



Department of Defence
An Roinn Cosanta

Permanent Defence Force

Outline of Superannuation and other benefits

Commissioned Officers in modified PRSI (Class C) who joined before 6 April 1995

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Introduction

The legacy Defence Forces occupational pension schemes are made under the *Defence Forces Pensions Acts 1932 to 2004*. The administration and management of the Defence Forces' superannuation arrangements are carried out by officials of the Department of Defence, under the delegated authority of the Minister for Finance / Public Expenditure and Reform. This includes the calculation and award of occupational pensions and gratuities – collectively known as 'superannuation benefits' – to members of the Permanent Defence Force (PDF) and their dependants.

The superannuation provisions applicable to the PDF are 'defined benefit schemes' for the purposes of the *Pensions Act 1990* (as amended). There is no pension fund. The cost of Defence Forces' superannuation benefits is met by the Exchequer from current revenue through the Army Pensions Vote, which is audited each year by the Comptroller & Auditor General. The Defence Forces pension schemes are registered with the Pensions Authority – Registration No. PB48912.

This handbook gives a general outline of the superannuation arrangements applicable to commissioned officers in **modified PRSI (Class C)**. Modified PRSI applies to officers commissioned **before 6 April 1995** and to officers commissioned after that date who were **already serving on 5 April 1995** (whether as cadets or enlisted personnel).

The document does not cover every aspect of the arrangements. However, it aims to explain the principal features and how they are applied. It also includes details of certain changes to the existing pension scheme terms applicable to qualified (pre-6 April 1995) officers who were **serving on 1 September 2005**. The changes in question were agreed between RACO and the Department of Defence under the PDF Conciliation and Arbitration Scheme.

A separate handbook covers commissioned officers in full PRSI (Class A) who joined the PDF **on or after 6 April 1995 and before 1 April 2004**.

Different superannuation arrangements apply to all military personnel who joined the PDF as new entrants **on or after 1 April 2004 and before 1 January 2013**, under the *Public Service Superannuation (Miscellaneous Provisions) Act 2004*. For these new entrants to the PDF, this introduced a minimum age of 50 at which pension may be paid on immediately retirement. In general, ‘new entrant’ in this context means a person whose employment relationship with the public service begins on or after 1 April 2004. However, it should be noted that a person serving on 31 March 2004 in the public service who later leaves and then re-joins after a period of 26 weeks or more, is defined as a “*new entrant*” under the 2004 Act.

Under the *Public Service Pensions (Single Scheme and Other Provisions) Act 2012*, a new single pension scheme applies to all *new entrants* joining the public service **from 1st January 2013 onwards**, including the Permanent Defence Force. Under this new scheme, which came into operation on that date, retirement benefits of all future new joiners to the public service will be based on ‘career average earnings’, rather than final salary at retirement. For post-1/1/2013 military personnel, minimum pension age will be 50, as already applies to their counterparts recruited since April 2004. The 2012 Act does not alter military retirement ages for future or serving military personnel generally, or upper service limits where applicable.

Pensions Section Department of Defence

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**Commissioned Officers in modified PRSI (Class C) who joined the PDF
before 6 April 1995**

Defence Forces superannuation arrangements – general

1. The Defence Forces occupational pension schemes, which apply to relevant personnel from the date of joining the PDF, make provision for the grant of superannuation benefits on your retirement and to certain dependants if you die in service or while on pension. The main benefits are:
 - (a) an occupational (retirement) pension;
 - (b) a retirement gratuity or death in service gratuity; and
 - (c) spouses' and children's pensions.

For commissioned officers who joined the PDF before 6 April 1995 in modified PRSI (Class C), the personal benefits at (a) and (b) are **non-contributory** in that no deductions are made from your monthly salary for those benefits. A contribution of 1½% of pensionable pay is payable for the benefits at (c), except if you are not a member of the Spouses' and Children's Contributory Pension Scheme (see sections 11 and 12).

Subject to certain minimum service etc. requirements, the occupational pension and/or retirement gratuity are payable immediately following retirement, regardless of age.

Certain changes to their existing Defence Forces occupational pension schemes apply to pre-6 April 1995 officers who **were serving on 1 September 2005**, provided they meet the relevant qualifying conditions. Briefly, these changes relate to:

- earlier progression to maximum pay-related retirement gratuity;
- the method of calculating maximum pension of 'special service officers'; and
- the pensionability of certain allowances for the first time (e.g. Health & Safety Officer) as well as changes to the rules governing the pensionability of allowances generally.

Retirement Benefits – qualifying service etc.

2. There are three broad service categories for the purposes of benefits:-

- (a) Officers with 5 years or more but less than 12 years of service qualify for a retirement gratuity of 20 days' pensionable pay at the date of retirement for each year of qualifying service (see section 5);
- (b) Those with 12 years or more but less than 20 years of service qualify for a pension **and** a gratuity, both at flat-rates (see sections 4 and 5); and
- (c) Those with 20 or more years of service qualify for a pension (see section 4) **and** a flat-rate or pay-related gratuity (see section 5).

Many retirement benefits are not directly pay-related. These are calculated according to **retiring rank, length of service in rank and overall qualifying service**. All benefits are paid based on the number of **complete** years of qualifying service.

Retiring rank means the rank actually held on the date of retirement provided it has been held for:

- at least 1 year in the case of an officer with 20 years or more of qualifying service;
or
- at least 5 years in the case of an officer with less than 20 years' qualifying service.

