

Circular Letter S.1/97.

January, 1997.

REPAYMENTS AND CONTRIBUTIONS IN RESPECT OF FORMER SERVICE IN
THE CASE OF FULLY INSURED OFFICER GRADES.

A Chara,

1. I refer to this Department's Circular Letter L.A. 6/95 of 30 March, 1995, the Department of Health's Circular Letter 11/95 of 31 March, 1995 and the Department of Education's Circular Letter 1/96 of February, 1996 which set out the revised social insurance status and conditions of service of certain local authority, health service and VEC officers.
2. REPAYMENT OF GRATUITIES/RETURNED CONTRIBUTIONS.

Paragraph 19 of the circular letter issued by this Department and the Department of Health, and paragraph 16 of the circular letter issued by the Department of Education provide that pensionable local authority officers now covered by Class A social insurance who previously resigned from a body to which the Local Government Superannuation Code applies may, in respect of their former service given at the modified rate of social insurance for which superannuation contributions were returned or a gratuity paid, opt at any time up to retirement to:-
 - (i) aggregate such service with future service under the new superannuation arrangements, or
 - (ii) preserve superannuation benefits in respect of the previous service given prior to re-employment.
3. Where a person opts to preserve superannuation benefits, such benefits would be based on the uprated remuneration of the person's former employment and the new superannuation arrangements would apply to service given on or after 6 April, 1995.
4. Where preserved benefits are opted for, a maximum limit of 40 years' reckonable service will apply in the calculation of overall superannuation benefits, with any excess over 40 years being deducted from the co-ordinated service in the calculation of the pension payable. It should be noted that the option chosen will also apply to former membership of the Widows' and Orphans' and/or Spouses' and Children's Pension Schemes. (In the event of the death in service of the officer, his or her legal personal representative would have the right to exercise the option, where not already exercised by the officer.) The payment of preserved benefits will commence on the same date as the co-ordinated benefits in respect of post April 1995 service commence, or at age 60, whichever is the later.

5. The following procedures will apply to the repayment of gratuities or returned contributions, by fully insured officers, in respect of service given at the modified rate of social insurance i.e. service given as an officer prior to 6 April, 1995 in a pensionable position.

- (a) Return of contributions where service was less than five years.

In such cases an option to preserve benefits does not arise. The repayment will be calculated by reference to the annual salary and twice the annual rate of Old Age Contributory Pension applicable at the person's date of resignation plus the appropriate rate of compound interest (see circular letter S.8/83, of 4 November, 1983). Example I of the Appendix to this circular letter refers.

- (b) Repayment of a gratuity/returned contributions where service was greater than five years.

If an option to aggregate service is made, the repayment will be calculated as set out in Option 2 of Example II of the Appendix to this circular letter.

If an option to preserve benefits in the case of an 1986 Revision Scheme member is made, the repayment will be the gross amount of the superannuation contributions returned (i.e. before the deduction of income tax), or the gross gratuity paid, plus the appropriate rate of compound interest. Option 1 of Example II of the Appendix to this circular letter refers.

6. CONTRIBUTIONS FOR TEMPORARY WHOLETIME AND PART-TIME SERVICE.

Paragraph 13 of the circular letters refer to the contribution arrangements for both personal and spouses' and children's superannuation benefits. In relation to main scheme benefits, contributions for previous temporary wholetime and part-time service in respect of members covered by the provisions of the circular letters should be levied on uprated salary and emoluments i.e. the rate of remuneration the person is in receipt of at the date of payment of the contributions. Example III of the attached Appendix sets out detailed calculations.

7. Local authorities should provide all relevant staff, i.e. Class A registered officers, with a copy of this circular letter together with a suitable covering note and should ensure that an option at either subparagraph (i) or (ii) of paragraph 2 above is exercised either prior to or at retirement.

8. Any queries in relation to this circular letter should be addressed to the Superannuation Section in writing or by telephone 096-70677 extensions 406,407,408 and 409.

Mise le meas,

Declan Naughton,
Higher Executive Officer,
Superannuation Section,
Ext. 408.

To each local authority and body to which the Local Government Superannuation Code applies.

APPENDIX

Example I

Repayment of returned contributions

Details

1986 Revision Scheme Officer, member of the Spouses' and Children's Pension Scheme resigned on 31/12/1990. Service = 3 years (1 January, 1988 - 31 December 1990). Annual salary at date of resignation = €15,000. Twice the annual rate of contributory old age pension at date of resignation = €6,418.14 (€61.50 x 2 x 52.18). Gross superannuation contributions of €2,730 returned on 15 January, 1991.

Person becomes re-employed as a permanent, pensionable local authority officer on 1 May, 1995 and opts to reckon previous service.

As there was no entitlement to preserved benefits i.e. Revision Scheme officer with less than five years service, the officer must aggregate the earlier service with the post 1 May, 1995 service under the new superannuation arrangements.

Calculation

On the date of resignation the unco-ordinated annual contributions amounted to €15,000 x 6.5% = €975.

