



SUBMISSION TO
THE PENSIONS
COMMISSION
2021

Introduction.

1. This submission sets out to explain how changes to the pension arrangements implemented in 2013 for Public Sector employees has had a significant and detrimental impact on career intentions on post-2013 commissioned officers and will cause the Defence Forces to face “major difficulties in maintaining its personnel and in carrying out its mandate”¹. The removal of a supplementary pension to commissioned military officers (a fast accrual group), when combined with early Mandatory Retirement Ages (MRA) well in advance of the new normal retirement ages for public sector workers and the payment of the States Contributory Pension, is the main contributing factor.

2. Upon raising the matter with both the Defence Force’s Chief of Staff, Vice Admiral Mark Mellett and the Department of Defence’s Secretary General, Mrs. Jacqui McCrum on the 09 Oct 2020, it was agreed that the Association and the Defence Organisation² could make submissions to the 2021 Pensions Commission.

About RACO.

3. The Representative Association of Commissioned Officers (RACO) was established by statute under the Defence Amendment Act (1990). It formally represents commissioned officers of the Permanent Defence Force (consisting of the Army, Air Corps and Naval Service) from the rank of Second-Lieutenant to Colonel (and Naval Service equivalents). Officer Cadets are associate members. Defence Force Regulation S.6 is the Statutory Instrument (S.I.) gives effect to the 1991 Act and governs inter alia, the ‘scope of representation’ upon which the Association represents its membership on. Conditions of military service, remuneration and superannuation all fall firmly within the scope of representation. In addition to 162 officer-cadets, over 95% of the 1,200 eligible commissioned officers are members of the Association.

Pension Schemes Applicable to Commissioned Officers.

4. There are currently four Pensions Schemes applicable to Commissioned Officers of the Permanent Defence Force (PDF). Membership of the relevant pension scheme is compulsory and set by reference to the year one joined the Public Service. For reference these are,

- PRSI Class ‘C’ pre-April 1995.
- PRSI Class ‘A’ post-1995 and pre-2004.
- PRSI Class ‘A’ post-2004 and pre-2013.
- PRSI Class ‘A’ post 01 Jan 2013 – Single Public Service Pension Scheme.

5. 574 members, or approximately 45% of RACO’s membership (including the officer-cadets) are in the Post-2013 Single Pension Scheme. This submission deals exclusively with this cohort, as in general, adequate arrangements exist for the payments of a supplementary (transition) pension by DOD/DSP for the two other PRSI Class ‘A’ cohorts. The PRSI Class ‘C’ cohort are not integrated into the Social Welfare system.

Background and Mandatory Retirement Ages (MRAs).

6. Employees in the Public Sector who are forced to retire on age grounds earlier than the Public Sector norm are generally referred to as the “Fast Accrual” groups. Fast accrual groups include members of An Garda Síochána, the Prison Service, the Fire Service, and the Defence Forces. For the effective functioning of these services, these employees must retire earlier than the remainder of the Public Service. This is

¹ Quote from the report of *Research Matters Ltd* to the Public service Pay Commission 2019. Available online @ [Research-Matters-Surveys-and-Structured-Interviews-Defence-Forces.pdf \(paycommission.gov.ie\)](https://www.paycommission.gov.ie/Research-Matters-Surveys-and-Structured-Interviews-Defence-Forces.pdf)

² Collective name for the Department of the Defence and the Defence Forces.

objectively justified on grounds of the strenuous nature of the work involved, the physical fitness and medical standards that one must achieve to be allowed to continue to remain in service. Hence in pension terms fast accrual means that these employees build up scheme benefits at a higher rate and in most cases are eligible to apply for retirement benefits under the scheme earlier than standard accrual members.

7. The requirement for early Mandatory Retirement Ages (MRA) clarifies why pensions benefits for fast accrual groups now accrue over 30-years rather than the norm of 40-years in the rest of the public service. MRAs of DF commissioned officers are based on one military rank and range from 54 (Captain) to 60 (Colonel). All MRAs for the fast accrual cohorts are at ages which are well in advance of the payment of the State Pension Contributory (SPC)³.

Conciliation Council Report 421.

8. Under the Conciliation and Arbitration Scheme for members of the Permanent Defence Force, an agreement between RACO and the Ministers for Defence and Finance was finalised in Nov 2009. Conciliation Council Report 421 (CCR 421 – Annex ‘C’) as it is known, provides for the payment of a supplementary pension to post-2004 entrants with the requisite service and over the age of 50. CCR 421 states that

“the supplementary pension will in line with arrangements applicable in public service schemes generally, be payable only in respect of periods during which the pensioner is not employed and due to causes outside their control fails to qualify for social insurance benefit. . . the rate of supplementary pension will be sufficient to bring the total amount of occupational pension up to the rate which would have been payable had it been based on pension remuneration i.e. without any integration with the social insurance system”.

The Single Public Service Pension Scheme Act (2012)⁴.

9. The Single Public Service Pension Scheme or Single Pension Scheme (SPS) started on 1 Jan 2013. The SPS is a defined benefit pension with benefits based on a career-averaging, rather than a final-salary model i.e., retirement benefits are based on a percentage of pensionable earnings throughout one’s public service career. Retirement benefits are only payable at retirement and if you have completed the 24-month vesting period. Pensionable remuneration (pay plus any pensionable allowances) in a pay-period, build up an amount towards the final retirement benefit(s).

10. Sec.7 of the 2012 Act prevents CCR 421 applying to post-2013 new entrants⁵. Under Sec.13 the ‘Normal Retirement Age’ (other than Ill-Health Retirement) is set at 66. But Sec.26 sets out that a vested fast accrual (Uniformed) member is eligible for payment of pension and lump sum benefits immediately following retirement. In general, for fast accrual members of the Scheme, the Normal (minimum) Retirement Age is 50 years of age for members of the Permanent Defence Force and age 55 years of age for Gardai, Prison Officers, and full-time Firefighters.

Failure to deliver Integrated Model of Superannuation.

11. But the SPS Act 2012 fails to accurately provide for those in the fast accrual sectors. The failure to provide an equivalent model of integration by providing either for the continued facility of a “supplementary pension” until they qualify for the payment age of the SPC, or an equivalent Public Service retirement age of 70 (to qualify for SPC) essentially denied the fast accrual sector the full entitlement and equivalence provided for in the other Public Sector bodies.

³ Currently 66, set to rise to 68 in 2028.

⁴ Public Service Pensions (Single Scheme and Other Provisions) Act 2012 – Act 37 of 2012.

⁵ Sec.7 states “Other than in accordance with Sec. 15 , no provision of a pre-existing public service pension scheme shall apply or be applied in respect of the service of a public servant to which the Scheme relates . . .

12. Documents released under FOI to RACO clearly identify that the final benefit anomaly was highlighted by Defence Sector management to DPER at the time of drafting the 2012 Act. The failure of the State (employer) to provide in the provisions of the 2012 Act for the necessary and equivalent measure for those forced to retire in advance of the SPC are extremely problematic for members of the DF.

13. The limited consultation between DOD and the Representative Associations prior to the introduction of the 2012 Act focused purely on the movement to a career average earnings model of superannuation accrual. The provision of the supplementary pension, as agreed between the parties in Annex 'C' to CCR 421, did not form part of these discussions despite DOD and DPER's knowledge of its impending withdrawal under new legislation.

14. Of great disappointment to RACO's membership is the failure of Defence sector management to fully disclose all material facts in relation to the changes introduced by the 2012 Act and, additionally, the ongoing failure of the Minister and Defence Management in progressing solutions in addressing the indisputably flawed nature of the New Entrant DF Superannuation Schemes. The approach by the Defence Sector is in stark contrast to Government's approach to the unionised sectors.

Published Terms & Conditions of Employment for Post-2013 Entrants.

15. Officer Cadets are liable to pay PRSI Class 'H' contributions for the duration of their cadetship. Once commissioned as officers, they pay the standard PRSI at the Class 'A' rate. In both cases, they are covered for the range of benefits under the Social Insurance code, including the State Pension Contributory subject to meeting the qualifying criteria under the Social Welfare Acts. The following regarding pensions is extracted from the 'Cadet Booklet'. This in effect forms the employment T&Cs for Post-2013 entrants.

*"PRSI Class 'A' are **integrated** into the social welfare system SPC form part of the overall pension entitlement. New entrants to the Public Service on or after 6 April 1995, including Commissioned Officers in the PDF, are insurable for **full PRSI**. For this reason, public service retirement (or spouse's / civil partner's) pensions are subject to **integration** with the State Social Insurance system in accordance with standard Public Service arrangements.*

*This means that a person's entitlement to the range of Social Insurance benefits (including the Contributory State Pension) is considered when calculating the amount of retirement pension payable. In an integrated pension scheme, the Contributory State Pension (CSP) is regarded as part of the employee's total pension package. Under standard Public Service arrangements, this **integration** of retirement pension with the Social Insurance system applies from the time the retirement (or spouse's / civil partner's) pension commences payment.*

*This means the retirement pension is adjusted (reduced) from the start by a Social Insurance State Pension offset, **regardless of whether the person has reached Contributory State Pension age (66-68)**. Integration applies to retirement pension and to employee contributions, but not to retirement lump sum.*

*A Contributory State Pension (CSP) becomes payable upon reaching the qualifying age (referenced above). The Public Service (Single Scheme and Other Provisions) Act 2012 (the 2012 Act), **does not currently provide for the payment of a 'supplementary retirement pension' in the period between Defence Forces mandatory retirement age and State Pension age**".*

Employee pension contributions:

*Note 1 – The 7.5% Single Scheme contribution is comprised of 4.2% of net pensionable remuneration (which means pensionable remuneration less twice the maximum rate of State Pension Contributory payable from time to time to a person who has no adult or child dependants) **plus** 3.3% of pensionable remuneration.*

Note 2 – Subject to certain exemption thresholds, all Public Servants who are in pensionable employment – including members of the PDF – are also liable to pay an Additional Superannuation Contribution (ASC). The ASC is separate from the standard employee pension contributions

mentioned above. No additional superannuation benefits are earned because of the ASC. The ASC applies to pensionable earnings above certain thresholds at different bands and % rates depending on the pension scheme applicable to the member."

Pension Contributions Rates and Additional Superannuation Contributions (ASC) Rates.

15. In addition to a 7.5% employee contribution from salary towards their Single Scheme benefits, PDF members pay an Additional Superannuation Contribution (ASC). The graduated rates of deduction and the effect of ASC deduction on net pay is shown below in Table 1 below;

Table.1 Graduated Rates.

Additional Superannuation Contributions
All Public Servants who are members of the Single Public Service Pension Scheme
First €34,500 of pensionable earnings – exempt
Next €25,500 @ 3.33%
Balance @ 3.5%

16. ASC was introduced on 01 Jan 19 replacing the Pension Related Deduction (PRD) which had been in existence since 01 Mar 09. ASC is provided for under Part 4 of the Public Service Pay and Pensions Act (2017). Whereas PRD was a temporary emergency measure, ASC is now a permanent pension contribution payable in addition to existing pension contributions and attracting tax relief at the marginal rate.

17. A key difference between ASC and PRD is that ASC is chargeable on pensionable income and not taxable income. This means that, unlike PRD, remuneration such as non-pensionable allowances and non-pensionable overtime is not generally subject to ASC, further reducing ASC liability compared to the previous PRD liability. ASC is applied via multiple tables (thresholds, bands, rates) ASC is charged at different rates with different exemption thresholds and bands depending on pension scheme and pension terms. There are transitional exemption thresholds and bands for 2019 with a permanent set of exemption thresholds and bands being introduced in 2020.

18. For reference only Table.2 sets out the varying rates of ASC.

Table.2 Varying Rates of ASC.

All Staff 2021 Onwards Standard Accrual Group	All Staff 2021 Onwards Fact Accrual Group	All Staff 2021 Onwards Single Scheme Group
First €34,500@ 0%	First €28,750 @0%	First €34,500 @0%
Next €25,500 @10%	Next €31,250 @10%	Next €25,500 @ 3.33%
Balance @ 10.5%	Balance @ 10.5%	Balance @3.5%

DPERs Review of the “Barriers to Extended Participation in the Workforce”.

19. The Report of the *Interdepartmental Group on Fuller Working Lives*⁶ was agreed by Government in Aug 2016. On foot of that Report, DPER with the Public Service employers, were tasked to review the current statutory and operational considerations giving rise to barriers to extended participation in the public service workforce, up to and including the current and planned age of entitlement to the Contributory State Pension (CSP). In Nov 2017, DPER published its *Review of Barriers to Extended Participation*⁷.

20. This report provides the context to the extension of retirement ages across the Public Sector except for the Defence Forces and some other fast accrual cohorts. Para. 3 of the report states;

“There are certain groups of employees in the public service who, due to the nature of their work, are currently required to retire early (“uniformed fast accruals”). Members of An Garda Síochána, the Permanent Defence Force, Firefighters and Prison Officers are the constituent groups in this category. Consideration was given to including these groups within the ambit of the review and this was discussed with their employers. It was decided, however, that the relevant employer was in a better position to consider the operational aspects of the employments concerned and to consider the appropriate compulsory retirement age for the employees in those groupings. Each employer provided a convincing objective justification as to why these groups of workers should be dealt with separately from the review. These groupings were, therefore, excluded from the ambit of the review.”

21. In their role as Public Sector employer, DOD made the following statement in the report;

- *“Historically, retirement ages in the Defence sector have differed when compared to Public Service norms in order to address particular needs in that Sector.*
- *However, a number of issues are currently being raised by staff in relation to retirement age in light of recent Public Service pension developments.*
- *In particular, the gap between the compulsory retirement age and the age of entitlement to the State Pension is a concern.*
- *While it was likely that there would be a need to reconsider compulsory retirement ages for this sector in the future, it was considered that a standalone review to be carried out in the context of the operational considerations of the Defence Forces would be the appropriate way to proceed.*
- *DOD will provide objective justification for the decision not to include the Defence Forces in the review at this point based on unique sectoral considerations including operational matters.”*

22. Essentially DPER’s Report excluded those in the DF due to the unique conditions of military service and the DOD recorded position in this report unquestionably assumes sectoral responsibility in addressing the MRA and addressing of the SPC anomaly.

23. But when this Working Group and report was discussed during national pay negotiations in 2017, DPER, at a special meeting convened to address the issue of DF Superannuation, stated that “organisations such as the DF with unique conditions of service would be left to determine their own arrangements by Ministerial Order” (06 June 2017).

24. The DOD have yet to conclude their review. It is believed that this forms part of a White Paper on Defence Project 40 (signal to be closed in Q1 2021), and project ‘R4’ of the Government’s High-Level Implementation Plan (*Strengthening our Defence Forces*) and published in July 2019. This was to have reported by 04 July 2020 but has yet to be completed.

⁶ Available online @ [191218122321-2472d175810b4278a78cce28d1118a07.pdf \(assets.gov.ie\)](https://assets.gov.ie/191218122321-2472d175810b4278a78cce28d1118a07.pdf)

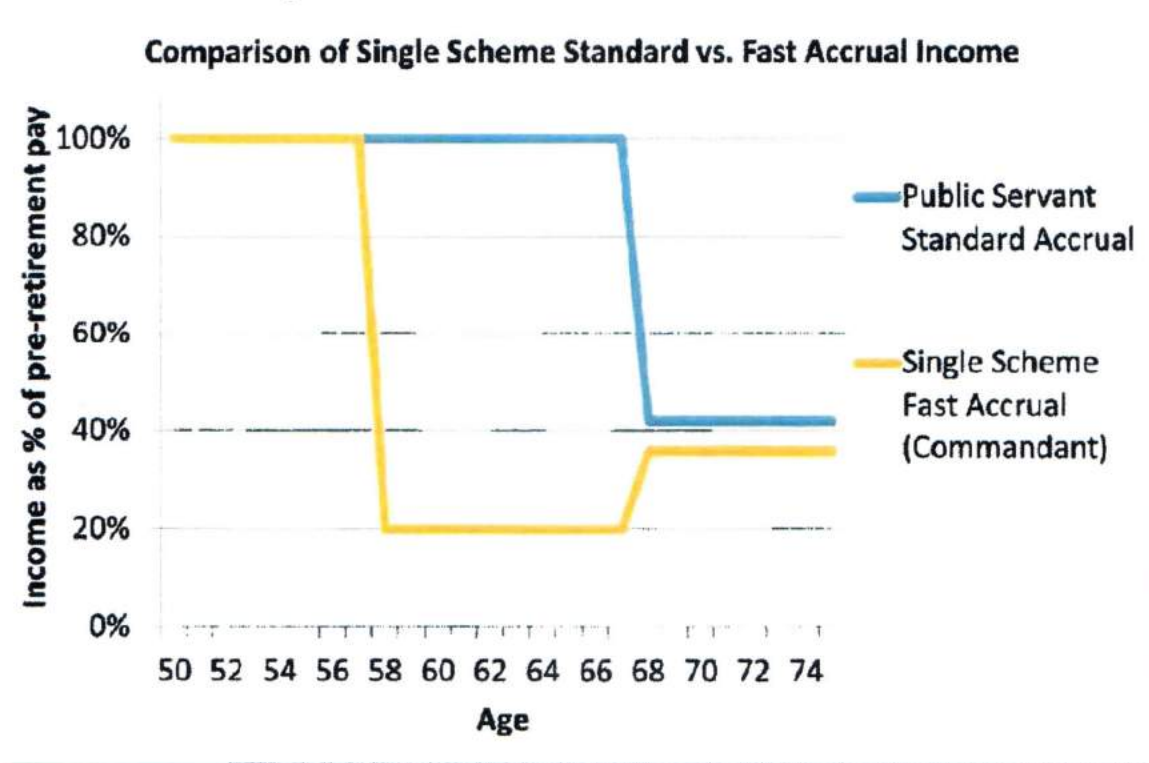
⁷ Available online @ [Review of Barriers to Extended Participation in Public Service Workforce - 101218160434-6ca739f5a7184426989a8d3277a7b7bd.pdf \(www.gov.ie\)](https://www.gov.ie/6ca739f5a7184426989a8d3277a7b7bd.pdf)

Impact of the lack of a SPS on final Pension Benefit.

