

DPE18/060/14

03 December 2014

To: All Heads of Department/Office

Circular 15/2014: Revised rate of compound interest for use in the calculation of refunds to the Exchequer

1. I am directed by the Minister of Public Expenditure and Reform to announce a reduction in the rate of compound interest applied in the calculation of refunds to the Exchequer (e.g. repayment of marriage gratuities, repayment of refunded pension contributions, repayment of refunded Pension-Related Deduction (PRD) amounts and the recovery of financial loss to the Exchequer).

Background

2. In 2000 the Commission on Public Service Pensions recommended a compound interest rate of 4% per annum (a reduction from 6%) on such payments and that the compound interest rate should be reviewed periodically.
3. This recommendation was implemented in 2004 as part of wider public service pension reforms and the application of the 4% compound interest rate was backdated to 14 November 2000 as per Department of Finance Circular 9/2005: Public Service Pension Reform: Revised rate of compound interest for use in the calculation of refunds to the Exchequer.
4. Having reviewed the matter, the Minister has approved a reduced rate of 3.5% to apply from 1 December 2014.

Scope

5. This Circular applies to all refunds where:
 - 5.1. a rate of compound interest currently applies in calculating the amount of repayment due, and
 - 5.2. the refund is in respect of a period or periods on or after 1 December 2014.

Effective date

6. The effective date for this Circular is 1 December 2014.

Calculation

7. The compound interest rates for relevant refunds which now apply are:
- | | |
|--|-----------------|
| (i) Up to 31 March 1971: | 3% per annum. |
| (ii) From 1 April 1971 to 13 November 2000: | 6% per annum. |
| (iii) From 14 November 2000 to 30 November 2014: | 4% per annum. |
| (iv) From 1 December 2014 onwards: | 3.5% per annum. |

A calculation example is shown in the Appendix to this Circular.

Circulation

8. Please bring this Circular to the notice of all staff serving in your Department/Office/ and to the attention of all public service bodies under the aegis of your Department.

Queries

9. Queries from individual staff members should be directed to the Personnel Section of their own Department/Office/public service body. Queries from Departments/Offices relating to this Circular should be made to Stephen Owens (Stephen.owens@per.gov.ie) or Finbar Ó hAnnracháin (Finbar.O'Hannrachain@per.gov.ie).

Mise le meas,


Oonagh Buckley
Assistant Secretary

Circular 15/2014 Appendix

Scenario

A person resigned from the Civil Service on 1 June 1969 and received a marriage gratuity of £1,087.43 (€1,380.75). The person is reappointed to the public service subsequently. That person decided to reckon their previous service for superannuation purposes and will be required to repay the marriage gratuity in doing so. The repayment may be made in one lump when the decision to repay is made, in one lump sum when that person retires from the public service or on an instalment basis*.

Example - Repayment in one lump sum on 31 Dec 2014

Interest rates applicable:

1 June 1969 to 31 March 1971:	3% per annum.
1 April 1971 to 13 November 2000:	6% per annum
14 November 2000 to 30 November 2014:	4% per annum.
1 December 2014 to 31 December 2014:	3.5% per annum.

Starting Principal amount:	€1,380.75
First Compound interest rate:	3%
No. of Years Compound rate applies:	1.83
Amount to be carried forward	€1,457.62

Second Principal amount:	€1,457.62
Second Compound interest rate:	6%
No. of Years Compound rate applies:	29.62
Amount to be carried forward:	€8,189.41

Third Principal amount:	€8,189.41
Third Compound interest rate:	4%
No. of Years Compound rate applies:	14.05
Amount to be carried forward:	€14,207.34

Fourth Principal amount:	€14,207.34
Fourth Compound interest rate:	3.5%
No. of Years Compound rate applies:	0.08
Amount to be carried forward:	€14,248.91

Total amount due = **€14,248.91**

*Repayment on an instalment basis

There may be a facility to make the required repayment over a number of instalments, with compound interest continuing to accrue on outstanding principle amounts. Please contact the relevant pension administrator to ascertain if and how this facility applies.