

# Civil Service Conciliation and Arbitration Scheme

## General Council Report 1480

(Meeting/s of 13 December 2006)

### Public Service Pension Reform - Implementation of certain recommendations of the Commission on Public Service Pensions

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1. The Report of the Joint Working Group on Pensions (10 May 2004) outlined an agreed position in relation to all 57 of the recommendations made by the Commission on Public Service Pensions.
2. The Commission's recommendations were grouped in the Joint Working Group's Report by status (i.e. implemented, being considered, etc). 'List A' in the Report itemised a number of unimplemented recommendations on which agreement was reached by the Group.
3. In September 2004 the Government ratified the approach agreed by the Joint Working Group and gave immediate authorisation for implementation of the Commission recommendations contained on 'List A'. The position agreed by the Group in relation to the civil service related recommendations on this list (in summary) was as follows:
  - **Notional added years:** Existing schemes to be replaced (for new entrants) by a single "transitional" scheme. The situation regarding professional added years to be reviewed in 2015.
  - **Compound interest rate:** Interest rate, which applies, in particular, to repayment of marriage gratuities, to be cut from 6% to 4%.
  - **Cost-neutral early retirement:** Introduction of a facility to allow public servants to retire early (from age 50/55, as appropriate) with immediate payment of actuarially reduced pension and lump sum.
  - **Integration – new calculation formula:** A new method of integrating social insurance and public service pensions to boost retirement income of lower-paid staff.
  - **Integration - "pro rata":** "Pro rata" integration (as opposed to full integration) to apply to part-time public servants.

- **Reckoning of allowances for pension purposes:** Calculation to be based on an average of the variable pensionable allowances received in the best three consecutive years in the ten years preceding retirement.

4. The Official Side undertook to issue detailed guidance on implementation of the agreed reforms and, following discussions with the Staff Side, the following Department of Finance Circulars were issued:

- **Circular 8/2005 dated 21 March 2005:** Public Service Pension Reform: New scheme for the award of professional, technical and specialist added years to certain new entrant staff of the Civil and Public Service.
- **Circular 9/2005 dated 4 April 2005:** Public Service Pension Reform: Revised rate of compound interest for use in the calculation of refunds to the Exchequer.
- **Circular 10/2005 dated 4 April 2005:** Public Service Pension Reform: Introduction of cost neutral early retirement.
- **Circular 19/2005 dated 20 July 2005:** Public Service Pension Reform: Revised method of calculation of pension entitlement for public servants whose pensions are integrated with social welfare benefits.
- **Circular 20/2005 dated 20 July 2005:** Public Service Pension Reform: Revised arrangements for part-time public servants.
- **Circular 3/2006 dated 29 March 2006:** Civil Service Pension Schemes: Extension of time limit for option for access outlined in Circular 20/2005, and clarification of revised pension arrangements for part-time service.

5. The practical implementation of the revised method for calculation of allowances for pension purposes is still under discussion between the Official and Staff Sides. The Staff Side asked that the drafting of the relevant circular be completed as soon as possible as there were quite a number of officers affected by this change who needed to know their entitlement to superannuation awards.

6. Circulars 8/2005, 9/2005, 10/2005, 19/2005, 20/2005 and 3/2006 (copies attached at Appendix A) were formally adopted on 13 December 2006.

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Eric Gargan Joan Byrne  
Official Side Secretary Staff Side Secretary

## Appendix A

- **Circular 8/2005 dated 21 March 2005:** Public Service Pension Reform: New scheme for the award of professional, technical and specialist added years to certain new entrant staff of the Civil and Public Service.
- **Circular 9/2005 dated 4 April 2005:** Public Service Pension Reform: Revised rate of compound interest for use in the calculation of refunds to the Exchequer.
- **Circular 10/2005 dated 4 April 2005:** Public Service Pension Reform: Introduction of cost neutral early retirement.
- **Circular 19/2005 dated 20 July 2005:** Public Service Pension Reform: Revised method of calculation of pension entitlement for public servants whose pensions are integrated with social welfare benefits.
- **Circular 20/2005 dated 20 July 2005:** Public Service Pension Reform: Revised arrangements for part-time public servants.
- **Circular 3/2006 dated 29 March 2006:** Civil Service Pension Schemes: Extension of time limit for option for access outlined in Circular 20/2005, and clarification of revised pension arrangements for part-time service.

Ref P18/153/04

21 March 2005

**Circular 8/2005: Public Service Pension Reform: New scheme for the award of professional, technical and specialist added years to certain new entrant** as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004 **staff of the Civil and Public Service**1.

A Dhuine Uasail

1. I am directed by the Minister for Finance to refer to the introduction of a new scheme for the grant of added years to certain new entrant professional, technical and specialist civil and public servants.

### **Background**

2. The Commission on Public Service Pensions, as part of its terms of reference, considered the role of schemes of notional added years in addressing recruitment difficulties in the public service. The Commission recommended that such schemes be abolished and that consideration be given to the offer of other forms of recruitment incentive.

3. The Government on 8 September 2004 decided to implement several key recommendations of the Commission on Public Service Pensions but it did not consider it appropriate to abolish schemes of notional added years at this juncture. The Government decided that, as a transitional arrangement, existing schemes for the award of professional added years should be replaced for new entrants by a new single scheme. The position regarding professional added years will be reviewed in 2015. This letter summarises the scheme, full details of which are set out in the Appendix.

### **Scope**

**4. The scheme will apply to new entrants recruited to a professional, technical or specialist post in the civil and public service by competition advertised on or after 1 April 2005 where, by reason of the entry requirements of the competition, it is not possible for the employee to secure full service by pension age of 65.**

5. The scheme will have no implications for staff who are currently serving unless they cease to be public service employees at some future date and are subsequently re-employed as new entrants. In such cases, entitlement to professional added years in respect of periods of service prior to becoming a new entrant will fall to be dealt with under existing provisions if the person opts for a preserved benefit in respect of that service. If, however, the former service is amalgamated with the subsequent service for superannuation purposes, or transferred, then entitlement to professional added years would be dealt with on the basis of this scheme.

### **General Principles**

6. The underlying aim of the scheme is to provide for the grant of a limited number of added years of notional service for superannuation purposes in cases where the minimum preconditions for appointment to a post are such as to preclude an appointee from acquiring full superannuation entitlements by pension age of 65. The entitlements under the scheme must be assessed by reference to the minimum requirements of the competition for appointment to the post and not by reference to the individual circumstances

of the appointee.

7. A distinction must be made between qualifications required for the post and those which are merely desirable. In this regard, "the minimum number of years in which the required qualifications can be obtained" (para 8 of scheme) refers to the lowest number of years in which any of the qualifications required for appointment may be obtained and not necessarily to those of the appointee. References in job advertisements to "requisite knowledge and ability", "a high degree of professional expertise in ...", "a knowledge of ..." etc. cannot be construed as experience requirements for the purpose of the scheme.

### **Scheme Terms**

8. The arrangements for qualifying persons can be summarised as follows:

#### **Service Required for Award**

Minimum service requirement for an award is 2 years actual pensionable service with the body.

#### **Calculation of Award**

The gross award is calculated on the basis of the formula:  
 $19 + Q + E - 25$ , where

Q = the minimum number of years in which the required qualifications can be obtained;

E = the minimum number of years of essential experience required.

Subject to the approval of the Minister for Finance, an award of up to 5 years may be made in the case of certain specified grades (paragraph 8(e) of the Appendix refers).

#### **Limit on Gross Entitlement**

The gross award shall in no case exceed 5 years.

#### **Abatement**

The gross award will be appropriately reduced in respect of:

- **Previous service with the body**: where the employee has service with the body at any time prior to obtaining the added years post. (However, relevant non-transferable experience in other employment (e.g. private sector) may be used to off-set such abatement).
- **Transferred/transferable service**: where the employee has previous service in another organisation which has been, or could be, transferred to

the current employment. (However, relevant non-transferable experience in other employment (e.g. private sector) may be used to off-set such abatement).

- **Retained benefits:** where the employee has retained superannuation benefits, (e. g. has a preserved pension entitlement or other superannuation benefit or is receiving a pension from previous employment). Abatement in respect of compulsory refunds of superannuation contributions will not apply in certain cases.

- **Career breaks/unpaid leave/work-sharing:** awards will be abated pro-rata in the case of career breaks/unpaid leave and work-sharing.

- **Retirement/resignation before age 60:** awards (abated on a pro-rata basis) may be granted in the case of employees retiring before age 60, or resigning before age 60 with preserved benefits.

**Retirement/resignation between ages 60 and 65:** abatement of the net award will **not** apply because an employee retires between ages 60 and 65, or resigns between ages 60 and 65 with preserved benefits.

9. The contents of this letter and the attached Scheme should be brought to the attention of all employees in your Department who may benefit from the terms (i.e. those appointed from competitions advertised on or after 1 April 2005). It should also be brought to the attention of all State-Sponsored bodies and other relevant organisations in the public service under the aegis of your Department. **Those bodies and organisations should be instructed to bring it to the notice of all similar employees who may benefit from the terms.**

Personal enquiries from individual employees should be referred to the employees own Personnel Section. Other queries regarding this circular should be referred to Pensions (Special Schemes) Section, Department of Finance, 73-79 Lower Mount Street, Dublin 2.

Yours sincerely

John O'Connell  
Assistant Secretary

**APPENDIX**

**Professional Added Years**  
**New Scheme for the Civil and Public Service, 2005**

**Scope**

1. The scheme applies to any pensionable employee recruited as a new entrant as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004 to a professional, technical or specialist post in the public service<sup>2</sup> by competition advertised on or after 1 April 2005 where

(i) (a) minimum professional, technical or specialist qualifications and/or a

minimum number of years essential experience were required for appointment, or

(b) the minimum entry age specified in the competition was over 25,

and

(ii) by reason of such entry requirements it is not possible for the employee to accrue maximum service by the age of 65.

**The existing schemes for the award of professional added years will not apply to such new entrants.**

2. Modifications to these rules may be necessary in exceptional cases, subject to the prior approval of the Department of Finance (e.g. where retirement/pension age is not 65).

3. Professional and technical posts are those for which third level degrees and/or diplomas are required for appointment. The "specialist" category includes employees who, while they did not need third level degrees or diplomas, were required nevertheless to be of a certain age and/or to have certain relevant experience before being eligible for appointment. Administrative staff are excluded from the scope of the provisions but an employee originally appointed in a professional, technical or specialist capacity who is subsequently regraded or promoted to an administrative post and retires from an administrative post retains an entitlement to professional added years.

4. An award of added years under this scheme can only be formally made at retirement. The employee concerned must provide the body with all the information needed for the purposes of establishing an added years entitlement and no award may be made otherwise.

5. Applications for added years will be dealt with by reference to the requirements of the particular competition from which an employee is recruited and not by reference to the individual circumstances of the

employee.

6. While it would be a matter for the appropriate authority to decide whether a particular post comes within the scope of the scheme, it will be clear from the foregoing that the scheme would not apply in any case where an employee was actually appointed before age 25. Even where an employee was appointed after age 25 the scheme will apply only where the individual could not, by reason of the requirements for appointment to the post, have been appointed before age 25. It will also be clear that, under this scheme, the same gross award (including a "NIL" award) will apply to all individuals to whom this scheme applies who are appointed from the same competition whereas different gross awards may apply to members of the same grade appointed from different competitions.

"Appropriate authority" means in the case of

- (i) the civil service – the Department of Finance,
- (ii) local authorities – the local authority in which the person is employed,
- (iii) the health sector – the Department of Health and Children,
- (iv) other public service bodies – the public service body.

7. Employees must have a minimum of 2 years actual pensionable service with the body to qualify for an award under this scheme.

### **Calculation of awards**

8. Subject to paragraph 9, the gross added years' entitlement, before appropriate adjustment, will be calculated as follows:

- (a) in any case where the required minimum qualifications and/or experience would have precluded appointment by age 25, the aggregate of  $19+Q+E-25$ , where

Q = the minimum number of years in which the required qualifications can be obtained; and

E = the minimum number of years essential experience required.

