



Circular Letter Pen 17/04

To Personnel Officers of Government Departments/Offices

Transfer of non-pensionable service given by former teachers in Secondary, Community and Comprehensive Schools

Introduction

- 1.1 The Department of Finance has recently notified the Personnel Officers of all Government Departments and Offices that, following on changes to the Secondary Teachers' Superannuation Scheme, certain service given by former teachers which was non-pensionable when given, may now be transferred under the provisions of the Public Sector Transfer Network, subject to the payment of appropriate contributions as determined by this Department. Personnel Officers were also informed that, following consultation with the Department of Finance, the detailed provisions in this regard would be notified to Government Departments by the Department of Education and Science. The purpose of this circular letter is to set out the necessary provisions as agreed with the Department of Finance.
- 1.2 The provisions set out in this circular letter apply to certain persons who formerly served as teachers in Secondary, Community and Comprehensive schools. It describes the arrangements whereby, under the Public Sector Transfer Network, such persons may now be entitled to transfer teaching service which was not pensionable at the time it was given. In addition to staff currently in service, the terms of this letter also apply in the case of former staff who have retired or resigned **since 1 March 1996** and who had non-pensionable teaching service.
- 1.3 The provisions set out in this circular letter do not apply in the case of former teachers in Secondary, Community and Comprehensive schools who subsequently became primary teachers or vocational teachers and who are currently serving in such posts or have recently retired from such posts. Such teachers are treated in the same way as current, or recently retired, Secondary, Community and Comprehensive school teachers.

Background

2. Membership of the secondary teachers' pension scheme did not become compulsory until **1 March 1996**. Membership of the scheme was also widened at about that time (from 1 August 1996) to include temporary wholetime teachers in Community and Comprehensive Schools. Previously, only permanent teachers generally and temporary wholetime teachers in Secondary Schools could join the scheme. Former teachers were precluded from transferring any teaching service that was non-pensionable (notably where a teacher who was eligible to join the pension scheme had not done so until a number of years after appointment) to a subsequent employer because only service which is, or later becomes, pensionable can be transferred under the transfer network rules.
3. Arrangements were introduced under the Programme for Competitiveness and Work which allowed teachers, (including primary teachers and vocational teachers), serving on or after 1 March 1996 (or, in certain cases, 1 August 1996) to "buy back" for pension purposes such non-pensionable teaching service, as well as certain non-pensionable part-time teaching service

4. The draft **scheme for the transfer of service** for superannuation purposes provides that non-pensionable service with an earlier employer may be transferred where the pension scheme applicable to the first group subsequently allows members to reckon such service. As a result, it is open to former teachers now giving pensionable service in organisations which are members of the public sector transfer network or who retired or resigned from pensionable service in such an organisation on or after **1 March 1996** (1 August 1996 in certain cases) to transfer such non-pensionable teaching service by making it reckonable.

Service which may be made pensionable

5. In relation to such former teachers, the following service (non-pensionable at the time it was given) may be made pensionable and thus transferable. Where the former teacher retired or resigned from pensionable service with a network body between 1 March 1996 (1 August 1996 in certain cases) and 31 August 2001, it will also be a condition for pensionability that the former teacher was **fully qualified** at the time the service was given.

(i) Wholetime Teaching Service:-

Service given in a permanent or temporary wholetime post when they were eligible to join the Secondary Teachers' Superannuation Scheme but did not do so **or** which is non-pensionable because it was given in a temporary wholetime post in a Community or Comprehensive School.

(ii) Part-time Teaching Service given prior to 1 September 2001:-

Part-time teaching service given from 1 September 2001 will be treated as pensionable on an ongoing basis in line with the terms of the Protection of Employees (Part-time Work) Act 2001. The following provisions apply, therefore, to part-time service given prior to 1 September 2001.

Part-time service may be reckoned in respect of -

- (a) each school year where the teacher had at least half of comparable whole-time service in that year, or
- (b) each week during the school year where, not having had a minimum of half of comparable whole-time teaching service in the school year, the teacher had at least 9 hours' teaching service in that week.

Where the part-time service was given prior to 1 August 1996, it will reckon as one half of comparable whole-time service.

Where the part-time service has been given since 1 August 1996, it will reckon in the proportion which the hours worked bear to comparable whole-time service.

It should be noted, in particular, that the reckoning of past part-time service is subject to the verification of such service being possible

6. In accordance with the provisions of the transfer network, a person who opts to transfer service from one network member to another must transfer **all service** given with the first network member which was pensionable at the time it was given; the person may also opt to transfer service which, in accordance with changes to the superannuation scheme of the first network member, has become reckonable for pension purposes since then.

