



**A BRIEF EXPLANATION OF THE
SUPERANNUATION BENEFITS
(PENSIONS & GRATUITIES) FOR
NEW ENTRANT OFFICERS OF THE
PDF IN FULL PRSI (CLASS A)
WHO JOINED ON OR AFTER
01 JANUARY 2013
I.E. MEMBERS OF THE SINGLE SCHEME**



Irish Pensions & Finance

**A Brief Explanation of the
Superannuation Benefits (Pensions & Gratuities)
for New Entrant Officers of the PDF in full PRSI (Class A)
who joined on or after 01 January 2013 -
i.e. Members of the Single Scheme**

1. What is the “Single Scheme”?

The “Single Scheme” or “the Scheme” refers to the Single Public Service Pension Scheme introduced with effect from 01 January 2013 in accordance with the terms of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

2. Does the Single Scheme apply to me?

In general the Single Scheme applies to anyone who becomes a pensionable Public Servant on or after 01 January 2013. So, if you were recruited to the PDF (at any rank) on or after that date and were not previously a pensionable Public Servant the Scheme will apply to you.

3. I was in service before 01 January 2013 but commissioned after that date – does the Single Scheme apply to me?

The Scheme does NOT apply to you if:

(a) You were a Cadet immediately before 01 Jan 2013 and are subsequently appointed to be an Officer on completion of your training;

or

(b) You were serving on a short-service commission immediately before 01 Jan 2013 and immediately following the period of that commission are appointed to a commission without limitation as to time;

or

(c) You were serving as an enlisted person immediately before 01 Jan 2013 and are subsequently discharged for the purpose of appointment to commissioned rank e.g. following completion of a Potential Officers’ Course.

4. What is “Full PRSI (Class A)”?

Prior to 06 April 1995 officers paid a reduced rate of PRSI (Class C) but as a result were entitled to only very limited Social Insurance benefits. Since then all new entrant officers (in common with most other new entrant public servants) have paid the full rate of PRSI (Class A) and are entitled to the full range of Social Insurance benefits, including the State Pension Contributory (the “old age pension”).

For list of benefits see;

<http://www.welfare.ie/en/Pages/PRSI---Pay-Related-Social-Insurance---Contributions-and-Clas.aspx>

5. What type of pension scheme is the Single Scheme?

The Single Scheme is a defined benefit scheme, with pensions being based on career-average pay and linked to the Consumer Price Index (CPI). The amount of pension benefit is defined in the scheme rules and is not affected by investment returns. The benefits are based on your average pensionable earnings throughout your career, up-rated in line with increases in the Consumer Price Index. So, for each year of service you accrue a sum of money towards your pension and towards your gratuity. These amounts are indexed to increases (if any) in the Consumer Price Index each year until payment of your pension arises. The annual pension and the gratuity payable at retirement will equal the total of these Consumer Price Index adjusted amounts.

6. Can I opt out of the Scheme?

No. Membership is compulsory.

7. What benefits are payable?

The main benefits payable are:

- An occupational (service) pension;
- A retirement gratuity (“lump sum”) or death in service gratuity;
- the time-limit within which the option must be exercised.

8. Do I make contributions towards my pension benefits?

Yes – the Scheme is contributory. The contribution rates deducted from your salary on an ongoing basis are as follows:

- 4.2% of *net pensionable remuneration* **PLUS** 3.3% of *pensionable remuneration* (*Pensionable remuneration* is basic pay plus MSA plus LSI(s) (if applicable) plus flying pay, additional pay and any other pensionable payments (if applicable));
- Net Pensionable remuneration is pensionable remuneration as above less twice the maximum rate of the State Pension Contributory (SPC) payable to a single person with no dependents (€230.30 per week or €12,017.05 per annum at July 2015);
- All contributions qualify for income tax relief, which is applied automatically.

9. How are my pension and gratuity calculated?

During each year of your service an amount of money is put towards your pension and gratuity based on your pensionable earnings in that particular year. These money amounts are called the “referable amounts”. The referable amounts for each year of your service are updated, or increased, annually in line with inflation (based on upward movements in the Consumer Price Index, if any) and added together to form your pension and gratuity (Note: If there is a fall in the CPI in any year the referable amounts are NOT decreased). The referable amounts for each year are calculated using the following formula:

Pension;

On earning up to 3.74 times the State Pension Contributory (SPC)(SPC x 3.74 is currently (at July 2015) = €45,000) - 0.58% of pensionable remuneration,

Plus

On earning over 3.74 times SPC (if applicable) - 1.43% of pensionable remuneration.

Gratuity:

4.29% of pensionable remuneration.