Where specific experience was required but not quantified in the competition, a figure of 5 years will be taken as the experience requirement for the competition.

Experience normally gained during a period of qualification may not give rise to double counting of periods under Q and E. For example, a period of



training which includes practical experience may not be counted twice for the purpose of this calculation.

(b) where a minimum age of 25 was specified for entry into the competition, the period between the date specified in the competition by which candidates had to have reached the age of 25 and the individual's actual date of appointment (provided any delay in taking up the appointment was outside the individual's control);

(c) where a minimum entry age in excess of 25 was specified for the competition, the difference between such entry age and 25 plus the period between the individual's date of appointment and the date by which candidates at the competition had to have attained the specified minimum entry age (provided any delay in taking up the appointment was outside the individual's control);

(d) in any case where the required minimum qualifications and/or experience would have precluded appointment by age 25 and a minimum entry age equal to or in excess of 25 was specified, the greater of the awards calculated under subparagraphs (a) and (c) above;

(e) in the case of certain professional, technical and specialist grades who are within the ambit of this scheme and where:

- (i) virtually all appointees to such grades are over age 25 on appointment; and
- (ii) a substantial majority are aged 30 or over on appointment; and
- (iii) in practice, it is reasonable to draw the inference that for the purposes of this Scheme the de facto requirements for the post exceeded those specified for the relevant competitions —

the gross added years entitlement will be as follows:

- (I) 5 years in the case of officers who enter at age 30 or older;
- (II) 5 years, reduced by an amount equal to the difference between the age at appointment and age 30, in the case of those who take up appointment prior to age 30.

The grades currently meeting these requirements are listed in the Schedule. Other grades may be added to the list subject to meeting the requirements set out above and subject to the approval of the Minister for Finance.

**Limits of entitlement and abatement**

9. The gross award calculated under paragraph 8 above shall in no circumstances exceed 5 years and shall not exceed actual service in the case of employees with between 2 and 5 years actual service.

10. The gross added years' entitlement (after applying the limit at paragraph 9 if necessary) will be reduced as indicated in the following circumstances: -

**(i) Previous service with the body, transferred/transferable service:**

where the employee concerned has

(a) pensionable service with the body before his or her appointment to the professional added years post, and/or

(b) transferred or could transfer service into the body's pension scheme from another public sector body,

the added years award will be abated on a "year-for-year" basis by that service.

If, however, the employee's relevant experience for the purpose of appointment to an added years post also includes non-transferable relevant experience in other employment, the abatement in respect of service at (a) and/or (b) above will be the minimum amount of relevant experience required by the competition less the amount of non-transferable relevant experience. If the non-transferable relevant experience is equal to or greater than the minimum amount of relevant experience required by the competition then no abatement will apply.

Where there are retained benefits (see (ii) following) in respect of the non-transferable service abatement will, of course, apply by reference to the value of those benefits.

**(ii) Retained benefits:**

where the employee has a retained superannuation benefit (e.g. a pension and/or lump sum entitlement, or has received a refund of superannuation contributions) from any previous employment, the added years award will be abated by the value of the retained benefit, as determined by the appropriate authority. Abatement will not apply in respect of a refund of contributions paid to the employee where the employee could not opt for preserved superannuation benefits or a transfer of service in lieu of a refund at the time of resignation, and where the amount of the refund was, if paid

before 1 June 1973, less than €762, or, if paid on or after 1 June 1973, less than €762 as increased by reference to CPI increases between that date and the date of the refund.

11. The aggregate of added years granted and service otherwise reckonable shall not exceed 40 years.

### **Career Breaks/Unpaid Leave/Work-sharing**

12. Where an employee goes on a career break or on special leave without pay and returns to duty, or serves for a period in a work-sharing capacity, the net award calculated under the foregoing paragraphs will be reduced in accordance with the formula:

$$\frac{C \times D}{E}$$

where

C = the net added years award

D = actual reckonable service given in the body

E = the period between the date of the employee's appointment to the body and the date of retirement.

### **Resignation/retirement before age 60**

13. Subject to paragraph 15, where an employee retires before age 60, or resigns before age 60 with preserved benefits, the net award calculated under the foregoing paragraphs will be reduced in accordance with the formula

$$C \times \frac{A}{(A + B)}$$

where

A = actual reckonable service at the date of resignation/retirement

B = the period between the last day of paid service and the employee's 60th birthday

C = the net added years award.

### **Resignation/retirement between ages 60 and 65**

14. Where an employee retires between ages 60 and 65, or resigns between ages 60 and 65 with preserved benefits, there will be no abatement of the net award by virtue of such early retirement or resignation.

15. The provisions of paragraph 13 will not apply in the case of retirement before age 60 on grounds of ill-health. However, the aggregate of added years awarded under this scheme and any notional ill-health added years may not exceed 10. This limit of 10 years also applies in the calculation of notional years for death-in-service lump sums but does not apply for the

purpose of calculating benefits due under the Spouses' and Children's Scheme in death-in-service cases, i.e., a spouse may be awarded potential service to age 65 plus the full number of added years which the deceased would have been awarded had he or she served to age 65.

### **Purchase of notional service: refunds**

16. If, after the grant of added years, an officer would have more than 40 years' reckonable service at retirement a refund may be made for purchased notional service over and above the 40 year maximum allowable. No interest will be payable on such refunds and, under the provisions of the relevant Tax legislation, an appropriate deduction in respect of tax will be made.

### **Other Conditions**

17. Where an employee has held more than one added years post in the organisation only one grant of added years may be made under this scheme. In such cases it will be necessary to establish which post would result in the more favourable award (it is normally the initial added years post held).

18. Added years will not be transferable under the Public Sector or Local Government Transfer Networks. However, where paragraph 10(i)(b) applies and an employee had previous service with another organisation in a post which would have attracted added years under this scheme, the current employing organisation may, if it wishes and if this is more favourable to the individual, make an award equal to the award which would be made if the employee was still serving in the previous organisation.

19. Where an employee is initially appointed to a professional, technical or specialist post in a temporary or contract capacity and is subsequently made permanent, the employee may have his or her added years entitlement determined by reference to the competition from which the initial appointment was made, or, where relevant and if more favourable, by reference to the terms of the competition from which the permanent appointment was made.

20. Spouses' and Children's Scheme Contributions will be payable in respect of any added years awarded on the same basis as "pre-scheme" service.

## **Schedule**

### **Grades which qualify for an award under paragraph 8(b) of the scheme:**

Local Government Auditor  
County Development Team Secretary  
Industrial Inspector (Marine Engineer)

P18/046/05

4 April 2005

To: All Heads of Department/Office

**Circular 9/2005: Public Service Pension Reform: Revised rate of compound interest for use in the calculation of refunds to the Exchequer**

A Dhuine Uasail,

1. I am directed by the Minister for Finance to announce a reduction in the rate of compound interest to be applied in the calculation of refund of marriage gratuity, payment of outstanding employee contributions, and recovery of financial loss to the Exchequer. The reduced rate will apply to refunds which are in respect of periods on or after 14 November 2000.

**Background**

2. The Commission on Public Service Pensions, as part of its terms of reference, had regard to claims for improvements in existing pension scheme benefits, including claims for review of the rate of compound interest to be charged for refunds.

3. Following consideration of the issue, the Commission recommended the reduction of the rate to 4% per annum and that the rate should be reviewed as a matter of course.

4. In *Budget 2004*, the Minister for Finance announced that the Government had decided to implement the bulk of the recommendations of the Commission on Public Service Pensions. Discussions were held with the Staff Side on the rate of compound interest and other issues. The Minister announced the introduction of the measure on 14 September 2004 following Government approval.

### **Scope**

5. This Circular applies to all refunds where
- (a) 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*
  - (b) the refund is in respect of a period or periods on or after 14 November 2000.

### **Effective Date**

6. The effective date for this Circular is 14 November 2000.

### **Calculation**

7. The rate of compound interest to be applied to all relevant refunds which are in respect of periods on or after 14 November 2000 is to be reduced to 4% per annum. The rate of compound interest to be applied to refunds in respect of periods before 14 November 2000 will remain unchanged.

8. In the Civil Service, the compound interest rates for relevant refunds which now apply are:

- (i) Up to 31 March 1971: 3% per annum.
- (ii) From 1 April 1971 to 13 November 2000: 6% per annum.
- (iii) From 14 November 2000 onwards: 4% per annum.

Some examples are shown in the Appendix to this Circular.

9. Where calculations are revised as a result of the reduced rate, income tax at a rate of 20% should be deducted from any repayments due as a result of the revision.

### **Circulation**

10. Please bring this Circular to the notice of all staff serving in your Department/Office and to the attention of all public service bodies under the aegis of your Department.

### **Queries**

11. Queries from individual staff members should be directed to the Personnel Section of their own Department/Office/public service body. Queries from Departments/Offices relating to this Circular should be made to either of the following officials of this Department: John O'Connell (01-6045405), e-mail [john.o'connell@finance.gov.ie](mailto:john.o'connell@finance.gov.ie) or Camillus Farrell (01-6045701), e-mail

[Camillus.farrell@finance.gov.ie](mailto:Camillus.farrell@finance.gov.ie). In the case of queries from public service bodies, the appropriate parent Department should be consulted in the first instance.

Mise le meas,

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John C O'Connell  
Assistant Secretary

### **Circular 9/2005: Appendix Examples of application of change in Compound Interest Rate in the Civil Service**

#### **Scenario:**

A person resigned from the Civil Service on marriage on 1 June 1969 and received a marriage gratuity of £1,087.43 (€1,380.75). The person is reappointed to the Civil Service on 13 June 2002. Assume a date of birth of 4 January 1945. If the person wants to reckon their previous service in the Civil Service for superannuation purposes, s/he will be required to repay the marriage gratuity. The repayment may be made (a) in one lump sum on return to the Civil Service, (b) in one lump sum on retirement or (c) on an instalment basis.

#### **Example 1 - One lump sum on return to the Civil Service**

##### Interest rates applicable:

1 June 1969 to 31 March 1971: 3% per annum.

1 April 1971 to 13 November 2000: 6% per annum.

14 November 2000 to 13 June 2002: 4% per annum.

**Total amount due: €8,713.23**

#### **Example 2 - One lump sum on retirement from the Civil Service (aged 65)**

##### Interest rates applicable:

1 June 1969 to 31 March 1971: 3% per annum.

1 April 1971 to 13 November 2000: 6% per annum.

14 November 2000 to 4 January 2010: 4% per annum.

**Total amount due: €11,721.40**

**Example 3 - Periodic payments of €50** Under current rules repayments may be made on an instalment basis, and the amount of each instalment must not be less than one month's gross pay. The Commission on Public Service

Pensions recommended that regular periodic payments over a fixed period of up to ten years be accepted. It is the intention to adopt that recommendation. Salary Sections are being consulted as to practical feasibility. The above example is based on the assumption that this recommendation can be implemented. **a week, commencing on return to Civil Service**

Interest rates applicable:

1 June 1969 to 31 March 1971: 3% per annum.

1 April 1971 to 13 November 2000: 6% per annum.

14 November 2000 to 5 January 2006: 4% per annum.

Amount owed after compound interest applied on reducing balance

13/6/2002 (when repayment begins) €8,713.23

12/6/2003 €6,414.98

12/6/2004 €3,976.04

12/6/2005 €1,484.54

Gratuity repaid on 05/01/2006

**Total due: (€50 a week for 187 weeks + €1.16): €9,351.16**

P18/161/04

4 April 2005

**Circular 10/2005: Public Service Pension Reform: Introduction of cost neutral early retirement**

A Dhuine Uasail,

1. I am directed by the Minister for Finance to announce the introduction of cost neutral early retirement for the public service. Subject to eligibility, this facility will be available to serving staff and will also be made available, for a specified period, to persons who resigned on or after 1 April 2004, with an entitlement to preserved



superannuation benefits.

