Public Service Pay and Pensions Bill 2017 - FAQ

General Provisions in the Bill

Q.1 What Acts are repealed by the Bill?

The FEMPI Act 2009 is repealed with effect from 1 January 2018. However, the repeal is delayed until 1 January 2019 for the provisions relating to PRD and health professional fees. This will retain the legislative requirement to pay PRD for the year 2018 and to allow for the transitional period for the fees respectively.

The Bill also repeals section 2(3) of the FEMPI No. 2 Act 2009 from 1 October 2020. This provision reduced fixed periodic allowances by 5% (for those earning less than €125,000) and 8% (for those earning more than €125,000).

The Bill repeals section 5(1) of the FEMPI No. 2 Act 2009 from 1 January 2021. This provision prevented any cost increasing claims to be entertained by the industrial relations machinery of the State.

Q.2 How are public servants who do not sign up to the PSSA 2018-2020 treated?

To incentivise adherence to the collective approach, the Bill provides for less favourable terms for public servants who are not covered by the PSSA 2018-2020, including:

(a) Slower pay restoration (with each increase taking place nine months later than the scheduled pay increases);
(b) The suspension of incremental increases (up to end 2020);
(c) A lower entry threshold for ASC (up to end 2020).

Q.3 What is the cost of the Bill?

The total cost is approximately <u>€1.32 billion</u>. This comprises:

Element	Cost (€)
PSSA 2018-2020	€887m
Carryover costs in 2021	€227m
Full unwinding of salaries cut by FEMPI	€78m
Full elimination of PSPR	€48m
Increasing pensions in payment (see Q.11)	€80m

Pay Measures

Q.4 What changes to pay are agreed under the PSSA 2018-2020?

For public servants covered by the PSSA, their basic salary will be increased as follows:

2018
- 1 January 2018 annualised salaries to increase by 1%;
- 1 October 2018 annualised salaries to increase by 1%.

2019
- 1 January 2019 annualised salaries up to €30,000 to increase by 1%;
- 1 September annualised salaries to increase by 1.75%.

2020
- 1 January 2020 annualised salaries up to €32,000 to increase by 0.5%;
- 1 October 2020 annualised salaries to increase by 2%.

Q.5 What about any outstanding FEMPI pay reductions?

For those on salaries on in excess of €70,000, the remaining amounts of salary to be restored will be treated as follows:

Those earning less than €150,000 must be fully restored by 1 July 2021. The amounts due to be restored range from €1,000 p.a. to €4,000 p.a. For public servants covered by the PSSA, they may be restored by order any date after 1 October 2020 but before the final date (a period of 9 months). Non-covered public servants will be restored on 1 July 2021.

Those earning more than €150,000 must be fully restored by 1 July 2022. The amounts due to be restored for this cohort range from €13,000 p.a. to €38,000 p.a. (Secretary General Level I). For covered public servants, they may be restored by order any date after 1 October 2020 but before the final date (a period of 1 year and 9 months). Non-covered public servants will be restored after 1 July 2021 but before the final date (a period of 1 year).

Important: All public servants whose pensionable pay exceeds €34,500 will pay ASC on their 'restored income'. Therefore, while they will nominally return to their peak (pre-cut) salary, their net income will be **permanently** reduced.

Q.6 Will members of Government benefit from full restoration?

The Bill <u>specifically excludes</u> the following from benefitting from full restoration:

1. The Taoiseach
2. The Tánaiste
3. All Ministers of Government
4. All Ministers of State
5. The Attorney General

Q.7 How does the Bill deal with the payment of increments?

Incremental progression is suspended from 1 January 2018 to 31 December 2020 for those who are not signed up to the PSSA.

Pensioners

Q.8 How will the Bill impact Public Service Pension Reduction (PSPR) in 2018?

The FEMPI Act 2015 already provides for a further lessening of PSPR for 2018.

Q.9 How will the Bill impact PSPR in 2019 and 2020?

Part 3 of the Bill lessens the impact of PSPR for the years 2019 and 2020. The Bill differentiates between those who retired on or before 29th February 2012 (who retired on their 'pre-cut' salary) and those who retired after (on their January 2010 salary).

For the pre-2012 cohort, the following table applies:

Annualised amount of public service pension (2019)	Annualised amount of public service pension (2020)	Reduction
Up to €39,000	Up to €54,000	Exempt
€39,000 - €60,000	€54,000 - €60,000	12 per cent
€60,000 - €100,000	€60,000 - €100,000	17 per cent
Over €100,000	Over €100,000	28 per cent

For the post-2012 cohort, the following table applies:

Annualised amount of public service pension	Reduction (2019)	Reduction (2020)
Up to €60,000	Exempt	Exempt
€60,000 - €100,000	3 per cent	1 per cent
Over €100,000	8 per cent	6 per cent

Q.10 What about any outstanding PSPR?

The Bill also requires the Minister to make an order no later than 31st December 2020 setting out the schedule for the complete removal of PSPR. This differs from the approach regarding pay restoration, insofar as a definitive date for the elimination of the PSPR is not specified (rather the date in the Bill is the date by which an order setting that definitive date must be made).

Q.11 Will pensioners benefit from any increases to pension ('pay parity' model)?

Pay increases since 2016 to end-2020 will be passed along to pensioners whose pensions were based on lower salary levels than are paid to pensioners who retire after each increase.

For post-March 2012 retirees, all pay increases since 2016 will be passed along.

