



Association of Retired Commissioned Officers
Cumann na nIar Oifig Coimisiúnta

Mr. Brendan Howlin TD,

18 February 2012

Minister for Public Expenditure and Reform.

Public Service Pensions (Single Scheme) and Remuneration Bill 2011

Dear Minister,

I write on behalf of the members of the Association of Retired Commissioned Officers (ARCO), which represents retired Officers of the Permanent Defence Force. The Association wishes to express its concern at aspects of the proposed **Public Service Pensions (Single Scheme) and Remuneration Bill 2011** which if implemented would have a very detrimental effect on the pensions of the members of this Association:

1. The Consumer Price Index issue

Our particular concern here is in relation to the provisions of Chapter 2, Paragraph 39 (4) whereby

“The Minister shall decide when any increase in pension under this section is to be paid having regard to movements in the consumer price index, including the timing and the means by which any increase is paid”

The Association is of the opinion that this could allow the Minister the absolute discretion to delay or indefinitely postpone any increase to pensions, thus effectively reducing the real value of pension entitlements and eventually changing their structure. Paragraph 39, (1), (2) and (3) sets out a clearer framework for the payment of increases, and it is this Association's view this method should be applied when increases are being determined.

2. The Abatement issue

While it is the case that Article 15 of the Defence Forces (Pensions) Scheme 1937 provided for the abatement of the pensions of retired officers who subsequently took up positions in the public service, this was subsequently revoked by the Defence Forces (Pensions) (Amendment) Scheme 1965. This amendment recognised the unfairness of the abatement of the pensions awarded to those retiring early from the forces. However, this Bill proposes the reintroduction of those pre-1965 arrangements.

In order to retire from the Permanent Defence Force, with a pension, officers must have a minimum of 12 years service to qualify for a nominal pension. Most would have 20 years service. The retiring rank for officers who go on to take appointments in the public service is for the most part that of Captain or Commandant. These would have retired at various ages ranging from their early thirties to their mid forties.

In deciding to retire from the Defence Forces many considerations would have been taken into account by these officers, one of which would have been the knowledge that they would receive a pension, which they had earned by virtue of their rank and service in the Defence Forces. Considerations would have included an assessment of their further promotion prospects within the Defence Forces, the ages of their children (who may now be dependants until their parents are in their sixties) and importantly the early mandatory retirement ages for members of the Defence Forces. The prospects of securing, into their sixties, the ability to support their family is a critical factor in deciding to leave and avail of the much higher retiring age available within the general public service.

The Defence Forces Pensions Schemes are designed to reward service to the State and to incentivise early retirement from the Forces. The State benefits from having a young age profile in the Defence Forces and highly trained and qualified people available for Public and Private Employment. In recent decades the Defence Forces pensions arrangements were insufficiently attractive to maintain a low enough age profile in the Defence Forces. This Bill, as drafted, will not improve this situation.

Therefore the critical incentive for members of the Defence Forces to avail of the early retirement facility and to embark in their thirties and forties on the uncertainty of a new career is the support their Defence Forces pension provides to them. It is part of the reasonable expectations they make when considering this decision to retire. However, it now appears that if their new employment is within the public service, as opposed to the private or the semi-State sector, they stand to have some, if not all, of their earned Defence Forces pension forfeited. In essence their military service to the State over a period of twenty years – a service that has resulted in some paying the ultimate price – is valued at nothing.

3. The 40 year provision

Section 51(5) of the Bill, as drafted raises another potential difficulty for retired members of the PDF, by providing that:

“no more than the equivalent of 40 years’ service in total may be taken into account in calculating any pensions or lump sums payable under the Scheme or those schemes”.

It appears that this provision sets out to prevent any person from qualifying for more than one full pension, since generally a full pension requires 40 years qualifying service. How is this provision to be applied to members of the Defence Forces who also have both voluntary and mandatory early retirement regulations? There is no definition or interpretation provided in the Bill as to what is meant by the *“equivalent of 40 years service in total”*. How would this provision be applied to a former officer who retired on full pension on the mandatory retirement age of 50

for his rank after 30 years service? Would his 30 years actual service be construed as being the “*equivalent of 40 years’ service*”, because he had maximised his military pension?

The provisions of this Bill appear to make it significantly more attractive for a member of the Defence Forces taking early retirement on pension to seek subsequent employment in the private sector or in the commercial semi-State sector (the ESB, CIE, Bord na Mona, Coillte, DAA, BGE, RTE or the VHI, all listed in the Schedule attached to the Bill as *Bodies to which the Definition of “public service body” does not apply*), without any risk of abatement of their service pensions. The State will thus lose the services of people whose expertise was paid for by the State.

Section 51(4) of the Bill provides that:

“the Minister may, at his or her discretion waive the application of subsection (1) in any particular case, including a case involving a class of person or persons.”

It should be possible under the waiver authorised by this subsection to include former members of the Defence Forces who have retired before reaching a certain age. This would retain the incentive of early retirement from the Defence Forces and would encourage personnel contemplating a career after retiring to depart before reaching that age. It would also grant those who had given service in the Defence Forces due recognition for their service to the State.

Members of ARCO have already taken cuts to their pensions and have seen their tax bill increase significantly. It is therefore difficult to understand why retired officers are being targeted in this specific manner.

The Executive Committee of ARCO would welcome an opportunity to meet with you to discuss its concerns.

Brian O’Connor

Brian O’Connor (Col Retd)

President

Association of Retired Commissioned Officers