ASSOCIATION OF RETIRED COMMISSIONED OFFICERS

STRATEGY - PENSION RELATED ISSUES

MAY 2017

STRATEGY

ASSOCIATION OF RETIRED COMMISSIONED OFFICERS

PENSION RELATED ISSUES

INTRODUCTION

1. **Context**

   a. The Association of Retired Commissioned Officers (ARCO) primary focus is representing retired officers of the Permanent Defence Force. The Associationôs range of objectives includes providing advice, within its competencies in the areas of pensions and related matters.

   b. ARCO actively engages with external agencies and associations advocating pensionersô issues. ARCO contends that the entitlement of retired commissioned officers of the Permanent Defence Force and their surviving dependents to their defined benefit pensions is a property right.

   c. ARCO remains concerned with various aspects of the pension restoration process. ARCO sees the need to address particular pension anomalies. In addition, ARCO is concerned with the mechanisms associated with pension abatement. Likewise, ARCO advocates a credible process by which pensions are determined in the future and that retired public servants have access to an independent third party mechanism reflecting the Stateôs industrial relations machinery.

   d. In this context, ARCOôs Executive Committee decided at its meeting on 10 March 2017, to develop a strategy on pension related issues, focussing on pension restoration with a view to maintaining the value of pensions into the future through independent third party mechanisms.

2. **Aim**. This document prescribes ARCOôs strategy on pension related issues, by providing relevant information, outlining ARCOôs position on specific subjects and prescribing the associated implementation process, in order to inform its membership and to provide its EXCOM with material for use in submissions to external stakeholders.

3. **Sections**. ARCOôs Strategy on Pension Related Issues contains the following sections:

   a. Introduction,
   b. Background Information,
   c. Valuation of Public Service Pensions,
   d. Pension Restoration,
   e. Pension Abatement,
   f. Provision for Pension Increases,
   g. Independent Third Party Mechanism,
   h. Implementation, and
   i. Summary.

4. **Format**. Each section contains relevant information, statistics, and constructive analysis. Within some sections, both the Governmentôs position and ARCOôs approach to address specific issues are outlined. For ease of reference, ARCOôs position on all issues is consolidated in Annex óAô. Annex óBô provides an Aide Memoire (TACAID) of key lobbying issues. Throughout the document, repetition is deliberate and unavoidable in most instances.

5. **Level of Ambition**. Prudence dictates that ARCO presents a pragmatic level of ambition regarding pension related issues, when one considers various parameters, such as the political environment, state of national finances, economic stability (which has an adverse impact on the lives of retired commissioned officers and surviving dependants), management of public expenditure, report of the Public Service Pay Commission, and future pay demands.

6. **Restoration Time Frame**. Preparatory work for Phase 2 of the Government's planned engagement on pay with the public service unions in 2017 is already underway, with parties, including ARCO, making submissions to the Public Service Pay Commission. An initial report from the Commission is expected in May 2017. When this report is available, the Government will initiate negotiations on a successor to the Lansdowne Road Agreement ahead of Budget 2018 considerations. Full restoration of public service pensions up to ú34,132 per annum, will be achieved in January 2018. The programme for Government lists 2021 as the year when full pension restoration will be complete for the remaining 25,000 public service pensioners.

7. **Supporting Sources**. Documents and websites from various sources were used in the elaboration of this strategy including: Government Departments, Public Service Pay Commission, Public Service Benchmarking Body 2007, Trade Unions and

Representative Associations including the Alliance of Retired Public Servants, the Retired Civil and Public Servantsô Association, and the Representative Association of Commissioned Officers.

BACKGROUND INFORMATION

8. **Association of Retired Commissioned Officers**. Established in 1993, the primary focus of ARCO is representing retired commissioned officers of the Permanent Defence Force.

   a. The Association promotes and safeguards the interests, quality of life and welfare of retired commissioned officers, and spouses of deceased members. Fostering fellowship established during national and overseas service, ARCO preserves the traditions, values and ethos of Óglaigh na hÉireann.

   b. In addition to the provision of land, air and maritime defence capabilities, ARCOôs membership, while serving in the Permanent Defence Force, was deployed in the maintenance of international peace and stability throughout the world under the auspices of the United Nations, the European Union, the OSCE and NATO. Likewise, since 1969, serving in the Army, Naval Service and Air Corps, ARCOôs membership was involved in Aid to the Civil Power operations (supporting An Garda Síochána), Aid to the Civil Authority, and support to Government Departments, Agencies and Local Authorities.

   c. ARCOôs membership is in excess of 800 retired commissioned officers. The membership reflects a significant reservoir of experience and expertise within the defence domain, facilitating comprehensive submissions on the Green Paper on Pensions (2007), White Paper on Defence (2013), on Foreign Policy and External Affairs (2014) and on Veteransô Policy (2014 ï 2017). (www.iarco.info)

9. **Alliance of Retired Public Servants**

   a. ARCO plays an active role in the Alliance of Retired Public Servants (Alliance) and has appointed delegates to its Council. The Alliance arose in response to the severe unilateral cuts to public sector pensions and the fact that public sector pensioners were not consulted and had no negotiating body or negotiating rights. After being in existence since 2013, the Alliance consists of up to 30 organisations / unions representing 162,500 retired public servants, including former civil servants, local authority and health employees, teachers, nurses, doctors, and retired personnel of the Defence Forces and An Garda

Síochána. The Alliance has informal recognition by the Department of Public Expenditure and Reform as the Public Service Pensions representative body.

b. Since 2013, considerable progress has been made by the Alliance. With a membership representing 162,500 public service pensioners, the Alliance has considerable political influence. The main objective of the Alliance is the protection and advancement of the interests of public service pensioners. Currently, the focus of the Alliance is the full restoration of pension cuts, the determination of future pension increases, existing pension anomalies and full negotiation rights on behalf of retired public servants. On such issues, the Alliance is actively engaged with An Taoiseach, the Minister for Public Enterprise and Reform, Minister for Jobs, Enterprise and Innovation, Minister for Finance, Party Leaders, elected public representatives, Government officials, the Irish Congress of Trade Unions, and the officials of the Public Services Committee.

c. The Alliance issued Press Releases in 2014 and 2016. In February 2017, the Alliance made a formal submission to the Public Sector Pay Commission. Availing of a reputable Public Relations Consultant, the Alliance advanced its methodology in addressing pension issues. In April 2017, the Alliance circulated a comprehensive document to its members, outlining a methodology for lobbying key actors and stakeholders, on issues including pension restoration, Annex B outlines ARCOôs approach to this initiative. The Allianceôs associated ñToolkitò is available on ARCOôs website.

