

Explanatory Leaflet on the Education Sector Superannuation Scheme

REVISION SCHEME OFFICERS PAYING MODIFIED (CLASS D) PRSI WHO ARE NOT NEW ENTRANTS (FOR THE PURPOSES OF THE PUBLIC SERVICE SUPERANNUATION (MISCELLANEOUS PROVISIONS) ACT 2004)

*i.e. those who joined the Public Sector before
6th April 1995 and have remained in public sector
employment without a break since their start date*

1. What is the basis for the Education Sector Superannuation Scheme?

The superannuation provisions are set out in schemes and regulations made under the Local Government (Superannuation) Act, 1980. These schemes and regulations were formerly made by the Minister for the Environment, Heritage and Local Government but now fall to be made by the Minister for Education and Science with the consent of the Minister for Finance. Chapter 3 of Part II of the Local Government (Superannuation) (Consolidation) Scheme, 1998 contains the main superannuation provisions applicable to those covered by this leaflet. Schemes and regulations made under the Local Government (Superannuation) Act 1980 may be amended by the Minister for Education and Science with the consent of the Minister for Finance, subject to the powers conferred by the 1980 Act.

2. What types of Schemes are involved?

The schemes are statutory schemes to which section 776 of the Taxes Consolidation Act, 1997 applies. They are defined benefit schemes for the purposes of the Pensions Act, 1990. The schemes are not funded and benefits are met on a "pay-as-you-go" basis.

I MAIN SCHEME

3. What benefits does the Scheme provide?

The main benefits are

- retirement pension and lump sum (question 10)
- death gratuity (question 16)
- spouses' and children's pensions (questions 28 - 44).

4. Who is eligible to join the Scheme?

If you are appointed to a pensionable post with an institute of technology you are eligible to join the Scheme. Membership of the Scheme is compulsory for any officer who is eligible to join it. Membership of the Scheme is also open to certain fixed term and part-time officers subject to certain conditions.

5. What factors will be taken into account in determining benefits?

The benefits will normally depend upon one or more of the following factors:

- (a) your basic salary
- (b) your pensionable allowances, if any
- (c) your service (questions 7, 12, 21, 22 and 23).

6. Are contributions payable towards the benefits of the Scheme?

Contributions are payable towards your own retirement pension and lump sum benefits at the rate of 5% of your salary and pensionable allowances. Additional contributions are payable towards spouses' and children's pensions (question 38).

7. What service is reckonable for benefits?

- pensionable service;
- temporary wholetime service which precedes permanent wholetime (i.e. pensionable) service;

- certain part-time service;
- certain other transferred service (question 22);
- additional or added service allowed in certain circumstances (questions 12 and 21);
- certain service in respect of which you may already have received a gratuity or a refund of contributions provided you make an appropriate repayment.

8. On what rate of pay are benefits calculated?

In most cases benefits are based on basic salary, plus any pensionable allowances, on the date of retirement or death. If, however, you change grade or receive a personal increase in salary within the last 3 years of service, an average salary figure will be used.

Pensionable allowances are assessed on the basis of the best 3 consecutive years in the final 10 years of reckonable service. The pensionable allowances earned in whichever 3 year consecutive period is the best are averaged over that period. If the best 3 consecutive year period is other than the final 3 years of reckonable service, the amount of the averaged allowance(s) is uprated to the values appropriate to the last 3 years of reckonable service.

9. When are benefits payable?

Retirement pension and lump sum are payable on retirement. Maximum retirement age is 65 but you may retire at any time after reaching age 60 (or before that age on grounds of ill-health – see question 12). Payment of a pension and lump sum in the case of an ill-health retirement is subject to a minimum of 5 years' reckonable service; in all other cases a minimum of 2 years' reckonable service is required in order to qualify for a pension and lump sum. If you resign voluntarily before age 60 with at least 2 years' reckonable service and do not transfer to another organisation whose pension scheme allows for the reckoning of your institute of technology service you may qualify for a preserved pension and lump sum at age 60, on written application by you or you may, instead, opt for cost neutral early retirement (see question 19).

