



Representative Association of Commissioned Officers  
Cromhlachas Ionadaitheach na nOifigeach Coimisiúnta



**Mr. Kevin Duffy.**  
**Chairman Public Service Pay Commission.**  
**Stephens Green House,**  
**Dublin 2.**

**07 March 2017**

**RACO Submission to the PSPC**

Reference 'A': Letter from PSPC dated 20 January 2017.  
'B': Report by Trident Consulting (Independent Actuarial Consultants).  
'C': Letter from Department of Defence to RACO dated 22 February 2017.  
'D': Letter from RACO to Minister for Defence dated 12 January 2017.  
'E': Letter from RACO to Chair of the LRA Implementation Body dated 26 January 2017.  
'F': CCR 421 – Defence Sector Arrangements- Post 1995 Officers Class A PRSI. See Annex 'C'

Dear Chairman,

1. RACO's submission to PSPC was presented on 23 November 2016 in accordance with the Terms of Reference and invitation to contribute. At our meeting on 19 December 2016, RACO discussed our submission with the Commission while also submitting an additional paper highlighting key differentiators between the conditions of service of Defence Forces Commissioned Officers relative to that of Public Servants. RACO believe that the key differentiators of military service are particularly relevant where the PSPC may be evaluating pay & superannuation arrangements.
2. This follow-on submission is in response to your recent communication (letter 20 January 2017) where the PSPC referenced an exercise currently being conducted by DPER on evaluating public service pensions. Organisations who have views on the matter were invited to contribute through a forum facilitated by the PSPC.
3. **Evaluation of Defence Force Pension and Conditions of Service**
  - a. RACO's previous submissions clearly noted the following points with respect to Defence Forces superannuation arrangements for Commissioned Officers;
    - i. There are 4 x types of Superannuation Scheme currently in operation. Since 1995, pensions schemes are integrated with the Social Insurance schedule. The Single Pension Scheme, introduced in January 2013, has significantly reduced the final benefits paid to Defence Force officers while they are now based on career average earnings and higher personal contributions.

- II. Forced early retirement age *is not a benefit to the individual*. Forced early retirement age are a prerequisite of military organisation and only of benefit to the Defence Forces organisation to ensure military personnel are “fit for the duties they perform”.
  - III. Compulsory retirement ages from 54-58 fail to provide a career earning potential equivalent to other Public Servants who serve to 65-68 years.
  - IV. This earning potential deficit, relative to Private and Public Sector equivalents, can be anywhere in the region of 10%-19% depending on the rank. This earning potential shortfall comes at a point where 30-year mortgages and the ability to support a child’s 3<sup>rd</sup> level education is *seriously compromised by forced early retirement ages*.
4. In support of points presented during our meeting with the PSPC, RACO commissioned Trident Consulting (Independent Actuarial Consultants) to conduct an analysis of career pay and superannuation arrangements of Defence Force Officers relative to other Public Servants. This report is attached (See Ref ‘B’). *This report clearly identifies key differentiators of Defence Forces service demonstrating the **negative financial impact** of “career service” for Defence Force commissioned officers relative to equivalent grade Public Servants.*

**The negative findings are the consequence of the restricted career span due to compulsory retirement at ages (54-58-60) significantly lower than Public Servants (66-68).**

The key findings include;

- a. In total, a Defence Force Officer is projected to receive **€1.02m to €1.77m** lower remuneration over their lifetime factoring pay plus pension (less pension contributions) than an equivalent grade public servant retiring at 68 years of age.
- b. The greatest impact is the difference between pensions and salary between the mandatory retirement ages of between 58 for a Defence Force Officer (Commandant rank) and 68 (Public Servant- all grades) but with a significant long term differential in pension entitlement making a substantial annual and cumulative lifetime difference.
- c. The total value of remuneration for a Defence Force Officer forced to retire at 58 is **significantly less** than that of an equivalent grade public servant retiring at 68.

### **Pre-01 January 2013- Final Salary Based**

- i. **13% less** for a final salary member where the supplementary pension arrangement is not applied.
- ii. **10% less** for a final salary member allowing for the payment of the supplementary pension where meeting the Defence Sector criteria as outlined in CCR 421- Annex 'C' (see Ref 'F').

### **Post 01 January 2013- Single Pension Scheme Member**

- i. **19% less** for a single scheme member where the supplementary pension arrangement is not applied.
  - ii. **15% less** for a single scheme member allowing for the payment of the supplementary pension where meeting the Defence Sector criteria as outlined in CCR 421- Annex 'C' (see Ref 'F').
5. These findings challenge the perception of Public Service pay & superannuation benefits as they apply to Defence Force Commissioned Officers. These findings reinforce the negative impact of “forced early retirement” on the financial viability of career service in the Defence Forces. This report identifies clear and separate financial distinctions with respect to the implications of “forced early retirement” on commissioned officers relative to other Public Servants and the failure by Government policy to recognise, factor and address these obvious anomalies in pay and pension arrangements of our members. *RACO have been excluded from pay and pension negotiations.*
  6. From 1995, Defence Force Commissioned Officers pay a PRSI Class A contribution and their pensions are fully integrated with the social welfare system. In recognition of the implication of “forced early retirement” on Defence Force officers, RACO entered an agreement with the Department of Defence in 2009 after consultation between the Departments of Finance and Social Welfare. Such Defence Force officers, where fulfilling the agreed criteria, qualify for a supplementary pension provided for by agreement in CCR 421- Annex 'C' (Ref 'F'). The retirement age for the rank of Commandant was increased from 56 to 58 to facilitate this arrangement for PRSI Class A officers.
  7. The Department of Defence has recently declared (see Ref 'C') that the terms of CCR 421 agreement will not apply to those inducted since 01 January 2013 under the Single Pension Scheme. *This is the first such notice that RACO has received in this context.* The Department of Defence has stated that the Single Pension Scheme Act 2012 does not provide for the arrangement of a “supplementary pension”. *No consultation has taken place with RACO on this matter.* None of the conditions upon which the Department of Defence have committed and agreed the terms of CCR421 have changed in any way. The Department’s retraction from the terms of the arrangement and its application to “post 1995 officers” is in contradiction of the grounds upon which the arrangement was agreed and is seen

by RACO as a clear breach of CCR421.

8. In summary, it is clearly evident that forced early retirement age *is not a benefit to the individual* but is, in fact, a significant negative factor on those who commit to Defence Forces career service. Mandatory retirement from the workforce at ages which preclude continued employment in other sectors are a factor which should be recognised in the design of pay & superannuation arrangements of military service. When benchmarked against other Public Servants, not only in career salary but additionally with respect to the rate of pension pay on retirement, the financial implications are stark. *These issues will certainly impact on the future viability of career service in the Defence Forces and the retention of expertise in which the Defence Forces has invested.*
9. **As a consequence of the Department of Defence position, RACO request the PSPC recommend to Government the continuance and application of CCR 421 for new entrants joining post 01 January 2013 in the clear recognition of the grounds upon which the arrangement was agreed and in recognition of the punitive and negative remuneration implications on those officers relative to equivalent grade Public Servants. Failure to address this significant issue will undoubtedly escalate the retention challenges currently facing the Defence Forces.**
10. **Organisation – Manning Levels and Job Profile/Productivity**
  - a. RACO’s submission provided detail and context to the current manning crisis in the Defence Forces. It emphasises the additional workload on those serving.
  - b. Defence Force Commissioned Officer’s numbers are running at 50% strength in operational units. This manning level crisis compromises optimal delivery of operational capabilities while increasing risk, compromising optimal governance and impacting on the well-being of our members. *The recent Climate Survey, published in June 2016, highlights these and other significant organisation issues.*
  - c. Commissioned Officers have led and managed the radical changes of the Defence Forces through out all economic situations. Defence Forces were downsizing when other sectors were increasing budget allocations and staffing numbers. The successful and continued delivery on operational objectives should not preclude or excuse Defence Sector management from addressing the obvious Human Resource inadequacies forced upon personnel by sectoral policy failures. Remuneration and conditions of service to meet the modern challenges of Defence Forces service must be addressed to ensure the Defence Forces remains “fit for purpose”. *The current Human Resource situation has now resulted in the dilution of both general and specialist military capabilities.*
  - d. Job profiles have changed and increased in line with modern developments and demands of military service. Pay restoration, future pay increase and

allowance review is in line with benchmark developments and continual productivity delivered by our members. *This continual productivity has been delivered in the absence of or threats of industrial action.*

- e. Risk, governance and wellbeing are issues of great concern to RACO as a consequence of the current manning level shortfalls. Recent reports by the Minister for Defence to the Oireachtas in January & February 2017 confirm the “staff retention” issues currently being experienced across the services of the Defence Forces which are now impacting on service level agreements with other State Agencies. An example being the forced withdrawal of Air Traffic Control Services and Inter hospital transfer of patients by the Air Corps. The most recent communication from the Department of Defence (Ref ‘C’) again references the staffing and retention crisis where it notes that up to 80 officers are leaving per annum.

## 11. National & Sectoral Industrial Relations Structures

- a. In our discussions with the PSPC, RACO highlighted our dissatisfaction with respect to our exclusion of meaningful and structured National Level Pay Talks and Sectoral Conciliation & Arbitration Schemes.
- b. In accordance with the PSPC Terms of Reference and in the context of ongoing national pay and pension reviews, RACO contend that our Association Members are being disadvantaged relative to other Public Servants. Unlike those union members of the ICTU, our Members and Association is being denied functional access to the States Industrial Relations Architecture and consequently a fair and reasonable forum through which we can conduct meaningful consultation and negotiation on pay, pension and service related issues.
- c. Since our meeting with the PSPC in December 2016, Government agreed that the WRC Garda settlement went beyond the terms of the LRA and agreed to talks with those other unions who had signed up to the LRA. Those negotiations – between the officers of the ICTU Public Services Committee (PSC) and officials in the Department of Public Expenditure and Reform (DPER) – began in December 2016 and concluded in mid-January 2017. The agreement reached received Cabinet approval on 17th January 2017. **RACO was excluded from these negotiations.**
- d. The exclusion of RACO was in contradiction of Minister Donoghue’s statement “under the first phase, parties to the Lansdowne Agreement were invited to discussions under Section 6 (oversight and governance arrangements) of the Agreement. These discussions were designed to address anomalies arising from the Labour Court recommendations to an Garda Síochána” (DPER website dated 17 January 2017). **These discussions excluded RACO who we understood to be a party to the LRA.**

- e. Our Association communications with both the Minister for Defence and Chair of the Lansdowne Road Agreement are attached (Ref 'D' & 'E'). These communications highlight our Association members concerns while, in addition, requested meaningful consultation and negotiation. **No response has been received.**
- f. It would appear to our members that Government's attention is only focused where unions and associations agitate aggressively and apply the threat of industrial action. *Our Association's considered communication and attempt to engage in an established process is continually ignored.*
- g. It is for such reasons that the Association requests that the PSPC factor this deliberate exclusion from the States Industrial Relations Architecture recognising that the Association has no credible forum of Industrial Relations to engage and negotiate pay and related issues. **It is in the context of Government's refusal to address the Industrial Relations disparity of Defence Force Representative Associations that RACO are requesting the PSPC, in recognition of the identified exclusions and engagement, to recommend an Independent 3<sup>rd</sup> Party Review of the Parallel Process and Defence Sector Conciliation & Arbitration Scheme.** *If Government considered that similar IR structures and IR processes were inadequate for engagement with the Gardaí, why are the Defence Forces being subjected to such ongoing deficient and second class IR systems?*
12. RACO request that the PSPC factor these key service issues when evaluating Defence Force pay and superannuation arrangements in the context of the Public and Private Sector. The negative remuneration (pay & pension) impact of Defence Forces officers separates our service terms & conditions from the average Public Servant. DPER's review of pensions, as referenced in your letter dated 20 January 2017, should identify this significant finding. Attracting and retaining the best candidates for the commissioned ranks of the Defence Forces must be cognisant of the increased and rigorous demands of military service, limitations imposed by commitment to a career in military service relative to conditions offered by other more attractive Public Service and Private Sector appointments.
13. RACO wishes to thank the Chairman and Members of the PSPC for their invitation to discuss the associations submission and their engagement on issues identified in our submissions. The Association is available to discuss any matter relating to our submissions at your convenience.

Yours sincerely,

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**(Earnán Naughton)**  
**Commandant**  
**General Secretary RACO**

An Coimisiún um Pá na Seirbhíse Poiblí  
PUBLIC SERVICE PAY COMMISSION

St Stephen's Green House, Dublin 2.

Comdt Earnán Naughton  
General Secretary  
RACO, Unit 12  
4075 Kingswood Road  
City West Business Park  
Dublin 24

20 January 2017

  
Dear Comdt Naughton,

As you are aware the terms of reference of the Public Service Pay Commission (the Commission) state that when reaching its findings the Commission shall take into account the superannuation and other benefits applying in the public service.

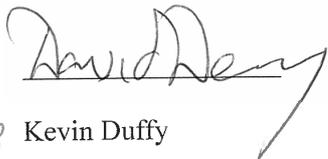
In its submission to the Commission of 30 November 2016, the Department of Public Expenditure and Reform signalled its intention to undertake an exercise which would update the valuation of pensions for public servants.

In this regard please see enclosed a copy of a letter from the Department of Public Expenditure and Reform explaining their intended procedure for assessing the relative value of public service pensions. The methodology and assumptions adopted by Department of Public Expenditure and Reform for this exercise will be shared with all stakeholders in early February.

The Commission will be considering the matter of public service pensions in light of, inter alia, the Department of Public Expenditure and Reform's report in mid-March 2017. If your organisation wishes to forward views on these matters to provide an input to these

deliberations, all correspondence should be forwarded to the Commission before 13 March 2017.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Kevin Duffy". The signature is written in a cursive style with a long, sweeping tail that extends downwards and to the right.

*plb* Kevin Duffy

Chairman

Mr. Kevin Duffy

Chairman

Public Service Pay Commission

Earlsfort Terrace

Dublin 2

13 January 2017

DD 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.

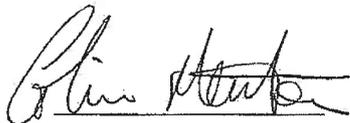
The Department considers that the relative value of public service pensions is a significant component of pay remuneration and that the value of this element is greater now than it has been historically. The benefits of the pension arrangements for public service employees are significant and have likely 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.



**Colin Menton**

**Assistant Secretary**

**Remuneration, Industrial Relations and Pensions Division**

Analysis of career  
remuneration and value  
of pension benefits of  
Defence Forces  
Commissioned Officers  
relative to equivalent  
grade Public Servants

28 February 2017

300A CATHEDRAL COURT, NEW STREET, DUBLIN 8 WWW.TRIDENTCONSULTING.IE PHONE 01 4853885

TRIDENT BENEFIT CONSULTING LTD T/A TRIDENT CONSULTING, PENSION SOLUTIONS IS REGISTERED IN IRELAND NUMBER 416364  
REGISTERED OFFICE AS ABOVE DIRECTORS: JOHN O'CONNELL, ISABEL RYAN

## **1. Introduction and purpose of report**

The purpose of this report is to assess the career remuneration of Defence Force Officers and analyse the value of their superannuation benefits relative to equivalent grades of the Public Service.

For the purpose of this report and to demonstrate the differential between Defence Force Officers and Public Servants, the rank of Commandant is used with a forced retirement age of 58. The rank/grade equivalent with the Public Service is as follows;

Commandant = [HEO+APO] / 2

## **2. Executive Summary**

This report is based on the salary and career progression shown in Appendix 2 and compares the net remuneration of a Defence Force Officer whose earnings follow the progression stated with a comparable public servant who retires at age 68.

While the value of the pension benefit per year of service is higher for Defence Force Officers, based on a fast accrual model for uniformed services forced to retire early from the workforce, the pension now delivered by the Single Scheme is significantly lower and the overall net remuneration is significantly lower for Defence Force Officers based on the normal career span.

The value to Defence Force Officers of participation in the Single Scheme is of course lower than the value of participation in the prior final salary scheme but the relative value of participation of Defence Force Officers has been diluted significantly as part of the Single Scheme design. A consequence is that the benefits on retirement for Defence Force Officers who participate in the Single Scheme are quite low and may question the viability of such Officers retiring at an earlier age. This is an issue which may take many years to surface as recently recruited Single Scheme members reach the envisaged retirement age, which is now a contractual retirement age.

While the final salary design adequately accommodated the earlier retirement through accelerated accrual, the accelerated elements of the Single Scheme design will not deliver pensions equivalent to those public servants who can work for longer.

The overall remuneration differential between a Defence Force Officer forced to retire at 58 and equivalent Public Servant retiring at 68 ranges between €1.02m and €1.77m in value; and is

- (i) 13% less for a final salary member ignoring supplementary pension
- (ii) 10% less for a final salary member allowing for supplementary pension
  
- (iii) 19% less for a single scheme member ignoring supplementary pension
- (iv) 15% less for a single scheme member allowing for supplementary pension

### 3. Superannuation Arrangements- Defence Forces & Public Service

#### a. Pre 01 January 2013 Pension Scheme Arrangements

A defined benefit final salary based scheme applies for public servants employed before 1 January 2013. The terms of the scheme were altered over time but the terms for Full PRSI (Class A) who joined on or after 1 April 2004 are as outlined below.

Final salary scheme	Normal Public Servants	Defence Force Officers
<b>Retirement age</b>	65 with an ability to retire earlier	58 for those at Commandant rank
<b>Pension earned in a year</b>	1/200 of pensionable remuneration up to 3.5 times the State pension Plus 1/80 of any pensionable remuneration above 3.5 times the State pension	Same formula designed to give max pension & gratuity at 30 years as opposed to 40 years.
<b>Lump sum earned in a year</b>	3.75% of pensionable remuneration	
<b>Public servant's contribution</b>	3.5% of net pensionable remuneration <sup>1</sup> plus 3.0% of pensionable remuneration	

#### b. Post 01 January 2013- Single Pension Scheme Arrangements

The Single Public Service Pension Scheme ("Single Scheme") commenced with effect from 1 January 2013 and is applicable in general to all new entrants to pensionable public service employment on or after 1 January 2013. The Single Scheme provides retirement benefits as summarised below, with the benefits being based on earnings throughout a public servant's career rather than the traditional public service approach of basing benefits on the salary at or close to retirement.

Single scheme	Normal Public Servants	
<b>Retirement age</b>	State pension age	58 for those at Commandant level
<b>Pension earned in a year</b>	0.58% of pensionable remuneration up to 3.74 times the State pension Plus 1.25% of any pensionable remuneration above 3.74 times the State pension	0.58% of pensionable remuneration up to 3.74 times the State pension Plus <b>1.43%</b> of any pensionable remuneration above 3.74 times the State pension
<b>Lump sum earned in a year</b>	3.75% of pensionable remuneration	<b>4.29%</b> of pensionable remuneration
<b>Adjustment for inflation</b>	The amounts accrued each year will be increased to reflect the CPI increase between that year and retirement.	
<b>Public servant's contribution</b>	3.5% of net pensionable remuneration plus 3.0% of pensionable remuneration	<b>4.2%</b> of net pensionable remuneration plus <b>3.3%</b> of pensionable remuneration

<sup>1</sup> Pensionable remuneration less twice the State contributory pension

**Note:**

1. Defence Force Officers pay an increased contribution relative to other Public Servants.
2. Defence Force Officers are forced to retire below the State Pension Age of 66 (going out to 68 in 2028) and have a decreased superannuation fund due to the limitations enforced by the career average earning model relative to other Public Servants.

While the defined benefit final salary model allowed for Defence Force Officers to pay the same to achieve the same benefits at an earlier age, the Single Scheme model provides for Defence Force Officers to pay more to achieve lower benefits.

Besides the contributions defined as part of the Single Scheme, public servants also pay a pension related deduction (PRD), which in 2017 is:

Earnings between €28,750 and €60,000	10.0%
Earnings over €60,000	10.5%

In addition, in common with other workers, public servants in the above categories are entitled to the State Pension (Contributory) and they pay the same PRSI contributions as private sector workers towards this pension. The scheme design incorporates allowance for the State Pension ensuring that there is no duplication of benefit.

This report is prepared for the purpose stated at the request of the Representative Association of Commissioned Officers and the contents and conclusions may not be used for any other purpose than that stated.

#### **4. Impact of forced early retirement on Defence Force Officers**

A shorter career span for Defence Force Officers where the majority are forced to retire at age 58 has the following consequences:

- Lower career earnings.
- Lower pension entitlement as pension based on lower retirement earnings.
- The ability to borrow money for house purchase is curtailed by calculations of ability to pay over a shorter time horizon. This may become more of a problem as the average age of home formation has increased significantly in recent years.

We have not factored into our report issues such as curtailed ability to borrow money but such factors should be taken into account by decision makers.

#### **5. Process of assessing value**

There are a number of stages in the process of assessing the value of the pension schemes to members:

- (1) We determine the sample officer(s) to be assessed: current earnings and projected growth in career earnings allowing for current salary scales

(2) We make assumptions with regard to the benefit and contribution structure, such assumptions including the following:

- (a) The Final Salary Scheme and the Single Scheme structures remain unchanged in future.
- (b) Future PRD
- (c) Future inflation
- (d) Future State pension growth
- (e) Future growth in salaries over and above scale increments
- (f) Life expectancy
- (g) The factors which should be used to adjust monetary values in a particular year to a common year of assessment<sup>2</sup>.

Some of these assumptions are straightforward but others require judgement. Where we have applied judgement, we have outlined the reasons for our choice of assumptions.

## 6. Assumptions

Our assumptions are as below and where explanation is warranted are explained in Appendix 1.