10. **<u>Economic Environment</u>**

a. In light of the economic recovery, there is a widely held view that the justification for the Financial Emergency Measures in the Public Interest no longer exists, and that the continued use of emergency powers against all pensioners is neither reasonable, necessary, nor justified for the common good. By January 2018, pensions up to ú34,132 will be fully restored.

b. Many of those fortunate enough to be above the ú34,132 threshold, especially those marginally so, are deserving of pension restoration given their lifetime commitment to public service. Many are faced with ordinary but pressing financial commitments consequential to compulsory early retirement.

c. Because of the number of pensioners receiving pensions in excess of ú34,132, the availability of finance should not be a determining factor for the full restoration of their respective pensions.

d. Currently, there are 162,500 retired public servants. 32,500 of these have

pensions in excess of ú34,132. 2,500 of these have pensions in excess of ú70,000. The vast majority of ARCOôs membership have pensions of less than ú70,000, with 66% on pensions less than ú40,000. However, from a political perspective, if full restoration is applied to the ñhigherò pensions, they will also have to be applied to high profile pensions in excess of ú100,000 (in the region of 500 throughout the Public Service). ARCO understands that restoring full pensions in excess of ú100,000 will present political challenges. Nevertheless, those in receipt of pensions between ú34,000 and ú60,000 should not face similar discrimination.

11. **Public Service Pay and Pension Reform Environment**. The Public Service Pay Commission is expected to submit its report to Government in May 2017. Talks on public service pay will follow. In parallel, it is envisaged that the Government will focus on significant pension reform for State employees. It is understood that the Alliance will engage with the Department of Public Expenditure and Reform following the publication of the Public Service Pay Commissionôs report. A commitment to reverse the public service pension deductions by 2021 is provided for in the Programme for a Partnership Government. In the interim, corrections in pensions are reflected in the amelioration process on 01 January 2016, 01 January 2017, and 01 January 2018. Beyond the process of pension restoration and pay negotiations, it is likely that the Government will further address the adjustment of the value of public service pensions by means of appropriate pay or other linkages.

12. **Retirees' & Surviving Dependants' Environment**

    a. Having contributed to their pension by means of weekly PRSI (or equivalent) contributions, throughout their State employment, the average public service pension is in the order of ú20,000 per annum. Less than 1% of public servants receive pensions over ú100,000 per annum.

    b. During their active service and in retirement, officers of the Permanent Defence Force made a significant financial contribution in the delivery of unprecedented savings across the public service, throughout the economic crisis years, and in some cases in the years prior to their retirement.

    c. The Public Service Pension Reduction continues to have an adverse effect on the lives of retired commissioned officers and surviving dependants. In the context of imposed economic austerity measures, those on reduced pensions endure inflation in medical costs, lower income thresholds for medical card eligibility, age related medical expenditure and significant reductions to disposable income arising from additional taxes and charges, some recently

introduced, along with reductions in the Household Benefits Package.

d. Although the partial restoration of retired commissioned officersô pensions will have been achieved by January 2018, 2021 is seen by government as the target year for full restoration. This 5 year timeframe is unnecessary, unwarranted and demoralising, as a significant cohort of pensioners will continue to face personal economic hardship in the interim, or may not even survive to benefit from full pension restoration.

13. **Pension Schemes – Permanent Defence Force**. This paragraph provides an overview of the pension schemes for commissioned officers of the Permanent Defence Force. Included in the paragraph are the defining features of the four pension schemes and an insight into the significant changes which have been implemented since 1995.

a. Reflecting the needs of a military organisation and the specialised nature of military service, there are some salient differences between the Defence Forces pension schemes and those applicable elsewhere in the public service. The compulsory retiring ages for the majority of commissioned officers of the Permanent Defence Force are much lower than in the public service reducing the relative career earnings of the Defence Forces officer.

b. From a planning perspective, the vast majority of Defence Forces commissioned officers were aware that compulsory retirement was a possibility from the age of 56. Only a relatively small number attained the ambition of service up to or above 60 years of age.

c. The determination of commissioned officersô pay and pension should take due recognition of the compulsory retirement ages, which mitigate against continued employment in other sectors, beyond military retirement age.

d. The main pension schemes apply on a compulsory basis for all commissioned officers. Membership of the accompanying Spouseôs and Childrenôs Pension Schemes is also compulsory except for those commissioned before the introduction of the scheme, (original scheme ï 01 January 1971 and revised scheme ï 01 June 1985).

e. The main benefits payable to commissioned officers on retirement are: an occupational (service) pension, a retirement gratuity, or in death a service gratuity, and spouseôs and childrenôs pensions. Pensions have been generally revised in line with movements in the pay of serving personnel.

f. No pension deductions were payable by officers commissioned before April

1995 in respect of occupational pension or retirement gratuity. However, contributions were payable towards the spouses and childrenôs pensions at a rate of 1.5% of pensionable pay. Those commissioned after 05 April 1995, pay the full rate of PRSI (Class A): 3.5% of net pensionable pay in respect of the occupational (service) pension, 1.5% gross of pensionable pay in respect of retirement gratuity and 1.5% gross of pensionable pay in respect of spouseôs and childrenôs pensions. In parallel, service pay for commissioned officers was adjusted to cater for the rise in PRSI payments.

g. Currently, there are four different pension schemes for commissioned officers on retirement, depending on year of enlistment in the Defence Forces:

(1) **Pre 05 April 1995**. Prior to 1995, all commissioned officers were in a scheme supporting an accelerated pension benefit. The scheme was based on rank, service in rank, and overall service. It was designed in the context of the Defence Forces retirement regimes, including early retirement. PRSI contribution was a modified Class C (1.5% of pay). The modified Class C payment provided very limited Social Insurance benefits. The State Contributory Pension is not payable to this category of PRSI payees.

(2) **05 April 1995 to 31 March 2004**. Between 1995 and 2004, for new officer entrants, their respective pensions are integrated with the Social Insurance entitlements, with commissioned officers paying a PRSI Class A (6.5% of pay) contribution. Pensions of commissioned officers who enlisted between April 1995 and March 2004, are fully integrated with the social welfare system, providing similar accumulative pensions to those commissioned officers who enlisted prior to 1995 (occupational pension plus State pension). The range of social welfare support includes jobseekerôs benefit, illness benefit and State Pension (Contributory).

(3) **01 April 2004 to 01 January 2013**. For commissioned officers who enlisted between 01 April 2004 and 01 January 2013, the twelve year pension entitlement was removed. Minimum pension age was 50 years. The payment of gratuity and the payment of both the occupational pension and the integrated social welfare pension was not payable if retiring before the age of 50. In such circumstances, the retirement payments were ñpreservedò until reaching the age of 60 years. If retiring after the age of 50, and taking up other employment or having other financial means, the occupational (service) pension was paid, but the Stateôs contributory pension was reserved to the age of 66 (extending to 68 in future years). The compulsory retirement age for Commandants was increased from 56

to 58 for this cohort and subsequent cohorts of commissioned officers.

(4) **Post 01 January 2013**. The Single Pension Scheme, introduced for officer entrants from 01 January 2013, has significantly reduced the final benefits paid to commissioned officers, as their pensions will be based on aggregated pensionable remuneration i.e. career average pay. There is no change to the payment provisions for retirement gratuities. This amounts to a significant reduction in the value of pensions compared to those commissioned officers who enlisted prior to 2013. Currently, it is understood that no State contributory pension is payable until reaching the age of 66 (extending to 68 in future years) for this particular cohort. Unlike previous pension schemes, pension increases for this scheme will be in line with the Consumer Price Index. Mandatory retirement ages for commissioned officers of all ranks under the Single Pension Scheme will not provide a career earning potential equivalent to public servants who will serve until they are between 65 and 68 years of age. The retention in service of these commissioned officers, who will receive significantly less pensions than the equivalent ranked public servants, will present a major human resource management challenge.