10. What rate of retirement pension and lump sum is payable?

The Scheme is designed to give you the maximum pension and lump sum after 40 years' service. Subject to a minimum requirement of 2 years' reckonable service (or 5 years' reckonable service in ill-health retirement cases), pension and lump sum are payable for each year of reckonable service (with fractions of a year counting proportionately) at the following rates:

Pension: $\frac{1}{80\text{th}}$ of pensionable pay.
 Lump Sum: $\frac{3}{80\text{ths}}$ of pensionable pay.

Example:

A person retires at age 61 with 34.36 years' reckonable service and pensionable pay of €55,000. The entitlements are calculated as follows:

Pension	=	€55,000	x	34.36	x	1/80	=	€23,622.50
Lump Sum	=	€55,000	x	34.36	x	3/80	=	€70,867.50

If you resign before age 60 and qualify for a preserved pension and lump sum, they will be based on your pensionable pay on the day of your resignation uprated to take account of increases in pensions generally between that date and your 60th birthday.

11. What is the position if I become too ill to continue in employment?

Subject to certain conditions you may retire on ill-health grounds.

12. What benefits are payable if I retire on ill-health grounds?

A pension and lump sum, calculated in the same way as an age retirement pension and lump sum (see question 10) will be paid to you provided you have a minimum of 5 years' reckonable service (if under age 60) or 2 years' reckonable service (if age 60 or over). As well as your actual service you may be allowed an additional period of notional service provided you have at least 5 years' reckonable service. This added service, which is calculated by reference to the length of your actual service, is to compensate you for the fact that you have to retire prematurely. An addition of 6 2/3rds years is common. The maximum addition is 10 years but very few, if any, employees will qualify for this. The actual addition allowable in any case will depend on the employee's age and service as follows:

- (a) a member with between 5 and 10 years actual service is credited with an equivalent amount of added service, provided this does not exceed the additional service which the member would have accrued if he/she had remained in employment up to age 65;
- (b) a member with between 10 and 20 years actual service is credited with the more favourable of –
 - (i) an amount of service equal to the difference between actual service and 20 years (provided this does not exceed the additional service which the member would have accrued if he/she had remained in employment up to age 65); or
 - (ii) 6 years and 243 days, provided this does not exceed the additional service which the member would have accrued if he/she had remained in employment up to age 60);
- (c) a member with more than 20 years actual service is credited with the same award of added service as at (b)(ii) above.

If you retire on ill-health grounds with at least 1 year and less than 2 years' reckonable service, you will not qualify for a pension and lump sum. However, a short service gratuity, related to your actual service, will be paid to you (see question 25).

If you retire on ill-health grounds before age 60 and have at least 2 years and less than 5 years' reckonable service, you will be given a once-off irrevocable option of accepting a short service gratuity (see question 25) in lieu of a preserved pension and lump sum (see question 19). To assist you in making your option, you will be given relevant information, including -

- an estimate of the benefits available under each option
- a statement that where you opt to receive the short service gratuity, contributions paid by you under the Spouses' and Children's Contributory Pension Scheme will be

refunded and that the refund will discharge the Institute's liabilities under that Scheme

- the time-limit within which the option must be exercised.

13. For how long is my pension paid?

Your pension is paid for the period of your lifetime.

14. Is there any provision for my pension to be increased to take account of inflation?

Yes. Your pension (or any spouse's and children's pension payable after your death) will generally be increased to take account of increases in the pay of your former grade.

15. Are benefits affected if I become re-employed by an institute of technology after I retire or resign?

Yes. Different rules apply depending on whether you become re-employed in a pensionable or non-pensionable capacity. You should contact the HR Department for more information.

16. What benefits would apply if I died in service?

Your legal personal representative would receive the greater of:

- (a) one year's pensionable pay (at the rate applicable on the date of your death), or
- (b) the lump sum that would have been paid to you had you retired on ill-health grounds on the date of your death (questions 10 and 12).

If you are a member of the Spouses' and Children's Contributory Pension Scheme, a pension will be payable to your spouse and children (questions 28 - 44).

