An Roinn Caiteachais Phoiblí
agus Athchóirithe
Department of Public
Expenditure and Reform

DPE100-002-2017

6 December 2017

To: Government Departments and Public Service Employers

Circular 20/2017: Increases in certain public service pensions with effect from 1 September 2017

1. I am directed by the Minister for Public Expenditure and Reform to convey sanction for certain public service pay increases which were granted in 2016 and 2017 to be applied to certain public service pensions, in all sectors of the public service, with effect from 1 September 2017. **In the main, the pension increases arising are confined to persons who retired relatively recently (between 1 March 2012 and 1 April or 1 September 2017) on basic salaries no higher than €65,000.**

2. These pension increases are being approved under the **public service pension increase policy** adopted by Government for the period to end-2020, as set out in paragraph 6.2 of the Public Service Stability Agreement 2018-2020 (PSSA). This policy is essentially a time-limited (expires end-2020) resumption of the non-statutory pension increase arrangements, sometimes known as "pay parity", which formerly prevailed, but which lapsed in 2010. Under these arrangements, public service pension values moved in line with changes in the pay rates of the grades from which pensioners retired.

3. This circular does not apply to pensions paid by the Single Public Service Pension Scheme. References to salary in this circular are to full-time equivalent (FTE) salary.

Increase of 2.5% or 1% applied to certain basic salaries on 1 January 2016

4. Under section 6A(1), (3) and (4) of the Financial Emergency Measures in the Public Interest [FEMPI] (No. 2) Act 2009, as inserted by section 3 of the Financial Emergency Measures in the Public Interest Act 2015, **public service basic salaries with values of not more than €31,000 were increased on 1 January 2016** as follows:

- **2.5%** increase on all basic salaries of up to €24,000;
- **1%** increase on all basic salaries of more than €24,000 but not more than €31,000.

5. The pensions of persons who retired on basic salaries up to €31,000 **between 1 March 2012 and 31 December 2015** should be increased, **with effect from 1 September 2017**, on foot of the pay increase referred to in paragraph 4 above. (Equivalent later-awarded pensions will have automatically allowed for the increased salary rates.) This means that:

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- the pensions of such persons whose basic salaries at retirement were no more than €24,000 should be increased, with effect from 1 September 2017, to reflect a 2.5% increase in basic salary; and

- the pensions of such persons whose basic salaries at retirement were more than €24,000 but not more than €31,000 should be increased, with effect from 1 September 2017, to reflect a 1% increase in basic salary.

Please note that pensions which qualify for such an increase (based on the 2016 pay increase) also qualify for an increase based on the 2017 pay increase which is featured in paragraph 7 below.

6. **The pensions of persons who retired on uprated basic salaries up to €31,000 before 1 March 2012 do not qualify to be increased on foot of the pay increase referred to in paragraph 4 above** (but see paragraph 11 below). They do not qualify because the basic salaries associated with those pensions are higher than the corresponding salaries in payment at the pay increase date of 1 January 2016. This in turn reflects the operation of the "grace period" (1 January 2010 to 29 February 2012) under the FEMPI (No. 2) Act 2009, during which new pension awards were based on the higher pay rates in place just before the public service pay cut on 1 January 2010.

Increase of €1,000 applied to certain basic salaries in 2017

7. Under section 6A(1) and (5) of the FEMPI (No. 2) Act 2009, as inserted by section 3 of the FEMPI Act 2015, **public service basic salaries of up to €65,000 were to get an increase of €1,000 on 1 September 2017**. **This increase was brought forward to 1 April 2017 for most (not all) qualifying public servants** as part of the Government's response to the Labour Court Recommendations (CD/16/321 and CD/16/322) on the Garda pay dispute.

8. **The pensions of persons who retired on basic salaries of up to €65,000 between 1 March 2012 and either:**

- **31 March 2017**, for grades who got the €1,000 pay increase on 1 April 2017; or

- **31 August 2017**, for grades who got the €1,000 pay increase on 1 September 2017;

should be increased, with effect from 1 September 2017, to reflect the €1,000 increase in basic salary referred to in paragraph 7 above. (Equivalent later-awarded pensions will have automatically allowed for the increased salary rates.)

9. Applying the €1,000 pay increase referred to in paragraph 7 above to qualifying pensions defined in paragraph 8 above (i.e. to pensions of those who retired with pensions based on basic salaries of up to €65,000 between 1 March 2012 and the pay increase date), means effectively that, in each case:

(a) the percentage increase in basic salary in 2017 should be established (e.g. a €49,000 salary increasing to €50,000 on 1 April 2017 is a 2.04% increase);

(b) that percentage increase, subject to (c) below and with effect from 1 September 2017, should be applied to the pension or, where arising, to the pension uprated by reference to the 2016 pay increase covered at paragraphs 4 and 5 above;

(c) where the pension includes an identifiable fixed-rate allowance element (i.e. an element deriving from allowances which do not increase in line with pay increases), then the percentage increase at (b) should not be applied to that part of the pension which is based on that fixed-rate allowance element.

