To: Shay O'Connor
From: L O'Toole
6 pps.

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**To: All Personnel Officers**

Dear Personnel Officer

I am directed by the Minister for Finance to refer to the pensions increases which will apply in respect of the restructuring pay deals negotiated under Option A of the Programme for Competitiveness and Work.

The Government has decided that public service pensioners who retired before the commencement dates of the various PCW deals should benefit from those deals on a parity basis subject to a minimum adjustment of 3% in their pensions (the minimum adjustment will be 2% in the case of those pensioners who have already received an advance payment of 1%). The relevant Press Statement is attached.

It should be noted that, apart from the 3% floor, parity will apply to these pay deals in exactly the same way as it has to previous special pay increases. For example, in deciding whether an increase in a pay scale should apply to a pensioner, the key criterion will be whether, in the case of serving staff, assimilation to the new scale was, in general, on a "corresponding points" basis (i.e. and not on a promotion or upgrading basis) and that all serving personnel (and not just a proportion of them) were eligible to be assimilated to it. Furthermore, the increase must not be such as to represent, in effect, an upgrading of a post.

In deciding whether a pensions increase based on parity or one of 3% (or 2%, as the case may be) should be made, it will be necessary to determine if the increase by reference to the scale point of the grade from which the officer retired exceeds 3% (or 2%) as a result of the final effect of the restructuring deal. In cases where the final effect of restructuring gives rise to an increase of less than 3% (or 2%), then an adjustment of 3% or 2% should be made in the pension.

In the case of a pensioner who did not benefit from an advance payment of 1% with effect from 1 April 1994, the 3% floor will apply as if the relevant points on the payscale in question had attracted a special pay increase of 3% with effect from 1 September 1995. In the case of a pensioner who did benefit from an advance payment of 1% with effect from 1 April 1994, the 2%

floor will apply as if the relevant points on the payscale in question had attracted a special pay increase of 2% with effect from 1 May 1996.

Particular note should be taken of the following points:

- Any pensioner who retired after the commencement of a restructuring deal (or, where different elements of a particular deal had different commencement dates, after the first such commencement date) does not come within the scope of these arrangements. Where an advance payment of 1% was paid to a group with effect from 1 April 1994, this will not be regarded as the commencement date.

- Only pensioners from groups which benefitted from PCW restructuring deals will benefit from the above arrangements. Thus, for example, pensioners who retired from grades or positions coming directly or indirectly within the ambit of the Review Body on Higher Remuneration in the Public Sector do not come within the scope of these arrangements.

- Pensioners who retired from groups who have not concluded a PCW restructuring deal will not benefit until that deal is concluded and then only those who retired before the commencement date of the deal will benefit on the terms set out above.

- Only increases which represent permanent additions to the pay scales in question will apply to pensioners. Any increases which are personal to certain individuals/groups (for example, certain Long Service Increments) will not apply. Also, where there are minimum service requirements for Long Service Increments, those requirements will apply to pensioners even if preferential assimilation terms have been applied to particular individuals/groups of serving staff in implementing the pay deal in question.

- The element of pension in respect of pensionable allowances held by pensioners will continue to be treated in the normal way. In the Civil Service, such allowances are increased by reference to general round pay increases only; they do not attract any special pay increases. Accordingly, the 3%/2% floor will only apply to the element of pension which is in respect of pay.

Regulations will be made under the Pensions (Increases) Act 1964 to give statutory cover to the above arrangements.

This Department will implement the arrangements in relation to retired established civil servants and their spouses and children and in respect of non-established State Employees who retired from Departments which do not have delegated authority to make pension awards. Departments which do have such delegated authority should implement the arrangements in relation to non-established State Employees who retired from those Departments.

Departments which administer pensions schemes for other relevant groups of pensioners are requested to deal with their public service pensioners accordingly. Departments are also requested to bring these arrangements to the notice of any relevant public bodies under their aegis.

In implementing these increases, every effort should be made to ensure that pensioners will receive the arrears of payment due to them before the end of this year.

This Department should be consulted about any doubts or difficulties you may have. You may contact the undersigned at GTN 7109 5405.

Yours sincerely

L O'Toole

Lorcan O'Toole

# ...."GOVERNMENT DELIVER ON PUBLIC SERVICE PENSION PARITY"....

## A STATEMENT BY CHARLIE MC CREEVY TD MINISTER FOR FINANCE ON THE PUBLICATION OF THE INTERIM REPORT OF THE COMMISSION ON PUBLIC SERVICE PENSIONS

**4th November 1997**

Charlie Mc Creevy TD Minister for Finance stated "The joint Fianna Fail/Progressive Democrats Pre-Election Press Statement of 4th June 1997 said, inter alia, the "in Government they will resolve the problems surrounding the pensions of retired public service staff" and they are "committed to restoring the link between pensions and increases in current rates of public sector pay". **The Government has decided that in line with the aforementioned pre-election commitment, public servants who retired before the commencement dates of restructuring pay deals under the Programme for Competitiveness and Work should benefit from those pay deals on a parity basis subject to a minimum adjustment of 3% in their pensions (or 2% in the case of those pensioners who have already received an advance payment of 1%.**"