- **Rates of pay** as disclosed in this report are based on current career advancement profiles.
- **PRD bands** are increased in the future such that the percentage PRD of salary payable in the future is the same as would be payable in 2017 by a similarly experienced public servant.
- **Future inflation** is 1.5% p.a. on average<sup>3</sup>. We assume that pensions will increase in payment in line with inflation, for all of the schemes we are comparing.
- **Future State pension** growth is 0.75% p.a. on average above inflation.
- **Future growth in salaries** over and above salary increments is 0.75% p.a. on average above inflation.
- The possibility of death in service is ignored.
- **Life expectancy**

Assuming no future mortality improvements, our projections allow for 27.4 years' life expectancy for a male at the age of 58 (to age 85.4) and 19 years for a male at the age of 68 (to age 87). When we allow for future mortality improvements, our projections allow for 30.6 years' life expectancy for a male at the age of 58 (to age 88.6) and 21.9 years for a male at the age of 68 (to age 89.9).

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<sup>2</sup> This could be for instance adjustment to the present day or as we have done adjustment to values at the date of retirement.

<sup>3</sup> Consistent with Society of Actuaries in Ireland Statement of Reasonable Projection (SORP) assumptions (see below).

Our main results allow for future mortality improvements even though we have some concern over the reasonableness of multi-decade improvements against the background of an ageing society.

- **Discount rates:** it is necessary to adjust money values in different years to a common base.

For the purpose of determining the long-term cost of benefits as a percentage of pay, we have assumed an investment return of 4% pre-retirement and 3% post-retirement after the costs of operating a long-term portfolio. These assumptions are therefore 2.5% above inflation pre-retirement and 1.5% above inflation post-retirement and reflect conditions at the time of writing.

Charts of differences in net remuneration are based on current salary scales with no allowance for salary or pension growth. The estimated single scheme pension makes an adjustment for assumed price inflation of 0.75% below salary inflation.

- **Supplementary Pension**

Analysis has been conducted factoring both the inclusion and exclusion of the value of any supplementary pension in addition to occupational pension during periods in which the pension recipient is not employed and due to causes outside of his/her control fails to qualify for social insurance benefits.

The Single Pension Scheme provides for full integration with the range of Social Welfare Benefits to include the State Pension Contributory and also any Supplementary Pension payable.

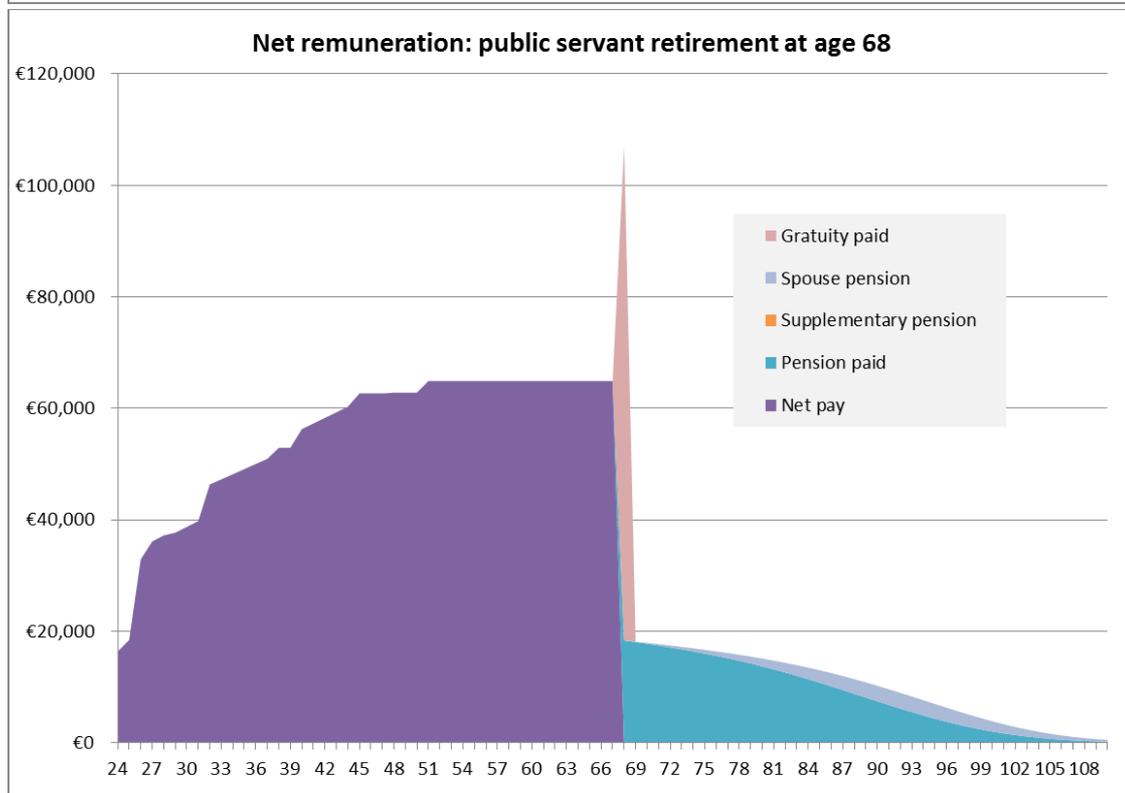
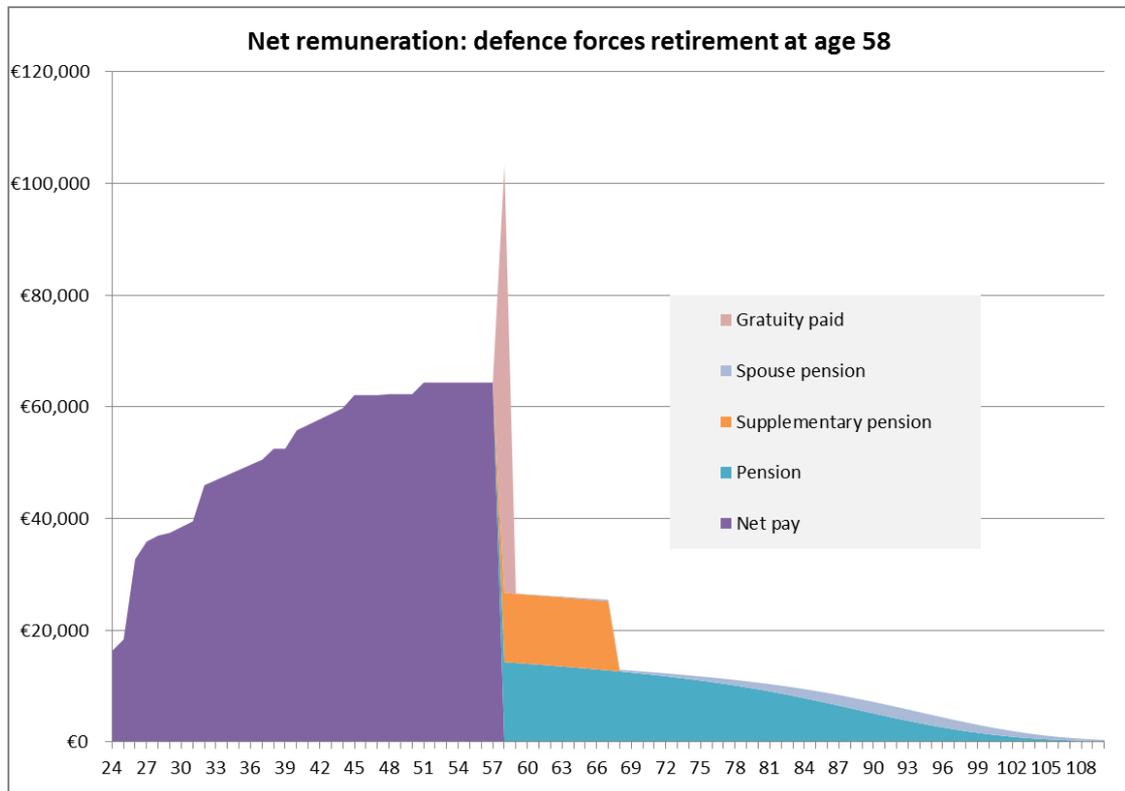
From 1995, Defence Force Commissioned Officers pay a PRSI Class A contribution and their pensions are fully integrated with the social welfare system. Such Defence Force officers, where fulfilling the agreed criteria, are eligible for a supplementary pension provided for by agreement in 2009 in CCR 421 (Annex C). The retirement age for the rank of Commandant was increased from 56 to 58 to facilitate this arrangement for PRSI Class A officers.

## REMUNERATION – PAY & PENSION

### 7. Results – Pre 2013 - Single Pension Scheme member joining at age 24

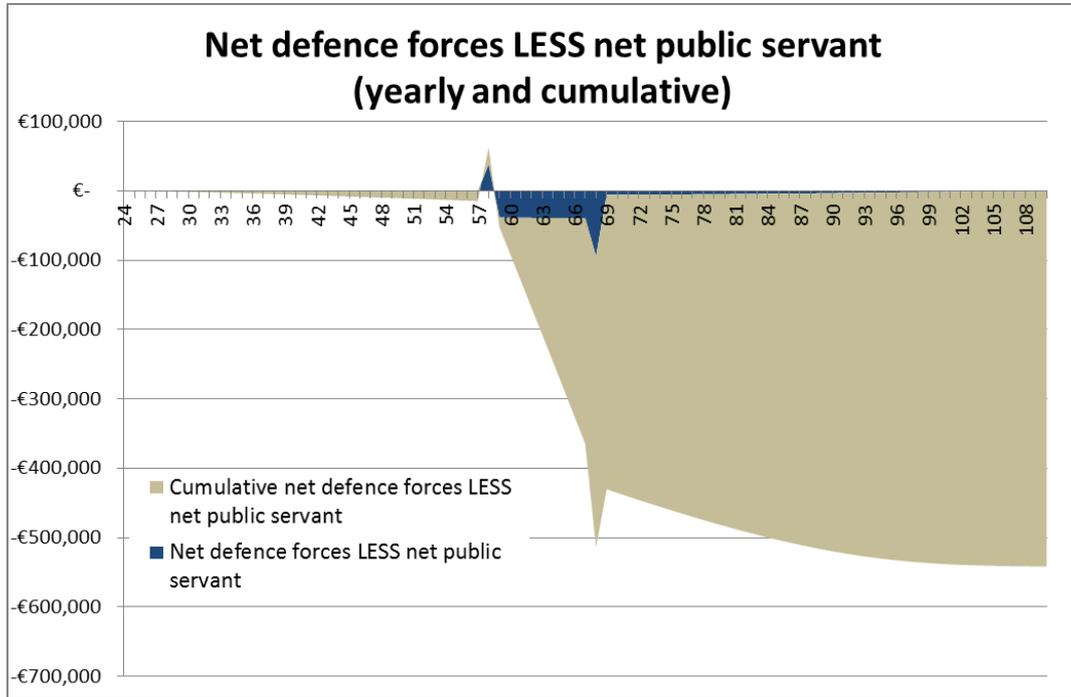
Assuming the supplementary pension is paid for each year from 58 to 68, and based on the progression of pay set out in Appendix 2 for a typical single scheme member, the total remuneration – pay plus pension less pension contributions – is shown in the charts below.

In subsequent charts “net pay” denotes pay less pension contributions less PRD.



This page: Single Scheme  
Allows for supplementary pension

The difference in net remuneration by age is shown below.



**Demonstrated by above charts:** In total, a Defence Force Officer is projected to receive €541,000 lower remuneration<sup>4</sup> over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68, with the bigger impact being the difference between pensions and salary from age 58 to 68 but with the long-term differential in pension entitlement also making a significant cumulative difference.

Allowing for future salary inflation and pension increases, the differential is €1.48m.

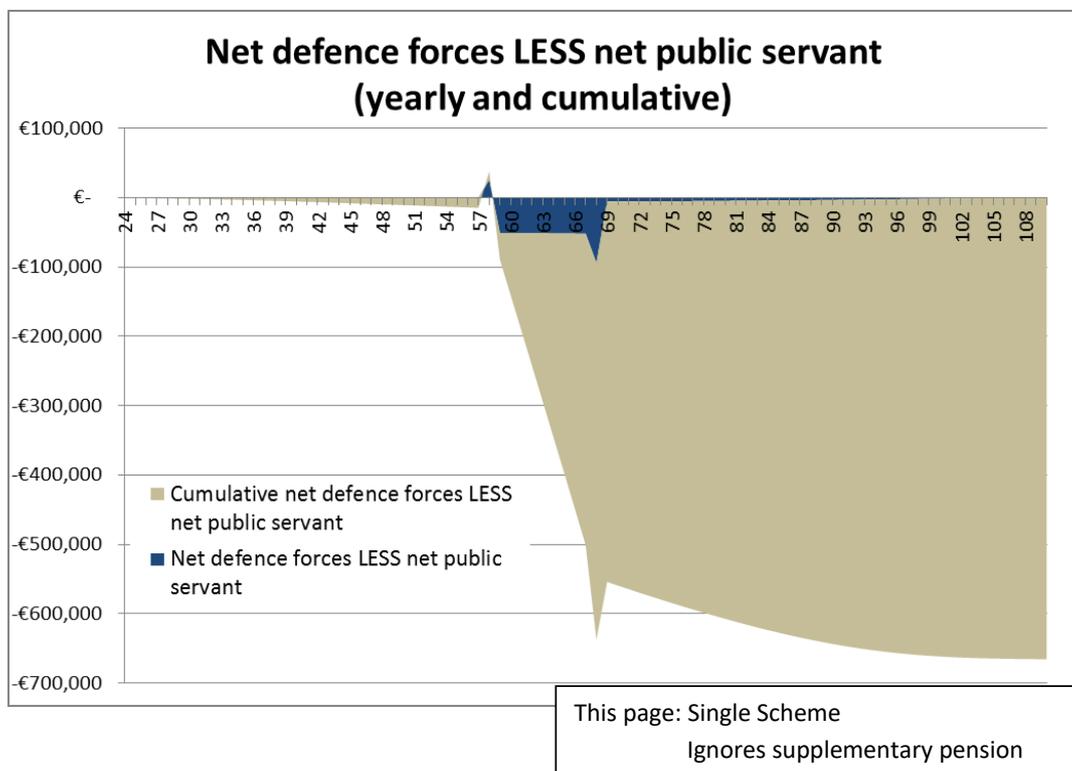
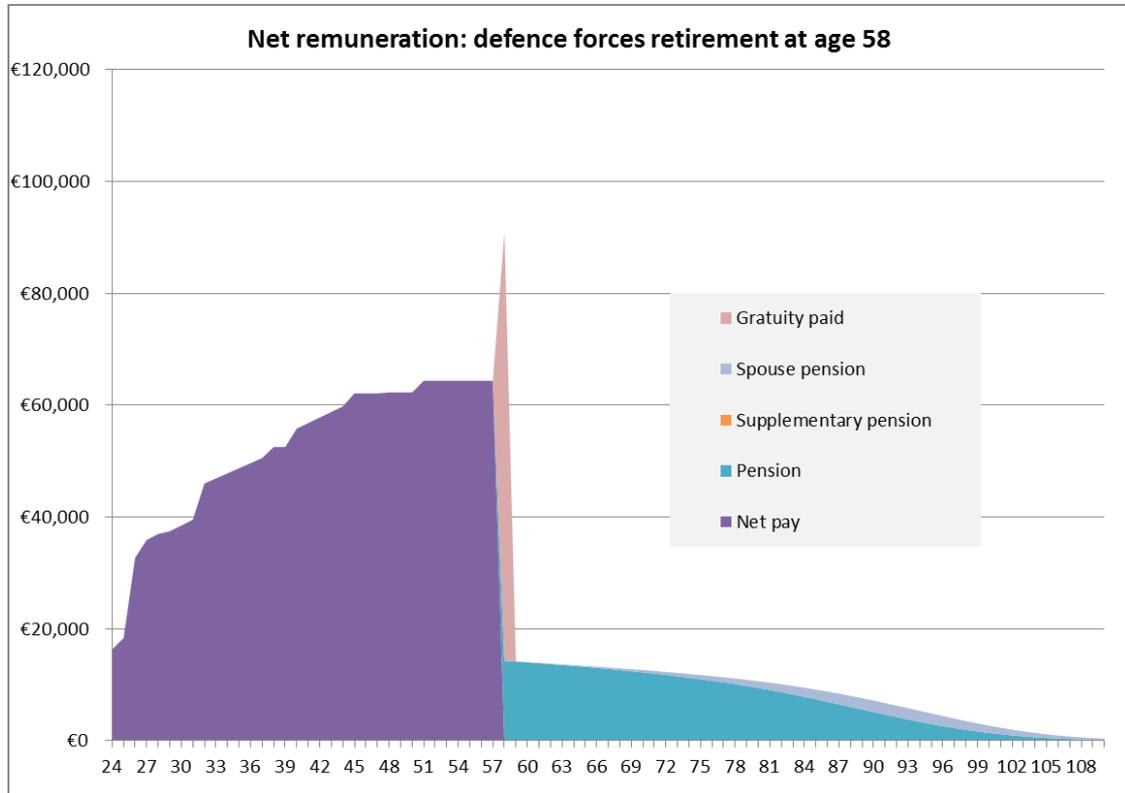
The total value of remuneration for an accelerated accrual employee retiring at age 58 is 15% less than that of an equivalent public servant retiring at age 68.

Ignoring PRD, the net benefit of participation after pension contributions is 16.9% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 11.9% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

<sup>4</sup> This figure does not take into account future salary inflation or future pension increases. It is therefore reflective of current salary scales and purchasing power.

This page: Single Scheme  
Allows for supplementary pension

As supplementary pension may not be paid in all circumstances, we have also estimated the position ignoring supplementary pension:



**Demonstrated by above charts:** Ignoring supplementary pension, a Defence Force Officer is projected to receive €665,000 less remuneration (ignoring future salary and pension increases) over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68.

Allowing for future salary inflation and pension increases, the differential is €1.77m.

Adjusting the annual position for the present value of money, the total value of remuneration for an accelerated accrual employee retiring at age 58 is 19% less than that of an equivalent public servant retiring at age 68.

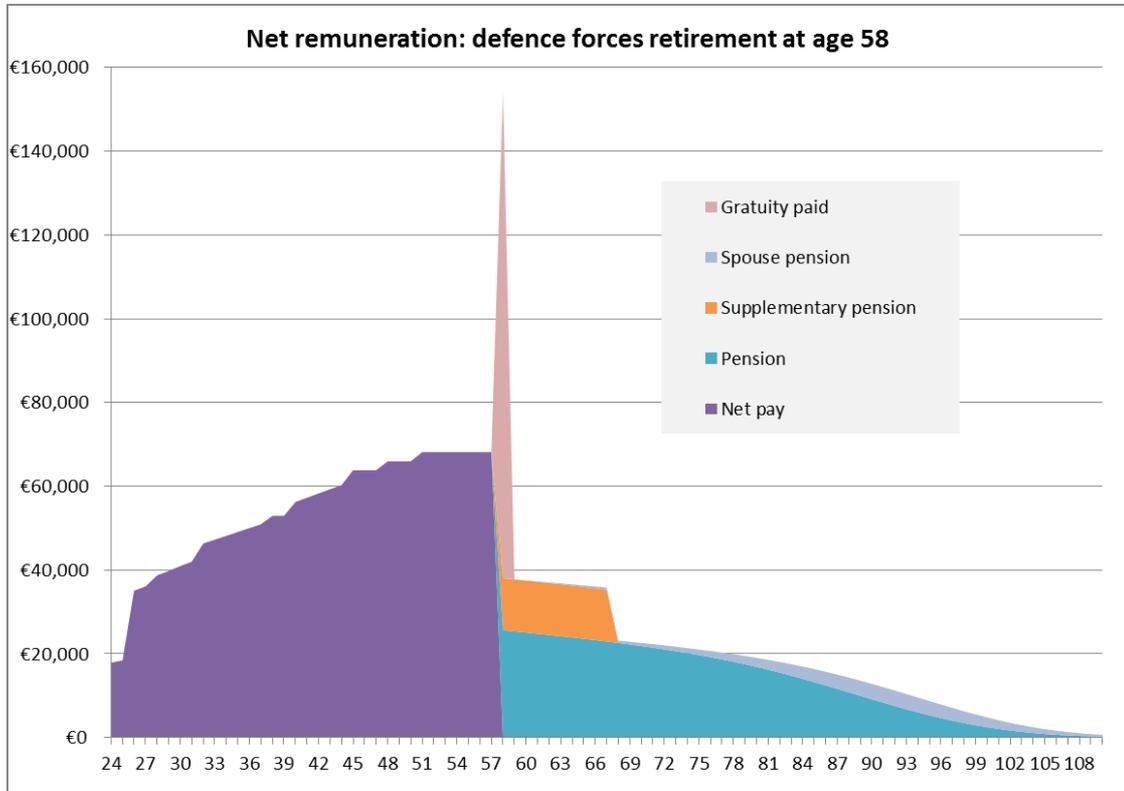
Ignoring PRD, the net benefit of participation after pension contributions is 12.2% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 7.2% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

The projected benefits at retirement for Defence Force Officers who participate in the Single Scheme are a matter of concern and appear low in the context of forced retirement.