In opting to transfer service which was not pensionable when given but has since become reckonable in accordance with changes to the Secondary Teachers' Superannuation Scheme, the person must transfer all of the wholetime service involved; the person need not transfer the part-time service involved but, where the person wants to do so, all the service involved, both wholetime and part-time, must be transferred.

The transfer of teaching service will be subject to payment of contributions as set out in paragraphs 7 and 8 below.

Contributions in respect of the Main Scheme

7. Where a former teacher wishes to transfer previously non-pensionable teaching service and has not discharged the contribution liability in respect of that service, the contribution in respect of the Main Scheme will be due at the rate payable by serving teachers. In accordance with transfer network arrangements, the contribution will be based on pay, or the wholetime equivalent of pay, on the last day of incremental service which is being transferred, uprated by reference to the relevant teachers' pay rates at the date of application for transfer or, in case of payment after the due date (see paragraph 11 following), uprated by reference to pay rates at the time of payment.

The contribution rate for main scheme benefits in respect of each year of service transferred will be 1.5% of pay and 3.5% of nett pay, with a proportionate contribution for periods of less than a year. Nett Pay is Pay less **twice** the maximum personal rate, at the date of application for transfer or date of payment of the contribution as appropriate, of Old Age Contributory Pension.

Contributions in respect of the Spouses' and Children's Scheme

8. Liability for Spouses' and Children's contributions in respect of the service transferred will be determined by the rules of the Spouses' and Children's Scheme into which the service is being transferred.

Appendix 1, for example, includes the position which would apply (under the rules of the Local Government Spouses' and Children's Scheme) in the case of a transfer of service to a County Council.

Provisions for Co-ordination of Pension with Social Welfare Benefits

9. In accordance with the provisions of the transfer network, pension in respect of the service transferred will be co-ordinated with social welfare benefits only where the pension payable by the receiving organisation in respect of service given in that organisation at the time of transfer is also co-ordinated.

Refunded contributions

10. A serving secondary teacher who wishes to reckon a period of service in respect of which a refund of contributions was made must, in accordance with the provisions of the PCW Agreement, buy back the period of service in question for superannuation purposes. In accordance with the transfer network, however, a former secondary teacher who wishes to reckon such a period must repay the amount of the refund together with compound interest in respect of the period between the original date of payment of the refund and the date of repayment. Compound interest will be charged at the appropriate rate in accordance with the superannuation scheme of the receiving organisation.

Implementation of the option to transfer service.

11. Former secondary teachers wishing to transfer previously non-pensionable teaching service should apply in the first instance to the organisation in which they are now serving or last served. It will be a matter for that body to verify with the Department of Education and Science how much service may be transferred and whether contributions have been paid in respect of the service. The Department of Education and Science may seek further information from the applicant, including the completion of a Statement of Service form.

Where contributions have not been paid in respect of a period of service which may be made pensionable, the Department of Education and Science will notify the applicant's employing organisation of the overall amount of such service and of the amount of the **Main Scheme** contribution involved. The information notified by the Department of Education and Science will be conveyed to the applicant by the employing organisation in the form of a statement of cost.

Applicants will have **3 months** from the date of issue of the statement of cost by the relevant employing organisation in which to make payment of a (Main Scheme) contribution based on teachers' pay rates **at the date of application for transfer** of the service, being a date not earlier than the date of issue of this circular letter. If payment is not made within that time the contribution due (to the Main Scheme) will be based on pay rates **at the time of payment of the contribution** rather than pay rates at the date of application. The contribution is paid to the pension scheme of the organisation in which the applicant is currently serving or last served.

Contributions due towards the Spouses' and Children's Scheme in respect of the transferred service should be collected in accordance with the rules of the Scheme of the organisation in which the applicant is currently serving or last served. **Where the applicant has retired** (since 1 March 1996), the organisation will notify him or her of the amount of contributions due to the S+C Scheme, **based on pay at retirement**, at the same time as notification is issued regarding contributions due to the Main Scheme. If payment is not made within **3 months** from the date of issue of the statement of cost, the contribution due to the S+C Scheme will be based on pay rates **at the time of payment of the contribution** rather than pay rates at retirement.