17. What benefits would apply if I died after retirement?

If at the time of your death the total pension received by you since your retirement, together with the amount of your retirement lump sum, amounts to less than one year's pensionable pay as at the date of your retirement, a sum equal to the deficiency will be paid to your legal personal representative.

18. What happens if I leave the institute of technology otherwise than by reason of age or ill-health retirement?

If you resign voluntarily you may either transfer your pension rights to an approved organisation (question 22) or, if you have at least 2 years' reckonable service, qualify for a preserved pension and lump sum (question 19).

19. How or when do I qualify for preserved benefits?

If you resign before age 60 -

- (a) other than on ill-health grounds with at least 2 years' reckonable service and you are not transferring your service to another organisation whose pension scheme allows for the reckoning of your service under the Education Sector Superannuation Scheme, or
- (b) on ill-health grounds with at least 2 years' reckonable service and do not opt in writing to receive a short service gratuity (question 12),

your pension and lump sum entitlement is preserved to age 60. As explained in questions 9 and 10 you must apply in writing for these benefits on reaching age 60 and they will be

based on your reckonable service and on your pensionable pay on the date of your resignation uprated by the appropriate increases between that date and your 60th birthday.

Preserved pension and lump sum under (a) above will become payable earlier than your 60th birthday if you fall permanently ill before that date. Should you die before reaching age 60 a preserved death gratuity (calculated in the same manner as a preserved lump sum) will be payable to your legal personal representative.

As an alternative to taking preserved benefits, you may, provided you are at least 50 years of age, decide to retire and take immediate payment of pension and lump sum in which case the benefits will be actuarially reduced to take account of the early payment of the lump sum and the longer period over which pension would be paid. This facility is known as cost neutral early retirement and the application to draw down these benefits must be made not later than the date of resignation. The amount of the actuarial reduction will depend on your age on resignation. Further information, including the actuarial reduction rates and other general conditions, is available from the HR Department.

20. Can I obtain a refund of my contributions in any circumstances?

Your contributions (less an appropriate deduction for income tax) will be refunded to you if you resign with less than 2 years' reckonable service and are not entitled to transfer your service (question 22).

21. What are added years or additions to service?

Notional service or added years may be awarded in certain circumstances

- on ill-health retirement (question 12), and
- where certain professional, technical, specialist qualifications and/or experience are required for appointment.

22. What does transferred service mean?

Under public sector transfer of service arrangements you are able to transfer your service to or from a variety of public sector organisations such as the civil service, the Garda Síochána, the Defence Forces, the education sector, the health sector, the local government sector and certain other state or semi-state bodies. The HR Department of your institute of technology will be able to advise you of the full extent of these transfer of service arrangements.

Newly-appointed officers should notify their HR Department of any previous employment and if you are resigning you should give details of your prospective employer, if any, to the HR Department so that a transfer of your service can be arranged, if possible.

23. What can I do if I have a shortfall of service?

You may purchase additional notional service at full actuarial cost. Details of the cost of purchase and the limits on the amount of notional service you may purchase are available from the HR Department of your institute of technology.

Alternatively, you may be able to contribute to a union-based Additional Voluntary Contribution (AVC) Plan. However, this is outside of the Education Sector Superannuation Scheme. You should contact your union or the HR Department of your institute of technology for further information in relation to the AVC Plan relevant to you. However, you should bear in mind that your institute of technology will not provide you with advice or

direction in relation to the best option for you. This is something you should seek your own independent advice on.

24. Can I allocate part of my pension?

Yes - in order to provide a pension for your spouse or other dependent relative. An allocation does not affect any pension payable under the Spouses' and Children's Contributory Pension Scheme.

25. What is a short service gratuity?

A short service gratuity may be paid to you if you are forced to retire permanently on health grounds after at least 1 year's service before you have the required service to qualify for a lump sum and pension. It may also be paid in lieu of preserved benefits if you retire or resign on ill health grounds with between 2 and 5 years' service and opt for same (see question 12).

