

SINGLE PUBLIC SERVICE PENSION SCHEME

GENERAL OUTLINE OF STANDARD TERMS

January 2013



This is a summary guide to the Single Public Service Pension Scheme and should be read alongside or in conjunction with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. This document is not a legal interpretation of the Act and does not purport to deal with every query that may arise.

The Single Scheme does not confer pensionability on any category of public service employment which was not previously pensionable.

Members of the following classes have different terms and are not covered in this outline: Members of the Oireachtas including the President, the Judiciary, the Comptroller and Auditor General and qualifying and designated office holders; Gardaí, Permanent Defence Force, Prison Officers and Fire-fighters.

SINGLE PUBLIC SERVICE PENSION SCHEME: SUMMARY

COVERAGE	
Pensionable public servants (new joiners) recruited on or after 1 January 2013 (the commencement date of the Single Scheme) will be members of the Scheme.	
VESTING PERIOD	
A standard vesting period of two calendar years must be served before becoming eligible for retirement benefits from the Scheme.	
PENSION AND RETIREMENT AGES	
Pension age	Minimum pension age of 66 (rising to 67 and 68 in line with State Pension age changes).
Compulsory retirement age	Scheme members must retire at the age of 70.
Early retirement	Actuarially-reduced early retirement facility from age 55, i.e. before minimum pension age.
Preserved benefits	For those who serve the vesting period and leave before reaching pension age, retirement benefits are payable, on application, at pension age.
ACCRUAL RATE / CONTRIBUTION RATE	
Accrual	Money amounts (referable amounts) building towards pension and lump sum are separately accrued each year using the following formula: Pension: Accrual rate of 0.58% of pensionable remuneration up to a ceiling of 3.74 X State Pension Contributory (SPC) (currently €45,000) PLUS (<i>where applicable</i>) 1.25% of pensionable remuneration above that level. Lump sum: 3.75% of pensionable remuneration.
Contribution rate	3.5% of net pensionable remuneration ¹ PLUS 3% of pensionable remuneration.

¹ Pensionable remuneration less twice the rate of the State Pension Contributory (SPC).

CALCULATION OF BENEFITS	
Calculation formula	During Scheme membership, the amounts accrued each year will be increased to reflect the CPI increase between that year and retirement. The annual pension and lump sum payable at retirement will equal the total of these CPI-adjusted amounts.
ILL HEALTH RETIREMENT	
Retirement on medical grounds	<p><i>Members with less than 2 years' service</i> Gratuity of 8.5% of pensionable remuneration per year of service.</p> <p><i>Members with more than 2 years' service</i> Immediate payment of retirement benefits accrued to point of retirement (with no actuarial reduction). Regulations will provide enhanced benefits, related to various factors such as the members expected career to retirement and service.</p>
DEPENDANTS' BENEFITS	
Death in service benefit	Lump sum payable to the estate of the deceased member equal to twice annual pensionable remuneration at time of death.
Survivors' benefits	Spouse's/civil partner's pension equal to 50% of member's pension. Also children's benefits payable (total payments not to exceed 100% of member's pension).
POST RETIREMENT INCREASES	
Pension increases	Based on increases in the CPI.
OTHER	
Allowances	Referable amounts (% of pensionable remuneration) each year will reflect pensionable allowances payable in respect of that year.
Refunds	Contributions refunded where less than 2 years' service given.

1. ACCRUAL AND MEMBER BENEFITS

Coverage

The Single Scheme's commencement date is 1 January 2013. The Scheme applies to all pensionable first-time entrants to the Public Service, as well as to former public servants returning to the public service after a break of more than 26 weeks. In certain circumstances, e.g. where the public servant was on secondment or approved leave or remains on the same contract of employment, the 26-week rule does not apply. The legislation giving effect to the Scheme is the [Public Service Pensions \(Single Scheme and Other Provisions\) Act 2012](#).

Benefit structure

The Scheme provides:

- A pension and retirement lump sum based on career-average pensionable remuneration.
- A facility for early retirement from age 55 on a cost-neutral (actuarially reduced) basis.
- A facility for early retirement on medical grounds, subject to certain conditions.
- A death in service benefit of twice annual pensionable remuneration.
- Preservation of retirement benefits which are payable on application at the age a member would be eligible for the State Pension Contributory (SPC).
- A pension for spouses or civil partners and for eligible children.
- Pension indexation linked to CPI increases.

Accrual and Payment of benefits

- Members accrue (i.e. build up over time) referable amounts (i.e. money amounts) for pension and lump sum for each year of work or part thereof based on pensionable remuneration at that time.