12 Impact on applicants who are purchasing Notional Service.

12.1 Applicants who have already retired.

An applicant **who has retired** (since 1 March 1996) and **who has already made provision**, through the purchase of notional service, **for a maximum pension** may be entitled to a refund of notional purchase contributions. A refund of purchase contributions may be made to the extent, if any, by which the amount paid for excess notional service exceeds the contribution (Main Scheme and Spouses' + Children's Scheme – where the applicant is a member of the S + C Scheme and contributions are due in accordance with the rules of that Scheme) payable in respect of the teaching service which is now transferable. In this case, provided the application for transfer of the service is made **within 3 months of the date of issue of this circular**, the transfer contribution to the Main Scheme will be based on teachers' pay rates on the date the applicant retired and the transfer contribution, if any, to the Spouses' and Children's Scheme will be based on the applicant's pay at retirement from the organisation in which he last served. Where the application is made at a later date, the transfer contribution will be based on teachers' pay rates (Main Scheme) and employing organisation's pay rates (S+C Scheme) at the date of payment of the transfer contribution.

If the retired applicant **has not made provision for a maximum pension**, the amount of the excess, if any, may be used to increase pension benefits. A refund will be made only to the extent that there is an excess which would not be of benefit to the applicant.

Where a refund is payable it will be treated as income and will be subject to income tax and PRSI deductions.

Note that a contribution based on pay rates on the date the applicant retired will apply, where appropriate, only in the case of retired public servants **who have purchased notional service**. This provision derives from a corresponding provision in the PCW Agreement regarding the offsetting of notional service contributions against contributions paid **at retirement** for the buyback of teaching service.

12.2 Applicants who are currently in service.

An applicant who is **currently in pensionable service** and purchasing notional service may opt to have the transferred service offset against notional service. As already set out, (in paragraphs 7 and 8), transferring the service will involve the applicant in (1) paying a contribution, at the time of transfer, towards the Main Scheme and (2) paying a contribution towards the Spouses' and Children's Scheme, (where the applicant is a member of that Scheme and contributions are due in accordance with the rules of that Scheme – usually at the time of retirement). Offsetting will involve making an adjustment, at the time of transfer, to the applicant's notional service contract.

Offsetting the transferred service will have the effect, in the case of the Spouses' and Children's Scheme, of reducing the amount of notional service contracted for by the amount of the transferred service. Offsetting the transferred service in the case of the Main Scheme will involve deducting the transfer contribution from the total notional service contribution made towards the Main Scheme.

Offsetting may result in appropriate adjustments being made to the notional purchase rates and/or in a refund of excess notional service contributions. A refund of notional service contributions will be made only to the extent that there is an excess which would not be of benefit to the applicant.

12.3 Example.

An example of the operation of offsetting notional service against transferable service is given in Appendix 2 attached.

13. Income Tax relief

Pension contributions are, subject to certain limits, eligible for relief from income tax. When the appropriate contribution has been paid to the applicant's employer in respect of the service which is being transferred, the employer will give the applicant a Statement to this effect in order that the applicant may be able to claim the appropriate relief from his or her Inspector of Taxes.

Circulation

14. Departments are requested to notify the terms of this letter to organisations under their aegis which are members of the Public Sector Transfer Network. The Network members are requested, in turn, to bring the terms of this letter to the attention of all serving staff and all former staff who have retired or resigned since 1 March 1996 and who may have been employed as teachers in Secondary, Community and Comprehensive schools.

Enquiries

15. Enquiries regarding the provisions of this Circular should be addressed to the Department of Education and Science at the address given below.

SECONDARY PENSIONS SECTION,
DEPARTMENT OF EDUCATION AND SCIENCE,
CORNAMADDY,
ATHLONE

Enquiries by phone should be made to 090-6474621 or 01-8734700: extensions 3644, 3651

John Feeney
Principal Officer
Pensions Unit
3 November 2004

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Calculation of contribution in respect of teaching service which is to be transferred

EXAMPLE

Former secondary teacher gave 4 years of wholetime service from 1984 to 1988. Had not joined the Secondary Teachers' Superannuation Scheme.

Employed since 1988 as a pensionable officer of a County Council (and is, therefore, a member of the Revised Local Government Spouses' and Children's Scheme).

Left teaching when on the 7th point of the common basic scale. Had also been in receipt of a Pass Degree Allowance and a Pass Higher Diploma Allowance.

Applies to transfer teaching service to the County Council on 1 March 2005.

(NB:- The pay rates and OACP rates shown in this Example are for illustration only)

(1) Remuneration:

7 th point of the Common Basic Scale on 1/3/05	=	€29,404.00
Pass Degree Allowance on 1/3/05	=	€ 1,418.00
Pass Higher Diploma Allowance on 1/3/05	=	€ 455.00
Total Pay	=	€31,277.00
2 X Max (annual) personal rate of OACP on 1/3/05	=	€16,415.83
Nett Pay, (Pay less twice max personal rate OACP)	=	€14,861.17

(2) Calculation of contribution in respect of each year

1.5% of Pay	=	€ 469.16
3.5% of Nett Pay	=	€ 520.14
Total Contribution (Main Scheme only)	=	€ 989.30

Total (MAIN SCHEME) Contribution (per year) € 989.30

Total (MAIN SCHEME) Contribution for 4 years €3,957.20

(3) Contributions due towards the Spouses' and Children's Scheme.

