

Reference No: P18/11/75; **Date:** 20/04/79

Circular 16/1979:- Purchase of notional service for superannuation purposes

A Dhuine Uasail

I am directed by the Minister for the Public Service to refer to the changes in the superannuation code which were announced in Circular 46/75 which also said that a further circular would be issued in due course about the purchase of notional service for superannuation purposes. A scheme for the purchase of such service has now been agreed under the scheme of conciliation and arbitration and Departments may implement it forthwith.

Application of Scheme

2. The scheme applies only to civil servants (other than certain Appeal Commissioners for the purposes of the Income Tax Acts) serving in an established capacity on or after 1 April 1979 who

(a) would have at least nine years' actual pensionable service (excluding purchased service) by the time they attain the minimum retiring age (which is 55 in the case of officers to whom the Superannuation (Prison Officers) Act, 1919 applies and 60 in other cases),

(b) are not suspended from duty (with or without pay) or likely to retire on pension before the minimum retiring age,

(c) are not excluded by virtue of having received, or having an entitlement to, retained benefits from a previous pension scheme, including pensions, commutation payments, lump-sums, gratuities and refunds of superannuation contribution, but disregarding

(i) a refund of contributions of less than £2,000 or a refund which was paid before age 45, and

(ii) a pension of not more than £52 a year or a lump-sum payment of less than £200.

Methods of purchasing service

3. (1) Notional service may, subject to the limits set out in Appendix 1 to this Circular, be purchased by two methods:

(a) by periodical deductions from salary up to minimum retiring age, or

(b) by lump-sum payment.

(2) An option to buy notional service by periodical deductions from salary may be exercised at any time in the officer's career, provided that at his next birthday he will be at least two years below minimum retiring age. An option, once exercised, may not be revoked unless the officer gives notice in writing to that effect before the periodical contributions commence. An officer who is paying periodical contributions may, however, cease paying the contributions with effect from the date of his next birthday following receipt of his written notification of such cesser.

(3) An option to purchase notional service by lump sum payment must be exercised within two years of the beginning of service as an established civil servant, or before 1 April 1981 in the case of an officer serving on 1 April 1979 (but see paragraph 5 in regard to officers serving on 1 June 1973). An option, once exercised, may not be revoked unless the officer gives notice in writing to that effect before the lump-sum payment is made.

Benefits secured by purchase of service

4. (1) Service for which contributions have been paid will be taken into account in calculating all superannuation benefits (including widows and childrens benefits where appropriate) except marriage gratuities, provided the officer has the required minimum service (excluding purchased service) to qualify for the benefit in question.

(2) The service credit in respect of purchased service will be reduced appropriately where an officer ceases to pay periodical contributions before attaining the minimum retiring age.

Special provisions for officers serving on 1 June 1973

5. (1) In the case of officers serving in an established capacity on 1 April 1979 whose established service commenced on or before 1 June 1973, the purchase arrangements will apply with the following modifications:

(a) An option to purchase by lump-sum must be exercised before 1 April 1981.

(b) An officer may opt, before 1 October 1979, to purchase service as follows:

(i) Pay periodic contributions on salary payable from time to time between the date of his next birthday after 1 June 1973 and the date on which he attains minimum retiring age. If such an option is made the contributions will be calculated by reference to his age next birthday as at 1 June 1973 and the amount payable in respect of contributions due in relation to the period prior to the date of the option will be payable within six months of that date; and/or

(ii) pay a lump-sum contribution by reference to age next birthday as at 1 June 1973 and salary at date of option (this option is in lieu of that at (a) above). Payment must be made within six months of date of option.

(2) Officers who were serving in an established capacity on 1 June 1973 and who retired at or after age 60 before 1 April 1979 will be allowed a lump-sum option which must be exercised, and the contribution paid, before 1 October 1979.

The contribution will be calculated by reference to the officer's age on 1 June 1973 and the pensionable remuneration on which his retirement lump-sum was calculated. The benefits in respect of the purchased service will be as follows:

(a) He will receive an increase in his lump sum equivalent to $A/B \times C$ where A is the number of years of service purchased, B is the number of years (any fraction of a year being taken into account on a pro-rata basis) by reference to which the basic lump sum was calculated and C is the amount of the basic lump sum.

(b) The pension in payment to him on the date on which he pays the contribution due will be increased with effect from that date by a percentage equivalent to $100A/B$ where those letters have the meaning outlined in the preceding sub-paragraph.

Applications under the Scheme

6. Enquiries concerning, and applications to avail of, the scheme, should be made to an officer's Personnel Section.

Making of statutory scheme

7. A statutory scheme incorporating the new arrangements will be made under section 2 of the Superannuation and Pensions Act 1976 in due course, Pending the making of that scheme, the decision of the Minister for the Public Service in any exceptional case or on any question of interpretation will be final

8. This Circular does not purport to cover every case which may occur and queries arising from it should be referred in writing to this Department.