10. Can you show me a worked example?

Yes. Let's assume that you earn €30,000 in your first year of service and you have 40 years to go to pension age and that inflation is 3% each year. So the amount put towards your pension and gratuity in respect of that year's service would be calculated as follows;

Pension;

On earnings up to 3.74 times SPC - 0.58% = €30,000 x .0058 = €174

On earning over 3.74 times SPC - 1.43% = Nil

Total contribution towards pension = €174

With inflation at 3% per annum this amount will grow to approximately €551 by retirement and this will be the portion of annual pension from the first year's service.

Gratuity;

€30,000 x .0429 = €1,277

With inflation at 3% this will grow to approx €4,044 and this will be the portion of the gratuity from the first year's service.

Similar calculations are completed for each year to give the amount of pension and gratuity attributable to each year.

So, if you earned €80,000 in the year when you had 10 years to retirement the amounts added to pension and gratuity for that year would be calculated as;

Pension;

On earnings up to 3.74 times SPC - 0.58% = €45,000 x .0058 = €261

On earning over 3.74 times SPC - 1.43% = €35,000 x .0143 = €500.5

Total contribution towards pension = €261 + €500.5 = €761.5

With inflation at 3% per annum this amount will grow to approx. €994 by retirement and this will be the amount added to your pension in respect of that year's service.

Gratuity;

€80,000 x .0429 = €3,432

With inflation at 3% this will grow to approx €4,478 and this will be the amount added to your gratuity in respect of that year's service.

Similar calculations are done for each year of your service and the total of the amounts i.e. the amounts accrued; give the actual pension and gratuity payable.

11. What is “pensionable remuneration”?

Pensionable remuneration includes your basic regimental pay (including Long Service Increments(LSIs), Military Service Allowance (MSA), Flying Pay and or additional pay and any other pensionable allowances. List of items that may be included in “pensionable remuneration” - as at July 2015 - is included at **Appendix 1**. Future updated lists will be available from the Department of Defence or RACO.

12. Can I find out the value of the referable amounts for my pension and gratuity at any point in time?

Yes. The Scheme provides that each year you will be given a **Benefits Statement** by the Department of Defence. This statement will include:

- (a) The total amount of contributions paid by you in the last tax year;
- (b) The total referable amounts towards pension and towards gratuity accrued by you in the tax year;
- (c) The total referable amounts towards pension and towards gratuity accrued by you in previous tax years as adjusted in line with increases in the CPI.

13. When are my retirement benefits payable to me?

A minimum of two years service is required for pension and lump sum. However, your minimum pension age is 50 years. That means that your pension and retirement gratuity are only **payable immediately** if you serve to age 50. If you retire earlier than that (other than on medical grounds) your retirement benefits are **“preserved” until age 60** and then paid to you on application.

Benefits accrued (built up) to date are also paid immediately on compulsory retirement on medical grounds, provided you have at least 2 years’ service.

14. I have been told that my pension is “integrated” – what does this mean?

Integration, or co-ordination, means that your entitlement to Social Insurance benefits – such as the State Pension Contributory (SPC) or more commonly referred to as the “old age” pension, is taken into account in determining your occupational pension (i.e. the pension you will receive from your employer - the Department of Defence).

So your total pension payments are assumed to consist of your occupational pension plus the SPC (from the Department of Social Protection).

Your pension scheme (the Single Scheme) is integrated with the social welfare SPC in two ways;

- (a) The addition to your pension each year takes account of the fact that you will be entitled to the SPC (SPC currently payable from age 66. This will move to 67 in 2021 and 68 in 2028).
- (b) The pension contributions you are required to make are reduced to take account of the fact that SPC benefits provide part of the retirement income.

15. But the State Pension is not payable until age 66 - and going up - and compulsory retirement ages for officers are much lower than that. Doesn't this mean that I will have a reduced total pension until I get the State Pension?

Not necessarily. The assumption in “integration” is that a Social Insurance benefit is payable. Previous public service integrated schemes generally included provision for the payment, on application, of a Supplementary Pension in addition to the occupational pension during period in which the member was not employed and due to

causes outside his/her control failed to qualify for Social Insurance benefits (or qualified at a rate less than the maximum personal rate of SPC).

In such cases the Supplementary Pension (payable by the member's employing Department) would bring the member up to the total pension rate he/she would be on if they were being paid the State Pension and would continue to be paid until he/she received the State Pension.

As part of an agreement between the Department of Defence and RACO (CCR 421 dated 18 Nov 2009) the Department "*confirmed that post 5 April 1995 (the date from which new officers paid PRSI at Class A rates and had integrated pensions) officers in full PRSI class retiring on age grounds who are in receipt of integrated occupational pensions (whether immediate or preserved, as the case may be), would be eligible for supplementary pensions*".

