



ARCO's PENSION UPDATE – MAY 2022

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, on 25 April, Finance Branch, Department of Defence provided additional information on the payment of increases in military pensions arising from the 'Building Momentum' Public Service Agreement 2021 – 2022.

This particular Pension Update reflects some amendments of ARCO's Pension Update dated 04 October 2021, which was published in conjunction with the 2021 Annual General Meeting, and provides additional information regarding the payment of relevant increases in military pensions, w.e.f. 01 October 2021 and 01 February 2022.

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 military 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. With effect from 01 July 2021, FEMPI reductions no longer apply to those in receipt of military pensions under €75,000.

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 Military Service Allowance Increase

Arising from ARCO’s five submissions, the Minister of Defence advised ARCO on 23 February 2021, that the benefit of the MSA increase will be paid to those military pensions that already include an MSA component backdated to 04 July 2019.

ARCO understands that the benefit of this MSA increase, along with appropriate arrears, has now been paid to all relevant personnel in receipt of military pensions.

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 the period 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. The benefit of the relevant FEMPI pay restorations up to 01 October 2020 have been reflected in the relevant military pensions.

With effect from 01 July 2021, in respect of serving Defence Forces 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.

In line with the current pension increase policy the benefit of this full restoration has been passed on to “qualifying military pensions” up to €75,000 from 01 July 2021.

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

However, approval and instructions from D PER in relation to the implementation of the restoration for those in receipt of military pensions above €75, 000 on 01 July 2022 will be necessary.

Increases accruing from the Public Service Agreement 2021 - 2022

The existing government pension increase policy is for a limited resumption of Pay Parity. This means that pay increases granted to serving Defence Forces personnel during the course of the Public Service Agreement 2021-2022, ‘Building Momentum’ will be passed on to relevant military pensions, where the salary on which the pension was based does not exceed the salary of serving staff with the same grade and scale point, after the pay increase has been applied.

Effectively, military pensions will be eligible for an increase to the extent that this would ensure alignment with the pay of serving Defence Forces personnel. This policy will apply for the duration of ‘Building Momentum, i.e. up to 31 December 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 was restored to pre-FEMPI levels by 01 July 2021, and for those earning above €150,000 will be restored by 01 July 2022.

Public servants who were / 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 was 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.

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 the application of increases as outlined above in military pensions in payment.

On 24 April, Finance Branch advised ARCO that the vast majority of those in receipt of military pensions should receive increases accruing from 01 October 2021 and 01 February 2022, as appropriate, in their May pension, with the remainder to be received in the June pension.

In addition, Finance Branch as assured ARCO that the benefit of these increases and of the various other relevant pay increases that are due in 2022, (1% w.e.f. 01 October) will be implemented, as appropriate, as soon as practicable.

EXCOM

13 May 2022