

To: CHIEF EXECUTIVE OFFICERS of  
VOCATIONAL EDUCATION COMMITTEES

**CIRCULAR LETTER PEN02/03**

**Admission of Temporary Wholetime Officers, other than teachers, to membership  
of the Education Sector Superannuation Scheme  
(formerly included in the Local Government Superannuation Scheme)**

1. INTRODUCTION.

- 1.1 Following discussions at the Local Government Management Services Board between the management and staff sides of the Superannuation Sub-Committee it was agreed, with effect from **1 January 1998** to include **temporary wholetime officers** employed by local authorities, in the Local Government Superannuation Scheme. These arrangements were agreed in relation to local authority staff only and, pending the transfer of responsibility for the superannuation of staff in the education sector from the Department of Environment and Local Government to the Department of Education and Science, the arrangements were not applied in the case of staff in the education sector.
- 1.2 Following the completion of the transfer of responsibility for superannuation of VEC and Institute of Technology (IOT) staff to the Department of Education and Science, with the consequent establishment of the Education Sector Superannuation Scheme, it has been agreed to make the necessary arrangements in the case of non-teaching temporary officers in VECs and IOTs. Appropriate arrangements have already been agreed, pursuant to the PCW Agreement, in the case of temporary teaching staff, ie vocational teachers and IOT lecturers. In this letter, in the circumstances, the term "Temporary Wholetime Officer" or "TWT officer" applies only to **registered officers** who are **non-teaching officers**.

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A brief outline of the Education Sector Superannuation Scheme is given at Appendix 1.

It is emphasised that the superannuation of **registered employees** is unaffected by this circular.

- 1.3 Under the **Protection of Employees (Part-time Work) Act**, provision has been made for the pensionability on an ongoing basis of further categories of workers. The Government has decided that the pay and pensions provisions of the Act will be operative from **20 December 2001**. In line with the provisions of the Act, **most categories of part-time staff** will be pensionable on an ongoing basis from that date. Discussions with the education partners are taking place regarding implementation of the Act and it is expected that a circular in this regard will be issued shortly.

## 2. ELIGIBILITY FOR MEMBERSHIP.

The general conditions governing the admission of temporary wholetime officers employed by VECs to the Education Sector Superannuation Scheme are as follows:

- a) Admission to the Scheme will be compulsory for all TWT officers appointed on or after 1 January 1998 and who are of satisfactory health.
- b) Membership of the Scheme will cease on 31 August where the member's 65<sup>th</sup> birthday occurs on that date; in any other case, membership of the scheme will cease not later than 31 August following the member's attainment of age 65. Any person who obtains a temporary wholetime appointment thereafter will not be eligible to join or re-join the Scheme.

## 3. COMPULSORY MEMBERSHIP.

It will be a matter for the VEC to confirm that a TWT officer satisfies the requirements for membership of the Scheme. It will be a condition for appointment to an eligible post that a TWT officer passes a medical examination by a doctor nominated by the VEC.

TWT officers who are otherwise eligible, who have not already undergone a medical examination for purposes of appointment and who are in service on or after 1 April 2003 will be referred for a medical examination by the VEC as soon as possible after that date.

Ongoing deductions from salary for superannuation purposes will be made from 1 April 2003 (or as soon as possible thereafter) in the case of all eligible TWT officers. The deductions will be made provisionally in the case of an officer who has been referred for a medical examination. In the event of an officer failing the medical examination, a refund of the superannuation contributions paid provisionally will be made.

## 4. COMMENCEMENT DATE OF MEMBERSHIP FOR TEMPORARY WHOLETIME OFFICERS

- 4.1 Eligible TWT officers will be formally admitted to the Scheme from 1 April 2003 (or as soon thereafter as ongoing deductions from pay commence) or, where they are required to undergo a medical examination for purposes of admission, from the date on which they pass the medical examination.

Membership will be backdated where the member had service as a TWT officer prior to the date of formal admission. The effective date of admission to the Scheme in the case of such a member will be 1 January 1998 or date of appointment as a TWT officer, if later.