The gratuity amounts to $1/12^{\text{th}}$ of pensionable remuneration for each year and fraction of service. In addition, if you have over 2 years' service, an extra sum amounting to $3/80^{\text{ths}}$ of pensionable remuneration for each year and fraction of service is payable.

26. What is the Spouses' and Children's Pension Scheme?

A brief explanation of that Scheme is attached (see questions 28 - 44)

27. How are benefits and contributions treated for income tax purposes?

All lump sum payments (including gratuities) are exempt from income tax.

Pensions are subject to income tax in the ordinary way.

Contributions payable towards the main scheme and the spouses' and children's pension scheme would normally qualify for income tax relief (subject to certain limits).

II SPOUSES' AND CHILDREN'S PENSION SCHEME

28. What is the Spouses' and Children's Pension Scheme?

It is a Scheme to provide pensions for the spouse and/or dependent children of a member who dies in service or after qualifying for a pension or preserved pension.

29. Who does the Scheme apply to?

The Scheme applies to any officer who is appointed to a pensionable post on or after 1 January, 1986. Any officer in a pensionable post immediately prior to that date had an option to join the Scheme. Some officers would have decided to remain in the Widows' and Orphans' Scheme which is broadly similar to the Spouses' and Children's Scheme, while others would not be members of either scheme. (Further details of the Widows' and Orphans' Scheme may be obtained from the HR Department of your institute of technology).

30. Can I leave the Scheme?

No – Once you join the Scheme you must remain in it.

31. How are spouses' and children's pensions calculated?

If you die in service or after retirement on ill-health grounds the spouse's and children's pensions will be calculated by reference to the pension you would have received had you continued in pensionable employment up to age 65 (this is known as your potential pension).

In all other cases the spouse's and children's pensions will be calculated by reference to your actual pension entitlement. It should be noted that any decision to opt for cost neutral early retirement in lieu of preserved benefits (question 19) will not affect spouse's and children's pension benefit, i.e. the spouse's and children's pension benefit will be the same as if the option had been for preserved benefits.

Pensions are calculated according to the following table:

Details of Dependants	Fraction of your pension or potential pension payable to spouse	Fraction of your pension or potential pension payable to children	Total Fraction of your pension or potential pension payable
Spouse	$\frac{1}{2}$	-	$\frac{1}{2}$
Spouse and 1 child	$\frac{1}{2}$	$\frac{1}{6}$	$\frac{2}{3}$
Spouse and 2 children	$\frac{1}{2}$	$\frac{1}{3}$	$\frac{5}{6}$
Spouse and 3 or more children	$\frac{1}{2}$	$\frac{1}{2}$	Full Amount
1 child	-	$\frac{1}{3}$	$\frac{1}{3}$
2 or more children	-	$\frac{1}{2}$	$\frac{1}{2}$

An enhanced rate of pension may be payable for the first month after your death. This amounts to one month's pay if you die in service and one month's pension (your pension rate on the date of death) if you die after retirement.

32. Who is regarded as a “child” for the purposes of the Scheme?

A person under 16 years of age or, if receiving full-time education or training, 22 years of age. Subject to certain conditions, no age-limit applies where a child is incapable of maintaining himself or herself because of mental or physical infirmity.

33. To whom are children's pensions payable?

Children's pensions are normally paid to the spouse.

34. My spouse has already died – can I provide for my children under the Scheme?

Yes – your children would be covered under the Scheme.

35. I have four children – can I provide for all of them?

The children's pension is for the joint benefit of all your children. If you leave a spouse and three or more children, the maximum children's pension will be payable. Similarly, if you leave no spouse the maximum children's pension will be payable so long as at least two

children remain eligible. Children's pension is divided equally among all eligible children. In your case each child would receive one-quarter of the total children's pension payable.

36. If my spouse dies what happens to the children's pension?

It depends on the number of children. If there is one child under 16, or under 22 if receiving full time education, or incapable of maintaining himself or herself because of mental or physical infirmity, the pension goes up from one-sixth of the amount of your pension to one-third and, if there are two such children, from one-third to one-half. If there are three or more such children the total amount of their pension remains unchanged.