25. In 2017, as an element of RACO's submission to the Public Service Pay Commission (PSPC), we commissioned an actuarial review (Annex 'B') of SPS/ 2012 Act as it impacts on DF Pensions. *Trident Actuarial Consultants* concluded that;

“the absence of a supplementary pension means that in the future fast accrual employees may be forced to retire at an age much younger than the entitlement to a State Pension and left for many years with a pension only a small fraction of their pre-retirement pay. **Our projections indicate that the initial pension will be 20% of pay from age 58 as opposed to an initial rate of pension of 42% of pay for an equivalent public servant at the age of 68**, if the supplementary pension is not payable. Conditions of employment which force employees to retire well in advance of entitlement to a State Pension which provides an initial pension of c.20% of preretirement pay and eventual pension of c.36% of preretirement pay is not fit for purpose and is not sustainable”.

The drastic drop in income at mandatory retirement ages until the payment the State Pension Contributory is demonstrated below Graph No.1.



Impact of MRAs and the lack of Supplementary pensions on the DF Personnel.

26. To assess the impact of the loss of the supplementary pension on Post-2013 entrants career intentions, in Q.1 2019 RACO commissioned *Amarach Research* (Annex 'C') to survey this cohort of members. The report from *Amarach* highlighted the following Key Insights:

- 21% of respondents see themselves retiring at or before the age of 35, and a further 19% see themselves retiring between the ages of 36 and 40. When this is analysed by age, 43% of those aged 18-25 will retire between the ages of 30-35. Among those aged 26-35, 28% see themselves retiring between 30-35, and 29% see themselves retiring between 36-40.
- 90% of respondents would consider retiring from the Defence Forces before their MRA.

- For those that are considering retiring from the DF, 55% said that the SPS had a high or very high impact on their decision. For those aged 18-25, this rose to 69% of respondents, and 61% of 26-35 year olds.
- Among those who were inducted between 2013 and 2019, 79% of respondents said the SPS had a high or very high impact on their decision.
- 57% of respondents said career potential and 53% said domestic and personal commitments were triggers for leaving the DF, and 40% stating the SPS was a trigger.
- Among those aged 18-25, the SPS was a trigger for 66%, and 48% of those aged 26-35. This is to be expected, as this age group are the ones that are primarily affected by the SPS.
- The SPS is an issue because pay alone cannot meet the needs of members retiring before state pension age.
- When given a chance to voice their concerns, respondents consistently mentioned that the SPS would lead to significant loss of experienced officers, as they would be unable to meet their financial needs following their mandatory retirement age. o Many feel as though loyalty is being punished, and their trust is being eroded.
- Many predict that large numbers of officers will leave the DF in their thirties, so that they have adequate time to save for a pension.

Public Service Pay Commission Reports.

27. In May 2017, after noting certain difficulties within the Defence sector in its first report, in May 2019, the Public Service Pay Commission (PSPC)⁸ published its report into “Recruitment and Retention in the PDF”. As part of its research, it commissioned *Research Matters Ltd*⁹ “to carry out a nationally representative study on recruitment and retention of personnel within the DF”.

28. Inter alia, one of the key objectives of the study was to “take account of the wide range of potential drivers that influence recruitment and retention across a range of characteristics”. In its conclusion to the PSPC, *Research Matters Ltd* reported that;

“there is considerable anger . . . and widespread dissatisfaction with pay, allowances and pension arrangements”. That “Perceptions of inadequate financial remuneration, coupled with changes in pension entitlements, emerged as clear reasons for individuals not wanting to remain in the Defence Forces, and there is a strong belief that a long-term career in the Defence Forces is no longer possible”.

30. *Research Matters Ltd* ended their report stating;

“The conclusions from this study suggest that the DF is at a critical juncture. The findings presented intimate that without immediate and substantial intervention, particularly in respect of pay, allowances and pension entitlements, the organisation may, within a short time, face major difficulties in maintaining its personnel and in carrying out its mandate”.

29. The final May 2019 PSPC report noted that “recent changes to the pension arrangements for the PDF were consistently raised as a problem” (Para. 6.1). These are described in Para 6.2 as;

- There is no provision for supplementary pensions for post 2013 entrants to cover the gap which may arise between MRAs and in the PDF and the State pension age.

⁸ Available online @ [Dept-of-Defence-PSPC-report-2019-WEB-1.pdf \(paycommission.gov.ie\)](https://www.paycommission.gov.ie/Dept-of-Defence-PSPC-report-2019-WEB-1.pdf)

⁹ Available online @ [Research-Matters-Surveys-and-Structured-Interviews-Defence-Forces.pdf \(paycommission.gov.ie\)](https://www.paycommission.gov.ie/Research-Matters-Surveys-and-Structured-Interviews-Defence-Forces.pdf)

- The Single Pension Scheme dilutes the accelerated pension accrual arrangements for officers and enlisted personnel in the PDF (fast accrual rate now 1/70th a year)".

30. In Para 6.6 of the report, the PSPC noted Government's acknowledgement and commitment to retain MRAs in its 2015 White Paper on Defence which are "significantly lower than in other public service areas".

31. In its conclusion on DF pensions (Para 6.7) the PSPC acknowledged the view that aspects of the SPS provision may create retention difficulties in the context of compulsory retirement ages which are significantly earlier than State pension age. Finally, in noting that extensions to retirement ages were now available to other public sector and not the fast accrual cohorts, it recommended that DOD "*expedite a review of this nature, in accordance with its White Paper commitments to keep retirement ages and or upper limits service limits under review*".

32. Despite the White Paper on Defence being published in 2015, the PSPC reporting in 2019 and a Government's High-Level Implementation Plan in response to the PSPC report also being published in 2019, no such review has been concluded.

RACO Summary Remarks.

33. The DOD and DPER did not consider how integration would apply to those fast accrual groups that are forced to retire in advance of the payment age for the State Pension Contributory. This denial of "total" final benefits (occupational & SPC/Supplementary Pension) to those in the DF who are forced to retire in advance of qualifying for the SPC (currently 66 and planned to increase to 68 in 2028) is fundamentally flawed and in contradiction of the design intent of the "integrated model of social insurance".

34. Fast accrual group are being treated less favourably than their Public Service counterparts where their final benefit is not realised until potentially 10 years after they are forced to retire.

35. Final benefits do not facilitate a "living sum" and the potential for DF personnel in this category, who will have provided decades of loyalty and service to the State, to be rehired by the market at 58 to 60 years of age is very limited.

36. RACO's post-2013 membership have very real concerns over how they will provide for themselves upon reaching the MRA from the DF. Many commissioned officers are considering leaving the DF extremely prematurely, so that they may secure longer term employment and an appropriate pension from the private sector.

37. This mass premature departure can only lead to significant staffing issues in the future, as capable, experienced, middle level officers leave the DF in pursuit of a more sustainable career. Furthermore, a career in the DF will become less appealing to new recruits, and thus recruitment may plummet.

RACO's Position.

38. It is the position of the Association that the unique conditions of DF service, outlined and agreed by the parties in Annex 'C' to CCR 421 have not changed in any way and consequently the provision of supplementary pension, where qualifying, should in no way be impacted by the introduction of the Public Service Pensions Act 2012. CCR 421 is a stand-alone sectoral agreement providing for the recognised unique conditions of mandatory retirement at ages below the qualifying age for receipt of the SPC. RACO's contends that where members are compelled to retire at ages in advance of payment of the SPC, sectoral superannuation arrangements that recognise and provide for MRA and early retirement from the workforce must be provided, i.e., application of CCR 421 for New Entrants Post 2013 – the facility of a supplementary pension equivalent in value to SPC.

39. The Public Service Pensions Act of 2012, Section 15¹⁰, provides additional powers to the Minister to provide, where necessary, secondary legislation for pre-existing arrangements (for example, a supplementary pension) where not inconsistent with the scheme. This facility of the Minister was also referenced at national pay talks in 2017.

40. In contrast to how post 2013 fast accrual new entrants have been treated in the SPS Act 2012, our Members observe the urgency with which Government and DPER has resolved this issue for Public Servants in other sectors. The publication of Government's Review of Barriers to Extended Compulsory Retirement in the Workforce (November 2017) saw the related (but less severe) issues of other Public Servants addressed by extension of retirement ages to meet the payment age of the SPC. Our sectoral members seek equivalence.

41. The Minister for Social Protection in 2017, acknowledged "there are 'particular issues' facing workers who are forced to retire age 65 and then have to wait a year to receive the State pension". At the time Minister Varadkar said, "this problem is being examined by the Government and the Workplace Relations Commission has now been tasked with drawing up a new code of practice for employers and employees on working for longer"¹¹.

42. On the 08 Feb 2021, it was widely reported that the current minister (Heather Humphreys) has introduced a "new benefit payment for 65-year-olds [that] will apply to people aged between 65 and 66 who cease employment whether voluntary or otherwise".¹²

43. The situation of DF Post-2013 Entrants is indisputably more severe in nature and quantum and no credible facility to address the flawed nature of Post-2013 superannuation has been progressed. Hence RACO seeks the extension of the supplementary pension facility to Post-2013 members for the reasons detailed in the above submission.

¹⁰ Sec.15 states, "Where any statutory provision directly relating to and solely for the purposes of one or more than one pre-existing public service pension scheme makes provision for any matter not provided for by the Scheme and that matter is not inconsistent with the Scheme, then the Minister may by regulations apply, with or without modification, that provision to the Scheme to deal with corresponding matters or circumstances.

¹¹ (Irish Independent, 01 Jan 2017).

¹² [Retirees aged 65 no longer to be required to sign on \(rte.ie\)](https://www.rte.ie/news/2021/02/08/retirees-65/)

List of Annexes

- Annex 'A' Annex 'C' to Conciliation Council Report 421.
- Annex 'B' "Analysis of career remuneration and value of pensions benefits of Defence Force's Commissioned Officers relative to equivalent grade Public Servants". *Trident Consulting*
- Annex 'C' RACO Member's Survey Report *Amárach Research*.

Annex C

REPORT OF THE C&A PENSIONS SUB-COMMITTEE REGARDING A CLAIM FOR THE AUTOMATIC PAYMENT OF A SUPPLEMENTARY PENSION TO ALL OFFICERS WHO JOINED THE DEFENCE FORCES AFTER 5th APRIL 1995 AND WHO RETIRE ON AGE GROUNDS BEFORE THE AGE OF 65

Terms of reference

1. Under its terms of reference, the sub-committee is required to:
 - (a) consider and report on the new pension terms to apply to new entrant military personnel joining the PDF on or after 1 April 2004; and
 - (b) consider the claims from the Representative Side for improvements in the pension terms of personnel already serving on 31 March 2004 covered by the existing superannuation arrangements.

As all persons who join the public service on or after 6 April 1995 – including commissioned officers in the PDF – are insurable for full PRSI (Class A), this claim applies to relevant officers at (a) and (b) above.

Structure of this report

2. Paragraphs 3 and 4 of this report set out the Representative Side's claim and the supporting arguments. Paragraphs 5 to 8 (inclusive) summarise the relevant existing public service arrangements while paragraphs 9 to 18 (inclusive) set out the Departmental Side's response to the claim and its proposed general approach in that regard. Paragraph 19 records the Representative Side's acceptance thereof. Paragraph 20 records the sub-committee's agreement in that regard, while paragraph 21 records adoption of the report by the Pensions Sub-Committee for presentation to Conciliation Council.

Basis of claim

3. The claim, which was lodged at the 138th meeting of the Conciliation Council on 17 January 2008 under cover of the Representative Side's letter of that date and elaborated on by their letter dated 25 February 2008, states as follows:

'All public servants who joined the public service after 5th April 1995 are required to pay social insurance at Class A rates. A consequence of this decision is that the pensions of full PRSI employees have what is termed an integrated pension. In effect, this means that their pension is integrated with the Social Welfare regime and they are entitled to draw a contributory old age pension on their 66th birthday.

Thus when, for example, a civil servant retires on age grounds at 65 years he/she will draw down an occupational pension (less the amount of the contributory old age pension) and the State will pay the contributory old age

pension when the employee reaches 66 years. In addition, provision is also made for the 'gap' year (between 65 and 66), which ensures no financial loss.

However, other public servants including military officers have fast accrual pension schemes and are forced to retire much earlier than the civil and public servants referred to in paragraphs 1 & 2 above. The effect of the earlier mandatory retirement is that the officer receives the occupational pension less the old age pension, and must wait until he/she reaches 65 before any further relief occurs.

There are circumstances whereby a supplementary pension can be paid but the payment is not automatic and even if the payment was made, it is unlikely that it would apply to military officers who are mandatorily retired as young as 56.

Military officers who retire on age grounds are retired from the workforce and should be treated the same as any other public service employees. In these circumstances, the association see no reason why the supplementary pension referred to above cannot be paid to military officers who retire on age grounds and who do not re-enter the workforce until the payment of the contributory old age pension (now known as the State Pension Contributory) can be made'.

The claim was referred to the sub-committee for consideration.

4. In discussions, the Representative Side voiced their dissatisfaction with how the Social Welfare system integrates with the occupational pension for the officers affected. In elaborating on the arguments set out in paragraph 3 above, they stated that:
 - (a) Pre-April 2004 enlisted personnel, for example, (who pay Class H PRSI which covers them for the range of Social Insurance benefits including the State Pension at age 65/66), are treated very differently in the integration context.
 - (b) The point of integration for military officers should occur when the individual pensioner has cause to draw down on his/her Social Welfare entitlements and not before. This would enable the adjustment of the occupational pension during the period of integration. An example of this would be when the full PRSI (Class A) pensioner qualifies for the social welfare State Pension, the occupational pension would be adjusted to take this entitlement into account.
 - (c) One of the most glaring anomalies created by the decision to place all new entrants into the public service on Class A PRSI is that those who are members of fast accrual schemes with earlier mandatory retirement ages will not receive their State Pension for up to nine years after they retire. In contrast, public servants with normal accrual schemes receive the State Pension almost immediately upon retirement on age grounds.
 - (d) The post-5 April 1995 officers affected are, by virtue of having been compulsorily retired on age grounds from their chosen career, entitled to regard themselves as retired from the workforce.

- (e) The supplementary pension regime as presently constituted was not designed with groups like the Defence Forces in mind, whose compulsory retirement ages are lower than age 65, which has been the public service norm.

The question of the payment of supplementary pensions to post-5 April 1995 officers who retire on age grounds was therefore of major concern to the Representative Side. For the reasons outlined, the Representative Side considered that a supplementary pension (equal to the value of the State Pension) should be paid to the officer automatically on retirement on age grounds up until entitlement to the State Pension occurs at age 65.

Summary of existing arrangements

5. All public servants recruited on or after 6 April 1995 – including commissioned officers in the PDF – are insurable for full PRSI (Class A) and so are entitled to the range of Social Insurance benefits, including the State Pension Contributory (SPC), previously the Old Age Contributory Pension. Consequently, their occupational pensions are subject to ‘*integration*’ with the Social Insurance system, which is a standard feature of public service pension arrangements for employees insured for full PRSI. This means that their entitlement to Social Insurance benefits such as the State Pension is taken into account in determining the actual amount of occupational (or spouse’s) pension payable. In effect, integration results in a lower rate of occupational pension than would otherwise be the case. Integration does not apply to retirement gratuities.
6. The practical effect of integration for retired public servants generally is that maximum occupational pension is 50% of pensionable pay less the annual maximum personal rate of SPC payable at retirement date. Lower rates of occupational pension also fail to be integrated as appropriate. This integrated occupational pension, when combined with the State Pension at age 65/66 (or other social welfare pension or benefit – see footnote below), comprises ‘total pension’ for full PRSI contributors in the public service.
7. Under standard occupational pension arrangements applicable to public servants in full PRSI, integration begins from the time the occupational pension comes into payment and operates on the assumption that a Social Insurance benefit is, in fact, payable. However, except in cases of ill-health early retirement, Social Insurance benefits may not actually be payable until age 65. Under public service arrangements, a supplementary pension¹ may, on application, be payable in certain limited circumstances on retirement prior to age 65 in order to make up the shortfall in ‘total pension’ resulting from integration. In effect, the supplementary pension is an addition to the integrated occupational pension to bring it up to the rate that would have been payable had it not been integrated.
8. The standard provision relating to supplementary pensions under model public service pension schemes states that –
 - (a) *Where a person who was a fully insured member is in receipt of a pension or a preserved pension under this scheme is unemployed and, due to causes outside his or her own control:*

¹ See paragraph 3.3.60; Appendix 11.3; and paragraphs 22.9.39 to 22.9.41 of the final report of the *Commission on Public Service Pensions* (published November 2000).

