

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 entrant¹ staff of the Civil and Public Service¹.

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.

¹ as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004

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:

$$19 + Q + E - 25, \text{ where}$$

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

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 entrant² to a professional, technical or specialist post in the public service² 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.

² as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004

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)