AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA | DEPARTMENT OF EDUCATION AND SCIENCE

To the: ***Chief Executive Officer of each Vocational Education Committee,***
President / Director, Each College of Education,
President of Dublin Institute of Technology,
Directors of Institutes of Technology,
Chief Executive Officer of the Further Education and Training Awards Council,
Chief Executive Officer of the Higher Education and Training Awards Council
Chief Executive Officer of the National Qualifications Authority of Ireland,
Chief Executive Officer of the National Educational Welfare Board,
Head of Administration of the Teaching Council,

CIRCULAR 0039/2009

Payment of superannuation contributions in respect of previous temporary wholetime and part-time service by fully insured (Class A PRSI) registered officers.

A Chara,

1. I am directed by the Minister for Education and Science to refer to Final Determinations of the Pensions Ombudsman in relation to superannuation contributions payable by fully insured (Class A PRSI) officers in respect of previous temporary wholetime and part-time service.

2. Under the provisions of the superannuation schemes, contributions fall to be determined by reference to the pensionable pay and State Pension (Contributory) rates applicable on the date of payment of the contributions. As a result, where notification of liability is delayed by the Administrator, the bill can increase significantly as payment cannot be made until notification is received.

3. The Ombudsman and Pensions Ombudsman have determined in a number of cases that such liability should be calculated, at the latest, on the basis of a person's current salary at the end of the third month after appointment to a post which obliges such contributions to be made, provided any delays were not the fault of the scheme member. Following consideration of the situations outlined in those determinations, this Department, with the agreement of the Department of Finance, has undertaken to amend our schemes to provide that where there is a delay of a period in excess of 3 months on the part of the Administrator in notifying a fully insured officer of his/her past service liability, and the delay is not the fault of the member, the relevant contributions will be calculated on the basis of the pensionable pay and State Pension (Contributory) rates applicable on the date which is 3 months after the date the officer became pensionable.

4. On the basis of this decision, it will be necessary for Administrators to review all cases where full PRSI officers have been billed for past service liability subsequent to 3 months from the date they became pensionable. This means that Administrators will have to review all cases which have arisen since the date full PRSI for officer grades was introduced, i.e. 6 April 1995.

5. In any case where a fully insured officer has not yet been billed for previous temporary wholetime or part-time service, he/she should be given 3 months from the date he/she is presented with the bill (taking account of the revised arrangements) to pay the necessary sum. If the sum to be paid amounts to 20% or more of an Officers gross annual salary the 3 month period can be extended to ensure that the payments are kept below the 20% threshold. He/she should also be informed in writing that, if this sum is not paid within the time period or if only part of it is so paid, compound interest will accrue on the outstanding balance from the date the period expires, see the changes in compound interest circular issued in August 2005 for further details.

6. Accordingly, in dealing with future cases on the revised basis, Administrators should ensure that once they have verified previous temporary wholetime or part-time service, they should issue the bill immediately. Where a full PRSI officer had qualifying temporary wholetime or part-time service with a number of previous employers, the billing process should take place in stages as each period of previous service is verified. The superannuation schemes are being amended to give effect to these changes. In the meantime, Administrators are hereby given administrative sanction to implement the changes with immediate effect.

7. Personal enquiries from individual employees in connection with this Circular Letter should be referred to the employee's own Personnel Section. Organisations should refer any cases of doubt or difficulty to the Department, the contact details for which are–

REGULATORY UNIT
PENSIONS SECTION
DEPARTMENT OF EDUCATION AND SCIENCE
CORNAMADDY
ATHLONE
COUNTY WESTMEATH

TEL: 090-648-3657/3658 or 01-873-4700 at extensions 3657/3658/4004.

8. This circular is available on the Department of Education and Sciences website the address of which is www.education.gov.ie

Pensions Section
October 2009

APPENDIX 1 TO CIRCULAR LETTER 0039/2009

Examples

Case 1 – Payment of past service liability – no payment made to date

A registered officer became pensionable on 1 April 2000. She had 4.17 years' previous temporary wholetime service prior to becoming pensionable. She has not yet been billed for this service. Had she been billed for this service at the end of the third month after becoming pensionable it would have been based on pensionable pay and State Pension (Contributory) rates on 30 June 2000. The local authority should calculate the liability on this basis and bill the officer accordingly. The officer has the option of paying the liability by lump sum contribution or by regular deductions from pay. The officer should be informed in writing that if the bill is not fully paid within 3 months of the date of the bill, compound interest will accrue on the outstanding balance from the date the 3 month period expires to the date of final payment. If the officer decides to meet this liability by regular deductions from pay, the Administrator should come to an agreement with the officer as regards the amount of such deductions to be made from her pay. If the liability is not fully paid within 3 months of being billed, compound interest accrues on the reducing balance to the date of final payment.

