



*To: Institutes of Technology,
Tipperary Institute,
Vocational Education Committees*

CIRCULAR LETTER PEN 23/05

Public Service Pension Reform: Professional Added Years

- (1) Amendment to the 1985 Scheme
- (2) Clarification on contributions payable under the New (2005) Scheme

1. Amendment to the 1985 Scheme.

1.1 Introduction.

The Minister for Finance has recently approved an amendment to the 1988 Scheme for the award of added years to certain professional, technical and specialist staff of State-sponsored Bodies. In the light of this decision, it has been decided to similarly amend the corresponding Scheme which has been operated by VECs and Institutes since 1985.

This letter summarises the scheme as amended and full details are set out in the Appendix.

1.2 Scope.

The Amended Scheme applies to pensionable employees serving at any time since 1 April 1997 other than new entrants appointed from competitions advertised on or after 1 April 2005. (A new Professional Added Years Scheme applies to such new entrants - the new Scheme was notified to VECs and Institutes in this Department's circular letter of 21 April 2005, Circular PEN 03/05.)

The Amended Scheme will apply where the employee was originally recruited or appointed by competition to a professional, technical or specialist post in a VEC or Institute and where, by reason of the entry requirements of the competition, it is not possible for the employee to secure full service by maximum retiring age or by age 65 in the case of persons who are new entrants for the purposes of the Public Service Superannuation (Miscellaneous Provisions) Act 2004.

The Amended Scheme provides, in general, for a lower gross award than the 1985 Scheme but, because the provisions for abatement of the gross award are more stringent under the 1985 Scheme, the Amended Scheme may result in a higher nett award. Serving employees to whom the 1985 Scheme already applies, may continue to have their cases dealt with under that Scheme, if more favourable.

1.3 General Principles.

The underlying aim of the scheme is unchanged - it provides for the grant of a number of added years of notional service for superannuation purposes in cases where the minimum preconditions for appointment to a post are such as to preclude an appointee from acquiring full superannuation entitlements by maximum retiring age. The entitlements under the scheme must be assessed by reference to the minimum requirements of the competition for appointment to the post and not by reference to the individual circumstances of the appointee.

A distinction must be made between qualifications required for the post and those which are merely desirable. In this regard, "the minimum number of years in which the qualifications can be obtained" (para 8 of the attached Amended Scheme) refers to the lowest number of years in which any of the qualifications required for appointment may be obtained and not necessarily to those of the appointee. References in job advertisements to "requisite knowledge and ability", "a high degree of professional expertise in ...", "a knowledge of ..." etc. cannot be construed as experience requirements for the purpose of the scheme.

The revised arrangements for qualifying persons can be summarised as follows:

Service Required for Award

Minimum service requirement for an award is 5 years actual pensionable service with the body (previously 10 years).

Calculation of Awards

Gross award is calculated on the basis of the formula

$19 + Q + E - 25$, where

Q = minimum number of years in which the required qualification can be obtained;

E = minimum number of years of essential experience required.

(The previous formula was $18 + Q + E - 18$, provided $18 + Q + E$ exceeded 25)

Subject to the approval of the Minister for Finance, a special award of up to 5 years may be made in the case of certain grades where special considerations apply.

Limit on Gross Entitlement

Gross awards shall in no case exceed 10 years and shall not exceed actual service in the case of persons with between 5 and 10 years service.

Abatement

Abatement in respect of previous service in the body and/or transferred/transferable service may be reduced in certain circumstances.

(Previously, the gross award was always abated on a year-for-year basis in respect of both previous service and transferred/transferable service).

Retirement between ages 60 and 65

Abatement of the net award will not apply because an employee retires between ages 60 and 65. (Previously, where an employee retired before age 65, the gross award was reduced in certain circumstances).

Resignation before age 60

Awards (abated on a pro-rata basis) may be granted in the case of employees resigning before age 60 with preserved benefits. (Previously, there was no award).

Career breaks/unpaid leave/job-sharing/work-sharing

Awards will be abated pro-rata in the case of career breaks/unpaid leave/job-sharing and work-sharing.

Retained benefits

Abatement in respect of compulsory refunds of superannuation contributions will not apply in certain cases. (Previously, all refunds of contributions were taken into account as a retained benefit).