- (i) *fails to qualify for Social Welfare benefit or*
- (ii) *qualifies for Social Welfare benefit at a reduced rate, ...*

then for so long as the preconditions set out in this subparagraph are met, the person concerned may, at the discretion of the X (the relevant public service body), be paid a supplementary pension under this scheme.

(b) The amount of a supplementary pension payable pursuant to subparagraph (a) of this paragraph shall be the amount, if any, arrived at by the formula $A - (B+C)$, where A is the amount of the pension or preserved pension which would be payable to the former member if he or she had not been fully insured, B is the amount of the pension actually payable to the former member and C is the annual amount of the reduced rate of the Social Welfare benefit, if any, which is payable to the former member.'

The term '*fully insured*' means a person who is, or was, before attaining the age of 66, insured for the SPC under the Social Welfare Acts. The term *Social Welfare benefit* means State Pension (Contributory), State Pension (Transition), Invalidity Pension, Illness Benefit or Job-Seekers Benefit payable under the Social Welfare Acts.

The supplementary pension is therefore payable only in respect of periods during which the pensioner is (a) unemployed and, (b) due to causes outside his or her control, fails to qualify for Social Welfare benefit / pension (or qualifies at a rate less than the maximum personal rate of State Pension). It continues to be payable for as long as those pre-conditions are satisfied. Accordingly, the supplementary pension is not payable where a former public servant in receipt of an integrated occupational pension is employed subsequent to retirement in any capacity that involves a Social Insurance contribution. Similarly, the supplementary pension ceases to be payable if the person concerned qualifies for a Social Welfare pension or benefit equal to or greater than the maximum rate of SPC.

The rate of supplementary pension is equal to the difference between:

- (i) the occupational pension that would have been payable had it not been integrated (i.e., based on a person's actual gross pensionable pay); and
- (ii) the aggregate of the actual integrated occupational pension payable plus the actual amount (if any) of the personal rate of Social Insurance benefit/pension payable.

Departmental Side's response and proposed general approach

9. The Departmental Side stated that it had some sympathy with the Representative Side's general viewpoint as expressed in the claim and in discussions. However, the Departmental Side noted that the qualifying conditions governing the payment of supplementary pensions are part and parcel of standard public service arrangements that apply commonly across all areas. These include An Garda Siochana and the Fire Service which, like the Defence Forces, have earlier compulsory retirement ages than the norm, as well as fast-accrual pension terms. Post-April 2004 new entrant enlisted

personnel also come into this category. The Departmental Side indicated that, under standard public service arrangements, integration begins from the time the occupational pension comes into payment and this applies equally to all public service groups. There is also a general requirement for public service pensioners who are in receipt of integrated occupational pensions to fully engage with the Social Insurance system after their retirement. The Departmental Side was also concerned that any relaxation of the qualifying conditions for one particular group would undoubtedly lead to knock-on claims from other areas. Thus, the Defence Forces could not be looked at in isolation in this context, particularly given the changed Exchequer budgetary situation.

As regards comparisons with pre-April 2004 enlisted personnel, the Departmental Side stated that the different integration regime that applies historically in their case is unique to them and was tailored to address the specific situation arising from changes in their pension terms in the late-1960s/early-1970s; that those changes were applicable solely to enlisted personnel and were not related to any change in PRSI class; and that there could be no question of applying a similar regime or any variation of it to post-5 April 1995 military officers to whom standard public service integration arrangements are being applied.

For the foregoing reasons, the Departmental Side was not in a position to agree to the automatic payment of supplementary pensions to the post-5 April 1995 officers concerned.

10. Mindful, however, of the Representative Side's concerns in this matter, the Departmental Side sought to address those concerns by elaborating on its proposed general approach regarding supplementary pensions and the governing conditions for payment. This is set out in paragraphs 11 to 18 (inclusive) following and is informed by the Departmental Side's understanding of experience and practice in other areas of the public service, as well as the interaction between the Social Insurance code and public service occupational pension provisions in the case of full PRSI contributors.
11. The Departmental Side noted the Representative Side's contention (ref. their letter of 17 January 2008) that in the context of the operation of the supplementary pension arrangements, '*...Military officers who retire on age grounds from the workforce should be treated the same as any other public service employees...*' The Departmental Side indicated that, as a general principle, there was no question of treating such officers any less favourably than their public service counterparts in this general context.
12. The Departmental Side confirmed that post-5 April 1995 officers in full PRSI class retiring on age grounds who are in receipt of integrated occupational pensions (whether immediate or preserved, as the case may be), would be eligible for supplementary pensions, payment of which could continue until such time as the State Pension became payable and subject to their satisfying the usual conditions viz. that the insured person is (a) not in insurable employment and (b) due to causes outside his/her own control, fails to qualify for Social Insurance benefit/pension (or qualifies at a reduced rate) – see paragraph 8 above.
13. With regard to the rule about 'causes outside his/her own control', the Departmental Side stated that it would be obliged to regard a failure on the part of an officer to engage with the Social Insurance system on his/her retirement as coming directly within that person's own control. Examples of this would be a person who chooses not to apply for

certain payments such as Jobseekers Benefit; and/or fails to qualify for benefits at the maximum rate because of a failure to sign for 'credits' at his/her local Social Welfare office; and/or does not make alternative arrangements to preserve their social insurance record. The Departmental Side considered that this is not an unreasonable position to adopt and that it is consistent with the views of the *Commission on Public Service Pensions* in regard to supplementary pensions. In that regard, the Commission (ref. Appendix 11.3, paragraph 6 of its final report) stated that '*...To qualify for supplementary pension, a public servant should not be in insurable employment and should have made every effort to qualify for the relevant Social Insurance benefit...*'

14. In keeping with established practice in other areas of the public service, a retired officer must make application for the supplementary pension. It would then be a matter for the Department of Defence to determine his/her eligibility in accordance with the qualifying conditions. As part of the application process, the retired officer will be required to provide:

(a) a statement, in writing, from the Department of Social & Family Affairs (DSFA) indicating:

- (i) that he/she is not in insurable employment,
- (ii) his/her eligibility or otherwise, as the case may be, for the relevant Social Welfare benefit, or qualification for such benefit at a reduced rate, and

(b) as appropriate, written evidence that his / her failure to qualify for Social Welfare pension or benefit (or at a reduced rate) was due to causes outside his/her own control.

15. The Departmental Side acknowledged that the compulsory early retirement regime applicable to military officers sets their occupation apart from occupations in other areas of the public service. They undertook to recognise this distinguishing factor in the administration of the supplementary pension arrangements. In particular, applications for supplementary pensions from officers who retire compulsorily on age grounds at age 58 or higher and who decide not to take up other employment will be given special and sympathetic consideration. The Departmental Side stated that each application for supplementary pension would be determined having regard to all relevant considerations and the qualifying conditions. The Departmental Side again emphasised the importance of retiring officers engaging with the DSFA (see paragraph 18 following).

16. The Departmental Side indicated that when a retired officer qualifies for a supplementary pension, he/she will be notified of the terms and conditions relating to its payment, and, in particular, that it will cease if he/she resumes insurable employment or qualifies for Social Welfare pension or benefit equal to or greater than the maximum rate of State Pension (Contributory) payable to a single person without dependants. A person's entitlement to a supplementary pension will be reviewed on the occasion of every change in the level of occupational or Social Insurance pension payable. Such changes may arise from a change in rates or in the type of social insurance benefit payable (e.g., a change from benefit to assistance, or a change in the type of benefit payable, such as a Defence Forces pensioner in receipt of Jobseekers Benefit moving to State Pension at age 65). Ongoing periodic written certification will also be required (from the pensioner and the DSFA or other relevant party) regarding his/her

employment and social insurance status in order to determine continued entitlement to the supplementary pension.

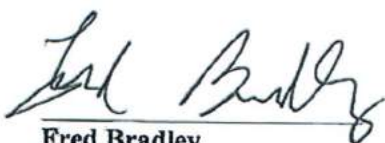
17. The Departmental Side stated that any future changes of general application in the public service that may be made to the existing terms and conditions governing the grant of supplementary pensions will, of course, be extended to relevant members of the PDF. Similarly, the Departmental Side's approach would fall to be reviewed (and modified, if necessary) in the light of future developments generally e.g., regarding compulsory military retirement ages and/or relevant changes in the qualifying conditions for social insurance benefits.
18. The Departmental Side noted that the question of a person's entitlement to any Social Insurance payment (and the rate payable) is entirely a matter for the DSFA. In order to safeguard and maximise their possible Social Welfare entitlements, the Departmental Side's position is that the most prudent approach for retiring officers is to fully engage with the social insurance system on retirement from the Defence Forces. As indicated above, a failure on the individual's part to take all reasonable measures to maintain his/her social insurance record is a key factor in determining entitlement to a supplementary pension.

Outcome of discussions at Pensions sub-committee regarding the claim

19. The Representative Side has indicated its acceptance of the Departmental Side's response and proposed general approach as set out in this report. Accordingly, in fulfilment of the commitment made under Action No. 17 of the *Towards 2016* modernisation and change agenda for the Defence Forces, the sub-committee, insofar as its terms of reference relate to commissioned officers, recorded agreement regarding the claim.

Recommendations of the Pensions sub-committee

20. The sub-committee agrees to recommend acceptance by the Conciliation Council of this report.
21. This report, recording agreement, was adopted on 18 November 2009.



Fred Bradley
Principal Officer
C&A Branch



Brian O'Keeffe, Colonel
General Secretary
RACO



George Kerton, Colonel
Chief of Staff's Branch

Analysis of career
remuneration and value
of pension benefits of
Defence Forces
Commissioned Officers
relative to equivalent
grade Public Servants

28 February 2017

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REGISTERED OFFICE AS ABOVE DIRECTORS: JOHN O'CONNELL, ISABEL RYAN

1. Introduction and purpose of report

The purpose of this report is to assess the career remuneration of Defence Force Officers and analyse the value of their superannuation benefits relative to equivalent grades of the Public Service.

For the purpose of this report and to demonstrate the differential between Defence Force Officers and Public Servants, the rank of Commandant is used with a forced retirement age of 58. The rank/grade equivalent with the Public Service is as follows;

Commandant = [HEO+APO] / 2

2. Executive Summary

This report is based on the salary and career progression shown in Appendix 2 and compares the net remuneration of a Defence Force Officer whose earnings follow the progression stated with a comparable public servant who retires at age 68.

While the value of the pension benefit per year of service is higher for Defence Force Officers, based on a fast accrual model for uniformed services forced to retire early from the workforce, the pension now delivered by the Single Scheme is significantly lower and the overall net remuneration is significantly lower for Defence Force Officers based on the normal career span.

The value to Defence Force Officers of participation in the Single Scheme is of course lower than the value of participation in the prior final salary scheme but the relative value of participation of Defence Force Officers has been diluted significantly as part of the Single Scheme design. A consequence is that the benefits on retirement for Defence Force Officers who participate in the Single Scheme are quite low and may question the viability of such Officers retiring at an earlier age. This is an issue which may take many years to surface as recently recruited Single Scheme members reach the envisaged retirement age, which is now a contractual retirement age.

While the final salary design adequately accommodated the earlier retirement through accelerated accrual, the accelerated elements of the Single Scheme design will not deliver pensions equivalent to those public servants who can work for longer.

The overall remuneration differential between a Defence Force Officer forced to retire at 58 and equivalent Public Servant retiring at 68 ranges between €1.02m and €1.77m in value; and is

- (i) 13% less for a final salary member ignoring supplementary pension
- (ii) 10% less for a final salary member allowing for supplementary pension

- (iii) 19% less for a single scheme member ignoring supplementary pension
- (iv) 15% less for a single scheme member allowing for supplementary pension

3. Superannuation Arrangements- Defence Forces & Public Service

a. Pre 01 January 2013 Pension Scheme Arrangements

A defined benefit final salary based scheme applies for public servants employed before 1 January 2013. The terms of the scheme were altered over time but the terms for Full PRSI (Class A) who joined on or after 1 April 2004 are as outlined below.

Final salary scheme	Normal Public Servants	Defence Force Officers
Retirement age	65 with an ability to retire earlier	58 for those at Commandant rank
Pension earned in a year	1/200 of pensionable remuneration up to 3.5 times the State pension Plus 1/80 of any pensionable remuneration above 3.5 times the State pension	Same formula designed to give max pension & gratuity at 30 years as opposed to 40 years.
Lump sum earned in a year	3.75% of pensionable remuneration	
Public servant's contribution	3.5% of net pensionable remuneration ¹ plus 3.0% of pensionable remuneration	

b. Post 01 January 2013- Single Pension Scheme Arrangements

The Single Public Service Pension Scheme ("Single Scheme") commenced with effect from 1 January 2013 and is applicable in general to all new entrants to pensionable public service employment on or after 1 January 2013. The Single Scheme provides retirement benefits as summarised below, with the benefits being based on earnings throughout a public servant's career rather than the traditional public service approach of basing benefits on the salary at or close to retirement.

Single scheme	Normal Public Servants	
Retirement age	State pension age	58 for those at Commandant level
Pension earned in a year	0.58% of pensionable remuneration up to 3.74 times the State pension Plus 1.25% of any pensionable remuneration above 3.74 times the State pension	0.58% of pensionable remuneration up to 3.74 times the State pension Plus 1.43% of any pensionable remuneration above 3.74 times the State pension
Lump sum earned in a year	3.75% of pensionable remuneration	4.29% of pensionable remuneration
Adjustment for inflation	The amounts accrued each year will be increased to reflect the CPI increase between that year and retirement.	
Public servant's contribution	3.5% of net pensionable remuneration plus 3.0% of pensionable remuneration	4.2% of net pensionable remuneration plus 3.3% of pensionable remuneration

¹ Pensionable remuneration less twice the State contributory pension

Note:

1. Defence Force Officers pay an increased contribution relative to other Public Servants.
2. Defence Force Officers are forced to retire below the State Pension Age of 66 (going out to 68 in 2028) and have a decreased superannuation fund due to the limitations enforced by the career average earning model relative to other Public Servants.

While the defined benefit final salary model allowed for Defence Force Officers to pay the same to achieve the same benefits at an earlier age, the Single Scheme model provides for Defence Force Officers to pay more to achieve lower benefits.

Besides the contributions defined as part of the Single Scheme, public servants also pay a pension related deduction (PRD), which in 2017 is:

Earnings between €28,750 and €60,000	10.0%
Earnings over €60,000	10.5%

In addition, in common with other workers, public servants in the above categories are entitled to the State Pension (Contributory) and they pay the same PRSI contributions as private sector workers towards this pension. The scheme design incorporates allowance for the State Pension ensuring that there is no duplication of benefit.

This report is prepared for the purpose stated at the request of the Representative Association of Commissioned Officers and the contents and conclusions may not be used for any other purpose than that stated.

4. Impact of forced early retirement on Defence Force Officers

A shorter career span for Defence Force Officers where the majority are forced to retire at age 58 has the following consequences:

- Lower career earnings.
- Lower pension entitlement as pension based on lower retirement earnings.
- The ability to borrow money for house purchase is curtailed by calculations of ability to pay over a shorter time horizon. This may become more of a problem as the average age of home formation has increased significantly in recent years.

We have not factored into our report issues such as curtailed ability to borrow money but such factors should be taken into account by decision makers.

5. Process of assessing value

There are a number of stages in the process of assessing the value of the pension schemes to members:

- (1) We determine the sample officer(s) to be assessed: current earnings and projected growth in career earnings allowing for current salary scales

- (2) We make assumptions with regard to the benefit and contribution structure, such assumptions including the following:
- (a) The Final Salary Scheme and the Single Scheme structures remain unchanged in future.
 - (b) Future PRD
 - (c) Future inflation
 - (d) Future State pension growth
 - (e) Future growth in salaries over and above scale increments
 - (f) Life expectancy
 - (g) The factors which should be used to adjust monetary values in a particular year to a common year of assessment².

Some of these assumptions are straightforward but others require judgement. Where we have applied judgement, we have outlined the reasons for our choice of assumptions.

6. Assumptions

Our assumptions are as below and where explanation is warranted are explained in Appendix 1.

