



Public Authority Pension Services



UNIVERSITY of LIMERICK  
OLLSCOIL LUIMNIGH

# University of Limerick (UL) Superannuation Scheme Class D PRSI members

Outline

*by*

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# What we'll cover today

- The benefits under the Scheme
  - On retirement
  - If a member dies
  - If a member gets ill
  - If a member leaves
- Contributions
- Latest news

# Superannuation Scheme

- University of Limerick (NIHE Limerick) Superannuation Scheme
- Membership compulsory for all holders of pensionable posts - permanent posts, TWT posts or PT posts.
- Different conditions apply depending on when a person joined the public service and his/her PRSI status:
  - pre 6<sup>th</sup> April 1995
  - between 6<sup>th</sup> April 1995 and 31<sup>st</sup> March 2004
  - on or after 1<sup>st</sup> April 2004
  - on or after 1<sup>st</sup> January 2013 (new **Single Scheme**)
- Scheme administered by UL.
- Defined Benefit.
- Pay-as-you-go.

# Main Scheme Benefits

## On Retirement

- Provides a retirement gratuity (lump sum) and pension for members who reach retirement age or who retire early on ill health grounds before normal retirement age.

## On Death in Service

- Provides for the payment of a lump sum death benefit (minimum of a year's pay/maximum of 1.5 times a year's pay) to the member's estate/legal personal representative should the member die in service.

# Qualifying Service for Benefits

## Retirement Benefits

- 2 years for age-related retirement pension and lump sum
- 5 years for ill-health retirement pension and lump sum

## Death Benefits

- No minimum qualifying service needed – coverage from day one
- Spouse's and Children's (S&C) pension requires potential of 2 years' service by age 65

# How much does a member pay towards pension?

## Paying Class D PRSI:

5% of full pay (basic pay plus any pensionable allowances)

*Plus additional 1.5% of full pay for Spouses' and Children's Scheme [and non-periodic deduction – 1% of final pensionable pay for each year owed for - may be payable]*

**Contributions are paid out of gross salary. Income tax relief is provided at source.**



# How many years do a member have to work to qualify for a full pension and gratuity?

40 years' service is needed for maximum benefits



# What are retirement benefits based on?

- Pensionable salary
- Pensionable service



# What counts as pensionable service?

- Permanent service with UL
- Pensionable service as a national, secondary or vocational school teacher or IoT lecturer
- Previous TWT or PT service with UL subject to certain conditions and for which contributions have been paid
- Service transferred from other Public Sector bodies (who are members of the transfer of service networks)
- Purchased Service
- Notional Added Years
- Service credited arising from transfer value paid by non-Transfer Network body
- **Note: Time spent on career break or periods of unpaid leave are not counted as service.**
- ***Service is counted in years and days***

# Ill-Health Added Years

**NB. A minimum of 5 years' FTE service is needed to qualify for ill-health added years**

- Service between 5 and 10 years – an addition equal to actual service subject to limit of potential service at age 65
- Service between 10 and 20 years – greater of
  - 20 years less actual service subject to limit of potential service at age 65 or
  - 6 years 243 days subject to limit of potential service at age 60
- Service greater than 20 years – an addition equal to 6 years 243 days subject to limit of potential service at age 60

# Professional Added Years (PAY)

- Apply to a person appointed to a professional, technical or specialist grade where entry conditions made it impossible to be appointed by age 25
- Minimum entry requirements are taken
- Formula  $18 + Q + E - 25$  (Old Scheme) or  $19 + Q + E - 25$  (Revised Scheme) gives gross award
- Maximum gross award is either 10 years or 5 years
  - 10 years for all except
  - 5 years for those who are new entrants and are appointed from competitions advertised on or after 1 April 2005 (New Entrant Scheme)

# Revised Scheme

- Revised scheme applies to any pensionable employee serving at any time between 01.04.97 and 31.03.05 originally appointed by competition to a professional, technical or specialist post
  - **Specialist = no need for 3<sup>rd</sup> level degree/diploma but required to be of a certain age and/or have certain relevant experience before being eligible for appointment**

# Principles

- Added years allowable where entry requirements preclude maximum service by maximum retirement age (or 65 for new entrants)
- Entitlements assessed by reference to minimum requirements of competition, not individual's circumstances
- Distinction must be made between essential and desirable qualifications
- Lowest number of years in which qualifications may be obtained is taken – not necessarily those of appointee
- References to “requisite knowledge”, “a high degree of professional expertise” etc don't count

# Deductions from PAY award

- Where member has transferred in or has transferable previous public sector service (under [Amended Scheme & New Entrant Scheme](#) account is taken of relevant non-transferable experience which reduces the deduction)
- Where member has retained pension benefits from another occupational pension scheme
- Where member has SW pension entitlements (Class D1 members only)
- Where member resigns before age 60
- Where member takes career break/other unpaid leave
- More restrictive under [Old Scheme](#)