### **Background**

2. The Commission on Public Service Pensions, as part of its terms of reference, had regard to claims for improvements in existing pension scheme benefits including claims for voluntary early retirement.

3. Following consideration of the issue of improved retirement choice for public servants, the Commission recommended the introduction of a facility which would allow public servants to retire early with immediate payment of superannuation benefits, subject to actuarial reduction to take account of the early payment of the lump sum and the longer period over which pension would be paid.

4. In *Budget 2004*, the Minister for Finance announced that the Government had decided to implement the bulk of the recommendations of the Commission on Public Service Pensions and indicated that the feasibility of implementing optional early retirement with actuarially reduced benefits, as recommended by the Commission, would be examined. Discussions were held with the Staff Side on this and other issues. The Minister announced the introduction of the measure on 14 September 2004 following Government approval.

**To: All Heads of Departments/Offices**

### **Eligibility**

5. To be eligible to apply for cost neutral early retirement a person must:

(i) be serving in a public service body as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004,

(ii) be a member of the superannuation scheme of that body,

(iii) have an entitlement to a preserved superannuation benefit at age 60 or 65, *and*

(iv) at the time of resignation, be aged at least 50 if a preserved pension age of 60 applies or be aged at least 55 if a preserved pension age of 65 applies.

In the civil service, both established and unestablished personnel may apply for cost neutral early retirement.

6. The option of cost neutral early superannuation benefits will also be made available to individuals who resigned on or after 1 April 2004, and who met the eligibility criteria above at the time of their resignation. Departments and public service bodies should take immediate steps to notify such former staff, in writing, of the new option available to them, and in any event should ensure that such notification takes place within three months of the date of this circular. Individuals notified in this way should be given three months within which to exercise the option.

7. In cases other than those covered in *paragraph 6* above, the application to draw down cost neutral superannuation benefits must be made **not later than the date of resignation**; no applications will be accepted from persons who have already resigned. In this connection Departments/Offices and public service bodies should make eligible staff aware of the options available, in advance of the date of resignation.

### **Conditions**

8. Public servants who meet the eligibility criteria specified in *paragraphs 5-7* above, may, if they resign before reaching the relevant preserved pension age, choose between the following options:

(i) waiting until preserved pension age (60 or 65 years) and receiving the preserved pension and lump sum in the normal way, *or*

(ii) applying for immediate payment of preserved pension and lump sum, both of which will be actuarially reduced.

9. Persons granted the option in *paragraph 8(ii)* above (i.e. those availing of cost neutral early retirement), will have their pension and lump sum actuarially reduced by application to their preserved benefit of the relevant percentages from the table at *paragraph 10* below, with appropriate adjustment, as necessary, for exact age (i.e. years and days) at retirement.

10. In adjusting for exact age at retirement, pension and lump sum will be calculated in accordance with the following formula:

$[A + ((B/365) \times (C-A))] \times$  preserved benefit based on service

where

- A is the actuarial reduction factor (pension or lump sum, as appropriate) in the table below, appropriate to the person's age at his or her last birthday,
- B is the number of days since his or her last birthday, *and*
- C is the actuarial reduction factor (pension or lump sum, as appropriate) in the table below, appropriate to the person's age at his or her next birthday.

**Table:  
Factors to be applied to preserved benefits to derive actuarially reduced benefits**

<b>Persons with a preserved age of 60</b>		<b>Persons with a preserved age of 65</b>
<b>Age last birthday</b>	<b>Pension</b>	<b>Lumpsum Age last birthday Pension Lump sum</b>
50	62.4%	82.2%5558.2%82.4%
51	65.1%	83.9%5661.1%84.0%
52	67.9%	85.5%5764.1%85.6%
53	71.0%	87.2%5867.4%87.3%
54	74.3%	88.9%5971.0%89.0%
55	77.8%	90.7%6074.8%90.7%
56	81.6%	92.4%6179.0%92.5%
57	85.7%	94.3%6283.6%94.3%
58	90.1%	96.1%6388.5%96.1%
59	94.8%	98.0%6494.0%98.0%

11. Staff opting for cost neutral early retirement should note that the actuarially reduced rate applies throughout the lifetime of the payment of a pension subject to adjustments in line with public service pensions, as appropriate. It should also be noted that a person who avails of cost neutral early retirement cannot subsequently switch to payment of a preserved pension at normal preservation age (60 or 65 years).

12. Examples of some actuarially reduced early retirement cases are set out, for information, at *Appendix 1* of this Circular.

### **Restrictions**

13. Departments/Offices and public service bodies must consider all applications in light of business needs. In the civil service should a Department or Office consider that the number or nature of applications received are such as to pose difficulties for the effective or efficient operation of the Department/Office concerned, the Department of Finance should be consulted. It may, in such cases, become necessary for the Department of Finance, in consultation with the relevant Department/Office and relevant staff side representatives, as appropriate, to prioritise applications or place some restrictions on the numbers/levels approved in a particular period. In the case of other public service bodies, the parent Department should be consulted.

### **Purchase of Notional Service**

14. It should be noted that where a person who has purchased or is in the process of purchasing service under a scheme for the purchase of notional service in the public service opts for cost neutral early retirement, this will affect the amount of purchased service. In this context, in working out the person's entitlement, two reductions will apply. Firstly, the relevant purchase scheme reduction arrangements, as appropriate (including application of purchase scheme actuarial reduction factors appropriate to payment of pension at minimum pension age) will apply. Secondly, the resultant service will then be added to actual service and the relevant cost neutral early retirement factor applied to the preserved benefits derived from the aggregate service.

### **Professional Added Years**

15. Where a person who has been awarded Professional Added Years opts for cost neutral early retirement two reductions will apply. Firstly, the appropriate reduction arrangements (under the relevant Added Years Scheme) which apply in the case of termination of service below minimum pension age will apply. Secondly, the resultant service (if any) will then be added to actual service and the relevant cost neutral early retirement factor will be applied to the

preserved benefits derived from the aggregate service.

### **Spouses' and Children's Pension Schemes**

16. Benefits payable under Spouses' and Children's Pension Schemes will not be affected by a decision to accept cost neutral early retirement in lieu of preserved benefits, i.e. any benefits payable under Spouses' and Children's Pension Schemes to survivors of early retirees will be the same as those payable to survivors of staff who opt for preservation of benefits.

### **Supplementary pensions**

17. Supplementary pensions, where appropriate, will be paid to persons availing of cost neutral early retirement on reaching the relevant preserved pension age (60 or 65 years, as appropriate).

### **Implications for Social Welfare Benefits**

18. As the arrangements for securing Social Welfare credits may vary from time to time, all employees (regardless of PRSI class) are advised to check their own individual situations with the Department of Social and Family Affairs prior to availing of cost neutral early retirement and to check, periodically, as to the up-to-date position. Failure to do so could adversely affect an employee's subsequent entitlement to social welfare benefits, such as retirement pension, old age pension or survivor's pension.

### **Return to public service employment**

19. Where a person who has availed of cost neutral early retirement returns to public service employment, that person will be subject to the relevant rules which apply both in the superannuation scheme from which they are being paid a pension and the superannuation scheme pertaining to their new employment (e.g. in relation to abatement/cessation of pension and maximum accrual rates).

20. Notwithstanding the provisions of *paragraph 19* above, service in respect of which an actuarially reduced pension has been paid cannot be aggregated with subsequent service in the same scheme or transferred between schemes.

21. It should be noted that, as in the case of resignation generally, a person availing of cost neutral early retirement has no right of return to work in the public service other than through normal recruitment/selection procedures.

### **Applications**

22. In the civil service applications for cost neutral early retirement should be made, in writing, through an officer's Personnel Unit. Other public service bodies should advise staff how to apply. Employers should provide persons who avail of cost neutral early retirement with written confirmation of the terms of the arrangement prior to the date of retirement (a sample letter for this purpose is attached at *Appendix 2*). Apart from the exceptions provided for in *paragraph 6* above, applications for payment of actuarially reduced superannuation benefits will not be considered from former staff members who have already resigned. Civil servants are reminded that the recently launched Pensions Modeller can be of assistance in estimating the benefits available under cost neutral early retirement (see [www.cspensions.gov.ie](http://www.cspensions.gov.ie)). The Modeller may also be of some benefit to employees of other public service bodies with pension schemes similar to the civil service model.

### **Monitoring and Review**

23. Departments, Offices and public service bodies are requested to monitor carefully the operation of the cost neutral early retirement facility and to keep a record of the number of applications by grade, age, part-time/worksharing/full-time, geographical location and sex. This Department should be notified in the event of any problems or difficulties arising. The Department of Finance will monitor the uptake of the scheme across the public service and will undertake a review of the scheme and its operation in three years' time.

### **Circulation**

24. Please bring this Circular to the notice of all officers serving in your Department/Office (including officers on maternity leave, career break, term-time leave or other forms of leave) and to the attention of all public service bodies<sup>1</sup> under the aegis of your Department.

## **Queries**

25. Queries from individual employees should be directed to the Personnel Section of their own Department/Office/public service body. Queries from Departments/Offices relating to this Circular should be made to either of the following officials of this Department: Henry O'Mara (01-6045493), or Eamonn Robbins (01-6045485). [E-mail addresses: [henry.o'mara@finance.gov.ie](mailto:henry.o'mara@finance.gov.ie) and [eamonn.robbins@finance.gov.ie](mailto:eamonn.robbins@finance.gov.ie)]

In the case of queries from public service bodies, the parent Department should be consulted in the first instance.

Mise le meas,

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John O'Connell  
Assistant Secretary

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1. For this purpose, the definition of "public service body" in the Public Service Superannuation (Miscellaneous Provisions) Act 2004 should be used.

## **Circular 10/2005: Appendix 1**

### **Examples of Cost Neutral Early Retirement**

[**Note:** Staff opting for cost neutral early retirement should note that the actuarially reduced rate will apply throughout the lifetime of payment of the pension.]

#### *A: Staff in non-coordinated superannuation schemes*

##### EXAMPLE 1: Retirement at age 58

**A person in a non-coordinated superannuation scheme, with a preservation age of 60, retires on his/her birthday.**

**Final Annual Salary: €50,000 Age: 58 Reckonable Service: 40 years**

##### **Superannuation Benefits**

*If opting to preserve benefits If availing of cost neutral early retirement  
Due at age 60 (i.e. in 2 years' time) Due now*

**Lump sum: €75,000 €72,075 (applying reduction factor of 96.1%)**

**Annual pension: €25,000 €22,525 (applying reduction factor of 90.1%)**

##### EXAMPLE 2: Retirement at age 55 years and 219 days (55.6 years)

**A person in a non-coordinated superannuation scheme, with a preservation age of 60 retires between birthdays.**

**Final Annual Salary: €40,000 Age: 55 years and 219 days Reckonable Service: 30 years**

**Apply formula  $[A + ((B/365) \times (C-A))] \times$  preserved benefit based on service:**

**Preserved pension is €15,000, so, where**

A = 77.8 (pension reduction factor at age 55)

B = 219 (number of days since last birthday)

C = 81.6 (pension reduction factor at age 56)

**Actuarially reduced annual pension is €12,012.**

**Preserved lump sum is €45,000, so where**



A = 90.7 (lump sum reduction factor at age 55)  
B = 219 (number of days since last birthday)  
C = 92.4 (lump sum reduction factor at age 56)

**Actuarially reduced lump sum is €41,274.**

### EXAMPLE 3: Purchased service

**A person in a non-coordinated superannuation scheme, with a preservation age of 60 who is purchasing 5 years retires on his/her birthday.**

**Final Annual Salary: €50,000 Age: 58 Reckonable Service: 28 years plus 2.72/3.56 purchased years (\*)**

#### **Superannuation Benefits**

***If opting to preserve benefits If availing of cost neutral early retirement  
Due at age 60 (i.e. in 2 years' time) Due now***

**Lump sum: €59,175 €56,867 (applying reduction factor of 96.1%)  
Annual pension: €19,200 €17,299 (applying reduction factor of 90.1%)**

(\*) 5 added years being purchased to age 65 are reduced (under the terms of the Purchase Scheme) to 2.72 years (pension) and 3.56 years (lump sum) to take account of (i) cessation of contributions prior to maximum retirement age and (ii) drawdown of benefit prior to maximum retirement age.