- **Pension:** Accrual rate of 0.58% of pensionable remuneration up to a ceiling of 3.74 X State Pension Contributory (SPC) (currently €45,000) PLUS (*where applicable*) 1.25% of pensionable remuneration above that level.
- **Lump sum:** Accrual rate of 3.75% of pensionable remuneration.
- Referable amounts are adjusted annually by reference to increases in CPI and aggregated referable amounts continue to be up-rated until retirement.
- Accrued and up-rated referable amounts over a complete career are added together to produce the pension and lump sum values on retirement.
- Members receive an annual benefit statement showing pension/lump sum amounts accrued to date.
- Following retirement, pension is increased in line with rises in CPI; if CPI falls, the pension is not reduced.
- Member's legal personal representative will receive a capital sum (equal to twice annual pensionable remuneration) should the member die in service.
- Pensions are payable to a spouse or civil partner and to eligible children, as defined in the Scheme, in a case of death (before or after retirement).
- Scheme members ordinarily pay full social insurance contributions and are eligible to receive a State Pension Contributory (SPC) (subject to paying sufficient PRSI contributions and other criteria that may apply from time to time), in addition to occupational pension. Consequently, the SPC is taken into account when calculating pensions under the Scheme. This is known as *integration*.

Career Average

Members accrue money amounts (referable amounts) towards pension and lump sum, calculated annually by reference to the fixed percentages of pensionable

remuneration and linked to CPI increases. These amounts accumulate over the span of a career to produce the pension and lump sum on retirement.

Example A

In Year 1 a new recruit earns €25,000. This yields a referable amount (a sum-towards-pension) of €145 using a 0.58% accrual rate (up to €45,000)².

Thereafter that €145 is indexed to the CPI (All Items). Assuming 2% inflation annually and 40 years to pension age, the €145 will grow to about €320 at retirement.

Example B

In Year 1 a new recruit earns €50,000. This yields a referable amount (a sum-towards-pension) of €323.50 using a 0.58% accrual rate (up to €45,000) and 1.25% for the balance.

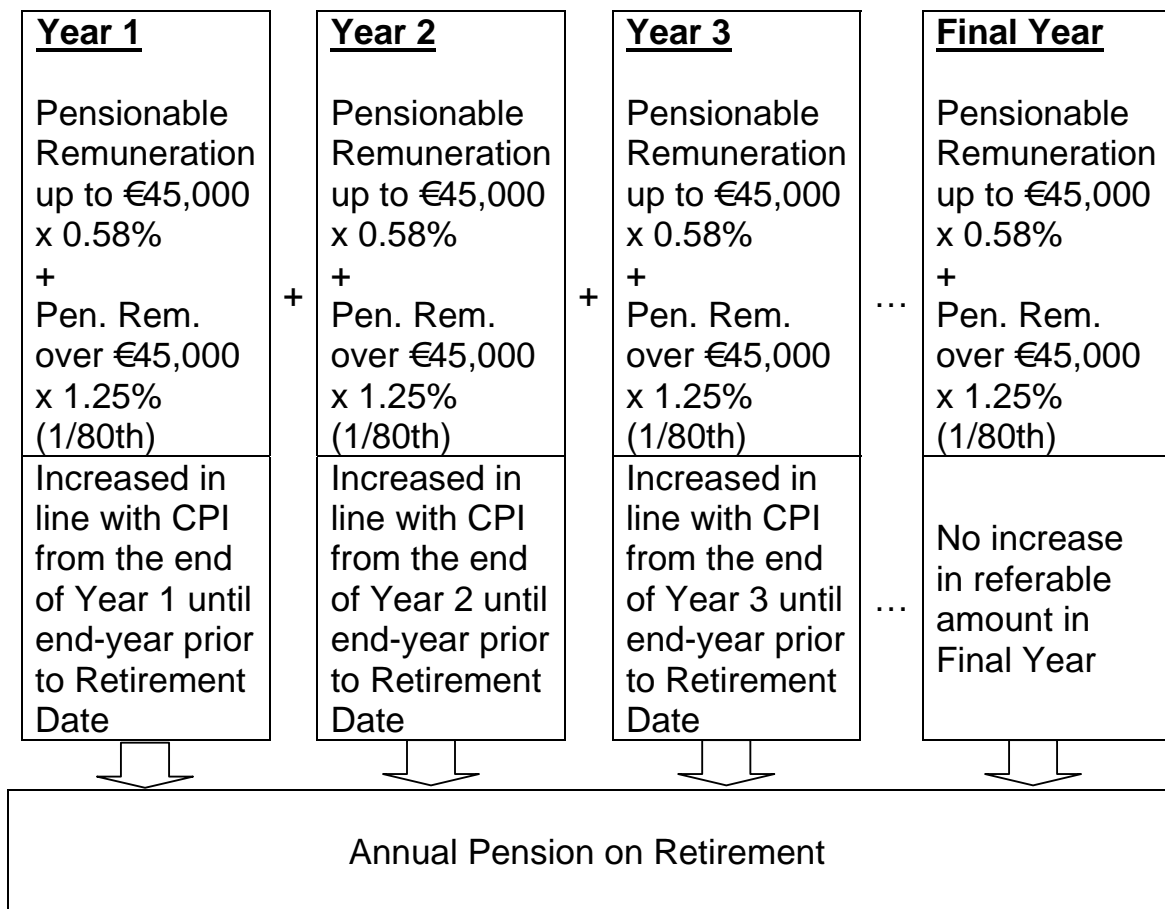
Thereafter that €323.50 is indexed to the CPI (All Items). Assuming 2% inflation annually and 40 years to pension age, the €323.50 will grow to about €700 at retirement.

