



**Óglaigh  
na hÉireann**  
IRISH DEFENCE FORCES

STRENGTHEN  
THE NATION

Ceann Foirne  
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210308/ COS 3-12

8 March 2021

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**MILITARY MANAGEMENT SUBMISSION TO THE INDEPENDENT PENSIONS  
COMMISSION BY VICE ADMIRAL MARK MELLETT  
CHIEF OF STAFF**

I welcome the opportunity to make a submission to the Independent Pensions Commission on behalf of a specific cohort of Defence Force (DF) members who have volunteered to serve Ireland with Óglaigh na hÉireann. This specific cohort was inducted into the DF under the provisions of the Single Pension Scheme that came into effect on 01 January 2013.

Pensions must be underpinned by the principles of adequacy, fairness and protection of those approaching pension age, particularly those who are obliged to retire earlier than the date when the State Contributory Pension takes effect. Mandatory retirement on age grounds is a feature of employment in the DF, due to the unique nature and requirements of Military Service.

It has been clear for some time that aspects of the Single Pension Scheme create retention difficulties for Permanent Defence Forces (PDF) personnel in the context of compulsory retirement ages, which are significantly earlier than the State Contributory Pension age. This has been borne out by studies carried out on behalf of the Public Service Pay Commission (PSPC) of 2019. In their submissions to the PSPC, the Representative Associations (RAs) of the DF (PDFORRA and RACO) highlighted this issue. I understand that the RAs are also making submissions to the Independent Pensions Commission on this issue.

For a number of years now the PDF has been experiencing retention difficulties and turnover has increased significantly. The PSPC report noted that in excess of 75% of all leavers from the PDF do so voluntarily, and that these tend to occur over a wider range of service points/ages than generally occurs in other public sectors. This challenges Defence Forces long-term workforce planning.



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I am convinced that the elimination of appropriate superannuation measures such as the supplementary provision, which ameliorated the disadvantage of compulsory retirement from the PDF on age grounds, diminished the attractiveness of the PDF from a retention perspective.

The current Single Pension Scheme essentially acts as a catalyst, pushing the DF's greatest asset (our personnel) to prematurely decide to depart the PDF. This affects operational capability and military effectiveness. As the principal military advisor to the Minister for Defence, it behoves me to advocate for special arrangements for the PDF personnel inducted under the Single Pension Scheme in order to compensate them for the unique nature and requirements of Military Service. These special arrangements would enhance the attractiveness of the PDF as a career of choice and improve retention among these highly trained, qualified and experienced members of the PDF. Ultimately, they would contribute to the maintenance of our operational capability and effectiveness, and thereby ensure that Óglaigh na hÉireann can continue to meet all tasks assigned by Government into the future.

In conclusion, the administration and management of the Defence Forces' superannuation arrangements are carried out by officials of the Department of Defence, under the delegated authority of the Ministers for Defence and Finance / Public Expenditure and Reform. The Department of Defence is the custodian of all DF superannuation arrangements and provides pension policy advice to these Government Ministers, as required. In this context, I am copying Minister Coveney and Secretary General McCrum on this submission, for their situational awareness.

**MARK MELLETT**  
**VICE ADMIRAL**  
**CHIEF OF STAFF**

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Mr. Simon Coveney T.D., Minister for Defence

Mrs. Jacqui McCrum, Secretary General, Department of Defence

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## **Military Management Submission to the Independent Pensions Commission**

### **Permanent Defence Force Members inducted into the Defence Forces from 01 January 2013 under the Single Pension Scheme 2012**

