# Public Service Pension Reduction (PSPR)

## Frequently Asked Questions

**These frequently asked questions are about the Public Service Pension Reduction (PSPR). They should be read alongside the *Financial Emergency Measures in the Public Interest Act 2010* and, where appropriate, other relevant legislation / regulations.**

**This document is not a legal interpretation of the PSPR or of the aforementioned Act and does not purport to deal with every query that may arise.**

## 1. Why was the reduction introduced?

The Public Service Pension Reduction (PSPR) came into effect on 1 January 2011 as part of the Government's programme of measures to urgently address the serious position of the public finances. It became law via the Financial Emergency Measures in the Public Interest Act 2010.

## 2. How does the reduction operate?

The PSPR is an income-graduated reduction applied to each gross annual public service pension in excess of €12,000. The amount of the reduction in respect of a public service pension is determined by the following set of annual pension income bands and associated reduction rates:

| | |
|---|---|
| First €12,000 | 0% |
| Between €12,000 and €24,000 | 6% |
| Between €24,000 and €60,000 | 9% |
| Above €60,000 | 12% |

## 3. Who is and who is not subject to the reduction?

Subject to meeting the €12,000 threshold, the public service pensions of all retired public servants and their survivors or dependants are liable to the reduction, including such pensions payable to former political office-holders and to former members of the judiciary.

4. **Does the time at which a pension comes into payment matter in terms of whether or not that pension is subject to the reduction?**

Yes, in this respect pensions can be distinguished in terms of liability to the reduction as follows:

**(i) Pensions currently in payment, or whose payment commences on or before 29 February 2012, or in respect of which the preserved benefit age (in preserved benefit cases) is on or before 29 February 2012, are all subject to the reduction**, as are survivor/dependant pensions deriving from such pensions (regardless of when those survivor/dependant pensions themselves come into payment).

**(ii) All other pensions are not subject to the reduction, and specifically;**

a) Pensions payable to persons who retire from the public service after 29 February 2012 will not be affected by the reduction. However, such pensions will be awarded on the basis of actual pay scales, as opposed to the current pension award basis which uses (higher) notional pay scales. (These notional pay scales ignore the 1 January 2010 pay cut).

b) Pensions payable to persons who, at any time, leave or have already left pensionable public service employment on a preserved pension basis (i.e. without having reached minimum pension age) and which come into payment after 29 February 2012 will not be affected by the public service pension reduction. Such pensions will be awarded on the basis of actual pay scales, i.e. they will be treated as at (a) above.

**5. From what date does the reduction apply?**

The reduction applies to the pensions of retired civil and public servants with effect from 1 January 2011.

When making the first pension payments in the year 2011, public service employers must ensure that the reduction only applies in respect of the days of the first 2011 pay period that fall in 2011. This means that any part of such 2011 pension payments attributable to the year 2010 must not be subjected to the reduction.

**6. How are "cost neutral early retirement" pensions treated with regard to the reduction?**

The reduction is applied to the actual pension (i.e. the pension in payment or being awarded, which reflects the impact of the applicable actuarial reduction factor), not to the related notional preserved pensions value.

**7. Does the reduction apply in the case of a person on pension rate of pay?**

Yes, provided that pay exceeds €12,000 per annum.

**8. How are public service survivor / dependant pensions treated with regard to the reduction?**

Survivor/dependant pensions are subject to the reduction.

In such cases the first step is to calculate the survivor/dependant pension on the basis of the unreduced pension entitlement of the deceased member. The amount of survivor/dependant pension thereby calculated should then be reduced in accordance with the applicable PSPR bands and rates.

**9. Are retirement lumps sums, death gratuities or once-off non-pensionable gratuities affected by the reduction?**

No, only pensions.

**10. Where a public service pensioner also gets a State Pension from the Department of Social Protection, is that State Pension subject to the reduction?**

No.

**11. Where a pension reflects credit elements additional to normal accrual (e.g. transfer of pension, purchase of service, repayment of marriage gratuity), is that part of the pension attributable to such additional elements exempted from the reduction?**

No, the entire pension is subject to the reduction

**12. Does the reduction apply in the case of a "supplementary pension" which may be payable in certain public service pension schemes?**

Yes, provided that the occupational pension including the supplementary pension exceeds €12,000 per annum.

**13. How will public servants at different gross pension levels be affected?**

| Pension before Reduction (€) | Annual Reduction (€) | Annual Reduction (%) |
|---|---|---|
| 12,000 | 0 | 0% |
| 15,000 | 180 | 1.2% |
| 20,000 | 480 | 2.4% |
| 25,000 | 810 | 3.2% |
| 30,000 | 1,260 | 4.2% |
| 40,000 | 2,160 | 5.4% |
| 50,000 | 3,060 | 6.1% |
| 60,000 | 3,960 | 6.6% |
| 70,000 | 5,160 | 7.4% |
| 80,000 | 6,360 | 8.0% |
| 90,000 | 7,560 | 8.4% |
| 100,000 | 8,760 | 8.8% |

Note: The above table takes no account of changes in taxation or other statutory stoppages from pay as announced in Budget 2011.

Department of Finance

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