Otherwise, it means the lowest rank held during the year immediately preceding retirement or, if service is less than 20 years, the actual rank held 5 years before retirement.

For retiring rank purposes, service in paid acting-rank may be combined with subsequent service in the corresponding substantive rank.

Qualifying service consists of full-time paid service (including cadet service) in the PDF as well as service transferred to the Defence Forces under the Public Sector Transfer Network (see section 3). In certain exceptional circumstances, service on full-time security duties as a member of the Reserve Defence Force before joining the PDF (pre-January 1990) also counts.

As applies in other public service schemes generally, periods of special leave without pay e.g. a career break, term-time leave, parental leave or carers' leave, are not reckonable for superannuation purposes.

[However, as an exceptional measure and subject to certain conditions, public servants on voluntary humanitarian service overseas with the Rapid Response Corps on special leave without pay, can have a maximum of 3 years' such service reckoned for superannuation purposes. The details are in Department of Finance circular dated 4 November 1997 [Arrangements for Public Service Volunteers on Special Leave with Agency for Pers...](#)]

Transfer of Service - Public Sector Transfer Network

3. This Network allows the transfer of reckonable service between the PDF and the majority of State and semi-State employments for pension (superannuation) purposes e.g. to or from An Garda Síochána, Local Authorities, Civil Service, Prison Service, Teaching etc.

However, under the transfer scheme rules, any such transfers of service can only be permitted while the person concerned is serving in his/her relevant pensionable employment. For example, if transferring reckonable service into the Defence Forces, you must be serving in the PDF at the time. Furthermore, where you are considering retirement from the PDF, any applications to transfer in reckonable service from another previous employment(s) must be made, in writing, before you leave the PDF.

Enquiries etc. about the transfer scheme including the participating organisations should be made to Pensions Section, Department of Defence at the earliest opportunity after joining the PDF (see section 21 for contact details).

Occupational Pension

4.1 **General**

Officers in modified PRSI (Class C) qualify for **minimum pension** after 12 years' qualifying service. **Maximum pension** in their case can be attained before an officer reaches normal retirement age for the rank. The rates of basic pension (and gratuity) are flat rates determined on the basis of the detailed formulae laid down in the Defence Forces Pensions Schemes. The rates are published by Pensions Section, Department of Defence through the usual channels.

As indicated in section 2, pension rates are calculated according to retiring rank, length of service in rank and overall qualifying service. The principal components in pension calculations are the '**basic pension**' along with any additions in respect of **military service allowance** (MSA) and, where applicable, **long service increments** (LSIs). These components are calculated separately and, when combined, give the total occupational pension payable.

In general, basic pension is limited to **50%** of **maximum Rate 1 (regimental) pay** for the rank. Where an officer in the rank of Captain or Commandant qualifies for the maximum basic flat-rate pension by virtue of his/her rank, service in rank and overall service, the pension is increased to **50%** of **maximum Rate 1 Pay**. In the case of Lieutenants, Lieutenant-Colonels and Colonels, basic pension may not exceed **50%** of **maximum Rate 1 Pay** but **only** if the officer was **promoted to his/her retiring rank on or after 1 January 1986**.

Military Service Allowance (MSA) is reckonable for pension purposes in the case of officers up to and including the rank of Colonel who retire after 1 August 1990, provided it was payable on the date of retirement and **for not less than five years during service**. The addition to basic pension in respect of MSA represents the % relativity between the relevant rate of MSA for officers on 'Rate 1 Pay' and the corresponding maximum point of the Rate 1 pay scale for the rank concerned. This is subject to a maximum addition of 50% of MSA.

Long Service Increments (LSIs) are also reckonable in the form of addition(s) to pension in the case of **Captains, Commandants and Lieutenant-Colonels**, provided the increment(s) have been **held on the date of retirement**. The method of calculating the LSI additions is the same as for MSA.

Special service officers

4.2 Certain officers such as medical officers, engineer officers and those in the Naval Service and Air Corps etc. are categorised as ‘special service officers’ (SSOs) for superannuation purposes. They qualify for a fixed % addition to the standard rates of basic pension. Medical and dental officers qualify for a 20% addition, while other SSOs qualify for a 10% addition. SSOs qualify for the same additions to pension in respect of MSA and LSIs as their pre-6 April 1995 counterparts on Rate 1 Pay.

For SSOs in modified PRSI (Class C) who are **promoted to their retiring rank on or after 1 January 1986**, maximum pension may not exceed **50%** of actual pensionable pay. When calculating this pay-related pension, ‘actual pensionable pay’ has the same meaning as applies to pay-related gratuity (see section 5) and includes:

- basic pay at retirement date (i.e. actual Rate 1, Rate 2 or Rate 3 Pay and so on, as appropriate);
- MSA and, where applicable, flying pay and/or additional pay payable to certain SSOs, if held for the required 5 years at retirement date (often referred to as the ‘5-year rule’ – see sections 4.1 and 4.3); and
- LSI(s) if held at retirement date.

Previously, if more favourable to a pre-6 April 1995 special service officer in modified PRSI (Class C), pension could be calculated on the basis of:

- **1/80th** of actual pensionable pay at retirement date for each complete year of service, subject to a maximum pension of 40/80^{ths} after **40 years' service**.

In practice, this option was unlikely to be more favourable unless the SSO had close to 40 years' qualifying service, the public service norm.

However, this 1/80th approach has been changed so that, in the case of such pre-6 April 1995 special service officers who were **serving on 1 September 2005**, their maximum pension is now achieved after **30 years' actual service** (instead of 40 years previously).

