



**An Roinn Sláinte**  
DEPARTMENT OF HEALTH



**Circular 1/2015**

19 January 2015

Mr Ian Tegerdine  
Interim National Director of Human Resources  
Health Service Executive  
Dr. Steevens' Hospital  
Dublin 8

**Re: Formula to compensate for loss of pensionability arising from the elimination of pensionable allowances.**

Dear Mr Tegerdine,

Please find attached notification from the Department of Public Expenditure and Reform (DPER) in relation to a formal agreement reached with Public Services Committee of ICTU concerning an agreed formula to compensate for loss of pensionability arising from the elimination of pensionable allowances. As you will be aware Section 2.27 of the Haddington Road Agreement provided for central negotiations with a view to reaching such an agreement.

Please bring this circular to the attention appropriate units in the HSE

Yours sincerely

Lara Hynes  
Principal Officer  
National HR Unit

Enclosures (3).

Tús Áite do  
Shábháilteacht Othar  
Patient Safety First



Cuirfear fáilte roimh chomhfhreagras i nGaeilge

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16 January, 2015

To: All Personnel Officers


Re: Agreed Formula for Buyout of Pensionability of Allowances

As you will be aware, section 2.27 of the Haddington Road Agreement stated that in accordance with Labour Court Recommendation 20448, the Parties agreed to enter into central negotiations with a view to reaching a generally applicable agreement on measures by which loss arising from the elimination of pensionable allowances can be ameliorated.

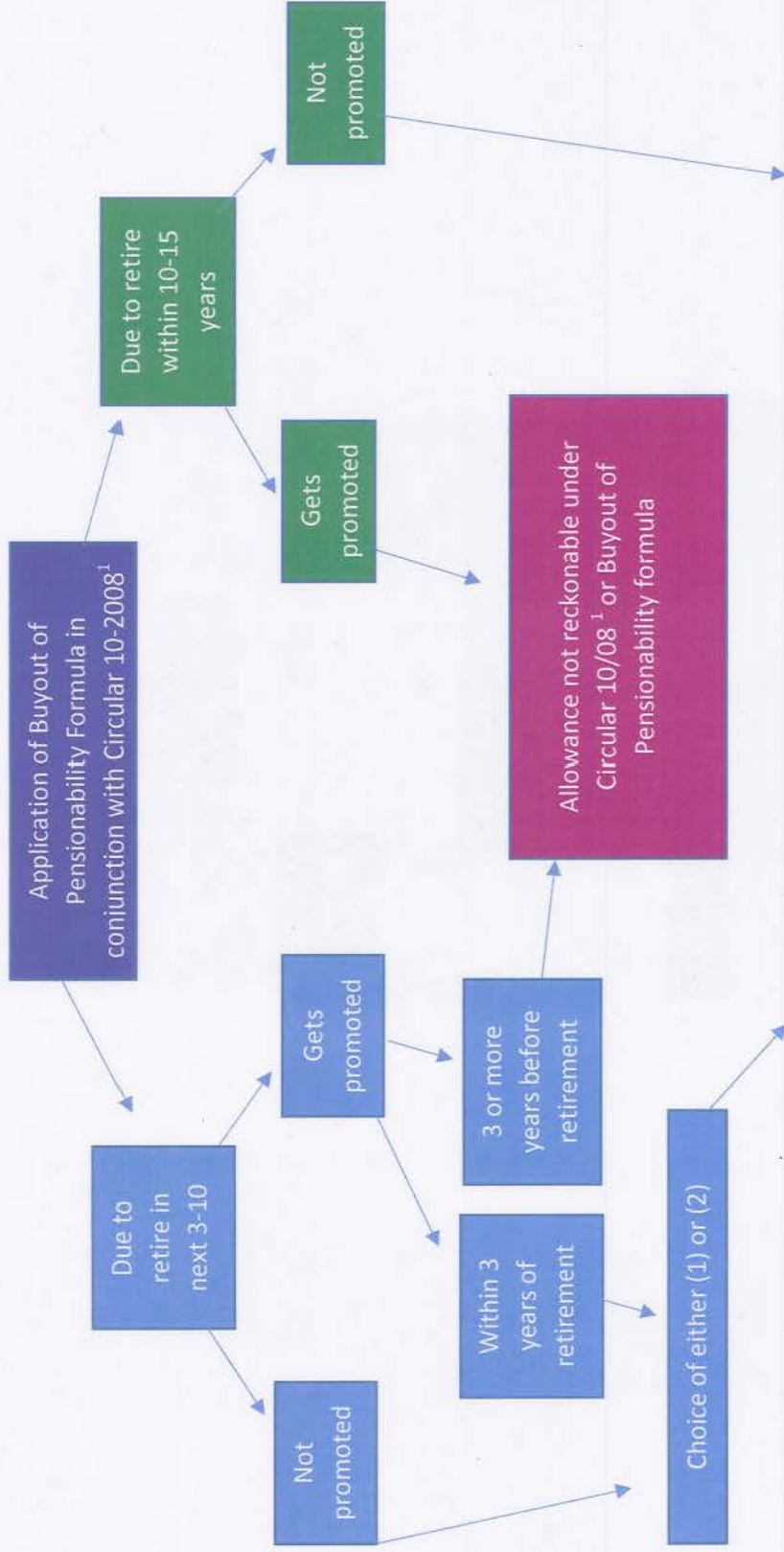
Agreement has now been formally reached with the Public Services Committee of ICTU on the formula attached (at Appendix 1).