The Government have considered the issue of pensions increases for public servants on several occasions since coming into office and, in order to help it in its deliberations, referred the matter to the Commission on Public Service Pensions. The announcement came as the Government today published the Interim Report of the Commission on Public Service Pensions, which stated that its comments on pensions increase policy are necessarily incomplete and preliminary. It emphasised that it would be considering this issue within the broad range of pension issues coming within its remit and they would report (as scheduled) to the Government in 1998.

The Minister said "The issue of pension increases was a live issue during the period of Office of the previous Government who failed to take any action on it. We are satisfied that this Government has delivered on the undertaking given in the "Action Programme for the Millennium" to protect the public service pensions, and in doing so have acknowledged the contribution made by public servants over the decades who will now receive fair treatment".

ENDS

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**PEECH BY CHARLIE MC CREEVY TD MINISTER FOR FINANCE ON PENSIONS INCREASES FOR CERTAIN PUBLIC SERVICE PENSIONERS AND PUBLICATION OF THE INTERIM REPORT OF THE COMMISSION ON PUBLIC SERVICE PENSIONS 4TH NOVEMBER 1997**

The Government has decided that public servants who retired before the commencement dates of restructuring pay deals under the Programme for Competitiveness and Work should benefit from those pay deals on a parity basis subject to a minimum adjustment of 3% in their pensions (or 2% in the case of those pensioners who have already received an advance payment of 1%). Over the past decade pensions parity in the public service has been applied on the basis that pensioners would continue to have their pensions related to the salaries they would have had if they had continued to serve. The refinement on traditional parity announced today meets the particular complexities of the PCW restructuring deals and is a one-off measure to address these particular circumstances.

Today, the Government is publishing the Interim Report of the Commission on Public Service Pensions. The members of the Commission are drawn from the pensions industry, government departments, trade unions and employers. The Commission is chaired by Professor Dermot McAleese, Whately Professor of Political Economy, Trinity College Dublin. The Government welcomes the Commission's Interim Report and looks forward to receiving its final report next year.

The Commission was established last year to examine and report on the occupational pension arrangements of public servants against a background of growing concern generally about the emerging costs of existing public service pension schemes. While the final picture on pensions costs must await further studies by the Commission, its preliminary findings show a significant cost escalation in the coming decades which will require careful management and control. Expressed in constant price terms, the cost of public service occupational pensions will increase from £540 million in 1995 to £2.2 billion in 2025 - a fourfold increase over the 30 years. On the basis of other assumptions in the Report, the cost projections would be even higher, resulting in a five-fold increase over the same period.

The joint Fianna Fail/Progressive Democrats Press Statement of 4 June 1997 said, inter alia, that "in Government they will resolve the problems surrounding the pensions of retired public service staff" and they are "committed to restoring the link between pensions and increases in current rates of public sector pay." The Government, in its programme - "Action Programme for the Millennium" - undertook to protect public service pensions. Against the background set out earlier, the increase announced today for public service pensioners meets these commitments in full and resolves the complex issue of pensions parity in the context of PCW restructuring deals which has been under consideration for some time.

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The traditional approach to pension parity has been followed in relation to the general round increases awarded under the PCW and the first phase of Partnership 2000. However, the restructuring agreements under the PCW have created real difficulties in the application of the pay parity approach to pension increases. In most cases, the deals were negotiated under Option A of the restructuring Clause in the PCW.

The various Option A deals differ widely in their structure and, as a result, if traditional parity applied, the impact on public service pensioner groups would vary substantially with some pensioners deriving little or no benefit.

The Government considered the issue of pensions increases for public servants on several occasions and, in order to help it in its deliberations, referred the matter to the Commission on Public Service Pensions. The Commission, in its reply, said that it would face difficulties in articulating a definitive view on this problem at this juncture.

In its Interim Report published today the Commission has stressed that its comments on pensions increase policy are necessarily incomplete and preliminary. It emphasised that it would be considering this issue within the broad range of pension issues coming within its remit and on which it is scheduled to report to Government in 1998. Nevertheless, its preliminary view was that pensions should be increased in order to provide a secure and fair level of retirement income to pensioners. The Commission went on to suggest that there are three principal pension increase options available (in line with pay, in line with the CPI or in line with some other index appropriate to pensioners) and it will consider each of these in its final report.

As indicated above, the decision to apply parity with a floor of 3% in respect of the PCW restructuring deals is a one-off measure. The policy in relation to any future restructuring deals will be determined in the light of the recommendations in the final report of the Commission on Public Service Pensions.

ENDS

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