



Tuesday, 7th of November 2017

Minister Donohoe publishes the Public Service Pay and Pensions Bill 2017

Minister for Finance and Public Expenditure and Reform, Paschal Donohoe, T.D. today (Tuesday) secured Government approval for the publication of the Public Service Pay and Pensions Bill 2017. This Bill gives effect to the provisions of the Public Service Stability Agreement 2018-2020, which was approved by Government in June and was ratified by the Public Services Committee of the Irish Congress of Trade Unions (ICTU) in September. The Bill also provides for a nine-month delay in respect of those groups who do not subscribe to the Public Service Stability Agreement 2018-2020.

The Minister said: ‘The publication of this Bill represents the statutory roadmap for the full and complete unwinding of FEMPI as it affects the remuneration of public servants, the pensions in payment of retired public servants and contractor fees in respect of services provided to the State by Health professionals and others. The measures provided for under the legislation are appropriate, sustainable and fair, and reflect the legal obligation of the Government to address the Financial Emergency Measures provisions now that the finances of the State are recovering. These measures are fair to the taxpayer and also fair to the public servants, pensioners and contractors who, through reductions in income since 2009, have made a significant contribution to the recovery of the State’s finances’.

‘The conversion of the existing FEMPI Pension Related Deduction (PRD) into a permanent Additional Superannuation Contribution (ASC) for public servants is a significant pension reform measure which will provide, when fully implemented in 2020, for an additional contribution of some €550m by public servants towards their pension costs. This contribution will be in addition to existing contributions of over €700m per annum. Crucially, this measure will place public service pensions on a more sustainable long-term footing. Even with the restoration of wages under this Bill, incomes at middle and higher levels will not be returning to ‘peak’ levels due to the impact of the Additional Superannuation Contribution’.

“In respect of members of Government, in addition to the decision to forego any pay restoration whatsoever during the period of this Government, the decision has been taken today to legislate to ensure that the Taoiseach, Tánaiste, Ministers, Ministers of State and the Attorney General, do not benefit from the further unwinding of pay cuts provided under the Bill for other public servants in 2021-2022.”

The legislation provides for:

- Sustainable wage growth over the 3-year period 2018 to 2020 ranging from 6.2% to 7.4%, with these benefits once again weighted towards those on lower pay. These increases to pay will

bring 90% of public servants out of FEMPI by end-2020; while the level of increases reflects those that have been happening in the wider economy.

- Further measures to eliminate the remaining impact of the FEMPI measures on public servants by July 2022.
- The introduction of a permanent Additional Superannuation Contribution (ASC) for public servants as a further contribution towards pension costs from 1 January 2019.
- A further significant lessening of the impact of the Public Service Pension Reduction on public service pensions out to 2020 with a provision to provide for the elimination of the remaining impact of the measure by Order to be made by end 2020.
- A process to remove contractor fees from the FEMPI legislation and to place those payments on an alternative statutory basis. In this regard, my colleague the Minister for Health, Simon Harris T.D., intends to initiate, in consultation with my Department, a process of engagement with relevant representative bodies on service delivery and contractual reform and associated fees in 2018.

ENDS

Notes to the Editor:

The Public Service Stability Agreement 2018-2020

The Public Service Stability Agreement runs from 2018-2020 and has a cost over that period of €887 million – (this is approximately equivalent to the cost of the current LRA at €844 million).

The benefits to different income groups range from 7.4 per cent for the lower paid to 6.2 per cent for the higher paid, over three years. Once again these proposals are progressive.

They include restoration of pay cuts and the conversion of the existing FEMPI Pension Related Deduction (PRD) into a permanent Additional Superannuation Contribution (ASC) while providing modest increases in the exemption threshold providing some relief.

At the end of this Agreement pay cuts will be restored to all public servants earning up to €70,000, which is equal to almost 90 per cent of public servants.

The ASC measures will ensure that over 70 per cent of public servants will be making a further permanent contribution to their pensions.

Pay Measures

2018

- 1 January 2018 annualised salaries to increase by 1%;
- 1 October 2018 annualised salaries to increase by 1%.

2019

- 1 January 2019 annualised salaries up to €30,000 to increase by 1%;
- 1 September 2019 annualised salaries to increase by 1.75%.