- 4.2 Arrears of contributions will be due in respect of the period between the effective date of admission to the Scheme and the commencement of ongoing deductions.

The arrears will be recovered by increasing the ongoing contribution by instalments, over a period corresponding to the length of the service to which the arrears relate, until all arrears have been collected.



## 5. SUPERANNUATION CONTRIBUTIONS AND PRSI CONTRIBUTIONS.

5.1 The rate of superannuation contribution payable in respect of any period of *ongoing pensionable service* is dependent on whether, during that period, the officer is liable for the **Class D** rate of PRSI, has transitional liability for the **Class A** rate or has ongoing liability for the Class A rate.

### 5.2 Officer liable for the Class D rate of PRSI.

#### 5.2.1 Officers appointed prior to 6 April 1995:-

(a) The **Class D** rate is payable in the case of any officer who was appointed to a **permanent wholetime post prior to 6 April 1995** and who continues to serve in **such a post** (or an approved job-sharing post) **without interruption**.

(b) The Class D rate is also payable, *from date of appointment to a permanent wholetime post*, in the case of an officer who was appointed to a Temporary Wholetime post in a VEC (or an IOT) on or before 5 April 1995, and who, in the period from 5 April 1995 to date of permanent appointment, has continued to serve in such a post without interruption. The Officer will be liable for the Class A rate of PRSI on a transitional basis – see 5.3 below – during the period prior to appointment to the permanent post.

#### 5.2.2 Officers appointed since 6 April 1995:-

The Class D rate is payable in the case of any Officer appointed to a **permanent wholetime post in a VEC** and who, immediately prior to such appointment, was employed in a post in the public sector in which he or she was liable for the modified rate (Class B, C or D) of PRSI.

5.2.3 A member **who pays PRSI at the Class D rate** will pay a superannuation contribution of 6.5% of Current Pay or, if he/she is not a member of the Spouses' Scheme, 5% of Current Pay.

(Male officers in pensionable service in 1969 and female officers in 1984 were given the option of joining the Spouses' Scheme and paying 1.5% of Current Pay towards that Scheme or of remaining in the main Superannuation Scheme only. All officers appointed to pensionable service since 1984 must join both the main scheme and the Spouses' Scheme.)

### 5.3 Transitional liability for the Class A rate of PRSI.

A TWT officer who is admitted to **ongoing pensionable service** with effect from 1 January 1998 and who has uninterrupted service as a TWT officer in a VEC (or an IOT) since before 6 April 1995, will remain liable to pay the Class A rate of PRSI, on a transitional basis, in respect of the period between 1 January 1998 and date of appointment to a permanent post.

Superannuation contributions at the **Full Co-ordinated Rate** will be payable in respect of the transitional period between admission to pensionable service as a TWT Officer and date of permanent appointment. The Full Co-ordinated Rate is made up of 1.5% of Current Pay and 5% of **Current Co-ordinated Pay**, (including 1.5% of Current Co-ordinated Pay towards the Spouses' Scheme).

**Current Co-ordinated Pay** is Current Pay less twice the maximum personal rate of Old Age Contributory Pension, (OACP). Twice the maximum personal rate of OACP is currently - from 3 January 2003 – 16,415.83 per year.

5.4 **Officer with ongoing liability for the Class A rate of PRSI.**

5.4.1 **Except** in the circumstances outlined at 5.2 or 5.3 above, Officers will have ongoing liability for the Class A rate of PRSI throughout their service.

5.4.2 An Officer who has ongoing liability for the Class A rate of PRSI throughout his/her service will be liable, from effective date of admission to ongoing pensionable service, for a superannuation contribution at the **Ongoing Co-ordinated Rate**. The Ongoing Co-ordinated Rate is made up of 3% of Current Pay (including 1.5% of Current Pay towards the Spouses' Scheme) and 3.5% of **Current Co-ordinated Pay**.

