

Presentation to DPER Townhall 10 & 16 November 2016

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Pensions Policy

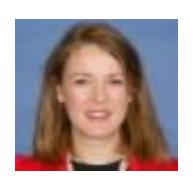




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Single Scheme – what is "policy"?



- Overarching policy Scheme goals
 - affordability fairness efficiency
- Operational policy
 - What are the scheme rules?
 - How can they be elaborated?
 - How are they best elaborated?
 - What is and isn't OK under the rules?

Key policy concerns

Issues raised by practitioners ... via Project Team outreach and otherwise

- Vesting
- Refund of contributions
- Benefit accrual
- Inflation adjustment
- Purchase / Transfer
- Family law

... some other concerns / issues



- Financing of benefits
- Employer contributions
- Medical grounds retirement
- Early retirement "cost neutral"

Vesting — General



- Policy aim: NOT more restrictive than for pre-Single Scheme public servants
- Vesting = 2 years in post for most members: "elapse of time"
- Career break: time-out does not count
- Refunded contributions: 24-month window for repayment possibility
- Potentially problematic where member is in atypical / casual / "relief hours" employment

Vesting — How to Measure



- Orthodox contracts (permanent, temporary, fixed-term)
 - Elapse of time

"Casual" staff

 Well-established pre-Single Scheme rules in sectors should be considered for adoption

"Relief Hours" staff

- "Each day worked" = one day towards vesting
- But elapse of time if de facto regular work pattern

Refund of Contributions



When a member leaves employment

- Vigilance needed on whether vesting attained
 if attained employer can't pay refund
- ... which makes recording / recognising prior Single Scheme history important
- Verified unvested —> entitlement position
- but pay-out need not be automatic
- Operational "judgment calls" may arise

Benefit Accrual



- From feedback challenging in some sectors
 - Atypical / casual working
 - Work pattern variability / allowances proliferation
- Resolution in some Relevant Authorities
 - Leveraging of payroll treatment of contributions
 (3.5% "net pay" element is based on FTE earnings)
 - Pension accrues entirely at 0.58% for lower-paid
- Arrears handling: when paid, not when earned
- Conservation of member data important
 - Referable amounts earnings work patterns

Inflation Adjustment — Basics



- Annual adjustment
 - covers referable amounts and pensions
 - by reference to CPI increases
 - uses December-on-December CPI movement
- Referable amounts
 - CPI uprate timing automatic
- Pensions
 - CPI uprate timing discretionary Min/PER can delay

Inflation Adjustment — Target



- CPI uprate in Annual Benefit Statements
 - Do not uprate latest completed year
 - Uprate all earlier years
- So in statements of end-2015 position
 - Do not uprate referable amounts accrued in 2015
 - Uprate referable amounts accrued in 2013-2014
 - 0.1% adjustment notified in DPER Circular 13/2016
- And in statements of end-2016 position
 - Do not uprate referable amounts accrued in 2016
 - Uprate referable amounts accrued in 2013-2015
 - DPER will notify % adjustment due c. Jan/Feb 2017

Purchase and Transfer Facility



- Not possible for members at present
- Clear policy commitment to provide
- Intended that Min/PER will make Regulations
- Consultation with employers and unions
- Delays due to legal and other complexities
- But recent progress, targeting launch in 2017
- Likely choice: extra pension, extra lump sum or mix
- Inward transfer: DC pension rights ("pots") in focus
- Conditions eligibility test limits

Family Law



- Relevant Authorities are trustees: in practice may assign case processing to pension administrators
- Referable amounts define the "designated benefit"
- Single Scheme family law guidance in latest FAQ
- DPER plans to expand on that guidance in 2017
- DPER currently revising overall family law guidance for cases involving "pre-existing" scheme members
- That revised guidance may also cover Single Scheme

Financing of Benefits



- Oireachtas to vote money for benefits
 - Section 44(1)(b) of 2012 Act:
 - Most benefit payments to "be paid from funds provided by the Oireachtas for that purpose"
- No new mechanisms in place to channel money to meet benefit pay-out costs
- So employers will need to factor foreseen benefit costs into budgetary arithmetic and demands

Employer Contributions



- Terms approved by Min/PER
- DPER Circular to issue soon
- Maximum permitted rate: 3 x employee contribution
- Most Relevant Authorities not affected (mainly impacts externally funded activities in certain sectors)

Medical Grounds Retirement 1



- Unvested members eligible for gratuity of 8.5% of pensionable remuneration (if retiring on medical grounds) [section 29(1) of 2012 Act]
- Vested members eligible for immediate retirement benefits without actuarial reduction [section 29(2)]
- Vested members' departure terms can be enhanced by Min/PER Regulations [section 29(6)]
- Regulations and associated guidance note in preparation for 2017 release

Medical Grounds Retirement 2



- Regulations and ancillary guidance will contain enhancement specifics
- Enhancement terms must take account of:
 - Member's age
 - Member's "potential or expected future career"
 - Member's length of time in Single Scheme
 - Pre-enhancement value of pension / lump sum
- Maximum enhancement capped at 10 times the value of most recent full-year referable amount
- Guidance will also cover death in service

Cost neutral early retirement



- Law states minimum age 55 years
- Min/PER must approve and issue actuarial reduction factors
- Not yet done, planned for 2017

Wider Policy Context



- Scheme objectives
 - More affordable ...
 - ... but still good pensions
 - efficiently delivered
- Government pension policy Public Service
- Government pension policy general
- Policy / rules stance into future

Reference points



- FAQ New edition posted 9 November 2016
- Website www.per.gov.ie/single-scheme/
- Queries singleschemequeries@per.gov.ie
- 2016 pending
 - Employer contributions circular
- > 2017 pending
 - CPI advisory, Purchase/transfer facility, Medical grounds retirement, Member-facing documentation update, "Cost neutral" reduction factors





Thank you.