### EXAMPLE 4: Professional Added Years

**A person in a civil service non-coordinated superannuation scheme, with a preservation age of 60 and with an entitlement to 5 Professional Added Years retires on his/her birthday.**

**Final Annual Salary: €70,000 Age: 50 Reckonable Service: 20 years plus 3 1/3rd added years (\*)**

#### **Superannuation Benefits**

***If opting to preserve benefits If availing of cost neutral early retirement  
Due at age 60 (i.e. in 10 years' time) Due now***

**Lump sum: €61,250 €50,348 (applying reduction factor of 82.2%)  
Annual pension: €20,417 €12,740 (applying reduction factor of 62.4%)**

(\*) 5 added years available on retirement at or after age 60 reduced (under the Added Years Scheme) to 3 1/3rd years.

### *B: Staff in coordinated superannuation schemes*

[These examples use the single rate of Old Age Contributory Pension applying from January 2005, €179.30 per week.]

#### EXAMPLE 5: Retirement at age 50

**A person in a coordinated superannuation scheme (\*), with a preservation age of 60 retires on his/her birthday.**

**Final Annual Salary: €40,000 Age: 50 Reckonable Service: 30 years**

#### Superannuation Benefits

*If opting to preserve benefits If availing of cost neutral early retirement  
Due at age 60 (i.e. in 10 years' time) Due now*

**Lump sum: €45,000 €36,990 (applying reduction factor of 82.2%)**

**Annual pension: € 7,983 € 4,981 (applying reduction factor of 62.4%)**

(\*) In the case of staff in coordinated superannuation schemes, supplementary pensions may (subject to eligibility) be payable from age 60/65 as appropriate.

#### EXAMPLE 6: Retirement at age 62

**A person in a coordinated superannuation scheme, with a preservation age of 65 retires on his/her birthday.**

**Final Annual Salary: €25,000 Age: 62 Reckonable Service: 37 years**

#### Superannuation Benefits

*If opting to preserve benefits If availing of cost neutral early retirement  
Due at age 65 (i.e. in 3 years' time) Due now*

**Lump sum: €34,688 €32,710 (applying reduction factor of 94.3%)**

**Annual pension: € 4,625 € 3,867 (applying reduction factor of 83.6%)**

### EXAMPLE 7: Purchased service

**A person in a coordinated superannuation scheme, with a preservation age of 60 who is purchasing 5 years retires on his/her birthday.**

**Final Annual Salary:** €55,000 **Age:** 55 **Reckonable Service:** 25 years plus 2.43/3.18 purchased years (\*)

#### **Superannuation Benefits**

***If opting to preserve benefits If availing of cost neutral early retirement***

***Due at age 60 (i.e. in 5 years' time) Due now***

Lump sum: €58,118 €52,713 (applying reduction factor of 90.7%)

Annual pension: €12,442 € 9,680 (applying reduction factor of 77.8%)

(\*) 5 added years being purchased to age 65 are reduced (under the terms of the Purchase Scheme) to 2.43 years (pension) and 3.18 years (lump sum) to take account of (i) cessation of contributions prior to maximum retirement age and (ii) early drawdown of benefit.

### EXAMPLE 8: Professional Added Years

**A person in a civil service coordinated superannuation scheme, with a preservation age of 65 and with an entitlement to 5 Professional Added Years retires on his/her birthday.**

**Final Annual Salary:** €70,000 **Age:** 60 **Reckonable Service:** 25 years plus 4.17 added years (\*)

#### **Superannuation Benefits**

***If opting to preserve benefits If availing of cost neutral early retirement***

***Due at age 65 (i.e. in 5 years' time) Due now***

**Lump sum:** €76,563 €69,442 (applying reduction factor of 90.7%)

**Annual pension:** €18,699 €13,987 (applying reduction factor of 74.8%)

(\*) 5 added years available on retirement at or after age 60 reduced (under the Added Years Scheme) to 4.17 years.

**Sample letter to be given to a person availing of cost neutral early retirement**

Dear Mr/Ms ... ,

You will retire from the Department of ..... on ..... , aged ... years and ... days and with pensionable service of ... years and ... days.

Your retirement will take place earlier than the standard preserved pension age, which in your case is [*60 or 65, insert as appropriate*] years. This reflects the fact that you have applied to avail of, and have been accepted for inclusion in, the public service cost neutral early retirement scheme, whose terms are set out in *Department of Finance Circular 10/2005*. This means that, on retirement, you will receive immediate payment of lump sum and pension, both of which will be actuarially reduced.

You understand and accept that your inclusion in the cost neutral early retirement scheme means that all of the relevant conditions of the scheme, as set out in *Department of Finance Circular 10/2005*, apply to your retirement. In particular you accept that:

- The actuarially reduced rate of pension payable to you will apply throughout the lifetime of the pension (subject to normal adjustments in line with public service pensions generally).
- Once you have retired on actuarially reduced superannuation benefits, you cannot subsequently switch to payment of a preserved pension at normal preservation age.
- You have no right of return to work in the public service, other than through normal recruitment/selection procedures.

I would be grateful if you would confirm your acceptance of these terms by signing and returning this form.

Yours sincerely,

Personnel Officer

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I accept the retirement terms as set out above.

Employee:

Date:

P18/075/05

20 July 2005

**Circular 19/2005: Public Service Pension Reform: Revised method of calculation of pension entitlement for public servants whose pensions are integrated with social welfare benefits**

A Dhuine Uasail,

1. I am directed by the Minister for Finance to announce the introduction of a revised method of calculation of pension entitlement for public servants whose pensions are integrated with social welfare (i.e. where the occupational pension is integrated with the Old Age Contributory Pension (OACP) to provide a combined pension).

**Background**

2. The Commission on Public Service Pensions, as part of its terms of reference, had regard to claims for improvements in existing pension scheme benefits, including claims for improvement of pensions for lower paid workers.

3. Following consideration of the issue, the Commission recommended the introduction of a revised method of integration which would ensure that all eligible employees would get an occupational pension. Under the current method used for integration, a person would have no entitlement to an

occupational pension if their pensionable remuneration was less than a prescribed multiple of the OACP (usually twice the current rate of OACP) at the time of retirement.

4. In *Budget 2004*, the Minister for Finance announced that the Government had decided to implement the bulk of the recommendations of the Commission on Public Service Pensions. Discussions were held with the Staff Side on the method of integration and other issues. The Minister announced the introduction of the measure on 14 September 2004 following Government approval.

**To: All Heads of Departments/Offices**

**Scope**

5. This Circular applies to staff

a. who are serving in a public service body as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004,

b. who are members of the appropriate superannuation scheme of that body and that scheme is a public service pension scheme, as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004  
and

c. whose pensions are subject to integration with social welfare benefits.

6. Former public servants who retired/resigned before this Circular issued and who fell within the scope of this Circular, as outlined above, at the time of their retirement/resignation, will have their pension position reviewed with effect from 1 January 2004 (or the date of their retirement, if later). This includes retired public servants who did not receive an occupational pension because their pensionable remuneration at retirement was less than the amount of OACP offset.

7. While this Circular may, in certain cases, because of the revised basis of calculation, confer pension benefit where none previously was payable, it does not confer eligibility for pension where such eligibility does not currently exist under the rules of the relevant pension scheme.

8. The revised method of integration described in this Circular applies to calculation of pension benefits only. There is no change in the way in which integration is used for purposes of calculating pension contributions.

**Calculation**

9. The revised method of calculation of pension for public servants who fall

within the scope of this Circular is as follows:

- 1/200th of pensionable remuneration below 31/3 times OACP The OACP used is the maximum rate payable to a single adult with no dependant.
- multiplied by the total number of years reckonable service

*plus (where applicable)*

- 1/80th of pensionable remuneration in excess of 31/3 times OACP
- multiplied by the total number of years reckonable service.

Notes: The same total number of years is used in both the above calculations. It has been agreed that a multiplier of 3.333333 (i.e. to 6 decimal places) will be used to calculate 31/3 times OACP. The revised method of calculation should be used in all cases which are subject to integration and which fall within the scope of this Circular, regardless of the overall amount of pensionable remuneration.

10. Detailed examples are included in the *Appendix* attached. The examples are based on civil service pension scheme terms.

11. The revised approach improves the position for people on lower rates of pay and ensures that every person who meets the requirements of the pension scheme will, regardless of income, get an occupational pension. The formula, as structured, ensures that where pensionable remuneration exceeds 31/3 times the current rate of OACP (i.e. €31,186.24 per annum based on the OACP rate of €179.30 per week as at 7 January 2005) retirement pension entitlements remain unchanged.

12. In the case of retired public servants who qualify under paragraph 6 above, the pensionable remuneration and the OACP rate applicable at the time of retirement should be used to recalculate the occupational pension which would have been due had the revised formula applied at the time. The resulting pension amount should then be uprated in the normal way and any increase in benefit paid with effect from 1 January 2004 (or the date of retirement, if later). Where the pensionable remuneration at the time of retirement was equal to or greater than 31/3 times the OACP rate, no recalculation is necessary and no change in pension rate should be made.

13. In the case of public servants who fall within the scope of this Circular and who retired before this Circular issued, where the application of the revised integration formula would result in a lower pension than that which is already in payment, the revised method of calculation should not be applied.

### **Pension Adjustment Orders (PAO)**

14. It should be noted that, in general, payments on foot of a PAO will not fall to be revised if the terms of a pension scheme are revised with effect from a date after the date of the decree of divorce or judicial separation.

**Because of the legal complexity and sensitivity of such cases, the Pensions Section of the Department of Finance should be consulted about all cases in the Civil Service which fall within the scope of this Circular which include a PAO on retirement benefits.**

#### **Effective Date**

15. The effective date for this Circular is 1 January 2004. Retrospective payments arising from this Circular will apply from 1 January 2004 only.

#### **Spouses' and Children's Pension entitlement**

16. The revision of retirement pension entitlement may give rise to new or enhanced Spouses' and Children's entitlement.

17. It will be necessary for Departments/Offices and public service bodies to make every reasonable effort to identify such cases to ensure that the spouse and/or children receive appropriate entitlements under the Spouses and Children's Schemes.

18. The terms of paragraph 15 of Department of Finance Circular 6/95 (and similar arrangements in other public service pension schemes) will continue to apply where appropriate. In the case of spouses and/or children of former public servants, whose pensions fall within the scope of this Circular, where the application of the revised integration formula would result in a lower pension than that which is already in payment at the time this Circular issues, the revised method of calculation should not be applied.

#### **Supplementary Pension**

19. Where a supplementary pension has been assessed and paid on the basis of the existing method of calculation, the amount of supplementary pension must be reviewed in the light of the revised calculation method set out in this Circular and any retrospective payments due from 1 January 2004 reduced accordingly as necessary. The provision in paragraph 13 should be noted in this regard also.

#### **Balancing Gratuity**

20. Where a Balancing Gratuity has been paid on the basis of the existing method of integration, the amount of the gratuity paid should be taken account of and any retrospective payments due from 1 January 2004 reduced accordingly as necessary. The provision in paragraph 13 should be noted in this regard also.

