An Roinn Caiteachais Phoiblí
agus Athchóirithe
Department of Public
Expenditure and Reform

Aggregation of pensions for purposes of the Public Service Pension Reduction (PSPR)

To: Officer in Charge, Paying Authorities (Payrolls) for Public Service Pensions

Background and summary

1. I am directed by the Minister for Public Expenditure and Reform to refer to the **Public Service Pension Reduction (PSPR)** which was introduced on 1 January 2011, and which reduces certain public service pensions under terms set out in the *Financial Emergency Measures in the Public Interest Act 2010* (as amended).

2. The legislation provides that pensioners who have two or more qualifying public service pensions, which have a combined (pre-PSPR) value of over €32,500, should have those pensions subjected to PSPR on a combined or aggregated basis, not separately as has previously been the case. **The Minister has decided that this aggregation of public service pensions for purposes of imposing PSPR is to commence on 1 September 2013.**

3. To prepare for this change, and using data sourced pursuant to law from across the public service, the Department of Public Expenditure and Reform (DPER) has established the identity and other relevant details of pensioners who stand to be affected by PSPR aggregation. DPER is providing information on these pensioners in the form of lists of pensioners specific to each payroll (with appropriate pensioner details including name, pension amounts and provisional revised PSPR liability). These lists are being provided to public service pension paying authorities (payrolls) **so that the adjustments to pension payments needed to implement PSPR aggregation can be made with effect from 1 September 2013.** In this context, it is a matter for each payroll to implement this PSPR aggregation, liaising in the case of their pensioners with other relevant payrolls as necessary. This note sets out information and guidance to assist with processing the pensioner lists provided.

Legislative provision

4. PSPR was originally legislated for in the Financial Emergency Measures in the Public Interest Act 2010 as an imposition on individual public service pensions. Subsequent amendments to that Act in 2012 and 2013 have provided a basis for applying PSPR to the combined or aggregate value of all such pensions held by a pensioner. Specifically, legislative provision for "PSPR aggregation" derives from the following changes:

- Part 4 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.
- Section 5(5) of the Financial Emergency Measures in the Public Interest Act 2013.

5. The commencement date for PSPR aggregation of 1 September 2013 has been decided on by the Minister for Public Expenditure and Reform, who, in this connection, has signed the

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- *Public Service Pensions (Single Scheme and Other Provisions) Act 2012 (Sections 68, 69, 70 and 71) (Commencement) Order 2013* (Statutory Instrument No. 314 of 2013).

PSPR rates from 1 July 2013

6. **Member pensions:** Since 1 July 2013, the percentage reduction rates of PSPR, as applicable to increasing bands of a public service pension, are as shown in Table 1 below:

Table 1: PSPR rates on member pensions from 1 July 2013			
Band of pension	**High-rate PSPR:** Pensions of members who retired or reached preserved pension age up to end-February 2012		**Low-rate PSPR:** Pensions of members who retired or reached preserved pension age after February 2012 +
	Pensions up to €34,132 *	Pensions over €34,132 *	Pensions over €32,500
€0 - €12,000	0%	0%	0%
€12,000 - €24,000	6%	8%	2%
€24,000 - €60,000	9%	12%	3%
€60,000 - €100,000	-	17%	5%
Over €100,000	-	28%	8%

* The €34,132 divide point between the two sets of rates in the "High-rate PSPR" category refers to the pre-PSPR pension figure; note that this particular pre-PSPR pension amount became a net-of-PSPR pension amount of €32,500 under the PSPR rates in force before 1 July 2013.

+ Applies to persons retiring or reaching preserved pension age up to end-August 2014.

7. **Dependant pensions:** The PSPR rates in Table 1 above also apply to dependant pensions (payable to surviving spouses, civil partners and children of deceased members). In such cases the particular set of PSPR rates from Table 1 (i.e. high-rate or low-rate PSPR) which applies is based on the following rules:

- If the deceased member had already retired at the commencement of the dependant pension, the PSPR rates (i.e. high-rate or low-rate PSPR) applicable to the deceased member's pension apply to the dependant pension.

- If the deceased member died in service (or having resigned before preserved pension age), the PSPR rates (i.e. high-rate or low-rate PSPR) that would have applied to that member if going on pension at the time of death are to apply.

8. Aggregation does not apply to any pensioner whose combined pensions, on a pre-PSPR basis, amount to €32,500 or less. Neither does aggregation apply in any two-pension case where;

- one pension attracts high-rate PSPR as per Table 1 [0%-6%-9% or 0%-8%-12%-17%-28%], **and**

- a second pension attracts the new low-rate PSPR as per Table 1 [0%-2%-3%-5%-8%].

This latter exemption from aggregation reflects the fact that no common PSPR percentage rates basis exists to aggregate such pensions for PSPR application purposes.

Implementation of aggregation

9. The Department of Public Expenditure and Reform (DPER) has conducted surveys of pensioner payrolls across the public service. Based on the results of these surveys, lists of pensioners who qualify to be affected by PSPR aggregation have been prepared. These lists, specific to each payroll, are being sent to payrolls in conjunction with this notification.

