An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

Circular Number:	**Circular 10/2021**
Circular Title:	**Instruction on the pension increase policy in the public service until end 2022**
To:	**HR Manager / Personnel Officer / Pensions Manager in all Government Departments and Public Service Employers**

A Dhuine Uasail

I am directed by the Minister for Public Expenditure and Reform to notify public service employers of the continuation of the existing public service pension increase policy for pre-existing pension schemes in 2021 – 2022 and to give instruction on the application of that policy to end 2022. 'Pre-existing pension schemes' refer to all public service occupational pension schemes, with the exception of the Single Public Service Pension Scheme.

This circular should be circulated to all Offices and Bodies under your aegis.

Date:	**1 October 2021**
File Reference:	**P18-13-2018**
Purpose:	To confirm the continuation of the existing pension increase policy for 2021 – 2022 and to convey sanction for, and give guidance on, the implementation of that policy to end 2022. The circular is directed primarily to units responsible for HR and pension administration functions in Government Departments and Public Service Employers.
Relevant Legislation:	*Pensions (Increase) Act 1964* *Public Service Pay and Pensions Act 2017*
Effective From:	**1 January 2021**

Mise le meas

Colin Menton
Assistant Secretary
Public Service Pay and Pensions Division

Tithe an Rialtais, Sráid Mhuirfean Uacht, Baile Átha Cliath 2, D02 R583, Éire
Government Buildings, Upper Merrion Street, Dublin 2, D02 R583, Ireland
T +353 1 676 7571 LoCall 1890 66 10 10
www.gov.ie

Circular 10/2021: Instruction on the pension increase policy in the public service until end 2022

Part 1: Introduction

1. This circular provides sanction for the continuation of the existing pension increase policy to end 2022 along with guidance on implementing the policy over that period.

2. The circular and its implementation must be considered alongside this Department's circulars 20/2017, 02/2018 and 19/2019 on the pension increase policy and any other relevant guidance issued by the Department. However, provided that the overall pension increase policy is respected, then its implementation will draw on the normal operational and decision-making role of pension paying authorities at scheme or payroll level, and the circular should not be seen as encroaching on that role.

Background

3. Under the policy agreed by the Government in 2017, which applied for the period 1 September 2017 to 31 December 2020, pay increases granted to serving staff over the course of the Public Service Stability Agreement 2018 – 2020 (PSSA) were passed on to those pensions awarded under the pre-existing public service schemes where the salary on which the pension was based did not exceed the salary of serving staff with the same grade and scale point, after the pay increase had been applied. If it qualified, the pension was eligible for an increase to the extent that this would ensure alignment with the pay of serving staff. This approach took account of the differentiation of pensioner cohorts between pre- and post-end February 2012 retirees and was intended to deal with the ongoing complexities which arise as FEMPI pay related provisions are unwound.

Definitions

"In-service salary" means the salary of a public servant still serving in the same grade and at the same scale point as the pension recipient, provided there hasn't been a permanent structural adjustment to the payscale for the grade.[1] Where relevant, *"in-service salary"* also refers to the salary that would apply if there was an employee still serving in the same grade and at the same scale point as the pension recipient (i.e. for grades no longer applicable to current staff).

"Pensionable remuneration" means the rate of pay used in calculating a public service pension award, uprated as appropriate by any pay increases post-dating retirement which were passed on to the pension, and including the value of pensionable variable allowances

[1] Where at any stage there has been a permanent structural adjustment to the payscale for the grade that effectively breaks the link with the pensionable salary on which the pension was based at date of retirement, the pension is no longer linked to a salary scale for serving staff but to a "notional salary scale", defined as a salary scale that is not in payment to serving staff of the public service body in question but that serves for pension increase purposes only. See also Part B of DPER Circular 19/2019.

(otherwise known as percentage-of-salary allowances) and pensionable fixed periodic allowances, also uprated as appropriate.

"Pensionable salary" means that part of pensionable remuneration which relates to salary and pensionable variable allowances, if any. It differs from pensionable remuneration only in excluding pensionable fixed periodic allowances.

"Qualifying pensions" are defined for the purposes of this circular as pensions in payment in respect of which the salary on which the pension is based is lower than the in-service salary following the application of a pay increase/salary restoration.

Part 2: Pension increases arising from restoration of the remaining balance of FEMPI pay reductions

4. On 1 July 2021, where the relevant in-service salary scale had not yet been restored to its pre-FEMPI level, full restoration was given to in-service salaries of not more than €150,000 under section 19 of the *Public Service Pay and Pensions Act 2017*.[2] The guidance below applies to this restoration as well as to the future pay restoration in 2022 under section 20 of the Act. This pay restoration will be subject to separate instruction from this Department in due course.

