

Frequently Asked Question re Circular 22/2013 Voluntary Redundancy

Q1. What organisations are covered under the terms of the Voluntary Redundancy [VR]?

A1 The Health Service Executive, and organisations funded by the Health Service Executive, under Section 38 of the Health Act 2004.

Q2 Can an individual employee apply for VR?

A2 There is no provision to facilitate individual applications for VR from employees. It must be emphasised that this is not a scheme and there is no automatic right to VR; staff may be offered VR in the context of current and future business needs and service provision priorities

Q3. Who will be offered VR?

A3 It will be a matter for the relevant employer initially to determine specific organisations, locations, units or services to be identified for Voluntary Redundancy [VR]. There will be no automatic right to VR; **identified staff may be offered VR** in the context of current and future business needs and service provision priorities.

Q4. Will the VR be limited to certain grades?

A4 It is envisaged that the grades, services or locations will differ from area to area. A small local hospital may offer VR to different grades than those offered VR in a large acute hospital, for example.

Q5. Is there a closing date for the VR?

A5. No. The VR facility will be one of the tools available to management on a rolling basis to enable reform and re-organisation going forward. It is a matter for the relevant employer initially to determine specific organisations, locations, units or services to be identified for VR. As specific areas are identified, identified employees will be **offered** VR, rather than individual employee's **applying for** VR.

Q6. Is there a firm date by which departures must have taken place?

A6. No. However, departures from the health service on VR shall take place as early as possible following identification and approval of VR in individual instances by the employer and approval of the HSE centrally. Departures from the health service on VR should take place in a manner that maximises organisational savings following identification and approval of VR in individual instances by the employer and approval of the HSE centrally

Q7. Who decides which employee's are to be offered VR?

A7. This will be a matter for National Directors / Service Manager who shall ensure that redeployment, in accordance with the terms of the Public Service Agreement, is utilised to maximise VR uptake where volunteers are not available in a particular area.

Q8. Who is eligible to be offered VR?

A8. VR is open to employees in certain grades, services or locations, determined by the employer and approved centrally by the HSE, who;

- are under preserved pension age [60 for non-new entrants, 65 for new entrants as defined in the Public Sector [Miscellaneous Provisions] Act 2004] on the date of departure, **and**
- have already accrued an entitlement to preserved superannuation benefits at that date, **and**
- are currently a member of one of the following superannuation schemes:
 - Health Service Executive Employee Superannuation Scheme
 - Local Government Superannuation Scheme [LGSS]
 - Nominated Health Agencies Superannuation Scheme [NHASS]
 - Voluntary Hospital Superannuation Scheme [VHSS]
 - New Model Scheme, on Pay As You Go Basis, for employees of
 - Stewarts Care Ltd recruited on or after 1st January 2007

Q9. Are there any employees specifically excluded from being offered VR at this time?

A9. The following categories of staff are excluded.

- Those who have reached preserved pension age [60 or 65] on the date of departure.
- Those who are not members of any of the pension schemes referred to at A8, above.
- Those members of the above pension schemes who have not already accrued an entitlement to preserved superannuation benefits at date of departure.
- Those who accepted an earlier exit scheme.
- Those currently on career break.

Q10. I am on career break. Am I eligible to be offered VR at this time?

A10. Employees currently on a career break are not eligible for VR.

Q11. What is VR?

A11. VR is a payment to employees who agree to terminate their contract with the Health Service Executive [HSE] or organisations funded by the HSE, under Section 38 of the Health Act 2004.

Q12. What payments will I receive if I am approved for voluntary redundancy?

A12. You will receive:-

- A severance payment with effect from the date of termination of your contract; this will be calculated in accordance with the terms of the scheme under Circular 22/2013.
- With effect from your preserved pension age [60 or 65] you will receive a retirement lump sum based on your service to date of termination, and the salary rates pertaining at preserved pension age.
- With effect from your preserved pension age [60 or 65] you will receive an annual pension based on your service to date of termination.