For pre-March 2012 retirees, pensions based on (pre-cut) salaries of over €70,000 will **not** receive any parity increases. For this cohort on (pre-cut) salaries of less than €70,000, pensioners will benefit where the PSSA increases result in the current salary exceeding its pre-FEMPI peak.

These increases will be applied **in addition to** the lessening of PSPR as outlined above.

The cost associated with this for each year of the Agreement are as follows:

Year	Cost
2018	€23m
2019	€25m
2020	€32m
Total	**€80m**

Additional Superannuation Contribution (ASC)

Q.12 How is the Additional Superannuation Contribution being treated?

From 1 January 2019, the Pension Related Deduction (PRD), or 'pension levy', is to be replaced by a permanent pension contribution, the Additional Superannuation Contribution (ASC).

Q.13 What earnings is ASC paid on?

ASC is paid on all pensionable earnings in a calendar year. Pensionable earnings do not include overtime or non-pensionable allowances.

Q.14 What are the different categories of ASC?

The ASC applicable to a public servant depends on the category of their pension scheme:

1. Standard accrual pension schemes (e.g. civil servants; most public servants)
2. Fast accrual pension schemes (e.g. Gardaí, Defence Forces, prison officers, firefighters)
3. Single Public Service Pension Scheme (all public servants joined after 1 January 2013)

Q.15 What are the rates of ASC in 2019?

The ASC tables for 2019 are as follows:

Member of a standard accrual pension scheme	
Band	**Rate**
€0 - €32,000	Exempt
€32,000 - €60,000	10%
€60,000 and over	10.5%

Member of a fast accrual pension scheme	
Band	**Rate**
€0 - €28,750	Exempt
€28,750 - €60,000	10%
€60,000 and over	10.5%

Member of the Single Public Service Pension Scheme	
Band	**Rate**
€0 - €32,000	Exempt
€32,000 - €60,000	6.66%
€60,000 and over	7%

Q.16 What are the rates of ASC in 2020 (and onwards)?

The ASC tables for 2020 and subsequent years are as follows:

Member of a standard accrual pension scheme	
Band	**Rate**
€0 - €34,500	Exempt
€34,500 - €60,000	10%
€60,000 and over	10.5%

Member of a fast accrual pension scheme	
Band	**Rate**
€0 - €28,750	Exempt
€28,750 - €60,000	10%
€60,000 and over	10.5%

Member of the Single Public Service Pension Scheme	
Band	**Rate**
€0 - €34,500	Exempt
€34,500 - €60,000	3.33%
€60,000 and over	3.5%

Q.17 What is the ASC liability for non-covered public servants in 2019 and 2020?

Non-covered public servants will pay ASC at a reduced entry threshold.

For standard accrual members and Single Scheme members, this will equal the current PRD threshold (€28,750).

For fast accrual members, this entry threshold will be €24,869.

Q.18 Is anyone exempt from ASC?

Only two small categories of public servant will be exempt from ASC:

1. Members of a Defined Contribution (DC) pension scheme; and
2. Southern Core members of the North/South Pension Scheme

Q.19 Why are members of a DC scheme exempt?

Public service DC schemes (of which there are a very small number) provide a benefit based on the contributions made by employee and employer. Applying the ASC to DC scheme members would provide a disproportionate and disadvantageous imposition on these public servants that would be difficult to justify when comparing them to a similar private sector DC scheme member.

Q.20 Why are Core members of the North/South Pension Scheme exempt?

This exemption is in recognition of the reforms which were applied to the pension scheme applicable to staff working in the North/South Implementation Bodies and Tourism Ireland from April 2015. These reforms included increased contribution rates for all staff as well as less favourable retirement benefits.

These reforms reflected the 'Hutton' pension reforms that applied to all UK public service pension schemes. Thus, these Core members already make contributions comparable to those that will be required from other public servants after the introduction of the ASC.

In addition, the Finance Ministers agreed in 2015 that future southern pension reforms applying to the public service generally would not apply to Core members of the North/South Pension Scheme.

Health Professional Fees and other Professional Fees

Q.21 What powers does the Bill give Ministers in relation to contractual fees?

The Public Service Pay and Pension Bill is designed to deliver an orderly exit from the financial emergency legislation and a return to normal industrial and business relationships.

As part of this the Government has agreed to put the setting and varying of fees for contractors on a statutory basis. In future the relevant Minister for Government, operating with the consent of the Minister for Public Expenditure and Reform will have the statutory power to set and vary the fees paid to contractors for goods and services based on a range of considerations, including affordability and value for money.

Given that the state often engages in long term rolling contracts for the provision of services to citizens it is vital that the interests of the taxpayer is protected through fluctuations in the economic cycle.

Importantly this power to set and vary fees is carefully proscribed and provides for consultation with the contractors in question.

Q.22 What about fees to contractors that were reduced by FEMPI during the crisis?

It is important to remember that the vast majority of professional fees reduced under FEMPI during the crisis contained clauses in the contracts that allowed for this.

As a result professional fees for various services including dentists, optometrists, GP's, pharmacists have reduced under the FEMPI legislation

For those fees that remain reduced by the FEMPI legislation, there is a clear pathway out of emergency legislation.

This Bill sets out a process of engagement with relevant representative bodies which aims to conclude a multi-annual approach to fees, commencing in 2019, in return for service improvement and contractual reform and in line with Government priorities for the health service.

Any contractual re-negotiation will be informed by the significant structural reforms and productivity improvements that have been delivered across the wider public service.