Where service is less than 30 years, their pension continues to be calculated in the same way as before and subject to the usual conditions and limitations (as outlined above).

Changes to the operation of the '5-year rule'

4.3 Previously, when calculating pension and pay-related gratuity of SSOs, flying pay and/or additional pay could only reckon if held continuously for not less than 5 years immediately preceding retirement.

However, for SSOs serving **on 1 September 2005**, these payments can now reckon when calculating pension and pay-related gratuity provided they are held:

- for at least **1 year continuously up to and including retirement date; and**
- for an **aggregate of at least 5 years during the final 8 years of service**.

This maintains the underlying principle of the '5-year rule', while also introducing a substantial degree of flexibility in its application.

Pensionability of certain allowances for the first time

4.4 The change at section 4.3 above also applies to each of the following allowances that are now pensionable for pre-6 April 1995 officers, on the basis set out below –

- (a) Health & Safety Officers Allowance – full rate only**
- (b) Diving Allowance – annual rate only**
- (c) Personnel Support Services Officers Allowance – full rate only**
- (d) Foreign Language Proficiency Allowance – maximum rate only**

These allowance holders are not categorized as '*special service officers*' for the purposes of their existing pensions schemes but, subject to what follows, they are treated on the same basis as special service officers for pension purposes:

- (i) Pensionability applies **from 1 September 2005** or from the date the allowance was introduced (whichever is the later) in respect of qualified officers **serving on or after that date**.
- (ii) The allowance holders qualify for a fixed **10%** addition to the standard rates of basic pension, subject to the usual conditions and limitations (see sections 4.1 to 4.3 above).
- (iii) The maximum amount of the addition to pension, in any case, is limited to 50% of the actual rate of the relevant allowance on retirement.
- (iv) As already applied, no officer may qualify for more than one % addition to basic pension. For example, a Naval Service officer on Rate 2 Pay (and thereby already categorized as a special service officer for pension purposes) does not qualify for a second 10% addition to the 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 'actual pensionable pay' applies, or where after 30 years' service the pension is 40/80^{ths} of pensionable pay (see sections 4.1 and 4.2). The same applies for the calculation of pay-related retirement gratuity (see section 5).
- (v) Each of these four allowances are 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 person satisfying the usual conditions and limitations.

- (vi) Pensionability of Foreign Language Proficiency Allowance is restricted to officers in receipt of the **maximum rate** of that allowance, while pensionability of Diving Allowance is restricted to the **annual** (as opposed to the daily) rate. As regards the Health & Safety Officer and Personnel Support Services Officer Allowances, pensionability is 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 do not count towards pensionability.
- (vii) The pensionability of these four allowances is also subject to the payment by the officers concerned of the required periodic spouses' and children's contributions from salary at the standard 1½% public service rate, as well as any outstanding non-periodic contributions to be deducted from gratuity (see sections 1 and 11). Deductions of periodic contributions from salary in respect of these allowances commence immediately on receipt of them.

Note: Special Instructors Allowance in the Cadet School (& Air Corps and Naval Service equivalents) and Brigade Training Centres, which had also become pensionable from 1st September 2005, ceased payment with effect from 1st July 2013 in accordance with the terms of the "Haddington Road Agreement".

Retirement Gratuity

5. Retirement (and death) gratuities are generally tax-free under existing legislation (see section 18).

A pay-related retirement gratuity of 20 days' **pensionable pay** for each complete year of qualifying service is payable to officers with 5 years or more but less than 12 years' service. However, no pension is payable. In such cases, contributions deducted from salary during service in respect of spouses' and children's pensions are generally refunded, subject to tax.

Officers with 12 or more years' service qualify for a **flat-rate gratuity**, as well as a pension. As with basic pension (see section 4.1), corresponding % additions to the basic flat-rate gratuity for the rank apply in respect of MSA and, where applicable, LSI(s). The rates are published by Pensions Section, Department of Defence through the usual channels.

Under the existing arrangements for pre-6 April 1995 officers, maximum retirement gratuity for all officers is **1½ times actual pensionable pay** on the last day of pensionable service.

Previously, progression to this maximum pay-related gratuity for officers with 21 or more years' service began within 5 years of the normal retiring age for the rank, with the maximum flat-rate gratuity (payable after 20 years' service) being progressively increased to 1.5 times annual pensionable pay.

However, if you were **servicing on 1 September 2005**, this maximum pay-related gratuity is now payable if retiring voluntarily within 4 years of retiring age for the rank, with progression to it beginning 2 years earlier than before. This is done by increasing the maximum flat-rate gratuity by one-third of the difference between it and 1.5 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 for an officer with a retirement age of 58:

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

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

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

An officer who serves beyond the normal retiring age does not have to re-qualify for the maximum gratuity.

For the purpose of calculating pay-related retirement gratuity, **pensionable pay** includes:

- basic pay at retirement date (i.e. actual Rate 1, Rate 2 or Rate 3 Pay and so on, as appropriate);
- MSA and, where applicable, flying pay and/or additional pay payable to certain SSOs, if held for the required 5 years at retirement date (see section 4);
- LSIs, if held at retirement date; and

- the allowances mentioned in section 4.4, subject to satisfying the ‘5-year rule’.

Pensionable pay for the above is also determined by your ‘**retiring rank**’ (see section 2).

Any outstanding contributions due to the Spouses’ and Children’s Pension Scheme are deducted from the retirement gratuity (see section 11). The amount deducted qualifies for income tax relief.