Q13. How do I know if my Preserved Pension Age is 60 or 65?

A13. If you commenced employment in the public sector prior to 01/04/2004 and have been continuously employed in the public sector since then, your preserved pension age is 60

If you commenced employment in the public sector for the first time after 01/04/2004 your preserved pension age is 65.

Q14. How is the severance payment calculated?

A14. The severance payment consists of 2 separate parts:

Part 1 - Statutory Redundancy [or equivalent payment]

Two weeks pay for every year of service plus one additional week. This service is to be calculated to 2 decimal places. This is defined as calendar years of service with current employer, including reckonable absences.

Weekly pay is capped at €600 per week. This means that if you earn in excess of this amount you receive no more than €1,200 for each year of service. Allowances which form part of your salary will be included up to the capped amount. Statutory Redundancy is not taxable for PRSI Class A.

Employees who pay modified PRSI [Class D] are not entitled to Statutory Redundancy but will receive an equivalent payment calculated using the method above. *As they are not entitled to statutory redundancy however, this payment is taxable.*

Part 2 Ex-Gratia Payment

Three weeks salary for every year of service. This is expressed in whole years, similar to the calculation of service for pension purposes

This is your whole-time equivalent salary and includes allowances; capping does not apply.

The total VR payment is limited to either

- two [2] years pay
or, *if less*
- 50% of gross basic salary [excluding any premia, allowances, overtime etc] payable to preserved pension age or to the termination date of contract in the case of a fixed term / purpose contract.

Except

Where the statutory redundancy amount is greater than the relevant limit above in which case statutory redundancy only will be paid.

N.B. This exception does not apply to the equivalent payment payable in the case of modified [Class D] PRSI contributors.

Q15. How is my pay calculated for the purposes of the severance payment?

A15. There are a number of definitions of 'pay' in terms of the overall severance payment:

Part 1 - Statutory Redundancy [or equivalent payment]

- For employees with defined contractual hours [e.g. Whole-time, Job-Sharing, Part-time staff] this figure is the employee's gross weekly pay, plus average regular overtime where relevant. For example a whole-time person on a salary of €52,000 per annum would have a weekly 'pay' figure of €1,000 per week [€52,000 divided by 52.18]. The equivalent Job-Sharer would have a weekly 'pay' figure of €500 per week [€26,000 divided by 52.18]. Weekly pay is capped at €600 per week
- For employees with undefined contractual / irregular hours, this figure will be calculated based on their average earnings in the 26 week period ending 13 weeks prior to the date on which notice issues.

Part 2 Ex-Gratia Payment

This is calculated in the same manner as pensionable remuneration for pension purposes. Weekly pay is based on the current whole-time salary of the official Grade at date of departure; this is the same for full-time and part-time employees. It comprises basic pay plus any pensionable emoluments and allowances e.g. Public Holiday/Sunday premia, Higher Post allowance, Cardiac Allowance, On-Call Allowance etc. Any pensionable emoluments / allowances are calculated in the same way as for pension purposes i.e. they will be based on an average of such allowances in the best 3 consecutive years in the final 10 years to date of departure. Any non-pensionable payments, e.g. overtime, emergency call-out etc, are not included.

Total VR payment

In terms of the overall limit of two [2] years pay or 50% of pay to preserved pension age, pay is based on the gross basic salary [excluding any premia, allowances, overtime etc]. Using the earlier example of a whole-time person on a salary of €52,000, their overall payment would be limited to €104,000 [€52,000*2] or 50% of pay to preserved pension age if less. The job-Sharing comparator would be limited to €52,000 [€26,000*2] or 50% of pay to preserved pension age if less.

In the case of fully insured [Class A PRSI] employees, where the statutory redundancy amount is greater than the relevant limit above, the statutory redundancy sum will be paid even though it exceeds the relevant limit.

N.B. This exception does not apply to the equivalent payment payable in the case of modified [Class D] PRSI contributors.

Q16. How is my service calculated for the purposes of the severance payment?