# Abatement on foot of previous service with the body / transferable service

- Abatement is on a year for year basis
- However under [the Amended and New Entrant Schemes](#), if the employee's relevant experience includes non-transferable (e.g. private sector/UK) experience, the abatement is the minimum relevant experience required by the competition less the non-transferable experience

## Example (Amended and NE Schemes)

- If the quals required took 4 years to obtain
- If the minimum experience required by the competition = 7 years
- Then the gross award = 5 years ( $19+4+7-25$ )
- If the transferred service = 3 years
- If the person's non-transferable relevant experience = 6 years
- Abatement = 1 year (i.e.  $7 - 6$ ) *under old scheme abatement would have been the full 3 years transferred service*
- Therefore net award = 4 years



# What is pensionable salary?

- Basic annual salary at retirement
- FEMPI 2015 – “grace period” extension to 1 April 2019
- However, if a member’s grade changes in the 3 years prior to retirement, it is adjusted to reflect the rate of pay applicable to each grade during the previous 3 years (including average of pensionable allowances, if any)
- Pensionable allowances are now averaged on the basis of the best 3 consecutive years in the last 10 years of service

# When can a member retire?

- *If joined on or before 31 March 2004*, a member can retire any time between age 60 and 65 (but must retire at age 65 or 30<sup>th</sup> September following age 65)
- *If joined on or after 1 April 2004*, a member can retire only at age 65 (but may work on and continue to accrue pensionable service after age 65)

Category	Minimum Pension Age	Maximum Pension Age
Pre 1 April 2004	60	65
Post 31 March 2004 "new entrant"	65	none

# Calculating retirement benefits

## Paying Class D PRSI:

### Annual Pension

Pensionable Remuneration x  $Y/80$

### Lump Sum

Pensionable Remuneration x  $Y \times 3/80$

**Y = years of service**



**Sam has just turned 65 and is retiring after  
40 years service.**

**His Pensionable Remuneration is €68,450**

***Paying Class D PRSI***

His annual pension is

$$€68,450 \times 40 / 80 = \mathbf{€34,225}$$

His lump sum is

$$€68,450 \times 40 \times 3/80 = \mathbf{€102,675}$$



## What if Sam had only 20 years' pensionable service?

### *Paying Class D PRSI*

His annual pension is

$$€68,450 \times 20 / 80 = \mathbf{€17,113}$$

His lump sum is

$$€68,450 \times 20 \times 3 / 80 = \mathbf{€51,338}$$



**Bessie has just turned 65 and is retiring after  
35 years service.  
Her Pensionable Remuneration is €34,000**

***Paying Class D PRSI***

Her annual pension is

$$€34,000 \times 35/80 = €14,875$$

Her lump sum is

$$€34,000 \times 35 \times 3/80 = €44,625$$

# Class D PRSI Officers

## Pension and Lump Sum

Examples of Pension and Lump Sum Amounts with 40 Years service

Salary	Pension Accrued (Class D)	Lump Sum Accrued (Class D)
€30,000 pa	€15,000 pa	€45,000
€40,000 pa	€20,000 pa	€60,000
€50,000 pa	€25,000 pa	€75,000
€60,000 pa	€30,000 pa	€90,000
€70,000 pa	€35,000 pa	€105,000
€80,000 pa	€40,000 pa	€120,000

# Retirement Lump Sum Taxation

- Retirement lump sums below €200,000 not taxed.
- The portion of retirement lump sums above €200,000 taxed as follows:
  - 20% tax rate up to 25% of Standard Fund Threshold - €500,000 wef 2014 and
  - marginal rate - 40% - plus USC on excess above €500,000).



# PSPR changes – DPER circular 18-2015

## Group 3: Post-February 2012 pensions greater than €32,500 (before PSPR)

1 January 2016:

<b>TABLE A3 (Group 3): PSPR from 1 January 2016 to 31 December 2016</b>	
<i>Annualised amount of public service pension</i>	<i>Reduction</i>
Up to €29,300	Exempt
Any amount over €29,300 but not over €60,000	3%
Any amount over €60,000 but not over €100,000	5%
Any amount over €100,000	8%

1 January 2017:

<b>TABLE B3 (Group 3): PSPR from 1 January 2017 to 31 December 2017</b>	
<i>Annualised amount of public service pension</i>	<i>Reduction</i>
Up to €39,000	Exempt
Any amount over €39,000 but not over €60,000	2%
Any amount over €60,000 but not over €100,000	5%
Any amount over €100,000	8%

