

SINGLE SCHEME POLICY DEVELOPMENTS UPDATE

Presentation to DPER Townhall
10 & 16 November 2016

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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

Q&A

Thank you.