A16. There are two distinct definitions of 'service' in terms of the overall severance payment:

Part 1 - Statutory Redundancy [or equivalent payment]

This is calculated as the length of time from commencement of your most recent employment with your current employer to date of departure [excluding any strike days or sick leave absences in excess of 26 weeks occurring in the final 3 years to date of departure]. In this context a job-sharer will have the same amount of service as their whole time comparator. All unpaid absences other than those mentioned above are regarded as service for the purposes of statutory redundancy or equivalent payment. Examples of such absences would include periods of career break, term-time, carers leave, parental leave, adoptive leave, unpaid maternity leave etc.

Part 2 Ex-Gratia Payment

Service in this context is determined in the same manner as pensionable service is determined under the relevant superannuation. However the following service will **not** be included for the purpose of calculating the ex-gratia element of the payment:

- Purchased Service [e.g. Notional Service, Ad hoc Professional Added Years, Service purchased via a Transfer Value]
- Any form of Notional Added service [e.g. Professional Added Years]
- Fast Accrual [doubling of service in excess of 20 years]
- Prior service in the public sector which has **not** been transferred to the current employment under the provisions of the relevant Transfer Network.
- Service for which contributions have not been paid prior to departure.
- Prior service in respect of which a Marriage Gratuity or refund of contributions was paid, unless the gratuity/refund is repaid in full [with compound interest] prior to departure.
- Any form of unpaid leave e.g. career break, term-time, parental leave, unpaid sick leave, unpaid maternity leave etc.

Q17. I pay modified [Class D] PRSI. Is there any difference in the statutory equivalent redundancy payment that I receive as compared with a person paying full [Class A] PRSI?

A17. Yes there is. As a modified PRSI contributor you are not entitled to statutory redundancy. Under the terms of the VR you will receive an equivalent payment calculated in exactly the same manner as your full PRSI comparator. Your payment however will be subject to taxation in the normal fashion whereas the statutory redundancy payment payable to your full PRSI comparator is exempt from taxation. Also, in the case of fully insured [Class A PRSI] employees, where the statutory redundancy amount is greater than the 2 years / 50% of pay to preserved pension age limit, the statutory redundancy sum will be paid even though it exceeds the relevant limit. This exception does not apply in the case of your equivalent payment.

Q18. I have service elsewhere in the public sector prior to my current employment, does this count towards my severance payment?

A18. In terms of the statutory redundancy [or equivalent payment] portion of the VR payment it does not count; only your most recent period of continuous employment with your current employer counts. Employment that is continuous and without a break, within the former Health Boards is regarded as being under one employer and this service will count towards statutory calculations. Voluntary Hospitals and Disability Service Agencies are regarded as separate employers and service will not be included in statutory calculations.

In terms of the ex-gratia element of the payment however, it will count provided you have transferred that service to your current employer, and paid any outstanding contributions, prior to date of departure.

Q19. Does the fact that I am Job-Sharing / part-time affect the total amount that I am paid under the VR?

A19. Yes, it affects it in a number of ways.

- The overall payment is limited to 2 years pay or 50% of gross basic pay to preserved pension age. As 'pay' is based on your work pattern at date of departure, the fact that you are job-sharing / part-time means that your maximum payment will be a percentage of that of your whole time comparator.
- As you are job-sharing / part-time you will have accumulated less service than your whole time comparator therefore this will affect the calculation of the ex-gratia element of your overall calculation.
- While your service as a job-sharer / part-time employee is the same as your whole time comparator in respect of the statutory redundancy or equivalent payment, your pay will be based on your current work pattern. Where this 'pay' is less than the cap of €600 per week, then your weekly pay figure will be used to calculate your entitlement. In most cases this will lead to the job-sharer / part-time worker being entitled to considerably less than their whole time comparator.

Q20. Is the severance payment taxable?

A20. Yes, however there are certain tax exemptions.

Q21. What tax exemptions are applicable to my severance payment?

