

2012/2013 Financial Guideline 09

PRD on Payments to Privately Paid Staff Update

Introduction

Detailed information on all aspects of PRD were issued by the FSSU in guidelines 12 and 13 2008/2009 and recently in guideline 06 2012/2013. These guidelines are still relevant and in force.

Recently, the FSSU has received a number of queries regarding the application of PRD to payments made to privately paid staff.

Basically, PRD is deducted from payments made out of State funds to any person who is a member of a public service pension scheme, is entitled to a benefit under such a scheme or receives a payment in lieu of membership of such a scheme.

Where a person, who is liable to pay the pension levy (PRD) in respect of his/her regular employment, receives separate payments for different duties **out of public funds**, he/she is also subject to the deduction in respect of such payments (e.g. Supervision and Substitution, State Examinations work).

Where a person, who is liable to pay the pension levy (PRD) in respect of his/her regular employment, receives separate payments for different duties **out of privately sourced funds**, he/she is not subject to the deduction in respect of such payments (e.g. after school study payments).

PRD and Privately Paid Teachers

Particular issues arise in relation to the application of PRD to income earned by **privately paid teachers** mostly in fee charging schools.

Up to July 28, 2010 a privately paid teacher in a voluntary secondary school was entitled to apply voluntarily for membership of the secondary teachers pension scheme by contracting with the Department of Education and Skills to pay the standard pension contributions. After July 28, 2010 membership of the scheme was strictly limited to those teachers whose salaries were paid from public funds.

PRD must be deducted from the privately paid salaries of those teachers who had applied for membership of the secondary teachers pension scheme before July 28, 2010 and who continue to make pension contributions in respect of the privately paid service which has continued without interruption since that date.

Privately paid teachers who are not in the public sector pension scheme are not liable for PRD where payments are made entirely out of privately sourced funds (e.g. fees in fee charging schools). Furthermore, a teacher who is subject to PRD in respect of salary paid out of public funds, is not subject to PRD on any payments made by the employer which is entirely met out of funds privately sourced and where in relation to the payment from private funds no public service pension benefits derive.

Possible Scenarios

1. **Q.** A teacher is employed in a fee charging secondary school for 22 hours per week has an 11 hour RPT contract for which s/he is paid by the DES and the other 11 hours is paid entirely out of privately sourced funds (fees) by the school. What are the PRD obligations?

A. PRD is deducted by the DES in respect of the 11 hours RPT contract. PRD is **not** deducted by the school on the income earned for the privately paid 11 hours **unless** that teacher had applied for membership of the secondary teachers pension scheme on or before July 28, 2010 and has maintained payment of pension contributions without any interruption to the privately paid employment.

2. **Q.** A teacher in a voluntary secondary school is paid for 16 hours per week by the DES and is given some additional hours per week for which s/he is paid from privately sourced funds. What are the PRD obligations?

A. where pensionability is restricted to service in respect of which payment is made out of public funds, PRD is not payable on salary funded entirely from private sources. PRD is only payable on the additional hours where the funding is provided by the Oireachtas.

3. **Q.** A teacher worked in a school for three years and was paid in full by the DES thereby contributing to the secondary teachers pension scheme. S/he is then employed in year 4 in a different school and is paid privately for 22 hours per week. Does the fact that the teacher contributed to the pension scheme for three years, thereby giving a future entitlement to pension, mean that PRD must be deducted from the privately paid salary in year 4?

A. No PRD is deducted from the privately paid salary in year 4. A teacher cannot contribute to the pension scheme on privately paid income unless s/he was contracted to do so prior to July 28, 2010.

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