#### **Tasks Arising**

21. It is necessary for Departments/Offices and public service bodies, among



other things, to establish procedures to:

- a. use the revised method of calculation with immediate effect in calculating the pensions of those who retire after this Circular issues and who fall within the scope of this Circular – ref paragraphs 5-7 above;
- b. review the pension calculation of those who retired before this Circular issued and who fall within the scope of this Circular – ref paragraphs 5-7 above and revise their pension if necessary, with effect from 1 January 2004, or the date of retirement, if later;
- c. review the pension calculation of those who qualify for or are in receipt of a spouse's or child's pension and who fall within the scope of this Circular – ref paragraphs 5-7 above and revise their pension if necessary, with effect from 1 January 2004, or the date of the member's death, if later;
- d. maintain records in relation to additional pension expenditure incurred as a result of the process at (b) and (c)  
and (in the case of the Civil Service only)
- e. consult the Pensions Section of the Department of Finance in relation to any cases which involve a PAO – ref paragraph 14 above.

### **Interaction with other Public Service Pension Reforms**

22. Departments/Offices and public service bodies should note that the use of a pro rata integration method for part-time public servants also forms part of the overall Public Service Pension Reform arrangements. Department of Finance Circular 20/2005 sets out in detail the revised arrangements for part-time public servants. Those revised arrangements will apply with effect from 20 December 2001.

### **General**

23. Civil servants are reminded that the Pensions Modeller (available on [www.cspensions.gov.ie](http://www.cspensions.gov.ie)) can be of assistance in estimating pension benefits. The Modeller is a self-service facility which allows staff to enter basic salary and service details and receive an estimate of projected retirement benefits and certain other superannuation benefits. It will allow staff to model various 'what if' scenarios. The website also includes a Frequently Asked Questions (FAQ) section which gives basic information on pensions scheme rules and benefits. The Modeller is designed to take account of the new method of integration and other reforms which have been introduced this year. The Modeller may also be of benefit to employees of other public service bodies with pension schemes similar to the civil service model.

### **Circulation**

24. Please bring this Circular to the notice of all staff serving in your

Department/Office and to the attention of all public service bodies under the aegis of your Department.

**Queries**

25. Queries from individual staff members should be directed to the Personnel Section of their own Department/Office/public service body. Queries from Departments/Offices relating to this Circular should be made to either of the following officials of the Pensions Section of the Department of Finance: John O'Connell (01-6045405), e-mail [john.o'connell@finance.gov.ie](mailto:john.o'connell@finance.gov.ie) or Camillus Farrell (01-6045701), e-mail [Camillus.farrell@finance.gov.ie](mailto:Camillus.farrell@finance.gov.ie). In the case of queries from public service bodies, the appropriate parent Department should be consulted in the first instance.

Mise le meas,

*John C O'Connell*

Assistant Secretary

**Appendix to Circular 19/2005**

**TABLE 1 – EFFECT OF NEW FORMULA**

The examples below show the effect of applying the new formula on a range of weekly rates of pay, assuming pensionable service of 40 years at retirement. The examples are based on civil service pension scheme terms. The 2005 Social Welfare rates have been used. The OACP used is the maximum rate payable to a single adult with no dependant..

<b>Final pensionable pay on retirement (weekly)</b>	<b>€400</b>	<b>€450</b>	<b>€500</b>	<b>€550</b>	<b>€600</b>
<b>Current occupational pension</b>	€20.70	€45.70	€70.70	€95.70	€120.70
<b>Revised occupational pension</b>	€80.00	€90.00	€100.00	€110.00	€120.70

<b>Gain in pension (weekly)</b>	<b>€59.30</b>	<b>€44.30</b>	<b>€29.30</b>	<b>€14.30</b>	<b>€0.00</b>
<b>Social Welfare max OACP (no change)</b>	€179.30	€179.30	€179.30	€179.30	€179.30
<b>Current Total pension (incl OACP)</b>	€200.00	€225.00	€250.00	€275.00	€300.00
<b>Revised Total pension (incl OACP)</b>	<b>€259.30</b>	<b>€269.30</b>	<b>€279.30</b>	<b>€289.30</b>	<b>€300.00</b>
<b>Gain in pension (weekly)</b>	<b>€59.30</b>	<b>€44.30</b>	<b>€29.30</b>	<b>€14.30</b>	<b>€0.00</b>

**TABLE 2 – COMPUTATION OF NEW FORMULA**

The examples are based on civil service pension scheme terms. The 2005 Social Welfare rates have been used.

**Example 1 Example 2**

	<b>Current</b>	<b>Revised</b>		<b>Current</b>	<b>Revised</b>
<b>Pensionable service</b>	40 years		40 years		
<b>Pensionable remuneration (weekly)</b>	€400.00		€800.00		
<b>OACP X 2</b>	€179.30 x 2 = €358.60	not applicable		€179.30 x 2 = €358.60	not applicable
<b>OACP X 31/3</b>	not applicable	€179.30 x 3.333333 = €597.67		not applicable	€179.30 x 3.333333 = €597.67
<b>Net Pensionable Remuneration</b>	€41.40	not applicable		€441.40	not applicable

<b>Calculation 1</b>	1/80 x €41.40 x 40 = €20.70	1/200 x €400 x 40 = €80.00		1/80 x €441.40 x 40 = €220.70	1/200 x €597.67 x 40 = €119.53
<b>Calculation 2</b>	not applicable	€0.00 (no pensionable remuneration in excess of 3 1/3 times OACP)		not applicable	1/80 x (€800- €597.67) x 40 = €101.17
<b>Occupational Pension (1+2)</b>	<b>€20.70</b>	<b>€80.00</b>		<b>€220.70</b>	<b>€220.70</b>

18

P18/074/05

20 July 2005

**Circular 20/2005: Public Service Pension Reform:  
Revised arrangements for part-time public servants**

A Dhuine Uasail,

**Introduction**

1. I am directed by the Minister for Finance to announce the introduction of a change in the way in which the service and remuneration of part-time *For the purposes of this Circular the term 'part time' includes jobsharing and worksharing arrangements.*

public servants are to be reckoned for pension calculation purposes. The effect of the change will be that all eligible part-time public servants will have their occupational pensions calculated on the basis of pro rata service and a notional fulltime salary. There will be a corresponding change in the method of calculating contributions where relevant. The change will result in a difference in pension benefit and contribution level for part-time public servants whose pensions are integrated with social welfare benefits (i.e. where the occupational pension is integrated with the Old Age Contributory Pension (OACP) to provide a combined pension).

2. The opportunity is being taken to refer again to the Protection of Employees (Part-Time Work) Act 2001 and its implications for

superannuation arrangements, to clarify certain issues concerning access to pension schemes and reckonability of previous service, and to give Departments additional discretion in respect of these issues.

3. This Circular is divided into four parts as follows;

Part A - Pro rata integration (page 2)

Part B - Access to pension schemes (page 5)

Part C - Reckoning of prior part-time service (page 8)

Part D - General issues (page 10).

4. All references to 'public service pension scheme' in Parts A, B and C of this Circular should be read as 'public service pension scheme, as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004'.

### **To: All Heads of Departments/Offices**

#### **Background**

5. The Commission on Public Service Pensions, as part of its terms of reference, had regard to claims for improvements to pension arrangements for part-time public servants, particularly with regard to access to pension schemes and with regard to the method of integration of occupational pensions with Social Insurance benefits.

6. Following consideration of the integration arrangements, the Commission recommended a change in the form of integration from full to pro rata integration for the pensions of part-time public servants.

7. In *Budget 2004*, the Minister for Finance announced that the Government had decided to implement the bulk of the recommendations of the Commission on Public Service Pensions. Discussions were subsequently held with the Unions and on 14 September 2004, following Government approval, the Minister announced the introduction of certain key recommendations including the proposal for pro rata integration.

8. The Commission on Public Service Pensions, in its Final Report, also recommended that access to public service pension schemes should be granted to public servants in part-time work provided that they are in regular or quasi-permanent employment and that they work a certain minimum number of hours per week. This recommendation was overtaken by legislation and a legal basis for access to pension schemes for part-time employees was provided with effect from 20 December 2001 by the Protection of Employees (Part-Time Work) Act 2001 (hereinafter referred to as the Part-Time Act).

### **PART A: PRO RATA INTEGRATION**

### **Eligibility for pro rata integration**

9. To be eligible for the application of pro rata integration a person must:-

- (i) be serving in a public service body as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004,
- (ii) be a member of the appropriate superannuation scheme of that body, and that scheme is a public service pension scheme
- (iii) have an appropriate full-time comparator *and*
- (iv) have paid or undertaken to pay all relevant contributions *See paragraph 32(a) for details.*

10. In relation to (iii) above, the Pensions Section of the Department of Finance should be consulted where employees do not have an appropriate full-time comparator.

11. Where there is no suitable comparator available, the pension is based on actual pensionable remuneration and on treating each year of part-time service as a year of service for pension purposes.

12. Former part-time staff, who retired before this Circular issued, met the eligibility criteria outlined in paragraph 9 above at the time of their retirement and whose pensions were subject to integration, will have their pension position reviewed with effect from 20 December 2001 (or the date of their appointment, if later).

### **Application of pro rata integration**

13. Under current public service pension arrangements for part-time employees, pension benefits are based on actual pensionable remuneration and on treating each year of part-time service as a full year of service for pension purposes *With the exception of 'jobsharers' who are currently subject to pro rata arrangements.*

. Contributions are based on actual pensionable remuneration *It should be noted that calculation of contributions on a pro rata basis is already currently being applied on an administrative basis in many areas.*

14. Under the revised arrangements introduced by this Circular, pension benefits will be based on notional full-time pensionable remuneration and on actual service worked expressed as a proportion of full-time attendance. Contributions will be based on notional full-time pensionable remuneration and the worksharing/part-time attendance pattern expressed as a proportion of full-time attendance. Integration with social welfare benefits, where applicable, will then take place on the same basis as for full-time staff.

15. In the case of retired public servants who qualify under paragraph 12 above, the pensionable remuneration and the OACP rate applicable at the time of retirement should be used to recalculate the occupational pension which would have been due had pro rata integration applied at the time. The resulting pension amount should then be uprated in the normal way and any increase in benefit paid with effect from 20 December 2001 (or the date of their retirement, if later).

16. The following examples show the effect (or otherwise) of the revised arrangements on **pension benefits for a civil servant who is working a three-day week (i.e. 60% of full-time) for 40 years, with a final annual pensionable remuneration of €18,000:**

**Example A – benefits not integrated with Social Welfare benefits**

	<u>Current method</u>	<u>Revised method</u>
Service 40 years	24 years	
Pensionable remuneration	€18,000	€30,000
Occupational Pension	€ 9,000	€ 9,000

Outcome: **No Change**

**Example B – benefits integrated with Social Welfare benefits**

	<u>Current method</u>	<u>Revised method</u>
Service 40 years	24 years	
Pensionable remuneration	€18,000.00	€30,000.00
Less twice OACP Rate on 7 January 2005 (payable to a single adult with no dependant).		
	<u>€18,711.75</u>	<u>€18,711.75</u>
Net pensionable remuneration	€ 0.00	€11,288.25
Occupational Pension	€ 0.00	€ 3,386.48

Outcome: **Increase of €3,386.48** (€64.90 per week)

In example B, the person may, depending on their social welfare contribution history, also be entitled to an Old Age Contributory Pension.

17. The following examples show the effect (or otherwise) of the revised arrangements on **pension contributions for a civil servant who is working a three-day week (i.e. 60% of full-time), with an annual pensionable remuneration of €18,000** *Integration would normally be applied on a regular basis i.e. based on the salary payment frequency, therefore the salary and OACP*

rates would generally vary over a full –year period.

:

**Example A – benefits not integrated with Social Welfare benefits**

	<u>Current method</u>	<u>Revised method</u>
Pensionable remuneration (A)	€18,000.00	€30,000.00

Contributions:

Pension (3.5% of A) € 630.00 €1050 x 60% = €630.00

Lump Sum (1.5% of A) € 270.00 €450 x 60% = €270.00

Spouses' & Children's (1.5% of A) € 270.00 €450 x 60% = €270.00

Outcome: **No Change**

**Example B – benefits integrated with Social Welfare benefits**

Current method Revised method

Pensionable remuneration (A) €18,000.00 €30,000.00

Less twice OACP Rate on 7 January 2005 (payable to a single adult with no dependant).