14. **Green Paper on Pensions - 2007**. ARCO submitted a comprehensive assessment of the Governmentôs Green Paper on Pensions. The submission focussed on: Differentiated Nature of Current Defence Forces Pensions, Raising the Public Service Pension Age, Increasing Rate of Pension Contributions, Pay Parity, and Calculating Pensions on the Basis of Average Career Earnings.

15. **Public Service Pensions (Single Scheme and Other Provisions) Act 2012**. The Public Service Pensions (Single Scheme and Other Provisions) Act 2012 became law on 28 July 2012. The Act provides, inter alia, for a Single Public Service Pension Scheme (the ñSingle Schemeò) for new entrants in the public service and certain changes in respect of existing public service pension arrangements.

    a. The Bill, as proposed in 2011, contained some elements, including abatement, which if enacted could have seriously affected the pensions of retired members of the Defence Forces, their spouses and those entitled to a Defence Forces pension. The Bill was circulated in Spring 2012 and on reading, a number of main issues appeared to affect Defence Forces pensioners.

    b. During the period February through July 2012, ARCO successfully expressed its views through constructive and focussed engagement with the Minister for Public Expenditure and Reform during the committee stages of the Bill.

16. **<u>The Financial Emergency Measures in the Public Interest Acts 2010 & 2013</u>**. The effect of the Financial Emergency Measures in the Public Interest (FEMPI) legislation in 2010 and 2013 was that emergency powers were used to reduce all public service pensions over ú12,000 per annum by between 6% and 28% for those who retired before 01 March 2012. For those who retired after 29 February 2012, the reduction was between 2% and 8% in relation to annual pensions above ú32,500, (salary cuts had already been made for this cohort generating an ongoing reduced pension). In 2014, the amount accrued was in the region of ú125 million, representing 0.2% of the Exchequerôs expenditure of ú54 billion in 2014. ARCO understands that the estimated contribution by public service pensioners up to the period ended 31 December 2016 was ú750 million.

17. **<u>Public Service Pension Reduction: 01 January 2011</u>**. The Public Service Pension Reduction was introduced under the FEMPI Act 2010. Coming into effect on 01 January 2011, it is an income graduated reduction applied to public service pensions in excess of specified thresholds. It provides for cuts in public service pensions whose pre 01 January 2011 value exceeded the applicable exemption thresholds. The reductions are designed in a progressive manner with proportionately larger reductions imposed on relatively higher value pensions. The Public Service Pension Reduction has subsequently been amended on a number of occasions, most recently by the FEMPI Act 2015.

18. **<u>Public Service Pay Commission</u>**

    a. On 18 October 2016, the Government approved the establishment of an independent Public Service Pay Commission to advise Government on public service pay. The Commission will provide an initial report to Government in Quarter 2 of 2017 on public service remuneration in the context of the Financial Emergency Measures in the Public Interest Acts 2009 ï 2015.

    b. The Commission will take account in its findings of the superannuation and other benefits applying in the public service.

    c. The Commission will consider the issue of public service pensions in the context of the Department of Public Expenditure and Reformôs pension evaluation.

    d. The inclusion by the Commission of the value of Public Service Pensions in the determination of its findings, will have significant implications for future levels of pay in the Public Service and will impact significantly on how pensions are calculated.

e. On 03 April 2017, ARCO made a substantial submission to the Pay Commission.

VALUATION OF PUBLIC SERVICE PENSIONS

19. **Components & Cost**. Earnings compensation for public service employees, including commissioned officers, consists of two components: annual service pay and the cost of the retirement benefit provision (annual pension for life and a gratuity). In 2016, the cost of pension payments to retired public servants was in the region of ú3.3 billion. The 2016 Vote 35 (Army Pensions) was ú221.224 million. In its submission to the Public Service Pay Commission, the Department of Public Expenditure and Reform stated that the cost of Public Service pensions for 2017 would also be ú3.3 billion. Permanent Defence Force commissioned officers can avail of their retirement benefits from an earlier age than most other public service employees, a favourable situation which has diminished as a result of recent legislation for new Defence Forces entrants. Such benefits must be offset against the disadvantages of compulsory retirement at an earlier age than public servants and the associated loss in potential earnings.

20. **Public Service Benchmarking - December 2007**. On 13 January 2006, the Public Service Benchmarking Body, as provided for in the second public service agreement under Sustaining Progress, was established to undertake a fundamental examination of the pay of public service employees vis-à-vis the private sector. The Body submitted its report on 21 December 2007.

    a. Based on stated assumptions, (including that pensions would increase by 2% annually above inflation), the Public Service Benchmarking Body valued pensions across the public service, as a single contribution of 25% of salary per annum, throughout the working life of an officer enlisted in 2007. The officerôs contribution was rated at 5% and the employerôs contribution was rated at 20%.

    b. Since the employerôs contribution in the private sector was 8%, the Public Service Benchmarking Body concluded that for pay determination purposes, the difference in the value of the public service pension over its private sector comparator was 12% and ñ*that a discount of this amount should be applied in comparing remuneration levels in the public service and the private sector*ò.

    c. It now appears that the 2007 evaluation of 25% for the gross cost of public service pensions was too high, and that in 2017 the cost is not greater than 15%. Therefore, new public service entrants should have a discount rate for pensions much lower than the 12% adopted by the Public Service

Benchmarking Body in 2007.

21. **Over Valuation of Pensions**. The Public Service Benchmarking Body assumed that for those retiring in 2017, pensions would increase by 25% in real terms over the period 2007 to 2017. In that period, there was no increase in pay or pension rates. In fact, since 2009, substantial pay and pension cuts occurred for both serving and retired commissioned officers.

22. **Contributory State Pension – Universal Social Charge**. Where an individual pension exceeds ú12,012, retired public servants pay the Universal Social Charge on their total pension income. Pensioners on coordinated pensions (Contributory State Pension plus occupational pension), which is common within the private sector, pay no Universal Social Charge on the Contributory State Pension element of their pensions. The result is that a private sector pensioner in receipt of a Contributory State Pension for a dependent spouse and self, on a coordinated pension income of ú34,684 pays no Universal Social Charge, whereas an equivalent public service pensioner, on the same pension, is subject to the Universal Social Charge of ú1,572.

23. **Contributory State Pension – Increases**. As the Contributory State Pension increases at a higher rate than the Consumer Price Index, the total amount of pension paid to a non co-ordinated pensioner over a life time will be considerably lower than that paid to a co-ordinated pensioner, unless pension restoration occurs and unless parity with pay is restored.

24. **Departmental Response to Valuation of Public Service Pensions**. An analysis of statements made by the Minister for Public Expenditure and Reform, and Departmental Officials, and replies to submissions could deduce that the official position on pension valuation reflects the following:

    a. The value of public service pensions has increased in recent years and the fact should be taken into account in determining future pay rates.

    b. Whereas the Commissionôs remit may not extend to considering the position of retired Public Servants, the matter of pensions will form a key element in its deliberations.

    c. The engagement with trade unions in relation to the setting of public pay, must take account of the value of future pensions in determining rates of remuneration.