The ongoing rate of co-ordinated contribution, which provides for a higher contribution to the Spouses' Scheme than the full co-ordinated rate specified in 5.3 above, was agreed in the context of the introduction in 1995 of full PRSI for public servants generally.

5.5 Note that for purposes of determining the rate of superannuation contribution payable in respect of any period of actual service, a period of job-sharing, a career break or approved leave of absence will not be regarded as an interruption of employment.

6. **TWT OFFICERS WHO HAVE RETIRED OR DIED SINCE 1 JANUARY 1998.**

Eligible service given by a TWT officer who has retired prior to the commencement of ongoing deductions will be regarded as pensionable. Eligible service given by a TWT officer who has died prior to the commencement of ongoing deductions will be regarded as pensionable provided the officer has already passed a medical examination as a condition of appointment. Such service will also be regarded as pensionable where the officer has not undergone a medical examination but death is due to a cause which would not have been likely to result in the officer's failing a medical examination if one had been carried out on or about 1 January 1998 or at the time of appointment, if later.

Appropriate contributions should be offset against superannuation benefits. The contributions will consist of arrears in respect of the period from 1 January 1998 (or date of appointment, if later) to date of retirement or death-in-service and a purchase of service contribution in respect of any reckonable service given prior to 1 January 1998. The purchase of service contribution will be a co-ordinated contribution – see paragraphs 8 and 9 of Appendix 3 - and will be based on pay at retirement or death-in-service. A Spouses' and Children's Scheme contribution in respect of **potential service** should also be charged, where appropriate.

The officers in question, or their legal personal representatives may have already received a gratuity in accordance with the provisions for the payment of such gratuities to non-pensionable staff. **The gratuity already paid, if any, should be offset** against the Gratuity and Pension which will be payable as a result of their admission to the Superannuation Scheme.

7. **PURCHASE OF TEMPORARY WHOLETIME SERVICE GIVEN BEFORE 1 JANUARY 1998 AND OF CERTAIN PART-TIME SERVICE GIVEN BEFORE 20 DECEMBER 2001.**

7.1 There are long-standing provisions for the purchase of reckonable service on appointment to a permanent wholetime post. These provisions are now revised to provide for purchase on appointment to a permanent wholetime post or at retirement or on death-in-service, whichever comes first. In the event of retirement or death before purchase has been completed, any outstanding contributions will be deducted from the Retirement Gratuity or Death Gratuity.



- 7.2 All officers are required to purchase, **on appointment to a permanent post**, all previous **temporary wholetime service** given prior to 1 January 1998.

Note that temporary wholetime service is pensionable on an ongoing basis with effect from **1 January 1998**.

- 7.3 All officers who are members of the Revision Scheme are, **on appointment to a permanent post**, required to purchase **part-time service** :-

- (i) given before 1 January 1998, where the part-time service in the week comes to at least 18 hours,
- or
- (ii) given between 1 January 1998 and 19 December 2001, where the part-time service in the week comes to at least half of comparable wholetime service

Note that most categories of part-time service given from 20 December 2001 are pensionable on an ongoing basis.

Note also that officers already in permanent service on 27 May 1977 were given the option of joining the Revision Scheme, which included provisions for the purchase of part-time service, or of remaining in the existing scheme. Such officers were given a further, and final, option of joining the Revision Scheme in 1990.

- 7.4 **DEFINITIONS.** In the following paragraphs -

- **Past Pay** means the pay received at the time the service was given.
- **Current Pay** means the pay the officer is in receipt of at the time the service is being paid for.
- **Current Co-ordinated Pay** means the pay the officer is in receipt of at the time the service is being paid for less twice the maximum personal rate of Social Welfare Old Age Contributory Pension at the time the service is being paid for.

- 5 The cost of purchase of reckonable service by an officer who is liable for the **Class D rate of PRSI** will be:-

- (a) for temporary wholetime service :- 2.5% of Past Pay for service given prior to 1/1/86;  
5% of Past Pay for service given on or after 1/1/86;
- (b) for part-time service:- 5% of Past Pay.