Retirement on Medical Grounds

6. If you have at least 1 year but less than 10 years of qualifying service and are compulsorily retired on medical grounds (*‘below Defence Forces Medical Standards’*), you qualify for an enhanced retirement gratuity of 30 days’ pensionable pay for each complete year of service. However, no pension is payable. In such cases, contributions deducted from salary in respect of your spouses’ and children’s pensions are generally refunded, subject to tax.

If compulsorily retired on medical grounds with 10 years’ service or more but less than 20 years, a higher occupational pension is payable than if retiring voluntarily¹. The usual flat-rate gratuity is also payable (as in section 5).

Where service is 20 years or more, the usual rates of pension and gratuity (as outlined in sections 4 and 5) apply. However, the maximum retirement gratuity of 1.5 times pensionable pay is payable earlier, that is, once you have served to within 5 years of normal retiring age for the rank.

Where a pension is payable, any outstanding contributions due to the Spouses’ and Children’s Pension Scheme are deducted from the retirement gratuity (see section 11).

If the disablement leading to your compulsory retirement on medical grounds is specifically related to your military service there may, subject to certain conditions, also be a separate

¹In such cases, the normal occupational pension is increased by 50% for a Lieutenant, 25% for a Captain, 20% for a Commandant and 16.66% for a Lieutenant-Colonel.

entitlement to a disability pension (or disablement gratuity) under the Army Pensions Acts – see next section.

Disability Pensions

7. A disability pension (or, more properly, a wound pension) under the Army Pensions Acts may be granted after retirement in respect of permanent disability due to a **wound** or **injury** that is attributable to military service. In such cases, application for a disability pension must be made within a statutory time limit of 1 year after retirement. To qualify for a pension at standard rates², the level of disability must be assessed by the Army Pensions Board at not less than 20%. If it is less than 20%, a disablement gratuity may be paid. The rates of pension vary according to the level of disability; additional amounts are payable in respect of eligible children.

A disability pension may also be granted in respect of permanent disablement due to a **disease** attributable to or aggravated by United Nations service. The statutory time limit for applications in this case is 8 years from the date of retirement. The minimum level of disability required to qualify for such a pension is 50% (if the disease is attributable to overseas service) or 80% (if the disease is aggravated by such service). The pension rates for disease aggravated by overseas service or where the level of disability is between 50% and 80% are lower than the standard rates. Disablement gratuities do not apply in disease cases.

There is no minimum service requirement for a disability pension. It is paid in addition to any occupational pension entitlements. However, the combination of both pensions is subject to an overall limit. In such cases, the occupational pension is reduced – usually by an amount equal to one-half of the smaller of the two pensions – and the disability pension, which is exempt from income tax, is payable in full. Retirement on medical grounds does not confer an automatic entitlement to a disability pension.

Applications for disability pensions should be made promptly after retirement (see statutory time limits above). Compensation received from any source in respect of an

²The standard disability pension for an officer ranges from 10% of reckonable pay for 20% disablement up to 48% of pay for 100% disablement. Additional amounts are also payable at flat rates (e.g. for qualified children).

injury may affect the level of disability pension or gratuity payable for that injury under the Army Pensions Acts.

Death Gratuity

8. On death in service, a gratuity of a minimum of 1 year's pensionable pay at the date of death is payable. Depending on qualifying service, this may be increased to a maximum of 1.5 years' pensionable pay (see section 5). There is no minimum service requirement for this gratuity.

The death gratuity is usually paid to the spouse and/or children of the deceased member. If he/she had no spouse or children, the gratuity is paid to his/her parents or siblings. In some cases, it is paid to the deceased's legal personal representative. Any outstanding contributions due to the Spouses' and Children's Pension Scheme are deducted from this gratuity (see section 11).

Recent changes to public service pension terms

9. Under the *Public Service Pensions (Single Scheme and Other Provisions) Act 2012*, certain changes affecting existing public service pension schemes were implemented. These include:
 - (a) the introduction from 28th July 2012 of a 40-year limit on the total service that can be counted towards pension where a person has been a member of more than one public service pension scheme;
 - (b) the extension from 1st November 2012 of pension abatement so that a retiree's public service pension is liable to abatement on re-entering public service employment in future, even where the new employment is in a different area of the public service;
 - (c) the obligation from 1st November 2012 for a person to provide an appropriate declaration to the relevant public service body where he/she:

- takes up employment in a public service body and has an (existing) entitlement to retirement benefits or preserved retirement benefits, or has received or is in receipt of retirement benefits under any public service pension scheme, or
- applies for a benefit from a public service pension scheme, or
- is covered by section 52 of the 2012 Act (relating to pension abatement and reckoning of pensionable service) and who applies for a public service pension; and

(d) from 1st September 2013, the aggregation of pensions for the purposes of applying the Public Service Pension Reduction (PSPR).

Further details of these changes are set out in **Appendix A**.

Additional voluntary contributions (AVCs)

10. AVC schemes allow individual employees to improve their superannuation benefits at their own expense. In the public service, these are ‘group’ AVC schemes sponsored by the relevant trade unions / representative associations. In order to operate, an AVC scheme must be approved by Revenue. AVCs may be used where there is a shortfall between a person’s actual retirement (and dependants’) benefits and what is allowable within Revenue limits. AVCs are essentially a private arrangement between the individual – as a member of an employee group AVC scheme – and a private sector pension provider. The AVC benefit is generally in the form of an additional cash amount of pension or lump sum. That cash benefit ultimately depends on the level of AVC contributions made by the individual member and on the performance of the Fund in which those AVCs are invested. AVC contributions are allowable for tax relief subject to Revenue rules (see www.revenue.ie).