In accordance with the provisions of the Revised Local Government Spouses' and Children's Scheme, (and provided the applicant is married at the time of retirement), a **non-periodic contribution** of 1% of pay at retirement - (1% of Nett Pay in certain cases) - will be payable in respect of each of the 4 years which have become transferable to the County Council.

The rate of 1% of Nett Pay at retirement would apply where:- (continued overleaf)

(3) Contributions due towards the Spouses' and Children's Scheme, (continued).

The rate of 1% of Nett Pay at retirement would apply where:-

- (a) the **periodic contribution** payable to the County Council at the time of retirement is 1.5% of Nett Pay (because, following an interruption of service, the applicant's PRSI class at the time of retirement is Class A) and
- (b) service given at the time of transfer, including the transferred service, has not been preserved.

Note that non-periodic contributions towards the Revised Local Government Spouses' and Children's Scheme are not payable in respect of a member who has never been married during the period of his contributing service and may be payable only in part, or not at all, where the member's spouse dies during the period of his contributing service.

Liability for the payment to the County Council of non-periodic contributions at retirement may be reduced by the payment of additional periodic contributions during service.

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Offsetting notional service against transferable service - EXAMPLE

Former Secondary Teacher - Male

Age 26 Commences employment in 1984 in a wholetime position in a Secondary School. Does not apply to join the Secondary Teachers' Superannuation Scheme

Age 30 Transfers in 1988 to pensionable employment under the Local Government Superannuation Scheme with a County Council and commences an option to purchase Notional Service under the terms of the original (1983) Scheme. He is purchasing 10 years over the period from his 31st birthday to his 60th birthday and is making an ongoing contribution for this purpose **towards the Main Scheme** of 3.4% of salary, ie 0.34% of pay for each year of notional service involved. He is also making a contribution of 1% of salary, 10 years of notional service x 0.1% per year, **towards the Spouses' and Children's Scheme.**

Now age 47 Applies on 1/3/2005 to transfer his 4 years of service during which he was not a member of the Secondary Teachers' Superannuation Scheme.

Wishes to offset Notional Service against the transferred service. Transferring the service will involve the applicant in (1) paying a contribution, at the time of transfer, towards the Main Scheme and (2) provided the applicant is married at the time of retirement (or has been married during the period of his contributing service), paying a contribution, at the time of retirement, towards the Spouses' and Children's Scheme. Offsetting will involve making an adjustment, **at the time of transfer**, to the applicant's notional service contract.

The contract was to purchase 10 years of notional service towards the Local Government (Main) Scheme and 10 years of notional service towards the Local Government (Spouses' and Children's) Scheme. Offsetting the 4 years of transferred service has the effect, in the case of the Spouses' and Children's Scheme, of simply reducing the amount of notional service contracted for by 4 years, ie from 10 years to 6 years. Offsetting the 4 years of transferred service in the case of the Main Scheme involves deducting the transfer contribution from the total notional service contribution made towards the Main Scheme.

Main Scheme Offset

Cost (in respect of the Main Scheme) of

transfer of 4 years, (see Appendix 1) = €3,957.20

Calculation of Notional Service (Main Scheme) deductions over the period from date of commencement, (31st birthday), to age 47.75 years, (the date on which the applicant is informed of the cost of transfer):

Total pay over past 16.75 years €600,000

3.4% of €600,000 €20,400

Total Notional Service (Main Scheme) contributions to date €20,400

Less cost of reckoning 4 years of transferable (Main Scheme) service €3,957.20

Balance €16,442.80

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Main Scheme Offset (continued)

- * The Notional Service contributions paid from age 31 to age 47.75 are capable of purchasing 5.7759 years of Notional Service, (Main Scheme and Spouses' + Children's Scheme), calculated as follows.

No. of years over which Notional Purchase contributions have already been paid (age 31 to 47.75)	=	16.75 years
Length of full Notional Purchase contract - Age 31 to 59 inclusive	=	29 years
No. of years to be purchased under original contract	=	10 years
Amount of notional service with which he would be credited if contributions ceased now, at age 47.75	=	$10 \times 16.75 / 29$
	=	5.7759 years

- * The €20,400 which has been paid to age 47.75 for the purchase of Notional (Main Scheme) Service is capable of buying 5.7759 years of such service.