1. **Introduction.** Pension provision emerged as a key issue in the last election, with widespread public concern about the rising age at which people would be able to access a State Pension<sup>1</sup>. The Government put on hold planned increases in the State Pension age and established an Independent Pensions Commission to examine the matter. The Programme for Government specifies that pensions should be underpinned by the principles of adequacy, fairness and protection of those approaching pension age.
2. **Terms of Reference for the Pensions Commission.** The Terms of Reference (TORs) for the Pension Commission and the Commission's remit are wide-ranging and include, *inter alia*, an examination of sustainability and eligibility issues with the State Pensions, eliciting the views of recognised experts and representative/advocacy groups by inviting submissions and consideration of the issue of retirement ages in employment contracts. It is noted that the scope of the Independent Pensions Commission can extend to broader pension issues provided they are generally relevant to its TORs.
3. **Military Management Submission.** The aforementioned TORs and scope have relevance to a specific cohort of PDF members: PDF personnel inducted into the Defence Forces (DF) from 01 January 2013<sup>2</sup>. It is the view of Military Management that there are adequacy and fairness concerns surrounding the access of the 2013 cohort to the State Contributory Pension (SCP). This occurs between the point of their compulsory discharge, on age grounds, from the PDF and the date the SCP becomes payable. For manpower policy and operational reasons all members of the DF, including the 2013 cohort, face compulsory retirement ages considerably earlier than the public service norm. This Military Management submission to the Independent Pensions Commission primarily confines its contextual information, observations and recommendations to the 2013 cohort. Appropriate reference to the TORs will be made as necessary. Pertinent questions, that the Independent Pensions Commission have invited consideration upon,<sup>3</sup> will be cited in general terms, during the course of this submission.
4. **General Information on DF Pensions.** DF personnel are classified among the "*fast accrual sectors*" (Gardaí, DF etc.) due to mandatory retirement on age grounds earlier than other public servants. These sectors pay higher contributions and accrue their final pension benefits at the prescribed mandatory

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<sup>1</sup> The State Pensions include the the State Contributory and the State Non-Contributory pensions. Hereafter, in this submission, references to the State Pension refers only to the State Contributory Pension (SCP).

<sup>2</sup> Hereafter in this submission PDF personnel inducted into the Defence Forces (DF) from 01 January 2013 shall be referred to as the 2013 cohort or the PDF 2013 cohort.

<sup>3</sup> The Pensions Commission invites submissions to consider questions in page 10 of its publication "*Have your say on sustainable State Pensions into the future*".

age of their retirement. The mandatory retirement ages for PDF personnel is specified in Defence Force Regulations (DFRs) and varies according to rank. The pension (superannuation) benefits for members of the PDF include an occupational (service) pension and a retirement gratuity. There are differing pension arrangements for various cohorts of PDF personnel. These arrangements are dependent on the date of joining the PDF. As pension legislation was enacted, changes were similarly applied to PDF personnel, effective from the date of the new measures as appropriate. All benefits from the DF superannuation schemes are governed by the relevant rules, terms and conditions made pursuant to the Defence Forces Pensions Acts 1932 to 2004 and other relevant provisions, agreements with DF Representative Associations (RAs), arrangements, circulars and/or other instruments, which comprise the schemes and which are also subject to any other relevant legislation and to public service pensions policy.

5. **Single Pension Scheme 2012.** Under the Public Service Pensions Act 2012, a new Single Pension Scheme (SPS) applies to all new entrants joining the public service from 01 January 2013 onwards, including the PDF. Under this new scheme, which came into operation on that date, retirement benefits of all new joiners to the PDF are based on 'career average earnings', rather than final salary at retirement, which is a feature of legacy pension arrangements for those inducted into the PDF prior to 01 January 2013. For the PDF 2013 cohort, minimum pension age will be 50, as already applies to their PDF counterparts recruited since April 2004. Crucially, the 2012 Act does NOT alter military retirement ages for future or serving military personnel generally. Thus, **the PDF 2013 cohort face mandatory retirement at an age much earlier than their public sector counterparts.** As the SCP forms part of their entire pension package through the mechanism of *integration*, the 2013 cohort are being put into a remuneration void when they must retire on age grounds from the PDF. Although they are deemed to be "*integrated*" with the social insurance model of pension provision, the undeniable reality is, they are not.
  
6. **Integration.** Integration became the standard feature for all the PDF occupational pension schemes for PDF employees post 05 April 1995. Integration means that your entitlement to the SCP is taken into account when calculating the amount of your occupational pension payable. The integrated occupational pension is combined with the SCP to make up the 'total pension' package for these PDF members. In effect, integration results in a lower rate of occupational pension than would otherwise be the case. The main issue of concern for the PDF 2013 cohort is the date the SCP becomes payable. Prior to 01 January 2013, mechanisms such as the payment of a *supplementary pension* were utilised to bridge the remuneration gap occurring between the payment of the occupational pension and the SCP, thereby ameliorating unintended negative consequences that an earlier mandatory retirement age imposed. Unfortunately, for now, the supplementary pension is deemed not to be a feature of the SPS.