Social Welfare benefits

In the case of officers on modified PRSI, awards will not be abated where voluntary contributions secure a Social Welfare retirement or old age pension or corresponding State benefits from any other country.

1.4. Contributions.

As set out in paragraph 21 of the attached Amended Professional Added Years Scheme, contributions towards the main superannuation scheme and, where appropriate, the Spouses' and Children's Scheme are payable in respect of the added years awarded. In regard to the Spouses' and Children's Scheme, the Amended Scheme specifies that contributions will be payable on the same basis as pre-Scheme service, (ie service given before joining the Spouses' and Children's Scheme).

The position in regard to pre-Scheme service is that a non-periodic contribution - at the rate of 1% of pensionable remuneration at retirement for each year involved - is payable in respect of pre-Scheme service where the member of the S+C Scheme is married at retirement. Where the member is unmarried at retirement but was married at some time during his or her contributing membership of the S+C Scheme, the pre-Scheme period is offset against the period which has elapsed since the spouse's death. Similarly, in the event of an award of professional added years, the pre-Scheme period (if any) + the added years, will be offset against the period which has elapsed since the spouse's death.

2. New Professional Added Years Scheme - clarification on contributions payable.

As in the case of the Amended Scheme, contributions towards the S+C Scheme for added years awarded under the New Professional Added Years Scheme, (Circular PEN xx/05 refers), are payable on the same basis as pre-Scheme service. It is confirmed that the clarification on pre-Scheme service, as set out in paragraph 1.4 above, applies also in the case of the New Scheme.

(Remember that the New Scheme does not require a main scheme contribution for professional added years.)

3. Circulation.

This letter, together with the attached Amended Scheme, should be brought to the notice of all serving employees who have been recruited to professional, technical or specialist posts.

VECs/Institutes should also review the pension entitlements of staff who have retired since 1 April 1997 and who received an award of professional added years or who may be eligible to receive such an award in the light of the Amended Scheme. The position of staff who resigned with preserved benefits since 1 April 1997 should also be reviewed.

4. Enquiries.

Personal enquiries from individual employees should be referred to the employee's own Personnel Section. Enquiries by VECs/Institutes should be addressed to the Department at the address given below.

PENSIONS SECTION (VEC/IOT)
DEPARTMENT OF EDUCATION & SCIENCE
CORNAMADDY, ATHLONE
CO. WESTMEATH

Enquiries by phone should be made to 09064-83657 or 09064-83658 or to 01-8734700: extension 3657 or 3658.

John Feeney
Principal Officer
Pensions Unit

18 August 2005

APPENDIX to PEN 23/05

Amended Scheme for Professional Added Years –
Vocational Teachers' Superannuation Scheme,
Education Sector Superannuation Scheme

Scope

1. The scheme applies to any pensionable employee recruited or appointed to a professional, technical or specialist post by competition serving at any time since 1 April 1997, (other than new entrants to the public service appointed from a competition advertised on or after 1 April 2005), and where

- (a) minimum professional, technical or specialist qualifications and/or a minimum number of years essential experience were required for appointment, or
- (b) the minimum entry age specified in the competition was over 25

and by reason of such entry requirements it is not possible for the employee to secure full service by the maximum retirement age or by age 65 in the case of persons who are new entrants for the purposes of the Public Service Superannuation (Miscellaneous Provisions) Act 2004.

2. Modifications to these rules may be necessary in exceptional cases, subject to the prior approval of the Department of Finance (e.g. where the maximum retirement age is not 65).

3. Professional and technical posts are those for which third level degrees and/or diplomas are required for appointment. The "specialist" category includes employees who, while they did not need third level degrees or diplomas, were required nevertheless to be of a certain age and/or have certain relevant experience before being eligible for appointment. Administrative staff are excluded from the scope of the provisions but an employee originally appointed in a professional, technical or specialist capacity, who is subsequently regraded or promoted to an administrative post and retires from an administrative post retains any entitlement to professional added years.

4. An award of added years under this scheme can only be formally made at retirement. The employee concerned must provide the VEC/Institute with all relevant information required for the purpose of establishing an added years' entitlement.

5. Applications for added years will be dealt with by reference to the particular requirements of the competition from which an employee is recruited and not by reference to the individual circumstances of an employee.