This means, broadly speaking, that qualifying pensions should get percentage increases equal to the corresponding 2017 salary increases.

10. **The pensions of persons who retired before 1 March 2012, except for a very small subset of such pensions (see paragraph 11 below), should not be increased on foot of the pay increase referred to in paragraph 7 above**. Those pensions do not qualify for such an increase because their associated salary is higher (on account of the 2010-2012 "grace period") than the corresponding salary in payment at the pay increase date (1 April or 1 September 2017).

11. As a low-incidence exception to the increase ineligibility point made in paragraph 10 above, pre-March 2012 retirees whose pensions reflect an uprated basic salary **up to about €25,600**, should actually get a pension increase, with effect from 1 September 2017 related to the 2017 pay increase. That pension increase should be such as uprates the salary associated with the pension to the corresponding in-payment salary at the pay increase date of 1 April or 1 September 2017. Note that the in-payment salary will have been boosted by both the 2016 and 2017 pay increases covered in this circular. (The ceiling of about €25,600 arises as follows: In general only salaries lower than that ceiling just prior to the 2010 public service pay cut attained values higher than their pre-2010 rate following the 2016 and 2017 pay increases covered in this circular; so it is only [pre-March 2012] pensions associated with salaries up to that ceiling which qualify for an increase in consequence of the 2017 pay increase.)

Examples

12. Appendix 1 presents examples showing whether and by how much how particular pensions should be increased with effect from 1 September 2017 arising from the sanction conveyed in this circular for certain pay increases in 2016 and 2017 to be applied to certain pensions.

Public Service Pension Reduction (PSPR)

13. The Public Service Pension Reduction (PSPR) is a reduction of certain public service pensions which was introduced on 1 January 2011, and which operates under the Financial

Emergency Measures in the Public Interest Act 2010 Act (as amended). Any pension increases arising from this circular should, in all cases, be applied to the pre-PSPR value of the pension. All references to pension values in this circular are on a pre-PSPR basis.

Circulation

14. This circular is a public domain document which this Department will post to customary websites (www.circulars.gov.ie www.per.gov.ie/pensions). It is intended mainly as a reference document in public service workplaces and pension-paying authorities for personnel whose duties relate to pensions and payroll, and may also be of interest to public servants and public service pensioners. It can be freely distributed to any employees, contractors, retirees, pensioners or other persons according as employers and pension-paying authorities see fit.

15. Personnel Officers in Government Departments / Offices receiving this circular are asked to send it to bodies operating under the aegis of their Department / Office.

Queries

16. Queries about this circular may be pursued as follows:

- Public service pensioners should raise queries with their pension-paying authority.

- Public service employers and pension-paying authorities should pursue queries through normal channels (e.g. parent Department) or may send queries (preferably by email, placing "DPER Circular 20/2017: Increases in certain public service pensions with effect from 1 September 2017" in the subject line) to the following officials of this Department:

    - Karen Friel [email: karen.friel@per.gov.ie; tel: 076-1007362]

    - Henry O'Mara [email: henry.o'mara@per.gov.ie; tel: 01-6045493]

Mise le meas,

Colin Menton
Assistant Secretary
Department of Public Expenditure and Reform

Appendix 1: Pension increase examples

The examples below present the public service pensions of fictitious retirees with different profiles in terms of retirement date, pre-retirement salary level and whether or not the pension is integrated with the Contributory State Pension

Each example shows the particular impact, if any, on the pension value, arising from the sanction conveyed in this circular for certain pay increases in 2016 and 2017 to be applied to certain public service pensions, with effect from 1 September 2017.

NB: All pension values to in these examples are on a pre-PSPR basis.

Example A:

Mary retired on 1 May 2015 after 30 years' service on a salary of €28,000 and with **non-integrated "pre-1995" pension terms**. She had no pensionable allowance earnings, and a pension of €10,500 was awarded, calculated as follows:

30 [service] x **(1/80)** [accrual rate] x **€28,000** [pensionable remuneration] = **€10,500**

<u>1% salary increase on 1 January 2016:</u>

The basic salary associated with Mary's pension was increased by 1% on 1 January 2016, bringing it from €28,000 to €28,280.

<u>€1,000 salary increase in 2017:</u>

The basic salary associated with Mary's pension was further increased on 1 April 2017, rising by €1,000 from €28,280 to €29,280.

So the total increase in basic salary, comprising the 2016 and 2017 increases, was €1,280, or **4.57%**. This percentage increase should be applied to the pension.