A Revenue-approved group AVC scheme is in operation for PDF officers to cover retirement and dependants’ benefits. The Department of Defence facilitates the deduction of

AVC contributions from members' salary at source. Queries about your group AVC scheme should be made to the relevant private sector pension provider / administrator.

Spouses' and Children's Contributory Pension Scheme

11.1 Your spouses' and children's contributory scheme is essentially the same as those applicable in other areas of the public service. Membership of the original scheme was compulsory for (male) officers who were commissioned on or after 1 January 1971. Membership of the revised scheme, which was introduced to cover certain other categories such as spouses and children of members who married after retirement from the PDF, was compulsory for any officers who were commissioned on or after 1 June 1985. Membership of either scheme was optional for officers already serving before those dates (see section 12 also).

Spouses' and children's contributory pensions are payable if a scheme member dies in service, or while on retirement pension. In addition, a surviving spouse may also be entitled to separate benefits under the Social Welfare Acts. The following may benefit from the spouses' and children's contributory scheme:

- the legal spouse of a member who dies in service;
- the legal spouse of a deceased pensioner (including where, under the revised scheme of 1985, marriage to the deceased took place after his/her retirement from the PDF); and
- all eligible dependent children of a deceased member, including step-children and adopted children.

Civil partners are treated in the same way as spouses under the spouses and children's pension schemes operated in the public service – see section 14.

The spouse's pension is normally half the deceased member's actual pension. However, where an officer dies in service or after retirement on medical grounds, the spouse's pension is half the pension the deceased would have received had he/she served to normal retirement

age for the rank. Maximum spouse's pension in every case is limited to **one-quarter of the deceased's pensionable pay** at date of death.

Rates of children's pensions will vary depending on whether or not a spouse's pension is payable and on the number of eligible children. A child's pension is one-third of the spouse's pension for each of the first three eligible children. If there are more than three eligible children, an amount equal to the spouse's pension is divided equally between them. The combined amount of the children's pensions cannot exceed the rate of the spouse's pension. Payment of children's pensions is subject to age limits. They are ordinarily payable to age 16 but can be payable up to age 22 where a child is in full-time education or training. However, there is no age limit where a dependent child is incapable of self-support due to permanent mental or physical disability and provided the disability was there from birth or arose while the child was eligible for benefit.

Contributions to the spouses' and children's scheme are made up of:-

(a) **Periodic contributions** deducted from monthly salary; and

(b) **Non-periodic (lump sum) contributions** deducted from a retirement or death gratuity.

The maximum number of years' contributions (periodic and non-periodic) payable is 40. The periodic contribution rate during service is 1½ % of pensionable pay. Non-periodic contributions may arise where you have not paid your full periodic contribution liability during service as determined under the scheme. In that case, the contribution rate is 1% of your final pensionable pay for each year of reckonable service (including portions of years) for which periodic contributions have not been paid. In such cases, a single lump sum deduction is made from the retirement or death gratuity, as appropriate. All contributions deducted from pay/gratuity qualify for income tax relief. However, if you remain unmarried throughout your membership of the spouses' and children's scheme, non-periodic contributions are not payable.

11.2 Under the Army Pensions Acts, dependants' allowances may be payable in addition to these contributory spouses' and children's occupational pensions. In such cases, the combined

benefit may not exceed two-thirds of the deceased member's pensionable pay (i.e. one-third for the spouse and one-third for the children). An example would be where the death of a former member who is in receipt of occupational pension (see section 4 etc.) and a disability pension (section 7) is attributable to his/her pensionable disablement.

12. **Non-Contributory Widows' and Children's Pensions**

These pensions apply, subject to certain minimum service requirements and other conditions, only in the case of officers who opted not to become members of the spouses' and children's contributory schemes (at section 11). The pension rates are lower than those available under the contributory schemes.

Enhanced spouses' and children's pensions in certain cases

13. Where a member of the PDF is killed in the course of duty or in circumstances attributable to his/her military service – whether serving at home or overseas – enhanced spouses' and children's pensions are payable under the Army Pensions Acts. In such cases, maximum combined pensions of up to 90% of reckonable pay are payable (i.e. 50% for the spouse and up to 40% for dependent children, subject to the usual age limits etc). These are payable instead of any other dependants' pensions under the Defence Forces pension code (see section 11 and 12). All contributions to the Spouses' & Children's contributory pension scheme are refunded in such cases (subject to income tax). See further details in **Appendix B** at the end of this handbook.

Civil partnership, cohabiting couples and superannuation benefits

14. The following briefly sets out the position regarding pension entitlements for civil partners and cohabiting couples in public service pension schemes.

The Civil Partnership and Certain Rights and Obligations of Cohabitants Act 2010 established a civil partnership registration scheme for same-sex couples together with a range of rights, obligations and protections, including pension rights. On registration of a civil partnership, the civil partners will be treated in the same way as spouses under the tax

and social welfare codes. Similarly, civil partners will be treated in the same way as spouses under the spouses and children's pension schemes operated in the public service.