37. If my spouse re-marries, what happens to the pension and the children's pension?

The spouses' pension stops. The institute of technology may pay or restore it if she/he again becomes a widow/widower or if compassionate grounds for so doing arise. The children's pension also stops unless the institute of technology directs otherwise.

38. Do I have to contribute towards the benefits of the Scheme?

Yes. The Scheme is contributory and all participating in it must pay contributions. These take the form of a periodic contribution of 1.5% of pay, plus a deduction of 1% of pensionable pay at retirement or death in respect of each year of reckonable service for which contributions from pay have not been paid.

If you gave reckonable service prior to the date from which periodic contributions commenced a deduction from the lump sum or death gratuity would normally be due. However, you may instead opt to contribute for that service by extra contributions from pay provided certain conditions are fulfilled.

39. For how long do I have to contribute?

Your spouse gets a pension which is calculated on your actual pensionable service, plus, if you die in service or after retirement on ill-health grounds, your potential service to age 65. The total is your "reckonable service" and you must therefore pay contributions to cover the whole of that service.

40. Please tell me more about the system of contributions?

Contributions, once started, will continue until you are pensioned or die, even if you do not marry or if your spouse should die. (See, however, the provisions described under questions 41, 42 and 43 below).

41. Are my contributions refunded if I retire without a pension myself?

Yes. Contributions (less an appropriate deduction for income tax) are returnable if your service terminates without entitlement to pension or preserved pension unless you transfer your service for superannuation purposes to another organisation.

42. Do I have to go on contributing if my spouse dies while I am serving?

Yes. Years after the death of your spouse during which you paid periodic contributions will, unless you have married again before retirement, be offset against any years for which you may be liable for contributions.

43. Are my contributions refunded if I remain unmarried throughout the time that the Scheme applies to me?

No. However, you will not have to pay any non-periodic contributions.

44. Does being a member of the Scheme affect my own pension?

No.

III COMPLAINTS/DISPUTES

45. Have I the right to make a complaint about any aspect of my pension entitlement?

Yes. If you are unclear about your entitlements or are unhappy about any decision made by your institute of technology in relation to your pension position, you should contact that institute and ask them to explain the position fully to you. If, following this contact, the matter has not been settled to your satisfaction, you may avail of a formal Internal Disputes Resolution Procedure (IDRP). Under this procedure, you may appeal to the Minister for Education and Science who will refer the complaint or dispute to the Minister for Finance for determination.

Should you still have a complaint or dispute following IDRP, you may, depending on the nature of the complaint or dispute, be entitled to refer the matter to the Pensions Ombudsman for determination. Details of the formal internal review process are available from your institute of technology. Information concerning IDRP and the role and functions of the Pensions Ombudsman is available from the Office of the Pensions Ombudsman, 36 Upper Mount Street, Dublin 2 – telephone 01 6471650 – or on the Pensions Ombudsman's website <http://www.pensionsombudsman.ie>

IV ADDITIONAL INFORMATION

46. Is the scheme registered with the Pensions Board?

Yes. The registration number is

47. What is a Pension Adjustment Order?

In the event of judicial separation or divorce under the Family Law Acts, a Court Order for a Pension Adjustment Order in respect of the retirement or contingent benefits (benefits arising from death in service) payable to or in respect of a married member may be sought and made. Further information about the operation and impact of Pension Adjustment Orders may be obtained from the Pensions Board.

48. Is there any other information available regarding my pension entitlements?

You should contact _____ of the HR Department if you require any other details.

The purpose of this Booklet is to provide general information on superannuation entitlements for staff members in a format that is easy to understand. That said, the Booklet is not a definitive legal interpretation of the superannuation provisions covering Institute of

Technology staff, nor does it purport to deal with every query that may arise concerning superannuation. Care has been taken to ensure that it is accurate but nothing can override the formal rules of the Education Sector Superannuation Scheme.

The superannuation provisions set out in this Booklet apply equally to men and women. The HR Department (see question 48) should be consulted should any staff member have a particular query which is not covered in the Booklet.