



ARCO's PENSION UPDATE – OCTOBER 2021

Introduction

Pensions, and pension related issues, remain a major focus of the EXCOM's endeavours.

ARCO's Pension Strategy, available on its website, focuses on:

- The retention of Pension Parity,
- The value of military pensions must be maintained into the future,
- The establishment of a statutory, independent third-party mechanism for the negotiation of public service pensions, and
- The repeal of abatement anomalies.

Following a request from the EXCOM in advance of the 2021 Annual General Meeting, Finance Branch, Department of Defence has provided a comprehensive update on 28 September regarding the position and for the implementation in military pensions of the benefits from:

- Increases in Military Service Allowance (MSA) introduced with effect from 04 July 2019,
- Restoration of Public Service Pension Reductions (PSPR) under the Financial Emergency Measures in the Public Interest Acts (FEMPI), and
- Increases arising from the 'Building Momentum' Public Service Agreement 2021 – 2022.

The information provided by Finance Branch forms the basis of this update. Queries or further clarification on any issue contained in this document can be channelled to any member of the EXCOM, including ARCO's Regional Representatives.

Circulars promulgated by the Department of Public Expenditure and Reform catering for the calculation and administration of changes in public sector pensions are available on ARCO's website.

Alignment of Military Pensions with Pay of Serving Defence Forces Personnel

Defence Forces personnel who retired before 01 March 2012 receive pension benefits which do not reflect pay cuts under FEMPI legislation, whereas those who retired after 01 March 2012 are on pension benefits which do reflect the FEMPI pay cuts.



The current policy on public service pension increases is that those who retired since 01 March 2012 must first 'catch up' with those who retired before them on higher pensions.

Finance Branch has advised that its focus to date has been on implementing increases for those in receipt of military pensions who retired after 01 March 2012. In this regard, the vast majority of personnel in receipt of military pensions are now 'aligned'.

2019 MSA Increase

Since October 2019, ARCO was actively engaged with the Department of Defence and the Department of Public Expenditure and Reform (D PER), on the application of the increase in MSA to military pensions in payment on 03 July, 2019. The last of five submissions was made on 17 July 2020.

ARCO's five submissions were inclusive in nature, championing the case for all Defence Forces Veterans, namely retired commissioned officers and enlisted personnel, coupled with spouses of deceased personnel.

On the 23 February 2021, the Minister of Defence advised ARCO that the benefit of the MSA increase will be paid to military pensions, that already include an MSA component backdated to 04 July 2019. In the context of the determination of military pensions in the future, this is a significant development.

Finance Branch has advised ARCO that the benefit of the July 2019 MSA increase has been implemented in the military pensions of relevant enlisted personnel, and in the case of some officers (primarily those at Captain and Lieutenant rank).

Furthermore, Finance Branch has advised that originally it was planned that the calculation and implementation of the benefit of the July 2019 MSA increase and that of the 01 July 2021 FEMPI restoration, for relevant pensioners, would be done in one single exercise, for administrative and calculation reasons. However, approval from D PER is required in relation to passing on the benefit of the 01 July 2021 FEMPI restoration on appropriate military pensions, and this has not yet been received.

Finance Branch remains in contact with D PER regarding the FEMPI restoration. Finance Branch understands that a D PER circular is being finalised which will give approval for the restoration, along with detailed instructions and guidance to public service bodies on the ongoing implementation of public service pension increase policy out to end of 2021.

However, until such approval is received, Finance Branch is not yet authorised to pass on the benefit of the 1 July 2021 FEMPI pay restoration, (or of the 01 October 2021 pay increase), see below for info on FEMPI restoration.

In the absence of D PER's approval for the implementation of the benefit of the 01 July 2021 FEMPI restoration, Finance Branch has decided to proceed with the implementation, on a separate basis, of the July 2019 MSA increase for the remaining relevant personnel in receipt of military pensions.



Work on this has commenced and it is intended that the benefit of the MSA increase along with appropriate arrears will be implemented and paid to all relevant personnel in receipt of military pensions before the end of the year, subject to ongoing work commitments and payroll constraints.

Restoration of FEMPI Reductions: Effective From 01 July 2021 and 01 July 2022

In accordance with the Public Service Pay and Pensions Act 2017, the process of unwinding the remaining FEMPI pay reductions is taking place over 2021 to 2022,

Essentially, serving personnel on salaries of up to approximately €70,000 have already been fully restored to their pre-FEMPI rates at the expiry of the Public Service Stability Agreement 2018 – 2020 in December 2020; and the benefit of the relevant FEMPI pay restorations up to 01 October 2020 have, in general, been implemented in the relevant military pensions.

With effect from 01 July 2021, in respect of serving personnel, where the relevant salary scale had not yet been restored to its pre-FEMPI level, full restoration was given to salaries of €70,000 (approx.) up to €150,000

A further and final restoration in pay for military salaries above €150,000 is due on 01 July 2022.

In line with the current pension increase policy the benefit of this restoration is expected to be passed on to “qualifying pensions”. However, approval and instructions from D PER in relation to the implementation of this restoration are required and are awaited.

Increases accruing from the Public Service Agreement 2021 - 2022

The current Public Service Agreement 2021-2022, ‘Building Momentum’ provides for the following:

- **01 October 2021**. A general round increase for all public servants not benefitting from [FEMPI] pay restoration on 1 July 2021, of 1% or €500, whichever is greater,
- **01 February 2022**. The equivalent of a 1% increase, to be used as a Sectoral Bargaining Fund, in accordance with Chapter 2 of the Agreement, and
- **01 October 2022**. A general round increase for all public servants not benefitting from [FEMPI] pay restoration on 1 July 2022, of 1% or €500, whichever is greater.

Under the Public Service Pay and Pensions Act 2017, pay for public servants on salaries under €150,000 must be restored to pre-FEMPI levels by 01 July 2021, and for those earning above €150,000 by 01 July 2022.

Public servants who are due an amount of FEMPI pay restoration in 2021 or 2022 under the Public Service Pay and Pensions Act 2017, will not receive the general round increase in that year. However, if the amount of restoration due is less than the general round increase, they will be paid the balance on the date of the general round increase.



On 01 February 2022, a sectoral bargaining payment equivalent to 1% of basic pay is due to be paid.

As with all pension increases in the public sector, formal approval and detailed guidance from D PER is required with regard to the implementation of pension increase policy for these 'Building Momentum' increases. This has yet to be received by Finance Branch.

Implementation Process: Increases in Military Pensions

Finance Branch has advised ARCO that the task of implementing increases in military pensions has become a very significant administrative undertaking for the Department of Defence and its payroll provider, the Payroll Shared Services (PSS).

The nature and complexities of recent pay and pension reforms, and the different operative dates and groups affected, mean that the implementation of each of the relevant increases is not a straight-forward exercise.

Finance Branch has to examine each military pension rate at an individual level, as how each increase applies to individuals depends for example:

- On whether they retired before or after 01 March 2012,
- The level of their pensionable salary on retirement,
- The retiring rank, and
- Other associated factors.

This examination process creates many challenges for Finance Branch regarding the calculation and implementation of each increase for appropriate reflection in an individual's military pension.

Nevertheless, substantial progress has been made regarding military pensions in payment, and Finance Branch has advised ARCO that the relevant increases as outlined above, with appropriate arrears, will be passed on to the relevant military pension groups as soon as possible.

EXCOM

04 October 2021