Mary's pension, which has been in payment at an unchanged rate since her retirement on 1 May 2015, should therefore be increased by 4.57% (€480), from €10,500 to €10,980, with effect from 1 September 2017.

Example B:

Liam retired on 1 August 2015 after 20 years' service on a salary of €30,000; **his pension was integrated with the Contributory State Pension (CSP)**. He had no pensionable allowance earnings, and a pension of €3,000 was awarded, calculated as follows:

20 [service] x **(1/200)** [accrual rate] x **€30,000** [pensionable remuneration] = **€3,000**

<u>1% salary increase on 1 January 2016:</u>

The basic salary associated with Liam's pension was increased by 1% on 1 January 2016, bringing it from €30,000 to €30,300.

<u>€1,000 salary increase in 2017:</u>

The basic salary associated with Liam's pension was further increased on 1 April 2017, rising by €1,000 from €30,300 to €31,300.

So the total increase in basic salary, comprising the 2016 and 2017 increases, was €1,300, or **4.33%**. This percentage increase should be applied to the pension.

Liam's pension, which has been in payment at an unchanged rate since his retirement on 1 August 2015, should therefore be increased by 4.33% (€130), from €3,000 to €3,130, with effect from 1 September 2017.

Example C:

Seán retired on 1 November 2011 with maximum pensionable service of 40 years and with **non-integrated "pre-1995" pension terms**; he had no pensionable allowance earnings. His salary at retirement was €28,500, having been cut from €30,000 on 1 January 2010 under the FEMPI (No. 2) Act 2009. His pension award, on account of the operation of the 2010-2012 "grace period", was based on the higher pre-cut salary (€30,000), and was calculated as follows:

40 [service] x **(1/80)** [accrual rate] x **€30,000** [pensionable remuneration] = **€15,000**

<u>1% salary increase on 1 January 2016:</u>

If, assuming the same maximum service, Seán had instead retired just after 1 January 2016, the date on which a 1% increase was applied to his grade's salary, then his pension award would have been based on the actual in-payment salary, and would have been calculated as follows:

40 [service] x **(1/80)** [accrual rate] x **€28,785** [pensionable remuneration] = **€14,392**

<u>€1,000 salary increase in 2017:</u>

If, further on, and still assuming maximum service, Seán had instead retired just after 1 April 2017, the date on which a €1,000 increase was applied to his grade's salary, then his pension award would have been calculated as follows:

40 [service] x **(1/80)** [accrual rate] x **€29,785** [pensionable remuneration] = **€14,892**

These calculations show that Seán's pension, which has been in payment at an unchanged rate of €15,000 since his retirement on 1 November 2011, **is higher than it would have been had he instead retired later, i.e. after application of pay increases applied to his grade in 2016 (1% on 1 January) and 2017 (€1,000 on 1 April)**. **For that reason his pension should not be increased on foot of these 2016 and 2017 pay increases.**

Example D:

Bridget retired on 1 November 2016 after 32 years' service on a salary of €50,000 and with **non-integrated "pre-1995" pension terms**. She had no pensionable allowance earnings, and a pension of €20,000 was awarded, calculated as follows:

32 [service] x **(1/80)** [accrual rate] x **€50,000** [pensionable remuneration] = **€20,000**

€1,000 salary increase in 2017:

The basic salary associated with Bridget's pension was increased on 1 April 2017, rising by €1,000 from €50,000 to €51,000.

This represents a **2%** increase in basic salary. This percentage increase should be applied to the pension.

Bridget's pension, which has been in payment at an unchanged rate since her retirement on 1 November 2016, should therefore be increased by 2% (€400), from €20,000 to €20,400, with effect from 1 September 2017.

Example E:

John retired on 1 July 2015 after 15 years' service on a salary of €55,000 with "post-1995" pension terms, i.e. **his pension was integrated with the Contributory State Pension (CSP)**. He had no pensionable allowance earnings, and a pension of €5,806 was awarded, calculated as follows:

15 [service] x **(1/200)** [accrual rate] x **€40,057** [pensionable remuneration up to (3.333333 x CSP*)] = **€3,004**

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15 [service] x **(1/80)** [accrual rate] x **€14,943** [pensionable remuneration in excess of (3.333333 x CSP*)] = **€2,802**

€3,004 + **€2,802** = **€5,806**

** Weekly CSP rate at time of pension award was €230.30.*

<u>€1,000 salary increase in 2017:</u>

The basic salary associated with John's pension was increased on 1 April 2017, rising by €1,000 from €55,000 to €56,000.

This represents a **1.82%** increase in basic salary. This percentage increase should be applied to the pension.

John's pension, which is in payment at an unchanged rate since his retirement on 1 July 2015, should therefore be increased by 1.82% (€106), from €5,806 to €5,912, with effect from 1 September 2017.