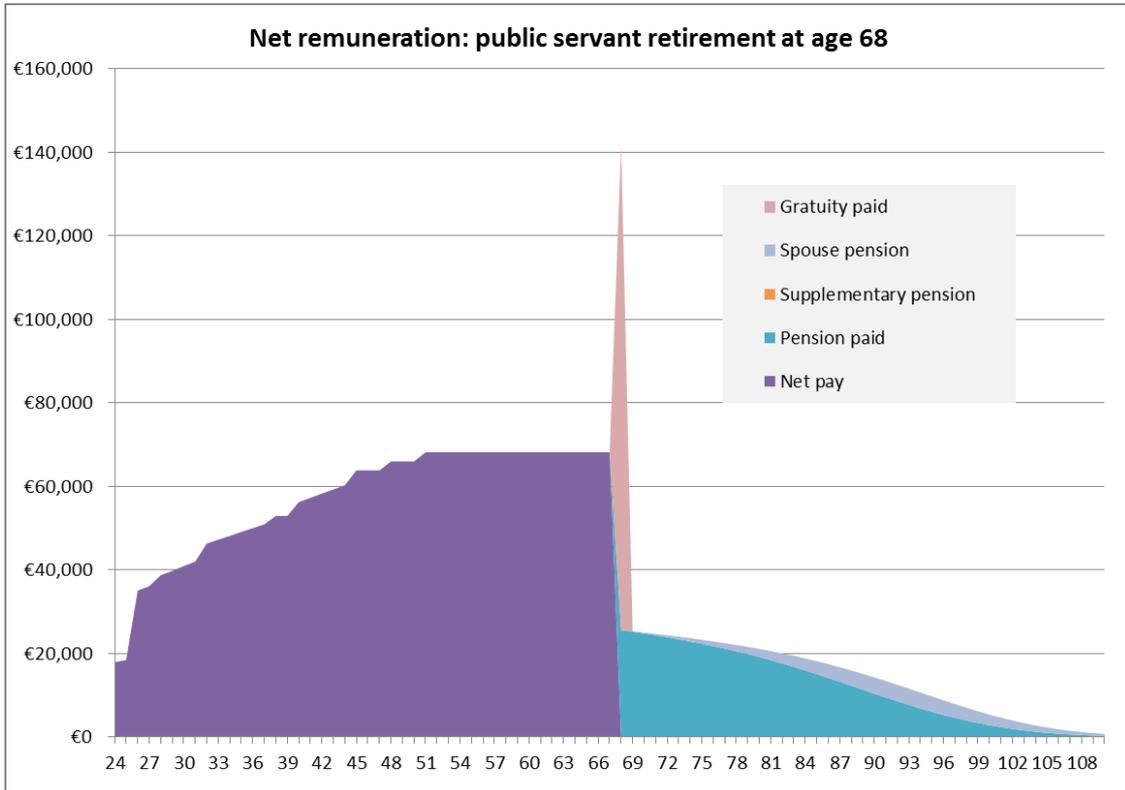
<b>Projected Single Scheme and State Benefits at retirement</b>	<b>Defence Force Officer age 58</b>	<b>Public servant age 68</b>
Pension as % of final salary	20%	25%
Supplementary/State pension as % of final salary	17%	17%
Total pension as % of final salary	36%	42%

**8. Results – Pre 2013 – Defined Benefit Final Salary Member joining at age 24**

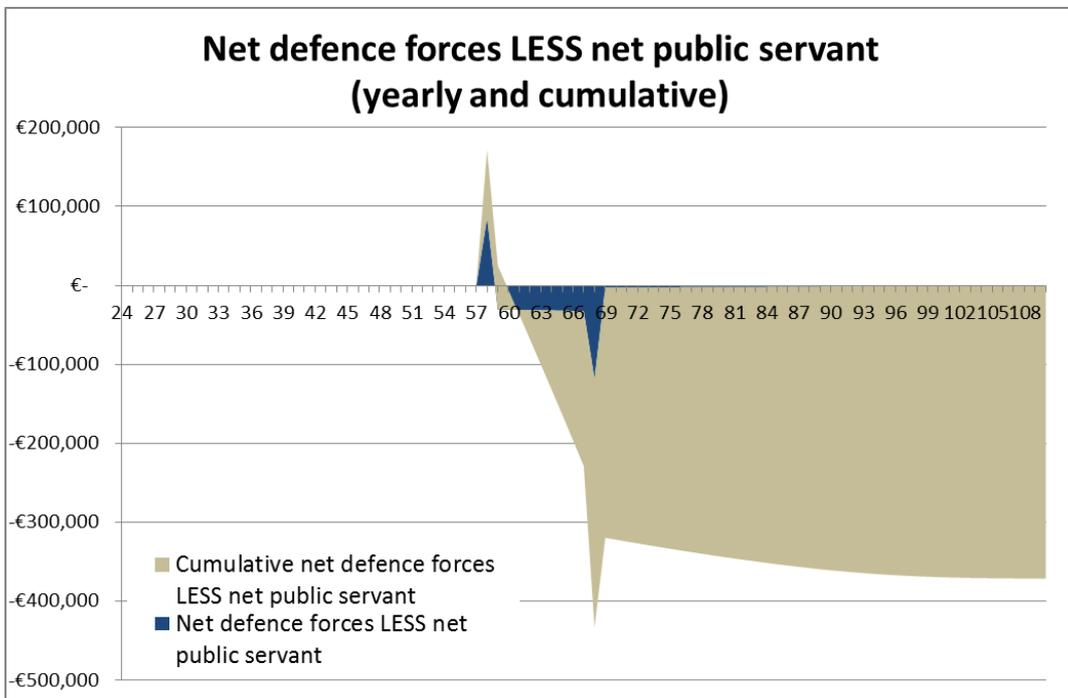
Based on the progression of pay set out in Appendix 2 for a typical final salary member, the total remuneration – pay plus pension less pension contributions – is shown in the charts below:



This page: Final Salary Scheme  
Allows for supplementary pension



The difference by age and cumulative difference of net remuneration is shown below.



This page: Final Salary Scheme  
Allows for supplementary pension

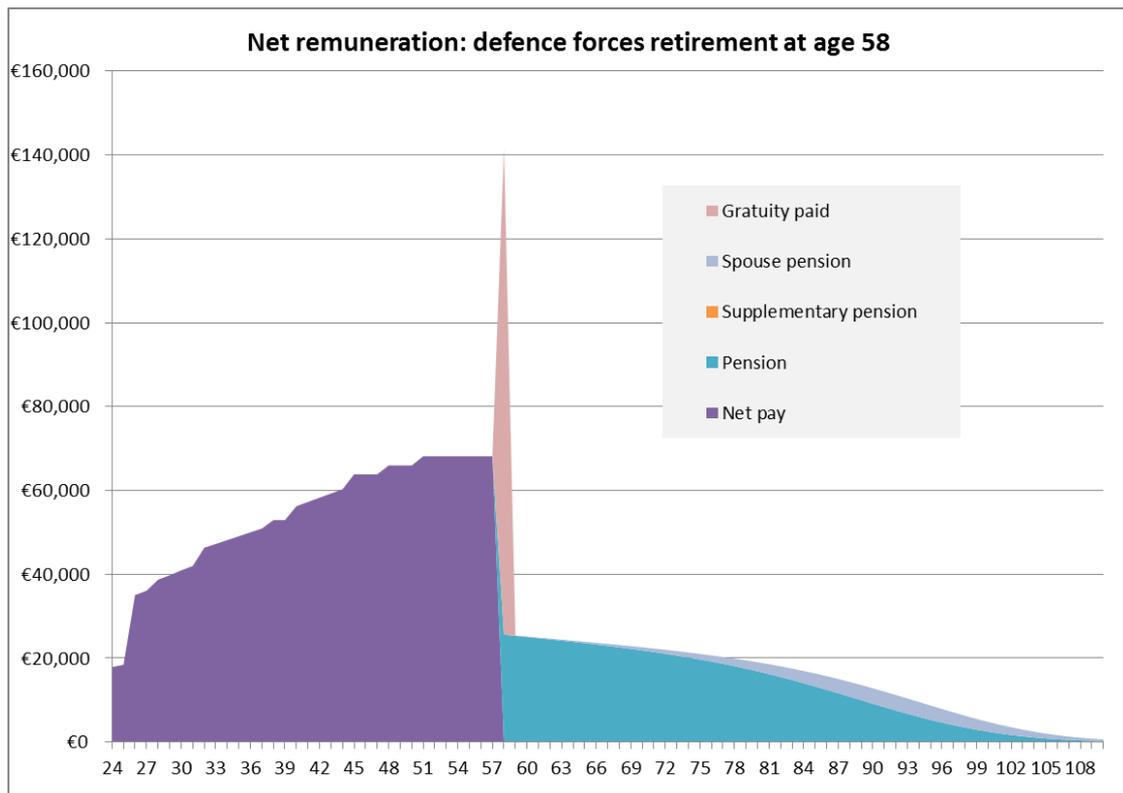
**Demonstrated by above charts:** In total, a Defence Force Officer is projected to receive €371,000 less remuneration over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68.

Allowing for future salary inflation and pension increases, the differential is €1.02m.

Adjusting the annual position for the present value of money, the total value of remuneration for an accelerated accrual employee retiring at age 58 is 10% less than that of an equivalent public servant retiring at age 68.

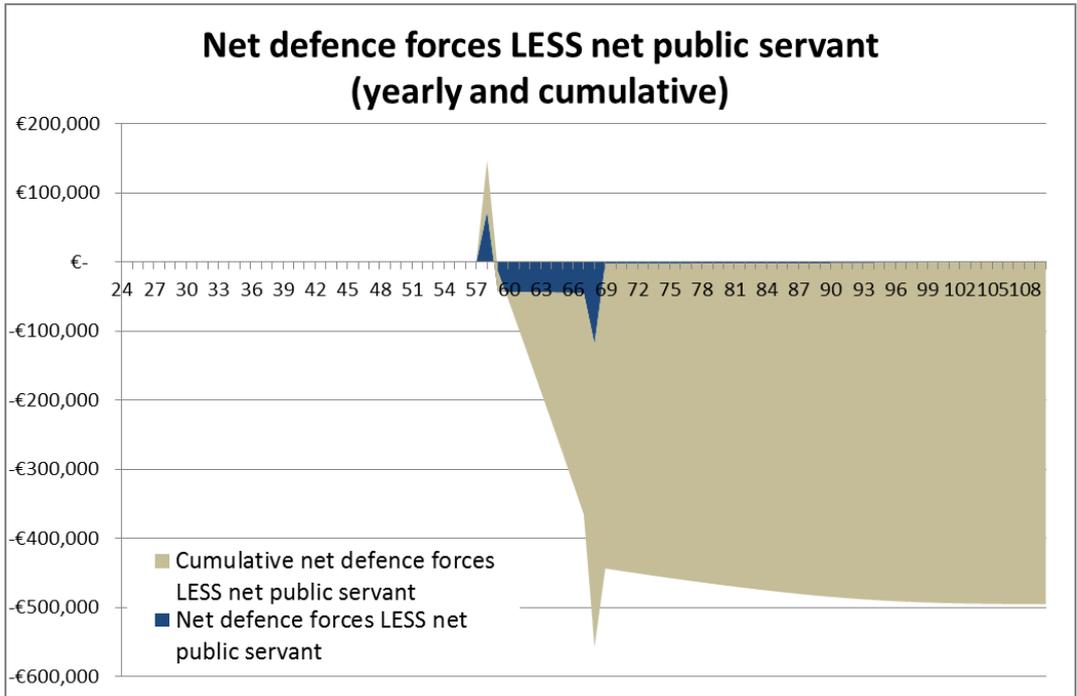
Ignoring PRD, the net benefit of participation after pension contributions is 30.0% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 24.8% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

As supplementary pension may not be paid in all circumstances, we have also estimated the position ignoring supplementary pension:



As noted above, “net pay” denotes pay less pension contributions less PRD.

This chart: Final Salary Scheme  
Ignores supplementary pension



**Demonstrated by above charts:** Ignoring the supplementary pension, a Defence Force Officer is projected to receive €495,000 less remuneration over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68.

Allowing for future salary inflation and pension increases, the differential is €1.31m.

Adjusting the annual position for the present value of money, the total value of remuneration for an accelerated accrual employee retiring at age 58 is 13% less than that of an equivalent public servant retiring at age 68.

Ignoring PRD, the net benefit of participation after pension contributions is 25.5% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 20.3% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

Above chart: Final Salary Scheme  
Ignores supplementary pension

As can be seen from the following table, the pension arrangements for Defence Force Officers who participate in the final salary scheme are satisfactory.

<b>Projected Single Scheme and State Benefits at retirement</b>	<b>Defence Force Officer age 58</b>	<b>Public servant age 68</b>
Pension as % of final salary	33%	33%
Supplementary/State pension as % of final salary	16%	16%
Total pension as % of final salary	49%	49%

## 9. Conclusions

The historic structure of public sector pensions was, and continues to be in the case of pre-2013 public servants, a valuable component of remuneration. The value of participation in the Single Scheme represents a lower proportion of pay.

When Defence Force officers are compared to equivalent grade public servants, it can be seen and demonstrated that:

1. Their career pay is lower
2. Their career remuneration (pay plus pension) is lower
3. The projected gap – Defence Forces vs. equivalent public sector grade – is significantly greater under the single scheme than under the final salary structure

It has been public policy that members of the security services must retire earlier than other public servants. It would seem most appropriate when assessing the value of pensions to members of the security services to take into account both career pay and the value of the associated pensions. Our calculations have taken both into account.

The accelerated accrual under the pre-2013 final salary scheme achieves the objective of financially enabling Defence Force officers to retire at an earlier age in line with public policy.

The accelerated accrual single scheme arrangements have been diluted and do not provide what I would regard as a reasonable replacement income during retirement for Defence Force Officer single scheme members.

The total value of remuneration – pay plus pension less pension contributions – for a person with accelerated accrual who is forced to retire at age 58 when compared to a person who works to age 68 is:

- 13% less for a final salary member ignoring supplementary pension
- 10% less for a final salary member allowing for supplementary pension

- 19% less for a single scheme member ignoring supplementary pension
- 15% less for a single scheme member allowing for supplementary pension

Therefore the relative value of the pension arrangements for Defence Force Officers was significantly diluted as part of the Single Scheme design relative to the historic practice.

Please advise if you have any queries.

Yours sincerely,



**JOHN O'CONNELL**

Fellow of the Society of Actuaries in Ireland

28<sup>th</sup> February 2017.  
DATE

## Appendix 1

I have grounded my assumptions on Society of Actuaries guidance where relevant and have stated any deviations from that guidance where justified.

- Value of benefits assessed on a funded basis

Public sector pensions, including those participating in the Single Scheme, are funded on a pay as you go basis. This means that contributions in any year go into the general Exchequer and benefit payments come from the Exchequer.

When analysing the value of public sector pensions to public servants, we must arrive at an approach which adjusts monetary values in different years. I have assumed, as outlined below, a funded approach to pensions as the only realistic way of measuring their worth. Indeed in the absence of the provision of pensions, members saving for pensions would contribute to a group scheme and would earn an investment return on their contributions. Although there are various ways of deriving suitable assumptions, I have based my assumptions on the investment style of the National Pensions Reserve Fund during years when had discretion over its investments but adapted the assumptions to acknowledge that the investment style of that fund was suited to long-term liabilities rather than the mix of long-term and short-term liabilities which would arise in the operation of a funded pension scheme for employees and existing pensioners.

- Future State pension growth is 0.75% p.a. on average above inflation.
- Future growth in salaries over and above salary increments is 0.75% p.a. on average above inflation.

In relation to both State pension growth and growth in salaries above inflation, I have assumed that long-term (multi-decade) economic growth will be at least 1% p.a. above inflation and that the long-term growth in national wealth will be at least partly shared with workers and social welfare recipients through pay and pension increases of 0.75% p.a. on average above inflation.

- The possibility of death in service is ignored for the purposes of this paper. The cost of death in service would be significantly lower than historic estimates in line with observed mortality improvements. The effect of allowing for death in service would be to increase the expected cost of benefits by a small margin.
- Life expectancy is based on the tables underlying pension scheme leaving service transfer values. In terms of future mortality improvements, we show two scenarios, the first being no future mortality improvements and the second reflects future mortality improvements in line with the leaving service transfer value assumption. Our view is that it is misleading to blindly assume mortality improvement over many future decades in Ireland particularly against the background that the proportion of over 65s in the population is expected to more than double by 2050 and the unlikelihood that the amounts in taxation required to adequately fund the health service to cater for such a rapid expansion of over 65s would be forthcoming and hence that it is implausible for life expectancy to improve indefinitely. In

## Appendix 1

practice, some improvements in medical technology and health awareness may be compensated by restrictions in access to services.

Ireland population projections are unanimous with regard to ageing but we have seen no credible analysis relating to the long-term health costs of supporting an ageing population and how the desirable supports should be funded.

Assuming no future mortality improvements, our projections allow for 27½ years' life expectancy for a male at the age of 58 (to age 85½) and 19 years for a male at the age of 68 (to age 87).

When we allow for future mortality improvements, the male life expectancy increases to age 90 and females to age 92. Acknowledging that life expectancy of those with pension incomes is in excess of the life expectancy of the general population, it is nevertheless instructive to compare our assumptions with the CSO findings<sup>5</sup> as follows:

CSO males aged 68	15.4 years	} Irish Life Tables No. 16 (2010-2012)
CSO females aged 68	18.1 years	}

We are therefore assuming life expectancy significantly greater than that observed by the CSO in relation to the general population in their 2010-2012 study.

- Discount rates: as earlier noted, it is necessary to adjust money values in different years to a common base. There are many ways of making this adjustment.

From the State's perspective, it is securing the employment of public servants on the basis that part of their remuneration is deferred until retirement. This amounts to a deferral of obligations which could be accommodated in two ways:

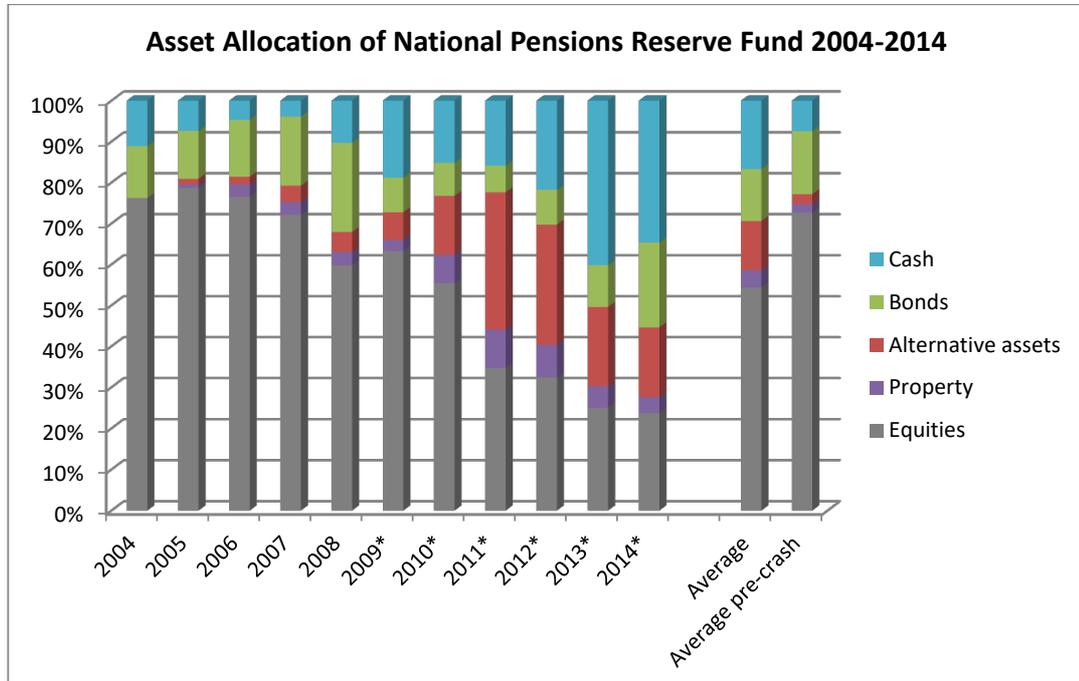
- o By borrowing
- o By investing the amounts contributed by members (and if higher the full value of the benefits) on a long-term basis

In the past, the State invested funds required for long-term commitments through the National Pensions Reserve Fund. This fund invested on an unrestricted basis up to 2008 but thereafter only part of its funds were invested on a long-term unrestricted mandate. The following information is derived from figures available on the NPRF website (<http://www.nprf.ie/Performance/selectYear.htm>).

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<sup>5</sup> <http://www.cso.ie/en/releasesandpublications/er/ilt/irishlifetablesno162010-2012/>

**Appendix 1**



*\*discretionary portfolio only*

Up to and including 2008, approximately 77% of assets on average were invested in return-seeking assets – equities, property and alternative assets. The balance was invested in cash and bonds. We assume this unrestricted asset allocation applies, when assessing appropriate assumptions below.

The costs of managing the NPRF assets was historically approx. 0.28% of assets invested. Society of Actuaries guidance would suggest that the future return assumption underlying a portfolio akin to the NPRF would be 4.29% return p.a. from which the expected costs of 0.28% would have to be deducted resulting in a net return of 4.01%.

Actual historic returns have been higher. UK market returns<sup>6</sup> over the last 116 years are as below.

<sup>6</sup> These returns are shown for illustration and of course it is not suggested that a UK-centric investment approach would be appropriate.

**Appendix 1**

**UK real asset class returns (% per annum)**

	2015	10 years	20 years	50 years	116 years
Equities (shares)	-0.1	2.3	3.7	5.6	5.0
Government bonds (Gilts)	-0.6	3.0	4.3	2.9	1.3
Corporate bonds	-0.5	1.8			
Index-linked bonds	-3.4	2.5	3.8		
Cash	-0.7	-1.1	0.9	1.4	0.8

Source: [Barclays Capital Equity Gilt Study 2016](#) (where no data is available, there is a gap).

The table shows **real returns** – the annual rate at which the asset class grows (or shrinks) over any particular period **after inflation**.

Relative to our inflation assumption of 1.5%, if the experience of the last 116 years was mirrored in the future, the resulting asset returns would be equities 6.5%, bonds 2.8% and cash 2.3%. The NPRF portfolio would deliver a return of 5.57% p.a. before charges and 5.29% after charges.

The NPRF was investing for future pensioner commitments. It is generally accepted that the investment approach to current pensioner commitments should be more cautious. On the basis of investment per NPRF pre-retirement and investment in a portfolio of 67% bonds post-retirement, the resulting Society of Actuaries-based assumptions<sup>7</sup> would be as below.

We have assumed that the costs of operating a largely bond-oriented portfolio for pensioners would be lower than the NPRF costs.

