Public Service Pension Reduction (PSPR)

Frequently Asked Questions

These frequently asked questions are about the Public Service Pension Reduction (PSPR). They should be read alongside the *Financial Emergency Measures in the Public Interest Act 2010* as amended and, where appropriate, other relevant legislation / regulations.

This document is not a legal interpretation of the PSPR or of the aforementioned Act and does not purport to deal with every query that may arise.

Department of Public Expenditure and Reform
January 2012

1. **Why was the reduction introduced?**

The Public Service Pension Reduction (PSPR) came into effect on 1 January 2011 as part of the Government's programme of measures to urgently address the serious position of the public finances. It became law via the Financial Emergency Measures in the Public Interest Act 2010.

2. **How does the reduction operate?**

The PSPR is an income–graduated reduction applied to each gross annual public service pension in excess of €12,000. The amount of the reduction in respect of a public service pension is determined by the following set of annual pension income bands and associated reduction rates:

First €12,000	0%
Between €12,000 and €24,000	6%
Between €24,000 and €60,000	9%
Between €60,000 and €100,000	12%
Above €100,000	20%

3. **What change was made to the reduction with effect from 1 January 2012?**

The 20% rate on pension amounts above €100,000 was introduced on that date. Before then a 12% rate had applied on all pension amounts above €60,000. The change was made by section 9 of the Financial Emergency Measures in the Public Interest (Amendment) Act 2011, which amended section 2 of the *Financial Emergency Measures in the Public Interest Act 2010*.

4. Does the time at which a pension comes into payment matter in terms of whether or not that pension is subject to the reduction?

Yes, in this respect pensions can be distinguished in terms of liability to the reduction as follows:

(i) Pensions currently in payment, or which become payable to persons retiring no later than 29 February 2012, or in respect of which the preserved benefit date (in preserved benefit cases) is on or before 29 February 2012, are all subject to the reduction, as are survivor/dependant pensions deriving from such pensions (regardless of when those survivor/dependant pensions themselves come into payment).

(ii) All other pensions are not subject to the reduction, and specifically;

a) Pensions payable to persons who retire from the public service after 29 February 2012 will not be affected by the reduction. However, such pensions will be awarded on the basis of actual pay scales, as opposed to the current pension award basis which uses (higher) notional pay scales. (These notional pay scales ignore the 1 January 2010 pay cut.)-

b) Pensions payable to persons who, at any time, leave or have already left pensionable public service employment on a preserved pension basis (i.e. without having reached minimum pension age) and which come into payment after 29 February 2012 will not be affected by the public service pension reduction. Such pensions will be awarded on the basis of actual pay scales, i.e. they will be treated as at (a) above.

5. **Section 9 of the *Financial Emergency Measures in the Public Interest Act 2010* inserts a new section into the *Financial Emergency Measures in the Public Interest (No. 2) Act 2009*. This insertion provides that the ministerial direction under section 6 of that 2009 Act on the pay of civil service Deputy Secretaries and Assistant Secretaries and related grades elsewhere in the public service will not apply to the determination of their pension entitlements in the case of retirements after the grace period. All public service pension benefits awarded after the grace period are to be based on actual pay scales, and will not be subject to the PSPR (as explained at 4(ii)(a) above); in the case of persons covered by the aforementioned ministerial direction, how will such pensions be calculated?**

   The pensionable pay of persons in these groups (who retire after the grace period) will be reduced in line with the general pay reduction imposed on all public servants on 1 January 2010. This means that the pensionable remuneration to be used in calculating pension award for such a retiree:

   - **will be based** on pay rates which reflect the full application of the 2010 pay cut provisions to salary exclusive of any bonus payable under the defunct bonus schemes;

   - **will not be based** on the higher actual pay rates received by such persons due to the ministerial direction under section 6 of the 2009 Act.

6. **Who is and who is not subject to the reduction?**

   Subject to meeting the €12,000 threshold, the public service pensions of all retired public servants and their survivors or dependants are liable to the reduction, including such pensions payable to former political office-holders and to former members of the judiciary.

7. **How are "cost neutral early retirement" pensions treated with regard to the reduction?**

   The reduction is applied to the actual pension (i.e. 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.

8. **How are pensions which are the subject of a Pensions Adjustment Order (PAO) treated with regard to the reduction?**

   Where a pension is the subject of a Pensions Adjustment Order (PAO), with a fixed proportion thereof assigned to a third party (e.g. separated or divorced spouse / former spouse), the original gross undivided pension should first be subject to the PSPR. The resultant net pension amount should then be divided into two pension amounts, for the assignee and the member, in accordance with the terms prescribed in the PAO.

9. **Does the reduction apply in the case of a person on pension rate of pay?**

   Yes, provided that pay exceeds €12,000 per annum.

10. **How are public service survivor / dependant pensions treated with regard to the reduction?**

    Survivor / dependant pensions are subject to the reduction.

    In such cases the first step is to calculate the survivor / dependant pension on the basis of the unreduced pension entitlement of the deceased member. The amount of survivor / dependant pension thereby calculated should then be reduced in accordance with the applicable PSPR bands and rates.

11. How are public servants at different gross pension levels affected?

Pension before Reduction (€)	Annual Reduction (€)	Annual Reduction (%)
12,000	0	0%
15,000	180	1.2%
20,000	480	2.4%
25,000	810	3.2%
30,000	1,260	4.2%
40,000	2,160	5.4%
50,000	3,060	6.1%
60,000	3,960	6.6%
70,000	5,160	7.4%
80,000	6,360	8.0%
90,000	7,560	8.4%
100,000	8,760	8.8%

Note: The above table takes no account of income tax or other statutory stoppages from pay.

12. Are retirement lumps sums, death gratuities or once-off non-pensionable gratuities affected by the reduction?

No, only pensions.

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

No.

14. Where a pension reflects credit elements additional to normal accrual (e.g. transfer of pension, purchase of service, repayment of marriage gratuity), is

that part of the pension attributable to such additional elements exempted from the reduction?

No, the entire pension is subject to the reduction.

15. **Does the reduction apply in the case of a “supplementary pension” which may be payable in certain public service pension schemes?**

Yes, provided that the occupational pension including the supplementary pension exceeds €12,000 per annum.