- **Rates of pay** as disclosed in this report are based on current career advancement profiles.
- **PRD bands** are increased in the future such that the percentage PRD of salary payable in the future is the same as would be payable in 2017 by a similarly experienced public servant.
- **Future inflation** is 1.5% p.a. on average³. We assume that pensions will increase in payment in line with inflation, for all of the schemes we are comparing.
- **Future State pension growth** is 0.75% p.a. on average above inflation.
- **Future growth in salaries** over and above salary increments is 0.75% p.a. on average above inflation.
- The possibility of death in service is ignored.
- **Life expectancy**

Assuming no future mortality improvements, our projections allow for 27.4 years' life expectancy for a male at the age of 58 (to age 85.4) and 19 years for a male at the age of 68 (to age 87). When we allow for future mortality improvements, our projections allow for 30.6 years' life expectancy for a male at the age of 58 (to age 88.6) and 21.9 years for a male at the age of 68 (to age 89.9).

² This could be for instance adjustment to the present day or as we have done adjustment to values at the date of retirement.

³ Consistent with Society of Actuaries in Ireland Statement of Reasonable Projection (SORP) assumptions (see below).

Our main results allow for future mortality improvements even though we have some concern over the reasonableness of multi-decade improvements against the background of an ageing society.

- **Discount rates:** it is necessary to adjust money values in different years to a common base.

For the purpose of determining the long-term cost of benefits as a percentage of pay, we have assumed an investment return of 4% pre-retirement and 3% post-retirement after the costs of operating a long-term portfolio. These assumptions are therefore 2.5% above inflation pre-retirement and 1.5% above inflation post-retirement and reflect conditions at the time of writing.

Charts of differences in net remuneration are based on current salary scales with no allowance for salary or pension growth. The estimated single scheme pension makes an adjustment for assumed price inflation of 0.75% below salary inflation.

- **Supplementary Pension**

Analysis has been conducted factoring both the inclusion and exclusion of the value of any supplementary pension in addition to occupational pension during periods in which the pension recipient is not employed and due to causes outside of his/her control fails to qualify for social insurance benefits.

The Single Pension Scheme provides for full integration with the range of Social Welfare Benefits to include the State Pension Contributory and also any Supplementary Pension payable.

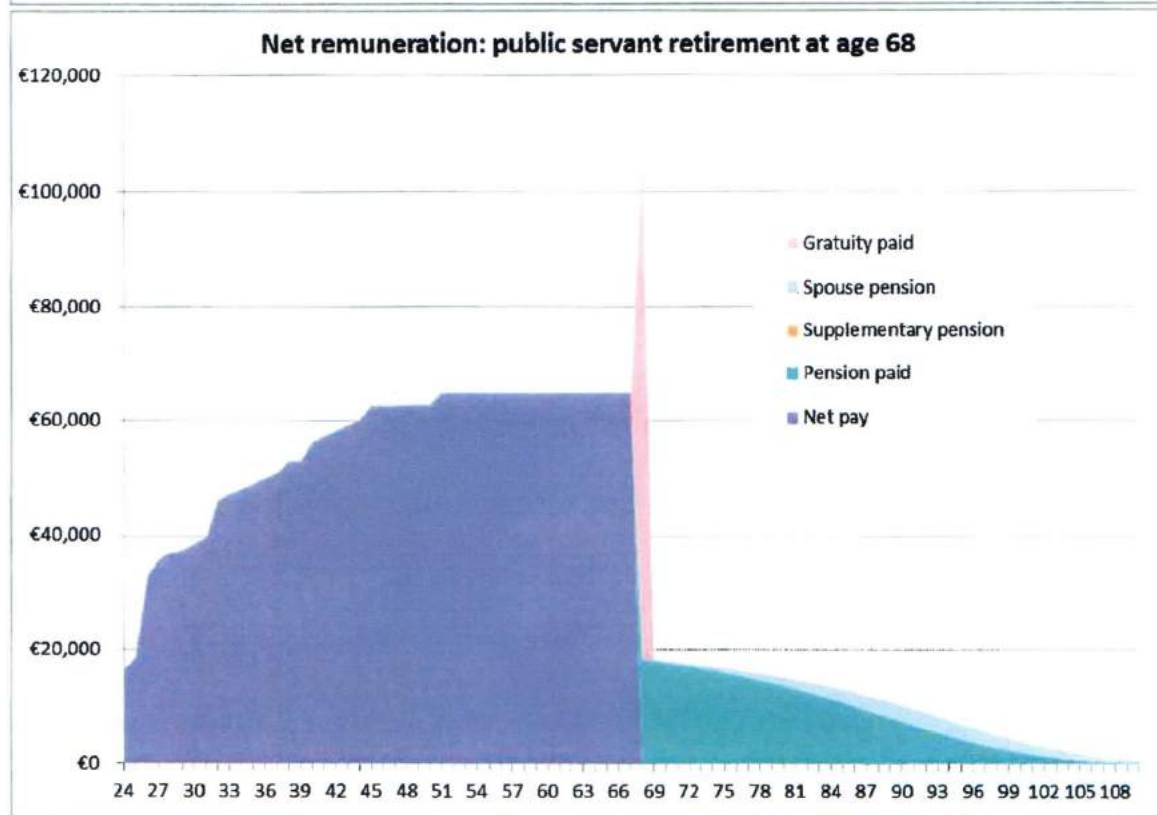
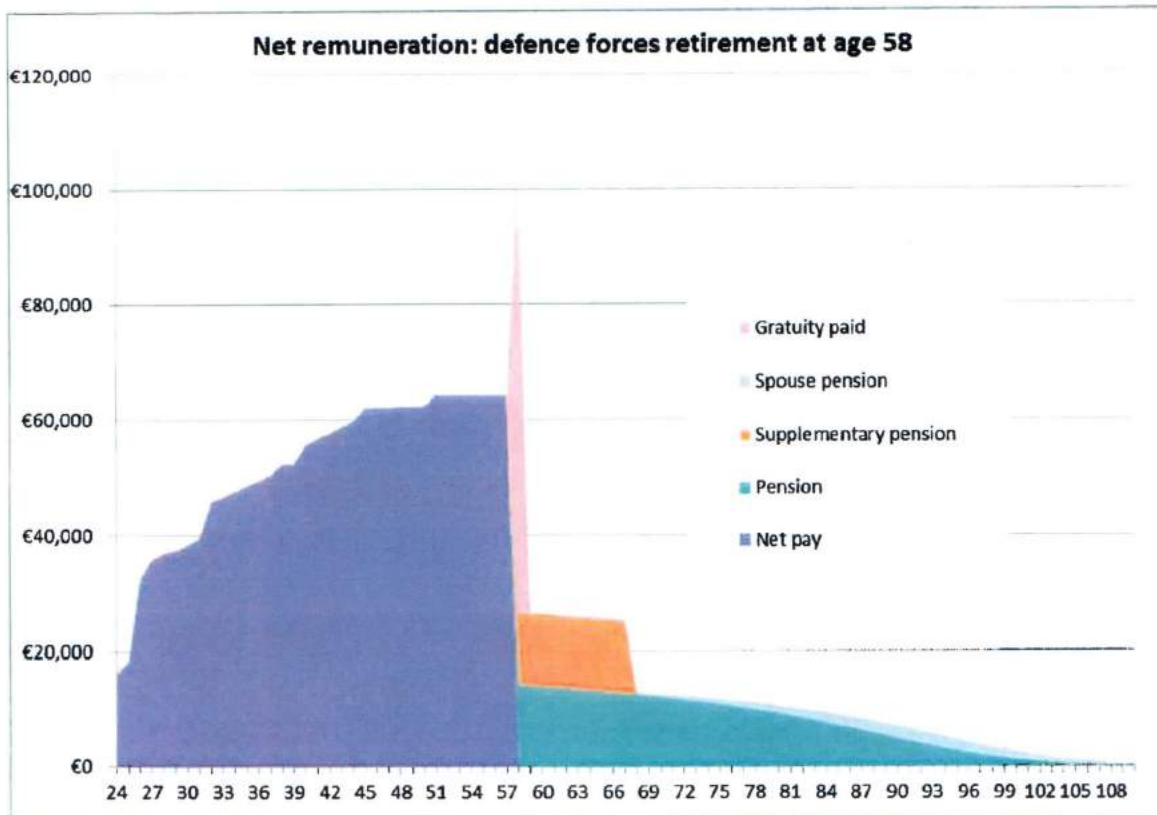
From 1995, Defence Force Commissioned Officers pay a PRSI Class A contribution and their pensions are fully integrated with the social welfare system. Such Defence Force officers, where fulfilling the agreed criteria, are eligible for a supplementary pension provided for by agreement in 2009 in CCR 421 (Annex C). The retirement age for the rank of Commandant was increased from 56 to 58 to facilitate this arrangement for PRSI Class A officers.

REMUNERATION – PAY & PENSION

7. Results – Pre 2013 - Single Pension Scheme member joining at age 24

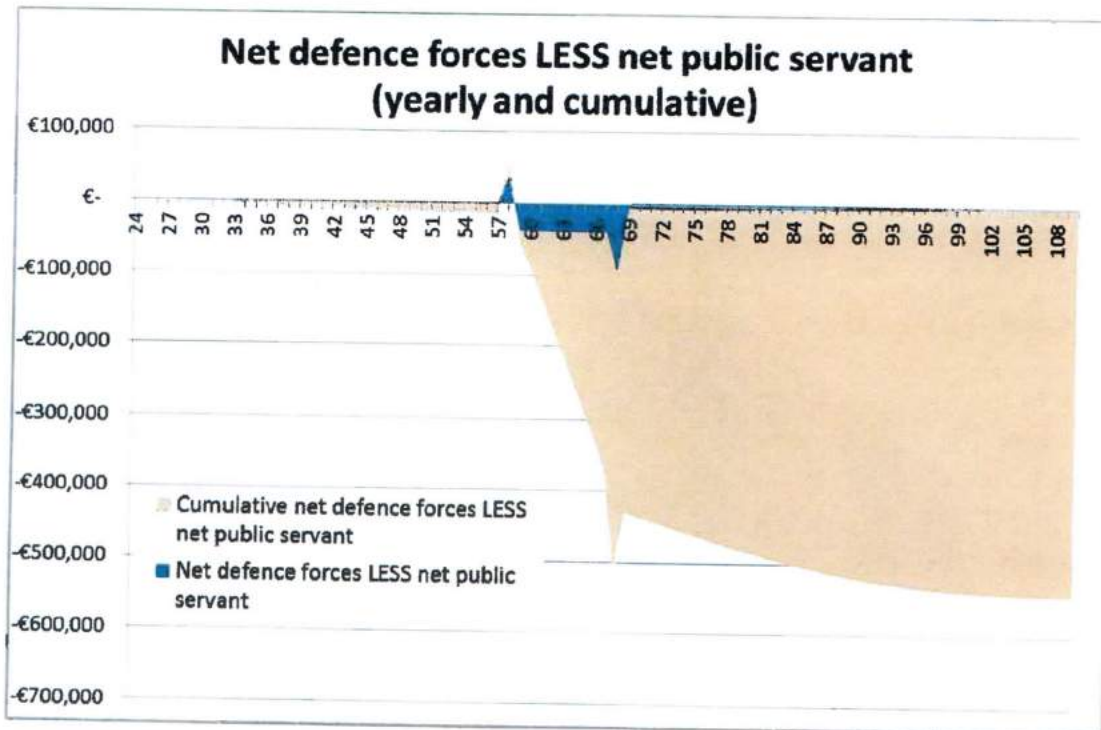
Assuming the supplementary pension is paid for each year from 58 to 68, and based on the progression of pay set out in Appendix 2 for a typical single scheme member, the total remuneration – pay plus pension less pension contributions – is shown in the charts below.

In subsequent charts “net pay” denotes pay less pension contributions less PRD.



This page: Single Scheme
Allows for supplementary pension

The difference in net remuneration by age is shown below.



Demonstrated by above charts: In total, a Defence Force Officer is projected to receive €541,000 lower remuneration⁴ over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68, with the bigger impact being the difference between pensions and salary from age 58 to 68 but with the long-term differential in pension entitlement also making a significant cumulative difference.

Allowing for future salary inflation and pension increases, the differential is €1.48m.

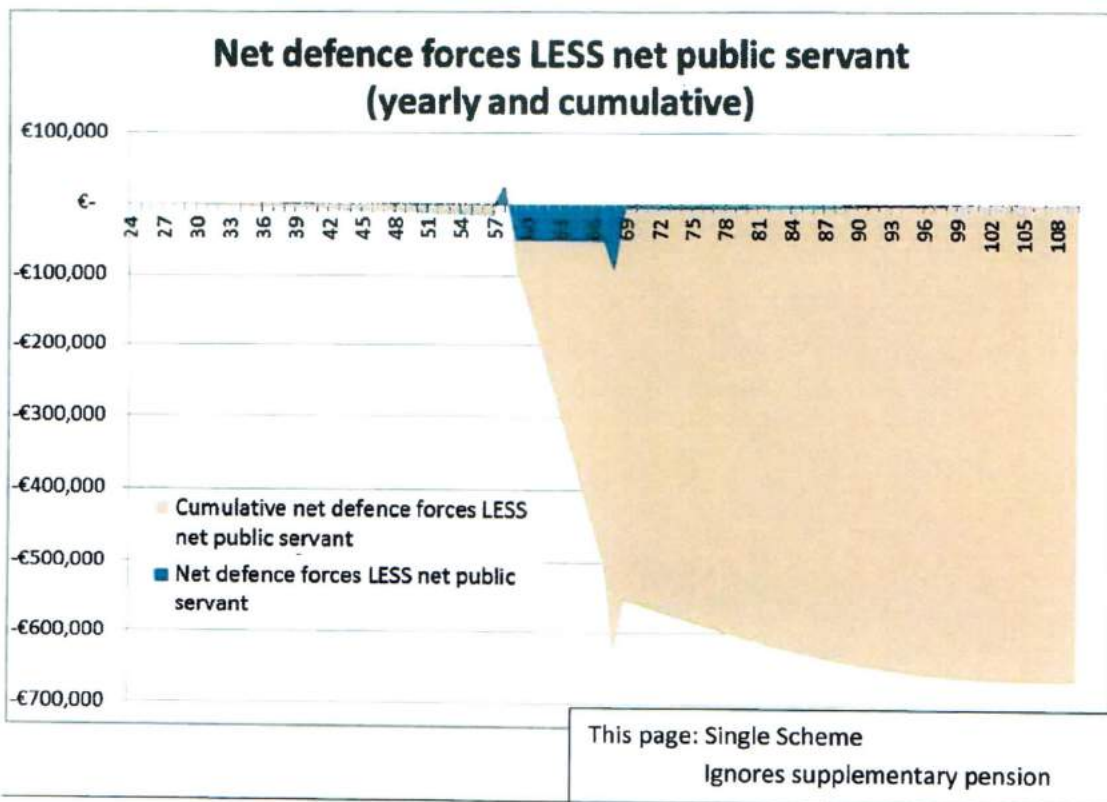
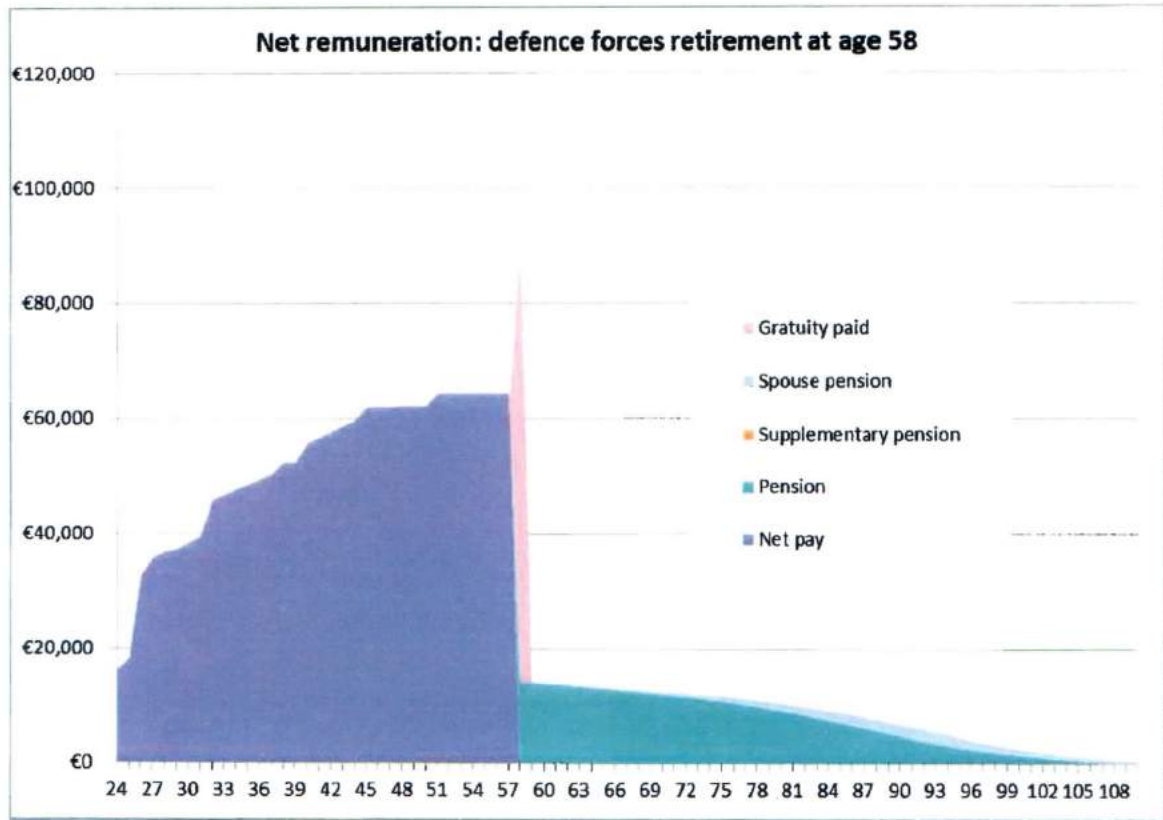
The total value of remuneration for an accelerated accrual employee retiring at age 58 is 15% less than that of an equivalent public servant retiring at age 68.