Case 2 – Payment of past service liability – payment already made by lump sum method

A registered officer became pensionable on 1 January 2001. He had 3.28 years' previous temporary wholetime service prior to becoming pensionable. He was billed for this service on 4 March 2005 at which time the liability amounted to €4,800 and he paid this bill on 11 March 2005. Had the new rules, which are being applied retrospectively, been applicable then, he would have been billed for this service at the end of the third month after becoming pensionable. Accordingly, his liability would have been based on pensionable pay and State Pension (Contributory) rates on 31 March 2001. On this basis the bill would have been €3,700. Therefore he is due a refund of €1,100 less the appropriate tax deduction.

Case 3 – Payment of past service liability – part payment already made by extra periodic contributions (where the bill would now be fully paid had the extra periodic contributions commenced 3 months after the officer became pensionable)

A registered officer became pensionable on 1 March 1997. She had 5.17 years' previous temporary wholetime service which ended on 17 November 1994, i.e. she had a break of service between 18 November 1994 and 28 February 1997. She was billed for this temporary wholetime service on 1 May 2003 and decided to make the payment by periodic contributions. In accordance with the terms of the scheme she decided to pay an additional 1.5% of full pay and 3.5% of net pay [pay less twice the annual rate of State Pension (Contributory)] for a period of 5.17 years commencing on 14 May 2003. Had the new rules, which are being applied retrospectively, been applicable then, she would have been billed for this service at the end of the third month after becoming pensionable. Accordingly, the extra contributions could have commenced on 1 June 1997 and, if so, would have been paid off on 1 August 2002. The Administrator should calculate what this liability would have amounted to.

Scenario A: If the liability for the period 1 June 1997 to 1 August 2002 is greater than the amount paid by the officer from 14 May 2003 to date, the extra periodic contributions should cease, the officer should be billed for the balance and informed in writing that if the bill is not fully paid within 3 months of the date of the bill, compound interest will accrue on the outstanding balance from the date the 3 month period expires to the date of final payment. The officer has the option of paying the liability by lump sum contribution or by regular deductions from pay. If the officer decides to meet this liability by regular deductions from pay, the Administrator should come to an agreement with the officer as regards the amount of such deductions to be made from her pay. If the liability is not fully paid within 3 months of being billed, compound interest accrues on the reducing balance to the date of final payment.

Scenario B: If the liability for the period 1 June 1997 to 1 August 2002 is less than the amount paid by the officer from 14 May 2003 to date, the extra periodic contributions should cease and a refund is due less the appropriate tax deduction.

Case 4 – Payment of past service liability – part payment already made by periodic contributions (where the bill would not yet be fully paid had the extra periodic contributions commenced 3 months after the officer became pensionable)

A registered officer became pensionable on 1 September 1997. He had 11.19 years' previous temporary wholetime service which ended on 11 February 1995, i.e. he had a break of service between 12 February 1995 and 31 August 1997. He was billed for this temporary wholetime service on 1 December 2005 and decided to make the payment by periodic contributions. In accordance with the scheme he decided to pay an additional 1.5% of full pay and 3.5% of net pay [pay less twice the annual rate of State Pension (Contributory)] for a period of 11.19 years commencing on 14 December 2005. Had he been billed for this service at the end of the third month after becoming pensionable, the extra contributions could have commenced on 1 December 1997 and, if so, would be paid off on 7 February 2009.

The extra periodic contributions should cease. It is assumed at that point that periodic contributions amounting to €1,500 have been paid. Had he been billed for this service at the end of the third month after becoming pensionable it would have been based on pensionable pay and State Pension (Contributory) rates on 30 November 1997. It is assumed this liability would have amounted to €12,500. This leaves a net liability of €11,000 after the €1,500 already paid is deducted. The officer should be billed for this amount. The officer has the option of paying the liability by lump sum contribution or by regular deductions from pay. He should also be informed in writing at that time that if the bill is not fully paid within 3 months of the date of the bill, compound interest will accrue on the outstanding balance from the date the 3 month period expires. If the officer decides to meet this liability by paying periodic contributions, the Administrator should come to an agreement with the officer as regards the amount of the periodic deduction to be made from his pay. Compound interest accrues on the reducing balance. If the sum to be paid €12500 amounts to 20% or more of the Officers gross annual salary the 3 month period can be extended to ensure that the payments are kept below the 20% threshold, once the agreed time period has elapsed compound interest accrues on the reducing balance.