25. **ARCO's Position – Valuation of Public Service Pensions**

    a. The value of public service pensions has decreased in recent years.

    b. ARCO submits that the Public Service Pay Commission, availing of a credible model, conducts an objective evidence based analysis on the value of pensions during the course of its deliberations on future pay within the public service.

    c. Public service entrants should have a discount rate for pensions much lower than the 12% adopted by the Public Service Benchmarking Body in 2007.

    d. With regard to discount rates for valuing pensions, ARCO recommends Eurostatôs rate for valuing public service pension liabilities for National Account purposes.

    e. ARCO contends that an appropriate Universal Social Charge model should be introduced that is equitable either by including all income for everybody (i.e. including the Contributory State Pension), or by raising the exemption.

    f. ARCO submits that the Public Service Pay Commission pay due cognisance to the fact that retired public servants are excluded from the Stateôs Industrial Relations Architecture permitting them to actively engage in pension related issues.

PENSION RESTORATION

26. **Lansdowne Road Agreement 2015.** Pay restoration under the 2015 FEMPI Act is on a basis agreed with public service unions under the Lansdowne Road Agreement and was brokered under the auspices of the Workplace Relations Commission. Whereas the Alliance of Retired Public Servants made a submission in 2015 to the Minister for Public Expenditure and Reform on pension restoration and had consultations with his Department, the Alliance did not have the option of a third-party intervention at the talks on pension restoration.

27. **Labour Court Agreement 2016 – An Garda Síochána.** A Labour Court recommendation in relation to pay for members of An Garda Síochána, added a new dimension to the process of pay restoration for serving public servants under the Lansdowne Road Agreement. Under the terms of section 6 of the Lansdowne Agreement, an increase of ú1,000 was authorised in the annualised salaries for the period 01 April 2017 to 31 August 2017 for public servants up to ú65,000. ARCO contends that an equivalent beneficial adjustment in the pension restoration schedule should be made.

28. **The Financial Emergency Measures in the Public Interest Act 2015**

    a. ARCO welcomes this legislation that allows for a partial reversal of the cuts to pensions of retired commissioned officers. The Act prescribes for the unwinding of the Public Service Pension Reduction in three stages: on 01 January 2016, 01 January 2017, and 01 January 2018.

    b. Provisions include adjustments to the entry thresholds, bands and rates of the reduction. The changes will remove, or lessen, the reduction burden on affected public service pensioners. The accruing value to retired commissioned officers was ú400 in 2016, ú500 in 2017 and, if still within the deduction net, ú780 in 2018. The cost of this partial restoration on a full-year basis for retired public servants is estimated at ú90m for 2018.

    c. As on 01 April 2017, 66% of retired commissioned officers will have their pension reductions restored by 01 January 2018. This leaves a balance of 34% who have only received partial restoration of the pension reduction by 01 January 2018, and await full restoration.

29. **Public Service Pensioners Subject to Emergency Deductions**. From January 2018, approximately 25,000 public servants with pensions over ú34,132 per annum will be subjected to emergency deductions which were initiated in 2011. In the context of the objectives of the 2015 Public Service Pension Reduction Act, it is important to note that ú45m (substantially less after tax deduction) is the estimated savings accruing to the Government as at 31 December 2018.

30. **Pre 01 March 2012 Retirees.** Under the FEMPI Act 2010 the Public Service Pension Reduction was introduced on 1 January 2011. Subject to an exemption for all pensions up to ú12,000, it cut pensions then in payment, along with new pensions awarded until the expiry, on 29 February 2012, (2010 ï 2012 ñgrace periodò). During that grace period, new retirement pensions were, exceptionally, awarded by reference to higher salaries than the retirees actually earned, (being the salaries paid just before the public service pay cuts of January 2010). The first reduction in income affecting serving public servants was the Pension Related Deduction (PRD) introduced in March 2009 but this was not applied to pensioners.

31. **Restoration Figures – Pre 01 March 2012 Retirees**. The current position in relation to pension restoration for commissioned officers, who retired before 01 March 2012, is outlined below. The pensions of those who retired between January 2010 and 29 February 2012 are based on pre-cut salaries with 2011 pension cut applied.

Pension 2009	PENSION CUTS 2011-2013	PENSION RESTORED BY 2017	PENSION RESTORATION DUE 2017	PENSION RESTORATION DUE 2018	PENSION CUT REMAINING 2018
ú20,000	*€ 480*	ú19,922	***€78***	-	**-**
ú30,000	*€1,260*	ú29,142	***€498***	ú360	**-**
ú40,000	*€2,880*	*€37,520*	***€500***	ú780	***€1,200***
ú50,000	*€4,080*	*€46,320*	***€500***	ú780	***€2,400***

32. **Post 01 March 2012 Retirees**. Pensions awarded in respect of retirements after 01 March 2012, were initially fully exempt from Public Service Pension Reduction This changed with the enactment of the FEMPI Act 2013, which increased and extended the reduction to extract extra revenue from all higher value public service pensions. All commissioned officers who retired after 01 March 2012 received lesser pensions than their equivalent ranks in previous years. These commissioned officers will not return to full pension rates even when full pay has been restored to their serving counterparts and to those commissioned officers who retired before 01 March 2012. Pensions awarded after 01 March 2012 were originally exempt from PSPR. However, the second FEMPI legislation in 2013 reined them in at varying percentage levels on the same lines as those retiring before that date.

33. **Restoration Figures – Post March 2012 Retirees**. The current position in relation to pension restoration for commissioned officers, who retired after 01 March 2012, is outlined below.

PRE 2010 FEMPI PENSION VALUE[1]	POST MARCH 2012 FEMPI SALARY REDUCED PENSION[2]	JULY 2013 FEMPI PENSION REDUCTION[3]	2016-2018 RESTORED PENSION	REDUCED PENSION NOT RESTORED
ú20,000	***€18,875***	-	-	**€1,125**
ú30,000	***€28,125***	-	-	**€1,875**
ú40,000	***€37,250***	ú638	ú638	**€2,750**
ú50,000	***€46,250***	ú908	ú908	**€3,750**

[1] Pension values are based on final service salary (before cuts) and full service.

[2] Pensions in this column are based on 2010 reduced salaries (under FEMPI Act, 2010).

[3] Pension cuts in this column are in respect of commissioned officers who retired after 01 March 2012 whose pensions were above ú32,500 on 1 July 2013.

a. The pension of a Permanent Defence Force commissioned officer who retired after 01 March 2012 was calculated on the FEMPI Act reduced salary of 2010 (see column 2 above). This generated a significantly reduced pension compared to the pre FEMPI Act pension (see column 1 above). Column 3 illustrates the impact of the 1 July 2013 pension cut for this cohort of retired commissioned officers. This is the only element of their emergency reduced pension, which benefitted from the 2016 to 2018 restoration measure (see column 4 above).

b. Column 5 highlights how commissioned officers who retired after 01 March 2012 will, under present restoration arrangements, be excluded from the restoration of the bulk of their emergency induced cuts. ARCO submits that this cohort of commissioned officers who retired after 01 March 2012, merits due priority in advancing the restoration process.