The Act also establishes a redress scheme for opposite-sex couples and same-sex cohabiting couples who are not married or registered in civil partnership, as the case may be. The redress scheme gives protection to a financially dependent person at the end of a long-term cohabiting relationship. The redress scheme may only be activated at the end of a relationship of at least 5 years duration, whether by break-up or death, and allows a financially dependent cohabitant to apply to court for certain remedies, including pension adjustment orders. The Act also makes provision for the recognition of cohabitant agreements which regulate the shared financial affairs of cohabiting couples and enable couples to opt out of the application to them of the redress scheme. For further details see:

<http://www.justice.ie/en/JELR/Pages/Ahern%20announces%20commencement%20of%20Civil%20Partnership%20and%20Cohabitants%20Act>

In September 2015, the Government approved the publication of the Marriage Bill 2015. This will update the laws on marriages to enable couples to marry without distinction as to their sex, as provided for in Article 41.4 of the Constitution which was approved by the people in the Marriage Equality referendum on 22nd May 2015. For further details, see <http://www.justice.ie/en/JELR/Pages/PR15000470>

Payment of pensions and gratuities

15. Gratuities are paid promptly following retirement or death in service, while pensions are paid monthly. Depending on the date of retirement, it may not be possible to make the initial pension payment during the month in which retirement occurs. However, it will usually be made in the following month. Pensions and gratuities are lodged on an electronic basis (by EFT – electronic funds transfer) directly to your bank or other financial institution, account details to be supplied by you.

Certain deductions can be made from your occupational pension on request (i.e. VHI, CAOGA, ONET, IUNVA, ARCO). Over-holding charges may be deducted, as appropriate,

from retirement benefits in the case of over-holders of married quarters following retirement from the PDF.

All public servants claiming retirement benefits from the public service must complete statutory 'Pensions Declarations'.

No payments of benefits, i.e. pension and/or gratuity, can be approved unless properly completed Pensions Declarations from the person concerned are on file.

Pension increases / reductions

16. Up until September 2008, Defence Forces pensions and, indeed, public service pensions generally, were generally increased in line with, and from the same operative date as, relevant pay increases applied to serving personnel. Such pension increases require the prior approval of the Minister for Finance / Public Expenditure and Reform³. Since then, no increase in military pension rates has been authorised as there were no pay increases for serving PDF personnel during that period.

However, the *Financial Emergency Measures in the Public Interest (FEMPI) Acts* 2009 to 2013 reduced public service pay and pension rates – see further details below. **Those Acts also provided that when calculating superannuation entitlements, the pay reductions would be disregarded for persons who left the public service by certain dates. These are known as 'grace periods'.**

The Public Service Pensions (Single Scheme) Act 2012 made an enabling provision (in section 47) for post-retirement increases for existing pensioners and serving public servants to be linked in future to the cost of living, rather than pay. The future activation of the link to the CPI would be by way of commencement order as and when decided by Government.

³ This included arrangements whereby the retirement gratuity may be increased to take account of a **general** pay increase that becomes effective within 122 days **after discharge on age grounds**. To qualify, the pensioner must be alive on the effective date of the pay increase and the increase must have been agreed at the time of retirement.

Public service pension reduction

For public servants including Defence Forces members who retired, or whose pension came into payment, before 1st March 2012, pensions above €12,000 a year were reduced by an average of 4% from 1st January 2011 under FEMPI.

Known as the ‘public service pension reduction’ (PSPR), the actual reduction from that date is progressively more for those with higher rates of pension. Pensions below €12,000 a year are exempt. The PSPR also applies, as appropriate, to dependants’ pensions payable in respect of pre-1/3/2012 deceased members.

As provided in the FEMPI Act 2013:

- (a) There was an alignment of reductions in public service pensions already in payment, with the pay cuts applied from 1st July 2013 to relevant public service staff on salaries of more than €65,000 a year. Public servants who retired or retire, or whose pensions come into payment, after 29th February 2012 and up to and including end-June 2016 – the current ‘grace period’ – are now subject to the PSPR if their pension is above €32,500 a year. These new reductions range from about 2% near the €32,500 threshold level – subject to no pension falling below €32,500 – to 5% for the highest pensions. Existing (and future) pensions of up to €32,500 were not reduced any further.
- (b) Public servants who retire on or before 30th June 2016 will have their pension and lump sum (gratuity) calculated as if the pay reduction, where applicable, and any increment pause or freeze operative from 1st July 2013, had not applied to them. However, the modified rates of PSPR (at (a)) apply to their pensions if above €32,500.
- (c) For those who retire after end-June 2016, the arrangements at (b) above do not apply. Instead, the calculation of their retirement benefits will be on the normal basis, that is, they will generally be based on actual, current pensionable pay at retirement date. This includes public servants whose pay has been impacted by the 1st July 2013 pay cuts (i.e. salaries above €65,000). However, it should be noted that the PSPR will not apply to the pensions of any post-June 2016 retirees.
- (d) The revised PSPR rates from 1st July 2013 also apply, as appropriate, where the aggregate value of two or more public service pensions held by one person exceeds €32,500.

To summarise:

- For public servants who retire on or after 1st March 2012 and before 1st July 2016, the PSPR is only payable on public service pensions of €32,500 or more;
- If retiring during this current ‘grace period’, a person’s retirement benefits are calculated as if the FEMPI 2013 pay reduction (where applicable) and any increment pause / freeze operative from 1st July 2013, had not applied; and
- For those who retire on or after 1st July 2016, no PSPR is payable on pension.