Amounts towards pension are likewise calculated for all subsequent years of service. These referable amounts accrue, accumulate and are up-rated throughout the member's career in the public service.

The total of these up-rated annual amounts at pension age constitutes the pension paid in retirement; the lump sum paid on retirement is built up in a similar way based on a 3.75% accrual rate.

² The figure of €45,000 was set following talks at the Labour Relations Commission; the amount is a multiple (3.74 times) of the SPC at time of Scheme commencement (January 2013) and the pay level up to which the 0.58% accrual rate applies will change if/when the SPC changes in future to maintain this relationship.

Illustration of Pension Accrual



Integration

The Scheme is integrated with the social welfare State Pension Contributory (SPC) in two ways:

- (i) Pension accrual rates take account of the availability of the SPC at retirement.
- (ii) Pension contribution rates take account of the fact that SPC benefits provide part of the retirement income.

The lump sum is not affected as no social welfare lump sum is paid on retirement (i.e. social welfare benefits are payable in pension form only).

2. CONTRIBUTIONS

Contribution rate (3.5% + 3%)	<i>Percentage of net pensionable remuneration</i>	<i>Percentage of pensionable remuneration</i>
<i>Public Servants</i>	3.5%	3%

The Scheme is integrated with the social welfare system and the contribution rate takes account of the SPC benefits which are being contributed to by the member and the employer by way of social insurance contributions.

In each pay period an amount equivalent to 3.5% of net pensionable remuneration PLUS 3% of pensionable remuneration will be deducted as the member's contribution under the Scheme.

Pensionable remuneration means basic pay that is reckonable for pension purposes, generally comprising salary and pensionable allowances, but excluding overtime.

Net pensionable remuneration means pensionable remuneration less twice the value at that time of the SPC for a single adult without dependents.

3. PENSION AND RETIREMENT AGE

Minimum Pension Age

This is set, initially, at 66 years. It will rise in step with statutory SPC age increases to 67 in 2021 and 68 in 2028.

Early retirement on reduced pension

Retirement on pension from age 55 is allowed, subject to formal approval, based on actuarially-determined cost-neutral reduction of benefits.

Compulsory Retirement Age

A general compulsory retirement age of 70 applies.

4. PURCHASE/TRANSFER

Purchase of additional pension / lump sum and transfers from funded schemes

The option to allow purchase of additional pension and lump sum on a full cost basis to the member is catered for in the Scheme. The Scheme can also cater for transfers from funded schemes. The Minister for Public Expenditure and Reform is to make regulations to so provide.

It is anticipated the Scheme will allow for once-off or periodic purchase and that the money paid in would be recorded in the lump sum 'referable amount' being accrued for the year in question and then up-rated until retirement where it could be commuted to pension or payable as part of the lump sum.

5. OTHER BENEFITS

Cost Neutral Early Retirement

The Scheme provides that a member who has reached age 55 may retire early on an actuarially reduced (or cost-neutral) basis. The benefits paid are reduced by reference to the member's age at resignation in accordance with actuarial tables approved by the Minister for Public Expenditure and Reform.

Early retirement on medical grounds

In cases of medically certified incapacity to work, immediate payment of pension benefits accrued to point of retirement with no actuarial reduction is provided for in the Scheme for members with more than two years' service. In such cases, regulations will be made to provide for enhanced benefits payable, having regard to factors such as the member's career to date and expected career to retirement. For members with less than two years' service, a gratuity of 8.5% of pensionable remuneration per year of service is paid.

Death in Service Benefit

A lump sum is payable to the estate of the deceased equal to twice annual pensionable remuneration at time of death.

Survivor's Pension

50% of a deceased member's pension is payable to a spouse or civil partner. In addition, in cases of one, two or three eligible children, 1/6th of member's pension is payable per child; in cases of four or more eligible children, one half of member's pension divided by the number of children is payable per child. These children's pensions are doubled if the non-member spouse is also deceased.

Allowances

Pensionable allowances or emoluments or premium payments, or equivalent, in existence and payable before Scheme commencement on 1 January 2013 are treated as pensionable remuneration under the Scheme. Allowances or premium payments first arising after commencement are pensionable provided they are (i) approved as being pensionable, (ii) permanent in nature, (iii) subject to contributions and (iv) have been advised to the Scheme member as being pensionable.

Return of contributions

Scheme members who leave before completion of the vesting period (i.e. 2 years) are entitled to a refund of their contributions adjusted for tax / other statutory deductions.

Preservation of benefits

Where, after completing the vesting period but before reaching minimum pension age, a person ceases to be a public servant (other than on cost neutral early retirement or medical grounds) he/she will be entitled to a pension and lump sum payment, payable on application on attaining minimum pension age.

The amount of this “preserved pension” and “preserved lump sum” is the amount which would have been awarded to the Scheme member had he or she attained the minimum pension age on the date of ceasing to be a public servant, adjusted for CPI.

Restriction on number of pensions payable under the Scheme

Only one full-time employment or the aggregated equivalent at any time can be taken into account to accrue retirement benefits under the Scheme.

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