Asset category	Assumed long-term return	Pre-retirement mix	Assumed management costs	Assumed investment return contribution	Post-retirement mix	Assumed management costs	Assumed investment return contribution
Equities	5.00%	72.64%	0.33%	3.63%	28.30%	0.33%	1.42%
Property	5.00%	2.04%	0.33%	0.10%	0.80%	0.33%	0.04%
Alternative assets	3.75%	2.44%	0.33%	0.09%	1.00%	0.33%	0.04%
Bonds	2.50%	15.40%	0.11%	0.39%	67.00%	0.11%	1.68%
Cash	1.00%	7.48%	0.11%	0.07%	2.90%	0.11%	0.03%
		100.00%	0.28%	4.29%	100.00%	0.18%	3.20%
Deduction for costs				-0.28%			-0.18%
Net investment assumption pre/post retirement				4.01%			3.02%

For the purpose of our projections, we have assumed an investment return of 4% pre-retirement and 3% post-retirement after the costs of operating a long-term portfolio. These assumptions are therefore 2.5% above inflation pre-retirement and 1.5% above inflation

<sup>7</sup> Assuming that the return for alternative assets (not specified under guidance) should be halfway between the returns for equities and bonds.

## **Appendix 1**

post-retirement and reflect conditions at the time of writing which are significantly different from the historical situation.

- **Supplementary pension**

Whether a person qualifies for supplementary pension depends on their individual circumstances. Regardless, it is also not clear that any value should be assigned to supplementary pension in respect of persons who are forced to retire at an earlier age. If public policy is for early retirements, there will be an associated cost which should not necessarily be assigned to individuals.

**Appendix 2**

Typical Pay & Promotion Profile Single Scheme Post 2013 Officer								
	Age	Service	Rank	Pay Point	Salary	MSA	SDA	Total Pay
Ave Age of Cdt	24	1	Cadet	1	€16,854.00	€0.00	€0.00	€16,854.00
	25	2		2	€19,010.00	€0.00	€0.00	€19,010.00
	26	3	2/Lt	1	€28,985.00	€4,730.00	€1,200.00	€34,915.00
	27	4		2	€32,838.00	€4,730.00	€1,200.00	€38,768.00
	28	5	Lt	1	€34,130.00	€4,730.00	€1,200.00	€40,060.00
	29	6		2	€34,720.00	€4,730.00	€1,200.00	€40,650.00
	30	7		3	€35,961.00	€4,730.00	€1,200.00	€41,891.00
	31	8		4	€37,226.00	€4,730.00	€1,200.00	€43,156.00
	32	9	Capt	1	€45,077.00	€4,730.00	€1,200.00	€51,007.00
	33	10		2	€46,180.00	€4,730.00	€1,200.00	€52,110.00
	34	11		3	€47,274.00	€4,730.00	€1,200.00	€53,204.00
	35	12		4	€48,388.00	€4,730.00	€1,200.00	€54,318.00
	36	13		5	€49,490.00	€4,730.00	€1,200.00	€55,420.00
	37	14		6	€50,583.00	€4,730.00	€1,200.00	€56,513.00
	38	15		7	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	39	16		8	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	40	17	Comdt	1	€57,294.00	€5,020.00	€600.00	€62,914.00
	41	18		2	€58,514.00	€5,020.00	€600.00	€64,134.00
	42	19		3	€59,721.00	€5,020.00	€600.00	€65,341.00
	43	20		4	€60,934.00	€5,020.00	€600.00	€66,554.00
	44	21		5	€62,147.00	€5,020.00	€600.00	€67,767.00
	45	22		6	€65,000.00	€5,020.00	€600.00	€70,620.00
	46	23		7	€65,000.00	€5,020.00	€600.00	€70,620.00
	47	24		8	€65,000.00	€5,020.00	€600.00	€70,620.00
	48	25	Comdt	LS1 1	€65,194.00	€5,020.00	€600.00	€70,814.00
	49	26		LS1 1	€65,194.00	€5,020.00	€600.00	€70,814.00
	50	27		LS1 1	€65,194.00	€5,020.00	€600.00	€70,814.00
	51	28	Comdt	LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	52	29		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	53	30		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	54	31		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	55	32		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	56	33		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	57	34		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
Retired	58							

The value to RACO members of participation in the Single Public Service Pension Scheme

**Appendix 2**

Typical Pay & Promotion Profile Post 04 and Pre 2013 Officer								
	Age	Service	Rank	Pay Point	Salary	MSA	SDA	Total Pay
Ave Age of Cdt	24	1	Cadet	1	€18,442.00	€0.00	€0.00	€18,442.00
	25	2		2	€19,010.00	€0.00	€0.00	€19,010.00
	26	3	2/Lt	1	€31,573.00	€4,730.00	€1,200.00	€37,503.00
	27	4		2	€32,838.00	€4,730.00	€1,200.00	€38,768.00
	28	5	Lt	1	€35,961.00	€4,730.00	€1,200.00	€41,891.00
	29	6		2	€37,226.00	€4,730.00	€1,200.00	€43,156.00
	30	7		3	€38,618.00	€4,730.00	€1,200.00	€44,548.00
	21	8		4	€39,890.00	€4,730.00	€1,200.00	€45,820.00
	32	9	Capt	1	€45,077.00	€4,730.00	€1,200.00	€51,007.00
	33	10		2	€46,180.00	€4,730.00	€1,200.00	€52,110.00
	34	11		3	€47,274.00	€4,730.00	€1,200.00	€53,204.00
	35	12		4	€48,388.00	€4,730.00	€1,200.00	€54,318.00
	36	13		5	€49,490.00	€4,730.00	€1,200.00	€55,420.00
	37	14		6	€50,583.00	€4,730.00	€1,200.00	€56,513.00
	38	15		7	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	39	16		8	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	40	17	Comdt	1	€57,294.00	€5,020.00	€600.00	€62,914.00
	41	18		2	€58,514.00	€5,020.00	€600.00	€64,134.00
	42	19		3	€59,721.00	€5,020.00	€600.00	€65,341.00
	43	20		4	€60,934.00	€5,020.00	€600.00	€66,554.00
	44	21		5	€62,147.00	€5,020.00	€600.00	€67,767.00
	45	22		6	€66,436.00	€5,020.00	€600.00	€72,056.00
	46	23		7	€66,436.00	€5,020.00	€600.00	€72,056.00
	47	24		8	€66,436.00	€5,020.00	€600.00	€72,056.00
	48	25	Comdt	LS1 1	€68,988.00	€5,020.00	€600.00	€74,608.00
	49	26		LS1 1	€68,988.00	€5,020.00	€600.00	€74,608.00
	50	27		LS1 1	€68,988.00	€5,020.00	€600.00	€74,608.00
	51	28	Comdt	LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	52	29		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	53	30		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	54	31		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	55	32		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	56	33		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	57	34		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
Retired	58							



**An Roinn Cosanta**  
Department of Defence

22<sup>nd</sup> February 2017

Comdt Earnán Naughton  
General Secretary  
RACO  
4075 Kingswood Road  
City West Business Campus  
Dublin 24

### **Re: Terms & Conditions Cadets**

Dear Earnán

I refer to recent correspondence and discussions at Sub-Committee level, regarding career projections and superannuation arrangements for Cadets. The Department notes the issues you have raised and these have been given detailed consideration, particularly in the context of developing any amendments at this late stage to the current draft Terms & Conditions Cadets.

The view taken is that these matters are best addressed separately and as distinct items to be developed on further given their strategic and/or long term nature and the fact that e.g. in the pension's context, the matters involved operate in a broader Public Service context. I would suggest that they should be distinct items discussed under Council structures. However, in order to be of assistance to you, we have attached worked examples of indicative pensions as requested by you.

Specifically, regarding the pensions aspect, the Official Side does not accept your assertion that it is operating in contravention of the general principle of integration with the Social Insurance system. Rather, as already explained in our comprehensive response of 9 February 2017, the retirement pensions of Public Servants, including Permanent Defence Forces personnel, who are members of the Single Scheme, are explicitly integrated with the Social Insurance system via the relevant pension accrual and contribution rates, in accordance with the Public Service Pensions Act 2012. For clarity, by virtue of section 7 of that 2012 Act, the terms of CCR No. 421 has no application whatsoever to PDF personnel who are members of the Single Scheme. As all post-6/4/1995 new entrants to the Public Service are already in full PRSI class, the movement from modified to full PRSI (as transitioned in 1995) does not arise for members of the Single Scheme generally. The Official Side also refutes any suggestion or inference that, in the application of the *integration* concept, PDF members of the Single Scheme are being treated less favourably or inequitably vis-a-vis the generality of Single Scheme members elsewhere across the Public Service.

For the vast majority of Single Scheme members including Military, Gardai, Fire Service, Civil Service, Teaching, Local Authorities, Health Service etc., their retirement pension is integrated with the Social Insurance system using exactly the same formula i.e., a default accrual rate of 0.58% of the portion of the member's pensionable remuneration that is less than or equal to 3.74 times the value of the SPC. (For PDF Single Scheme members, amounts of reckonable earnings above that threshold accrue at a 'fast accrual' rate of 1.43% (1/70<sup>th</sup>) compared to 1.25% (1/80<sup>th</sup>) for the majority of other employees).

In relation to the regulatory position governing pensions this is set out in the Pensions Act 1990 and associated secondary legislation. In the Public Service context, regard should also be had to, inter alia, Public Service pensions-related legislation and DPER circulars / instruments.

In relation to the matter of career projections you will be aware that there is a shortage of Officers in the Defence Forces and the current exit rates are in the region of 80 Officers per annum and in view of this it is current policy to induct large Cadet Classes. The Department is cognisant of the potential implications of this course of action and is prepared to discuss further with your Association, issues raised such as career "hump" and the availability of career courses or overseas opportunities, etc.

I wish to advise that the Department is proceeding in obtaining the Minister's approval to the attached draft Terms & Conditions with a recommendation that the matters raised by you will form the subject of separate discussions with your Association. To this end, it is proposed that the CCR dealing with these Terms & Conditions will include a commitment that the Department is open to discussing these matters further under Council structures.

Please also note that the Minister has approved the reduction in the upper age limit on a phased basis as outlined in the attached Terms & Conditions

Yours sincerely



Derek McConnon  
Derek McConnon  
Assistant Principal  
Conciliation and Arbitration Branch



Representative Association of Commissioned Officers  
Cromhlachas Ionadaitheach na nOifigeach Coimisiúnta



Mr. Paul Kehoe T.D.  
Minister for Defence,  
Department of Defence,  
Station Road,  
Newbridge.

15 November 2016

**Defence Forces C & A Scheme- Parallel Process**

Dear Minister,

1. It has been brought to the attention of the Association that comments attributable to the Minister (House of the Oireachtas, 09 November 2016) suggested that the current parallel process in the National Industrial Relations Pay Talks was “successful”. The Minister was responding to questions regarding the facilitation of the Garda Síochána Representative Associations to the states industrial relations structures of the WRC and Labour Court. The Ministers response referred to the “success of the parallel process” in the most recent Lansdowne Road Agreement. Factoring that the Minister may only have been briefed by the officials from the Department of Defence in this context, the Association would appreciate the opportunity to advise on the views of the Associations in this regard.
2. RACO wish to confirm to the Minister the associations’ “dissatisfaction” with both the C&A Scheme and Parallel Process. These views were raised by the association to management and the previous Minister both at our last Delegate Conference held in November 2015, the Implementation Body of the Haddington Road Agreement and most recently after the LRA discussions were concluded in 2015. *The General Secretary’s address to the Minister at our BDC in November 2015 and the Associations letter to the Chair of the Lansdowne Road Agreement dated 01 June 2015 are attached for reference.*
3. To date, RACO has received no response from management with respect to our request for a 3<sup>rd</sup> party review of both the C&A Scheme and Parallel Process. Members note the recent contrast by the approach of Government and the Department of Justice with respect to the Garda Associations. Meanwhile, members of the Defence Forces continue to suffer the unnecessary and protracted delays in concluding issues raised in the C&A process. Examples include items remaining on the agenda for 16 years without conclusion, 15 months timeline for an official response to claims submitted on behalf of Members and regular posting overseas of our members with inadequate financial support equivalent to that of other Public Servants.

4. The inadequacy of the *parallel process* has been continually highlighted by the Defence Forces Associations, Gardaí and most recently by an official from DPER at our meeting with the PSpC with reference to how the LRA negotiations were conducted.
5. The Association is available to discuss our concerns with the Minister should you wish to further understand the position of all stakeholders to the parallel process and DF C&A Scheme. In light of recent industrial relations developments that are supported by other Government Offices and Departments, the Association request a 3<sup>rd</sup> Party Review of the existing arrangements in order to engage in the changing industrial relations architecture of the state.
6. For your consideration.



(Eanáir Naughton)  
Commandant  
General Secretary RACO



Representative Association of Commissioned Officers  
Cromhlachas Ionadaitheach na nOifigeach Coimisiúnta



**The Chairman,  
Implementation Body,  
Lansdowne Road Agreement.  
Department of Public Expenditure & Reform.**

**26 January 2017**

**Breach by the Department of Defence of the Public Service  
Stability Agreement –Haddington Road & Lansdowne Road Agreement**

1. The Representative Association of Commissioned Officers (RACO) claim that the Department of Defence (DoD) has breached the terms of existing Public Service Agreements (PSA). In accordance with the provisions of the PSA, RACO now request the facility of the dispute resolution mechanism in order to engage with the Implementation Body and the Workplace Relations Commission to address on-going dysfunction and disagreements.
2. RACO claim that the Department of Defence has again obstructively breached existing Industrial Relations Agreements, denied RACO the full provisions encompassed by the Defence Forces Conciliation & Arbitration Process and in addition denied the Association the facility of a well managed industrial relations environment in contradiction of para's 1.23 – 1.27 of the Public Service Agreement (Croke Park) and Section 5 of the Public Service Stability Agreement 2013-2016 (Haddington Road Agreement) and Section 4 of the Lansdowne Road Agreement.
3. RACO cite examples of how the Department of Defence has breached the principle and explicit agreed arrangements of the Parallel Process and additionally where the Department of Defence have obstructively denied the Association full access to the Conciliation and Arbitration process as defined by DFR S6 and reinforced by Public Service Agreements. See Annex "A".
4. The continual breach of existing Industrial Relations Agreements coupled by deliberate circumvention of the C&A Process by the Department of Defence has left no other course of action open to the Association but to seek access to an impartial and balanced industrial relations mechanism borne out of a genuine commitment to honour agreements and respect for all parties to the negotiation process.
5. RACO hereby request a meeting with the Implementation Body to address this situation.

Yours sincerely,

**Earnán Naughton  
Commandant  
General Secretary RACO**

**Annex 'A'**

<b>1/17</b>	<b>Parallel Process- Breach of DFR S6 &amp; Agreed Arrangements</b>  Failure by the Official Side to consult RACO with respect to National Pay Talks and the recent LRA Anomaly Settlement agreed by the PSC of the ICTU. This exclusion was in direct contradiction to DPER's declaration that "parties to the Lansdowne Agreement were invited to discussions under Section 6 (oversight and governance arrangements) of the Agreement. These discussions were to address anomalies arising from the Labour Court recommendations on the Garda Síochána" (DPER Website 17 January 2017).	January 2017
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<p><b>2/17</b></p>	<p><b>C&amp;A Process</b></p> <p>Deliberate delay and failure by the Official Side to conclude the Review of CCR272 (Overseas Financial Support Packages) contrary to the agreed process between the parties thereby denying Association Members conclusion to outstanding claims since 2013 while in the interim subjecting members to inadequate expense related allowances necessarily incurred when posted overseas.</p> <p><i>The text of the report was concluded in May 2016 and approved by DPER. The Official Side have delayed the progress of this review and settlement of outstanding claims to 3<sup>rd</sup> Party Adjudication since May 2016 contrary to Council Meeting discussions.</i></p>	<p>May 2015 On-going</p>
<p><b>3/17</b></p>	<p><b>Subverting Conciliation Council Agreements and Agreed Process as per DFR S6 and Agreed Arrangements of the DF C&amp;A Scheme.</b></p> <p>RACO formally queried the Official Side on two occasions (13 &amp; 28 Oct 2016) regarding possible changes to DFR CS4 to provide for an additional Naval Service Captain. CCR295/447 provide for the competition rules and eligibility for Naval Service Captain's appointments x 2. <i>The Official Side did not respond formally.</i> Informal communication stated that the Official Side would not respond to "rumours".</p> <p>The Official Side then proceeded to notify potential candidates in November 2016 and, in December 2016, requested RACO Professional Staff to agree to a promotion competition to fill a "new Captain's Vacancy" for the appointment of Officer Commanding the NMCI. These deliberate actions were conducted in the absence of a ballot of Members on a new agreement, in direct contradiction of the current agreement and without any form of consultation <u>contrary to the Adjudicator's Report dated 11 May 2016.</u></p> <p><i>In their actions, the Official Side attempted to subvert the C&amp;A Process, deliberately disregard existing council agreements made therein while displaying indifference to the Government appointed Adjudicator to the Defence Sector. This approach questions the credibility and functionality of the current C&amp;A Process.</i></p>	<p>Oct 16</p>

<p><b>4/17</b></p>	<p><b>Breach Agreed Arrangement – Career Discrimination of Professional Staff</b></p> <p>The Official Side have failed to discharge the agreed arrangements with respect to the career advancement of the Associations Professional Staff contrary to the Agreed Arrangement dated 13 December 2013. The failure by the Official Side to honour agreements is deliberately undermining the function of the Defence Forces Representative Office Holders and Representative Process while disadvantaging and discriminating the office holders as a consequence of their representative duties.</p> <p>For military staff working in the Conciliation &amp; Arbitration Scheme or those involved in full time positions of the Representative Associations, the approach by the Official Side is seen as a contradiction of the explicit intent outlined by the Government with the introduction of Representation and DFR S6 in the Defence Forces.</p>	<p>2014-2017</p>
<p><b>5/17</b></p>	<p><b>Breach of Haddington Road Agreement-</b> Failure to restore the 10% cut to allowances which were explicitly defined as for the term of the Haddington Road only.</p>	<p>2016</p>

Agreed Report No. 421

Defence Forces  
Superannuation Matters

**RACO**



**PENSION AGREEMENT 2009**

**CONCILIATION AND ARBITRATION SCHEME FOR THE  
PERMANENT DEFENCE FORCE**

**CONCILIATION COUNCIL REPORT NO. 421**

**REPRESENTATIVE ASSOCIATION OF COMMISSIONED OFFICERS**

**DEFENCE FORCES SUPERANNUATION MATTERS**

1. The modernisation agenda for the Defence Forces under the *Sustaining Progress Social Partnership Agreement* (2003 – 2006) provided, inter alia, that any changes in public service pensions decided on by Government will be implemented for new entrants and will take account of military personnel policies (see Conciliation Council Report No. 244). It also recorded agreement that the introduction of new pension arrangements for new entrant military personnel will not preclude consideration of modifications to the pension terms of serving personnel which are not fundamental in nature.
2. Arising from Government decisions in relation to implementation of the recommendations of the *Commission on Public Service Pensions* concerning Defence Forces superannuation arrangements, it was agreed on 4 March 2004 by the Departmental and Representative Sides to establish a Sub-Committee of the Conciliation Council as a forum to progress discussions on military superannuation matters generally. The sub-committee, which met for the first time on 20 April 2004, adopted the following terms of reference:

- “1. To consider and report on the new pension terms to apply to post-31 March 2004 new entrants to the PDF having regard to the provisions of the Public Service Superannuation (Miscellaneous Provisions) Act 2004 and the recommendations of the *Commission on Public Service Pensions* regarding Defence Forces pensions.
2. To consider the claims for improvements in the pension terms of serving personnel of the PDF put forward by RACO and PDFORRA.”

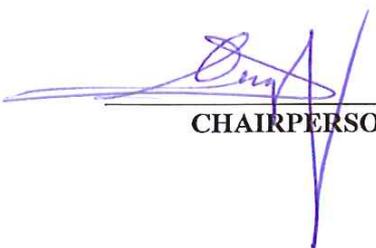
By way of clarification, item 2 above relates to certain aspects of the existing Defence Forces Pensions Schemes in respect of PDF personnel already serving on 31 March 2004.

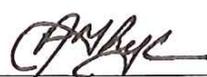
3. Conciliation Council Report No. 346 records agreement between the Representative and Departmental Sides regarding the application of the *Towards 2016: Ten Year Framework Social Partnership Agreement* to commissioned officers of the PDF. In the Memorandum to Report No. 346 both sides have, in accordance with paragraph 3.17 of the agreed modernisation and change programme (ref. Action No. 17), committed to bring to a speedy conclusion their discussions regarding the detailed terms of the new pension scheme to apply under the terms of the 2004 Superannuation

Act to new entrant military personnel. Both sides have also agreed that proposed modifications to the pension terms of Defence Forces personnel to whom the existing pension schemes apply will be finalised within the same time frame.

4. The sub-committee met on various occasions from 20 April 2004 to 18 November 2009. During the course of its deliberations, the positions of both sides in relation to the matters coming within its terms of reference were fully explored. In that context, the Departmental Side clarified its position on a range of issues raised by the Representative Side.
5. On 18 November 2009, the sub-committee recorded agreement regarding the matters coming within its terms of reference in respect of commissioned officers as set out in the attached reports (3). The first of these, at Annex A, relates to the new superannuation arrangements applicable to new entrant officers who join the Permanent Defence Force (PDF) on or after 1 April 2004. The second report, at Annex B, relates to proposals for improvements in the existing superannuation arrangements of officers already serving on 31 March 2004. The third report, at Annex C, relates to the arrangements for the grant of supplementary pensions in the case of officers in full PRSI (Class A) who joined the PDF on or after 6 April 1995. The sub-committee has recommended acceptance by the Conciliation Council of all three reports. The Conciliation Council adopted this recommendation on 18 November, 2009.
6. This Report, recording agreement, was adopted on 18 November 2009.

