



*To: Institutes of Technology,
Education Training Boards*

CIRCULAR 0028/2015

**Public Service Pension Reform:
Revised rate of compound interest
for use in the calculation of refunds to the Exchequer**

1. The Minister for Public Expenditure and Reform has announced a reduction in the rate of compound interest to be applied in the calculation of refunds to the Exchequer (e.g. repayment of marriage gratuities, repayment of refunded pension contributions, repayment of refunded Pension-Related Deduction (PRD) amounts and the recovery of financial loss to the Exchequer).

BACKGROUND

2. In 2000 the Commission on Public Service Pensions recommended a compound interest rate of 4% per annum on such payments and that the compound interest rate should be reviewed periodically.
3. This recommendation was implemented in 2004 as part of wider public service pension reforms and the application of the 4% compound interest rate was backdated to 14 November 2000 as per Department of Finance Circular 9/2005: Public Service Pension Reform: Revised rate of compound interest for use in the calculation of refunds to the Exchequer.
4. Having reviewed the matter, the Minister has approved a reduced rate of 3.5% to apply from 1 December 2014.

SCOPE

5. This Circular applies to all refunds where
 - 5.1. a rate of compound interest currently applies in calculating the amount of refund due (including refund of marriage gratuity, payment of outstanding employee contributions and recovery of financial loss to the Exchequer) *and*
 - 5.2. the refund is in respect of a period or periods on or after 1 December 2014
6. This Circular does not apply to certain refunds where the refund is calculated based on salary scales current at the time of repayment in accordance with the terms and conditions of the superannuation scheme.

EFFECTIVE DATE

7. The effective date for this Circular is 1 December 2014



CALCULATION

8. In the case of ETBs and Institutes, the compound interest rates which now apply are:

- 1) Up to 13 November 2000 -
 - ❖ Where the period of service (in respect of which the repayment or payment is made) was before the 1st day of January 1984 - **7% per annum.**
 - ❖ Where the period of service (in respect of which the repayment or payment is made) was on or after the 1st day of January 1984 - **6% per annum.**
- 2) From 14 November 2000 onwards - **4% per annum.**
- 3) From 1 December 2014 onwards **3.5% per annum**

Note that where a person gave service both before and after 1 January 1984, two rates of compound interest would be applicable up to and including 13 November 2000, ie 7% on service prior to 1 January 1984 + 6% on service from 1 January 1984.

An example is provided in the Appendix to this Circular.

CIRCULATION

9. This Circular letter should be brought to the notice of all employees.

Anne Killian
Principal Officer
Pensions Unit
24 April 2015



Circular 0028/2015 Appendix

SCENARIO

A person resigned from the ETB on 1 June 1969 and received a marriage gratuity of £1,087.43 (€1,380.75). The person is reappointed to the public service subsequently. That person decided to reckon their previous service for superannuation purposes and will be required to repay the marriage gratuity in doing so. The repayment may be made in one lump sum when the decision to repay is made, in one lump sum when that person retires from the public service or on an instalment basis.

Example - Repayment in one lump sum on 31 Dec 2014

Interest rates applicable:

PERIOD	INTEREST RATE PER ANNUM
1 June 1969 to 13 November 2000 (all service is pre 1/1/1984)	7%
14 November 2000 to 30 November 2014	4%
1 December 2014 to 31 December 2014	3.5%

Starting Principal amount:	€1,380.75
First Compound interest rate:	7%
No. of Years Compound rate applies:	31.45
Amount to be carried forward	€11,597.80
Second Principal amount:	€11,597.80
Second Compound interest rate:	4%
No. of Years Compound rate applies:	14.05
Amount to be carried forward:	€20,120.36
Third Principal amount:	€20,120.36
Third Compound interest rate:	3.5%
No. of Years Compound rate applies:	0.08
Amount to be carried forward:	€20,179.24
Total amount due	€20,179.24