1 January 2018:

<b>TABLE C3 (Group 3): PSPR from 1 January 2018 onwards</b>	
<i>Annualised amount of public service pension</i>	<i>Reduction</i>
Up to €60,000	Exempt
Any amount over €60,000 but not over €100,000	5%
Any amount over €100,000	8%

# Transferring Service

- The Public Service Transfer Network and Local Government Transfer Network allows service to be transferred between bodies. Member bodies may operate under different transfer options but this does not normally affect the transfer of the individual's service.
- An example of organisations included in the transfer networks include:
  - Civil Service Departments
  - Education Sector
  - Health Sector
  - Semi State Bodies
  - State Agencies
  - Local Authorities

# Credit for Transfer Value

A transfer value from a private pension scheme is credited using the PNS lump sum tables

- Say transfer value = €25,000
- Say person is aged 45, pays Class D PRSI, has a salary of €50,000 and is targetting retirement at age 65
- The age 65 PNS lump sum cost of buying 1 year for a Class D PRSI officer aged 46 next birthday is 36.7% of pay
- 36.7% of salary of €50,000 is **€18,350**
- Therefore a transfer value of €25,000 will buy **1.3624 years** ( $25,000 / 18,350$ ) and this is the service credit allowed provided person does not retire early

# Leaving Service

## What happens if a member leaves UL?

- If taking up employment within the public sector, he/she can transfer the UL service to that body.
- If taking up employment within the private sector or simply leaving employment altogether and has more than 2 years service, he/she must preserve benefits which will become payable from age 60/65 or may avail of CNER in certain circumstances (next slide).
- If a member leaves with less than 2 years pensionable service, he/she must take a refund of contributions, less tax which is currently 20%.

# Can a member retire early?

- Provided at least 2 years service, a member can retire early:
  - after age 50 if joined before 1<sup>st</sup> April 2004
  - after age 55 if joined on or after 1<sup>st</sup> April 2004
- Benefits would be based on “service” to date of early retirement - then reduced by an actuarial factor to take account of early payment (“cost neutral early retirement”)

# CNER Example

- A Class D officer resigns at age 56 with 35 years' service and pensionable pay of €66,160.
- Preserved Pension amounts to €28,945 and Preserved Lump Sum amounts to €86,835 and would be payable at age 60.

Age last birthday	Pension	Lump sum
50	62.4%	82.2%
51	65.1%	83.9%
52	67.9%	85.5%
53	71.0%	87.2%
54	74.3%	88.9%
55	77.8%	90.7%
56	81.6%	92.4%
57	85.7%	94.3%
58	90.1%	96.1%
59	94.8%	98.0%

- In lieu of Preserved Benefits, the officer may opt for immediate payment of benefits under CNER which after actuarial reduction would amount to –
  - Pension = €28,945 x 81.6% = **€23,619 pa**
  - Lump Sum = €86,835 x 92.4% = **€80,236**

# Spouse's & Children's Pensions 1

The schemes provide payments to the member's spouse and/or children should the member die in service or following retirement.

## **Death in Service or following Ill-Health Retirement**

- The spouse's and children's pensions are based on the number of years the staff member would have served to age 65 (to a max. of 40 years).

# Spouse's & Children's Pensions 2

## Death after Retirement (other than ill-health retirement)

- Spouse's and children's pensions are based on the member's pension already in payment.

## Calculation of Spouse's and Children's Pensions

- A spouse's pension is normally half that of the pension or potential pension paid or payable to the member (called "the deceased's pension" – **DP**). A child typically receives one third of the spouse's pension where there are up to three children.



# Spouse's & Children's Pensions 3

- Spouse's Pension is one-half of the deceased's pension
- Example
  - Class D PRSI employee retires on medical grounds at age 55 with 25 years' service and pensionable pay of €50,000. Spouse's pension is -  
$$\frac{1}{2} \times 35^*/80 \times €50,000 = €10,937.50$$

(\* 25 actual plus 10 potential years to 65)

# Spouse's & Children's Pensions 4

- Enhanced rate for 1<sup>st</sup> month (includes children's pension entitlement)
  - If death in service – 1/12<sup>th</sup> of pensionable pay
  - If death while on pension – 1/12<sup>th</sup> of member's own pension ... if this is greater than normal rate of spouse's and children's pension

# Spouse's & Children's Pensions 5

## Children's Pension

- A fraction of the deceased's pension
- If spouse is still alive,  $1/6^{\text{th}}$  of the deceased's pension per eligible child, subject to maximum of  $3/6^{\text{ths}}$
- If child(ren) are orphaned,  $1/3^{\text{rd}}$  of the deceased's pension for first child and  $1/6^{\text{th}}$  for a second child – maximum  $3/6^{\text{ths}}$
- Total pension entitlement is divided by number of eligible children – equal shares
- Payable for benefit of child(ren)

# Increasing Pension Benefits I

- For members who will have less than maximum benefits at retirement it is possible to increase benefits by one or both of the following methods:

**Purchase of Notional Service (PNS)**

**OR**

**Additional Voluntary Contributions (AVCs)**

- Tax relief if available on both methods subject to limits set by the Revenue Commissioners.