  
DEPARTMENTAL SIDE SECRETARY

  
CHAIRPERSON

  
REPRESENTATIVE SIDE SECRETARY  
RACO

## Annex A

### REPORT OF THE C&A PENSIONS SUB-COMMITTEE REGARDING THE NEW SUPERANNUATION ARRANGEMENTS FOR NEW ENTRANT OFFICERS WHO JOIN THE PERMANENT DEFENCE FORCE ON OR AFTER 1 APRIL 2004

#### Meetings from 20 April 2004 to 18 November 2009

##### Terms of reference

1. Under its terms of reference, the sub-committee is required, inter alia, 'To consider and report on the new pension terms to apply to post-31 March 2004 new entrants to the PDF having regard to the provisions of the Public Service Superannuation (Miscellaneous Provisions) Act 2004 and the recommendations of the *Commission on Public Service Pensions* regarding Defence Forces pensions.'

##### Government decisions and related developments regarding the pension terms of new entrant military personnel recruited to the PDF on or after 1 April 2004

2. In his *2004 Budget Statement* (delivered on 3 December 2003), the Minister for Finance announced that, following its consideration of the Pensions Commission's recommendations and the views of the various working groups established under the *Programme for Prosperity & Fairness* to advise on implementation issues for the public service groups affected, the Government had decided to implement the bulk of the Commission's recommendations and, inter alia, to introduce various age-related reforms for new entrants recruited to the public service on or after 1 April 2004.
3. The *Public Service Superannuation (Miscellaneous Provisions) Act 2004* gave legal effect to the age-related reforms in question. Principal among them was the removal of the compulsory retirement age for certain categories of new entrants to the public service and the raising of the minimum pension age for most new entrants from that date. Specifically as regards the PDF, and in line with the recommendations of the Pensions Commission, the Act:
  - makes enabling provision (in section 8) for the introduction of a new pension scheme to apply to new entrant military personnel joining the PDF on or after 1 April 2004 and provides that the existing Defence Forces Pension Schemes do not apply to such personnel;
  - provides (in section 10(2)) for a minimum pension age of 50; and
  - excludes (by virtue of section 7) the PDF from the removal of compulsory retirement age for certain other public service groups.

#### Outcome of discussions at Pensions Sub-Committee

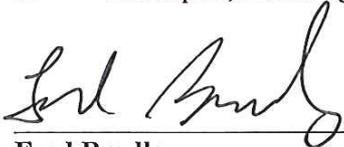
4. At a meeting on 18 November 2009, and in keeping with the commitment given in the Action Plan under the *Towards 2016* Modernisation Agenda for the Defence Forces (ref. Action No. 17) the sub-committee, insofar as its terms of reference relate to commissioned officers, recorded agreement on the new entrant superannuation arrangements to apply to officers who join the PDF on or after 1 April 2004. Those arrangements are set out in the document appended to this report and entitled ‘**Superannuation arrangements for New Entrant Officers who join the Permanent Defence Force on or after 1 April 2004 – Broad Outline March 2008**’, as elaborated by:

- the Department’s letter of 10 May 2007 addressed to the Representative Side regarding the pensionability of certain allowances;
- Department of Finance Circular 10/2008 dated 10 June 2008 regarding the introduction of changes to the method of reckoning variable pensionsable allowances for pension purposes in the public service; and
- the report of the sub-committee regarding the proposed arrangements for the grant of supplementary pensions which applies to the application of paragraph 5.4 of the Broad Outline March 2008 document.

#### Recommendations of the Pensions sub-committee regarding matters relating to new entrant commissioned officers

5. The sub-committee agrees to recommend acceptance by the Conciliation Council of this report and of the superannuation arrangements set out in the documentation mentioned at paragraph 4 above.

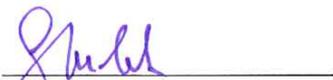
6. This report, recording agreement, was adopted on 18 November 2009.



Fred Bradley  
Principal Officer  
C&A Branch



Brian O’Keeffe, Colonel  
General Secretary  
RACO



George Kerton, Colonel  
Chief of Staff’s Branch

**The following documentation is appended to Annex A:**

- **‘Superannuation arrangements for New Entrant Officers who join the Permanent Defence Force on or after 1 April 2004 – Broad Outline March 2008’,**
- Department’s letter of 10 May 2007 addressed to the Representative Side regarding the pensionability of certain allowances, and
- Department of Finance Circular 10/2008 dated 10 June 2008.

# Superannuation arrangements for *New Entrant Officers* who join the Permanent Defence Force on or after 1 April 2004

## Broad Outline March 2008

### Introduction and General

- 1.1 This document is a broad outline of the new superannuation arrangements to apply to officers who are *new entrants*, within the meaning of section 2 of the Public Service Superannuation (Miscellaneous Provisions) Act 2004, having joined the Permanent Defence Force (PDF) on or after 1 April, 2004. It is based on the recommendations of the *Commission on Public Service Pensions* in Section 21.6 of its Final Report (November 2000) and on related Government decisions. The document also takes account of discussions between the Departmental Side and Representative Side. Other Commission recommendations of general application which have been, or may be, implemented in other areas of the public service will be incorporated in the new entrant Defence Forces Pensions Schemes, as may be appropriate.
- 1.2 In line with the Commission's recommendations (in paragraph 21.6.6 of its Report), pension and gratuity will not ordinarily be payable earlier than age 50 years (as provided in section 10(2) of the above-mentioned Act); preservation of benefits will apply in other cases; and 30 years pensionable service will give entitlement to maximum pension and gratuity. In line with Public Service schemes generally, it is proposed to make a main superannuation scheme (see paragraphs 1.3 to 9 following) and an associated (but separate) spouses' and children's scheme (see paragraph 10). Membership of the schemes is compulsory for all new entrant officers and such persons will be automatically covered under those schemes from the date of joining the PDF.

### Main Scheme

- 1.3 The scheme will, like public service pension schemes generally, have a "*defined benefit final salary structure*" and be subject to "*integration*" with the Social Insurance system.

(a) A “*defined benefit scheme*” is one in which the benefits payable to the members and /or their dependant(s) are clearly defined in the scheme rules. Where benefits are based on salary at retirement, it is known as a Final Salary scheme.

(b) “*Integration*” is a standard feature of public service occupational pension schemes applicable to employees who are fully insured <sup>1</sup> for social welfare purposes, whereby the occupational pension scheme takes account of entitlement to the State Pension Contributory (SPC), formerly known as the Old Age Contributory Pension. A revised integration formula <sup>2</sup> aimed specifically at lower-paid employees has been introduced arising from a recommendation of the Pensions Commission (in paragraph 17.6.5 of its Report). The details are contained in Department of Finance Circular 19/2005 dated 20 July 2005. In common with other public service schemes that are subject to integration, this formula will apply, as appropriate, in the calculation of all pensions (as at paragraphs 5 and 7 below) under the pension scheme for new entrant officers, regardless of the person’s overall amount of pensionable remuneration. Spouses’ and children’s contributory pensions will also be subject to integration as appropriate (see paragraph 10).

The integration method used for the purposes of calculating employee pension contributions is outlined in paragraph 4.

Integration does not apply to retirement gratuity.

1.4 All retirement benefits will be based on pensionable service and pensionable remuneration on the date of retirement – see paragraphs 2 and 3 – and, in the case of pensions, subject to integration as outlined in paragraph 1.3 (b) above.

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<sup>1</sup> *Fully insured* means a person who is, or was, before attaining the age of 66, insured for SPC under the Social Welfare Acts.

<sup>2</sup> The revised method of calculating integrated personal (main scheme) pension is as follows :

- for that part of the person’s pensionable remuneration which is less than or equal to  $3\frac{1}{3}$  times the rate of SPC,  $\frac{1}{200}$ <sup>th</sup> of pensionable remuneration multiplied by the number of years pensionable service, plus
- where applicable, for any part of his / her pensionable remuneration that exceeds  $3\frac{1}{3}$  times the rate of SPC,  $\frac{1}{80}$ <sup>th</sup> of pensionable remuneration multiplied by the number of years pensionable service.

The maximum rate of SPC applicable to a single person with no dependants on the last day of the person’s pensionable service is used.

- 1.5 The main scheme will be contributory (in the same way as already applies to post-6 April 1995 officers insured for full PRSI (Class A)) – see paragraph 4.1.
- 1.6 Contributions in respect of the Spouses' and Children's Scheme are dealt with in paragraph 10.

### Pensionable service

- 2.1 “*Pensionable service*” will consist of full-time paid PDF service (including portions of years) in respect of which pension contributions have been paid where applicable, together with any reckonable service transferred from elsewhere under the Transfer of Service Scheme and *notional service* granted in certain circumstances (see paragraphs 2.2 and 7.1). Maximum pensionable service will be 30 years over which period maximum superannuation benefits will accrue (see paragraph 5.3).
- 2.2 A common feature of public service pension schemes is provision for the grant of notional service for pre-recruitment experience required for appointment to certain professional, technical and specialist appointments, known as ‘*professional added years*’. A new scheme for the award of such professional etc. added years has been introduced for new entrants recruited to the Civil and Public Service from competitions advertised on or after 1 April 2005 – the details are set out in Department of Finance Circular 8/2005 dated 21 March 2005. Separately, many public service schemes also provide members with an option to purchase additional years of pensionable service, at full actuarial cost, to meet a shortfall in the standard maximum pensionable service of 40 years. The current purchase arrangements in respect of the Civil Service are set out in Department of Finance Circular 4/2006 dated 27 June 2006. Similar arrangements in respect of both measures will be applied to relevant new entrant officers, subject to appropriate adjustments to take account of the differing retirement ages, upper service limits and other relevant factors applicable in the PDF vis-à-vis other public service areas generally.

### Pensionable remuneration

3. “*Pensionable remuneration*” means the aggregate of –

(a) annual basic pay on the last day of pensionable service (see **Note 1** following), **and**

(b) averaged pensionable allowances in the nature of pay on retirement (see **Note 2** following).

**Note 1:** Where the individual has not held the same rank (e.g. through promotion) for the last 3 years of pensionable service, “*averaging*” of basic pay will apply in the same way as in other public service pension schemes generally. In effect, averaging means taking account of the basic pay of any lower rank held during the final 3 years of pensionable service.

**Note 2:** This means the average annual amount of any allowances in the nature of pay and additional pay, which have been designated as pensionable, actually paid during the final 3 years of pensionable service. For this purpose, each such payment is first averaged separately i.e. the amount actually paid over the final 3 years’ service is divided by three, and then aggregated with any other such (averaged) payment(s), but see paragraph immediately following. Consistent with established Public Service pensions policy, allowances for overseas duty, uniform and travelling and subsistence, and expense, reimbursement and other non-taxable payments such as foreign service allowances, will not be reckonable for superannuation purposes. The various pensionable payments are listed in **Appendix A**.

The Pensions Commission has recommended (in paragraph 22.9.14 of its Report) that the “*averaging rule*” should be modified to an average of the pensionable allowances received in the best 3 consecutive years in the 10 years preceding retirement, uprated to date of retirement as appropriate. Detailed proposals (including qualifying conditions etc.) for the implementation of this recommendation across the Public Service are being finalised. When finalised, these new arrangements, modified appropriately and subject to certain conditions in the case of specific allowances, will apply to new entrant officers.

## Pension Contributions – Main Scheme

4.1 The new entrant officers' main scheme will be fully contributory. In line with the Commission's recommendations on pension contributions generally (paragraph 22.2.10 of its Report), the rates of periodic contribution deducted from pay will be the same as the standard rate of explicit employee contribution applicable to other new entrants (including officers in the PDF) recruited to the Public Service since 6 April, 1995 viz.

(a) 3½ % of *net remuneration* (see paragraph 4.2) in respect of personal pension (which will be subject to integration – see paragraph 1.3 (b)); and

(b) 1½% of *gross remuneration* (see paragraph 4.2) in respect of service gratuity (to which integration will not apply).

4.2 “*Gross remuneration*” means current basic pay plus pensionable allowances in the nature of pay and additional pay. “*Net remuneration*” means gross remuneration less twice the maximum rate of State Pension Contributory payable to a single person with no dependants. (This is the standard method applicable to explicit employee pension contributions in respect of personal pension in fully contributory public service schemes).

## Pension

5.1 The minimum service required to qualify for a pension - whether immediate or preserved - will be 2 years (see paragraph 7.1). Maximum pension will accrue over a period of 30 years (see paragraph 5.3).

5.2 Immediate pension on retirement will be payable only in the case of new entrant officers who serve in the PDF to the minimum pension age of 50 years, or those with not less than 5 years' actual pensionable service who are compulsorily retired on medical grounds (see paragraph 7.1). In all other cases, pension entitlement will be preserved and payable, on application by the former member, at age 60 (ref. Pensions Commission recommendation in paragraph 22.9.30 of its Report) and will be based on uprated pensionable remuneration (integrated as in paragraph 1.3 (b)).

5.3 Pension will, in the same way as other public service groups with special pension terms and using the standard public service formula (see paragraph 1.3(b) above), be calculated on the following basis:

- $1/200^{\text{th}}$  of pensionable remuneration not exceeding  $3\frac{1}{3}$  times the appropriate rate of the State Pension Contributory (SPC) multiplied by the total number of years pensionable service, **plus**
- where applicable,  $1/80^{\text{th}}$  of pensionable remuneration in excess of  $3\frac{1}{3}$  times that rate of SPC multiplied by the total number of years pensionable service,

with all service in excess of 20 years being doubled for the purpose of this calculation.

As already indicated (in paragraph 2.1), “pensionable service” consists of full-time paid PDF service (including portions of years) in respect of which pension contributions have been paid where applicable, together with any reckonable service transferred from elsewhere under the Transfer of Service Scheme and notional service granted in certain circumstances. Maximum pensionable service is 30 years over which period maximum superannuation benefits accrue.

For example, a new entrant officer who retires with maximum pensionable service of 30 years (equivalent to the maximum of 40 years’ service in other public service areas where standard pension terms apply) and with final pensionable remuneration of €40,000, will receive an annual occupational pension of €9,078.74<sup>3</sup> and, subject to meeting the Social Insurance qualifying requirements, a State Pension of €10,921.27 per year (€209.30 per week at January 2007 rates), giving a total of €20,000 per year.

5.4 A person in receipt of a pension under this scheme may also qualify for a supplementary pension in certain limited circumstances. The supplementary pension will, in line with arrangements applicable in public service pension schemes generally, be payable only in respect of periods during which the pensioner is not employed and, due to causes outside his or her control, fails to qualify for Social Insurance benefit, or qualifies for such benefit at less than the maximum personal rate of SPC. The rate of supplementary pension will be sufficient to bring the total amount of occupational pension up to the rate which would

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<sup>3</sup> This occupational pension of €9,078.74 is calculated on the basis of  $[1/200^{\text{th}} \times (\text{State Pension of } €10,921.27 \text{ p.a.} \times 3\frac{1}{3}) \Rightarrow €36,404.23] \times 40 \text{ years} = €7,280.85$  plus  $[1/80^{\text{th}} \times (€40,000 - €36,404.23) \times 40 \text{ years} = €1,797.89]$ .

have been payable had it been based on pensionable remuneration (as in paragraph 3) i.e. without any integration with the Social Insurance system.

### Service Gratuity

6. The standard gratuity will be calculated on the basis of  $3/80^{\text{th}}$  of pensionable remuneration (as in paragraph 3) for each of the first 20 years of service, and  $6/80^{\text{th}}$  for each of the next 10 years, subject to a maximum of  $120/80^{\text{th}}$ , i.e.  $1\frac{1}{2}$  times pensionable remuneration after 30 years (and equivalent to the maximum gratuity payable after 40 years' service in other areas of the public service where standard pension terms apply).

The gratuity will be payable immediately on retirement only in the case of an officer who qualifies for an immediate pension. Otherwise, entitlement will be preserved on the same basis as applies to pension – see also paragraph 7.

### Retirement on medical grounds

- 7.1 An immediate pension and service gratuity (based on the formulae set out in paragraphs 5.3 and 6 respectively) will be awarded to a new entrant officer with 5 or more years' actual pensionable service who is compulsorily retired on medical grounds in accordance with Defence Force Regulations. ("*Actual pensionable service*" in this context means full-time paid PDF service together with reckonable transferred service (as in paragraph 2.1)). In such cases, "*notional added years*" of service may be added to the individual's actual pensionable service depending on his/her actual and/or potential service. The maximum added years will be 10 years. Details regarding the basis etc. for computation of such added years are given in Appendix B.
- 7.2 An officer retired on medical grounds with at least 1 year and less than 2 years' actual pensionable service, may be paid an immediate short service gratuity of  $1/12^{\text{th}}$  of final pensionable remuneration for each year of pensionable service.
- 7.3 Where actual pensionable service in such cases is not less than 2 years but less than the minimum service of 5 years required under paragraph 7.1, the individual will have a once-off (and irrevocable) option of accepting immediate short service gratuities instead of

preserved pension and gratuity viz. the gratuity in paragraph 7.2 plus the standard gratuity in paragraph 6 of 3/80<sup>th</sup>s of pensionable remuneration for each year of pensionable service.

### **Special Severance Provisions**

8. As recommended by the Commission (in paragraph 21.6.6 (iii) of its Report), appropriate severance provisions will apply in certain circumstances to new entrants on retirement earlier than age 50, but only on a limited and selective basis in the light of specific personnel and operational requirements. The details of the severance provisions have not yet been formulated.

### **Death Gratuity**

9. On the death in service of a new entrant, his / her personal representative will be paid a death gratuity equal to the greater of his / her pensionable remuneration (i.e. one year's pensionable remuneration), or the gratuity that would have been payable had the deceased been retired on medical grounds on the date of his/her death, subject to a maximum of 1½ times pensionable remuneration. If a new entrant who is eligible for preserved pension and service gratuity dies before such benefits become payable to him/her (i.e. before the age of 60), a preserved death gratuity – equal to the amount of the preserved service gratuity – will be payable, on application, to his / her personal representative.

### **Spouses' and Children's Scheme**

- 10.1 Spouses' and children's contributory pensions, based on standard public service contributory schemes and integrated as appropriate with the Social Insurance system, will be payable in respect of new entrant officers who die in service, or after retirement having qualified for an immediate or preserved pension. A surviving spouse may be entitled to benefits under the Social Welfare Acts in addition to those provided under the Spouses' and Children's Scheme.

10.2 Benefits are linked to the deceased member's pension benefits, integrated as appropriate<sup>4</sup>. Rates of children's pensions will vary depending on whether or not a spouse's pension is payable and also on the number of eligible children, but the combined aggregate of the children's pensions will not exceed the rate of the spouse's pension.

10.3 Contributions to the spouse's and children's contributory pension scheme will take the form of :

(a) periodic contributions deducted from the member's monthly pay, and

(b) non-periodic (lump sum) contributions which will be deducted from retirement or death gratuity, as the case may be.

The periodic contribution rate will be 1½% of gross remuneration (as in paragraph 4.2 above), while double contributions will apply for service in excess of 20 years. Non-periodic contributions may arise where a member has not paid periodic contributions for all reckonable service. The non-periodic contribution rate will be 1% of final pensionable remuneration (as in paragraph 3 above) in respect of each year of reckonable service (including portions of years) for which periodic contributions have not been paid. In common with public servants generally, the maximum number of years contributions (periodic and non-periodic combined) which will be retained is 40.

#### **Family Law provisions – implications for superannuation benefits**

11. When granting a decree of judicial separation or divorce, a court may also grant a Pension Adjustment Order directing that some or all of the member's superannuation benefits should be paid to the member's spouse and/or dependent children. Where such an order is granted, it over-rides the provisions of the superannuation arrangements to the extent necessary to secure payment under the order in respect of the member's retirement and/or contingent benefits.

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<sup>4</sup> The same method of integration as set out in Paragraph 1.3(b) above or a *Social Insurance offset* of the maximum personal rate of SPC payable on the last day of pensionable service will apply, whichever is the more favourable. This accords with standard Public Service arrangements when calculating the rate of spouses' and children's pensions in fully contributory pension schemes for Class A PRSI new entrants recruited since 6 April 1995.

### **Pension Increases**

12. The Minister for Defence may grant such increases in such pensions and preserved pensions under these superannuation arrangements as may be authorised from time to time with the consent of the Minister for Finance.

**Superannuation arrangements for *New Entrant Officers* who join the  
Permanent Defence Force on or after 1 April 2004**

**The following additions to basic pay will be pensionable for superannuation purposes subject to certain conditions in the case of specific allowances (ref. paragraph 3(b) of Broad Outline March 2008)**

1. Military Service Allowance
2. Flying Pay
3. Additional Pay – Air Traffic Control Officers
4. Additional Pay – Army Medical Corps (e.g. Senior Physician, Assistant Surgeon, O/C Military Hospital, Periodontist)
5. Health & Safety Officers Allowance
6. Foreign Language Proficiency Allowance
7. Diving Allowance – annual rate
8. Instructors Allowance – Cadet School (& Air Corps and Naval Service equivalents) or Brigade Training Centres
9. Personnel Support Services Officers Allowance
10. Border Duty Allowance
11. Army Ranger Wing Allowance
12. Substitution Allowance
13. Security Duty Allowance
14. Security Duty Allowance – Portlaoise Prison
15. Explosives Ordnance Disposal Duty Allowance
16. Diving Allowance – daily rate
17. In-Charge Allowance (Naval Service)
18. Patrol Duty Allowance
19. Brigade Duty Officers Allowance
20. Emergency Medical Officers Allowance

## Appendix B

### Superannuation arrangements for military personnel recruited as *new entrants* to the Permanent Defence Force on or after 1 April 2004

#### “Notional Added Years” – retirement / discharge on medical grounds

A member who has completed 5 or more years of actual pensionable service and who is compulsorily retired / discharged from the PDF on medical grounds, may have a period of notional service (“*ill-health notional service*”) added on the following basis to his or her actual pensionable service :

- (a) A member with between **5 and 10 years’ actual pensionable service** will be credited with an equivalent amount of notional service, subject to such added service not exceeding the additional pensionable service which would have accrued if he/she had served to the upper age / service limit for his/her rank.
- (b) Members with between **10 and 20 years’ actual pensionable service** will be credited with the more favourable of:
  - i. An amount of notional service equal to the difference between actual service and 20 years, subject to such added service not exceeding the additional pensionable service which would have accrued if he/she had served to the upper age / service limit for his/her rank; or
  - ii.  $6 \frac{2}{3}$  years, subject to such added service not exceeding the additional reckonable service which would have accrued if he/she had served to the lower of : the minimum pension age of 50 or the upper age / service limit for his/her rank.
- (c) Members with **more than 20 years’ actual pensionable service** will be credited with an award of added years on the same basis as at (b)(ii) above.

