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Public Service Pension Reduction (PSPR)

Frequently Asked Questions

A three-stage partial reversal of PSPR, occurring in the years 2016, 2017 and 2018, was provided for in the Financial Emergency Measures in the Public Interest Act 2015. PSPR was further amended by the Public Service Pay and Pensions Act 2017 which provides for further significant lessening of PSPR in the years 2019 and 2020.

These frequently asked questions about the Public Service Pension Reduction (PSPR) focus, in particular, on its application during 2019.

Detailed tables of the PSPR rates which applied in the years 2016 to 2018 are set out in DPER Circular 18/2015: Changes to the Public Service Pension Reduction (PSPR). The PSPR rates applying in the years 2019 and 2020 are set out in Circular 02/2018: Pension increase policy in the public service until end-2020.

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

1. **What is the Public Service Pension Reduction (PSPR)?**

   PSPR is a cut in public service pensions whose pre-PSPR value exceeds the applicable exemption thresholds. PSPR is designed in a progressive manner with proportionately larger reductions imposed on relatively higher value pensions.

2. **Why was the Public Service Pension Reduction (PSPR) introduced?**

   PSPR came into effect on 1 January 2011 as part of the Government's programme of financial emergency measures to urgently address the serious position of the public finances. PSPR operates under the Financial Emergency Measures in the Public Interest (FEMPI) legislation; it became law via the **Financial Emergency Measures in the Public Interest Act 2010**. It was subsequently amended via the **Financial Emergency Measures in the Public Interest (Amendment) Act 2011, the Public Service Pensions (Single Scheme and Other Provisions) Act 2012, the Financial Emergency Measures in the Public Interest Act 2013, the Financial Emergency Measures in the Public Interest Act 2015 and the Public Service Pay and Pensions Act 2017**.

3. **Who is impacted by PSPR?**

   Retired public servants and their surviving dependents who are in receipt of public service occupational pensions above the applicable thresholds are impacted by PSPR.

   On the same basis, public servants who are on long-term sick leave and in receipt of Pension Rate of Pay or Temporary Rehabilitation Remuneration (TRR) may also have PSPR applied to the determination of their payments.

4. How does PSPR operate?

With effect from 1 January 2019, PSPR is applied in any individual case by reference to whichever of the two tables of reduction rates set out below is appropriate. In applying the appropriate table to any pension, please note that the table's band-specific reduction rates apply to the relevant "slices" of that pension; it is not the case that the entire pension is reduced by any of the band-specific rates.

(i) For pensions awarded in respect of retirements **before 1 March 2012** with annual values of **in excess of €39,000** (on a pre-PSPR basis).

Pre-March 2012: PSPR from 1 January 2019 to 31 December 2019	
Annualised amount of public service pension	*Reduction*
Up to €39,000	Exempt
Any amount over €39,000 but not over €60,000	12%
Any amount over €60,000 but not over €100,000	17%
Any amount over €100,000	28%

(ii) For pensions **in excess of €60,000** (on a pre-PSPR basis) awarded in respect of retirements **on or after 1 March 2012** to **1 April 2019**

Post-February 2012: PSPR from 1 January 2019 to 31 December 2019	
Annualised amount of public service pension	*Reduction*
Up to €60,000	Exempt
Any amount over €60,000 but not over €100,000	3%
Any amount over €100,000	8%

5. Why are there 2 different tables of PSPR rates?

The PSPR rates set out at Q.4 (i) above apply to pensions awarded in respect of retirement before 1 March 2012. Within this pre-March 2012 category, the PSPR rates ensure a proportionately greater reduction for pensions of relatively higher values.

The lower PSPR rates at Q.4 (ii) above in respect of the later-awarded post-February 2012 pensions reflect the fact that, in contrast to comparable pre-March 2012 pensions, such pensions are based on retirement-time salaries which factor in the public service pay cuts imposed on 1 January 2010 under the FEMPI (No. 2) 2009 Act.

6. What is the impact of the "grace period" currently scheduled to conclude on 1 April 2019?

As provided for under the Haddington Road Agreement (HRA), the FEMPI Act 2013 imposed additional pay cuts with effect from 1 July 2013 on public servants earning more than €65,000. If a public servant impacted by those pay cuts retires during the grace period, his or her pension entitlement will be based on the notional pre-HRA remuneration level, which discounts the 2013 pay cuts.

Due to the scheduled restoration of these 2013 pay cuts for those earning over €65,000 under the FEMPI Act 2015 and the relevant pay increases provided for in the Public Service Pay and Pensions Act 2017 those public servants on salaries between €65,000 and €110,000 have had their salary restored to, and increased above, the pre-HRA level from 1 January 2018. In such cases, the more favourable (retirement-time) salary, rather than the pre-HRA equivalent, should be used to calculate pension benefits from 1 January 2018 onward.

This means that, from 1 January 2018 until its expiry on 1 April 2019, the grace period protection in respect of the aforementioned 2013 pay cuts effectively applies only to a small subset of retiring public servants. Specifically, it applies to persons retiring between these dates whose salaries:

- exceeded €110,000 in post-HRA terms; and
- do not attain full restoration of the FEMPI 2013 salary cuts until 1 April 2019.

