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Public Service Pension Reduction (PSPR)

Frequently Asked Questions

These frequently asked questions are about the Public Service Pension Reduction (PSPR), focusing in particular on its application during 2017. PSPR was most recently amended by the Financial Emergency Measures in the Public Interest Act 2015, which provides for a partial reversal of PSPR in three stages between 2016 and 2018. Detailed tables of the PSPR rates applying at each of these stages are set out in DPER Circular 18/2015: Changes to the Public Service Pension Reduction (PSPR)

This document is not a legal interpretation of PSPR or the Financial Emergency Measures in the Public Interest legislation and does not purport to deal with every query that may arise.

1. What is the Public Service Pension Reduction (PSPR)?

PSPR is a cut in public service pensions whose pre-PSPR value exceeds the applicable exemption thresholds. PSPR is designed in a progressive manner with proportionately larger reductions imposed on relatively higher value pensions.

2. Why was the Public Service Pension Reduction (PSPR) introduced?

PSPR came into effect on 1 January 2011 as part of the Government's programme of financial emergency measures to urgently address the serious position of the public finances. PSPR operates under the Financial Emergency Measures in the Public Interest (FEMPI) legislation; it became law via the Financial Emergency Measures in the Public Interest Act 2010. It was subsequently amended via the Financial Emergency Measures in the Public Interest (Amendment) Act 2011, the Public Service Pensions (Single Scheme and Other Provisions) Act 2012, the Financial Emergency Measures in the Public Interest Act 2013 and the Financial Emergency Measures in the Public Interest Act 2015.

3. Who is impacted by PSPR?

Retired public servants and their surviving dependents who are in receipt of public service occupational pensions above the applicable exemption thresholds are impacted by PSPR.

On the same basis, public servants who are on long-term sick leave and in receipt of Pension Rate of Pay or Temporary Rehabilitation Remuneration (TRR) may also have PSPR applied to the determination of their payments.

4. How does PSPR operate?

With effect from 1 January 2017, PSPR is applied in any individual case by reference to whichever of the 3 different tables of reduction rates set out below is appropriate. In applying the appropriate table to any pension, please note that the table's band-specific reduction rates apply to the relevant "slices" of that pension; it is not the case that the entire pension is reduced by any of the band-specific rates.

i. For pensions awarded in respect of retirements **on or before 29 February 2012** with annual values **less than or equal to €34,132** (on a pre-PSPR basis).

Group 1: PSPR from 1 January 2017 to 31 December 2017	
Annualised amount of public service pension	*Reduction*
Up to €26,000	Exempt
Any amount over €26,000	9%

ii. For pensions awarded in respect of retirements **on or before 29 February 2012** with annual values of **in excess of €34,132** (on a pre-PSPR basis).

Group 2: PSPR from 1 January 2017 to 31 December 2017	
Annualised amount of public service pension	*Reduction*
Up to €22,000	Exempt
Any amount over €22,000 but not over €24,000	3%
Any amount over €24,000 but not over €60,000	12%
Any amount over €60,000 but not over €100,000	17%
Any amount over €100,000	28%

iii. For pensions **in excess of €32,500** (on a pre-PSPR basis) awarded in respect of retirements **on or after 1 March 2012**.

Group 3: PSPR from 1 January 2017 to 31 December 2016	
Annualised amount of public service pension	*Reduction*
Up to €39,000	Exempt
Any amount over €39,000 but not over €60,000	2%
Any amount over €60,000 but not over €100,000	5%
Any amount over €100,000	8%

Since 1 January 2017, public service pensions awarded in respect of retirements on or after 1 March 2012 with pre-PSPR values below €39,000 are not subject to PSPR.

5. Why are there 3 different tables of PSPR rates?

The PSPR rates set out for Group 1 and Group 2 pensions above apply to pensions awarded in respect of retirement on or before 29 February 2012. Within this pre-March 2012 category, the PSPR rates for Group 2 ensure a proportionately greater reduction for pensions of relatively higher values.

The lower PSPR rates for the later-awarded Group 3 pensions above (compared with Groups 1 and 2) reflect the fact that, in contrast to Group 1 and Group 2 pensions, such pensions are based on retirement-time salaries which factor in the public service pay cuts on 1 January 2010 imposed under the FEMPI (No. 2) 2009 Act.

6. **What impact does PSPR have on public service pension amounts slightly above the applicable exemption threshold?**

   In cases where pensions are sufficiently close to (just above) the applicable exemption threshold, so that the unadjusted application of the relevant PSPR table of rates would reduce the value of such a pension to be less than a pension at the threshold, a smaller reduction should be applied to ensure that the pension payment rate is equal to a pension at the threshold.

7. **What is the impact of the "grace period" currently scheduled to conclude on 1 April 2019?**

   As provided for under the Haddington Road Agreement (HRA), the FEMPI 2013 Act imposed additional pay cuts with effect from 1 July 2013 on public servants earning more than €65,000. If a public servant impacted by those pay cuts retires during the grace period, his or her pension entitlement will be based on the notional pre-HRA remuneration level, which discounts the 2013 pay cuts.