A21. The following tax exemptions apply to your severance payment:

Statutory Redundancy [or equivalent payment]

The statutory redundancy element of the overall payment is not taxable. The equivalent payment for modified [Class D] PRSI contributors is taxable however; this payment is effectively treated as an additional ex-gratia payment

Ex-Gratia payment

On your first redundancy or retirement payment, the higher of the following will be exempt from tax:

- Basic Exemption
- Increased Exemption
- Standard Capital Superannuation Benefit [SCSB].

Q22. What is the basic tax exemption on my severance payment?

A22. A basic exemption of €10,160 plus €765 for each full year of service with the employer making the VR payment is applicable to the ex-gratia element of the overall payment. A person with 10 years full service, for example would have a basic exemption of €10,160 + [€765*10] = €17,810 i.e. they would only pay tax on the portion of their ex-gratia payment that exceeded €17,810.

N.B. In the case of modified [Class D] PRSI contributors, the ex-gratia element of the VR payment includes the equivalent statutory redundancy payment.

Q23. What is the increased exemption on the severance payment?

A23. If you are not a member of an occupational pension [Superannuation] scheme, or if you irrevocably give up your right to receive a lump sum from the pension scheme, the basic exemption as outlined above can be increased by €10,000.

Q24. What is Standard Capital Superannuation Benefit [SCSB]?

A24. This relief generally benefits those with high earnings and long service. It is a relief given for each year of service equal to 1/15th of the average annual pay for the last 3 years of service [36 months] to date of leaving less any tax-free lump sum entitlement from the pension scheme.

The formula for calculating the SCSB is:

$$A \times B / 15 - C$$

Where:

A is the average annual remuneration for the last 36 months service to date of termination.

B is the number of complete years of service

C is the value of any tax free lump sum received/receivable under an approved pension scheme.

Q25. Which of the exemptions will be applied to my severance payment?

A25. The most favourable [highest] exemption will be applied to your VR payment.

Q26. Where can I get information on the tax implications of a VR payment?

A26. For full details on the tax implications of any VR payment you should contact your local tax office, or financial advisor. General information regarding the taxation treatment of lump sum payments is available on the Revenue Commissioners website at :

[IT21 - Lump Sum Payments \[Redundancy/Retirement\]](#)

Q27. Who should I contact if I have queries in relation to statutory element of the severance payment?

A27. The statutory redundancy [or equivalent payment] element of the severance payment is calculated in accordance with the Redundancy Payments Acts under the aegis of the Department of Social Protection [DSP]. Any queries in relation to this element of the payment therefore should be directed to the DSP. General Information on Redundancy payments is available on the DSP website at : <http://www.welfare.ie/en/Pages/Redundancy.aspx>

Q28. Is there any on-line tool to calculate my Statutory Redundancy [or equivalent payment]?

A28. Yes, there is a useful tool on the Department of Social protection website which will give you an estimate of your likely entitlements in terms of the statutory redundancy [or equivalent payment] portion of your overall severance payment. You can access this on their website at :
<https://www.welfare.ie/en/Pages/secure/RedundancyCalculator.aspx>

Q29. If I avail of VR, can I be re-employed in the public sector subsequently?

A29. Yes you can, but not for a period of 2 years from date of departure under VR. This restriction applies to any public sector body and to bodies wholly or mainly funded under section 39 of the Health Act 2004. The restriction on re-employment also extends to any engagement / employment on a contract for service basis [either as a contractor or as an employee of a contractor].

Q30. After the period of 2 years has elapsed, are there any special conditions applicable to my re-employment?

A30. Yes. The consent of the Minister for Public Expenditure and Reform will be required prior to re-employment.

Q31 Will vacancies arising from VR be filled?

A31 As the purpose of the VR is to achieve a permanent reduction in the numbers employed and to reduce expenditure; any vacancy which arises from VR may only be filled through redeployment. A vacancy may not be filled by recruitment, acting up arrangement, overtime or through agency / contract working.