This Agreement further provides that applications for Supplementary Pensions from PRSI Class A officers who retire compulsorily at age 58 or higher and who decide not to take up employment will be given "*special and sympathetic consideration*". It should also be noted that the compulsory retirement age for the rank of Comdt/Lt Col for PRSI Class A officers was increased to 58 (from 56) to facilitate this measure.

The Public Service Pensions (Single Scheme and Other Provisions) Act 2012 does not include explicit reference to supplementary pensions. RACO is currently pursuing the application of the terms of CCR 421, with reference to the supplementary pension facility, to you - similar to their application to the two other integrated pension schemes for officers. RACO will be working to have this confirmed by Regulation, or otherwise.

16. Does integration apply to my gratuity also?

No. Integration applies to your pension, but not to your gratuity. This is because no social welfare lump sum is paid on retirement.

17. Is the retirement gratuity taxed?

Currently (July 2015) the first €200,000 of a retirement gratuity ("lump sum") is exempt from income tax.

18. For how long will the pension be paid to me?

The pension will be paid to you up to the date of your death.

19. Is there any provision for my pension to be increased after I retire?

Yes. The terms of the Scheme provide that post-retirement your pension will be increased in line with increases in the Consumer Price Index (if any). If the CPI falls the pension will not be reduced.

20. What benefits are available if I retire on medical grounds?

The benefits that may be paid if you are compulsorily retired on medical grounds depend on your overall service;

- If you have less than 2 years' service an immediate gratuity of 8.5% of pensionable remuneration per year of service would be paid.
- If you have more than 2 years' service you would qualify for an immediate pension of the amount of benefits accrued to the point of retirement.

The Scheme also provides that the Minister for Public Expenditure and Reform may make regulations to provide for the payment of enhanced benefits to an individual compulsorily retired on medical grounds, having regard to factors such as the member's age, career to date and expected career to date. These additions would be limited to 10 times the value of the most recent full year referable amount calculated for the member in question. It is understood that it is intended that these Regulations will be made.

If the disablement that leads to you being compulsorily retired on medical grounds is specifically related to your service in the DF you may also qualify for a Disability Pension or Disablement Gratuity.

21. What benefits are payable if I die after retiring from the DF?

If you die after retiring from the Defence Forces and you are married or in a civil partnership your spouse/civil partner may be awarded a survivor's pension of half your pension or preserved pension.

In general the payment of a survivor's pension will cease during any period in which the surviving spouse or civil partner is married, or in a civil partnership or cohabiting with any other person.

In addition, where you have eligible children a children's pension would be payable as follows;

- (a) Where there is 1 child – 1/6 of your pension
- (b) Where there are 2 children – 1/3 of your pension
- (c) Where there more than 2 children – 1/2 of your pension

As a Class "A" PRSI contributor you are also insured for the full range

of Social Insurance benefits including the Widow's, Widower's or Surviving Civil Partner's Pension. This would be payable in addition to any pension under the Scheme.

22. What benefits would be payable if I died in service?

If you die in service a death gratuity (lump sum) would be payable to your legal representative. This would be equal to twice your pensionable remuneration in the 12 months before your death (less any lump sums already paid).

In addition, if applicable, the survivor's pension and children's pension referred to at Q.20 above would be payable based on the pension that would have been payable to you had you retired or been retired or discharged on medical grounds on the date of your death.

The Social Insurance Widow's, Widower's or Surviving Civil Partner's Pension would also be payable if applicable as above.

23. Would the benefits be the same if I was killed on duty?

No. If you are killed in the course of duty, at home or overseas, the standard death gratuity as described above is payable. However, if you are killed in the course of overseas duty a further lump sum of €157,594 is payable under the Department of Defence's special compensation scheme.

In addition, if you are killed in the course of duty either at home or overseas enhanced survivor's and children's pensions are payable. Combined these can be up to 90% of reckonable pay (50% for the spouse/partner and up to 40% for dependent children).

The Social Insurance Widow's, Widower's or Surviving Civil Partner's Pension would also be payable if applicable as above.

24. Who is regarded as a child for the purposes of the Scheme?

Subject to certain conditions a person under 16 years of age or, if receiving full-time education or training, 22 years of age. However, again subject to certain conditions, there is no age limit where a dependent child is incapable of self-support due to permanent mental or physical disability.

For the purposes of the Scheme "children" includes step-children and lawfully adopted children.

