



Public Authority Pension Services



UNIVERSITY *of* LIMERICK
OLLSCOIL LUIMNIGH

Single Public Service Pension Scheme (SPSPS)

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Outline by

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Single Pension Scheme - Summary

- Applies to new entrants to public service from **1 January 2013**.
- Raises minimum pension age to 66 and links it to State Pension age.
- Maximum retirement age of 70.
- Career average revalued earnings.
- Employee pension contribution rate unchanged for “standard” employees.
- Different accrual rate to that of old scheme.
- No 40 year service limit – benefits may be accrued over a longer period.
- Legislation for new scheme enacted 28 July 2012 and commenced **1 January 2013**.



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Single Pension Scheme

**An explanation of terms applicable to
“standard” employees**

Single Pension Scheme Coverage

- **New Joiners recruited on or after 1 January 2013 but not**
 - those returning to the public service after a break of less than 26 weeks from a previous pensionable post
 - those on secondment
 - those on leave (with or without pay)
 - those offered appointments in writing before 1 January 2013 who take up the appointment on or after that date
 - those coming back into pensionable employment under the same contract of employment.

Single Pension Scheme

Vesting Period

- A standard vesting period of two calendar years (i.e. 24 months' service as a Scheme member) must be served before becoming eligible for retirement benefits from the Scheme.
- There is no distinction therefore in terms of eligibility for benefits between wholetime and part-time employees.

Single Pension Scheme

Pension and Retirement Ages

- **Minimum pension age of 66 rising to 67 (2021) and 68 (2028) in line with State Pension eligibility age increase.**
- **Maximum retirement age of 70.**
- **Actuarially-reduced early retirement facility from age 55.**
- **Preserved benefits for those who serve the vesting period but resign before minimum retirement age.**

Single Pension Scheme

Accrual Rate

- Money amounts (**referable amounts**) building towards pension and lump sum are separately accrued each year using the following formulae:
 - Pension: Accrual rate of 0.58% of pensionable remuneration up to a ceiling of 3.74 times the State Pension Contributory (SPC) (wef 10/03/2017 = €46,505.01) PLUS (*where applicable*) 1.25% of pensionable remuneration above that level.
 - Lump Sum: 3.75% of pensionable remuneration.

Single Pension Scheme

3.74 x SPC Cut-Off Amounts (Pension)

- **Cut-off between the 0.58% and 1.25% pension accrual rates needs to be adapted for the assumed payroll frequencies (March 2017 figures)**
 - Fortnightly payroll: **[3.74 x SPC] pension accrual cut-off = €1,782.48**
 - Monthly payroll: **[3.74 x SPC] pension accrual cut-off = €3,875.42**
 - Annual payroll: **[3.74 x SPC] pension accrual cut-off = €46,505.01**

Single Pension Scheme

Purchase and Transfer

- **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 provide for this.**
- **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.**



Single Pension Scheme Contribution Rate

- **3.5% of net pensionable remuneration PLUS**
 - **3% of pensionable remuneration.**
- **Net pensionable remuneration = pensionable remuneration less twice the rate of the State Pension Contributory (SPC) = €24,868.99 wef 10/03/17.**

Single Pension Scheme

Calculation of Benefits

- **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.**

Single Pension Scheme

Ill-Health Retirement

- **Members with less than 2 years' service**
 - **Gratuity of 8.5% of pensionable remuneration per year of service.**
- **Members with more than 2 years' service**
 - **Immediate payment of retirement benefits accrued to point of retirement (with no actuarial reduction).**
 - **Regulations will provide enhanced benefits (up to 10 times the value of the most recent full year referable amounts) related to various factors such as the member's expected career to retirement and service.**

Single Pension Scheme

III-Health Retirement Regulations 2017

Enhancements

- based on potential service from date of retirement to normal retirement age divided by 2
- based on the higher of:
 - the referable amounts (pension and lump sum) that accrued to the member in the most recent full year, or
 - the average annual referable amounts (pension and lump sum) that accrued to the member in the 3 most recent full years.
- pension and lump sum enhancements capped at 10 times the value of the most recent full year referable amounts
- referable amounts for periods while on sick pay at half-rate will accrue as if on full pay

Single Pension Scheme

Ill-Health Retirement Regulations 2017

Example

- Member retires on ill-health grounds at age 50
- Potential service from date of retirement to normal retirement age (say 68) divided by 2 is **9** $[(68 - 50)/2]$
- Let us assume **the higher of:**
 - a) the referable amounts (pension and lump sum) that accrued to the member in the most recent full year, or
 - b) the average annual referable amounts (pension and lump sum) that accrued to the member in the 3 most recent full years**is a)**
- Pension and lump sum enhancements amount to **9 times the pension and lump sum amounts that accrued to the member in the most recent full year**

Single Pension Scheme

Dependants' Benefits

- Lump sum payable to the estate of the deceased member equal to twice the member's pensionable remuneration in the 12 months prior to death *less any retirement lump sum/death gratuity already paid under the Scheme or other public sector pension scheme. but what if off pay?*
- Spouse's/civil partner's pension equal to 50% of member's pension *or potential ill-health pension had the member retired on medical grounds on the date of death*. Also children's benefits payable (total payments not to exceed 100% of member's pension or potential pension).