€18,711.75 €18,711.75

Net pensionable remuneration (B) € 0.00 €11,288.25

Contributions:

(i) For civil servants whose pensions were integrated before April 1995 (e.g. members of the unestablished scheme):

Pension (non contributory) € 0.00 € 0.00

Lump Sum (non contributory) € 0.00 € 0.00

Spouses' & Children's (1.5% of B) € 0.00 €169.32 x 60% = €101.59

Outcome: **Increase of €101.59** (€1.95 per week)

(ii) For civil servants whose pensions were integrated with effect from April 1995 (e.g. members of the contributory established scheme):

Pension (3.5% of B) € 0.00 €395.09 x 60% = €237.05

Lump Sum (1.5% of A) € 270.00 €450 x 60% = €270.00

Spouses' and Children's (1.5% of A) € 270.00 €450 x 60% = €270.00

Outcome: **Increase of €237.05** (€4.54 per week)

It should be noted that there will be no change in the contributions of serving jobsharers/worksharers in the Civil Service (and certain other areas of the public service), where the pro rata method is already being used, on an administrative basis, for calculating the contributions of such staff, whether their pensions are integrated or not. More detailed examples



using the rules of the Civil Service Pension Schemes are given in **Appendices 1 to 5**.

18. In the case of public servants who fall within the scope of this Circular and who retired before this Circular issued, where the application of the revised pro rata integration formula would result in a lower pension than that which is already in payment, the revised method of calculation should not be applied.

#### **Worksharers who retired between 1 June 2001 and 19 December 2001**

19. The Pensions Section of the Department of Finance should be consulted in any case where a person who was worksharing *Worksharing in the civil service under the terms of the Department of Finance Circular 31/2001 or under analogous arrangements elsewhere in the public service*, retired, or resigned with preserved benefits, in the period 1 June 2001 to 19 December 2001 inclusive.

#### **Death in service / ill-health situations**

20. The approach to be used in the case of death-in-service/ill health situations is still under consideration. In the interim, any such cases should be referred, in writing, to the Pensions Section, Department of Finance.

#### **Spouses' and Children's pensions**

21. The revision of retirement pension entitlement may give rise to new or enhanced Spouses' and Children's entitlement. It will be necessary for Departments/Offices and public service bodies to make every reasonable effort to identify such cases to ensure that the spouse and/or children receive appropriate entitlements under the Spouses' and Children's Schemes.

22. The terms of paragraph 15 of Department of Finance Circular 6/95 (and similar arrangements in other public service pension schemes) will continue to apply where appropriate. In applying these terms, notional full-time pensionable remuneration should be used with effect from 20 December 2001.

#### **Interaction with other Public Service Pension Reforms**

23. The terms of this Circular are effective from 20 December 2001. The revised integration method, which is set out in Department of Finance Circular 19/2005 and which also forms part of the overall Public Service Pension Reform arrangements, should be used with effect from 1 January 2004. In applying that revised method of integration to the pensions of part-time employees, notional full-time pensionable remuneration and actual service worked expressed as a proportion of full-time attendance should be used as appropriate.

## **PART B: ACCESS TO PENSION SCHEMES**

### **Access to pension schemes for part-time public servants**

24. Departments were notified in July 2002 (in the context of the Department of Finance Model Employee Superannuation Scheme which applies to State sponsored bodies) that access to pension schemes should be given to all staff in regular quasi-permanent employment who worked at least 8 hours per week. They were also notified in January 2003 (Department of Finance Circular 2/2003) of the introduction of the Part-Time Act and their obligations under same. In light of the recommendations of the Commission on Public Service Pensions regarding access for part-time employees in the public service, and in light of pension reform generally, the Department of Finance has now reviewed the position.

25. *Civil Service Schemes*: With effect from 20 December 2001, there will be no minimum hours required for access to the Civil Service Pension Scheme for Established Civil Servants, the Non-Contributory Pension Scheme for Non-Established State Employees or the associated Contributory Spouses' and Children's Schemes (hereinafter these schemes are referred to as "the Civil Service Schemes"). Also, with effect from that date, there will be no requirement for a part-time employee to have a full-time comparator in order to gain access to the Civil Service Schemes *A comparator is, however, required before pro rata can be applied to the pension calculation of a part-time employee – see paragraphs 9 to 12 above.*

26. *Other public service pension schemes*: With effect from 20 December 2001, Departments may, at their discretion, apply a threshold lower than that specified in the Part-Time Act or no threshold should they wish, in respect of access to public service pension schemes (other than the Civil Service Schemes). Departments are also given the discretion to waive the requirement to have a full-time comparator for access to those schemes from that date should they wish<sup>9</sup>.

### **Serving / former staff**

27. *Civil Service Schemes*: For the purposes of the Civil Service Schemes, serving part-time staff, or former part-time staff who were serving on or after 20 December 2001, who meet the requirements for membership (see paragraph 25 above and 32 following) and who have not yet been given access to the appropriate pension scheme, must now be given the option of joining with effect from 20 December 2001 (or their date of appointment whichever is the later) or of retaining their present arrangements.

28. *Other public service pension schemes*: For the purposes of other public service pension schemes, serving part-time staff, or former part-time staff who were serving on or after 20 December 2001, who meet the requirements for membership (see paragraph 26 above and 32 following) and who have not yet been given access to the appropriate pension scheme, must now be given the opportunity to join with effect from 20 December 2001 (or their date of appointment whichever is the later). It is at the discretion of Departments, having regard to the rules and/or arrangements in the relevant pension schemes where appropriate, as to whether membership is made compulsory for serving staff or whether such staff are given the option of retaining their present arrangements. In exercising this discretion, Departments should bear in mind that it is not intended that providing access to a pension scheme would result in serving staff being in a less favourable position than under current arrangements.

29. It is essential that, in offering options to staff, information is provided as to the superannuation benefits available under the relevant scheme, the level and amount of contributions payable and the time limits for exercising the option (paragraphs 33 and 34 refer). It should be made clear to staff that, once the relevant time limit has expired, the option will no longer be available. It should also be made clear to staff that once an option has been exercised it cannot be amended or revoked.

### **General**

30. Where more favourable arrangements than those outlined at paragraphs 25 to 28 above currently apply they will not be affected.

### **New appointees**

31. Subject to existing contractually binding arrangements, pension scheme membership will, in general, be compulsory for all part-time staff who are eligible under the relevant scheme rules (including for example any minimum hours threshold) and who are appointed to the public service after this Circular issues. The exclusion of any part-time public servant from a public service pension scheme (other than in accordance with scheme rules) is subject to the agreement of the Pension Section of the Department of Finance, following consultation with the appropriate staff representatives. In line with standard best practice, new appointees should be made aware of the terms of membership of the relevant pension scheme and also of their possible options regarding transfer of service between public sector employers and/or a refund of contributions, where applicable.

### **Membership**

32. Membership of any public service pension scheme will be subject to the relevant scheme rules and to the following:

(a) payment of appropriate 'back' contributions (on a pro rata basis – reference paragraph 14) in respect of reckonable service in accordance with existing scheme rules *Scheme rules may differ in relation to payment of such contributions.*

, subject to the following arrangements (unless more favourable arrangements currently apply):

- in respect of service given on or after 20 December 2001, at the salary and OACP rates appropriate to the period in question;

[See Part C in respect of service given before 20 December 2001];

(b) repayment of any additional remuneration or other benefits received in lieu of pensionability (at current rates);

(c) the hours worked being recorded and verifiable;

(d) the waiving of entitlement to a non-pensionable or part-time gratuity (where this applies) *and*

(e) the service not being used to calculate any other superannuation entitlement or not having been transferred.

### **Time limits**

33. *Civil Service Schemes*: The option of access to the pension schemes offered on foot of paragraph 27 above will be available until 31 March 2006. In the case of former part-time staff who were serving on or after 20 December 2001 and who had retired before this Circular issued, the 'back' contributions must be paid at the time of opting into the pension scheme. For serving staff, the arrangements at paragraph 32(a) regarding payment of 'back' contributions will be available until 31 December 2007; if the full liability is not discharged by that date, the outstanding liability will be determined by the salary/OACP rates applicable on the date of payment. If the full outstanding liability is not discharged by the date of retirement, it will be offset against the lump sum payable on retirement (based on the salary and OACP rates applicable on that date).

34. *Other public service pension schemes*: Departments should specify time limits in respect of the option of access and the repayment of 'back' contributions, on the lines of those outlined in paragraph 33 above, subject to existing scheme rules.

## **PART C: RECKONING OF PRIOR PART-TIME SERVICE**

### **Reckoning of part-time service served prior to 20 December 2001**

35. The Part-Time Act did not make specific provision for the reckoning (for pension purposes) of part-time service served prior to the date of the introduction of the Act.

36. In the case of full time staff with previous part-time service, the general practice is that, with effect from a certain date, (normally in the 1970s), prior part-time service of more than 18 hours per week is reckonable.

37. In most cases, the scheme rules do not allow for prior part-time service to be reckoned on a proportionate basis for periods before a certain date. For example, Department of the Public Service Circular 46/75 provides that in the Superannuation Scheme for Established Civil Servants prior part-time service of more than 18 hours given before 1 June 1973 is reckoned as to one half of comparable full time service, regardless of how many hours were actually worked, whereas after that date it is reckoned on a proportionate basis. There are similar arrangements (from different dates) in the Scheme for Non-Established State Employees, the Local Authority Schemes and other areas.

38. This Circular is now clarifying how prior part-time service in the public service is to reckon for part-time staff who have access, or who are now gaining access, to public service pension schemes.

**Part-time service served prior to 20 December 2001** *As per paragraph 10, this Department should be consulted where employees do not have an appropriate full-time comparator.*

39. *Civil Service Schemes*: In the Civil Service Schemes, for part-time staff who are currently serving or former part-time staff who were serving on or after 20 December 2001, part-time service given prior to 20 December 2001 may be allowed to reckon with effect from that date subject to the following:

(a) Civil Service Pension Scheme for Established Civil Servants

(i) for service given prior to 1 June 1973, where the hours worked were at least 18 hours per week, the service will reckon on the basis of one half of comparable full-time service, *This is in accordance with the existing arrangements set out in Department of the Public Service Circular 46/75 (for established civil servants) and in Department of the Public Service Circular Letter to Personnel Officers dated 31 May 1979 (for non-established state employees).*

(ii) for service given on or after 1 June 1973, where the hours worked were at least 8 hours per week, the service will reckon in the proportion which the hours worked bear to comparable full-time service,

(b) Non-Contributory Pension Scheme for Non-Established State Employees

(i) for service given prior to 1 February 1979, where the hours worked were at least 18 hours per week, the service will reckon on the basis of one half of comparable full-time service<sup>12</sup>,

- (ii) for service given on or after 1 February 1979, where the hours worked were at least 8 hours per week, the service will reckon in the proportion which the hours worked bear to comparable full-time service,
- (c) payment of appropriate 'back' contributions (on a pro rata basis – reference paragraph 14) in respect of reckonable service in accordance with the following arrangement:
  - in respect of service given before 20 December 2001, at the salary and OACP *Old Age Contributory Pension payable to a single person with no dependants*. rates applicable on 20 December 2001,
- (d) repayment of any additional remuneration or other benefits received in lieu of pensionability (at current rates),
- (e) the hours worked being recorded and verifiable,
- (f) the waiving of entitlement to a non-pensionable or part-time gratuity (where this applies) *and*
- (g) the service not being used to calculate any other superannuation entitlement or not having been transferred.