6. While it would be a matter for the VEC/Institute to decide whether a particular post comes within the scope of the scheme, the scheme will not apply in any case where an employee was actually appointed before age 25. Even where an employee was appointed after age 25 the scheme will apply only where the individual could not, by reason of the requirements for appointment to the post, have been appointed before age 25. It will also be clear that the same award (including a "NIL" award) will apply to all individuals appointed from the same competition whereas different awards may apply to members of the same grade appointed from different competitions.

7. Employees must have a minimum of 5 years actual pensionable service with the VEC/Institute to qualify for an award under this scheme.

Calculation of awards

8. Subject to paragraph 10, the gross added years' entitlement, before appropriate adjustment, will be calculated as follows:

(a) in any case where the required minimum qualifications and/or experience would have precluded appointment by age 25, the aggregate of $19+Q+E-25$, where

Q is the minimum number of years in which the qualifications can be obtained; and

E is the minimum number of years essential experience required.

Experience normally gained during a period of qualification may not give rise to double counting of periods under Q and E. For example, a period of training which includes practical experience may not be counted twice for the purpose of this calculation.

(b) where a minimum age of 25 was specified for entry into the competition, the period between the date specified in the competition by which candidates had to have reached the age of 25 and the individual's actual date of appointment (provided any delay in taking up the appointment was outside the individual's control);

(c) where a minimum entry age in excess of 25 was specified for the competition, the difference between such entry age and 25 plus the period between the individual's date of appointment and the date by which candidates at the competition had to have attained the specified minimum entry age (provided any delay in taking up the appointment was outside the individual's control);

(d) in any case where the required minimum qualifications and/or experience would have precluded appointment by age 25 and a minimum entry age equal to or in excess of 25 was specified, the greater of the awards calculated under subparagraphs (a) and (c) above;

(e) in the case of certain professional, technical and specialist grades who are within the ambit of this scheme and where

(i) virtually all appointees to such grades are over age 25 on appointment; and

(ii) a substantial majority are aged 30 or over on appointment; and

(iii) in practice, it is reasonable to draw the inference that for the purposes of this Scheme the de facto requirements for appointment to such grades exceeded those specified in the relevant competitions —

the gross added years entitlement will be as follows:

(a) 5 years in the case of officers who enter at age 30 or older;

(b) 5 years, reduced by an amount equal to the difference between the age at appointment and age 30, in the case of those who take up appointment prior to age 30.

The grades currently meeting these requirements are listed in the attached Schedule. Other grades in semi-State bodies may be added to the list subject to meeting the requirements set out above and subject to the approval of the Minister for Finance.

9. Where specific experience was required but not quantified in the competition the lowest number of years of relevant experience of those actually offered appointment (as opposed to 'appointed') from the competition may be deemed to be the minimum number of years experience required, subject to a limit of 10 years being allowed under this heading.

Limits of entitlement and abatement

10. The gross award calculated under paragraph 8 above shall in no circumstances exceed 10 years and shall not exceed actual service in the case of employees with between 5 and 10 years actual service.

11. The gross added years' entitlement (after applying the limit at paragraph 10 if necessary) will be reduced as indicated in the following circumstances: -

(i) Previous service with VEC/Institute; transferred/transferable service:

where the employee concerned has

- (a) pensionable service with the VEC/Institute before his or her appointment to the professional added years post, and/or
- (b) transferred or could transfer service into the VEC/Institute's pension scheme from another public sector body,

the added years award will be abated on a "year-for-year" basis by that service.

If, however, the employee's relevant experience for the purpose of his or her appointment to an added years post also includes non-transferable relevant experience in other employment, the abatement in respect of service at (a) and/or (b) above will be the minimum amount of relevant experience required by the competition less the amount of non-transferrable relevant experience. If the non-transferrable relevant experience is equal to or greater than the minimum amount of relevant experience required by the competition then no abatement will apply.

Where there are retained benefits (see (ii) below) in respect of the non-transferrable service abatement will, of course, apply by reference to the value of those benefits.

(ii) Retained benefits:

where the employee has a retained superannuation benefit (e.g., a pension and/or lump sum entitlement, or has received a refund of superannuation contributions) from any previous employment, the added years award will be abated by the value of the retained benefit, as determined by the VEC/Institute with the agreement of the Department of Education and Science. Abatement will not apply in respect of a refund of contributions paid to the employee prior to 1 April 1997 where the employee could not opt for preserved superannuation benefits or a transfer of service in lieu of a refund at the time of resignation, and where the amount of the refund was, if paid before 1 June 1973, less than €762, or, if paid on or after 1 June 1973, less than €762 as increased by reference to CPI increases between the date paid and the date of the refund.