Please note that this agreed formula must be used in any buyout of allowances that your Department/ Office may be negotiating at a local level.

Please contact Aoife Collier (aoife.collier@per.gov.ie) with any queries that you may have on this matter.



David Denny  
Principal  
Remuneration, Industrial Relations and Pensions



(1) Pensionable Allowance included in Circular 10/2008<sup>1</sup> pension calculation

(2) A payment based on the following Buyout of Pensionability formula:

- (i) 1.5 times the pension benefit foregone (1.5 by 1 year benefit foregone), plus
- (ii) Amount equivalent to portion of retirement lump sum which would have been generated by allowance; and
- (iii) 1.5 times the survivor's benefit foregone (1.5 by 1-year benefit foregone).

<sup>1</sup> Circular 10/2008: Public Service Pension Reform: Revised method of reckoning variable pensionable allowances for pension purposes

## Appendix 1

### **Proposed formula to compensate for loss of pensionability arising from the elimination of pensionable allowances**

Labour Court recommendation No 20448 provides that *"parties should enter into central negotiations with a view to reaching a generally applicable agreement on measures by which loss arising from the elimination of pensionable allowances can be ameliorated."*

#### Established loss of earnings formula

The current position is that compensation for the removal of allowances, pensionable or non-pensionable, can be addressed by the established compensation for loss of earnings formula agreed in March 2011. The formula provides for compensation of 1.5 times the actual loss, 50% being paid 12 months after the new arrangement becomes operational and the remaining 50% six months after. This formula will continue to apply for the immediate loss of earnings from the removal of an allowance.

#### Proposed compensation for loss of pensionability element

Employees who are close to retirement (within 7 years) would continue to be covered by the provisions of Circular 10/2008 terms and should see benefit of any relevant allowance in their pension, providing the three years chosen for pension calculation include the allowance.

Employees who are outside the provisions of the Circular but not very far from retirement (within 10 to 15 years of retirement) will not be able to obtain the benefit of the allowance being calculated in their pension but would have had some expectation of being able to do so save for the removal of the relevant allowance. In relation to compensation for the loss of the pensionability of any such allowance, it is proposed that, at retirement (including retirement on ill health grounds or Cost Neutral Early Retirement), those persons within 10 to 15 years of retirement will receive a payment based on the following formula:

1. 1.5 times the pension benefit foregone (which is consistent with the approach for the loss of earnings formula), plus
2. An amount equivalent to the portion of retirement lump sum which would have been generated by the allowance, and
3. 1.5 times the survivor's benefit foregone.

Those within 7-10 years of retirement (i.e. those with "partial" Circular 10/2008 entitlement) would have the option of Circular 10/2008 terms or application of the formula whichever proved most favorable.

The three elements of the proposed formula represent the buying-out of the entitlement to pension, lump sum and potential survivor's benefits, respectively.

This compensation would be treated in the same way as other compensation payments for taxation purposes, and would be distinct and separate from the pension lump sum paid on retirement.