplement.

(2) In this paragraph -

“accrued amount” means the amount calculated in accordance with sub-paragraph (3);

“accrual period” means any period of seven days beginning with a day of the week prescribed under regulations made under the Contributions and Benefits Act, where that day falls within the period of deferment of his Category A or Category B retirement pension.

(3) The accrued amount for an accrual period for a person is -

$$(APS + PS) \times \sqrt[52]{(1 + R/100)}$$

where -

APS is the accrued amount of supplement for the previous accrual period (or, in the case of the first accrual period beginning during the period of deferment, zero);

PS is the amount of the supplement to which the person would have been entitled for the accrual period if his entitlement had not been deferred; and

R has the same meaning as in paragraph 3B of Schedule 5 to the Contributions and Benefits Act.”

Made on

9th February 2005



Minister for Health and Social Security

EXPLANATORY NOTE

(This note is not part of the Scheme)

1. This Scheme, which shall come into operation on 6th April 2005, amends the provisions of the Pension Supplement Scheme 2001 so as to treat people who defer their entitlement to a Category A or Category B retirement pension as also deferring any entitlement to a pension supplement they have. After a person has been awarded a pension supplement they must continue to be ordinarily resident in the Isle of Man in order to maintain their entitlement. Continuing entitlement to a Category A or Category B retirement pension does not have an ordinary residence condition.
2. For each week they are treated as deferring their entitlement, people will either -
 - build up an increase in the rate of supplement they will receive when they finally claim their pension (such increases are called “increments”); or
 - accrue entitlement to a lump sum equal to the amount of supplement which they have foregone in that week plus compound interest @ at least 2% above the prevailing Bank of England base lending rate,depending on whether they choose to receive a higher rate of retirement pension or a lump sum in exchange for their deferred pension.
3. People may defer their entitlement to a retirement pension - and as a consequence their entitlement to a supplement -
 - by failing to claim the pension to which they are entitled on reaching State pensionable age (deliberately or otherwise); or

- by claiming their pension but subsequently choosing to cancel their entitlement (called “deretiring”).