Making sense of the SPS pension scheme

Student and new graduate officer, **Liam Conway**, discusses the single public service pension scheme

AS A recent graduate nurse/midwife, there are numerous elements of public sector finances which you should become familiar with. One of the most important of these elements is your pension. Regardless of your age, knowing how your pension works and understanding the terminology involved will make saving for your future a lot easier and clearer.

The current retirement age for a recent graduate nurse in Ireland is 66 years of age. This will rise to 67 from January 1, 2021 and to 68 from January 1, 2028 in line with the state pension age.

Although reaching financial goals like purchasing your first home, buying a car or travelling may be on your list of priorities at the moment, it's also important to think longer down the road and gain an understanding of what's ahead.

The Single Public Service Pension Scheme (SPSPS) is mandatory when working in the public sector. When you commenced your 36-week internship, you would have started contributing to this pension scheme.

This is found on the right-hand side of your payslip where you will see tax deductions, PRSI and PRD. The pension contribution maybe displayed as SPSPS or other initials depending on your employer. Next month in *WIN*, I will go through payslips and what all the initials mean. You can also read about managing your tax on our website in the Student/New Graduate tab at: **www.inmo.ie/Student_New_Graduates**

As a recent graduate, you will be a member of the SPSPS (Single Scheme) which was introduced for all new entrants to the public sector recruited on or after January 1, 2013. The Single Scheme also applies to members who left the public sector for more than 26 weeks and returned after the Single Scheme start date.

Unlike the traditional public sector pension Schemes, where benefits are based on total years' service and a nurse/midwife's final salary, the Single Scheme is based on career average pay. This means that every year your employer will calculate how much lump sum and pension you have earned for the previous year based upon what you earned in the previous calendar year. These will be 'banked' into your Single Scheme account.

These existing amounts, known as 'referable amounts', are revalued in line with inflation (Consumer Price Index [CPI]) on an annual basis. This means that your Single Scheme benefits will build up on an on-going basis throughout your time in the public sector as you add amounts into your account and your referable amounts increase in line with CPI.

At retirement, you will receive a once off tax-free lump sum as well as your pension payments which are taxed and paid for life.

Employee contribution rates for Single Scheme members

The standard employee contribution rate for most members is 3% of pensionable remuneration plus 3.5% of net pensionable remuneration, reduced pro rata to the work pattern where the member works on a non-full-time basis (part-time, work-sharing), with definitions as per below applying:

- Pensionable remuneration = pensionable pay expressed on a full-time basis
- Pensionable pay = wages/salary (excluding overtime) *PLUS* pensionable allowances
- Net pensionable remuneration = pensionable remuneration less twice the value of the contributory state pension.

Accrual and payment of benefits to members accrue (ie. build up over time) referable amounts (ie. money amounts) for pension and lump sum for each year of work or part thereof based on pensionable remuneration at that time.

- Pension: Accrual rate of 0.58% of pensionable remuneration up to a ceiling of 3.74 x state pension contributory (SPC) (currently €45,000) *PLUS* (where applicable) 1.25% of pensionable remuneration above that level
- Lump sum: Accrual rate of 3.75% of pensionable remuneration
- Referable amounts are adjusted annually by reference to increases in CPI and aggregated referable amounts continue to be up-rated until retirement.

See case study above.

Case study

Alison started Nursing in May 2015. Her salary at the end of her first year was €30,000.

Her Single Scheme benefits (pension and lump sum) are calculated as a percentage of the salary she earned in 2015.

In 2015 she earned €30,000 so she accrued:
- €174 in pension (0.58% of salary)
- €1,125 in lump sum (3.75% of salary).

In 2016 she earned €32,000 so she accrued:
- €185.60 in pension
- €1,200 in lump sum

At the end of 2016, her 2015 benefits were reviewed to see if they should be increased in line with any rise in CPI. As there was no increase in CPI her referable amount remained unchanged.

So, as of December 31, 2016 Alison has accrued a total of:
- €359.60 in pension
- €2,325 in tax free cash

Each year you will receive a 'Benefit statement' from your employer detailing what benefits you have accrued in your Single Scheme.

You can read all about the Single Scheme including FAQs and info booklet online here: **www.per.gov.ie/en/single-scheme**

As you can see, pensions can be very complex and are dependent on many factors. If you have concerns about a specific query about your pension, a useful website is **www.pensionsauthority.ie**.

As an INMO member you can avail of the financial services and expertise of Cornmarket which has over 40 years' experience in public sector finances. For more information Tel: 01 4200981.

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