Public Service Pay Commission (PSPC)

The Alliance of Retired Public servants (ARPS) notes that for its initial report "the Commission will be asked to provide inputs on how the unwinding of the Financial Emergency Measures in the Public Interest legislation should proceed…"

The FEMPI legislation has had a very serious negative impact on public sector pensions and the unwinding of FEMPI must encompass the unwinding of cuts imposed on retired public sector workers.

Accordingly, the Alliance calls on the Commission to ensure that retired public sector workers are comprehended by its recommendations.

This paper summarises how the FEMPI legislation has impacted on public sector pensions and sets out the key priorities of the Alliance in relation to:

- Reversal of cuts to public sector pensions
- Pension Parity; and
- Representation for retired workers

Background of FEMPI in relation to retired public servants

The Public Service Pension Reduction (PSPR) is a cut to the pensions of retired public servants (and to the pensions of their surviving dependents). .

PSPR came into effect on 1 January 2011. It was introduced initially under the *The Financial Emergency Measures in the Public Interest Act 2010*. and has been amended and extended under subsequent legislation.

An exemption threshold €12k initially applied i.e. the percentage reduction was applied to the amount of annual pension over €12k.

The amount of the PSPR deduction varies depending on the retirees date of retirement and the amount of the pension

The rates at 31 December 2015 were as follows:

Retired prior to 1 March 2012

(A) Pension up to €34,132 per annum

PSPR rates @ 31 December 2015	Up to 12K	Exempt
	12K to 24K	6%
	24K to €34,132	9%

(B) Pensions over €34,132 per annum

PSPR rates @ 31 December 2015	Up to 12K	Exempt
	12K to 24K	8%
	24K to €60k	12%
	60K to 100K	17%
	100K +	28%

Retired from 1 March 2012

(C) Treatment of pension under €32,500 per annum

There is no deduction for PSPR for public servants who retired from 1 March 2012 onwards for pensions up to €32,500.

Retired from 1 March 2012

(D) Treatment of pension over €32,500 per annum

PSPR rates @ 31 December 2015	Up to 12K	Exempt
	12K to 24K	2%
	24K to 60K	3%
	60K to 100K	5%
	100K +	8%

Partial Reversal of pension cuts

The Financial Emergency Measures in the Public Interest Act 2015 provided for a partial reversal of the pension cuts imposed on public service employees under earlier "FEMPI" legislation. The partial reversal is to be achieved mainly by raising the exemption threshold at which PSPR is applied in 3 phases: 1 Jan 2016, 1 Jan 2017 and 1 Jan 2018as follows:

Retired prior to 1 March 2012

(A) Revised PSPR rates pensions: up to €34,132 per annum

(i)	1 Jan 2016	Up to 18,700K	Exempt
		18,700K to 24K	6%
		24K to €34,132	9%
(ii)	1 Jan 2017	Up to 26K	Exempt
		26K to €34,132	9%
(iii)	1 Jan 2018	Up to €34,132	Exempt

(B) Revised PSPR rates pensions: over €34,132 per annum

(i)	1 Jan 2016	Up to 17K	Exempt
	`	17K to 24K	8%
		24K to 60K	12%
		60k to 100K	17%
		100K +	28%
(ii)	1 Jan 2017	Up to 22K	Exempt
		22K to 24K	3%
		24k to 60K	12%

		60K to 100K	17%
		100k +	28%
(iii)	1 Jan 2018	Up to 30K	Exempt
		30K to 60K	12%
		60K to 100K	17%
		100K +	28%

Retired from 1 March 2012

(C) Revised PSPR rates pensions: under €32,500 per annum

There is no deduction for PSPR for public service retirees from 1 March 2012 onwards for pensions up to €32,500.

(D) Revised PSPR rates pension: over €32,500 per annum

(i)	1 Jan 2016	Up to 29,300K	Exempt
		29,300K to 60K	3%
		60K to 100K	5%
		100K +	8%
(ii)	1 Jan 2017	Up to 39K	Exempt
		39K to 60K	2%
		60K to 100K	5%
		100K +	8%
(iii)	1 Jan 2018	Up to €60K	Exempt
		€60K to 100K	5%
		100K +	8%

Position of the Alliance in relation to FEMPI 2015

The Alliance welcomes the 2015 FEMPI legislation that allows for a partial reversal of the cuts to pensions of retired public servants and acknowledges that by 2018 a majority of retired public servants will be exempt from PSPR. However, PSPR is set to remain for many retirees and at high rates.

The Alliance remains of the view that the emergency legislation introduced to cut public service pensions is no longer warranted or justified and should be repealed and pensions fully restored.

It is now over 6 years since the pensions of retired public servants were cut. It is punitive and unfair that an older cohort of former public service workers should have a lengthy restoration process.

We are therefore of the view that the restoration of pensions should be significantly accelerated. This position is supported by the Public Service Committee (PSC) of ICTU which states in its submission to the Commission: "…almost 50% of public service pensioners are in receipt of pensions of less than €20,000 a year. For this reason, as part of the LRA process, the PSC was happy to lend its support to the Alliance of Public Service Pensioners in its attempt to undo the cuts to public service pensions at a faster rate than pay for serving workers. The PSC continues to support that principle and urges the PSPC to assist in its progression."

Position of the Alliance in relation to future increases for retirees

The mechanism for determining future increases to public sector pensioners is a significant concern to the Alliance. The Alliance has a very clear view: We believe that the pensions of retired public sector workers should be linked to the pay increases awarded to serving staff. This is in accordance with custom and practice in the public sector for many decades where pay increases awarded to serving staff applied on a parity basis to retired public servants. In addition many retired public servants hold formal personal retirement letters of undertaking from their former employer to the effect; "*Post retirement pension increases, as have always been the case will be implemented with a direct link to the equivalent serving staff member grade of your former employer."*

The Alliance is of the opinion that any change to such arrangements in the absence of consultation and agreement would be a breach of contractual obligations.

The financial implications of any change to existing arrangement would be particularly serious for those retired public servants on modest and low pensions.

We note that salary scales of up to €65,000 for serving staff are set to increase by €1,000 from 1 April 2017. A pro rata increase should apply to retired workers.

Public sector retirees on pensions of under €12,000 were exempt from the "FEMPI" cuts and as a result are not encompassed by the phased restoration. This cohort of retired workers have seen no increase in their pensions since 2007 and this position needs to be addressed as a matter of urgency.

Position of the Alliance in relation to representation.

Retired public servants have had their pensions significantly reduced in recent years. This has caused significant worry and distress to many. Their anxiety has been compounded by a sense of powerlessness.

Officials' from the Department of Public Expenditure and Reform have facilitated meetings with the Alliance on a number of occasions. While these meetings have been welcome and helpful they are of an informal nature extended as a courtsey. Informal contact on the margins of official negotiations is no longer acceptable or satisfactory.

Therefore the Alliance believes that it is now appropriate to put in place a formal mechanism to facilitate the engagement of retired State employees with Government on matters affecting pensions and any other matter that impacts on our status as retirees.

Thurs 26 Jan