Had the revised arrangements (3% of full pay and 3.5% of net pay i.e. full pay less twice the rate of O.A.P.) been in operation at that time the person's annual contribution would have been €750.37 calculated as follows;

$(€15,000 \times 3\% = €450) + (€15,000 - €6,418.14 \times 3.5\% = €300.37)$. $€450 + €300.37 = €750.37$.

€750.37 is 76.96% of €975.

Therefore the amount to be repaid will be calculated as 76.96% of the gross contributions returned.

Gross contributions returned - €2,730 x 76.96% = €2,101.01

together with 6% compound interest calculated from 15 January, 1991 to the date of repayment.

Example II

Repayment of marriage gratuity

Female 1986 Revision Scheme officer resigned 31 December, 1981. She was not a member of the Widows' and Orphans' or Spouses' and Children's Pension Schemes.

Service = 10 years (1 January 1972 - 31 December, 1981)

Annual salary at date of resignation = £10,396.

Twice the annual rate of contributory old age pension at date of resignation = £3,360.39 (£32.20 x 2 x 52.18)

Received marriage gratuity of £8,663.33 on 31/12/1981

Appointed to permanent officer post on 16 April 1995 and opts to reckon previous service.

Option 1 - Preserve benefits on an unco-ordinated basis

Repay the gross marriage gratuity received with the appropriate compound interest. In this case the repayment would be £8,663.33 together with 7% compound interest from 31 December, 1981 to the date of repayment.

Option 2 - Aggregate previous service with current service on a co-ordinated basis

On the date of resignation the unco-ordinated annual contributions amounted to £10,396 x 5% = £519.80

Had the revised arrangements (1.5% of full pay and 3.5% of net pay i.e. full pay less twice the rate of O.A.P.) been in operation at that time the person's annual contribution would have been £402.19 calculated as follows;

(£10,396 x 1.5% = £155.94) + (£10,396 - £3,360.39 x 3.5% = £246.25). £155.94 + £246.25 = £402.19

£402.19 is 77.37% of £519.80

Therefore the amount to be repaid will be calculated as 77.37% of the marriage gratuity paid.

Marriage gratuity paid - £8,663.33 x 77.37% = £6,702.82 together with 7% compound interest calculated from 31 December, 1981 to the date of repayment.

Spouses' and Children's Liability

The officer would automatically be a member of the Spouses' and Children's Pension Scheme following her permanent appointment. Accordingly, she would have to pay contributions under this Scheme in respect of service for which a repayment of a gratuity or returned contributions has been made under the 1986 Revision Scheme. Whatever option is chosen for the Main Scheme would automatically apply to the Spouses' and Children's Scheme also.

Option 1

The liability in respect of preserved unco-ordinated benefits will be calculated as follows:

1% x 10 years x Pensionable Remuneration used to determine Preserved Benefits

Option 2

The liability in respect of aggregated co-ordinated benefits will be calculated as follows:

1% x 10 years x Retiring Pensionable Remuneration.

Alternatively, under option 2 the liability for the Spouses' and Children's Pension Scheme may be offset by means of a deduction of extra periodic contributions from pensionable pay.

Example III

CONTRIBUTIONS FOR TEMPORARY WHOLETIME AND PART-TIME SERVICE

- (i) Officer had temporary wholetime service from 1 January, 1980 to 31 December, 1980.
- (ii) Appointed to permanent pensionable post on 1 July, 1996. At the date of payment of the contributions, the person's annual salary is £15,000 and twice the annual rate of contributory old age pension is £7,827 (£75 x 2 x 52.18).

Contribution Liability as at the date payment commences is

1% of Remuneration plus 3% of Net Remuneration

(£15,000 x 1%) + (£15,000 - £7,827 x 3%)

(£225 + £251.06) = £476.06.

- (iii) The contribution as set out above may be paid in one lump sum. Alternatively, since the length of service in question is one year, the contribution may be paid (as an addition to standard contributions) over a period of one year and will be adjusted to take account of any pay increases arising within the payment period.

Repayment of Refund - 5/6/97 (CL)

Option 1:- unco-ordinated basis (award based on uprated salary with Central Bank).

Option 2:- repay lower amount (award based on current retirement salary on a co-ordinated basis).

Salary @ resignation :- £6,166

unco-ordinated :- $6,166 \times 6\frac{1}{2}\% = £400.79$

co-ordinated :- $(6,166 \times 3\%) + (6,166 - 1,941^* \times 3\frac{1}{2}\%)$
 $= 184.98 + 147.88$
 $= £332.86$

$$332.86 \div 400.79 = 83.05\%$$

$$*(15,60 \times 2 \times 52.18)$$

Marriage Gratuity paid = £6,166 as per Central Bank documents.

$6,166 \times 83.05\% = 5,120.86$ + compound interest to be repaid.

Amount due @ 30/6/02 = *

Payment commenced 1/7/02 salary

5/9/79 - 30/6/02 = 22 years + 299 days

$$£5,120.86 \times 4.43040 = £22,687.46$$

$$£22,687.46 \times 7\% \times \frac{299}{365} = 1,300.95$$

$$£23,988.41 = €30,459.00$$

see excel spreadsheet

Tim McCarthy 31/3/09