5. Pension increases arising from the restoration of in-service salaries should be passed on to qualifying pensions in line with the current pension increase policy and effective from the date of the relevant salary restoration. Please note that:

    - Pre-1 March 2012 retirees in the relevant cohorts will not qualify for a pension increase because, following restoration, the pensionable salary (excluding pensionable variable allowances) associated with their pension will be equal to the in-service salary.

    - Individuals who retired on or after 1 March 2012 in the relevant cohorts will qualify for a pension increase as their pension prior to restoration is based on a reduced salary rate. The amount of the pension increase will be such as to ensure alignment between the pensionable salary (excluding pensionable variable allowances) associated with their pension and the in-service salary following restoration.

    See the ***Appendix*** for examples of the application of the pension increase policy.

[2] Note that the salary rates of public service grades in respect of which a pensionable rate of pay applied had already been restored to their pre-FEMPI rates (see this Department's Letters to Personnel Officers of 11 December 2018 and 18 December 2019, and paragraphs 15 – 17 of Circular 19/2019).

Part 3: Pension increases arising from the general round pay increases on 1 October 2021 and 1 October 2022

6. Under Building Momentum – A new public service agreement, 2021-2022, two general round increases in annualised basic salary of 1% or €500, whichever is greater, are scheduled on 1 October 2021 and 1 October 2022. Public servants benefitting from pay restoration in each year will not qualify for the general round increase except to the extent that the amount of the pay restoration is less than the general round increase scheduled for that year (in which case, those public servants will be eligible to be paid the balance on the date of the general round increase).

7. These general round increases should be passed on to qualifying pensions in line with the current pension increase policy, effective from the same date as the related pay increases. Where salary is increased by €500, the percentage increase for relevant pensions in payment should be calculated in accordance with the methodology set out in DPER Circular 20/2017 (at paragraph 9 and in the examples at Appendix 1 to that circular).

8. In respect of the general round increase on 1 October 2021, in the particular case of pensions associated with grades whose salary rates have not yet been restored following salary restoration on 1 July 2021, it should be noted that:

    - Pre-1 March 2012 retirees in this cohort will not qualify for a pension increase on 1 October 2021. This is because the pensionable salary (excluding pensionable variable allowances) associated with their pension will continue to be higher than the in-service salary following the pay increase.

    - Individuals who retired on or after 1 March 2012 in this cohort will so qualify. The amount of the pension increase will be such as to ensure alignment between the pensionable salary (excluding pensionable variable allowances) associated with their pension and the in-service salary following the pay increase.

Part 4: Sectoral Bargaining

9. Building Momentum provides for the *"equivalent of a 1% increase in annualised basic salaries to be used as a Sectoral Bargaining Fund, in accordance with Chapter 2 of this Agreement, on 1 February 2022"*.

10. Subject to the following, the current pension increase policy may be applied to agreements made under the Sectoral Bargaining Fund process. In determining whether or not pension increases should be granted to relevant qualifying pensions as a result of any such agreement, the established principles[3] for passing on special increases in pay to pension in payment should be considered. Amongst others, these include the

[3] These are set out at Chapter 19 of the Superannuation Handbook and Guidance Notes for the Established Civil Service Scheme at http://cspensions.gov.ie/SuperannuationHandbookandGuidanceDec20061.pdf

requirements that pay increases must apply to all staff serving in the grades/posts concerned and must be permanent features of the pay scales.

11. Where a sectoral bargaining agreement involves an increase to an allowance in payment to serving staff, this will only pass on to pensions in payment for that sector, grade, etc., where that allowance is a pensionable allowance and is reflected in the pension in payment to the relevant pension recipients.

12. Once a sectoral bargaining agreement arrived at for a sector, grade, etc. has been duly determined by the relevant Department or public service body as complying with the established principles referenced in paragraph 10, sanction is hereby given for it to be passed on to relevant qualifying pensions in payment. To the extent that a sectoral bargaining agreement falls outside of the scope of those established principles, no pension increases should be granted. In the event of doubt, the matter should be referred to this Department for guidance (see contact details below).

Part 5: Other matters

13. Pension increases under this circular should be passed on to pensions in payment using the multiplier or service decimal methods (outlined in detail in DPER Circular 19/2019).

14. As set out in previous circulars, pension increases passed on under the current pension increase policy should be applied to both pay and variable/percentage of pay allowances. Where a pension includes an identifiable fixed periodic allowance element that is based on a fixed-rate allowance payable to serving staff that would not fall to be increased on foot of the pay increases outlined above, the relevant pension increase should not be applied to that part of the pension which derives from the fixed periodic allowance.