Ignoring PRD, the net benefit of participation after pension contributions is 16.9% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 11.9% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

⁴ This figure does not take into account future salary inflation or future pension increases. It is therefore reflective of current salary scales and purchasing power.

This page: Single Scheme
Allows for supplementary pension

As supplementary pension may not be paid in all circumstances, we have also estimated the position ignoring supplementary pension:



Demonstrated by above charts: Ignoring supplementary pension, a Defence Force Officer is projected to receive €665,000 less remuneration (ignoring future salary and pension increases) over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68.

Allowing for future salary inflation and pension increases, the differential is €1.77m.

Adjusting the annual position for the present value of money, the total value of remuneration for an accelerated accrual employee retiring at age 58 is 19% less than that of an equivalent public servant retiring at age 68.

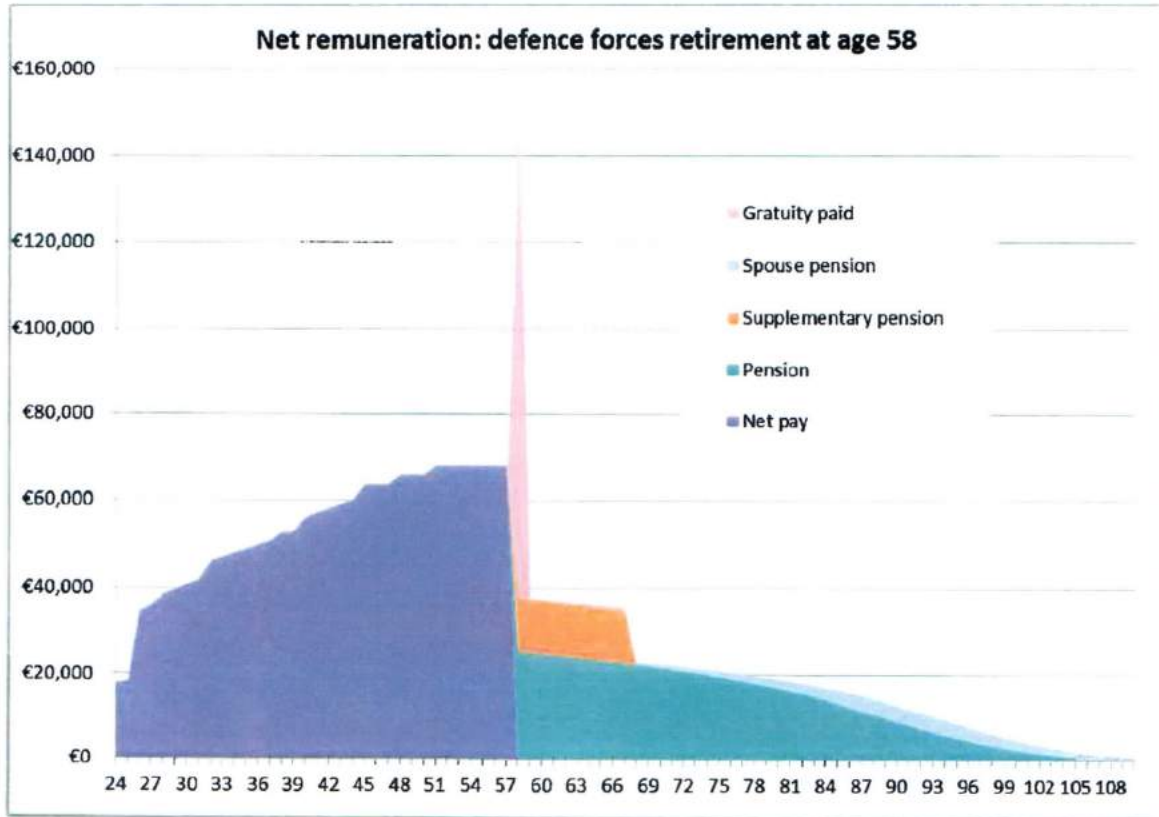
Ignoring PRD, the net benefit of participation after pension contributions is 12.2% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 7.2% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

The projected benefits at retirement for Defence Force Officers who participate in the Single Scheme are a matter of concern and appear low in the context of forced retirement.

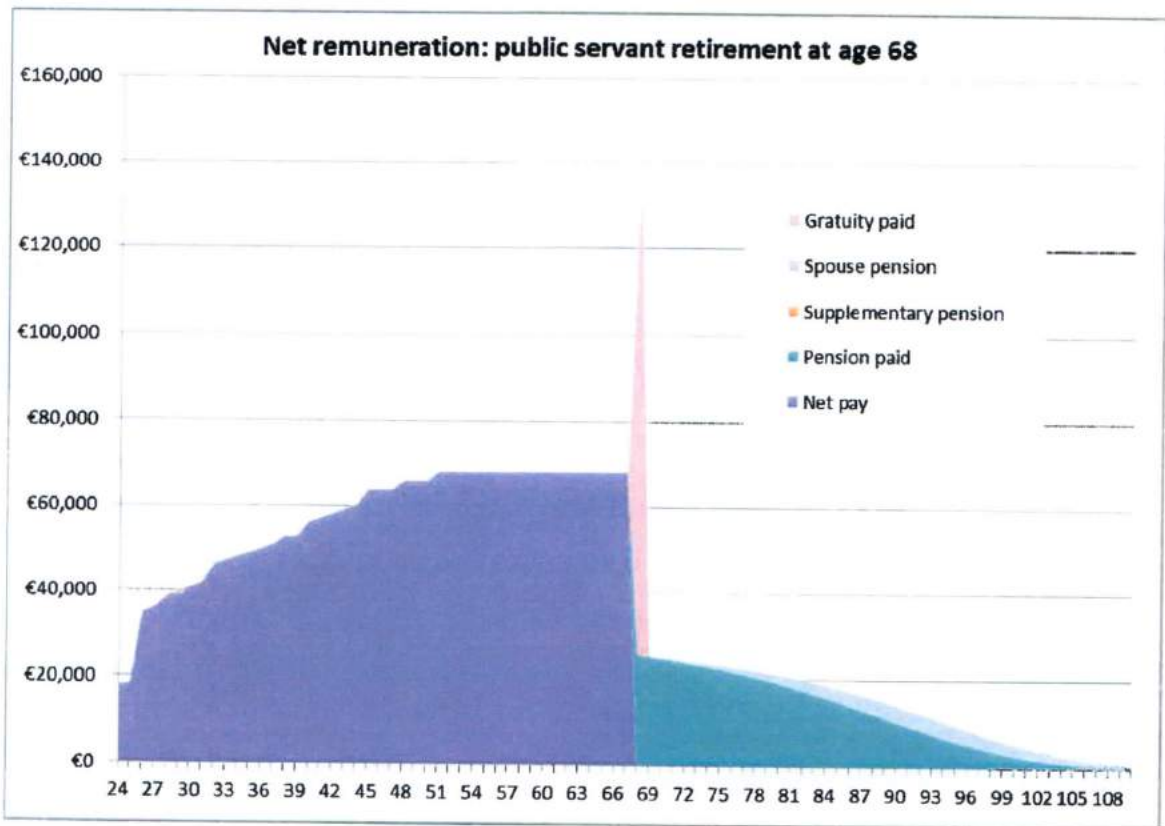
Projected Single Scheme and State Benefits at retirement	Defence Force Officer age 58	Public servant age 68
Pension as % of final salary	20%	25%
Supplementary/State pension as % of final salary	17%	17%
Total pension as % of final salary	36%	42%

8. Results – Pre 2013 – Defined Benefit Final Salary Member joining at age 24

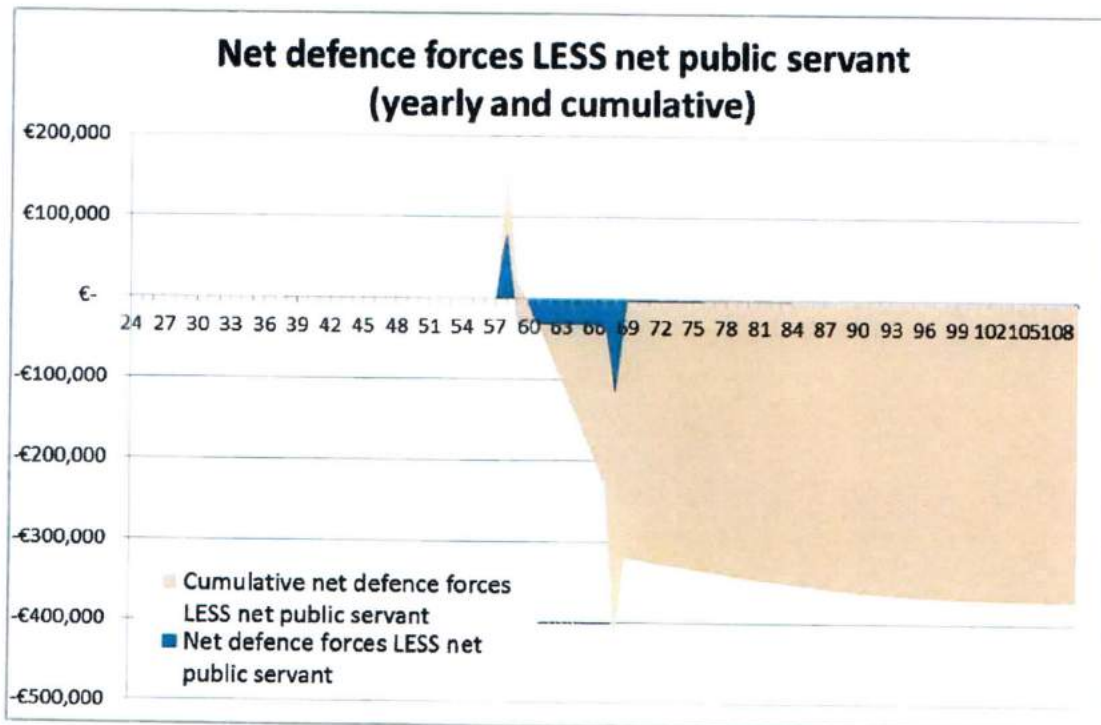
Based on the progression of pay set out in Appendix 2 for a typical final salary member, the total remuneration – pay plus pension less pension contributions – is shown in the charts below:



This page: Final Salary Scheme
Allows for supplementary pension



The difference by age and cumulative difference of net remuneration is shown below.



This page: Final Salary Scheme
Allows for supplementary pension

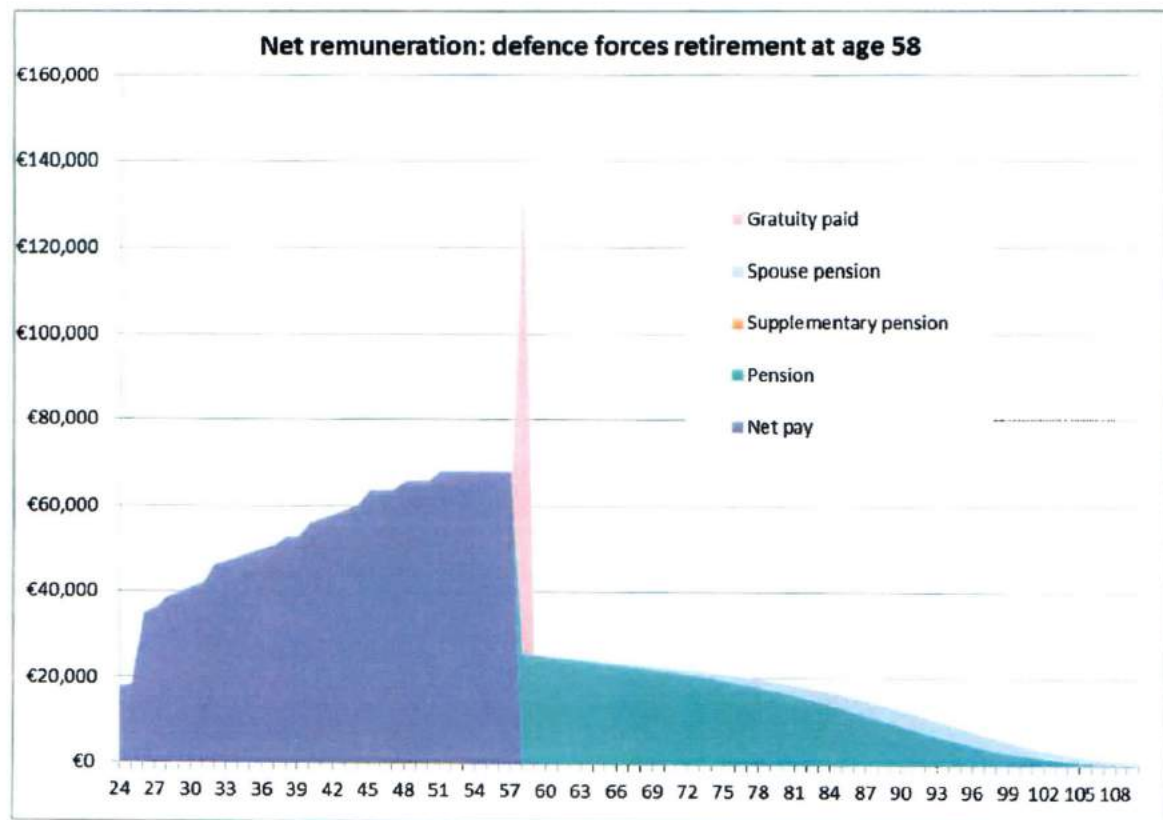
Demonstrated by above charts: In total, a Defence Force Officer is projected to receive €371,000 less remuneration over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68.

Allowing for future salary inflation and pension increases, the differential is €1.02m.

Adjusting the annual position for the present value of money, the total value of remuneration for an accelerated accrual employee retiring at age 58 is 10% less than that of an equivalent public servant retiring at age 68.

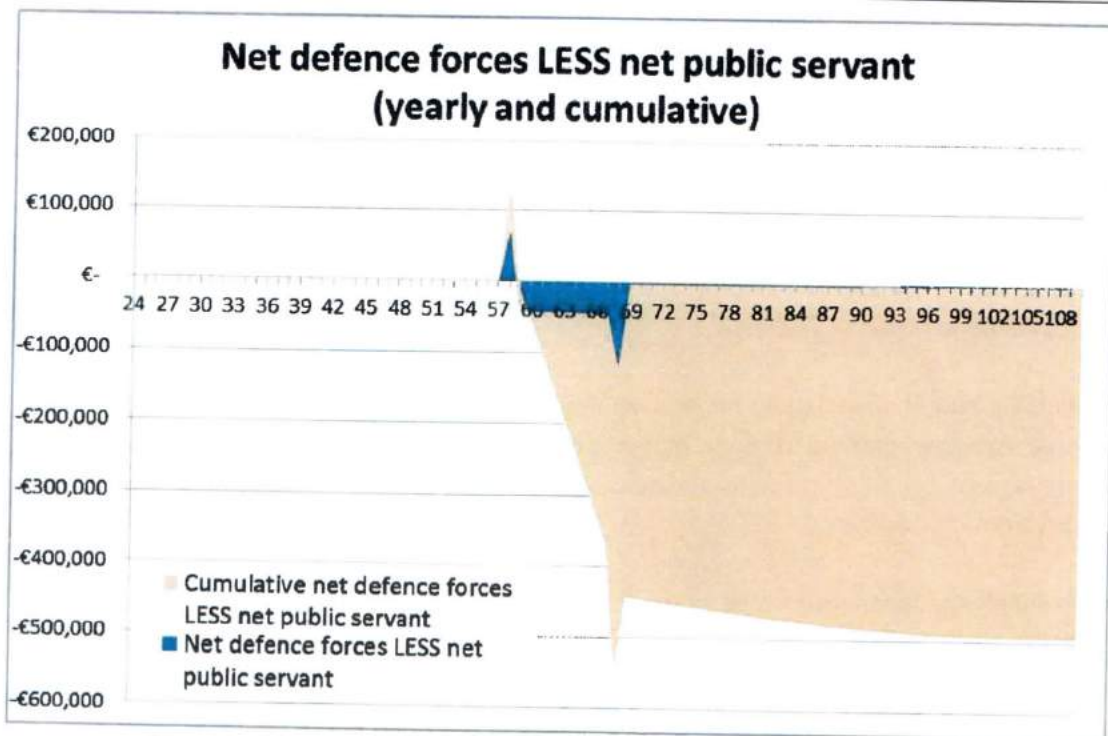
Ignoring PRD, the net benefit of participation after pension contributions is 30.0% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 24.8% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

As supplementary pension may not be paid in all circumstances, we have also estimated the position ignoring supplementary pension:



As noted above, “net pay” denotes pay less pension contributions less PRD.