34. **Departmental Response to Restoration of Pension Deductions**. An analysis of statements in Dáil Éireann, responses to Parliamentary Questions, discussions with the Minister for Public Expenditure and Reform and Departmental officials, and replies to submissions, could deduce that the official position on pension deduction reflects the following:

a. Many pensioners benefit significantly from the substantial restoration of Public Service Pension Reduction accruing under FEMP1 2015, in the years 2016, 2017 and 2018.

b. The Public Service Pension Reduction process is being lessened at a faster pace and to a greater degree than applies in the case of the amelioration of pay reduction measures, and actual salary cuts, affecting serving public servants.

c. The cost of the current restoration is estimated at ú90 million on a full year basis in 2018.

d. A commitment to reverse the public service pension reductions by 2021 is provided in the Programme for a Partnership Government.

e. It will be for the Government, in due course, to consider the issue of how to adjust the post-award value of public service pensions through appropriate pay or other linkages, moving beyond FEMPI and Public Service Pension Reduction restoration towards more normal pay and pension setting conditions in the public service.

35. **<u>ARCO's Position on Partial & Non Restoration of Pension Deductions</u>**. ARCO supports the position advanced by the Alliance and other Representative Associations on the partial and non restoration of pension deductions:

    a. In 2015, the Alliance did not have the option of third party intervention at the talks on pension restoration.

    b. Arising from the Labour Court Agreement of 2016, an equivalent beneficial adjustment in the pension restoration schedule should be made.

    c. Existing pension anomalies must be addressed.

    d. The financial environment that gave rise to the use of emergency powers in relation to public service pensions no longer exists, and a wide range of new government services are increasingly being put in place.

    e. The decreasing amount of pension deduction collected each year is no longer of significance in overall financial or budgetary terms. The benefit to the State is no longer proportional to the continuing burden being suffered by individual retired commissioned officers and surviving dependents who must also have to deal with wider economic adjustments.

    f. Public Service pensioners should not have to endure an unacceptably prolonged pension restoration process. The age and health status of such pensioners and other socio economic challenges are critical issues which, along with life expectancy, should be taken into account when deciding the timeframe and content of pension restoration.

    g. Despite the popular misconception that public service pensioners are privileged, the reality is that the average public service pension is in the region of ú20,000 per annum. Additionally, a considerable number of public service pensioners do not qualify for the State Pension (Contributory).

    h. Responsibility for any new financial emergencies and the provision of increased services is a community responsibility and should be addressed in the context of general taxation. Public service pensioners should not have to suffer on foot of the continuing use of emergency powers.

    i. The justification, recognised by successive Ministers for Public Expenditure and Reform, and by the Public Service Committee of the ICTU in its submission to the Pay Commission, for priority treatment in restoring public service pensions, should now be matched by full pension restoration, across all quarters, not later than 2018**.**

j. Whereas pensions have been partially restored, full restoration remains a focussed ARCO objective. The level and pace of pension restoration under current legislation is inadequate. The restoration process should be considerably accelerated. Legislation should be enacted providing for rescheduling of payments with a view for complete restoration for all retired commissioned officers in 2018.

k. ARCO, as a constituent member of the Alliance, has no formal access to the industrial relations machinery of the state and to date has only limited informal access on an ad hoc basis under the umbrella of the Alliance.

PENSION ABATEMENT

36. **Public Service Pensions Act 2012**. The practice of abatement derives from the Superannuation Act of 1834. The universal application of abatement was not introduced through FEMPI. With the introduction of the Public Service Pensions Act 2012, the application of abatement was widened. Previously, abatement generally applied only where the pensioner returned to work in the same sector, or in a scheme from which the pension was drawn.

37. **Post 01 November 2012**. For new entrants, the Public Service Pensions Act 2012 introduced changes affecting existing public service pension arrangements. These included the extension of pension abatement with effect from 01 November 2012. As a result, a retired commissioned officerôs public service pension is now liable to abatement on re-entering public service employment after 01 November 2012.

38. **Pre 01 November 2012**. A retired commissioned officer who took up an appointment in the public service before 01 November 2012 will not be affected by the change, while he or she continues to hold that appointment. However, if that individual is promoted, or otherwise changes appointment, the abatement provisions of the Public Service Pensions Act 2012 will then apply.

39. **Private Sector**. The occupational pension of a retired commissioned officer in taking up employment in the private sector, or in the commercial semi state, is not affected.

40. **Application of Abatement**. Within the public service, the precise abatement conditions may vary from one scheme to another. In general, abatement means that the occupational pension is reduced in order to ensure that the retired commissioned officer will not earn more between the occupational pension and

the income from the new employment, than service pay before retirement from the Permanent Defence Force.

41. **ARCO's Position on Pension Abatement**

a. ARCO has identified likely anomalies in the implementation of abatement provisions for some retired commissioned officers who are employed in the public service.

b. Future pension entitlements are of particular concern in that ARCOôs members who took up employment prior to the 2012 Public Service Pension Act face uncertainty with regard to their potential retirement earnings.

c. ARCO is concerned that its members who are employed by State organisations now face unnecessary uncertainty about their future pensions, despite anticipating being employed by the State for 40 years. The methodology being applied to assessing the benefits of fast accrual pensions appears to assume that pensions payable to retired commissioned officers were, unlike other uniformed services, maximised after 30 years military service.

d. ARCO has identified that several of its members have been unable to accept promotion opportunities owing to being categorised as new entrants. ARCO considers that this change in Terms and Conditions for those members who took up employment is an unintended consequence, and, given the small numbers involved should be addressed by appropriate means.

e. Equally, ARCO contends that the State has denied itself the opportunity of employing skilled retired commissioned officers who had attained their skills at the Stateôs expense i.e. intending or retired personnel with technical skill sets that previously led to further State employment.

f. ARCO is mindful of the hardship experienced by surviving dependents who face considerable uncertainty in determining their pension entitlements arising from public service employment and service in the Permanent Defence Force.

g. ARCO remains active in resolving concerns such as postings, transfers, promotions and future pension entitlements, arising in the application of abatement, with the objective of waiving the specific abatement provision in limited circumstances.

PROVISION FOR PENSION INCREASES

42. **Legal Framework – Pension Increases & Parity**

a. ARCO is fully aware that within the Civil Service, increases in pensions are awarded at the discretion of the Minister for Finance under Regulations made by him/her under Section 29 of the Pensions (Increase) Act 1964.

b. ARCO notes that the 1964 Act does not prescribe what form the increases should take, or how they should be calculated. ARCO understands that, in general, there is no automatic entitlement to pension increases under the terms of public service pension schemes.

c. However, ARCO also notes that following the 1984 Budget, the application of the Ministerôs discretion, under the 1964 Act regarding pension increases, is based on ñfull pension parityò in the case of general pay increases. Arising from public service pay negotiations the parity was extended from 01 July 1986 to include special increases.

d. The Public Service Pensions (Single Scheme and Other Provisions) Act 2012 prescribes for future increases in public service pensions to be linked to the Consumer Price Index in respect of new entrants after 01 January 2013. This provision creates increased uncertainty for all other public service pensioners with regard to the inflation proofing of their pensions.

e. In its submission to the Public Service Pay Commission on 30 March, the Department of Public Expenditure and Reform stated, inter alia, that the Public Service Pension Act 2012 ñ*provided for a new single public service pension scheme for all new public service employees recruited on or after 1 January 2013. The Act does not impact on existing public service pension arrangements for current employees and pensioners, except potentially in relation to the operation of pension increases*".