10. In general, two lists are being sent by DPER to each payroll (though some payrolls will only receive one), as follows:

List A: This contains the names and other relevant details of pensioners to whom the payroll pays the higher (or highest) pension. In particular this list contains;

- the pre-PSPR value and payroll of each pension received by the pensioner, as taken from the DPER survey, and

- a **provisional recalculated PSPR** liability figure for the pensioner based on the aggregated total of all the pensioner's public service pensions.

List B: This contains the names and other relevant details of pensioners to whom the payroll pays a pension which is NOT the higher (or highest) pension.

Where a pensioner with two pensions receives each of those pensions from the same payroll (e.g. member pension and spouse's pension), then that pensioner and his or her pensions are included only in List A, not in List B.

11. In respect of each pensioner on its **List A**, each payroll should proceed to establish and communicate the revised PSPR due, observing in particular the following steps:

- Verify from its own payroll that the pension is still in payment and that the annual value of the pension payable to the pensioner, on a pre-PSPR basis, continues to be as stated on List A.

- Verify from the other payroll(s) relevant to that pensioner that the pension which that other payroll pays the pensioner is still in payment, and that the annual value of that other pension, on a pre-PSPR basis, continues to be as stated on List A.

- If any of those pensions has changed from the value recorded on List A, then recalculate the PSPR liability based on the combined up-to-date pre-PSPR pension values, and using the appropriate PSPR rates.

- **Subject to paragraph 13 below, apply the PSPR total, based on aggregated pensions, to the pension which the (List A) payroll pays the pensioner, with effect from 1 September 2013.**

- Communicate with the pensioner in respect of the overall change – a sample letter which may be used /adapted for this purpose is attached.

12. In respect of the pensioners on its **List B**, each payroll should;

- on being contacted by the corresponding "List A" payroll confirm to that payroll that the pension which it (the "List B" payroll) pays to the pensioner is still in payment and confirm also the value of that pension, and

- **subject to paragraph 13 below, cease to apply PSPR to the pension (in cases where it was applicable) with effect from 1 September 2013.**

13. The changes to net-of-PSPR pension payments are to be effective from 1 September 2013. In terms of when each affected pensioner first experiences the changes in his or her pension payments, the List A payroll should take the lead in co-ordinating with the List B payroll to ensure that these changes (entire recalculated PSPR liability on highest pension, PSPR to be removed from other (lower) pension(s)) are, as near as may be, co-timed. In particular, **where the List A payroll implements the higher PSPR later than the first payroll covering the period from 1 September 2013** then;

- the List A (highest pension) payroll must advise the List B payroll to that effect,

- the List B (lower pension) payroll may defer its removal of PSPR until the List A payroll has made its required PSPR adjustment, and

- arrears arising from 1 September 2013 should be processed by the List A payroll.

14. The DPER pensioner lists also include a provisional figure for the overall change in PSPR liability per pensioner arising from the aggregation of pensions. For each pensioner **this is based on the originally reported pension values, and the standard application thereto of the appropriate (1 July 2013) PSPR rates.** These provisional figures may be used with caution and subject to verification in the appendix to the sample letter to be sent to the pensioner by the List A payroll.

15. The pensioner lists being sent with this notification are drawn from the results of the original DPER pensioner payroll survey launched in November 2012. **These lists, designated List A1 and List B1, have been prepared on the basis of including only cases which are subject to the high-rate PSPR regime / rates in Table 1 above.** In this context member pensions reported to DPER in the surveys as commencing on 1 March 2012, and which may be included in these lists, have been assumed to relate to retirements on or before 29 February 2012; on that basis such pensions were awarded within the 2010-2012 "grace period" and qualify to be impacted by the high-rate PSPR regime in Table 1.

16. Further pensioner lists will soon be sent by DPER to paying authorities / payrolls based on the outcome of a second (July 2013) survey. These lists are expected to contain pensioner cases subject to the high-rate PSPR regime, as well as pensioner cases subject to the low-rate PSPR regime. The number of cases on these further lists is expected to be much

lower than in the lists being sent with this notification, and many paying authorities (payrolls) are likely to receive no such further lists. ***[<u>November 2013 update:</u> In the event, the incidence of "low-rate PSPR regime" exposure in newly identified aggregation cases was very low, and most of the further lists being sent to payrolls by DPER this month are believed to contain "high-rate PSPR regime" cases only. Accordingly, the provisional DPER-calculated revised PSPR amounts on those lists almost all reflect application of the high-rate PSPR regime, with any exceptions being clearly highlighted.]***

17. Arrangements to deal with future-arising PSPR aggregation cases, and also to deal with material changes to existing cases (principally changes to pension payment rates) are under consideration; further advice will issue accordingly as soon as possible.

Queries

18. Queries concerning this notification from payrolls can be directed to henry.omara@per.gov.ie or eamonn.robbins@per.gov.ie

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27 August 2013