Note:- Under existing arrangements, compound interest will accrue if the contributions are not paid within 3 years of notification by the VEC of the amount due. **It has now been agreed** that where the amount of service to be purchased comes to more than 3 full years, the officer must pay the contribution due within a period corresponding to the duration of the service which is being purchased: compound interest will accrue if the contribution has not been paid within that time. Compound interest is charged at 7% in respect of periods prior to 1 January 1984 and at 6% in respect of periods from 1 January 1984.

7.6 The cost of purchase of reckonable service, whether temporary whole-time or part-time, by an officer who is liable for the Class A rate of PRSI will be:-

- 1.5% of Current Pay AND
- 3.5% of Current Co-ordinated Pay

7.7 An officer who is a member of the **Spouses' and Children's Pension Scheme** will have the option of paying the contribution due under that Scheme, in respect of service which is being purchased, either at retirement or by periodic deductions from ongoing salary. In the event of death, any outstanding contributions due will be deducted from the Death Gratuity.

7.8 **Payment of Spouses' and Children's Scheme contributions in respect of service which is purchased at retirement/death :-**

(1) Officer is liable for the Class D rate of PRSI or has ongoing liability for the Class A rate of PRSI, (see paragraphs 5.2 and 5.4 of this Circular).

A contribution of 1% of the annual rate of Current Pay will be deducted from the retirement lump sum or Death Gratuity in respect of each year of service purchased. Fractions of a year will be paid for on a pro rata basis.

(2) Officer has transitional liability for the Class A rate of PRSI, (because the officer would be liable for the Class D rate of PRSI on appointment to a permanent post but dies or retires before this - see 5.3 of this Circular).

A contribution of 1% of the annual rate of Current Co-ordinated Pay will be deducted from the retirement lump sum or Death Gratuity in respect of each year of service purchased. Fractions of a year will be paid for on a pro rata basis.

7.9 **Payment of Spouses' and Childrens' Scheme contributions out of ongoing salary in respect of service which is being purchased:-**

A contribution of 1.5% of Current Pay will be payable in respect of each year of service which is being purchased. Fractions of a year will be paid for on a pro rata basis.

Note that service may not be purchased out of ongoing salary until appointment to a permanent post. Where the officer has not been appointed to a permanent post, service may be purchased by lump sum at retirement or death in service - see (a) above. The option of purchasing service out of ongoing salary is therefore not open to officers who are paying the Class A rate of PRSI on a transitional basis.

7.10 Arrangements should be made for the payment of monies due under the purchase scheme by serving officers as **soon as possible after the officer has been appointed to a permanent post**. This is important in the interests of equity since, depending on PRSI Class, the scheme provides for payment on the basis of pay at the time the service was given or on the basis of pay at the time payment is made.



7.11 Members who owe **arrears** of contributions in respect of ongoing pensionable service given since 1 January 1998 should pay the arrears due over a period corresponding to the length of the period to which the arrears relate and commencing on 1 April 2003, (or as soon as possible thereafter). However, where a purchase contribution is also owed in respect of reckonable service given with the VEC, (ie in respect of part-time service given before 20 December 2001 or temporary wholetime service given before 1 January 1998), the collection of the purchase contribution should commence as soon as the officer, having been appointed to a permanent wholetime post, has been notified by the VEC of the amount due (officer liable for the Class D rate of PRSI) or amount of service to be credited (officer liable for the Class A rate of PRSI). In these circumstances, the collection of the arrears should be suspended until such time as the collection of the purchase contribution has been completed.

7.12 **Arrangements for the crediting of part-time service which has been purchased.**

- (a) Part-time service (of 18 hours or more) given in any week prior to 27 May 1977 will be reckoned as one half of comparable wholetime service.

For example, part-time service given in 20 reckonable weeks in 1976 will be reckoned as 10 weeks of pensionable service or 10/52 of a year of pensionable service, (0.1923 of a year).