43. **Serving Personnel**. Whereas, current pay and conditions for serving personnel traditionally focussed the posture of Representative Associations and Trade Unions, in recent times such organisations have become more mindful of pensions accruing to their membership. Public service pension issues have formed a significant part of the pay determination process. In this context, public service pensions are now on the Irish Congress of Trade Unions agenda.

44. **Pensions up to €12,000**. The provision for pension increases must actively address those retired public servants, who are in receipt of up to ú12,000 per annum, and were not subject to pension reductions. This group of public servants has not received an increase in pension since 2007, notwithstanding the fact that their equivalent serving public servants have received increases in pay. There are scheduled increases in social protection payments (which are maintained above Consumer Price Index rates), whereas the comparative position of the lowest paid public service pensioners, who have received no increases in pension, is further deteriorating.

45. **Settlement on Garda Síochána Pay**. Following the Labour Court Recommendations on Garda pay in November 2016, under the terms of section 6 of the Lansdowne Agreement, an increase of ú1,000 was authorised in the annualised salaries for the period 01 April 2017 to 31 August 2017 for public servants up to ú65,000. Apparently, the terms of the settlement will not impact on pensions currently in payment, reflecting the inequality of the exclusion of pensioners in their due entitlement.

46. **Parity Based Framework**. During service in the Permanent Defence Force, retired commissioned officers contributed to their pension, (which included a parity based approach to increases), at rates deemed appropriate by successive Governments.

    a. The custom and practice of the defined benefit pension for many decades has been that, when serving commissioned officers are awarded a pay increase, these increases are applied, on a parity basis, to retired commissioned officers and surviving dependents, albeit some 6 months later, with the approval of the Minister for Finance.

    b. However, Military Service Allowance, seen as an integral part of pay, is not applied to the pensions in the case of commissioned officers who retired before August 1990.

    c. In general terms, the parity based framework prevailed prior to the recent pay and pension cuts. However, with the unwinding of the FEMPI legislation, the legitimate expectation of retired commissioned officers is that custom and practice should prevail and the principle of parity be restored.

    d. The value of pensions, based on the actuarially calculated pension costs of the Public Service Benchmarking Body in 2007, has reduced over the past ten years with substantial reductions in pay and pensions, and in the absence of

assumed pension increases based on the Consumer Price Index with an additional 2%.

e. The financial implications of any change to the parity process would adversely affect those on modest and low pensions.

f. In some quarters, it is believed that parity was effectively severed when the initial 7% cut applied to civil servants was not applied to pensioners.

g. Arising from statements in the public domain, apparently this parity based framework, for those who enlisted before 01 January 2013, will be the subject of discussion in future pay negotiations which will take into account the value of public service pensions.

47. **Section 40, Public Service Pensions Act 2012 – Consumer Price Index**. For those recruited after 2012, provision is contained in the Single Pensions Act to link their pension increases to movements of the Consumer Price Index. Apparently, a similar linkage is not prescribed to those who enlisted before 2012, who traditionally attracted increases on a par with pay, and who have a legitimate expectation that this link would continue. It should be noted that there are scheduled increases in social protection payments (which are to be maintained above Consumer Price Index rates) whereas the comparative position of the lowest paid public service pensioners, who have received no increases in pension, is further deteriorating.

48. **Departmental Response to Restoration of Pension Increases**. An analysis of statements in Dáil Éireann, responses to Parliamentary Questions, discussions with the Minister for Public Expenditure and Reform and Departmental Officials, and replies to submissions, could deduce that the official position on pension increases reflects the following:

a. The terms of the recent Garda pay settlement providing an increase of ú1,000 in annualised salaries for public servants up to ú65,000 will not impact on pensions.

b. It will be for the Government, in due course, to consider the issue of how to adjust the post-award value of public service pensions through appropriate pay or other linkages, moving beyond FEMPI and Public Service Pension Reduction restoration towards more normal pay and pension setting conditions in the public service.

c. The Minister for Public Expenditure and Reform has stated that he has ñnot

informed union leaders that he intends to retain the link between pay and pensionsò.

d. The non-statutory link of parity was tempered from 2011 in some cases by the imposition of the Public Service Pension Reduction, and has worked to the benefit of pensioners, as did the ñgrace periodsò in respect of new pensions which accompanied the public service salary cuts in 2010 and 2013.

49. **ARCO's Position – Pension Increases**

a. Retired commissioned officersô pensions are deferred pay and arise directly from employment by the State.

b. Despite not having their pension reduced, due cognisance should be afforded to those in receipt of pensions up to ú12,000 per annum, who have not received an increase in their pensions since 2007, notwithstanding the fact that their equivalent serving public servants have received pay increases.

c. The financial implications of any change to the parity process would adversely affect those on modest and low pensions.

d. The custom and practice, whereby the pensions of retired commissioned officers are linked to the pay of their corresponding ranks and grades, should continue, thus maintaining the principle of parity for those who enlisted before 01 January 2013.

e. ARCO regards the continued application of parity in relation to determining pensions of its members, as fundamentally important and would view a departure from it as a threat to the living standards of retired commissioned officers.

f. ARCOôs overarching contention is that, as a minimum, legislation should provide for the protection of the value of pensions, by means of statutory inflation linked increases, coupled with increases that are commensurate with overall government pay policy.

INDEPENDENT THIRD PARTY MECHANISM

50. **Requirement**. Public service pensions are deferred pay and arise directly from employment by the State. The unwinding of FEMPI Act in relation to pension

deductions is of significant importance to retired commissioned officers. Nevertheless, the Government has yet to provide any form of formal independent third party mechanism to help resolve difficulties identified by public service pensioners, including retired commissioned officers.

51. **Access To Government Ministers**

    a. Access to Government Ministers and, in particular, to the Minister for Public Expenditure and Reform is key to success. The Alliance has held meetings with the Minister for Public Expenditure and Reform in May 2013, May 2014 and July 2014, and with officials of his Department in April 2014, May 2015 and February 2017. The prevailing interface, through the medium of meetings and correspondence, between the Alliance and the Minister for Public Expenditure and Reform can be seen as a significant advancement within the framework of representation.

    b. In recent years, ARCO discussed various pension related issues with the Minister for Defence. ARCO and the Organisation of National Ex-Servicemen (ONET) met formally with the Minister of Expenditure and Reform in 2012 on the Single Pensions Act. The Single Pensions Act and pension restoration was discussed with the Minister of State with responsibility for Defence during a meeting on 16 December 2016.

52. **Access to Independent Third Party Mechanism (Industrial Relations Machinery).** The 1990 Industrial Relations Act prescribes, inter alia, that Trade Unions cannot represent those who have retired from permanent employment. Whereas Departments of State are somewhat reluctant to negotiate with pensioners, considerable progress has been made with the advent of an informal interface between the Minister for Public Expenditure and Reform, his officials and the Alliance. During the Lansdowne Road process, the Alliance has had conversations with the Irish Congress of Trade Unions Congress in pursuit of pensions restoration. The Alliance has been recognised by both the previous and current Minister for Public Expenditure and Reform as the Public Service Pensions representative body. The Alliance is endeavouring to secure full negotiating rights, including appropriate independent third party mediation.