# Increasing Pension Benefits II

## Purchase of Notional Service

- The cost of purchasing service is based on actuarial tables produced by the Department of PER. Each additional year costs a percentage of salary, and the percentage increases with age.
- There are two sets of tables, one for those wishing to retire at 65 and another for those who intend to retire at 60.
- Normally, added years are purchased by periodic contribution up to retirement age, however, it is possible to purchase added years by lump sum.

# Increasing Pension Benefits III

## AVC Scheme

- Additional voluntary contributions are deducted from salary each pay day or on a once off basis and invested by brokers on the member's behalf.
- Under the AVC Scheme (which is a DC scheme) the eventual benefits depend on the performance of the contributions in whatever funds they are invested.



# Eligibility for Purchase of Notional Service

- Provides for purchase by reference to retirement at age 60/65
- Must have less than 40 years potential service by age 60/65

# Maximum Service which may be bought under PNS

## Actual service at 60/65

- 20 years or more
- 19 years
- 18 years
- 17 years
- 16 years
- 15 years
- 14 years
- 13 years
- 12 years
- 11 years
- 10 years
- 9 years

## Maximum service which may be bought

- 40 years minus projected service at 65
- 17 years
- 15 years
- 13 years
- 11 years
- 9 years
- 7 years
- 5 years
- 4 years
- 3 years
- 2 years
- 1 year



# Methods of purchase

- **Periodic deductions from salary commencing on next birthday**
  - Provided individual has not reached age of 58/63
  - May opt to stop periodic deductions at any time (wef next available payday) – used to be from next birthday. [Applies to old and new PNS schemes.](#)
- **Single lump sum payment**
  - At any time during career subject to
    - Only one option per calendar year
    - Minimum amount is 10% of annual salary unless maximum contribution permitted is less
  - Within 6 months of return following period of special leave without pay
  - Where amount to be purchased is less than one year



# Factors in determining contributions

- Age
- Salary
- Membership status of spouses and childrens' pension scheme
- PRSI Class – A1 or D1

# Benefits payable

## For each year purchased

- Additional pension of  $1/80^{\text{th}}$  or  $1/200^{\text{th}}$  of pensionable remuneration, as appropriate
- Additional lump sum of  $3/80$ ths of pensionable remuneration
- Reckons for death in service gratuity
- Reckons for spouses' and children's benefits
- Addition to pension attracts pension increases as per pension on actual service

# Example

- Member age 50 joined at age 30, aiming to retire at age 65, class D PRSI, member S&CPS, salary **€56,634**

Wishes to purchase by reference to retirement at age 65 by periodic contributions from salary

Calculation of service :	Years
Actual service (at next birthday - age 51) :	21
Potential service to age 65 (65 - 51) :	14
Total service	35
Available to purchase (40 yrs - 35 yrs):	5 years
Cost per year for age 51 – 1.71% of current pay	€968.44 <u>pa</u>
Cost of 10 years =	€9,684.40 <u>pa</u>
Gross monthly cost ( /12)	€807.03

# Tax Relief

- Under current Irish tax regulations, a person can get 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)

# New Single Pension Scheme Serving Scheme Members

## Chapter 4 (Provisions Applicable to all Public Service Pension Schemes)

- *Section 49*
- *Section 50*
- *Section 51*
- ***Section 52 (Abatement and reckoning of pensionable service)***
- *Section 53*
- *Section 54*

# Single Scheme Act

## Section 52 – Slide 1

The Act enables the extension of pension abatement so that a retiree's public service pension is liable to abatement on re-entering public service employment, even where the new employment is in a different area of the public service.

(This change also applies to existing schemes in those cases where a person with a public service pension in payment **takes up a public service post on or after 1 November 2012**; a person who took up an appointment in the public service before that date will not be affected by the change while he or she continues to hold that appointment)

# Single Scheme Act

## Section 52 – Slide 2

The Act imposes a 40-year limit on the total service which can be counted towards pension where a person has been a member of more than one existing public service pension scheme; such a limit already applies to service in any one scheme.

**This extended 40-year limit came into effect on 28 July 2012**, though persons exceeding the limit on that date will not lose any service accrued up to that point. (See section 52, subsections (6) and (7), of the Act.)





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# Over to You

**Any questions or comments?**



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