This chart: Final Salary Scheme
Ignores supplementary pension



Demonstrated by above charts: Ignoring the supplementary pension, a Defence Force Officer is projected to receive €495,000 less remuneration over their lifetime taking into account pay plus pension less pension contributions than an equivalent public servant who retires at age 68.

Allowing for future salary inflation and pension increases, the differential is €1.31m.

Adjusting the annual position for the present value of money, the total value of remuneration for an accelerated accrual employee retiring at age 58 is 13% less than that of an equivalent public servant retiring at age 68.

Ignoring PRD, the net benefit of participation after pension contributions is 25.5% of pay. We have estimated that the net benefit of participation in the Single Scheme has a value of 20.3% of pay when allowance is made for the pension contributions and PRD paid by a Defence Force Officer.

Above chart: Final Salary Scheme
Ignores supplementary pension

As can be seen from the following table, the pension arrangements for Defence Force Officers who participate in the final salary scheme are satisfactory.

Projected Single Scheme and State Benefits at retirement	Defence Force Officer age 58	Public servant age 68
Pension as % of final salary	33%	33%
Supplementary/State pension as % of final salary	16%	16%
Total pension as % of final salary	49%	49%

9. Conclusions

The historic structure of public sector pensions was, and continues to be in the case of pre-2013 public servants, a valuable component of remuneration. The value of participation in the Single Scheme represents a lower proportion of pay.

When Defence Force officers are compared to equivalent grade public servants, it can be seen and demonstrated that:

1. Their career pay is lower
2. Their career remuneration (pay plus pension) is lower
3. The projected gap – Defence Forces vs. equivalent public sector grade – is significantly greater under the single scheme than under the final salary structure

It has been public policy that members of the security services must retire earlier than other public servants. It would seem most appropriate when assessing the value of pensions to members of the security services to take into account both career pay and the value of the associated pensions. Our calculations have taken both into account.

The accelerated accrual under the pre-2013 final salary scheme achieves the objective of financially enabling Defence Force officers to retire at an earlier age in line with public policy.

The accelerated accrual single scheme arrangements have been diluted and do not provide what I would regard as a reasonable replacement income during retirement for Defence Force Officer single scheme members.

The total value of remuneration – pay plus pension less pension contributions – for a person with accelerated accrual who is forced to retire at age 58 when compared to a person who works to age 68 is:

- 13% less for a final salary member ignoring supplementary pension
- 10% less for a final salary member allowing for supplementary pension

- 19% less for a single scheme member ignoring supplementary pension
- 15% less for a single scheme member allowing for supplementary pension

Therefore the relative value of the pension arrangements for Defence Force Officers was significantly diluted as part of the Single Scheme design relative to the historic practice.

Please advise if you have any queries.

Yours sincerely,



JOHN O'CONNELL
Fellow of the Society of Actuaries in Ireland

28th February 2017.
DATE

Appendix 1

I have grounded my assumptions on Society of Actuaries guidance where relevant and have stated any deviations from that guidance where justified.

- Value of benefits assessed on a funded basis

Public sector pensions, including those participating in the Single Scheme, are funded on a pay as you go basis. This means that contributions in any year go into the general Exchequer and benefit payments come from the Exchequer.

When analysing the value of public sector pensions to public servants, we must arrive at an approach which adjusts monetary values in different years. I have assumed, as outlined below, a funded approach to pensions as the only realistic way of measuring their worth. Indeed in the absence of the provision of pensions, members saving for pensions would contribute to a group scheme and would earn an investment return on their contributions. Although there are various ways of deriving suitable assumptions, I have based my assumptions on the investment style of the National Pensions Reserve Fund during years when had discretion over its investments but adapted the assumptions to acknowledge that the investment style of that fund was suited to long-term liabilities rather than the mix of long-term and short-term liabilities which would arise in the operation of a funded pension scheme for employees and existing pensioners.

- Future State pension growth is 0.75% p.a. on average above inflation.
- Future growth in salaries over and above salary increments is 0.75% p.a. on average above inflation.

In relation to both State pension growth and growth in salaries above inflation, I have assumed that long-term (multi-decade) economic growth will be at least 1% p.a. above inflation and that the long-term growth in national wealth will be at least partly shared with workers and social welfare recipients through pay and pension increases of 0.75% p.a. on average above inflation.

- The possibility of death in service is ignored for the purposes of this paper. The cost of death in service would be significantly lower than historic estimates in line with observed mortality improvements. The effect of allowing for death in service would be to increase the expected cost of benefits by a small margin.
- Life expectancy is based on the tables underlying pension scheme leaving service transfer values. In terms of future mortality improvements, we show two scenarios, the first being no future mortality improvements and the second reflects future mortality improvements in line with the leaving service transfer value assumption. Our view is that it is misleading to blindly assume mortality improvement over many future decades in Ireland particularly against the background that the proportion of over 65s in the population is expected to more than double by 2050 and the unlikelihood that the amounts in taxation required to adequately fund the health service to cater for such a rapid expansion of over 65s would be forthcoming and hence that it is implausible for life expectancy to improve indefinitely. In

Appendix 1

practice, some improvements in medical technology and health awareness may be compensated by restrictions in access to services.

Ireland population projections are unanimous with regard to ageing but we have seen no credible analysis relating to the long-term health costs of supporting an ageing population and how the desirable supports should be funded.

Assuming no future mortality improvements, our projections allow for 27½ years' life expectancy for a male at the age of 58 (to age 85½) and 19 years for a male at the age of 68 (to age 87).

When we allow for future mortality improvements, the male life expectancy increases to age 90 and females to age 92. Acknowledging that life expectancy of those with pension incomes is in excess of the life expectancy of the general population, it is nevertheless instructive to compare our assumptions with the CSO findings⁵ as follows:

CSO males aged 68	15.4 years	} Irish Life Tables No. 16 (2010-2012)
CSO females aged 68	18.1 years	}

We are therefore assuming life expectancy significantly greater than that observed by the CSO in relation to the general population in their 2010-2012 study.

- Discount rates: as earlier noted, it is necessary to adjust money values in different years to a common base. There are many ways of making this adjustment.

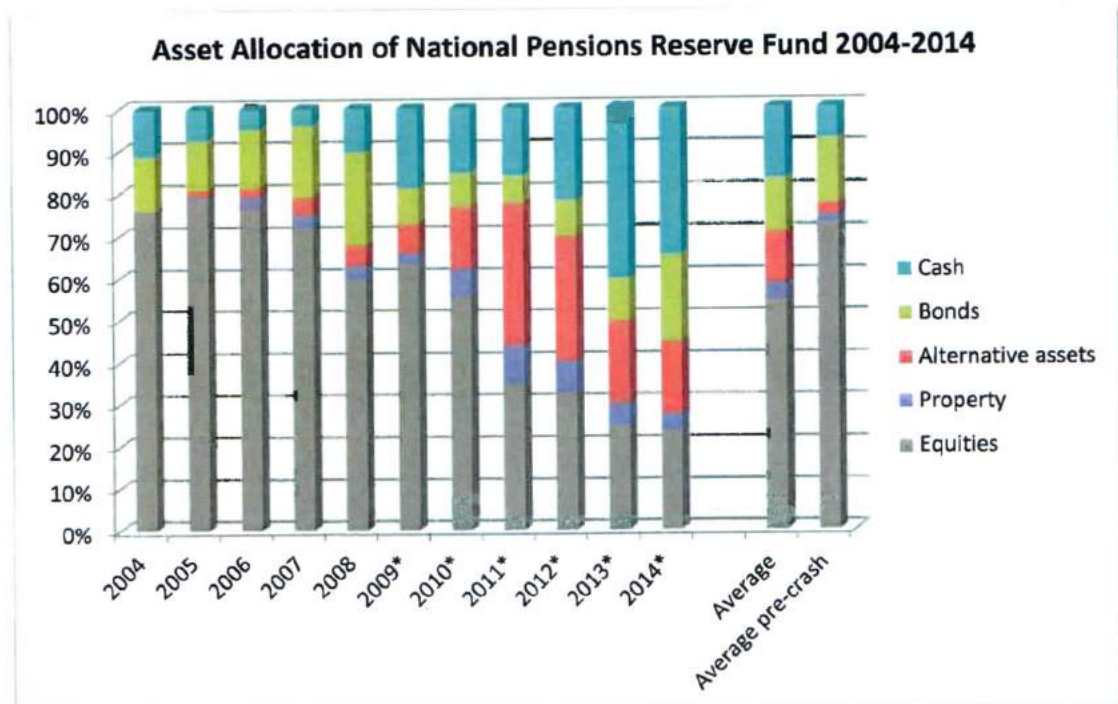
From the State's perspective, it is securing the employment of public servants on the basis that part of their remuneration is deferred until retirement. This amounts to a deferral of obligations which could be accommodated in two ways:

- o By borrowing
- o By investing the amounts contributed by members (and if higher the full value of the benefits) on a long-term basis

In the past, the State invested funds required for long-term commitments through the National Pensions Reserve Fund. This fund invested on an unrestricted basis up to 2008 but thereafter only part of its funds were invested on a long-term unrestricted mandate. The following information is derived from figures available on the NPRF website (<http://www.nprf.ie/Performance/selectYear.htm>).

⁵ <http://www.cso.ie/en/releasesandpublications/er/ilt/irishlifetablesno162010-2012/>

Appendix 1



*discretionary portfolio only

Up to and including 2008, approximately 77% of assets on average were invested in return-seeking assets – equities, property and alternative assets. The balance was invested in cash and bonds. We assume this unrestricted asset allocation applies, when assessing appropriate assumptions below.

The costs of managing the NPRF assets was historically approx. 0.28% of assets invested. Society of Actuaries guidance would suggest that the future return assumption underlying a portfolio akin to the NPRF would be 4.29% return p.a. from which the expected costs of 0.28% would have to be deducted resulting in a net return of 4.01%.

Actual historic returns have been higher. UK market returns⁶ over the last 116 years are as below.

⁶ These returns are shown for illustration and of course it is not suggested that a UK-centric investment approach would be appropriate.

Appendix 1

UK real asset class returns (% per annum)

	2015	10 years	20 years	50 years	116 years
Equities (shares)	-0.1	2.3	3.7	5.6	5.0
Government bonds (Gilts)	-0.6	3.0	4.3	2.9	1.3
Corporate bonds	-0.5	1.8			
Index-linked bonds	-3.4	2.5	3.8		
Cash	-0.7	-1.1	0.9	1.4	0.8

Source: [Barclays Capital Equity Gilt Study 2016](#) (where no data is available, there is a gap).

The table shows **real returns** – the annual rate at which the asset class grows (or shrinks) over any particular period **after inflation**.

Relative to our inflation assumption of 1.5%, if the experience of the last 116 years was mirrored in the future, the resulting asset returns would be equities 6.5%, bonds 2.8% and cash 2.3%. The NPRF portfolio would deliver a return of 5.57% p.a. before charges and 5.29% after charges.

The NPRF was investing for future pensioner commitments. It is generally accepted that the investment approach to current pensioner commitments should be more cautious. On the basis of investment per NPRF pre-retirement and investment in a portfolio of 67% bonds post-retirement, the resulting Society of Actuaries-based assumptions⁷ would be as below.

We have assumed that the costs of operating a largely bond-oriented portfolio for pensioners would be lower than the NPRF costs.

Asset category	Assumed long-term return	Pre-retirement mix	Assumed management costs	Assumed investment return contribution	Post-retirement mix	Assumed management costs	Assumed investment return contribution
Equities	5.00%	72.64%	0.33%	3.63%	28.30%	0.33%	1.42%
Property	5.00%	2.04%	0.33%	0.10%	0.80%	0.33%	0.04%
Alternative assets	3.75%	2.44%	0.33%	0.09%	1.00%	0.33%	0.04%
Bonds	2.50%	15.40%	0.11%	0.39%	67.00%	0.11%	1.68%
Cash	1.00%	7.48%	0.11%	0.07%	2.90%	0.11%	0.03%
		100.00%	0.28%	4.29%	100.00%	0.18%	3.20%
Deduction for costs				-0.28%			-0.18%
Net investment assumption pre/post retirement				4.01%			3.02%

For the purpose of our projections, we have assumed an investment return of 4% pre-retirement and 3% post-retirement after the costs of operating a long-term portfolio. These assumptions are therefore 2.5% above inflation pre-retirement and 1.5% above inflation

⁷ Assuming that the return for alternative assets (not specified under guidance) should be halfway between the returns for equities and bonds.

Appendix 1

post-retirement and reflect conditions at the time of writing which are significantly different from the historical situation.

- **Supplementary pension**

Whether a person qualifies for supplementary pension depends on their individual circumstances. Regardless, it is also not clear that any value should be assigned to supplementary pension in respect of persons who are forced to retire at an earlier age. If public policy is for early retirements, there will be an associated cost which should not necessarily be assigned to individuals.

Appendix 2

Typical Pay & Promotion Profile Single Scheme Post 2013 Officer

	Age	Service	Rank	Pay Point	Salary	MSA	SDA	Total Pay
Ave Age of Cdt	24	1	Cadet	1	€16,854.00	€0.00	€0.00	€16,854.00
	25	2		2	€19,010.00	€0.00	€0.00	€19,010.00
	26	3	2/Lt	1	€28,985.00	€4,730.00	€1,200.00	€34,915.00
	27	4		2	€32,838.00	€4,730.00	€1,200.00	€38,768.00
	28	5	Lt	1	€34,130.00	€4,730.00	€1,200.00	€40,060.00
	29	6		2	€34,720.00	€4,730.00	€1,200.00	€40,650.00
	30	7		3	€35,961.00	€4,730.00	€1,200.00	€41,891.00
	31	8		4	€37,226.00	€4,730.00	€1,200.00	€43,156.00
	32	9	Capt	1	€45,077.00	€4,730.00	€1,200.00	€51,007.00
	33	10		2	€46,180.00	€4,730.00	€1,200.00	€52,110.00
	34	11		3	€47,274.00	€4,730.00	€1,200.00	€53,204.00
	35	12		4	€48,388.00	€4,730.00	€1,200.00	€54,318.00
	36	13		5	€49,490.00	€4,730.00	€1,200.00	€55,420.00
	37	14		6	€50,583.00	€4,730.00	€1,200.00	€56,513.00
	38	15		7	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	39	16		8	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	40	17	Comdt	1	€57,294.00	€5,020.00	€600.00	€62,914.00
	41	18		2	€58,514.00	€5,020.00	€600.00	€64,134.00
	42	19		3	€59,721.00	€5,020.00	€600.00	€65,341.00
	43	20		4	€60,934.00	€5,020.00	€600.00	€66,554.00
	44	21		5	€62,147.00	€5,020.00	€600.00	€67,767.00
	45	22		6	€65,000.00	€5,020.00	€600.00	€70,620.00
	46	23		7	€65,000.00	€5,020.00	€600.00	€70,620.00
	47	24		8	€65,000.00	€5,020.00	€600.00	€70,620.00
	48	25	Comdt	LS1 1	€65,194.00	€5,020.00	€600.00	€70,814.00
	49	26		LS1 1	€65,194.00	€5,020.00	€600.00	€70,814.00
	50	27		LS1 1	€65,194.00	€5,020.00	€600.00	€70,814.00
	51	28	Comdt	LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	52	29		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	53	30		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	54	31		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	55	32		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	56	33		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
	57	34		LSI 2	€67,705.00	€5,020.00	€600.00	€73,325.00
Retired	58							

The value to RACO members of participation in the Single Public Service Pension Scheme

Appendix 2

Typical Pay & Promotion Profile Post 04 and Pre 2013 Officer

	Age	Service	Rank	Pay Point	Salary	MSA	SDA	Total Pay
Ave Age of Cdt	24	1	Cadet	1	€18,442.00	€0.00	€0.00	€18,442.00
	25	2		2	€19,010.00	€0.00	€0.00	€19,010.00
	26	3	2/Lt	1	€31,573.00	€4,730.00	€1,200.00	€37,503.00
	27	4		2	€32,838.00	€4,730.00	€1,200.00	€38,768.00
	28	5	Lt	1	€35,961.00	€4,730.00	€1,200.00	€41,891.00
	29	6		2	€37,226.00	€4,730.00	€1,200.00	€43,156.00
	30	7		3	€38,618.00	€4,730.00	€1,200.00	€44,548.00
	21	8		4	€39,890.00	€4,730.00	€1,200.00	€45,820.00
	32	9	Capt	1	€45,077.00	€4,730.00	€1,200.00	€51,007.00
	33	10		2	€46,180.00	€4,730.00	€1,200.00	€52,110.00
	34	11		3	€47,274.00	€4,730.00	€1,200.00	€53,204.00
	35	12		4	€48,388.00	€4,730.00	€1,200.00	€54,318.00
	36	13		5	€49,490.00	€4,730.00	€1,200.00	€55,420.00
	37	14		6	€50,583.00	€4,730.00	€1,200.00	€56,513.00
	38	15		7	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	39	16		8	€52,978.00	€4,730.00	€1,200.00	€58,908.00
	40	17	Comdt	1	€57,294.00	€5,020.00	€600.00	€62,914.00
	41	18		2	€58,514.00	€5,020.00	€600.00	€64,134.00
	42	19		3	€59,721.00	€5,020.00	€600.00	€65,341.00
	43	20		4	€60,934.00	€5,020.00	€600.00	€66,554.00
	44	21		5	€62,147.00	€5,020.00	€600.00	€67,767.00
	45	22		6	€66,436.00	€5,020.00	€600.00	€72,056.00
	46	23		7	€66,436.00	€5,020.00	€600.00	€72,056.00
	47	24		8	€66,436.00	€5,020.00	€600.00	€72,056.00
	48	25	Comdt	LS1 1	€68,988.00	€5,020.00	€600.00	€74,608.00
	49	26		LS1 1	€68,988.00	€5,020.00	€600.00	€74,608.00
	50	27		LS1 1	€68,988.00	€5,020.00	€600.00	€74,608.00
	51	28	Comdt	LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	52	29		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	53	30		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	54	31		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	55	32		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	56	33		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
	57	34		LSI 2	€71,646.00	€5,020.00	€600.00	€77,266.00
Retired	58							

RACO Member's Survey Report

Introduction:

The Representative Association of Commissioned Officers (RACO) is a membership organisation with over 1,100 members in Ireland. RACO's scope includes the pay and conditions of service for members of the Army, Air Corps, and Naval Service. Membership is voluntary and open to all service officers of the Permanent Defence Force.