7. **Supplementary Pension.** The rules prior to the 2012 Act enable the awarding of a supplementary pension to public servants, including PDF members, whose pensions are integrated with the social insurance model. These personnel can apply for a supplementary pension to make up the shortfall in pension remuneration that arises at the point of the mandatory retirement age, and before the SPC is activated. For PDF members, the supplementary pension is calculated on a basis that ensures that the combination of the occupational pension plus the social insurance element of payment is the same as the occupational pension that would be paid to comparable pre-1995 PDF retirees, whose pensions are not coordinated with the SPC. Following extensive consultation between the Official Side<sup>4</sup> and the relevant PDF RA, a sectoral agreement was reached, which authorises the payment of the supplementary pension to certain members of the PDF through a Conciliation Council Report (CCR) of the DF Conciliation & Arbitration Scheme<sup>5</sup>.
8. **Compulsory Retirement Age PDF.** The Public Service Superannuation (Age of Retirement) Act 2019 allows public servants, other than the designated uniform grades of the “*fast accrual sectors*”, to continue to work until 70. It is Government Policy that issues regarding retirement ages for the “*fast accrual sectors*”, who are required to retire early for operational and manpower reasons, should be dealt with at sectoral level. This should ensure that the detailed operational and manpower issues relevant to each sector are appropriately considered. On that basis, retirement ages for these groups remain a matter for the respective Ministers. Under the provisions of the Public Service Stability Agreement (PSSA) 2018-2020, the Government committed to examining issues relating to recruitment and retention of personnel in the PDF. The Public Service Pay Commission (PSPC) conducted an examination into the issue on behalf of the Government. The PSPC report commented upon the issue of compulsory retirement age for the “*uniformed fast accrual*” personnel and concluded that the Department of Defence (DoD) should expedite a review of the matter in the context of “*operational needs and capacity*”<sup>6</sup> of the PDF. The matter is currently under consideration by the Minister through the Government High level Implementation Plan (HLIP) projects.
9. **Recruitment Retention.** The DF is currently experiencing significant retention challenges across the services that make up the PDF. The PDF comprises highly-trained, skilled and well-motivated personnel. The loss of key personnel places additional pressure on and limits the capacity of the PDF in undertaking the crucial roles it performs in service of the State. The PDF is currently operating well below its authorised establishment of at least 9,500 personnel<sup>7</sup>. It is self-evident that a continual loss of personnel results in a significant loss to the PDF in terms of

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<sup>4</sup> The Official Side of the DF C&A Scheme includes representatives from Department of Defence, Department of Public Expenditure and Reform and Military Management.

<sup>5</sup> The Defence Forces has its own special Conciliation & Arbitration Scheme, which is allowed for under the Defence Acts. The Ministers of the Scheme include the Minister for Defence and Minister for Department of Public Expenditure and Reform.

<sup>6</sup> Page 70 of PSPC report, May 2019.

<sup>7</sup> At the time of writing, PDF strength is circa 8,500 personnel across all ranks and services.

operational capability. The Government-sponsored “Engage to Change” Study<sup>8</sup> noted that “sixty percent of those intending to leave indicated that their job opportunities [external to the PDF] would be too limited by the time they were eligible to receive their pension”. It further noted that pension entitlements in the new contract introduced in 2013 were identified as contributing to widespread dissatisfaction amongst PDF personnel.