Cost of purchase of one year	=	€20,400 divided by 5.7759	=	€3,531.92
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At this rate, the balance of €16,442.80 remaining, after reckoning the 4 years of transferable service, can purchase 4.6555 years of Notional (Main Scheme) Service.

- * The applicant's Notional (Main Scheme) contributions to age 47.75 are capable of securing 8.6555 years of pensionable (Main Scheme) service, (4 years transferable service + 4.6555 years notional).

This leaves the applicant with **a balance remaining of 1.3445 years** in order to make up the 10 years to which he originally subscribed under the Notional Purchase Scheme.

He may purchase the 1.3445 years **at the rates applicable to his original option**, (ie 0.34% per year of notional - Main Scheme - service from his 31st birthday).

The original option was to purchase 10 years service over the 29 years from age 31 to age 59 inclusive by means of a contribution of 3.4% of salary per year. At this rate, it takes 2.9 years of contributions (29 divided by 10) to buy one year's service and would take 3.8990 years to buy 1.3445 years' service.

1.3445 years of notional service	=	3.8990 years of contributions x 3.4% per year
	=	13.2566% of total remuneration,

Under the terms of the (1983) Notional Purchase Scheme, contributions are payable to the applicant's 60th birthday. Therefore, over the 12.25 years remaining to age 60, a contribution of 1.08% per year will purchase 1.3445 years service -

$$(12.25 \text{ years} \times 1.08\% \text{ per year} = 13.2566\% \text{ approx}).$$

Offsetting the former teacher's Notional Purchase (Main Scheme) contributions against the cost of reckoning the 4 years of transferable service will therefore reduce his Notional Purchase (Main Scheme) contribution from 3.4% of salary to 1.08% of salary from age 47.75.

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Spouses' and Children's Scheme Offset

In the case of the Revised Local Government Spouses' and Children's Scheme (to which the applicant in this Example belongs), the position is that 4 years' service is transferable subject to payment of a contribution of 1% of pay at retirement, (provided the applicant is married at retirement etc.). Since 4 years is transferable, the applicant's contract to purchase 10 years of notional (Spouses' and Children's Scheme) service may be treated, through offsetting, as reduced to 6 years.

He has by age 46.75, ie at the time of transfer of the Main Scheme service, already completed the purchase of 5.7759 years of notional service (both Main Scheme and Spouses' + Children's Scheme). In order to complete the balance of his notional service (Spouses' and Children's Scheme) contract, he needs to purchase only a further 0.2241 years.

He may purchase the 0.2241 years **at the rates applicable to his original option**, (ie 0.1% per year of notional – S + C Scheme - service from his 31st birthday).

The original option was to purchase 10 years service over the 29 years from age 31 to age 59 inclusive by means of a contribution of 1% of salary per year. At this rate, it takes 2.9 years of contributions (29 divided by 10) to buy one year's service and would take 0.6499 years to buy 0.2241 years' service.

0.2241 years of notional service = 0.6499 years of contributions x 1% per year
 = 0.6499% of total remuneration

Under the terms of the (1983) Notional Purchase Scheme, contributions are payable to the applicant's 60th birthday. Therefore, over the 12.25 years remaining to age 60, a contribution of 0.05% per year will purchase 0.2241 years service -

(12.25 years x 0.05% per year = 0.6499% approx).

Reducing the applicant's Notional Purchase (S + C Scheme) contract to 6 years in light of the transfer of 4 years of teaching service will have the effect of reducing his Notional Purchase (S + C Scheme) contribution from 1% of salary to 0.05% of salary from age 47.75.

Overall Offset

The total effect on the notional service contract of transferring the 4 years' teaching service will be to reduce the notional service contribution (Main Scheme and S + C Scheme) from 4.4% of pay to 1.13% of pay from age 46.75. (1.08% Main Scheme + 0.05% S + C Scheme = 1.13%)

Notes

- **Note** that if the offsetting process had resulted in excess notional service (Main Scheme) contributions which would not be of benefit to the applicant, the excess could be refunded to the applicant (less the normal income tax and PRSI deductions) or could be used, if the applicant so wished, to reduce any liability for payment of non-periodic contributions to the Spouses' and Children's Scheme.
- **Note** also that if the applicant were eligible to purchase additional notional years, ie in excess of the 10 years originally contracted for, the additional years would be subject to a new contract, from his 48th birthday, under the revised (1991) Local Government Notional Purchase Scheme (which is aimed at retirement at age 65).