

Mr. Kevin Duffy

Chairman

Public Service Pay Commission

Earlsfort Terrace

Dublin 2

13 January 2017

SD 17/1
Dear Kevin,

Re: Public Service Pay Commission (“Commission”)

I refer to your letter of 23 November 2016, the submission by this Department to the Commission of 30 November, and the Department’s meeting with the members of the Commission on 12 December last.

You will recall in our meeting with the Commission that the issue of work by this Department in relation to the updating of the valuation of pensions as part of the remuneration package available to public servants was referenced. This Department undertook at the meeting to respond to your earlier correspondence in the context of our outline of the proposed work including the methodology, assumptions and timeline which will inform our further substantive submission on this issue which was signalled to the Commission in our submission of 30 November 2016.

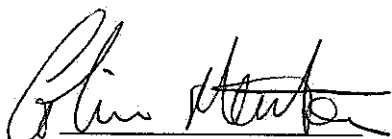
The Department considers that the relative value of public service pensions is a significant component of pay remuneration and that the value of this element is greater now than it has been historically. The benefits of the pension arrangements for public service employees are significant and have likely increased the value of pensions from the 12% discount that was utilised in the 2007 Benchmarking Report. Accordingly the Department takes the view that the Commission should ensure that appropriate account is taken of the full value of public service pension terms when considering remuneration terms of public servants.

The Department is currently working on an actuarial assessment of public service occupational pension obligations in order to meet its obligations under EU Regulation (EU) 549/2013. The early data output from this project will be utilised to prepare an actuarial assessment of the value of public sector pensions drawing upon work previously done by the Benchmarking Body in 2007.

The report will be prepared in house in this Department but will be subject to peer review by an external actuarial firm at two stages. The methodology and assumptions to be adopted for the purposes of the report by the Department will be reviewed at the initial stage (STAGE 1) and we expect this element will be completed, subject to retention arrangements for peer review being finalised shortly, by early February. The second element of the proposed peer review will comprise a review of the calculations and the internal report together with an overview and comparison with the private sector pensions landscape (STAGE 2). We expect to have the report finalised and our submission to the Commission by mid-March 2017.

This Department is happy to provide the Commission with updates on a regular basis if the Commission considers this helpful. The Department has also indicated to the Public Services Committee that it is also making this facility available to its nominated actuary as we progress this work across the coming weeks.

I trust you will find the information set out above of assistance to the work of the Commission.

A handwritten signature in black ink, appearing to read 'Colin Menton', written over a horizontal line.

Colin Menton

Assistant Secretary

Remuneration, Industrial Relations and Pensions Division