Pension-Related Deduction from salary (the ‘pension levy’)

17. Since March 2009, all public servants who are in pensionable employment – including members of the PDF – are liable to pay a **Pension Related Deduction (PRD)** regardless of the date they join the public service. Commonly known as the ‘pension levy’, this was introduced by Government as part of a package of emergency financial measures. The PRD is separate from the standard employee pension contributions. It applies to all taxable earnings from a public servant’s employment, including basic pay, allowances etc., and regardless of whether those earnings are pensionable or not.

The PRD does **not** operate as part of the employee’s occupational pension scheme arrangements and **no** additional superannuation benefits are earned as a result of the deduction. It does **not** have any impact on the pension and gratuity entitlements outlined in this handbook. Neither does it apply to existing public service pensioners. The current PRD deduction rates are as follows:

Pension levy calculation	
First €15,000 of taxable earnings	Exempt
Between €15,000 and €20,000	2.5%
Between €20,000 and €60,000	10.0%
Above €60,000	10.5%

Income tax, PRSI and the USC

18. Under existing legislation, all gratuities and disability pensions referred to in this handbook are generally exempt from income tax, PRSI and the Universal Social Charge (USC).

While there have been some changes in the tax treatment of retirement benefits over recent years, these did not affect the majority of people.

As regards retirement gratuities (lump sums) payable under employer occupational pension schemes generally, amounts below €200,000 continue to be exempt from income tax. Occupational pensions are liable to income tax and the USC on the same basis as applies generally.

Tax treatment of retirement benefits in the public and private sectors

Since 1st January 2011, the maximum **lifetime** tax-free retirement lump sum is €200,000, while amounts above this are now subject to income in two stages. The portion between €200,000 and €575,000 is taxed at the standard rate of 20%, while anything above that is taxed at the person's marginal rate of tax. A death-in-service lump sum payable to a spouse etc. (see section 8) continues to be tax-free.

However, *Budget 2014* reduced the maximum allowable pension fund (pot) for tax purposes at retirement from €2.3 million to **€2.0 million**. This applies from 1st January 2014. Revenue guidelines suggest this latest measure will generally **not** impact those whose gross pensionable pay on retirement is €120,000 a year or less, **provided they have no other additional, separate significant personal retirement benefits e.g. AVCs from a private sector provider**. It has been clarified by the Department of Public Expenditure and Reform that *Budget 2014* did not change the position of retirement lump sums (gratuities) in relation to exemption from income tax. Such lump sums remain tax-free up to €200,000.⁴

⁴ Additional background information can be found in DPER Circular Letter dated 27 June 2014 at <http://www.per.gov.ie/public-service-pensions-circulars-and-letters/> and from Revenue: Guidance Note <http://www.revenue.ie/revsearch/search?q=sft&btnSearch=Find>

PRSI, USC etc.

While occupational pensioners are shown under **Class M** for PRSI purposes, in practice they are not liable to pay PRSI. Class M does not give cover for Social Welfare benefits and pensions.

The USC, which came into operation from 1st January 2011, is separate from income tax and replaces both the Health Levy and Income Levy. The USC is a tax on the community at large and does not confer a benefit to those paying the charge. It does not replace PRSI, which continues as before.

Individuals whose annual income does not exceed €12,012 p.a. are exempt from the USC. For those earning more than that, the following USC rates apply from 1st January 2015: 1.5% on the first €12,012; 3.5% on the next €5,564; 7% on the next €52,468; and 8% on the balance. The USC is payable on gross income from all other sources including earnings from any employment. Further details regarding the USC are available at <http://www.revenue.ie/en/tax/usc/index.html>

Employee pension contributions (e.g. for dependants' benefits – see section 11) normally qualify for income tax relief, subject to Revenue rules and limits. However, from 1st January 2011, such pension contributions as well as the PRD (see section 17) are subject to employee PRSI and the USC. Where a public service pensioner also gets a State Pension, the State Pension is not subject to the PSPR (see section 19).

Although Social Welfare pensions are paid to beneficiaries without income tax being deducted, they are treated as income for tax purposes. Where you are in receipt of an occupational pension, your tax credits are reduced to take account of any Social Welfare pension that may be payable.

Any queries regarding income tax, the USC etc. should be made to your **Regional Revenue Office**, the address of which is shown on your Tax Credit Certificate or on any correspondence received from Revenue. Please remember to quote your PPS number when corresponding with Revenue.

Social Insurance benefits

19. Officers who joined the PDF before 6 April 1995 pay modified PRSI at the Class C contribution rate. Therefore, they are insured only for the following Social Insurance payments:

- Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension
- Guardian's Payment (Contributory)
- Carer's Benefit

Qualification for Social Welfare payments is a matter for the Department of Social Protection (DSP) to decide under its rules. Former PDF personnel are eligible for services such as medical cards under the Health Acts on the same basis as other members of the community.

As part of national pension reform measures, the age at which people will qualify for the social insurance **State Pension** has been increased from 65 to 66 years of age in 2014, to age 67 in 2021 and to age 68 in 2028. In effect, this means that from 1st January 2014, for any person born between 1948 and 1954 his/her State Pension age will be 66, if born between 1955 and 1960 it will be age 67 and if born since 1961, it will be age 68.

Further information is available from the Brigade Personnel Support Service, at local DSP offices or by contacting the social welfare information service at Oisín House, Pearse Street, Dublin 2; tel: 01-7043000; email: info@welfare.ie; website: www.welfare.ie

Implications for superannuation benefits – family law provisions

20. When granting a decree of judicial separation or divorce, a Court may also grant a Pension Adjustment Order (PAO). This requires that some or all of the member's retirement benefits be paid to the member's spouse and/or dependent children. A PAO over-rides the provisions of the superannuation arrangements. If death in service occurs, the gratuity and spouses' and children's pensions (known as contingent benefits) may also be affected by a

PAO. Separate PAOs must be made for retirement benefits and contingent benefits in an occupational pension scheme. Separate PAOs are also required for each private pension arrangement that exists (for example, if you or your spouse contributes to a separate AVC arrangement).