8. **How are situations where a retired public servant is receiving 2 or more public service pensions treated?**

   The public service pensions of persons who receive more than one such pension, where the combined pre-PSPR value of these pensions is greater than €32,500, are in general aggregated for the purpose of applying PSPR, i.e. PSPR is applied to the combined ("aggregated") value of those pensions, rather than to each pension on a standalone basis. The appropriate reduction, calculated on that aggregated basis, is applied to the pensioner's larger (or largest) public service pension in payment.

9. **How are "cost neutral early retirement" pensions treated with regard to PSPR?**

PSPR is applied to the pension in payment or being awarded (which reflects the impact of the applicable actuarial reduction factor), not to the related notional preserved pension value.

10. **How are public service dependent pensions treated with regard to PSPR?**

Dependent pensions are subject to PSPR provided that the pre-PSPR pension value exceeds the applicable exemption threshold. In such cases the first step is to calculate the dependent pension on the basis of the unreduced (i.e. pre-PSPR) pension entitlement of the deceased member. The amount of dependent pension thereby calculated should then be reduced in accordance with the applicable PSPR bands and rates.

11. **My spouse was awarded a public service retirement pension before 29 February 2012 but passed away after that date. Which table of PSPR rates will apply to my survivor's pension?**

The table of PSPR rates applied to a dependent public service pension is effectively determined by (a) when the deceased public servant's public service pension was initially awarded (or in Death in Service cases, the date of death) and (b) the pre-PSPR value of the dependent pension. Specifically, if the deceased member's pension was awarded on or before 29 February 2012, or a public servant died in service on or before 29 February 2012, the applicable table of PSPR rates will be either Group 1 or Group 2 from question 4 above subject to the pre-PSPR value of the dependent pension. For example, consider a former public servant who retired before 29 February 2012 with an annual pre-PSPR public service pension of €50,000. For the purposes of applying PSPR, his or her pension is subject to Group 2 reduction rates, since the pre-PSPR pension value exceeds the €34,132 threshold (see question 4). If he or she dies and a survivor's pension is payable with a pre-PSPR value of €25,000, this survivor's pension would be considered a Group 1 pension, since the pre-PRSR pension value is below the same threshold.

In circumstances where a public service pension was awarded to a retired public servant on or after 1 March 2012 and the retired public servant passes away, or where the public servant dies in service, the PSPR rates provided for Group 3 in question 4 above will apply to any dependent pension whose pre-PSPR value exceeds the applicable exemption threshold (€39,000 in 2017).

12. Are retirement lump sums, death gratuities or once-off non-pensionable gratuities affected by PSPR?

No.

13. Where a public service pensioner also gets a State Pension from the Department of Social Protection, is that State Pension subject to PSPR?

No.

14. Does PSPR apply in the case of a "supplementary pension" which may be payable in certain public service pension schemes?

Yes, provided that the public service pension, considered as including the supplementary pension, exceeds the applicable exemption threshold.

15. What is the impact of the current PSPR rates for different public service pension amounts?

The following table illustrates the 2017 PSPR impact for a range of pensions, it takes no account of the impact of taxation or other statutory stoppages from pay.

2017 PSPR Impacts - Pensions of Retired Public Servants				
	Pensions awarded in respect of Retirements on or before 29 February 2012		Pensions awarded in respect of Retirements after 29 February 2012	
Pension pre-PSPR (€)	**Annual Reduction (€)**	**Annual Reduction (%)**	**Annual Reduction (€)**	**Annual Reduction (%)**
12,000	0	0%	0	0%
15,000	0	0%	0	0%
20,000	0	0%	0	0%
25,000	0	0%	0	0%
30,000	360	1.2%	0	0%
35,000	1,380	3.9%	0	0%
40,000	1,980	5.0%	20	0.1%
50,000	3,180	6.4%	220	0.4%
60,000	4,380	7.3%	420	0.7%
70,000	6,080	8.7%	920	1.3.%
80,000	7,780	9.7%	1,420	1.8%
90,000	9,480	10.5%	1,920	2.1%
100,000	11,180	11.2%	2,420	2.4%

16. **How should the reduction apply where a pension is the subject of a Pension Adjustment Order (PAO) under a family law settlement?**

The application of PSPR in the case of a pension which is the subject of Pension Adjustment Order (PAO) is dealt with in FEMPI 2010 in section 2(5) (as inserted by section 6(1)(b) of FEMPI 2015), and section 2A(6) (as inserted by section 5(5) of FEMPI 2013).

These sections of the legislation require that for any PAO-affected pension, the original gross undivided pre-PSPR pension amount is first to be subjected to PSPR, with the resultant net amount then being divided for payment in accordance with the split (between member and assignee) stipulated in the PAO.

17. **Where a pension reflects credit elements additional to normal accrual (e.g. purchase of service, transfer of pension, repayment of marriage gratuity), can that part of the pension attributable to such additional elements be exempted from the reduction?**

No, the entire public service pension is subject to PSPR.