15. In relation to pensions that are linked to notional salary scales (see footnote 1), paragraph 9 of DPER Circular 19/2019 sanctioned application of the pension increase policy over the period of the PSSA in accordance with the guidance set out in the pension increase circulars generally. In like manner, sanction is hereby given for the application of the guidance set out above to such pensions.

Further information

- Public service pensioners should consult their pension paying authority.
- Public service employers or pension paying authorities should consult their parent Department.
- Departments should pursue queries to this Department via email to pensions@per.gov.ie under the subject line ‘Pension Increases – Circular 10/2021’.

Appendix – Pension Increase Policy: Examples of application for 1 July 2021 restoration and the 1 October 2021 general round increase

Table 1: Pension increase policy as applied to pensions of pre-1 March 2012 retirees* (amounts in italics/bold indicate a pension increase)												
Sample civil service grade & scale point (non PPC)	**Pre-FEMPI salary rate (1/9/08)**	**Pension pre-PSSA (based on pre-FEMPI salary rate)**	**In-service salary at end PSSA (i.e. after 2% increase on 1/10/20)**	**Pension at end PSSA (1/10/20)****	**Pay restoration due on 1/7/21 for salaries c€70,000 - €150,000**	**% pay increase through pay restoration**	**In-service salary after pay restoration on 1/7/21**	**Pension 1/7/21**	**Pension increase 1/7/21**	**In-service salary after pay increase on 1/10/21, if due**	**Pension 1/10/21**	**Pension increase 1/10/21**
EO (max)	€48,504	€24,252	€49,353	€24,677	-	n.a.	€49,353	€24,677	-	€49,853	***€24,927***	*€250*
Prof Acct Gr 1 (pt.1)	€69,727	€34,864	€69,077	€34,864	€650	0.94%	€69,727	€34,864	-	€69,768	***€34,884***	*€20*
AP (max)	€82,520	€41,260	€81,275	€41,260	€1,245	1.53%	€82,520	€41,260	-	€82,520	€41,260	-

***** In general, a pre-1 March 2012 retiree's pension prior to the PSSA was based on a pre-FEMPI salary rate (i.e. salary in effect for serving staff on 1 September 2008) as the individual retired either (i) prior to the imposition of the first FEMPI pay reduction on 1 January 2010, or (ii) they retired in the period covered by the first grace period and so did not have that reduction reflected in the salary rate used to calculate their pension.

****** Pension at end PSSA is linked to the in-service salary for pensions whose associated pensionable salary is less than €70,000 (approx.); otherwise, it continues to be linked to the pre-FEMPI salary rate.

Assumptions/Notes

Pension recipients in modified PRSI class with no entitlement to State Pension (Contributory). When in employment, they did not pay a personal pension contribution (PPC), i.e. non PPC salary rates applied.

Persons are in receipt of maximum pension based on 40 years' pensionable service.

Values in the table above have been rounded up.

Table 2: Pension increase policy as applied to pensions of <u>persons who retired on or after 1 March 2012</u> (amounts in italics/bold indicate a pension increase)												
Sample civil service grade & scale point (non PPC)	**Pre-FEMPI salary rate (1/9/08) from Table 1 (for comparison)**	**Pre-1 March 2012 retiree pension from Table 1 (for comparison)**	**In-service salary at end PSSA (i.e. after 2% increase on 1/10/20)**	**Pension (now linked to in-service salary) at end PSSA (1/10/20)**	**Pay restoration due on 1/7/21 for salaries c€70,000 - €150,000**	**% pay increase through pay restoration**	**In-service salary after pay restoration on 1/7/21**	**Pension 1/7/21**	**Pension increase 1/7/21**	**In-service salary after pay increase on 1/10/21, if due**	**Pension 1/10/21**	**Pension increase 1/10/21**
EO (max)	€48,504	€24,252	€49,353	€24,677	-	n.a.	€49,353	€24,677	-	€49,853	***€24,927***	*€250*
Prof Acct Gr 1 (pt.1)	€69,727	€34,864	€69,077	€34,539	€650	0.94%	€69,727	***€34,864***	€325	€69,768	***€34,884***	*€20*
AP (max)	€82,520	€41,260	€81,275	€40,638	€1,245	1.53%	€82,520	***€41,260***	€623	€82,520	*€41,260*	-

***** In all cases, the pension at end PSSA (1/10/20) is linked to the salary for serving staff on that date (not the Pre-FEMPI salary rate, which is given for comparison only).

Assumptions/Notes

Pension recipients in modified PRSI class with no entitlement to State Pension (Contributory). When in employment, they did not pay a personal pension contribution (PPC), i.e. non PPC salary rates applied.

Persons are in receipt of maximum pension based on 40 years' pensionable service.

Values in the table are rounded up.