25. Can I get a refund of my contributions in any circumstances?

Yes. Your contributions (less an appropriate deduction for income tax

and other statutory deductions) will be refunded to you if you leave the PDF (other than on medical grounds) with less than 2 years' service and where you are not moving to another public service organization covered by the Single Scheme.

26. If I am receipt of a military (occupational) pension are there any circumstances in which it would be reduced?

Yes. Under the terms of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 if you are in receipt of a public service pension (including a DF pension) and you take up new employment in the public service (even in another area of the public service) your pension can be "abated" (reduced). If you are considering leaving the DF to take up employment elsewhere in the public service you should take detailed advice, particularly from your new employer, on how abatement will impact on you personally and how it will be implemented by DoD and your new employer.

27. Where can I find the detailed rules of the Scheme?

The detailed rules of the Single Scheme are provided in the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. This is available online at;

<http://www.oireachtas.ie/documents/bills28/acts/2012/a3712.pdf>

Further details can also be obtained by contacting the Pension Section, Department of Defence in Renmore, Galway.

28. Is there any scope for me to improve my pension?

Yes. Because of the structure of the Single Scheme and current Revenue rules there appears to be considerable scope for members to improve their pension situation through the RACO Group Additional Voluntary Contribution (AVC) Plan. It is recommended that you fully explore your options in this area with the Association's advisors.

29. Summary

- Retirement benefits are based on 'career average earnings' model, rather than 'final salary' as previously applied.
- Benefits are linked to the CPI and the minimum pension age is 50 regardless of rank; otherwise, where leaving before age 50, pension and gratuity will be preserved. Therefore there is **no immediate pension or gratuity payable** before the age of 50. If retiring before 50 the pension and gratuity is preserved to 60 years of age upon application.
- Occupational pensions are integrated with the Social Insurance system pension's based on Class 'A' PRSI contributions and benefits.

- Deductions are made against pay and allowances (referable amounts) and hence certain allowances contribute to the overall pension amount.
- Military occupational pensions will accrue at a 'fast accrual' rate of 1/70th a year (instead of the standard 1/80th), but with a higher contribution rate of 7.5% (than 6.5% in the public service generally).
- Occupational pension max $\frac{1}{2}$ pay (less State Pension Contributory) accrued over 30 years.

The purpose of this Booklet is to provide general information on superannuation entitlements for established Civil Servants recruited to the Public Service on or after 6 April 1995 and before 1 April 2004 in a format that is easy to understand. Ultimately, it is the rules of the Civil Service Pension Schemes that determine a member's entitlements and this Booklet cannot override the formal rules of the pension schemes. The Single Public Service Pension Scheme which applies to new entrants from 1 January 2013 is explained briefly at Appendix 2.

You should consult your Department should you have a particular query which is not covered in the Booklet or should more information be needed.

APPENDIX 1

Items that may be included in pensionable remuneration - Single Pension Scheme - as at July 2015

1. Regimental (basic) Pay
2. Military Service Allowance
3. Flying Pay
4. Additional Pay - ATC Officers
5. Additional Pay - Army Medical Corps
("Specialist Pay", O/C Military Hospital)
6. Health and Safety Officers Allowance
7. Foreign Language Proficiency Allowance
8. Personnel Support Services Officers Allowance
9. Diving Allowance - Annual Rate
10. Army Ranger Wing Allowance
11. Substitution Allowance
12. Security Duty Allowance
13. Security Duty Allowance - Portlaoise Prison
14. Explosive Ordnance Disposal Duty Allowance
15. Brigade Duty Officer Allowance
16. Diving Allowance - Daily Rate
17. In-Charge Allowance
18. Patrol Duty Allowance
19. Emergency Medical Officer Allowance

The purpose of this Booklet is to provide general information on Superannuation benefits for new entrant officers of the PDF in full PRSI (Class A) who joined the PDF after 1st January 2013. It is not a legal interpretation.

Ultimately, it is the rules of the Scheme that will determine an individual officer's entitlement and this Booklet cannot override the formal rules of the Pension Schemes.

You should consult the Department of Defence should you have a particular query that is not covered in the Booklet or should you require further information.

**This booklet was prepared by
Col (Retd) Brian O'Keeffe, B. Comm, MBA,
former General Secretary of the Representative Association
of Commissioned Officers (RACO)
and was commissioned by
Irish Pensions & Finance**

For information on pension options involving the RACO Group AVC Plan please contact the official AVC Provider:

David Dunleavy, QFA
Irish Pensions & Finance,
Suites 3 & 4, Gowna Plaza,
Bracetown Business Park,
Clonee, Co. Meath.
Ph: 01 8298500
Email: info@ipf.ie
Web: www.ipf.ie



Irish Pensions & Finance