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William P Smith

Appendix 1 to Circular 16/79 - Limits on amount of service which may be purchased

1. The maximum amount of notional service which may be bought is as follows:

(1) Actual pensionable service (including transferred service but excluding notional service, whether purchased, ill-health or professional) which the officer would have if he remains in service until minimum retiring age	(2) Maximum service which can be purchased
20 years or more	Difference between 40 years and actual pensionable service by minimum retiring age
19 years	17 years
18 years	15 years
17 years	13 years
16 years	11 years
15 years	9 years
14 years	7 years
13 years	5 years
12 years	4 years
11 years	3 years
10 years	2 years
9 years	1 year

2. For an officer who is entitled to retained benefits under another occupational pension scheme, the maximum number of years of notional service which may be bought will normally be the smaller of

- (1) the maximum specified in paragraph 1; and
- (2) $40 - A - B$

where A is the total actual reckonable service which he would have if he serves to the minimum retiring age, and B is the length of his pensionable service in the previous scheme.

Where the value of the retained benefits paid or payable is less than the value of the Civil Service superannuation benefits payable in respect of an equivalent period, the case should be referred to this Department for a decision as to the amount of notional service which may be purchased.

Appendix 2 to Circular 16/79 - Contributions for Notional Service

1. For an officer whose minimum retiring age is 60, and who opts to buy notional service by periodical deductions from salary, the following table shows the rate of contribution (as a percentage of salary) for each year of notional service which will be levied on salary payable between the date of the officer's next birthday and the date on which he attains minimum retiring age.

Age next birthday at exercise of option	Contribution for women	Contribution for men who are members of the Civil Service Widows' and Children's Contributory Pension Scheme	Contribution for men who are not members of the Widows' and Children's Pension Scheme
	%	%	%
20	.21	.23	.16
21	.22	.24	.17
22	.23	.27	.19
23	.24	.28	.20
24	.26	.30	.22
25	.28	.32	.24
26	.30	.34	.25
27	.32	.36	.27
28	.34	.38	.29
29	.36	.41	.31
30	.33	.42	.32
31	.40	.44	.34
32	.43	.46	.35
33	.46	.48	.37
34	.49	.51	.39
35	.53	.53	.41
36	.57	.56	.43
37	.61	.59	.46
38	.65	.63	.49
39	.68	.66	.52
40	.73	.71	.56
41	.77	.76	.60
42	.83	.81	.64
43	.89	.88	.70
44	.95	.95	.76
45	1.04	1.03	.83

46	1.12	1.13	.92
47	1.22	1.25	1.02
48	1.34	1.36	1.12
49	1.49	1.50	1.24
50	1.66	1.69	1.41
51	1.87	1.89	1.58
52	2.12	2.14	1.80
53	2.44	2.50	2.11
54	2.95	2.97	2.52
55	3.53	3.55	3.03
56	4.49	4.61	3.95
57	6.25	6.03	5.20
58	9.00	9.39	8.14

2. For an officer whose minimum retiring age is 60, and who opts to buy notional service by a lump sum payment, the following table shows the rate of contribution for one year of notional service for each £100 of pensionable Pay:

Age next birthday at exercise of option	Contribution for women	Contribution for men who are members of the Widows' and Children's Scheme	Contribution for men who are not members of the Widows' and Children's Scheme
	£	£	£
20	7.95	9.57	6.63
21	8.07	9.60	6.72
22	8.24	9.65	6.84
23	8.40	9.76	7.01
24	8.57	9.87	7.18
25	8.72	9.97	7.34
26	8.89	10.08	7.50
27	9.05	10.20	7.66
28	9.21	10.35	7.83
29	9.37	10.50	7.99
30	9.54	10.66	8.14
31	9.76	10.85	8.31
32	10.02	11.04	8.48
33	10.25	11.23	8.64
34	10.48	11.41	8.80
35	10.70	11.59	8.96
36	10.92	11.78	9.13
37	11.15	11.95	9.29
38	11.42	12.14	9.48
39	11.63	12.37	9.71

40	11.86	12.65	9.98
41	12.09	12.88	10.20
42	12.31	13.12	10.43
43	12.64	13.33	10.65
44	12.93	13.53	10.87
45	13.22	13.78	11.14
46	13.54	13.97	11.36
47	13.83	14.16	11.59
48	14.11	14.45	11.91
49	14.44	14.73	12.20
50	14.77	15.04	12.52
51	15.11	15.32	12.81
52	15.46	15.63	13.14
53	15.84	16.01	13.53
54	16.20	16.35	13.88
55	16.61	16.67	14.22
56	17.07	17.04	14.61
57	17.51	17.48	15.07
58	17.99	17.84	15.47
59	18.46	18.26	15.93
60	18.94	18.75	16.46
61	18.98	18.79	16.50
62	19.02	18.83	16.54
63	19.06	18.87	16.58
64	19.09	18.94	16.55
65	19.20	19.04	16.75

3. For an officer whose minimum retiring age is 55, the tables apply as if his age were increased by 5 years.