*40. Other public service pension schemes:* Departments are hereby given the discretion to apply the above arrangements to other public service schemes, with due regard to the general terms and/or rules of those schemes. Also, with regard to the thresholds outlined at paragraph 39(a) and (b) above, Departments may, subject to the retention of any existing restrictions regarding the reckoning of service similar to those in paragraph 39(a)(i) or 39(b)(i) above, use, for the purposes of their scheme, any of the following alternatives:

- (a) the normal hours of work having been no less than the minimum hours required by the individual employer for eligibility for a non-pensionable part-time gratuity or
- (b) the normal hours of work having been no less than the minimum thresholds which applied in the individual pension scheme to the reckoning of prior part-time service by persons who became fulltime or
- (c) the normal hours of work having been no less than 18 hours a week.

### **Time limits**

*41. Civil Service Schemes:* In the case of former part-time staff who were serving on or after 20 December 2001 and who had retired before this Circular issued, the 'back' contributions must be paid at the time of opting into the pension scheme. For serving staff, the arrangements at paragraph

39(c) regarding payment of 'back' contributions will be available until 31 December 2007; if the full liability is not discharged by that date, the outstanding liability will be determined by the pay/OACP rates applicable on the date of payment. If the full outstanding liability is not discharged by the date of retirement, it will be offset against the lump sum payable on retirement (based on the salary and OACP rates applicable on that date).

*42. Other public service pension schemes:* Departments should specify time limits in respect of the repayment of 'back' contributions, on the lines of those outlined in paragraph 41 above, subject to existing scheme rules.

### **General**

43. Where more favourable arrangements than those outlined at paragraphs 39 and 40 above currently apply they will not be affected.

## **PART D: GENERAL ISSUES**

### **Record-keeping**

44. Departments/Offices and public service bodies should note that it is essential that adequate records are maintained of all hours worked by employees and that pensionable service is clearly identified as such. In this regard, Departments/Offices are reminded that under the terms of paragraph 18 of Department of Finance Circular 31/2001 adequate records should be kept of extra attendance by worksharing staff during normal office hours on days, or at times, which are outside of their scheduled worksharing attendance pattern.

### **Pensions Modeller**

45. Civil servants are reminded that the Pensions Modeller (available on [www.cspensions.gov.ie](http://www.cspensions.gov.ie)) can be of assistance in estimating pension benefits. The Modeller is a self-service facility which allows staff to enter basic salary and service details and receive an estimate of projected retirement benefits and certain other superannuation benefits. It will allow staff to model various 'what if' scenarios. The website also includes a Frequently Asked Questions (FAQ) section which gives basic information on pensions scheme rules and benefits. The Modeller is up-to-date in that it was designed to take account of the pro rata arrangements for part-time public servants and other reforms which have been introduced this year. The Modeller may also be of some benefit to employees of other public service bodies with pension schemes similar to the civil service model.

### **Part-Time Act**

46. Departments are reminded to consult Department of Finance Circular 2/2003, dated 31 January 2003, which gave a summary of the main provisions of the Part-Time Act as it applies to civil servants and advised

Departments to see the booklet entitled *Protection of Employees (Part-Time Work) Act 2001* issued by Department of Enterprise, Trade and Employment.

47. Entitlements under the Part-Time Act must be provided. They are conferred regardless of whether pension schemes and/or employment contracts have been formally amended to cover such entitlements. Any changes consequential to the Act should however be incorporated into the rules of each scheme within a reasonable time or on the occasion of the next amending scheme, whichever is sooner.

48. The Part-Time Act is effective from 20 December 2001 and all employers, including public sector employers, have a direct responsibility to ensure that they comply with the provisions of the Act from that date.

### **Protection of Employees (Fixed-Term Work) Act 2003**

49. Departments/Offices and public service bodies should also be aware that part-time employees who are employed on contract may also have entitlements under the terms of the Protection of Employees (Fixed-Term Work) Act 2003, effective from 14 July 2003. Departments/Offices and public service bodies should carefully examine that legislation and make any necessary provisions to ensure that they comply with its terms.

### **PRSA obligations regarding staff who are ineligible for membership**

50. Departments/Offices and public service bodies are reminded that Section 121 of the Pensions Act 1990, as inserted by section 3 of the Pensions (Amendment) Act 2002, obliges all employers to facilitate access to Personal Retirement Savings Accounts (PRSAs) for some categories of employees in certain circumstances. In this regard the letter dated 20 July 2005 from the Department of Finance regarding PRSAs may be of assistance.

### **Clarification of employee entitlements**

51. The precise entitlements of any employee depend on the specifics of the employment relationship in each case and the prime responsibility for clarifying an employee's legal entitlements under the Part-Time Act rests with each employer in the first instance.

### **Queries on the Part-Time and Fixed-Term Acts**

52. Specific queries regarding the Protection of Employees (Part-Time Work) Act 2001 and the Protection of Employees (Fixed-Term Work) Act 2003 are a matter for the Department of Enterprise, Trade and Employment. Statutory responsibility for pensions legislation rests with the Department of Social and Family Affairs. Suitable contact details are given in **Appendix 6.**

### **Pension Adjustment Orders (PAOs)**



53. It should be noted that, in general, payments on foot of a PAO will not fall to be revised if the terms of a pension scheme are revised with effect from a date after the date of the decree of divorce or judicial separation.

**Because of the legal complexity and sensitivity of such cases, the Pensions Section of the Department of Finance should be consulted about all cases in the Civil Service which fall within the scope of this Circular which include a PAO on retirement benefits.**

#### **Consultation with staff representatives**

54. Parts B and C of this Circular give discretion to Departments in respect of how certain issues are dealt with in public service pension schemes, other than the civil service schemes (paragraphs 26, 28, 34, 40 and 42 refer). In exercising this discretion, Departments should consult the relevant staff representatives as appropriate.

#### **Scheme amendments**

55. Where any scheme requires amendment as a result of this Circular, normal approval procedures should be followed.

#### **Circulation**

56. Departments are asked to bring this Circular to the attention of all staff and all public service bodies *For this purpose, the definition of "public service body" in the Public Service Superannuation (Miscellaneous Provisions) Act 2004 should be used.* under their aegis.

#### **Effective Date**

57. The effective date for this Circular is 20 December 2001. Retrospective payments arising from this Circular will apply from 20 December 2001 only.

#### **Queries**

58. Any cases of doubt or difficulty arising in connection with this Circular should be referred by Departments, in writing, to Ms Joan Connaughton, Pensions Section, Department of Finance, 73-79 Lower Mount Street, Dublin 2, (e-mail: joan\_connaughton@finance.gov.ie). Queries from public service bodies should be referred in the first instance to the appropriate parent Department. Queries from individual staff members should be directed to the Personnel Sections of their own Department/Office.

Mise le meas

*John O'Connell*

Assistant Secretary

**Appendix 1: Example of application of pro rata integration to pension**

**BENEFITS for an ESTABLISHED Civil Servant appointed on or after 6 April 1995** *With the exception of 'job-sharers' who are currently subject to pro rata arrangements. An example has also been included (third column) to show the effect of the combined application of pro rata integration and the new general revised integration formula wef 1 January 2004 (D/Finance Circular19/2005 refers). The new general revised integration formula does not involve deducting an amount for the OACP; instead, pension is calculated on a 1/200 basis on remuneration up to 31/3 times the OACP and on a 1/80 basis on the balance. **(Contributory Integrated Scheme)***

Person has worked half time in a Part-time/Worksharing capacity for 40 years

Salary at time of retirement: €12,000 per annum

Old Age Contributory Pension (OACP) at time of retirement: annual = €9,355.87 Rate on 7 January 2005 (payable to an adult with no dependant).; 2 x OACP = €18,711.75; 31/3 x OACP = €31,186.24 It has been agreed that a multiplier of 3.333333 (i.e. to 6 decimal places) will be used to calculate 31/3 times OACP.

<b>Position prior to 20 December 2001 i.e. under Full integration</b>	<b>Position post 20 December 2001 i.e. under Pro rata integration</b>	<b>Position post 1 January 2004 i.e. under Pro rata and revised integration</b>
Pensionable remuneration (actual) €12,000.00  Less 2 x OACP <u>€18,711.75</u> Net pensionable remuneration € 0.00 Service (one year for each part-year worked) 40 years	Pensionable remuneration (notional full-time) €24,000.00 Less 2 x OACP <u>€18,711.75</u> Net pensionable remuneration € 5,288.25 Service (actual reckonable) 20 years	Pensionable remuneration (notional full-time) €24,000  Service (actual reckonable) 20 years
<b>Pension =</b> net pensionable remuneration x 1/80th x service  = <u>€0 x 40</u> = <b>€0.00</b> 80	<b>Pension =</b> net pensionable remuneration x 1/80th x service  = <u>€5,288.25 x 20</u> = <b>€1,322.06</b> 80	<b>Pension =</b> first €31,186.24 x 1/200th x service; balance x 1/80th x service = <u>€24,000 x 20</u> = <b>€2,400.00</b> 200
<b>Lump sum =</b> Pensionable	<b>Lump sum =</b> Pensionable	<b>Lump sum =</b> Pensionable

remuneration x 3/80th x service = $\frac{€12,000 \times 3 \times 40}{80} =$ <b>€18,000</b>	remuneration x 3/80th x service = $\frac{€24,000 \times 3 \times 20}{80} =$ <b>€18,000</b>	remuneration x 3/80th x service = $\frac{€24,000 \times 3 \times 20}{80} =$ <b>€18,000</b>
<b>Spouse's Pension =</b> ((Pensionable remuneration less 1 x OACP) x 1/80th x service ) x 50% = ( $\frac{€2,644.13 \times 40}{80}$ ) x 50% = <b>€661.03</b>	<b>Spouse's Pension =</b> ((Notional full-time pensionable remuneration less 1 x OACP) x 1/80th x service ) x 50% = ( $\frac{€14,644.13 \times 20}{80}$ ) x 50% = <b>€1,830.52</b>	<b>Spouse's Pension =</b> (Notional full-time pensionable remuneration less 1 x OACP) x 1/80th x service) x 50% = ( $\frac{€14,644.13 \times 20}{80}$ ) x 50% = <b>€1,830.52</b>

## **Appendix 2: Example of 'pro rata' integration on pension**

**CONTRIBUTIONS** *With the exception of 'job-sharers' who are currently subject to pro rata arrangements. Also it should be noted that, in practice, calculation of contributions on a pro rata basis is already currently being applied on an administrative basis in many areas.*

**for an ESTABLISHED civil servant appointed on or after 6 APRIL 1995**

Person who works half time in a Part-time/Worksharing capacity i.e. 50%  
Salary at time of deductions: €12,000 per annum = €229.97 per week  
Old Age Contributory Pension (OACP) at time of deductions: weekly = €179.30 Rate on 7 January 2005 (payable to an adult with no dependant). 2 x OACP = €358.60;

<b>Position prior to 20 December 2001 i.e. under Full integration</b>	<b>Position post 20 December 2001 i.e. under Pro rata integration</b>	<b>Position post 1 January 2004 i.e. under Pro rata and revised integration</b>
Weekly pensionable remuneration (actual) €229.97  Less 2 x OACP <u>€358.60</u> Net pensionable remuneration € 0.00	Weekly pensionable remuneration €229.97  Notional full time pensionable remuneration (€229.97 x 2) = €459.94 Less 2 x OACP <u>€358.60</u>  Notional full time net pensionable remuneration	

	€101.34	
<u>Contributions:</u> <b>Lump sum</b> = 1.5% of pensionable remuneration = 1.5% of €229.97 = €3.45  <b>Pension</b> = 3.5% of net pensionable remuneration = 3.5% of €0.00 = €0.00  <b>Spouses' &amp; Children's</b> = 1.5% of pensionable remuneration = 1.5% of €229.97 = €3.45	<u>Contributions:</u> <b>Lump sum</b> = 1.5% of notional full time pensionable remuneration x worksharing % = (1.5% of €459.94) x 50% = €3.45 ( <b>no change</b> )  <b>Pension</b> = 3.5% of notional full time net pensionable remuneration x worksharing % = (3.5% of €101.34) x 50% = €1.77  <b>Spouses' &amp; Children's</b> = 1.5% of notional full time pensionable remuneration x worksharing % = (1.5% of €459.94) x 50% = €3.45 ( <b>no change</b> )  <b>Outcome – Increase in weekly contributions of €1.77</b>	<u>Contributions:</u> The new general revised integration formula <u>wef 1 January 2004</u> (see Department of Finance Circular 19/2005) does not involve any change in the method of calculating contributions.