- (b) Part-time service (of 18 hours or more), given in any week from 27 May 1977 to 31 December 1997 will be reckoned in the proportion which the total reckonable hours worked bear to comparable wholetime service.

For example, part-time service given in 20 reckonable weeks in 1998 and amounting to a total of 500 hours in those weeks would, where wholetime service comes to 39 hours per week, be reckoned as  $500/2035 = 0.2457$  of a year of pensionable service, (where  $2035 = 39 \text{ hours} \times 52.18 \text{ weeks}$ ).

- (c) Part-time service (which comes to at least half of comparable wholetime service) given in any week From 1 January 1998 to 19 December 2001 will be reckoned in the proportion which the total reckonable hours worked bear to comparable wholetime service

8. **TRANSFERABILITY OF RECKONABLE SERVICE.**

Service, (whether permanent, Temporary Wholetime or part-time) which is given by an officer who transfers to pensionable service in an organisation which is a member of one of the Public Sector Transfer Networks may be reckoned by that organisation for purposes of a pension.

Temporary Wholetime service given prior to 1 January 1998 and certain part-time service given prior to 20 December 2001 will be reckonable in accordance with the provisions of the scheme for the purchase of such service by VEC officers. As already mentioned in **paragraph 1.3**, most categories of part-time service will, with effect from 20 December 2001, be pensionable on an ongoing basis.

The amount of reckonable service to be credited and the contribution payable for the service in question, where contributions have not already been paid in full to the VEC, will be calculated by the relevant VEC. Any outstanding contributions due will be payable to the public sector organisation to which the officer has transferred.

**9. INCOME TAX RELIEF.**

Full tax relief is automatically granted by the VEC on superannuation contributions which are deducted from salary payments made by the VEC.

The overall position and, in particular, the position regarding the payment of superannuation contributions by lump sums - for the payment of certain contributions to the Spouses' and Children's Pension Scheme, for example - is set out in Appendix 2. Questions relating to this should be taken up by the teacher concerned with his/her Inspector of Taxes.

**10. ENQUIRIES.**

Enquiries by VECs regarding the provisions of this Circular should be addressed to the Department at the address given below.

PENSIONS (VEC),  
DEPARTMENT OF EDUCATION AND SCIENCE,  
CORNAMADDY,  
ATHLONE

Enquiries by phone should be made to 0902-74621 or 01-8734700: extensions 3657 or 3635.

John Feeney  
Principal Officer  
Pensions Unit

19<sup>th</sup> February 2003



## Appendix 1 of Circular Pen 02/03

### BRIEF OUTLINE OF THE EDUCATION SECTOR SUPERANNUATION SCHEME

1. The Education Sector Superannuation Scheme, formerly included in the Local Government Superannuation Scheme, is made up of the main Scheme - which provides essentially for pensions at retirement or for the payment of a Death Gratuity where a member dies in service - and the associated Spouses' and Childrens' Pension Scheme.

The main Scheme originated in the nineteenth century in the case of officers of local authorities and was open to officers, including teachers, employed by Vocational Education Committees from the establishment of those Committees in 1930. The Scheme has been open to employees of Institutes of Technology since the Institutes were established as independent bodies in 1993.

The associated Spouses' and Children's Pension Scheme was introduced in 1969 in the case of male employees and in 1984 in the case of female employees. A revised Spouses' and Children's Scheme was introduced later in 1984.

Since 1984, admission to the Superannuation Scheme for all employees involves admission to both the main Scheme and the Spouses' and Children's Scheme.
2. The value of the superannuation benefits is related to pensionable service, subject to a maximum of 40 years, and to pensionable remuneration at retirement or, where death in service occurs, at death.

Added years of pensionable service, subject to a maximum in most circumstances of 6 and 2/3 years, will be credited to a member who retires on health grounds.