The aggregate of actual pensionable service and ill-health (or other) notional service cannot exceed 30 years. No ill-health added years will be awarded where the member’s disablement / illness etc. has been caused by his/her own fault or negligence. Similar arrangements will apply to the gratuity payable on death in service (equal to the greater of 1 years’ pay or the gratuity that would have been payable if the deceased had been compulsorily retired / discharged on medical grounds).

10 May 2007.

Colonel Brian O'Keeffe,  
General Secretary,  
RACO,  
Park House,  
North Circular Road,  
Dublin 7.

**Re : Defence Forces new entrants' Pension Scheme – including proposals for revised method of reckoning allowances for pension purposes in the public service (draft Department of Finance Circular (April 2007))**

Dear Brian,

I refer to documentation transmitted under cover of my email of 8 August 2006 to your Association regarding, in particular, the implications for certain military allowances under the new entrants' pension scheme arising from the above and our discussions in that regard. A copy of the latest draft Finance circular (April 2007) is attached for your information.

**New scheme – reckoning of variable allowances**

Briefly, under conventional public service pension schemes, pensionable allowances are reckoned by way of *averaging* over the final 3 years of service (the actual amount(s) paid during that period are aggregated and divided by 3 to produce an 'annual' average). As matters stand, such payments would generally have to be held by the individual concerned on the last day of service in order to reckon under the new entrants' pension scheme. The proposal is to modify the existing *three-year averaging rule* to averaging over the best 3 consecutive years in the 10 years preceding retirement, subject to a basic general requirement that each allowance be held for not less than 1 year continuously (during those best 3 years) in order to reckon. This will have implications for 'variable' allowances across the public service e.g. unsocial hours payments for the special service groups such as Gardai etc. In the Defence Forces context, the proposal will apply, in particular, to periodic payments such as Substitution Allowance and the range of daily Duty Allowances (incl. SDA, EOD, Patrol Duty etc). In that regard, your Association has indicated in the course of our discussions that the operation of the '1-year requirement' would pose considerable difficulties in terms of actual pensionability for new entrant personnel.

We have been considering the matter and in the case of Substitution Allowance, we understand that our proposal is acceptable (see para. (ii) below). As regards the daily Duty Allowances we have, in consultation with the Department of Finance, been exploring the possible approaches that would on the one hand meet the general principle of a basic minimum requirement regarding

those payments, and at the same time would have due regard to the particular nature of these payments. As intimated in the course of our recent contacts with your Association, an initial proposal had been mooted whereby the '1-year requirement' would be regarded as satisfied if, in respect of each duty payment the member had performed an aggregate of 220 duties in the best 3 consecutive years during the final 10 years' service. However, after further deliberation, we have obtained Department of Finance agreement for a considerable advance on the initial proposal (see para. (iii) below).

We have already confirmed that, when the detailed proposals in the draft Finance circular regarding pensionability of variable allowances are finalised for implementation across the public service, the new arrangements will be included in the Defence Forces new entrants' Pension Scheme. Subject to actual implementation of this measure for public service groups generally, it is proposed in the case of new entrant military personnel that :

- (i) Except as set out in paragraphs (ii) and (iii) below, each pensionable payment must be held continuously for a period of not less than 1 year during the best 3 consecutive years in the final 10 years of service in order to be reckonable for superannuation purposes;
- (ii) Substitution Allowance payable on foot of Conciliation Council Report No. 243 will be reckonable provided it is held by the person concerned for an aggregate of not less than 1 year during the best 3 consecutive years in the final 10 years of service; and
- (iii) In the case of the following variable allowances payable at daily rates :
  1. Security Duty Allowance;
  2. Security Duty Allowance – Portlaoise;
  3. Explosives Ordnance Disposal Duty Allowance;
  4. Patrol Duty Allowance;
  5. Diving Allowance;
  6. Naval Service In-Charge Allowance;
  7. Brigade Duty Officer Allowance; and
  8. Emergency Medical Officer Allowance,

the person concerned must, during the best 3 consecutive years in the final 10 years' service, have performed an aggregate of not less than 156 duties in respect of each such payment in order for such payment to reckon.

The proposed arrangements at paragraphs (ii) and (iii) above are exceptional measures that have been devised having due regard to Defence Forces operational considerations and other factors. The proposals in respect of the Duty Allowances are based on the 'one duty a week' approach which we mentioned during our recent contacts.

(We are forwarding under separate cover our detailed proposals in response to your Association's claim for the pensionability of further allowances under existing pension arrangements).

**Defence Forces new entrants' pension scheme – next steps**

We are, in consultation with the Department of Finance, updating the 'Broad Outline' of the new scheme. We will send you a copy of the revised document as soon as possible.

We would then hope to be in a position to convene a meeting of the Pensions Subcommittee at an early date with a view to bringing these matters to a conclusion. In the meantime, if there are any matters which you need to discuss or clarify etc. please get in touch with us.

Yours sincerely,

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**Fred Bradley  
Principal  
C&A Branch**

P18/012/08

19 June 2008

To: All Heads of Department/Office

**Circular 10/2008: Public Service Pension Reform: Revised method of reckoning variable pensionable allowances for pension purposes**

A Dhuine Uasail,

1. I am directed by the Minister for Finance to announce a change in the method of reckoning variable pensionable allowances for pension purposes in the public service. The change announced in this Circular is effective from 1 April 2004.

**Background**

2. The Commission on Public Service Pensions, as part of its terms of reference, had regard to claims for improvements in existing pension scheme benefits, including claims for a move away from the focus on the final three years of service under the three-year averaging rule for the calculation of pension on variable pensionable allowances (such as unsocial hours payments).
3. Following consideration of the issue, the Commission concluded that the pension system should not result in a distortion of preferred work choices and recommended that the reckoning of variable pensionable allowances under the three-year averaging rule should be changed to an average of the variable pensionable allowances received in the best three consecutive years in the ten years preceding retirement, as uprated to the date of retirement.
4. In *Budget 2004*, the Minister for Finance announced that the Government had decided to implement the bulk of the recommendations of the Commission on Public Service Pensions. Discussions were held with the Staff Side on the treatment of allowances for pension purposes and other issues and, on 14 September 2004, the Minister announced Government approval for the introduction of a change in the method of reckoning variable pensionable allowances for pension purposes.

### Scope

5. This Circular applies to staff who
  - (a) are serving in a public service body as defined in the Public Service Superannuation (Miscellaneous Provisions) Act 2004,
  - (b) are members of the appropriate superannuation scheme of that body and that scheme is a public service pension scheme, as defined in that Act,
  - (c) hold or have held a variable pensionable allowance (see paragraph 10 below) at some time within their last ten years of service, and
  - (d) meet the requirements specified in paragraphs 10-15 below.
6. The revised method of reckoning allowances is also to be made available to people who resigned/retired on or after 1 April 2004 and before this Circular issued and who fell within the scope of the Circular, as set out above, at the time of resignation/retirement.
7. The purpose of this Circular is to change the method of reckoning variable pensionable allowances for pension purposes by (i) removing (where applicable) the requirement to be holding an allowance on the last day of reckonable service and (ii) increasing the time span during which payment of an allowance may qualify for inclusion in final pensionable remuneration. This Circular does not confer pensionability on any allowance which has not been pensionable to date, nor change any rules other than those specified in this Circular. For example, if there is currently a requirement to hold an allowance for a particular length of time in order for it to reckon in final pensionable remuneration, then this Circular does not alter that requirement. In addition, any revised methods of reckoning the value of allowances for pension purposes introduced on foot of this Circular are designed to provide an administrative mechanism for implementing the Commission's recommendation and should not be used for any other purpose.
8. It is essential that each person who is being placed on an allowance is informed in writing as to whether the allowance is pensionable and, if pensionable, the conditions which may apply and whether the allowance is covered by the terms of this Circular.
9. In general, unless covered by an appropriately approved specific agreement to the contrary, for an allowance to be pensionable, it should:
  - (i) be the subject of an appropriately approved central or local written management-staff agreement which specifies that the allowance is pensionable or specifies that the allowance is in the nature of pay;
  - (ii) meet the standard conditions governing the pensionability of allowances, namely that the allowance is in respect of specified duties which are permanent or quasi-permanent and are continuous or regular;
  - (iii) not be a payment for work of a casual or temporary nature; and
  - (iv) not be a payment for or in lieu of overtime, travel, subsistence or other expenses.

The criteria at (i) to (iv) above are indicative only and are not exhaustive. They are for guidance purposes and are not intended to change existing agreements. If a Department has any doubts about the pensionability of a Civil Service allowance, they should consult the Department of Finance. If another public service body has any doubts about the pensionability of an allowance, they should consult the relevant parent Department.

### **Requirements**

10. This Circular applies only in respect of an allowance which is a **variable** pensionable allowance. A variable pensionable allowance is one which, as of 31 March 2004, varied in line with pay increases, whether general increases only or general and special/grade increases, and was subject to the three-year averaging rule (i.e. the actual amount of pensionable allowances paid in the last three years of service is divided by three to determine the allowance component of final pensionable remuneration). The new arrangement will also apply as appropriate to variable pensionable allowances created or made pensionable on or after 1 April 2004.
11. In general, an allowance for the performance of the duties of a higher grade must have been held continuously for twelve months in order to be deemed reckonable for the purposes of this Circular.
12. References in this Circular to periods of time when an allowance is held are not affected by the allowance-holder's actual attendance pattern. Thus, for example, where a person is worksharing on a 50% attendance basis or working part-time at a rate of 50% of a full-time worker for a year, this period reckons as a year for the purposes of this Circular. This does not affect the calculation of service for superannuation purposes as set out in Department of Finance Circular 20/2005.
13. The terms of this Circular do not apply where an allowance has been incorporated into pay-scales as a result of restructuring, regrading, productivity, or other such arrangements and where the person concerned has benefited from same in pension terms.
14. Where a person is promoted three or more years before retirement, allowances held in the former grade do not fall within the scope of this Circular. As a transitional arrangement, if a case arises where (i) such a person was promoted in the period from 14 September 2004 (when Government approval in principle was announced) to the date of this Circular, (ii) the allowance was not taken into account when calculating starting pay on promotion and (iii) the person's overall pensionable remuneration at retirement is less than it would have been had they remained in their former grade, this Department should be consulted.
15. Where a person is promoted in their last three years of service, there is no change in practice with regard to averaging of allowances held in the former grade.
16. Where more favourable arrangements than those outlined in paragraphs 10-15 above currently apply they will not be affected.

### Calculation

17. When a person indicates an intention to retire, the Personnel Section must ascertain whether or not that person was in receipt of a variable pensionable allowance in the grade from which he or she is retiring and, if so, whether that allowance was paid within the person's last ten years of service and whether the allowance meets the requirements in paragraphs 10-15 above. If any such allowance earnings arose, then the Personnel Section must, in consultation with the person if necessary, examine the person's remuneration history in respect of variable pensionable allowances.
18. The purpose of the examination is to determine which period of three consecutive years within the last ten years is the most favourable to reckon for pension purposes. The primary focus of the introduction of the change outlined in this Circular is to reduce the negative impact on pension of certain preferred work choices in the three years preceding retirement. For that reason, in cases where a person holds an allowance throughout the last three years of service and has not held any other pensionable allowance in the ten years prior to the date of retirement, in general only the last three years of service need be examined – see Examples 1, 3 and 4 in the Appendix.
19. Civil Service Schemes:
  - (a) In cases where a person has not been promoted within the last ten years of service, there are eight potential overlapping three-year periods to be examined, with the first (earliest) such three-year period commencing ten years before the final day of service, the second such three-year period commencing nine years before the final day of service and so on. As mentioned in paragraph 12 above, the ten-year period is not affected by a person's attendance pattern during that period. Where a person has been promoted more than three years but less than ten years before retirement, the number of three-year periods to be examined will be fewer as they will reckon backwards only to the date of promotion. Where a person is promoted within three years of retirement, paragraph 15 above will apply.
  - (b) The method of averaging and uprating the qualifying allowance(s) will be the same as that currently used for allowances when calculating preserved pension benefits. In the Civil Service, variable allowances are categorised for pension increase purposes as attracting general pay increases only, or attracting general and special/grade pay increases. Allowances are uprated by reference to those categories when calculating preserved pension benefits.
  - (c) This means that, for each allowance earned, the total amount received in each of the three-year periods is divided by three to get the annual average amount earned in that three-year period. The averages are then uprated between the end of each three-year period and the retirement date by reference to the appropriate category (see (b) above).
  - (d) The uprated averages for the different allowances are then added together in each three-year period, after which the resultant **uprated average totals** for each three-year period are compared to find the highest figure for the purposes of final pensionable remuneration – see Examples 6, 7 and 8 in the Appendix.

20. *Other public service pension schemes:* It is at the discretion of Departments to adopt a method of calculation similar to that set out in paragraph 19 above or to agree suitable alternative methods with the appropriate staff representatives, having regard to all the relevant circumstances and subject to the approval of the Department of Finance.
21. In determining the best three-year period, it is the uprated value of the allowance averages that should be used. In the case of the three-year period comprising the final three years of service, there is no change in the method of averaging used prior to the issuing of this Circular.

#### **Contributions**

22. The reckoning of allowances for pension purposes is subject to the payment of appropriate contributions in accordance with the rules of the relevant scheme. It should also be noted that deduction of contributions does not in itself indicate that the allowance will reckon as pensionable remuneration at the time of retirement (e.g. the allowance may not be held within the last ten years of service or contributions may have been deducted in error). Public service employers should take steps to ensure that contributions are not deducted from allowances which are not pensionable.

#### **Record Keeping**

23. Allowances can potentially reckon for superannuation purposes over a period as long as ten years. This makes it essential for public service employers to keep detailed accurate records of when each member of staff held allowances, the nature of the allowances, the amounts paid, any conditions which applied to the holding of the allowances and any other data which might be required in order to calculate the person's superannuation entitlements.

#### **Effective Date**

24. The effective date of this Circular is 1 April 2004 and the arrangements outlined apply to all relevant cases from that date.

#### **Review**

25. The administration of the arrangements introduced by this Circular will be reviewed as appropriate in the light of the experience of its practical operation.

#### **Circulation**

26. Please bring this Circular to the notice of all staff serving in your Department/Office and to the attention of all public service bodies under the aegis of your Department. For this purpose, the definition of "public service body" in the Public Service Superannuation (Miscellaneous Provisions) Act 2004 should be used.

**Queries**

27. Queries from individual staff members in connection with this Circular should be directed to the Personnel Section of their own Department/Office/public service body. Queries from public service bodies themselves should be referred in the first instance to the appropriate parent Department. If Departments wish to enquire about any issues or difficulties arising from the implementation of this Circular then they should email the Department of Finance at the appropriate address as set out below:

For enquiries relating to the Civil Service contact  
[Circ10-2008cs@finance.gov.ie](mailto:Circ10-2008cs@finance.gov.ie)

For enquiries relating to the public service other than the Civil Service contact  
[Circ10-2008ps@finance.gov.ie](mailto:Circ10-2008ps@finance.gov.ie)

Mise le meas,

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Stephen O'Sullivan  
Assistant Secretary

**EXAMPLES OF THE APPLICATION OF CIRCULAR 10/2008  
IN THE CIVIL SERVICE**

**Guidelines**

- (1) Has the person held any allowance in the ten-year period prior to retirement?
- (2) If yes, was that allowance held in the grade from which the person is retiring (or in their previous grade if promoted less than three years before retirement)?
- (3) If yes, was that allowance pensionable? [See paragraph 9 of this Circular. For example, Children's Allowance is not pensionable.]
- (4) If yes, was that allowance a variable allowance within the meaning of this Circular? [See paragraph 10 of this Circular.]
- (5) If yes, does that allowance meet the other criteria set out in this Circular? [See paragraphs 11, 13, 14 and 15.]
- (6) Is the allowance increased by reference to general pay increases only or by reference to both general and special/grade pay increases?

**It is assumed in Examples 1, 3 and 4 that the person is working full-time throughout the period and that the allowance(s) are such that a person is assigned to the allowance for a continuous period, i.e. the allowances in these examples are not paid on an occasional basis or on the basis of the number of times on which a specified duty is performed.**

**Example 1**

*A Higher Executive Officer retires on 1 June 2008, having been promoted to that grade on 1 May 1996. This person held a variable pensionable allowance (e.g. Private Secretary allowance at the full rate) throughout the period 1 January 2000 to the date of retirement.*

This Circular has no impact on the method of calculation (i.e. the allowance component of final pensionable remuneration continues to be based on the last three years of service).

**Example 2**

*A Staff Officer retires on 1 May 2008 having been promoted to that grade on 1 January 2005. Prior to promotion this person held a variable pensionable allowance as a Clerical Officer, but has held no allowances as a Staff Officer.*

In general this Circular has no impact – no allowances are reckoned in final pensionable remuneration. However in accordance with paragraph 14 (concerning persons promoted three or more years before retirement), and as a transitional arrangement, if a case arises where (i) a person was promoted in the period from 14 September 2004 to the date of this Circular, (ii) the allowance was not taken into account when calculating starting pay on promotion and (iii) the person's overall pensionable remuneration at retirement is less than it would have been had they remained in their former grade, this Department should be consulted.

### **Example 3**

*A Higher Executive Officer retires on 1 May 2008 having been promoted to that grade on 1 January 2000 and holding two variable pensionable allowances. Allowance A has been paid from 1 October 2001 to the date of retirement; Allowance B has been paid from 1 January 2005 to the date of retirement.*

This Circular has no impact on the method of calculation (i.e. the allowance component of final pensionable remuneration continues to be based on the last three years of service).

### **Example 4**

*A Higher Executive Officer retires on 1 June 2008, having been promoted to that grade on 1 May 1996. This person held a variable pensionable allowance throughout the period from 1 August 2005 to 31 March 2008.*

This Circular has an impact in that the allowance now reckons even though it was not held on the last day of service. However, as it was only held within the last three years of service, no uprating is necessary (i.e. the amount earned is averaged, but not uprated).

### **Example 5**

*A Higher Executive Officer retires on 1 June 2008, having been promoted to that grade on 1 May 1996. This person held a Private Secretary allowance (variable pensionable allowance which increases in line with general and special/grade pay increases) at the full rate throughout the period 1 January 2000 to 31 December 2004 and at the subsequent half rate from 1 January 2005 to the date of retirement.*

This Circular does make a difference to the method of calculation in this case, i.e. the comparison exercise provided for in the Circular must be carried out – see examples 6, 7 and 8 below.

### **Example 6**

*A Higher Executive Officer retires on 30 April 2008 having been promoted more than ten years before retirement, and holding two variable pensionable allowances. Allowance A has been paid throughout the period from 1 June 2004 to retirement. Allowance B has been paid over the period from 1 July 2001 to retirement, but not continuously over that period.*

This Circular does make a difference to the method of calculation in this case, i.e. the comparison exercise provided for in the Circular must be carried out. The required calculations are set out below.

This person's pensionable allowance earnings in the ten years before retirement were:

<b>Allowance earnings in the ten years before retirement</b>			
<i>Year</i>	<i>Allowance A (€)</i>	<i>Allowance B (€)</i>	<i>Total (€)</i>
1 May 1998 – 30 April 1999	0	0	0
1 May 1999 – 30 April 2000	0	0	0
1 May 2000 – 30 April 2001	0	0	0
1 May 2001 – 30 April 2002	0	600	600
1 May 2002 – 30 April 2003	0	510	510
1 May 2003 – 30 April 2004	0	540	540
1 May 2004 – 30 April 2005	1,140	840	1,980
1 May 2005 – 30 April 2006	1,350	690	2,040
1 May 2006 – 30 April 2007	1,410	480	1,890
1 May 2007 – 30 April 2008	1,530	510	2,040

Both allowances are linked for adjustment purposes to general pay round increases only. This means that they can be added together in each year at the outset of the calculation process, as per the totals in the above table.

For each of eight three-year periods the allowance earning totals must be added and averaged. The averages are then uprated to the date of retirement using appropriate multipliers as set out in the table below.

<b>Calculation of uprated average allowance earnings</b>				
<i>Three-year period</i>	<i>Total (€)</i>	<i>Average (€)</i>	<i>Multiplier</i>	<i>Uprated average (€)</i>
1 May 1998 – 30 April 2001	0	0	1.337028	0
1 May 1999 – 30 April 2002	600	200	1.267325	253.47
1 May 2000 – 30 April 2003	1,110	370	1.218582	450.88
1 May 2001 – 30 April 2004	1,650	550	1.183089	650.70
1 May 2002 – 30 April 2005	3,030	1,010	1.137149	1,148.52
1 May 2003 – 30 April 2006	4,560	1,520	1.103787	1,677.76
1 May 2004 – 30 April 2007	5,910	1,970	1.045500	2,059.64
1 May 2005 – 30 April 2008	5,970	1,990	1.000000	1,990.00

(Note: The above multipliers derive from cumulative general pay increases for the Higher Executive Officer grade between the end of each three-year period and the retirement date. The multipliers will vary from case to case depending on the retirement date, and are also liable to vary across the public service depending on the amounts and dates of general pay awards for individual grades. Note also that different multipliers will apply where an allowance is related to both general and special/grade pay increases.)

The table shows that the highest uprated average was for the three-year period 1 May 2004 to 30 April 2007. So the uprated average allowance figure for that period of €2,059.64 is deemed to be the allowance component of final pensionable remuneration.

### Example 7

An Executive Officer retires on 31 December 2007, having been promoted more than ten years before retirement. No allowances were payable in the two years before retirement, but in the six years before that the officer held one variable pensionable allowance. This allowance increases in line with general pay round increases.