53. **Departmental Response to Third Party Mechanism**. An analysis of statements in Dáil Éireann, responses to Parliamentary Questions, discussions with the Minister of Public Expenditure and Reform and Departmental Officials, and replies to submissions, could deduce that the official position on independent third party mechanism reflects the following:

a. The interest and concerns of public service pensioners in relation to public service pension issues have been regularly articulated in meetings between the Alliance, the Minister for Public Expenditure and Reform and his officials.

b. Through the above process, the Minister for Public Expenditure and Reform believes that retired public servants continue to be afforded a meaningful and direct means of articulating their concerns in relation to pensions and related issues.

c. There is no legislative provision for access to independent third party adjudication in respect of public service pension increases.

d. Third party adjudication is not available for recipients of the Contributory State Pension.

54. **ARCO's Position – Independent Third Party Mechanism**

a. The recognition, albeit on a non-statuary basis, by successive Ministers for Public Expenditure and Reform of the Alliance as the Public Service Pensions representative is welcomed.

b. The Government has yet to provide a fair and reasonable forum involving an independent third party mechanism which would conduct meaningful consultation and negotiation, in order to address difficulties identified by public service pensioners, including retired commissioned officers.

c. The Government should provide access to formal independent third party mechanism for the 162,500 retired public servants on any matter relating to pensions.

IMPLEMENTATION

55. **Internal Communications**. ARCOôs EXCOM will engage with the membership at every opportunity, and, in particular, at regional meetings, encouraging observations and recommendations on pension related issues. ARCO will continue to post appropriate information on its website, and publish developments in its Newsletter.

56. **Interface: Alliance, RACO, ONET and IUNVA**

a. **Alliance**. ARCO will avail of the Allianceôs competencies in order to facilitate ARCOôs membershipôs intent regarding pension related issues. ARCO remains proactive in developing and implementing the Allianceôs policy in this area. ARCO is supportive of the Alliance taking the lead in the interface with Party Leaders, Government Ministers, Departmental officials, Trade Unions and associated agencies. Notwithstanding this position, when appropriate ARCO will communicate with key actors and stakeholders including the Public Service Pay Commission, informing the Alliance of any such communications.

b. **Representative Association of Commissioned Officers (RACO)**. The value of public service pensions will be factored into future pay determination and will have implications for future levels of pay on which future pensions will be calculated. ARCO will communicate with RACO, as appropriate, on pension related issues.

c. **Organisation of National Ex Servicemen and Women (ONET) and Irish United Nations Veterans Association (IUNVA)**. As partners in the Defence Veterans Community and as constituent members of the Alliance, ARCO will engage with both ONET and IUNVA, as appropriate, on pension related issues.

57. **Submissions to External Actors.** Using this strategy as a basis, ARCO will make formal submissions on pension related issues to external actors such as the Public Service Pay Commission, the Minister for Defence, the Minister for Expenditure and Public Reform, and the Alliance of Retired Public Servants. In pursuance of the objective of full restoration of pensions by the end of 2018, ARCO will prepare and submit a pre-budget submission for budget 2018 and will contribute to and support any submission to the budget process, made on behalf of the Alliance of Retired Public Servants. All formal submissions to external actors at Ministerial, Departmental, or Commission level, and to the Alliance, will be duly approved by the EXCOM.

58. **Lobbying**. The lobbying process will target key political stakeholders, especially Government Ministers, their respective advisors, and members of the Oireachtas, Councils and County Councils. ARCO fully supports the Allianceôs engagement of a professional political lobbyist. Whereas ARCO will be active on all fronts, its main effort will be at local lobbying, allowing the Alliance to concentrate at national level. ARCOôs access to the Minister for Defence will be exploited. Local lobbying, by means of PQs, flyers, emails, radio talk shows, print media, local clinics, is key to success, and will eventually feed into the national domain.

ARCOôs lobbying campaign will focus on key constituencies with a military footprint, implemented by individual members. Appropriate lobbying material and ARCOôs submissions on pension related issues, will be publicised and posted on ARCOôs website. ARCOôs Newsletter will also be used, as appropriate. See Annex B for Aide Memoire (TACAID) for key lobbying points.

SUMMARY

59. **Conclusions**

a. The continued use of emergency powers against all pensioners, including retired commissioned officers of the Permanent Defence Force, is neither necessary, nor justified in the common good.

b. The Public Service Pension Reduction continues to have an adverse effect on the lives of retired commissioned officers and surviving dependants. The value of public service pensions has decreased in recent years. Although partial restoration of the pensions of retired commissioned officers and surviving dependents is ongoing, in the current financial climate, 2021 as a possible date for full restoration is totally unreasonable and unacceptable.

c. Since the introduction of the Single Pensions Act, the application of pension abatement is presenting concerns in postings, transfers, promotions and retirement options. The custom and practice whereby the pensions of retired commissioned officers are linked to the pay of their corresponding ranks should continue, thus maintaining the principle of parity for those who enlisted before 01 January 2013. A departure from the continued application of parity in relation to determining pensions would have a detrimental effect on the living standards of retired commissioned officers.

d. An appropriate third party mechanism is necessary to resolve difficulties identified by public service pensioners, including retired commissioned officers.

60. **Perspective**. ARCOôs primary focus is representing retired commissioned officers of the Permanent Defence Force. The Association actively engages with external agencies and associations advocating pensionersô issues.

a. ARCO remains concerned with various aspects of the process restoring pensions reduced under the Financial Emergency Measures in the Public

Service. In addition, ARCO is apprehensive with the mechanisms associated with pension abatement.

b. Likewise, ARCO advocates a credible methodology by which pensions are determined in the future and that retired public servants have access to an independent third party mechanism reflecting the Stateôs industrial relations machinery.

c. Prudence dictates that ARCO presents a pragmatic level of ambition regarding pension related issues.

61. **Lines of Operation**. This particular document outlines ARCOôs strategy on pension related issues. It provides relevant information, statistics and constructive analysis. ARCOôs Lines of Operation will focus on pension valuation, pension restoration, provision for pension increases, and independent third party mechanisms for negotiations. The implementation of the strategy will also focus on internal communications, interface with the Alliance, RACO, ONET and IUNVA, submissions to external actors, and lobbying. Finally, the process is informed by the likely Departmental position and ARCOôs position on particular issues.