Further information about PAOs can be obtained from the Pensions Section, Department of Defence (see section 21) or from the Pensions Authority, Verschoyle House, 28/30 Lower Mount Street, Dublin 2; tel: 01-6131900; email: info@pensionsauthority.ie

Further information

21. Further information on the superannuation and other benefits covered in this handbook can be obtained from the Department of Defence:

- by tel. **091-743900** or **Lo-Call 1890-426444** asking for extension **3900**;
- by e-mail to pensions.admin@defence.ie;
- by writing to **Pensions Administration Section, Finance Branch, Department of Defence, Áras an tSáile, Renmore, Galway.**

This handbook is also available on the Defence Forces Intranet **IKON** – click on the **One Stop Shop** link – and through other military channels such as Personnel Support Services locally.

This document is for information purposes and is not a legal interpretation.

Other recent public service pension changes:

Abatement of pension where re-employed in the public service

For all pension schemes, section 52(1) of the *Public Service Pensions (Single Scheme and Other Provisions) Act 2012* provides for the **abatement** – that is, cessation or reduction, as appropriate – of existing public service pensions where the pension-holders take up work elsewhere in the public service. Before this change, the abatement principle already operated as a standard feature of public service pension schemes generally, but only within individual sectors / bodies where a public service pensioner resumed working in his or her former occupation, e.g. Defence Forces, Garda, Civil Service etc. The 2012 Act extends that abatement principle across and between all sectors without exception, thereby restoring the arrangements that were in place until 1965. This measure does not apply in relation to employment with the commercial semi-State bodies.

This extended abatement measure applies only where a public service pensioner takes up another public service post **on or after 1st November 2012**. A public service pensioner already in public service employment **immediately before that date** will not be affected by the change while he or she stays in that employment.

So, from 1st November 2012, a public servant retiring on pension who at some later point re-enters any public service employment will be subject to abatement and may, depending on his/her overall earnings, have their pension reduced or suspended for as long as they are in that new job.

Basically, abatement means that the combined amount of his/her earnings from their current public service job plus their existing public service pension, cannot exceed the up-rated (current) pensionable pay from their old job.

40-year limit (aggregate) on pensionable service

The 2012 Act also introduced a 40-year limit on the total service that can be counted towards a public service pension scheme where a person is, or has been, a member of more than one such

existing scheme. This general limit already applied in relation to service in any one pension scheme, but it has been extended across all public service schemes with effect from **28th July 2012**.

This may have implications for anyone who has already acquired pension entitlements in a previous public service employment, and is working in or considering retirement from a different pensionable post with another public body. So while he/she can still, potentially, benefit from two (or more) pensions, this new rule effectively imposes a limit of 40 years on qualifying service, in the aggregate, from all public service employments. The specific outcome will, of course, vary from one person to another.

The 2012 Act makes one exception. A person who already had more than 40 years' pensionable service in different public service pension schemes on 28th July 2012 does not lose any service accrued up to that point. They cannot, however, accrue any further pensionable service after that date.

Aggregation of two or more pensions for 'pension reduction' purposes

On its introduction in January 2011, the public service pension reduction (PSPR) – and the exemption on the first €12,000 a year – applied separately to each individual pension. An example would be a retired teacher or civil service pensioner who also has a public service widow's/widower's pension.

However, changes made under the 2012 Act to the original legislation (the "FEMPI" Act 2010) now provide for the PSPR to be applied instead to the combined (aggregate) value of all public service pensions held by a person, rather than separately to each pension as had been the case.

This new measure, resulting in a higher PSPR liability in such cases, was implemented from 1st September 2013. However, the aggregation measure does not apply to any pensioner whose combined pre-PSPR pensions are €32,500 or less.

Financial benefits where a member of the PDF is killed in the course of duty (irrespective of rank) :

1. Where a married member is killed in the course of duty or in circumstances attributable to military service – whether at home or overseas – combined spouse’s and children’s pensions of up to 90% of reckonable pay (50% for the spouse and up to 40% for dependent children) are payable under the Army Pensions Acts. These enhanced payments apply **instead of** all other dependants’ pensions under the Defence Forces pension code.
2. The standard death gratuity of a minimum of 1 year’s pensionable pay is payable in all cases of death in service regardless of the circumstances.
3. Under the Department’s special compensation scheme, a lump sum of €148,154 is payable in respect of a deceased member who, while in receipt of Overseas Peace Support Allowance, is killed in the course of duty while serving overseas as a contingent member with a United Nations force or other relevant mission, or in circumstances attributable to such service.
4. In the case of unmarried personnel, an allowance may be payable under the Army Pensions Acts where certain prescribed dependants (e.g. father or mother) were wholly or mainly dependent on the deceased. If killed in the course of duty with a UN force or other relevant mission, the lump sum at paragraph 3 may be payable to such dependants.
5. Additional lump sum death benefits may also be payable under special insurance schemes organised by the Defence Forces.
6. Members of the PDF are insured for Widow’s, Widower’s or Surviving Civil Partner’s (Contributory) Pension under the Social Welfare Acts.