2020

- 1 January 2020 annualised salaries up to €32,000 to increase by 0.5%;
- 1 October 2020 annualised salaries to increase by 2%.

The Bill also provides for the phased unwinding of pay cuts for those public servants whose basic salary is not fully restored by a date no later than 1 July 2022.

Additional Superannuation Contribution (ASC)***Public Servants who are Members of pre-2013 Pension Schemes with Standard Accrual Terms
1 January 2019***

Band	Rate
Up to €32,000	Exempt
€32,000 to €60,000	10%
€60,000 plus	10.5%

1 January 2020

Band	Rate
Up to €34,500	Exempt
€34,500 to €60,000	10%
€60,000 plus	10.5%

***All Public Servants who are Members of the Single Public Service Pension Scheme
1 January 2019***

Band	Rate
Up to €32,000	Exempt
€32,000 to €60,000	6.66%
€60,000 plus	7%

1 January 2020

Band	Rate
Up to €34,500	Exempt
€34,500 to €60,000	3.33%
€60,000 plus	3.5%

***Public Servants who are Members of pre-2013 Pension Schemes with Fast Accrual Terms
(Unchanged)***

Band	Rate
Up to €28,750	Exempt
€28,750 to €60,000	10%
€60,000 plus	10.5%

In the case of all of the above ASC rates and for any affected public servants, the band-specific percentages apply to the slices of pensionable pay in each band.

Public Service Pensions/ Public Service Pension Reduction (PSPR)

- For existing public service pensioners, the Public Service Pension Reduction will be incrementally moderated over the period 2018-2020 with a provision for the remaining amounts to be eliminated by way of an Order to be made by end 2020.
- Public service pension increase policy in the period out to 2020 will be consistent with the position set out in the Public Service Stability Agreement 2018-2020. The policy will provide for

direct increases in line with pay increases out to 2020 for newly awarded retirement pensions from March 2012. For pre-March 2012 awarded pensions, increases will arise only where, at the time of each pay increase, newly awarded pensions for those same-grade same-service profiles reach or exceed those awarded (based on then existing higher pensionable remuneration) before March 2012.

The Bill provides for the lessening of the PSPR for both pre- and post-March 2012 retirees. Pensioners who retired on or before 29 February 2012 had their pension calculated by reference to their 'pre-cut' salary. Pensioners who retired after that date had their pension calculated on their (lower) salary at January 2010. Because of the difference in salary, different rates of PSPR were applied to these cohorts.

For pre-2012 retirees in 2019, the following PSPR applies:

Annualised amount of public service pension	Reduction
Up to €39,000	Exempt
Any amount over €39,000 but not over €60,000	12 per cent
Any amount over €60,000 but not over €100,000	17 per cent
Any amount over €100,000	28 per cent

For pre-2012 retirees in 2020, the following PSPR applies:

Annualised amount of public service pension	Reduction
Up to €54,000	Exempt
Any amount over €54,000 but not over €60,000	12 per cent
Any amount over €60,000 but not over €100,000	17 per cent
Any amount over €100,000	28 per cent

For post-2012 retirees in 2019, the following PSPR applies:

Annualised amount of public service pension	Reduction
Up to €60,000	Exempt
Any amount over €60,000 but not over €100,000	3 per cent
Any amount over €100,000	8 per cent

For post-2012 retirees in 2020, the following PSPR applies:

Annualised amount of public service pension	Reduction
Up to €60,000	Exempt
Any amount over €60,000 but not over €100,000	1 per cent
Any amount over €100,000	6 per cent

Consistent with PSPR application to date, the band-specific percentage reduction rates above apply to the relevant slices of an affected pension; they do not apply to the entire pension.

The Minister is required to make an order by 31 December 2020, which provides for a date by which any remaining PSPR impact will cease to apply.

Health Professional Fees and Other Professional Fees

The Bill provides for the power for a relevant Minister of Government, with the consent of the Minister for Public Expenditure and Reform, to vary professional fees. Such fees may include those provided by health professionals, including GPs, dentists and pharmacists.

As part of this provision, a consultation phase with relevant representative bodies is required. For health professionals, Minister Harris intends to initiate a consultation in 2018.

Contacts

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