This Circular does make a difference to the method of calculation in this case, i.e. the comparison exercise as set out in the Circular must be carried out. The required calculations are set out below.

This person's pensionable allowance earnings in the ten years before retirement were as follows:

Allowance earnings in the ten years before retirement	
Year	Allowance (€)
1 January – 31 December 1998	0
1 January – 31 December 1999	0
1 January – 31 December 2000	1,500
1 January – 31 December 2001	2,100
1 January – 31 December 2002	2,160
1 January – 31 December 2003	1,800
1 January – 31 December 2004	2,250
1 January – 31 December 2005	2,310
1 January – 31 December 2006	0
1 January – 31 December 2007	0

For each of eight three-year periods the above allowance earnings are added and averaged. The averages are then uprated to the date of retirement using appropriate multipliers as set out in the table below. (The allowance is linked for adjustment purposes to general pay round increases.)

Calculation of uprated average allowance earnings				
Three-year period	Total (€)	Average (€)	Multiplier	Uprated average (€)
1 January 1998 – 31 December 2000	1,500	500	1.330506	665.25
1 January 1999 – 31 December 2001	3,600	1,200	1.236415	1,483.70
1 January 2000 – 31 December 2002	5,760	1,920	1.188861	2,282.61
1 January 2001 – 31 December 2003	6,060	2,020	1.188861	2,401.50
1 January 2002 – 31 December 2004	6,210	2,070	1.109413	2,296.48
1 January 2003 – 31 December 2005	6,360	2,120	1.076865	2,282.95
1 January 2004 – 31 December 2006	4,560	1,520	1.020000	1,550.40
1 January 2005 – 31 December 2007	2,310	770	1.000000	770.00

The table shows that the highest uprated average was for the three-year period 1 January 2001 to 31 December 2003. So the uprated average allowance figure for that period of €2,401.50 is deemed to be the allowance component of final pensionable remuneration.

### Example 8

*A Higher Executive Officer retires on 31 December 2007, having been promoted more than ten years before retirement. No allowances were payable in the two years before retirement, but in the six years before that the officer held one variable pensionable allowance. This allowance increases in line with general and special/grade pay increases.*

This Circular does make a difference to the method of calculation in this case, i.e. the comparison exercise as set out in the Circular must be carried out. The required calculations are set out below.

This person's pensionable allowance earnings in the ten years before retirement were as follows:

Allowance earnings in the ten years before retirement	
Year	Allowance (€)
1 January – 31 December 1998	0
1 January – 31 December 1999	0
1 January – 31 December 2000	2,709
1 January – 31 December 2001	2,901
1 January – 31 December 2002	3,063
1 January – 31 December 2003	3,153
1 January – 31 December 2004	3,297
1 January – 31 December 2005	3,414
1 January – 31 December 2006	0
1 January – 31 December 2007	0

For each of eight three-year periods the above allowance earnings are added and averaged. The averages are then uprated to the date of retirement using appropriate multipliers as set out in the table below. (The allowance is linked for adjustment purposes to general and special/grade pay increases.)

Calculation of uprated average allowance earnings				
Three-year period	Total (€)	Average (€)	Multiplier	Uprated average (€)
1 January 1998 – 31 December 2000	2,709	903	1.466633	1,324.37
1 January 1999 – 31 December 2001	5,610	1,870	1.329025	2,485.28
1 January 2000 – 31 December 2002	8,673	2,891	1.277908	3,694.43
1 January 2001 – 31 December 2003	9,117	3,039	1.277908	3,883.56
1 January 2002 – 31 December 2004	9,513	3,171	1.136039	3,602.38
1 January 2003 – 31 December 2005	9,864	3,288	1.076865	3,540.73
1 January 2004 – 31 December 2006	6,711	2,237	1.020000	2,281.74
1 January 2005 – 31 December 2007	3,414	1,138	1.000000	1,138.00

The table shows that the highest uprated average was for the three-year period 1 January 2001 to 31 December 2003. So the uprated average allowance figure for that period of €3,883.56 is deemed to be the allowance component of final pensionable remuneration.

## Annex B

### REPORT OF THE C&A PENSIONS SUB-COMMITTEE REGARDING VARIOUS CLAIMS FOR IMPROVEMENTS IN THE EXISTING DEFENCE FORCES PENSIONS SCHEMES FOR OFFICERS ALREADY SERVING ON 31 MARCH 2004

#### Meetings from 20 April 2004 to 18 November 2009

##### Terms of reference

1. Under its terms of reference the sub-committee is required, inter alia, 'To consider the claims for improvements in the pension terms of serving personnel of the PDF put forward by RACO and PDFORRA'. ("Serving personnel" means members of the PDF serving on 31 March 2004 and to whom the existing Defence Forces Pensions Schemes apply.).

##### Structure of this report

2. Paragraph 3 of this report sets out the Representative Side's claims and the grounding arguments in support of them. Paragraph 4 summarises the existing (pre-April 2004) superannuation arrangements. Paragraphs 5 to 10 inclusive set out the Departmental Side's broad response to the claims and the specific proposals put forward together with the operative date(s) thereof. Paragraph 11 records the Representative Side's acceptance of the Departmental Side's proposals. Paragraph 12 records the sub-committee's agreement in that regard and paragraph 13 records adoption of the report by the Pensions sub-committee for presentation to Conciliation Council.

##### Outline of Representative Side's claims

3. The sub-committee considered the following claims, made under cover of RACO letters dated 6 May 2004 lodged at the 104<sup>th</sup> meeting of the Conciliation Council held on that date, together with fresh consideration of a separate claim (see (a) immediately following) in respect of which disagreement had previously been recorded:

- (a) Claim for the payment of the full Retirement Gratuity to officers who retire within 4 years of their scheduled retirement on age grounds

The claim seeks payment under the existing (pre-April 2004) pension arrangements of the full maximum retirement gratuity of 1½ times pensionable pay once an officer is within 4 years of the prescribed retirement age for the rank. The matter had previously been the subject of discussions between both sides arising from which disagreement was recorded (ref. Conciliation Council Report No. 175 adopted on 31 July 2001). Subsequently, in the context of the discussions at Pensions Sub-Committee, the Representative Side sought fresh consideration of the claim. The basis for the claim is that such earlier payment of the maximum gratuity would, inter alia, stimulate movement among senior officers and increase advancement opportunities for junior and middle ranking officers.

- (b) **Claim for improved method of calculation of maximum superannuation benefits of officers in receipt of Rate 2 and Rate 3 Pay, together with modification of the related '5-year requirement'**

The claim seeks that officers in receipt of Rate 2 and Rate 3 pay be given the option under existing pension arrangements of having their total remuneration included in the calculation of their superannuation benefits, thereby affording them the opportunity of availing of an exit gratuity of 1½ times their exit salary and 50% of their exit salary as a pension when they retire on age grounds and, where this option is not exercised, that existing arrangements will continue to apply. The claim is made, inter alia, against the background of developments over the years relating to officers' remuneration structure including the consolidation of 'professional pay' into the basic pay scales of special service officers and the Representative Side's contention that officers in receipt of Rate 2 and Rate 3 Pay are treated less favourably than other public service workers in relation to their pension benefits.

- (c) **Claim that all allowances in the nature of pay payable to officers be included in the calculation of superannuation benefits**

The claim seeks the reckonability for superannuation purposes of all allowances in the nature of pay e.g. Army Ranger Wing Allowance, Security Duty Allowance, Substitution Allowance etc., in the case of officers comprehended by the existing pension arrangements. In support of the claim, the Representative Side contends, inter alia, that the pensionability of all such allowances would be in line with other public service pension arrangements; that the claim was 'unfinished business' of longstanding; and that the Defence Forces are unique in that they are the only group of public servants for whom the overwhelming majority of their allowances are not included in the calculation of superannuation benefits.

- (d) **Claim that currently serving officers be afforded the opportunity to opt into the new pension arrangements due to take effect from April 1<sup>st</sup> 2004**

The claim seeks that officers already serving on 31 March 2004 covered by the existing Defence Forces Pensions Schemes should be given the option of joining the new entrants' pension scheme for officers recruited from 1 April 2004. This is principally on the basis that it would be in line with normal practice to give such an option, as recommended in paragraph 10.8.17 of the Report of the *Commission on Remuneration and Conditions of Service in the Defence Forces* ('the Gleeson Commission') published on 31 July 1990; that the *Commission on Public Service Pensions* had not taken this specific recommendation into account in paragraph 21.6.7 of its final report (published November 2000); and that the Representative Side viewed the afore-mentioned Gleeson recommendation as having the status of a "promise" to be honoured by the Departmental Side. The Representative Side also noted that both the Departments of Defence and Finance considered the remunerative aspects of the Gleeson Commission report as being akin to that of an Arbitration Report and thus, they did not understand the Departmental Side's reluctance to implement this promise.

### Summary of existing superannuation arrangements

4. Under the existing Defence Forces Pensions Schemes, maximum retirement gratuity for all officers is already 1½ times pensionable pay (i.e., the public service norm) and is payable on retirement within 2 years of the prescribed retirement age for the rank. Certain officers may serve beyond the normal retiring age for the rank, but do not have to re-qualify for this maximum gratuity. Progression to 1½ times pensionable pay is achieved by increasing the maximum flat-rate gratuity (payable after 20 years' service) on the basis of 1/3rd of the difference between this flat-rate gratuity and 1½ times pay, for each completed year of service during the 5 year period preceding retiring age. Exceptionally, progression to maximum (pay-related gratuity) begins somewhat earlier in the case of officers who are retired compulsorily on medical grounds. The foregoing provisions apply to all officers, and regardless of rank.

As regards occupational pension, certain officers such as medical officers, engineer officers, officers in the Naval Service and Air Corps etc., who are paid extra remuneration in respect of their specialized duties / appointments are categorized as *special service officers* for pension purposes under the existing Schemes. On that basis, they qualify for a fixed % addition (of 20% for medical / dental officers or 10% in other cases) to the standard rates of basic pension<sup>1</sup> in respect of their total extra remuneration, subject in each case to maximum pension not exceeding 50% of actual pensionable pay. If more favourable to a special service officer, pension is computed on the basis of 1/80<sup>th</sup> of pensionable pay for each complete year of service, subject to a maximum pension of 40/80ths after 40 years' service (i.e., the public service norm).

For the purposes of calculating pay-related pension and retirement gratuity, '*pensionable pay*' includes basic pay i.e., actual Rate 1, Rate 2 or Rate 3 Pay, as the case may be, at date of retirement; flying pay and additional pay payable to certain special service officers, if held for not less than 5 years immediately preceding retirement (see paragraph 7 following); Military Service Allowance if held for the required 5 years at retirement date; and Long Service Increment(s) if held at retirement date.

### Broad approach of the Departmental Side to the claims

5. In the course of discussions, the Departmental Side indicated its willingness to give positive consideration to certain modifications to the existing superannuation arrangements. In that regard, and as articulated throughout those discussions, the Departmental Side's broad approach was conditioned by a variety of considerations including, in particular, the overall advantageous superannuation arrangements already applicable to Defence Forces personnel under the existing Pensions Schemes which are without parallel in the public service.

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<sup>1</sup> In the interests of clarity, references to 'basic pension', 'maximum pension' etc., mean the occupational pension of an officer in modified PRSI (Class C) who joined the PDF before 6 April 1995, or the integrated occupational pension of an officer in full PRSI (Class A) who joined on or after 6 April 1995 and before 1 April 2004, as the case may be. For the latter category, their occupational pensions are, by virtue of their insurability for the range of Social Welfare benefits including the State Pension, subject to *integration* with the Social Insurance system in accordance with standard public service superannuation arrangements.

The Departmental Side also held the view that any modification to existing arrangements:

- (i) cannot be fundamental in nature, consistent with the recommendation of the *Commission on Public Service Pensions* (the Pensions Commission) in paragraph 21.6.7 of its Final Report and with the agreed terms of the ongoing modernisation and change agenda for the Defence Forces in relation to pensions matters;
- (ii) must be in keeping with the established approach under the existing Defence Forces Pensions Schemes and fit within the framework and structure of those arrangements;
- (iii) must have regard to cost, manpower/personnel and other relevant considerations and to any possible repercussions in other areas of the public service.

Regarding the question of extending pensionability of allowances, the Departmental Side indicated that there was very limited scope for widening the range of pensionable payments having regard to the following considerations:

- (a) All existing pensionable payments are essentially payable on a continuous, permanent basis and for lengthy periods in individual cases and the existing Pensions Schemes framework reflects this. The non-pensionable payments such as the range of Duty Allowances and Substitution Allowance differ fundamentally in terms of their nature etc. from those that are already pensionable;
- (b) Many of the allowances that are the subject of the claim have existed for many years but have never reckoned for pension purposes and the cost of conceding pensionability would be substantial;
- (c) The new pension scheme to apply to new entrant military personnel joining the PDF from 1 April 2004 will be fundamentally different from the existing arrangements and will be in line with conventional pay-related public service schemes, including the approach to *pensionable remuneration*. The approach to the pensionability of allowances in the context of the introduction of the new scheme follows the approach in conventional public service schemes; and
- (d) It does not follow that all allowances should be pensionable under the existing 'unconventional' schemes just because certain comparable payments are pensionable under conventional public service schemes. To do so would require fundamental modification to the framework etc. of the existing arrangements, something that the Pensions Commission expressly recommended against in paragraph 21.6.7 of its Final Report.

The Departmental Side also stated that it was opposed to the claim seeking that officers already serving on 31 March 2004 and covered by the existing Defence Forces Pensions Schemes should be given the option of joining the new entrant pension scheme for officers recruited since 1 April 2004. This was on the basis that, inter alia, such a course of action had not been recommended by the Pensions Commission whose deliberations, in the view of the Departmental Side, clearly had regard to the

Gleeson Commission's report. The Departmental Side's position was also influenced by the fact that the overall value of retirement benefits already provided under the existing (pre-April 2004) Pensions Schemes is considered to be more advantageous to the individual, in the round, than under other public service schemes generally or under the new superannuation arrangements of post-31 March 2004 new entrants to the PDF. In addition, certain improvements in the pre-April 2004 arrangements had been sought by the Representative Side. In that regard, the Departmental Side was strongly of the view that there could be no question of agreeing to any such improvements while at the same time giving those personnel an option to join the new entrants' pension scheme. The Departmental Side clarified that the absence of such an option for pre-April 2004 personnel did not under any circumstances infer that any improvements sought in existing pension arrangements would be agreed to.

#### **Departmental Side's specific proposals in response to the claims**

##### **6. Earlier progression to maximum pay-related retirement gratuity (ref. para. 3(a))**

At present under the existing Pensions Schemes, progression to maximum gratuity of 1½ times pensionable pay begins within 5 years of the prescribed retiring age for the rank (see paragraph 4 preceding). The Departmental Side proposes that, in the case of an officer retiring voluntarily within 7 years of his/her retiring age, the maximum flat-rate gratuity (payable after 20 years' service) will be increased by 1/3rd of the difference between it and 1½ times pensionable pay for each completed year of service during the 7-year period preceding retiring age. By way of example, if maximum flat-rate gratuity is 'A' and maximum pay-related gratuity is 'B', then in the case of an officer with a retirement age of 58:

If retiring at age 52 – total gratuity will be the sum of  $A + \frac{1}{3}(B - A)$

If retiring at age 53 – total gratuity will be the sum of  $A + \frac{2}{3}(B - A)$

If retiring at age 54 – total gratuity will be the sum of  $A + \frac{3}{3}(B - A)$

On this basis, maximum gratuity of 1½ times pensionable pay will become payable once such officer has served to within 4 years of the retiring age for his/her rank (instead of within 2 years as applies at present).

##### **7. Modification to the method of calculation of maximum occupational pension of special service officers (ref. para. 3(b))**

The Departmental Side proposes that the existing 1/80<sup>th</sup> approach mentioned at paragraph 4 above will be modified whereby, after 30 years' actual service (instead of 40 years at present):

- (a) a pre-6 April 1995 special service officer in modified PRSI (Class C) will accrue maximum pension of 40/80<sup>th</sup> of actual pensionable pay at retirement date;
- (b) maximum pension in the case of a pre-April 2004 special service officer in full PRSI (Class A) will be 40/80<sup>th</sup> of actual pensionable pay at retirement date less the annual maximum personal rate of State Pension Contributory applicable on that date.

Where service is less than 30 years, pension will continue to be calculated in the appropriate manner and subject to the usual conditions and limitations (see paragraph 4). The existing entitlement to maximum retirement gratuity of 1½ times pensionable pay stands.

8. **Modification to the operation of the '5-year requirement' (ref. para. 3(b))**

The Departmental Side proposes that, in line with the introduction of a modification to the existing pension terms of (pre-April 2004) enlisted personnel and for the purposes of computing pension and pay-related retirement gratuity in the case of a special service officer, flying pay and/or additional pay will reckon for inclusion in the calculation of those benefits provided the payment in question is held by the individual:

- a) on the final day of service and for not less than 1 year immediately and continuously preceding retirement; and
- b) for a total of not less than 5 years (in the aggregate) during the period of 8 years preceding retirement.

This will maintain the underlying principle of the '5-year requirement', while at the same time introduce a substantial degree of flexibility in its application. The agreed arrangements regarding the treatment of special leave without pay granted to PDF personnel under specific 'Family Friendly' provisions e.g. Parental Leave (ref. paragraph 13 of Admin. Instruction 06/2003), Term Time Leave etc. will not be affected by these changes.

The Departmental Side also proposes that the foregoing modification to the '5-year requirement' will also apply in respect of each of the five allowances now being made pensionable for the first time for officers under the existing (pre-April 2004) pension arrangements – see paragraph 9 following.

9. **Extension of pensionability to certain allowances payable to officers (ref. para. 3(c))**

The Departmental Side proposes that pensionability under the existing Defence Forces Pensions Schemes will be extended, on the basis set out below, to the following five allowances:-

- (a) **Health & Safety Officers Allowance – full rate only**
- (b) **Instructors Allowance in Cadet School (& Air Corps and Naval Service equivalents) and Brigade Training Centres**
- (c) **Diving Allowance – annual rate only**
- (d) **Personnel Support Services Officers Allowance – full rate only**
- (e) **Foreign Language Proficiency Allowance – maximum rate only**

These allowance holders will not be categorized as *special service officers* for the purposes of the existing Pensions Schemes but, subject to what follows, they will be treated on the same basis as special service officers for pension purposes:

- (i) The holders will qualify for a fixed **10%** addition to the standard rates of basic pension (see paragraph 4 above), subject to the usual conditions and limitations – and subject to the amount of the addition to pension in any case not exceeding 50% of the actual rate of the relevant allowance on retirement;
- (ii) As applies at present, no officer may qualify for more than one % addition to basic pension;
- (iii) Each of the five allowances mentioned will be fully reckonable as pensionable pay for the purposes of calculating pay-related pension as well as pay-related retirement or death gratuity subject to the officer satisfying the usual conditions and limitations.
- (iv) Pensionability of Foreign Language Proficiency Allowance will be restricted to officers in receipt of the maximum rate of that allowance, while pensionability of Diving Allowance will be restricted to the annual (as opposed to the daily) rate. As regards the Health & Safety Officer and Personnel Support Services Officer Allowances, pensionability will be restricted to officers in receipt of the full rate of such allowance. Periods while in receipt of any lower rate(s) of the allowances in question will not count towards reckonability. The foregoing is consistent with the established approach under existing arrangements whereby pensionability is confined to payments held on a continuous, permanent basis.
- (v) The pensionability of the five allowances will also be subject to the payment by the officers concerned of personal ('main scheme') and/or spouses' & children's pension contributions (periodic and non-periodic), as appropriate, under the Defence Forces Pensions Schemes. In that regard, appropriate deductions of (periodic) contributions from pay will commence from the earliest date practicable after the relevant Agreed Report is adopted by the Conciliation Council, with the balance of any outstanding contributions to be deducted from gratuity. In the case of relevant qualified officers who were serving on 1 September 2005 (see paragraph 10 below) and retired before the date on which the relevant Agreed Report is adopted, the full contribution liability in respect of the allowance(s) in question will be deducted from pension and/or gratuity benefits (or arrears thereof), as appropriate.

**Note for clarification regarding para. (ii) above:** By way of example, a Naval Service officer on Rate 2 Pay (and thereby already categorized as a special service officer for pension purposes) would not qualify for a second 10% addition to basic pension if he/she were also in receipt of annual diving allowance. However, the diving allowance would be 'included as pensionable pay if that officer's pension were being computed on a pay-related basis, i.e. where the cap of 50% of pensionable pay applies (see paragraph 4) or where pension is 40/80<sup>ths</sup> of pensionable pay after 30 years' service (see paragraph 7), as well as for the calculation of pay-related retirement gratuity.

The foregoing proposals are made on the strict understanding that the extension of pensionability to the five allowances in question will not be entertained as a precedent or basis for conferring pensionability on any other allowances under the existing (pre-April 2004) Pensions Schemes. A summary of the final position regarding the pensionability of allowances under the existing arrangements in respect of officers is set out in **Appendix A**.

10. **Operative dates of proposed improvements at paragraphs 6 to 9 (inclusive) above**

These proposals will apply from:

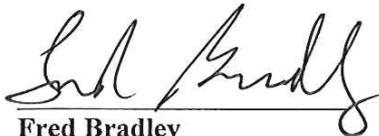
- **1 September 2005** or,
- in the case of paragraph 9 from the date of the introduction of the allowance, **whichever is the later**.

**Outcome of discussions at Pensions Sub-committee regarding the RACO claims**

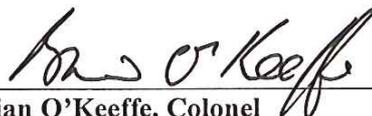
11. The Representative Side has indicated its acceptance of the Departmental Side's detailed proposals as set out in paragraphs 6 to 10 inclusive above in response to the claims set out in paragraph 3 above. Accordingly, in fulfilment of the commitment made under Action No. 17 of the *Towards 2016* modernisation and change agenda for the Defence Forces, the sub-committee, insofar as its terms of reference relate to commissioned officers, recorded agreement on the proposed modifications to the existing superannuation arrangements.