In the event of death in service, a Death Gratuity of not less than one year's salary at the rate applicable at the date of death and not more than 1.5 times that rate of salary will be payable. If there is a surviving spouse and/or dependent children, the deceased member will be credited with added years of pensionable service which will bring total pensionable service, for purposes of calculating the Spouses' and Children's Pension, up to 40 years or up to the amount which the member would have had by compulsory retirement age, whichever is less.
3. A VEC officer must retire at the end of the school year in which he/she reaches age 65 but may retire voluntarily any time after reaching age 60.
4. The main Superannuation Scheme provides for ongoing deductions from salary from the date of admission to the Scheme until retirement or death in service.

The Spouses' and Children's Scheme provides for ongoing deductions from salary and also provides, where a member retires on health grounds or dies in service, for the deduction of contributions from the Disability Retirement Gratuity or Death Gratuity in respect of any added years which may be credited to the deceased member for the purposes of a Spouses' and/or Children's pension. The Scheme, **as revised in 1984**, makes provision for pensions to be payable to spouses and children even where the marriage/births take place after retirement but there is no provision for a refund of contributions where the member retires unmarried or dies unmarried.

Staff in pensionable service in 1984 had the option of joining the revised Spouses' and Children's Scheme or of remaining in the original Scheme or, where they had opted out of the original Scheme, of remaining outside the Scheme.
5. Arrangements are being made to provide all non-teaching officers in VECs with a booklet, in a question and answer format, explaining the details of the Superannuation Scheme. A corresponding booklet has already been provided to teachers.

## Appendix 2 of Circular 02/03

### TAX RELIEF ON PENSION SCHEME CONTRIBUTIONS

1. This note is indicative only and does not purport to be a formal interpretation of tax law.

Subject to this, the position is that tax relief is allowable on employee contributions up to a maximum limit of 30% of salary in the year in question. Lower limits apply where the employee is under age 50. In computing the 30%, or lower limit where appropriate, account must be taken of all superannuation contributions (eg: ongoing contributions under the Superannuation Scheme, including arrears payable by instalments; arrears payable by lump sum; contributions for the purchase of notional service under the Notional Purchase Scheme; contributions for the purchase of actual service; deductions from the Retirement Lump Sum or Death Gratuity for purposes of the Spouses' and Children's Scheme; contributions made under an Additional Voluntary Contributions (AVC) scheme; etc).

2. Following are the details of the age-related limits, which have been introduced under the Finance Act 2002, on superannuation contributions:-

Age 29 years or below	15% of salary
Age 30 to 39 years	20% of salary
Age 40 to 49 years	25% of salary
Age 50 years or above	30% of salary

3. These limits are effective from **1 January 2002** and are applicable on the basis that a relevant birthday reached during the calendar year is treated as if it had occurred on 1 January. The limits apply to all superannuation contributions **deducted on an ongoing basis** from salary payments made on or after 1 January 2002.

4. The limits also apply to lump sum contributions. Tax relief on lump sum contributions will be determined by the Revenue Commissioners on the basis of treating the payment as if it had been spread over a number of years, up to a maximum of 10 years, and on the basis of certificates of payment which have been supplied by employers to their employees.

5. In the case of **lump sum contributions made at retirement**, because relief is given by treating the payment as having been spread over the years **preceding the year of payment**, the new limits will not come into effect until **2003** and will apply only to that portion of the lump sum which is treated as having been paid in 2002 (or later). The portion of the lump sum which is treated as having been paid in 2001 or earlier will be subject to the annual limit of 15% which applies to contributions made prior to 2002.

6. Where a **lump sum contribution is made during service**, the relief is given, up to the appropriate age-related limit, in the year of payment, any excess being carried forward into the following year where it would again be allowable up to the appropriate limit; any remaining excess would be carried forward into the following year and so on until the year of retirement or, if earlier, death. If the full relief had not then accrued, and the total allowable period was less than 10 years, some or all of the excess could be relieved by treating it as if it were a lump sum contribution payable at retirement.

7. It will be noted from the above that it is not possible to say with absolute certainty that the full relief will accrue in all cases. With the introduction of the new age-related limits, however, it would only be in the most exceptional circumstances that full relief would not accrue on contributions made, or treated as having been made, in 2002 or later.