**Appendix 3 - Example of application of pro rata integration to pension BENEFITS for a NON-ESTABLISHED Civil Servant** *An example has also been included (third column) to show the effect of the combined application of pro rata integration and the new general revised integration formula wef 1 January 2004 (D/Finance Circular 19/2005 refers). The new general revised integration formula does not involve deducting an amount for the OACP; instead, pension is calculated on a 1/200 basis on remuneration up to 31/3 times the OACP and on a 1/80 basis on the balance.*

Person has worked half time in a Part-time/Worksharing capacity for 40 years

Salary at time of retirement: €12,000 per annum

Old Age Contributory Pension (OACP) at time of retirement: annual = €9,355.87 *Rate on 7 January 2005 (payable to an adult with no dependant).; 2 x OACP = €18,711.75; 31/3 x OACP = €31,186.24 It has been agreed that a multiplier of 3.333333 (i.e. to 6 decimal places) will be used to calculate 31/3 times OACP.*

<b>Position prior to 20 December 2001 i.e. under Full integration</b>	<b>Position post 20 December 2001 i.e. under Pro rata integration</b>	<b>Position post 1 January 2004 i.e. under Pro rata and revised integration</b>
Pensionable remuneration (actual) €12,000.00  Less 2 x OACP <u>€18,711.75</u> Net pensionable remuneration € 0.00  Service (one year for each part-year worked) 40 years	Pensionable remuneration (notional full-time) €24,000.00 Less 2 x OACP <u>€18,711.75</u> Net pensionable remuneration € 5,288.25  Service (actual reckonable) 20 years	Pensionable remuneration (notional full-time) €24,000  Service (actual reckonable) 20 years
<b>Pension =</b> net pensionable remuneration x 1/80th x service  = $\frac{€0 \times 40}{80} = \mathbf{€0.00}$	<b>Pension =</b> net pensionable remuneration x 1/80th x service  = $\frac{€5,288.25 \times 20}{80} = \mathbf{€1,322.06}$	<b>Pension =</b> first €31,186.24 x 1/200th x service; balance x 1/80th x service = $\frac{€24,000 \times 20}{200} = \mathbf{€2,400.00}$
<b>Lump sum =</b> Pensionable remuneration x 3/80th x service = $\frac{€12,000 \times 3 \times 40}{80} = \mathbf{€18,000}$	<b>Lump sum =</b> Pensionable remuneration x 3/80th x service = $\frac{€24,000 \times 3 \times 20}{80} = \mathbf{€18,000}$	<b>Lump sum =</b> Pensionable remuneration x 3/80th x service = $\frac{€24,000 \times 3 \times 20}{80} = \mathbf{€18,000}$
<b>Spouse's Pension =</b> (net pensionable remuneration x 1/80th x service) x 50%  = $(\frac{€0 \times 40}{80}) \times 50\% = \mathbf{€0.00}$	<b>Spouse's Pension =</b> (notional fulltime net pensionable remuneration x 1/80th x service ) x 50%  = $(\frac{€5,288.25 \times 20}{80}) \times 50\% = \mathbf{€661.03}$	<b>Spouse's Pension =</b> first €31,186.24 (of notional full time pensionable remuneration) x 1/200th x service; balance x 1/80th x service = $(\frac{€24,000 \times 20}{200}) \times 50\% = \mathbf{€1,200.00}$

#### **Appendix 4: Example of 'pro rata' integration on pension**

**CONTRIBUTIONS** *With the exception of 'job-sharers' who are currently subject to pro rata arrangements. Also, it should be noted that, in practice, calculation of contributions on a pro rata basis is already currently being applied on an administrative basis in many areas. An example has also been included (third column) to show the effect of the combined application of pro rata integration and the new general revised integration formula wef 1 January 2004 (D/Finance Circular 19/2005 refers). The new general integration formula does not involve any change in contributions.*

**for a NON-ESTABLISHED civil servant (i.e. Non-Contributory Main Scheme, Contributory Integrated Spouses' and Children's Scheme)**

Person who works half time in a Part-time/Worksharing capacity

Salary at time of deductions: €12,000 per annum = €229.97 per week

Old Age Contributory Pension (OACP) at time of deductions: weekly = €179.30 *Rate on 7 January 2005 (payable to an adult with no dependant).*

2 x OACP = €358.60;

<b>Position prior to 20 December 2001 i.e. under Full integration</b>	<b>Position post 20 December 2001 i.e. under Pro rata integration</b>	<b>Position post 1 January 2004 i.e. under Pro rata and revised integration</b>
Weekly pensionable remuneration (actual) €229.97  Less 2 x OACP <u>€358.60</u>  Net pensionable remuneration € 0.00	Weekly pensionable remuneration €229.97  Notional full time pensionable remuneration (€229.97 x 2) = €459.94 Less 2 x OACP <u>€358.60</u>  Notional full time net pensionable remuneration €101.34	
<u>Contributions:</u> <b>Lump sum</b> = Non contributory  <b>Pension</b> = Non contributory  <b>Spouses' &amp; Children's</b> = 1.5% of net pensionable	<u>Contributions:</u> <b>Lump sum</b> = Non contributory  <b>Pension</b> = Non contributory  <b>Spouses' &amp; Children's</b> = 1.5% of notional full time net pensionable	<u>Contributions:</u>  The new general revised integration formula <u>wef 1 January 2004</u> (see Department of Finance Circular 19/2005) does not involve any change in the method of

remuneration = 1.5% of €0.00 = €0.00	remuneration x worksharing % = (1.5% of €101.34) x 50% = €0.76	calculating contributions
	<b>Outcome – Increase in weekly contributions of €0.76</b>	

**Appendix 5: Example of application of pro rata integration to the benefits (main scheme) of an established civil servant who worked mixed hours**

<p>Person has worked in a full-time, jobsharing and worksharing capacity over <u>40 years</u></p> <p><u>Salary at time of retirement:</u> €18,000 (based on three day week)</p> <p><u>Old Age Contributory Pension (OACP) at time of retirement:</u> €9,355.87 <i>Rate on 7 January 2005 (payable to an adult with no dependant). 2 x OACP = €18,711.75</i></p> <p><i>3.333333 x OACP = €31,186.24 It has been agreed that a multiplier of 3.333333 (i.e. to 6 decimal places) will be used to calculate 31/3 times OACP.</i></p> <p><u>Service</u></p> <p>Full-time - 10 years 10</p> <p>Job-sharing (50%) - 10 years 5</p> <p>Full-time - 10 years 10</p> <p>Worksharing (60%) - 10 years <u>6</u></p> <p><b>Total service 31</b></p> <p><b><u>Pro rata integration From 20 Dec 01 From 1 Jan 04</u></b> <b><u>(i.e. under revised integration formula)</u></b> <i>Department of Finance Circular 19/2005 refers</i></p> <p>Pensionable remuneration €18,000.00 €18,000</p> <p>Notional full-time pensionable remuneration €30,000.00 €30,000</p> <p>Less twice OACP25 <u>€18,711.75</u> first €31,186.24 x 1/200th x service; balance x 1/80th x service</p> <p>Net pensionable remuneration €11,288.25 = <u>€30,000 x 31</u> 200</p> <p><b>Occupational Pension</b> (based on 1/80th accrual) (net pensionable remuneration x 1/80th x service of 31 years) € 4,374.20 € 4,650.00</p> <p><b>Lump Sum</b> (based on 1/80th accrual) €34,875.00 €34,875.00 <b>(no change to the calculation method for</b></p>
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(net pensionable remuneration x 1/80th x service of 31 years) **lump sum under the revised integration formula**

**Appendix 6**

**CONTACT DETAILS FOR QUERIES ON THE PART-TIME AND FIXED TERM ACTS**

1. Queries about the interpretation of the Protection of Employees (Part-Time Work) Act 2001 and the Protection of Employees (Fixed-Term Work) Act 2003 are primarily the responsibility of the Department of Enterprise, Trade and Employment and specific queries should be referred to the Employment Rights Section of that Department and/or legal advice sought as appropriate.

**Contact details:**

Employment Rights Information Unit  
Department of Enterprise, Trade & Employment  
Davitt House  
65A Adelaide Road  
Dublin 2

Phone: (01) 631 3131

Lo-call: 1890 201 615 (outside the 01 area)

Fax: (01) 631 3217

Website: [www.entemp.ie](http://www.entemp.ie)

E-mail: [erinfo@entemp.ie](mailto:erinfo@entemp.ie)

That Unit also has a guide to the Protection of Employees (Fixed-Term Act) 2003 for employers and employees which is available on their website [www.entemp.ie](http://www.entemp.ie).

2. Statutory responsibility for Occupational Pensions legislation rests with the Department of Social and Family Affairs, and its state body the Pensions Board offers guidance as appropriate. A guide to the pensions aspects of the Part-Time Act may be obtained from the Pensions Board's website at [www.pensionsboard.ie](http://www.pensionsboard.ie).



P18/074/05

29 March 2006

**Circular 3/2006: Civil Service Pension Schemes  
Extension of time limit for option for access outlined in Circular  
20/2005,  
and clarification of revised pension arrangements for part-time service**

A Dhuine Uasail,

I am directed by the Minister for Finance to refer to this Department's Circular of 20/2005 regarding revised arrangements for part-time staff in the public service.

**1. Extension of time limit on option for access**

Paragraph 33 of Part B of Circular 20/2005 outlines the arrangements to apply regarding the option for access to the Civil Service Pension Schemes for part-time staff.

It has become apparent that notifying part-time staff of their options under the Circular is taking longer than envisaged. In light of this and in order to give staff sufficient time to consider the options involved, the time limit for the exercise of the option for access is now being extended.

Accordingly, the option of access to the Civil Service Pension Schemes offered on foot of paragraph 27 of Circular 20/2005 will now be available until **Monday 2 October 2006**. Departments should note that no further extension will be considered. The time limits set out in paragraphs 33 and 41 of Circular 20/2005 regarding the payment of 'back' contributions are not affected and will remain available until 31 December 2007.

**2. Clarification regarding two issues;**

**(a) Spouses and Children's Scheme membership**

The option for access outlined in paragraph 27 of Circular 20/2005 relates to membership of the relevant Main Pension Scheme (i.e. the Civil Service Pension Scheme for Established Civil Servants or the Non-Contributory

Pension Scheme for Non-Established State Employees). Membership of the relevant associated Spouses and Children's Pension Scheme is compulsory for all staff who avail of the option for admission to the Main Pension Scheme.

**(b) Reckoning of prior part-time service by full-time staff**

Part C of Circular 20/2005 outlines the arrangements for the reckoning of prior part-time service served prior to 20 December 2001. It is hereby confirmed that these terms can also be applied, with effect from 20 December 2001, to the reckoning of prior part-time service by full-time staff.

**3. Circulation**

Departments are asked to bring this Circular to the attention of all staff.

**4. Queries**

Any cases of doubt or difficulty arising in connection with this Circular should be referred in writing by Personnel Sections to Ms Joan Connaughton, Pensions Section, Department of Finance, 73-79 Lower Mount Street, Dublin 2 (e-mail : joan\_connaughton@finance.gov.ie).

**Queries from individual staff members should be directed to the Personnel Sections of their own Department/Office in the first instance.**

Mise le meas

John O'Connell  
Assistant Secretary

Agreed report, recording agreement.

This report was adopted on 13 December 2006