Annex A. Consolidated List of ARCOôs Position on Pension Related Issues

Annex B. Aide Memoire (TACAID) ï Lobbying Issues

Annex A

ARCO's POSITION - PENSION RELATED ISSUES

1. **Valuation of Public Service Pensions**

   a. The value of public service pensions has decreased in recent years.

   b. ARCO submits that the Public Service Pay Commission, availing of a credible model, conducts an objective evidence based analysis on the value of pensions during the course of its deliberations on future pay within the public service.

   c. Public service entrants should have a discount rate for pensions much lower than the 12% adopted by the Public Service Benchmarking Body in 2007.

   d. In relation to discount rates for valuing pensions, ARCO recommends Eurostatôs rate for valuing public service pension liabilities for National Account purposes.

   e. ARCO contends that an appropriate Universal Social Charge model should be introduced that is equitable either by including all income for everybody (i.e. including the Contributory State Pension), or by raising the exemption.

   f. ARCO submits that the Government pays due cognisance to the fact that retired public servants are excluded from the Stateôs Industrial Relations Architecture and are thus prevented from becoming actively engaged in pension related negotiations.

2. **Partial & Non Restoration of Pension Deductions**. ARCO supports the position advanced by the Alliance and other Representative Associations on the partial and non restoration of pension deductions:

   a. In 2015, the Alliance did not have the option of an independent third party intervention at the talks on pension restoration.

   b. Arising from the Labour Court Agreement of 2016, an equivalent beneficial adjustment in the pension restoration schedule should be made.

   c. Existing pension anomalies for retired commissioned officers must be addressed.

   d. The financial environment that gave rise to the use of emergency powers in relation to public service pensions no longer exists, and a wide range of new government services are increasingly being put in place.

   e. The decreasing amount of pension deduction collected each year is no longer

of significance in overall financial or budgetary terms. The benefit to the State is no longer proportional to the continuing burden being suffered by individual retired commissioned officers and surviving dependents who also have to deal with wider economic adjustments.

f. Public Service pensioners should not have to endure an unacceptably prolonged pension restoration process. The age and health status of such pensioners and other socio economic challenges are critical issues which, along with life expectancy, should be taken into account when deciding the timeframe and content of pension restoration.

g. Despite the misconception that public service pensioners are privileged, the reality is that the average public service pension is in the region of ú20,000 per annum, and a considerable number of public service pensioners do not additionally receive the State pension.

h. Responsibility for any new financial emergencies and the provision of increased services, is a community responsibility and should be addressed in the context of general taxation. Public service pensioners should not have to suffer on foot of the continuing use of emergency powers.

i. The justification, recognised by successive Ministers for Public Expenditure and Reform, and by the Public Service Committee of ICTU in its submission to the Pay Commission, for priority treatment in restoring public service pensions, should now be matched by full pension restoration, across all quarters, not later than 2018**.**

j. Whereas pensions have been partially restored, full restoration remains a focussed ARCO objective. The level and pace of pension restoration under current legislation is wholly inadequate. The restoration process should be considerably accelerated. Legislation should be amended to provide for rescheduling of payments with a view to complete restoration for all retired commissioned officers in 2018.

k. ARCO, as a constituent member of the Alliance, has no formal access to the industrial relations machinery of the state and to date has only limited informal access on an ad hoc basis under the umbrella of the Alliance.

3. **Pension Abatement**

a. Arising from the Single Pensions Act, ARCO has identified likely anomalies in the implementation of abatement provisions for some retired

commissioned officers who are employed in the public service.

b. ARCO remains active in resolving concerns such as postings, transfers and promotions arising in the application of abatement, with the objective of waiving the specific abatement provision in limited circumstances.

c. Future pension entitlements are of particular concern in that ARCOôs members who took up employment prior to the 2012 Public Service Pensions Act face uncertainty with regard to their potential retirement earnings.

d. ARCO is concerned that its members who are employed by State organisations now face unnecessary uncertainty about their future pensions, despite anticipating being employed by the State for 40 years. The methodology being applied to assessing the benefits of fast accrual pensions appears to assume that pensions payable to retired commissioned officers were, unlike other uniformed services, maximised after 30 years military service.

e. ARCO has identified that several of its members have been unable to accept promotion opportunities owing to being categorised as new entrants. ARCO considers that this change in Terms and Conditions for those members who took up employment is an unintended consequence, and, given the small numbers involved should be addressed by appropriate means.

f. Equally, ARCO contends that the State has denied itself the opportunity of employing skilled retired commissioned officers who had attained their skills at the Stateôs expense i.e. intending or retired personnel with technical skill sets that previously led to further State employment.

g. ARCO is mindful of the hardship experienced by surviving dependents who face considerable uncertainty in determining their pension entitlements arising from public service employment and service in the Permanent Defence Force.

4. **<u>Pension Increases</u>**

a. Retired commissioned officersôpensions are deferred pay and arise directly from employment by the State.

b. Despite not having their pension reduced, due cognisance should be afforded to those in receipt of pensions up to ú12,000 per annum, who have not

received an increase in their pensions since 2007, notwithstanding the fact that their equivalent serving public servants have received pay increases.

c. The financial implications of any change to the parity process would adversely affect those on modest and low pensions.

d. The custom and practice whereby the pensions of retired commissioned officers are linked to the pay of their corresponding ranks and grades should continue, thus maintaining the principle of parity for those who enlisted before 01 January 2013.

e. ARCO regards the continued application of parity in relation to determining the pensions of its members, as fundamentally important and would view a departure from it as a threat to the living standards of all retired public servants.

g. ARCOôs overarching contention is that, as a minimum, legislation should provide for the protection of the value of pensions, by means of statutory inflation linked increases, coupled with increases that are commensurate with overall government pay policy.

5. **Independent Third Party Access**

a. The recognition, albeit on a non-statuary basis, by successive Ministers for Public Expenditure and Reform of the Alliance as the Public Service Pensions representative is welcomed.

b. The Government has yet to provide any form of formal independent third party mechanism to help resolve difficulties identified by public service pensioners, including retired commissioned officers.

c. The Government should provide access to a formal independent third party mechanism for the 162,500 retired public servants on any matter relating to pensions.

Annex B

ARCO's AIDE MEMOIRE – PENSION RELATED ISSUES

- During their active service and in retirement, commissioned officers of the Permanent Defence Force made a significant financial contribution in the delivery of unprecedented savings across the public service.
- The value of retired commissioned officersô pensions has decreased in recent years.
- Availing of a credible model, the Public Service Pay Commission should conduct an objective evidence based analysis on the value of pensions.
- Despite popular misconceptions that public service pensioners are privileged, the reality is that the average public service pension is in the order of ú20,000, having contributed to their pension throughout their service to the State.
- The Single Pension Scheme, introduced on 01 January 2013, has notably reduced the retirement benefits for new entrants into the public service, whilst accruing significant savings for the State.
- Notwithstanding partial restoration, FEMPI continues to have an adverse effect on the lives of retired commissioned officers and surviving dependants.
- The continued use of emergency powers is neither necessary, nor justified in the common good.
- The decreasing amount of pension deduction collected each year is no longer of significance in overall financial or budgetary terms.
- The older cohort of retired commissioned officers should not have to endure an unacceptably prolonged pension restoration process.
- In the current financial climate, 2021 as a possible date of total restoration of pensions is unwarranted and unfair.
- Emergency legislation introduced to cut public service pensions should be repealed and pensions fully restored.
- The custom and practice whereby the pensions of retired commissioned officers are linked to the pay of their corresponding ranks and grades should continue, thus maintaining the principle of parity for those who enlisted before 01 January 2013
- An appropriate independent third party mechanism is necessary to address pension anomalies and entitlements.

END