**Recommendations of the Pensions sub-committee regarding matters relating to officers**

12. The sub-committee agrees to recommend acceptance by the Conciliation Council of this report.
13. This report, recording agreement, was adopted on 18 November 2009.



Fred Bradley  
Principal Officer  
C&A Branch



Brian O'Keeffe, Colonel  
General Secretary  
RACO



George Kerton, Colonel  
Chief of Staff's Branch

## Appendix A (to Annex B)

### Summary of final position regarding pensionability of allowances under the existing Defence Forces Pensions Schemes in respect of (pre-April 2004) commissioned officers

Allowance	Currently pensionable in Existing Scheme	Response to claims to make pensionable under Existing Schemes
Military Service Allowance	<i>Yes</i>	<i>Not applicable</i>
Flying Pay	<i>Yes</i>	<i>Not applicable</i>
Additional pay: - Air Traffic Control Officers - Army Medical Corps (e.g. Senior Physician, Assistant Surgeon, O/C Military Hospital, Periodontist)	<i>Yes</i> <i>Yes</i>	<i>Not applicable</i> <i>Not applicable</i>
Health & Safety Officers – full rate only *	No	YES
Foreign Language Proficiency – maximum rate only *	No	YES
Diving – annual rate only *	No	YES
Instructors – Cadet School (& Air Corps and Naval Service equivalents) and Brigade Training Centres *	No	YES
Personnel Support Services Officers – full rate only *	No	YES
Border Duty	No	NO
Army Ranger Wing	No	NO
Substitution	No	NO
Security Duty	No	NO
Security Duty - Portlaoise	No	NO
Explosives Ordnance Disposal	No	NO
Diving (daily rate)	No	NO
In-Charge (Naval Service)	No	NO
Patrol Duty	No	NO
Brigade Duty Officer	No	NO
Emergency Medical Officer	No	NO
Maintenance of Essential Services	No	NO
Aid to Civil Authority	No	NO
<i>Search and Rescue</i>	No	<i>Not applicable</i>

\* These allowances will be pensionable from 1 September 2005, or from the date of the introduction of the allowance, whichever is the later, and applicable only to officers serving on or after the relevant date.

## Annex C

### REPORT OF THE C&A PENSIONS SUB-COMMITTEE REGARDING A CLAIM FOR THE AUTOMATIC PAYMENT OF A SUPPLEMENTARY PENSION TO ALL OFFICERS WHO JOINED THE DEFENCE FORCES AFTER 5<sup>th</sup> APRIL 1995 AND WHO RETIRE ON AGE GROUNDS BEFORE THE AGE OF 65

#### Terms of reference

1. Under its terms of reference, the sub-committee is required to:
  - (a) consider and report on the new pension terms to apply to new entrant military personnel joining the PDF on or after 1 April 2004; and
  - (b) consider the claims from the Representative Side for improvements in the pension terms of personnel already serving on 31 March 2004 covered by the existing superannuation arrangements.

As all persons who join the public service on or after 6 April 1995 – including commissioned officers in the PDF – are insurable for full PRSI (Class A), this claim applies to relevant officers at (a) and (b) above.

#### Structure of this report

2. Paragraphs 3 and 4 of this report set out the Representative Side's claim and the supporting arguments. Paragraphs 5 to 8 (inclusive) summarise the relevant existing public service arrangements while paragraphs 9 to 18 (inclusive) set out the Departmental Side's response to the claim and its proposed general approach in that regard. Paragraph 19 records the Representative Side's acceptance thereof. Paragraph 20 records the sub-committee's agreement in that regard, while paragraph 21 records adoption of the report by the Pensions Sub-Committee for presentation to Conciliation Council.

#### Basis of claim

3. The claim, which was lodged at the 138<sup>th</sup> meeting of the Conciliation Council on 17 January 2008 under cover of the Representative Side's letter of that date and elaborated on by their letter dated 25 February 2008, states as follows:

*'All public servants who joined the public service after 5<sup>th</sup> April 1995 are required to pay social insurance at Class A rates. A consequence of this decision is that the pensions of full PRSI employees have what is termed an integrated pension. In effect, this means that their pension is integrated with the Social Welfare regime and they are entitled to draw a contributory old age pension on their 66<sup>th</sup> birthday.*

*Thus when, for example, a civil servant retires on age grounds at 65 years he/she will draw down an occupational pension (less the amount of the contributory old age pension) and the State will pay the contributory old age*

*pension when the employee reaches 66 years. In addition, provision is also made for the 'gap' year (between 65 and 66), which ensures no financial loss.*

*However, other public servants including military officers have fast accrual pension schemes and are forced to retire much earlier than the civil and public servants referred to in paragraphs 1 & 2 above. The effect of the earlier mandatory retirement is that the officer receives the occupational pension less the old age pension, and must wait until he/she reaches 65 before any further relief occurs.*

*There are circumstances whereby a supplementary pension can be paid but the payment is not automatic and even if the payment was made, it is unlikely that it would apply to military officers who are mandatorily retired as young as 56.*

*Military officers who retire on age grounds are retired from the workforce and should be treated the same as any other public service employees. In these circumstances, the association see no reason why the supplementary pension referred to above cannot be paid to military officers who retire on age grounds and who do not re-enter the workforce until the payment of the contributory old age pension (now known as the State Pension Contributory) can be made'.*

The claim was referred to the sub-committee for consideration.

4. In discussions, the Representative Side voiced their dissatisfaction with how the Social Welfare system integrates with the occupational pension for the officers affected. In elaborating on the arguments set out in paragraph 3 above, they stated that:
  - (a) Pre-April 2004 enlisted personnel, for example, (who pay Class H PRSI which covers them for the range of Social Insurance benefits including the State Pension at age 65/66), are treated very differently in the integration context.
  - (b) The point of integration for military officers should occur when the individual pensioner has cause to draw down on his/her Social Welfare entitlements and not before. This would enable the adjustment of the occupational pension during the period of integration. An example of this would be when the full PRSI (Class A) pensioner qualifies for the social welfare State Pension, the occupational pension would be adjusted to take this entitlement into account.
  - (c) One of the most glaring anomalies created by the decision to place all new entrants into the public service on Class A PRSI is that those who are members of fast accrual schemes with earlier mandatory retirement ages will not receive their State Pension for up to nine years after they retire. In contrast, public servants with normal accrual schemes receive the State Pension almost immediately upon retirement on age grounds.
  - (d) The post-5 April 1995 officers affected are, by virtue of having been compulsorily retired on age grounds from their chosen career, entitled to regard themselves as retired from the workforce.

- (e) The supplementary pension regime as presently constituted was not designed with groups like the Defence Forces in mind, whose compulsory retirement ages are lower than age 65, which has been the public service norm.

The question of the payment of supplementary pensions to post-5 April 1995 officers who retire on age grounds was therefore of major concern to the Representative Side. For the reasons outlined, the Representative Side considered that a supplementary pension (equal to the value of the State Pension) should be paid to the officer automatically on retirement on age grounds up until entitlement to the State Pension occurs at age 65.

#### Summary of existing arrangements

5. All public servants recruited on or after 6 April 1995 – including commissioned officers in the PDF – are insurable for full PRSI (Class A) and so are entitled to the range of Social Insurance benefits, including the State Pension Contributory (SPC), previously the Old Age Contributory Pension. Consequently, their occupational pensions are subject to ‘integration’ with the Social Insurance system, which is a standard feature of public service pension arrangements for employees insured for full PRSI. This means that their entitlement to Social Insurance benefits such as the State Pension is taken into account in determining the actual amount of occupational (or spouse’s) pension payable. In effect, integration results in a lower rate of occupational pension than would otherwise be the case. Integration does not apply to retirement gratuities.
6. The practical effect of integration for retired public servants generally is that maximum occupational pension is 50% of pensionable pay less the annual maximum personal rate of SPC payable at retirement date. Lower rates of occupational pension also fall to be integrated as appropriate. This integrated occupational pension, when combined with the State Pension at age 65/66 (or other social welfare pension or benefit – see footnote below), comprises ‘total pension’ for full PRSI contributors in the public service.
7. Under standard occupational pension arrangements applicable to public servants in full PRSI, integration begins from the time the occupational pension comes into payment and operates on the assumption that a Social Insurance benefit is, in fact, payable. However, except in cases of ill-health early retirement, Social Insurance benefits may not actually be payable until age 65. Under public service arrangements, a supplementary pension<sup>1</sup> may, on application, be payable in certain limited circumstances on retirement prior to age 65 in order to make up the shortfall in ‘total pension’ resulting from integration. In effect, the supplementary pension is an addition to the integrated occupational pension to bring it up to the rate that would have been payable had it not been integrated.
8. The standard provision relating to supplementary pensions under model public service pension schemes states that –

(a) *Where a person who was a fully insured member is in receipt of a pension or a preserved pension under this scheme is unemployed and, due to causes outside his or her own control:*

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<sup>1</sup> See paragraph 3.3.60; Appendix 11.3; and paragraphs 22.9.39 to 22.9.41 of the final report of the *Commission on Public Service Pensions* (published November 2000).

- (i) *fails to qualify for Social Welfare benefit or*
- (ii) *qualifies for Social Welfare benefit at a reduced rate, ...*

*then for so long as the preconditions set out in this subparagraph are met, the person concerned may, at the discretion of the X (the relevant public service body), be paid a supplementary pension under this scheme.*

- (b) *The amount of a supplementary pension payable pursuant to subparagraph (a) of this paragraph shall be the amount, if any, arrived at by the formula  $A - (B+C)$ , where A is the amount of the pension or preserved pension which would be payable to the former member if he or she had not been fully insured, B is the amount of the pension actually payable to the former member and C is the annual amount of the reduced rate of the Social Welfare benefit, if any, which is payable to the former member.'*

The term '*fully insured*' means a person who is, or was, before attaining the age of 66, insured for the SPC under the Social Welfare Acts. The term *Social Welfare benefit* means State Pension (Contributory), State Pension (Transition), Invalidity Pension, Illness Benefit or Job-Seekers Benefit payable under the Social Welfare Acts.

The supplementary pension is therefore payable only in respect of periods during which the pensioner is (a) unemployed and, (b) due to causes outside his or her control, fails to qualify for Social Welfare benefit / pension (or qualifies at a rate less than the maximum personal rate of State Pension). It continues to be payable for as long as those pre-conditions are satisfied. Accordingly, the supplementary pension is not payable where a former public servant in receipt of an integrated occupational pension is employed subsequent to retirement in any capacity that involves a Social Insurance contribution. Similarly, the supplementary pension ceases to be payable if the person concerned qualifies for a Social Welfare pension or benefit equal to or greater than the maximum rate of SPC.

The rate of supplementary pension is equal to the difference between:

- (i) the occupational pension that would have been payable had it not been integrated (i.e., based on a person's actual gross pensionable pay); and
- (ii) the aggregate of the actual integrated occupational pension payable plus the actual amount (if any) of the personal rate of Social Insurance benefit/pension payable.

#### **Departmental Side's response and proposed general approach**

9. The Departmental Side stated that it had some sympathy with the Representative Side's general viewpoint as expressed in the claim and in discussions. However, the Departmental Side noted that the qualifying conditions governing the payment of supplementary pensions are part and parcel of standard public service arrangements that apply commonly across all areas. These include An Garda Siochana and the Fire Service which, like the Defence Forces, have earlier compulsory retirement ages than the norm, as well as fast-accrual pension terms. Post-April 2004 new entrant enlisted

personnel also come into this category. The Departmental Side indicated that, under standard public service arrangements, integration begins from the time the occupational pension comes into payment and this applies equally to all public service groups. There is also a general requirement for public service pensioners who are in receipt of integrated occupational pensions to fully engage with the Social Insurance system after their retirement. The Departmental Side was also concerned that any relaxation of the qualifying conditions for one particular group would undoubtedly lead to knock-on claims from other areas. Thus, the Defence Forces could not be looked at in isolation in this context, particularly given the changed Exchequer budgetary situation.

As regards comparisons with pre-April 2004 enlisted personnel, the Departmental Side stated that the different integration regime that applies historically in their case is unique to them and was tailored to address the specific situation arising from changes in their pension terms in the late-1960s/early-1970s; that those changes were applicable solely to enlisted personnel and were not related to any change in PRSI class; and that there could be no question of applying a similar regime or any variation of it to post-5 April 1995 military officers to whom standard public service integration arrangements are being applied.

For the foregoing reasons, the Departmental Side was not in a position to agree to the automatic payment of supplementary pensions to the post-5 April 1995 officers concerned.

10. Mindful, however, of the Representative Side's concerns in this matter, the Departmental Side sought to address those concerns by elaborating on its proposed general approach regarding supplementary pensions and the governing conditions for payment. This is set out in paragraphs 11 to 18 (inclusive) following and is informed by the Departmental Side's understanding of experience and practice in other areas of the public service, as well as the interaction between the Social Insurance code and public service occupational pension provisions in the case of full PRSI contributors.
11. The Departmental Side noted the Representative Side's contention (ref. their letter of 17 January 2008) that in the context of the operation of the supplementary pension arrangements, '*...Military officers who retire on age grounds from the workforce should be treated the same as any other public service employees...*' The Departmental Side indicated that, as a general principle, there was no question of treating such officers any less favourably than their public service counterparts in this general context.
12. The Departmental Side confirmed that post-5 April 1995 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, payment of which could continue until such time as the State Pension became payable and subject to their satisfying the usual conditions viz. that the insured person is (a) not in insurable employment and (b) due to causes outside his/her own control, fails to qualify for Social Insurance benefit/pension (or qualifies at a reduced rate) – see paragraph 8 above.
13. With regard to the rule about 'causes outside his/her own control', the Departmental Side stated that it would be obliged to regard a failure on the part of an officer to engage with the Social Insurance system on his/her retirement as coming directly within that person's own control. Examples of this would be a person who chooses not to apply for

certain payments such as Jobseekers Benefit; and/or fails to qualify for benefits at the maximum rate because of a failure to sign for 'credits' at his/her local Social Welfare office; and/or does not make alternative arrangements to preserve their social insurance record. The Departmental Side considered that this is not an unreasonable position to adopt and that it is consistent with the views of the *Commission on Public Service Pensions* in regard to supplementary pensions. In that regard, the Commission (ref. Appendix 11.3, paragraph 6 of its final report) stated that '*...To qualify for supplementary pension, a public servant should not be in insurable employment and should have made every effort to qualify for the relevant Social Insurance benefit...*'

14. In keeping with established practice in other areas of the public service, a retired officer must make application for the supplementary pension. It would then be a matter for the Department of Defence to determine his/her eligibility in accordance with the qualifying conditions. As part of the application process, the retired officer will be required to provide:
  - (a) a statement, in writing, from the Department of Social & Family Affairs (DSFA) indicating:
    - (i) that he/she is not in insurable employment,
    - (ii) his/her eligibility or otherwise, as the case may be, for the relevant Social Welfare benefit, or qualification for such benefit at a reduced rate, and
  - (b) as appropriate, written evidence that his / her failure to qualify for Social Welfare pension or benefit (or at a reduced rate) was due to causes outside his/her own control.
15. The Departmental Side acknowledged that the compulsory early retirement regime applicable to military officers sets their occupation apart from occupations in other areas of the public service. They undertook to recognise this distinguishing factor in the administration of the supplementary pension arrangements. In particular, applications for supplementary pensions from officers who retire compulsorily on age grounds at age 58 or higher and who decide not to take up other employment will be given special and sympathetic consideration. The Departmental Side stated that each application for supplementary pension would be determined having regard to all relevant considerations and the qualifying conditions. The Departmental Side again emphasised the importance of retiring officers engaging with the DSFA (see paragraph 18 following).
16. The Departmental Side indicated that when a retired officer qualifies for a supplementary pension, he/she will be notified of the terms and conditions relating to its payment, and, in particular, that it will cease if he/she resumes insurable employment or qualifies for Social Welfare pension or benefit equal to or greater than the maximum rate of State Pension (Contributory) payable to a single person without dependants. A person's entitlement to a supplementary pension will be reviewed on the occasion of every change in the level of occupational or Social Insurance pension payable. Such changes may arise from a change in rates or in the type of social insurance benefit payable (e.g., a change from benefit to assistance, or a change in the type of benefit payable, such as a Defence Forces pensioner in receipt of Jobseekers Benefit moving to State Pension at age 65). Ongoing periodic written certification will also be required (from the pensioner and the DSFA or other relevant party) regarding his/her

employment and social insurance status in order to determine continued entitlement to the supplementary pension.

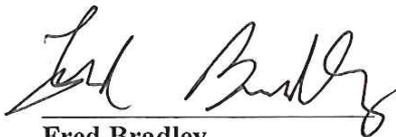
17. The Departmental Side stated that any future changes of general application in the public service that may be made to the existing terms and conditions governing the grant of supplementary pensions will, of course, be extended to relevant members of the PDF. Similarly, the Departmental Side's approach would fall to be reviewed (and modified, if necessary) in the light of future developments generally e.g., regarding compulsory military retirement ages and/or relevant changes in the qualifying conditions for social insurance benefits.
18. The Departmental Side noted that the question of a person's entitlement to any Social Insurance payment (and the rate payable) is entirely a matter for the DSFA. In order to safeguard and maximise their possible Social Welfare entitlements, the Departmental Side's position is that the most prudent approach for retiring officers is to fully engage with the social insurance system on retirement from the Defence Forces. As indicated above, a failure on the individual's part to take all reasonable measures to maintain his/her social insurance record is a key factor in determining entitlement to a supplementary pension.

**Outcome of discussions at Pensions sub-committee regarding the claim**

19. The Representative Side has indicated its acceptance of the Departmental Side's response and proposed general approach as set out in this report. Accordingly, in fulfilment of the commitment made under Action No. 17 of the *Towards 2016* modernisation and change agenda for the Defence Forces, the sub-committee, insofar as its terms of reference relate to commissioned officers, recorded agreement regarding the claim.

**Recommendations of the Pensions sub-committee**

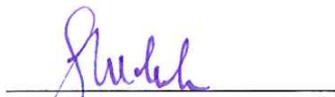
20. The sub-committee agrees to recommend acceptance by the Conciliation Council of this report.
21. This report, recording agreement, was adopted on 18 November 2009.



Fred Bradley  
Principal Officer  
C&A Branch



Brian O'Keefe, Colonel  
General Secretary  
RACO



George Kerton, Colonel  
Chief of Staff's Branch

13 November 2009

Col. Brian O'Keeffe,  
General Secretary  
RACO,  
Park House,  
North Circular Road,  
Dublin

**Re; Pension Agreement**

Dear Brian,

Enclosed please find draft Agreed Report and supporting documentation for your consideration. It is proposed to sign the Agreed Report at the Conciliation Council meeting scheduled for the 18 November 2009.

Documentation includes:

1. Conciliation Council Report No. 421.
2. 'Annex A' re. new entrant officers pension scheme, incl.
  - a. Broad Outline March 2008;
  - b. Letter dated 10 May 2007 regarding pensionability of allowances;
  - c. Dept. of Finance circular 10/2008 regarding changes to the method of reckoning public service allowances for pension purposes.
3. 'Annex B' re. improvements in existing (pre-April 2004) superannuation arrangements.
4. 'Annex C' re. supplementary pensions.

In addition I would like to confirm that upon signing of Agreed Report 421 that post 5 April 1995 entrants insured for full PRSI will have a compulsory retirement age of 58 in the rank of Commandant, subject to the terms and conditions detailed in my letter of the 18 September 2009. Necessary amendments to DFR's will of course be made.

Yours sincerely

**Original Signed**  
Fred Bradley  
C&A Branch



**Department of Defence**  
An Roinn Cosanta

18 September 2009

Col. Brian O'Keeffe,  
General Secretary  
RACO,  
Park House,  
North Circular Road,  
Dublin

**Claims re.**

1. **automatic payment of supplementary pension to post-5 April 1995 officers retiring on age grounds;**
2. **an increase to age 60 in the mandatory retirement age for officers up to and including Colonel; and**
3. **that officers who joined the PDF on or after 6 April 1995 and before 1 April 2004 should have the option of serving to age 65**

Dear Brian,

We have, as you are aware, been endeavouring for some time to progress the above matters.

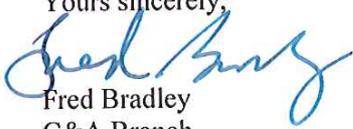
As you know, we have considerable difficulties with these claims as made (in terms of their scope among other things). However, we understand from our discussions that, notwithstanding the actual terms of the claims, RACO has particular concerns around the position of post-5 April 1995 officers on full PRSI, including new entrants who joined since April 2004, retiring on age grounds in the ranks of Commandant and Lieut-Colonel. With that in mind and after much deliberation, we are now proposing the following as a possible basis for agreement, subject to certain understandings (see below) and the 'details' being worked out:

- raising the compulsory retirement age – from 56 to 58 – for all post-5 April 1995 Commandants insured for full PRSI, while retiring age for such Lieut-Colonels would remain unchanged (i.e., 58) and, in tandem with this,
- payment of the supplementary pension from age 58 to post-5 April 1995 officers on full PRSI who are retired on age grounds (as long as the pensioner is not, before age 65, in insurable employment or in receipt of Social Welfare benefit and otherwise satisfies the various qualifying conditions).

The foregoing are being advanced on the understanding (a) that these proposals will dispose of your association's outstanding claims above and pave the way for concluding agreement with RACO regarding superannuation matters generally, including the new entrant pension terms (my letters of 14 March and 11 April 2008 refer); (b) that in order to facilitate overall consideration of officers' retirement ages, RACO give an assurance that no further claims regarding retirement age will be submitted for a period of 3 years; (c) that these proposals in no way provide a basis or precedent for (seeking) increases in retiring ages, for example, along the lines sought in the claims.

I would welcome your views on these proposals at your earliest convenience.

Yours sincerely,



Fred Bradley  
C&A Branch