**10. Observations and Recommendations.** The following are the observations and recommendations of Military Management:

- a) The 2012 Act fails to adequately provide for those inducted into the PDF “*fast accrual sectors*” from 01 Jan 2013. As the 2013 cohort approaches the mandatory retirement age from the PDF, they will experience a remuneration void until the SCP is activated.
- b) The payment of a supplementary pension provides a level of assurance and fairness to those PDF members who choose to remain in service in the DF until the DFR mandatory retirement age. It also acts as a retention measure. This point is reinforced in observations contained in the “*Engage to Change Study*” report.
- c) A career in the PDF is not comparable with that of any civilian occupation. It is well established that there are unique disadvantages associated with military life, which include unsocial hours of duty, prolonged periods of separation from family, exposure to danger and curtailments associated with military discipline. Furthermore, DF personnel are not entitled to overtime payments. Therefore, the payment of a supplementary pension is not a perk. It is simply the matching of restrictions imposed by PDF service with appropriate mechanisms to prevent a disadvantage caused by such service. Special arrangements, similar to those for personnel inducted into the PDF between 05 April 1995 to 31 December 2021, should be put in place for the 2013 cohort so that they too can avail of the supplementary pension provision.
- d) The first pillar of pension provision is to prevent people from falling into poverty on retirement. It is the bedrock of the Irish pension system<sup>9</sup>. A report, compiled by Trident Consulting Ltd for RACO<sup>10</sup>, on career remuneration and value of pension benefit for certain ranks of the PDF concluded that there is a 19% differential between the public servant who can retire at 68 and the PDF member who is compulsorily retired at 58, when the supplementary pension is excluded from calculations. Thus, the report posits, the accelerated elements of the SPS will not deliver pensions equivalence for the PDF 2013 cohort in comparison to those public servants who can work longer. The 2013 cohort who commit to serve in the PDF until the mandatory retirement age will not be protected in income terms on reaching that retirement age. This contravenes the principles of adequacy and fairness. The payment of a supplementary

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<sup>8</sup> As part of the Public Service Pay Commission (PSPC), a research was commissioned by the PSPC into the recruitment and retention of personnel in the Defence Forces entitled “*Engage to Change Study*”. See Page 15 and Page 28 of the report.

<sup>9</sup> Page 1 of “*Have your say on sustainable State Pensions into the future*”.

<sup>10</sup> See page 2 of Trident Consulting Ltd report on “*Analysis of career remuneration and value of pension benefits of Defence Forces Commissioned Officers relative to equivalent grade Public Servants*”, dated 28 February 2017.

pension from the mandatory PDF retirement age until the SCP becomes payable, will go towards bridging the gap in the aforementioned remuneration differential.

- e) The compulsory retirement age for the PDF 2013 cohort will have relevance to the work of the Independent Pensions Commission, who have observed that further increasing of the SPC without also addressing contractual retirement ages will simply further widen the gap that currently exists between the two. Military Management recognises that an increase in retirement ages of PDF members may alleviate the contractual retirement age issue for the 2013 cohort to a certain degree. In this regard, Military Management endorses the Public Service Pay Commission (PSPC) Report recommendation for the timely completion of the HLIP reports that are currently considering mandatory retirement ages in the PDF.
- f) It is noted that within the 2012 Single Pensions Act provisions, there appears to be flexibility to address the anomaly for the PDF 2013 cohort. Section 15 of the 2012 Single Pensions Act appears to provide authority for dealing with matters of pre-existing pension schemes through sectoral-specific secondary legislation. Military Management also notes that the Independent Pensions Commission queries as to whether legislative changes are recommended<sup>11</sup> to address gaps between the age a person is required to retire and the SPS activation date. Military Management duly recommends that appropriate legislative changes to Section 15 of the 2012 Single Pensions Act, facilitating the qualification for a supplementary pension for the PDF 2013 cohort, is considered by the Independent Pensions Commission.

11. **Conclusion.** The responsibility for military effectiveness, efficiency, organisation and economy of the DF is assigned to the Chief of Staff under the Defence Acts. Military Management's advocacy on the adequacy and fairness of pension provision for the 2013 cohort is interlinked with the ongoing retention difficulties that the DF is currently experiencing. Retention challenges impact on military effectiveness and capability, and represent poor value for money, given the amount of State funding spent on training and educating DF personnel. Special arrangements are urgently required to be put in place regarding appropriate pension provision for the 2013 cohort. Otherwise, the exodus of highly trained, qualified and experienced professionals from the PDF will continue. This will impact on operational capability and in the delivery of assigned outputs by Government.

12. **Recommendation.** The Public Service Pensions Act 2012 fails to adequately provide pension provision for PDF personnel inducted into the Defence Forces from 01 Jan 2013. The Military Management of the Defence Forces recommends that appropriate legislative changes to the 2012 Single Pensions Act, facilitating the qualification for a supplementary pension for the PDF 2013 cohort, is considered by the Independent Pensions Commission.

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<sup>11</sup> See page 11 of "*Have your say on sustainable State Pensions into the future*".