Public Service pension increase policy until end-2020

Implications for Defence Forces pensions

The retirement benefits (pension and lump sum) of ‘pre-2013’ personnel retiring from the Defence Forces during 2018-2020 will reflect the benefit of the PSSA basic pay increases. (‘Pre-2013’ refers to those who joined the public service before January 2013, when the Single Public Service Pension Scheme was introduced for new entrants).

The current policy as decided by Government means that pre-2013 military pensions are indexed to basic pay, but only for the duration of the PSSA. However, for individuals this depends e.g. on whether they retired before or after 1 March 2012, the level of their pensionable salary on retirement, retiring rank etc. For now, the immediate focus of indexation is on pensions of people who retired since March 2012 on reduced salaries – and therefore lower pensions – than their former colleagues of similar rank, service etc. who retired before them (on higher pensions).

Generally speaking, the benefit of the recent public service pay increases including the PSSA from 1 January 2018 (1%) has now been passed on to the military pensions of qualifying post-February 2012 retirees and associated dependants. Work is underway to apply the benefit of the 1 October 2018 pay increase (1%) to their pensions as quickly as possible**.**

For pre-2013 public servants, pension increase policy out to end-2020 is summarised below:

Essentially the concept of ‘pay parity’ – that is, pensions being increased in line with pay increases given to serving personnel in the same rank – lapsed in 2010 when, under the FEMPI provisions, pay cuts were introduced but the values of pensions were left unchanged for those who retired before March 2012.

The Public Service Pensions (Single Scheme) Act 2012 contains an enabling provision for the use of Consumer Price Index (CPI) to determine future pension increases. This has been applied by law in the case of pensions payable under the Single Pension Scheme, i.e. generally those who joined the Public Service as new entrants on or after 1 January 2013. However, the CPI link has not yet been applied in the case of ‘pre-existing pensions schemes’ in existence prior to the Single Scheme.

In relation to pre-2013 pension schemes, the Public Service Stability Agreement (PSSA) 2018-2020 contains a commitment by the Government not to apply CPI linkage for pension increases for the duration of the Agreement (which runs up to end-December 2020).

In the meantime, the benefit of the PSSA pay increases is being applied to the retirement benefits of relevant public servants retiring since end-February 2012 whose pensions were impacted by the January 2010 FEMPI pay reductions. This is in accordance with Section 6.2 of the PSSA and the provisions of the Public Service Pay and Pensions Act 2017.

For pensions already in payment to ‘pre-2013’ retirees, a guiding principle under the PSSA is the need to adopt an equitable approach whereby post-February 2012 retirees first ‘catch up’ with their counterparts who retired before them on higher pension rates. The policy out to end-2020 also provides that the benefit of the PSSA pay increases will be passed on to qualifying pre-March 2012 pensioners, but only where the pensions of their post-February 2012 counterparts with analogous rank, pensionable service etc. have moved ahead of them.

In effect, this means a limited resumption of the pre-FEMPI non-statutory "pay parity" model, under which pension rates rose in line with pay increases. This policy is to be applied until end-2020 only, when the PSSA expires. No decision has yet been made by Government about how indexation will operate after 2020 in relation to pensions payable under pre-2013 pension schemes (e.g. whether pre or post-1994 joiners to the DF).

There is an ongoing exercise over the course of the PSSA to review public service pension rates. In line with the current public service policy as outlined above, the detailed work of implementing pension increases in the case of relevant military pensioners who retired after end-February 2012 is currently ongoing in the Department of Defence.

Finally, the gradual removal of the Public Service Pension Reduction (PSPR) under FEMPI legislation from pensions in payment has been happening in three stages over the period 2016 to 2018. This means that most public service pensioners, including about 95% of military pensioners, do not have their pension reduced by the PSPR.

ENDS

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2 October 2018