In the last few years, as a consequence of the economic downturn, several changes were made to retirement and pension systems available to officers serving in the Permanent Defence Force, most notably the Single Pension Scheme. Most members of the Defence Forces face a mandatory retirement age (typically 58); prior to the SPS, a supplementary pension was made available to cover the period between mandatory retirement age and the age a state pension becomes available (soon to be 68). The introduction of the SPS means that this supplementary pension is no longer payable to any entrant into the public sector post January 1st, 2013.

These changes are a cause for concern for RACO, as it may lead to reduced recruitment, and an increase in officers leaving the Defence Forces early in their careers in order to build up an adequate civilian pension. This could lead to a significant loss of skilled and experienced officers in the future.

To investigate this issue, particularly the Single Pension Scheme, Amárach Research and RACO have surveyed RACO members to gain an understanding of their attitudes to these new rules, and gain insight into what actions their members will take in the future.

Key Insights:

Mandatory Retirement and Triggers for Leaving:

- 21% of respondents see themselves retiring at or before the age of 35, and a further 19% see themselves retiring between the ages of 36 and 40.
 - o When this is analysed by age, 43% of those aged 18-25 will retire between the ages of 30-35. Among those aged 26-35, 28% see themselves retiring between 30-35, and 29% see themselves retiring between 36-40.
 - o 90% of respondents would consider retiring from the Defence Forces before their mandatory retirement age.
- For those that are considering retiring from the Defence Forces, 55% said that the SPS had a high or very high impact on their decision.
 - o For those aged 18-25, this rose to 69% of respondents, and 61% of 26-35 year olds.
 - o Among those who were inducted between 2013 and 2019, 79% of respondents said the SPS had a high or very high impact on their decision.
- 57% of respondents said career potential and 53% said domestic and personal commitments were triggers for leaving the Defence Forces, and 40% stating the SPS was a trigger.
 - o Among those aged 18-25, the SPS was a trigger for 66%, and 48% of those aged 26-35. This is to be expected, as this age group are the ones that are primarily affected by the SPS.

- 11% of respondents reported “Pay or Remuneration” was a trigger for them to leave, ostensibly showing satisfaction with current wages. However, this figure may be deceptive, as problems with pay can be reflected in the top three overall triggers:
 - Career potential directly correlates with pay (salary cap).
 - Domestic and personal commitments relate to ability to meet financial needs of a family/mortgage (however these also relate to travel requirements of Defence Force members, among others).
 - The SPS is an issue because pay alone cannot meet the needs of members retiring before state pension age.
- When given a chance to voice their concerns, respondents consistently mentioned that the SPS would lead to significant loss of experienced officers, as they would be unable to meet their financial needs following their mandatory retirement age.
 - Many feel as though loyalty is being punished, and their trust is being eroded.
 - Many predict that large numbers of officers will leave the Defence Forces in their thirties, so that they have adequate time to save for a pension.

Re-commissioning Officers:

- There is recognition amongst many of those surveyed that there are positives to re-commissioning officers:
 - In particular, it can be used to resolve manpower issues in the short term, and bring in skills from outside of the military.
- However, there is strong negative sentiment towards the policy:
 - It is seen as short sighted as it may lead to younger officers being unable to move up the ranks, effectively stopping their career, leading to greater numbers of officers leaving prematurely.
 - Many respondents see those leaving as disloyal for leaving the Defence Forces to pursue their own interests. They see officers returning to their previous rank as a “reward” for the returning officer despite their disloyalty, while their own loyalty to the Defence Forces during a time economic hardship is being punished.
- The policy has the possibility of causing severe morale issues, and while there are many that understand the reasoning behind it, the implementation of it would need to be well managed, and limit any negative effects on the career potential of those already serving.

Minimum Service Requirements:

- 73% of respondents were in favour of minimum service requirements for promotions. However, this varied by age, with younger cohorts being less enthusiastic with the requirements:
 - 58% of 18-25 year olds were in favour, and 67% of 26-35 year olds were in favour, while 86% of 36-45 year olds were in favour, and 95% of those aged 46 or more.
 - This trend can also be seen across rank (closely correlated with age), with second Lieutenants/Ensigns (NS) and Lieutenants/Sub-Lieutenants (NS) being 56% and 55% in favour respectively; rising to 74% for Captains/Lieutenants (NS); 90% for Commandants/Lieutenant Commanders (NS); 93% for Lieutenant Colonels/Commanders; and 88% for Colonels/Captains (NS).
 - Those in DFHQ were more likely to be in favour of the policy than other formations, with 84% being in favour. Those in the Air Corps were less likely, with 63% agreeing.

Research Methodology:

It was decided that the best method to gain sufficient reach among members of RACO was to send an online survey to all members. A questionnaire was developed by Amárach Research and RACO, this was then scripted by Amárach Research. RACO then distributed the survey, and a sample size of 622 was attained.

The survey included many demographic questions, such as type of service, rank, and longevity in the Defence Forces. The survey also contained many questions pertaining to the attitudes, perceptions, and behaviours of RACO members towards the Single Pension Scheme in order to gain an understanding of how they are currently reacting to the changes, and how they will behave in the future.

Demographics:

The majority of those who answered the survey were 35 or under, comprising almost three quarters of the sample, however almost all age groups are represented in the sample (**Table 1**). Similarly, all formations are represented in the sample, with those in the Naval Service having the lowest representation at 7% (**Table 2**).

TABLE 1:

Q.1 What age are you?

18-25	23%
26-35	40%
36-45	24%
46+	13%

TABLE 2:

Q.2 In which Formation do you currently serve?

1 BDE	17%
2 BDE	20%
DFHQ	18%
DFTC	28%
Air Corps	10%
Naval Service	7%

89% of the sample were between Second Lieutenant / Ensign (NS) and Commandant / Lieutenant Commander (NS) (**TABLE 3**), and 36% of the sample were the "class of 2013", those that were initially inducted into the Defence Forces between 2013 and the present (**TABLE 4**).

TABLE 3:

Q.3 What is your Rank?

Second Lieutenant / Ensign (NS)	17%
Lieutenant / Sub Lieutenant (NS)	20%
Captain / Lieutenant (NS)	26%
Commandant / Lieutenant Commander (NS)	26%
Lieutenant Colonel / Commander (NS)	10%
Colonel / Captain (NS)	1%

TABLE 4:

Q.4 What year were you initially inducted into the Defence Forces?

Before 2000	28%
2000 to 2012	36%
2013 to 2019	36%

One quarter of respondents currently have an undertaking with the Defence Force as a result of attending 3rd level college (TABLE 5), and one third of these will expire in either 2019 or 2020, and 91% will expire by 2030 (TABLE 6).

TABLE 5:

Q.5 Do you have an Undertaking (Service contract) with the Defence Force as a result of attending 3rd Level College (USAC / Flight School / Maritime College)?

Yes	25%
No	75%

TABLE 6:

IF YES @ Q5

Q.6 What year will it expire?

2019 to 2020	33%
2021 to 2025	30%
2026 to 2030	28%
2031+	9%

Understanding the Single Pension Scheme:

Almost three quarters of respondents have previously attended a RACO briefing on the details of the Single Pension Scheme (Figure 1). This figure rises to 93% of those aged 18-25, however there is a sharp decline in attendance as age increases, falling to 70% for 26-35 year olds, 65% of 36-45 year olds, and 61% of those aged 46+. Those inducted into the Defence Forces since 2013 have an attendance rate of 91%, this is important as this group are likely to be worst affected by the Single Pension Scheme.

FIGURE 1:

Q.7 Have you attended a RACO briefing where details of the Single Pension Scheme (SPS) were explained (Cadet School, Career Course)?

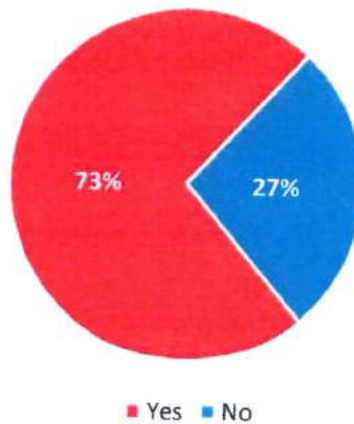
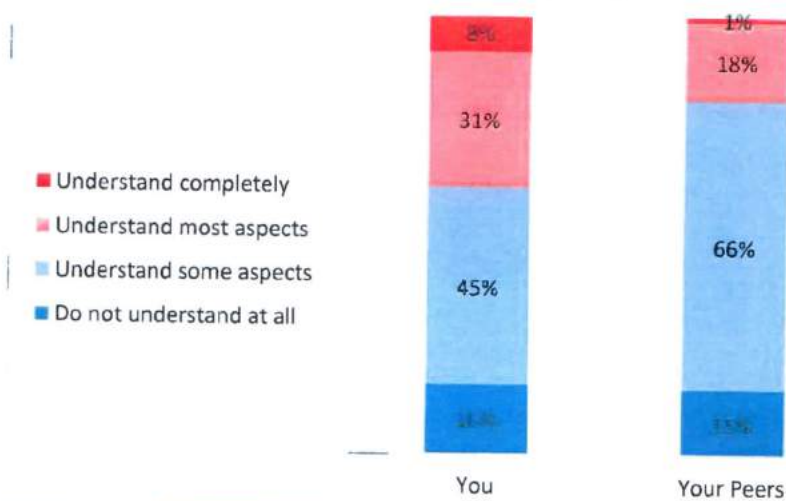


FIGURE 2:

Q.8 How well would you say you understand the SPS? Please use the scale below, where 1 is do not understand at all, and 4 is understand completely.

Q.9 How well would you say your peers understand the SPS? Please use the scale below, where 1 is do not understand at all, and 4 is understand completely.



When asked how well they understood the SPS, just 8% of respondents said they understood it completely, while twice that number (16%) said they do not understand it at all (Figure 2). Almost half (45%) of respondents said they only understand some aspects of the SPS. Among those that have **not** previously attended a RACO briefing of the SPS, one third did not understand the SPS at all. Additionally, those in the Naval Service were least likely to understand, with one quarter of them stating they do not understand the SPS at all.

When asked how well they thought their peers understand the SPS, two thirds of respondents believe their peers understand some aspects of the SPS, and just 1% think their peers understand it completely (Figure 1). This can be a telling figure, as personal perception of understanding can often be inflated, however asking about the understanding of their peers can often be a better measure of the “true” zeitgeist.

Mandatory Retirement and Triggers for Leaving:

One in five respondents see themselves retiring at or before the age of 35, and a further one fifth see themselves retiring at or before the age of 40 (Figure 3). When this is analysed by age, **43%** of those aged 18-25 will retire between the ages of 30-35. Among those aged 26-35, 28% see themselves retiring between 30-35, and 29% see themselves retiring between 36-40. In fact, **90%** of respondents would consider retiring from the Defence Forces before their mandatory retirement age (Figure 4). This highlights a potential significant decline in trained and experienced officers over the next 10-15 years.

FIGURE 3:

Q.10 Currently, at what age do you see yourself retiring from the Defence Forces?

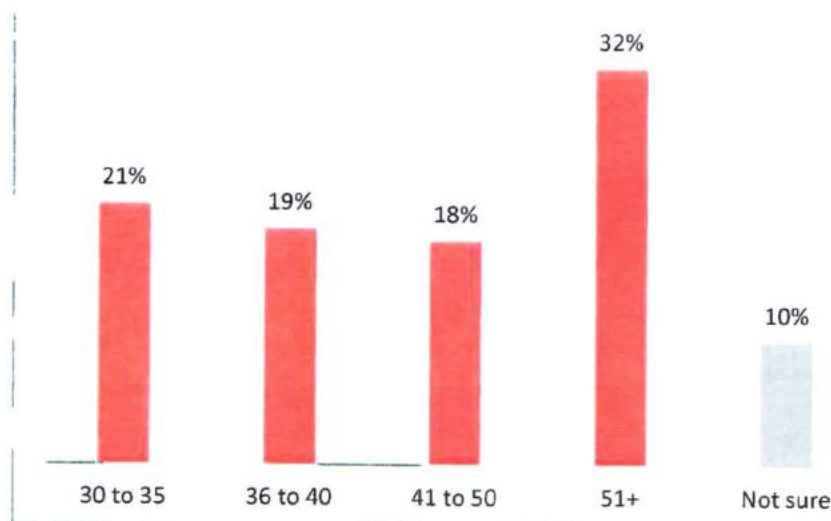


FIGURE 4:

Q.11 Would you consider retiring from the Defence Forces before your mandatory retirement age?

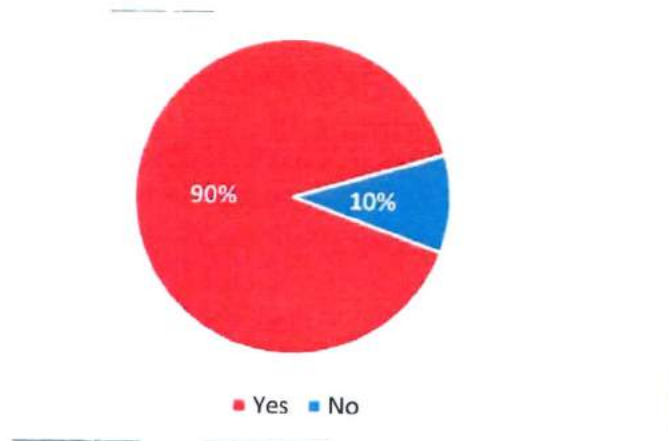
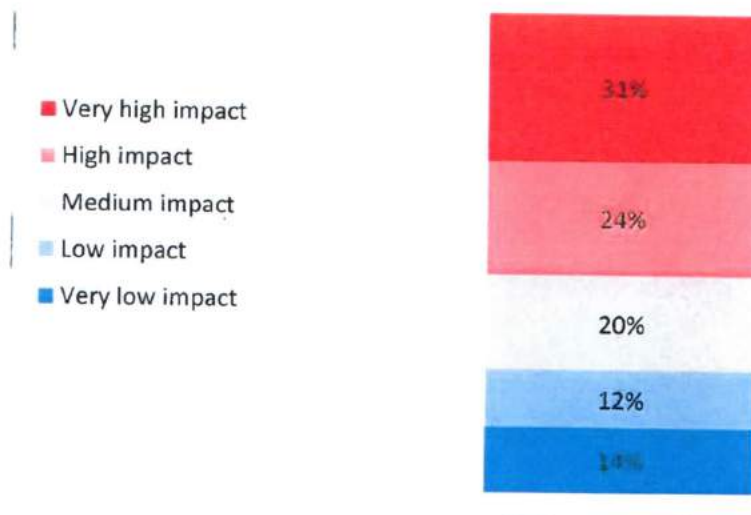


FIGURE 5:

IF YES @ Q11

Q.12 Would your understanding of the Single Pension Scheme and lack of supplementary pension have any impact on your decision to retire early from the Defence Forces?