7. How are situations where a retired public servant is receiving 2 or more public service pensions treated?

The legislation requires that the public service pensions of persons who receive more than one such pension, where the combined pre-PSPR value of these pensions is greater than €32,500, must, in general be aggregated for the purpose of applying PSPR. This means that the combined ("aggregated") value of those pensions, is first ascertained, and if that combined value exceeds the applicable exemption threshold (€39,000 or €60,000 in 2019, see Q4), then PSPR is calculated on that combined value rather than on each pension on a standalone basis. The due pension reduction (PSPR impact) is applied to the pensioner's larger (or largest) public service pension in payment.

8. How are "cost neutral early retirement" pensions treated with regard to PSPR?

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

9. **How are public service dependent pensions treated with regard to PSPR?**

   Dependent pensions are subject to PSPR provided that the pre-PSPR pension value exceeds the applicable exemption threshold (€39,000 or €60,000 in 2019, see Q.4 above). In such cases the first step is to calculate the dependent pension on the basis of the unreduced (i.e. pre-PSPR) pension entitlement of the deceased member. The amount of dependent pension thereby calculated should then be reduced in accordance with the applicable PSPR bands and rates.

10. **My spouse was awarded a public service retirement pension before 1 March 2012 but passed away after that date. Which table of PSPR rates will apply to my survivor's pension?**

    The table of PSPR rates applied to a dependent public service pension is effectively determined by when the deceased public servant's public service pension was initially awarded (or in Death in Service cases, the date of death). Specifically, if the deceased member's pension was awarded before 1 March 2012, or a public servant died in service before 1 March 2012, the applicable table of PSPR rates will be those at Q.4 (i) above, subject to the pre-PSPR value of the dependent pension exceeding the applicable exemption threshold (€39,000 in 2019.)

    For example, consider a former public servant who retired before 1 March 2012 with an annual pre-PSPR public service pension of €50,000. For the purposes of applying PSPR, his or her pension is reduced by the table at Q.4 (i), since the pre-PSPR pension value exceeds the €39,000 exemption threshold. If he or she dies and a survivor's pension is payable with a pre-PSPR value of €25,000, this survivor's pension would not be subject to PSPR since the pre-PRSR pension value is below the same threshold.

In circumstances where a public service pension was awarded to a retired public servant on or after 1 March 2012 and the retired public servant passes away, or where a public servant dies in service on or after that date the PSPR table provided for at Q.4 (ii) above will apply to any dependent pension whose pre-PSPR value exceeds the applicable exemption threshold (€60,000 in 2019).

11. **Are retirement lump sums, death gratuities or once-off non-pensionable gratuities affected by PSPR?**

    No.

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

    No.

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

    Yes, provided that the public service pension, considered as including the supplementary pension, exceeds the applicable exemption threshold.

14. **What is the impact of the current PSPR rates for different public service pension amounts?**

The following table illustrates the 2019 PSPR impact for a range of pensions, it takes no account of the impact of taxation or other statutory stoppages from pay.

2019 PSPR Impact on Public Service Pensions

Pension Value (Pre-PSPR)	**Pre-March 2012 awarded pensions**		**Post-February 2012 awarded pensions**	
	Annual Reduction (€)	Annual Reduction (%)	Annual Reduction (€)	Annual Reduction (%)
€15,000	€0	0%	€0	0%
€20,000	€0	0%	€0	0%
€25,000	€0	0%	€0	0%
€30,000	€0	0%	€0	0%
€35,000	€0	0%	€0	0%
€40,000	€120	0.3%	€0	0%
€50,000	€1,320	2.6%	€0	0%
€60,000	€2,520	4.2%	€0	0%
€70,000	€4,220	6.0%	€300	0.4%
€80,000	€5,920	7.4%	€600	0.8%
€90,000	€7,620	8.5%	€900	1.0%
€100,000	€9,320	9.3%	€1,200	1.2%

15. **How should the reduction apply where a pension is the subject of a Pension Adjustment Order (PAO) under a family law settlement?**

The application of PSPR in the case of a pension which is the subject of a Pension Adjustment Order (PAO) is dealt with in FEMPI 2010 in section 2(5) (as inserted by section 6(1)(b) of FEMPI 2015), and section 2A(6) (as inserted by section 5(5) of FEMPI 2013).

These sections of the legislation require that for any PAO-affected pension, the original gross undivided pre-PSPR pension amount is first to be subjected to PSPR, with the resultant net amount then being divided for payment in accordance with the split (between member and assignee) stipulated in the PAO.

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

No, the entire public service pension is subject to PSPR.

17. **Will there be further PSPR changes after 2019?**

Yes, the Public Service Pay and Pensions Act 2017 provides for the further lessening of the PSPR burden in 2020. For the Pre-March 2012 cohort of retirees, this amelioration will be given by way of an exemption threshold increase. For the Post-February 2012 cohort of retirees, this amelioration will be given by a lessening of the percentage reduction rates.

This Act also requires the Minister for Public Expenditure and Reform to make an order, no later than 31 December 2020, setting a date for the complete elimination of PSPR from all public service pensions.