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Single Pension Scheme

Post Retirement Increases

- Pension increases will be based on increases in the CPI.

Single Pension Scheme Allowances

- The **referable amounts** (% of pensionable remuneration) each year will reflect pensionable allowances payable in respect of that year.
- 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.

Single Pension Scheme

Refunds of Contributions

- Contributions are refunded where less than 2 years' service given and membership ceases otherwise than on medical grounds or death, less any income tax or other statutory liability.
- The **referable amounts** earned by these contributions can be restored if, on re-entering public service employment and within 24 months of departing the first job, the person repays the refund of contributions plus compound interest.

Single Pension Scheme

More than One Public Service Salary

- If pensionable remuneration is being earned in respect of simultaneous employment by a person as a public servant in one or more than one public service body, then his/her pensionable remuneration in respect of one full-time employment only or the aggregated equivalent of one full-time employment only shall be taken into account to calculate the **referable amounts**.

Single Pension Scheme Regulations

- **The Minister may make regulations covering, among other things –**
 - Appeals
 - Review of the Scheme
 - Enhanced terms for retirements on medical grounds
 - Inclusion of certain money amounts as referable amounts, including transfer values and personal purchases
 - Relevant authorities.

Single Pension Scheme

Relevant Authorities Regulations

- These Regulations prescribe Ministers of the Government, public service bodies and bodies corporate (377 in all) as “relevant authorities” for the purposes of the Single Public Service Pension Scheme as provided for in Part 2 of the Act .
- ITC is number 180 on the list.
- Relevant authorities represent the paying authority or employer equivalent in the Single Scheme’s functioning and operation; their responsibilities include ensuring the correct collection and remittance of member contributions, the calculation and recording of accrued benefits, and communications with members.
- It is the responsibility of all relevant authorities to collect and remit Single Scheme member contributions for the benefit of the Exchequer.

Single Pension Scheme

Benefit Statements

- **Members will receive an annual benefit statement (2016 statements due by end June 2017). The statement will show –**
 - (a) the total amount of contributions paid by the Scheme member concerned in the previous tax year,
 - (b) the total **referable amounts** accrued by the Scheme member in such tax year, and
 - (c) the total **referable amounts** accrued by the Scheme member in previous tax years (including any periods in previous employments in respect of which he or she was a Scheme member), as adjusted
- **Further guidance is set out in DPER circulars 11/2014, 09/2015 and 13/2016**



Single Pension Scheme Career Average Revalued Earnings (CARE)

and now for some benefit examples

Single Pension Scheme Pension and Lump Sum (CARE)

Example A

In Year 1 a new recruit earns €30,000.

- This yields a **referable amount** towards pension of €174 using a 0.58% accrual rate (up to €46,505.01) and a **referable amount** towards lump sum of €1,125 using a 3.75% accrual rate.
- Thereafter that €174 (pension) and €1,125 (lump sum) are indexed to the CPI (All Items).

Single Pension Scheme Pension and Lump Sum (CARE)

Example B

In Year 1 a new recruit earns €60,000.

- This yields a **referable amount** towards pension of €438.42 using a 0.58% accrual rate (up to €46,505.01) and 1.25% accrual rate (excess above €46,505.01) and a **referable amount** towards lump sum of €2,250 using a 3.75% accrual rate.
- Thereafter that €438.42 (pension) and €2,250 (lump sum) are indexed to the CPI (All Items).

Single Pension Scheme Pension and Lump Sum (CARE)

Examples of Pension and Lump Sum Amounts Accrued in 1 Year and over 30 Years (assuming salary remains the same and no CPI indexation)

Salary	Pension Accrued (1 year)	Lump Sum Accrued (1 year)	Pension Accrued (30 years)	Lump Sum Accrued (30 years)
€30,000 pa	€174	€1,125	€5,220	€33,750
€40,000 pa	€232	€1,500	€6,960	€45,000
€50,000 pa	€314	€1,875	€9,402	€56,250
€60,000 pa	€439	€2,250	€13,152	€67,500
€70,000 pa	€564	€2,625	€16,902	€78,750
€80,000 pa	€689	€3,000	€20,652	€90,000

Tax Relief

- Under current Irish tax regulations, a person can get full tax relief on his/her pension contributions subject to the

following limits:

– up to 30 years of age	15% of annual salary
– 30 - 39 years of age	20% of annual salary
– 40 - 49 years of age	25% of annual salary
– 50 - 54 years of age	30% of annual salary
– 55 - 59 years of age	35% of annual salary
– Over 60	40% of annual salary

- Maximum salary allowable for relief = €115,000 (from 2011)



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Over to You

Any questions or comments?