Please use the scale below, where 1 is very low, and 5 is very high.



For those that are considering retiring from the Defence Forces, 55% said that the SPS had a high or very high impact on their decision (Figure 5). For those aged 18-25, this rose to 69% of respondents, and 61% of 26-35 year olds. Furthermore, among those who were inducted between 2013 and 2019, 79% of respondents said the SPS had a high or very high impact on their decision.

When respondents were asked what the triggers for them leaving the Defence Forces would be; career potential (57%) and domestic and personal commitments (53%) were the reasons most respondents gave, with 40% stating the SPS was a trigger (Figure 6). However, among those aged 18-25, the SPS was a trigger for 66%, and 48% of those aged 26-35. This is to be expected, as this age group are the ones that are primarily affected by the SPS.

FIGURE 6:

Q.13 What are the potential triggers for you to leave the Defence Forces? *Please select all that apply*

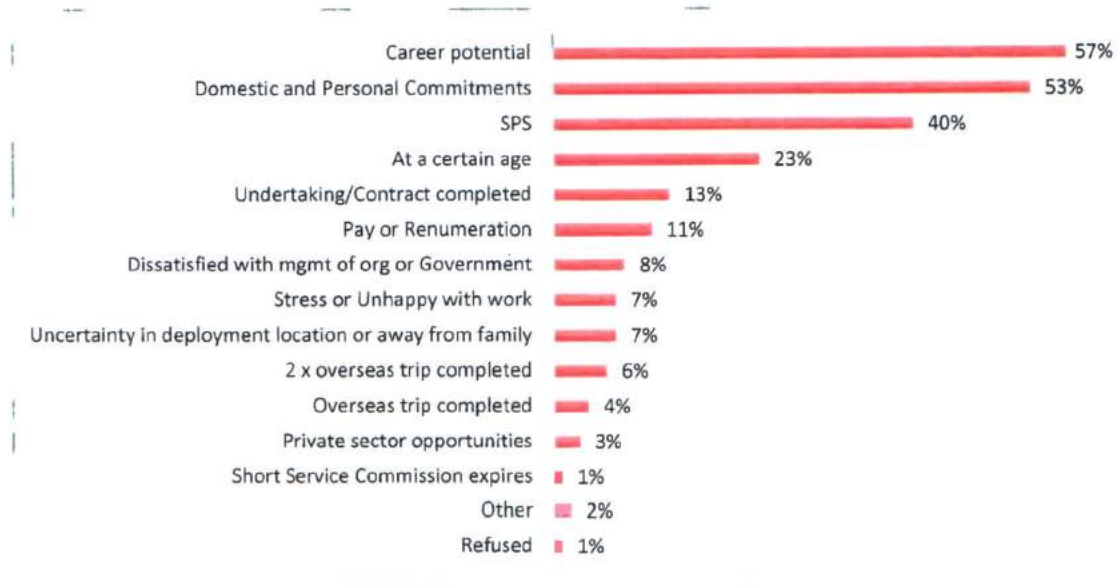
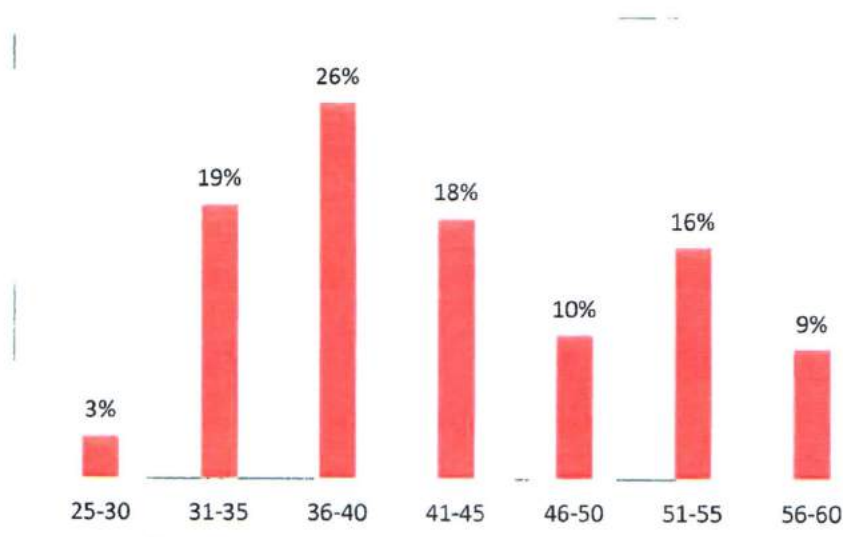


FIGURE 7:

IF "AT A CERTAIN AGE" CHOSEN @ Q13

Q.15 What age would you consider to be a trigger to leave the Defence Forces?



11% of respondents reported “Pay or Remuneration” was a trigger for them to leave, ostensibly showing satisfaction with current wages. However, this figure may be deceptive, as problems with pay can be reflected in the top three overall triggers; career potential, domestic and personal commitments (to a lesser extent), and SPS. Career potential directly correlates with pay (salary cap). Domestic and personal commitments relate to ability to meet financial needs of a family/mortgage (however these also relate to travel requirements of Defence Force members, among others). The SPS is an issue because pay alone cannot meet the needs of members retiring before state pension age.

Almost a quarter (23%) of respondents said that “a certain age” would be a trigger for them to leave the Defence Forces. Of these, **almost half (48%)** said this age would be 40 or under (**Figure 7**).

Respondents were asked for their thoughts on the Single Pension Scheme, and the impacts that it will have on the Defence Forces. This open-ended question allowed respondents to give a detailed answer on the subject. The following verbatims are taken from these answers, and reflect the general sentiment of the respondents.

Q.16 What are your thoughts on the merits of Single Pension Scheme, the impact it will have on the retention of Defence Forces members, and Defence Forces vacancies?

“If this is not reinstated for Post 2013 personnel, it is a huge threat to the future viability of the organisation. Officers have signalled their intent to leave in their mid 30s, as they will have to provide for their future and families and won’t be able to survive on a pension of 14k at 58 years of age, with a mortgage and kids in college. This means that the huge cadet intakes currently in vogue will have been for nothing.”

“It will certainly result in officers considering and acting on early retirement as there is no longer a pension related incentive to complete the previously traditional time in service.”

“A negative impact due to the significant shortfall it provides in income for officers who have served loyally for their career. It’s a disgrace.”

“Major impact. The social contract has been destroyed.”

“Due to the post 2013 scheme, in the next 5-10 years people will leave the organisation for a new career before it is too late, rather than serve on these terms.”

“As it stands a lot of people will be forced to leave the DF as a result of the SPS, it would be almost impossible to support your family once it is time to retire.”

“It is almost an incentive to leave, in order to grow a better pension in the private.”

“The scheme will force members to make a career choice in their mid-thirties in order to secure an adequate pension”

“Currently there is absolutely zero reason or incentive for me to stay. This is mainly down to my current pension.”

“The single pension scheme makes a career in the DF impossible. By the time I retire if I were to work until mandatory retirement, I will have approximately 10 year gap before receiving the old age pension. I will still have several years of a mortgage to pay. The SPS has essentially stunted my career

for 15 years. (Until my contract is complete and I can start a career that will provide for my family and future). The SPS forces any post 2013 entrant to leave as soon as possible. It drives down morale and makes for a stressful and difficult working environment.”

“The SPS will have the effect that officers will need to leave at captain and commandant level in order to secure their financial future. This will make worse the current situation in units where 50% of Captains and Commandants are missing.”

“A good pension is the last remaining advantage and reason for staying. My current pension entitlements are not as good as previous generations and the post 2013 entrants have a much worse deal. This is a big hindrance to retention of offices and is crippling the organisation.”

Respondents were consistently concerned that the SPS would lead to significant loss of experienced officers, as they would be unable to meet their financial needs following their mandatory retirement age. Many feel as though loyalty is being punished, and their trust is being eroded. Many predict that large numbers of officers will leave the Defence Forces in their thirties, so that they have adequate time to save for a pension.

Re-commissioning Officers:

Regarding the Minister for Defence’s policy of re-commissioning retired officers, 56% of respondents were against the policy (**Figure 8**). This policy is particularly unpopular with those in the Air Corps, with **80%** of respondents being against the policy. The policy to re-commission officers at their former rank proved even more unpopular, with 68% of respondents being against it (**Figure 9**). Those in the Air Corps were again most opposed to this policy, with 92% of respondents opposed to it. Those aged 36-45 and 46+ were also more likely to oppose the policy, with 74% of each cohort not agreeing with it.

FIGURE 8:

Q.17 Do you agree with the Minister for Defence’s policy of re-commissioning of retired officers back into the Defence Forces?

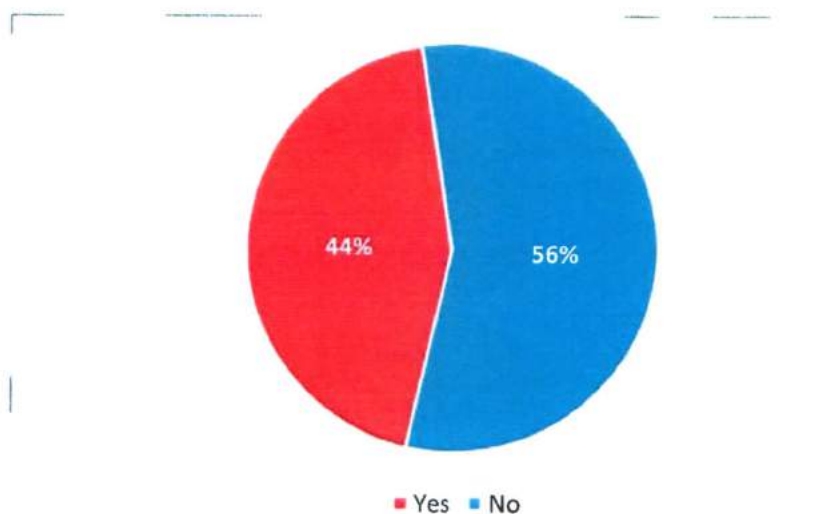
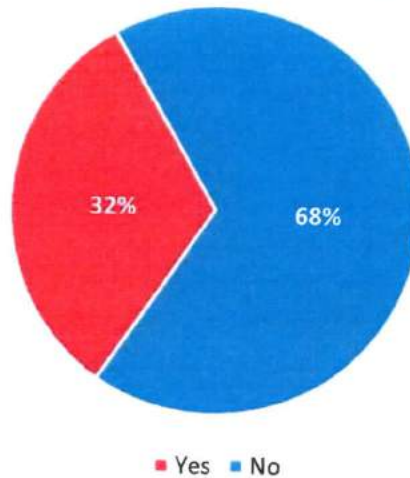


FIGURE 9:

Q.18 Do you agree with the Minister for Defence's policy of re-commissioning of retired officers back into the Defence Forces at their former rank?



Respondents were given another opportunity to provide their thoughts in an open-ended question regarding the positive and negative implications of re-commissioning former officers back into their former rank. The verbatims highlighted reflect the general sentiment of the officers surveyed.

Q.19 What are the positive and/or negative implications of re-commissioning of former officers back into the DF at their former rank?

"Positives are personnel that can immediately resume their duties at an advanced rank. The negatives are possible disenfranchisement of current serving personnel if the terms and conditions are perceived as 'too advantageous'."

"Positives: seamless transition back to work. Can plug gaps and capability deficiencies. Negatives: impact on peers for promotion"

"Negative: may impact serving personnel opportunities. Positive: fill appointments that are currently vacant"

"For people at lower ranks, it stunts our career progression, destroys morale and makes us feel like we can't do the job."

"Positive: Populate rosters, reduce workload on others. Negative: Block vacancies, damage morale and loyalty/service commitment to the DF of those that stayed"

"Poor morale, individuals left to further their own interests. Members who continue to serve should not be disadvantaged by this scheme"

"Gain experience that would otherwise be lost."

"It is a move that will tick the Minister's box but not that of the Defence Forces. It provides another reason for young, bright Officers to move on as they will never have opportunity to progress in the work place."

"A positive is that such a policy recognises their previous service and experience - the retained rank attracts a salary that provides the necessary recognition. Otherwise, it would appear to be a punishment for returning to the service by having to accept a lower rank and less pay, even though you bring greater experience to the table. Recall that a reduction in rank is one of the punishments available in the military justice system for wrongdoing. Another positive is it provides experienced personnel back into the system when there are such weaknesses in the level of experience overall. That enhances the safety of the working environment for all. It also helps protect the organisation at such a difficult time."

"They left for a reason. Nothing has changed. It's unfair on us who stayed and burdened the underfunding and all other negative aspects of the DF while they went elsewhere."

"It is a short-term fix. It may even encourage people to leave the organisation at an initial cost of job satisfaction in order to earn more, as it offers a future opportunity to return to the same job satisfaction but with a substantial pension. This would not be sustainable in the long term. Only the provision of a sufficient pension can offer a long-term solution and incentivise personnel not to leave the organisation."

"Yes, at their former rank but there has to be conditions that don't disadvantage those already serving. Time retired has to be taken into account. Some of these problems could be overcome by expanding the right to LOA."

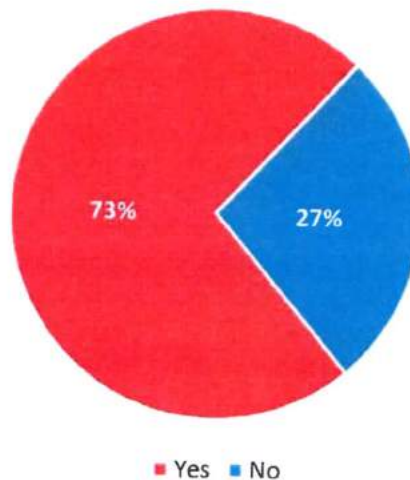
While there is recognition amongst many of those surveyed that there are positives to re-commissioning officers. In particular, it can be used to resolve manpower issues in the short term, and bring in skills from outside of the military. However, there is strong negative sentiment towards the policy. It is seen as short sighted as it may lead to younger officers being unable to move up the ranks, effectively stopping their career. This would lead to greater numbers of officers leaving, and exacerbating manpower issues down the road.

Many respondents see those leaving as disloyal for leaving the Defence Forces to pursue their own interests. They see officers returning to their previous rank as a 'reward' for the returning officer despite their 'disloyalty', while their own loyalty to the Defence Forces during a time economic hardship is being punished. The policy has the possibility to cause severe morale issues, and while there are many that understand the reasoning behind it, the implementation of it would need to be well managed, and limit any negative effects on the career potential of those already serving.

Minimum Service Requirements:

FIGURE 10:

Q.20 Do you agree that in order to be eligible for promotion to a higher rank that officers should have to serve a minimum period of time in their current rank before being eligible to enter a promotion competition?



Regarding minimum time served requirements for promotions, almost three quarters (73%) of respondents were in favour of these (Figure 10). However, this varied by age, with younger cohorts being less enthusiastic with the requirements. 58% of 18-25 year olds were in favour, and 67% of 26-35 year olds were in favour, while 86% of 36-45 year olds were in favour, and 95% of those aged 46 or more. This trend can also be seen across rank (closely correlated with age), with second Lieutenants/Ensigns (NS) and Lieutenants/Sub-Lieutenants (NS) being 56% and 55% in favour respectively; rising to 74% for Captains/Lieutenants (NS); 90% for Commandants/Lieutenant Commanders (NS); 93% for Lieutenant Colonels/Commanders; and 88% for Colonels/Captains (NS). Additionally, those in DFHQ were more likely to be in favour of the policy than other formations, with 84% being in favour. Those in the Air Corps were less likely, with 63% agreeing.

Conclusion:

The Single Pension Scheme is a very unpopular scheme amongst the officers who responded to the survey. This stems from a very real concern over how they will provide for themselves upon reaching the mandatory retirement age from the Defence Forces. It has required many officers to consider leaving the Defence Forces early, in order to secure an appropriate pension from the private sector. Because of this, many believe that there will be significant staffing issues in the future, as significant numbers of capable, experienced, middle level officers leave the Defence Forces in pursuit of a career. Furthermore, a career in the Defence Forces will become less appealing to new recruits, and thus recruitment may plummet.

The SPS, in combination with the policy of re-commissioning ex-officers, is very disruptive to morale. Those that 'stuck it out' during the hard times feel as though their loyalty is being punished rather than rewarded, while officers returning receive no negative consequences to their careers. This lends further credence to the belief that officers should leave the Defence Forces in their thirties to pursue private (or other civil) sector opportunities, with the knowledge that they can return at a later date in much improved personal circumstances compared to their peers.