(iii) Social Welfare benefits:

If the employee is not fully insured for all benefits under the Social Welfare Acts while in the employment of the VEC/Institute but is entitled to a social security pension in respect of previous employment (i.e., a Contributory Old Age and/or Retirement Pension under the Social Welfare Acts or a corresponding State benefit from another country), the award will be abated by the value of the personal rate of benefit only, as determined by the VEC/Institute with the agreement of the Department of Education and Science. Abatement will not apply in respect of benefits secured by voluntary contributions.

12. The aggregate of added years granted and service otherwise reckonable shall not exceed 40 years.

Career Breaks/Unpaid Leave/Job-sharing/Work-sharing

13. Where an employee goes on a career break or on special leave without pay and returns to duty, or serves for a period in a job-sharing and/or work-sharing capacity, the net award calculated under the foregoing paragraphs will be reduced in accordance with the formula:

$$\frac{C \times D}{E}$$

where

C = the net added years award

D = actual reckonable service given in the VEC/Institute

E = the period between the date of the employee's appointment to the VEC/Institute and the date of his or her retirement.

Resignation before age 60

14. Subject to paragraph 16, where an employee resigns before age 60 with preserved benefits, the net award calculated under the foregoing paragraphs will be reduced in accordance with the formula

$$C \times \frac{(A)}{(A+B)}$$

where

A = actual reckonable service at the date of resignation

B = the period between date of resignation and the employee's 60th birthday

C = the net added years award.

Retirement between ages 60 and 65

15. Where an employee retires between age 60 and 65 there will be no abatement of the net award by virtue of such early retirement.

16. The provisions of paragraph 14 will not apply in the case of retirement before age 60 on grounds of ill-health. However, the aggregate of added years awarded under this scheme and any notional ill-health added years may not exceed 10. This limit of 10 years also applies in the calculation of notional years for death-in-service lump sums but does not apply for the purpose of calculating benefits due under the Spouses' and Children's Scheme in death-in-service cases i.e. a spouse may be awarded potential service to age 65 plus the full number of professional added years which the deceased would have been awarded had s/he served to age 65.

Purchase of notional service: refunds

17. If, after the grant of added years, an officer would have more than 40 years' reckonable service at age 65 a refund may be made for purchased notional service over and above the 40 year maximum allowable. No interest will be payable on such refunds and, under the provisions of the relevant Tax legislation, an appropriate deduction in respect of tax will be made.

Other Conditions

18. Where an employee has held more than one added years post in the organisation only one grant of added years may be made. In such cases it will be necessary to establish which post would result in the more favourable award (it is normally the initial added years post held).

19. Added years are not transferable under the Public Sector Transfer Scheme. However, where an employee has previous transferred/transferable service with another organisation in a post which would have attracted added years under this scheme, the current employing organisation may, if it wishes and if this is more favourable to the individual, make an award equal to the award which would be made if the employee was still serving in the previous organisation.

20. Where an employee is initially appointed to a professional, technical or specialist post in a temporary or contract capacity and is subsequently made permanent, the employee may have his or her added years entitlement determined by reference to the competition from which the initial appointment was made, or, where relevant and if more favourable, by reference to the terms of the competition from which the permanent appointment was made.

21. Contributions towards the Main Scheme, (Vocational Teachers' Scheme or Education Sector Scheme), and, where appropriate, towards the Spouses' and Children's Scheme, will be payable in respect of added service awarded under this Amended Scheme, (ie the Amended Scheme for the Award of Professional Added Years). The contributions will be based on pensionable remuneration at retirement.

Main Scheme contributions will be at the rate of 5% of pensionable remuneration in the case of an officer on modified PRSI and, in the case of an officer on full PRSI, will be at the rate of 1.5% of full pensionable remuneration + 3.5% of co-ordinated pensionable remuneration.

Where the officer is a member of the Spouses' and Children's Pension Scheme, contributions at the rate of 1% of retiring pensionable remuneration will be payable towards that Scheme on the same basis as such contributions would be charged for pre-Scheme service.

Schedule

Grades which qualify for an award under paragraph 8(e) of the scheme:

Industrial Inspector (Marine Engineer)