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Pension-related Deduction from the remuneration of public servants

Frequently Asked Questions

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Section A: Introduction to the Pension-related Deduction

Section B: Further details on the Pension-related Deduction

These frequently asked questions relate to the Pension-related Deduction (PRD) which applies to the remuneration of pensionable public servants, under terms set out in the Financial Emergency Measures in the Public Interest Act 2009, as amended. They should be read alongside or in conjunction with that Act.

NB: Section 4 of the Public Service Pay and Pensions Act 2017 abolishes PRD with effect from 1 January 2019, **i.e. PRD will no longer apply after 2018**. It will be replaced by an “Additional Superannuation Contribution” (ASC) payable by public servants on their pensionable pay. ASC is provided for in law by Part 4 of the 2017 Act, and will commence on 1 January 2019.

This document is not a legal interpretation of the relevant legislation and does not purport to deal with every query that may arise.

Section A - Introduction to the Pension-related Deduction

1. What is the Pension-related Deduction?

The public service Pension-related Deduction (PRD) is a deduction from the remuneration (pay) of pensionable public servants. It is provided for under the terms of the [Financial Emergency Measures in the Public Interest \(FEMPI\) Act 2009](#), as amended. Most recently that Act has been amended in respect of PRD by the [FEMPI Act 2015](#), which provides for a significant easing of the PRD burden on affected public servants by way of revised thresholds applying from 1 January 2016 and 1 January 2017. The PRD forms part of a wider set of financial emergency measures affecting public service pay and pensions directed at securing a stabilisation in the public finances.

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2. What are the rates of deduction?

With effect from 1 January 2016 the rates of the deduction and the bands of remuneration to which these rates apply are as follows:

<i>Amount of remuneration</i>	<i>Rate of deduction</i>
Up to €26,083	Exempt
Any excess over €26,083 but not over €60,000	10 per cent
Any amount over €60,000	10.5 per cent

With effect from 1 January 2017 the rates of the deduction and the bands of remuneration to which these rates apply are as follows:

<i>Amount of remuneration</i>	<i>Rate of deduction</i>
Up to €28,750	Exempt
Any excess over €28,750 but not over €60,000	10 per cent
Any amount over €60,000	10.5 per cent

For any affected public servant, these deduction percentages apply to the relevant bands of their pay received in a year. For example, a person whose pay in 2018 amounted to €50,000 would experience a total PRD stoppage of €2,125, worked out as follows:

First €28,750 at 0%:	€0, PLUS
Next €21,250 at 10%:	<u>€2,125</u>
Total PRD	€2,125

3. To whom do I go if I have queries about the PRD and whether or not it applies to me?

Queries in relation to an individual's liability for PRD and any other questions in this regard should be addressed to the employer. The employer should liaise with the parent Department if there are any matters requiring clarification in respect of PRD.

Section B - Further details on the Pension-related Deduction

4. Who is subject to the Pension-related Deduction?

The criteria for being liable to PRD are that one is a public servant and -

- (a) is a member of a public service pension scheme (defined in section 1 of the FEMPI Act 2009) or
- (b) is entitled to a benefit under such a scheme or
- (c) receives a payment in lieu of membership in such a scheme.

In outline terms, PRD applies to public servants who are employed by or hold an office or position in a public service body and are members of a public service pension scheme.

5. Am I a public servant?

If you are employed by or hold an office or a position in a public service body, (or if you are a member of the Oireachtas, European Parliament or a Local Authority) then you are considered to be a public servant for the purposes of applying the PRD.

6. What are public service bodies?

The Civil Service, the Gardaí, the Permanent Defence Force, a local authority, the Health Service Executive, the Central Bank of Ireland and an Education and Training Board (ETB) are all examples of public service bodies.

In addition, any statutory body or company or body corporate (or subsidiary) established and financed wholly or partly by a Minister (whether by share issue or guaranteed loan or money provided) in respect of which a public service pension scheme exists or applies or may be made is a public service body.

Any body funded by the Oireachtas or by the Central Fund and in respect of which a public service pension scheme exists or applies or may be made also is defined as a public service body.

Commercial State bodies are not considered to be part of the public service, their staff do not pay PRD.

7. What is a public service pension scheme?

A public service pension scheme means an occupational pension scheme or pension arrangement, by whatever name called, for any part of the public service which –

(a) is provided for under –

- (i) the Superannuation Acts 1834 to 1963, or
- (ii) any other enactment or administrative measure for the like purpose and to the like effect as those Acts, or

(b) is made by a relevant Minister or has been approved or requires the approval or consent, however expressed, of either or both a relevant Minister and the Minister for Public Expenditure and Reform.

8. Is anybody employed by a public service body exempt?

A public servant who is not a member of a public service pension scheme, as defined in the legislation, or entitled to a benefit under a scheme or in receipt of a payment in lieu of membership of such a scheme would not be subject to PRD. It is not considered that many public servants fall into this category, and the parent Department should be consulted if there is a doubt.

9. I already have a public service pension based on 25 years' service in the [e.g. army, education, health sector] and I'm working for a public service body on a contract which says nothing about a pension - am I still liable?

If you are engaged under a **contract of service** (i.e. the normal employment arrangement) or an appointment to a position or office, yes, you are liable to the Pension-related Deduction in respect of your remuneration as a public servant (but not in respect of the pension you receive). If you are engaged under a **contract for services**, PRD does not apply to your fee for the provision of services.

10. I work part-time as a [e.g. nurse, technician, teacher, instructor] for a number of different public service employers - what is my liability? - how is it charged?

Your liability for PRD is against your total remuneration as a public servant, from whatever source. It is charged at the same rates as if you had one employer. It is your responsibility to nominate which employment is your main employment. Your main employer will deduct PRD using the weekly/fortnightly/annual thresholds. Your subsidiary employer(s) shall deduct PRD at the marginal rate (currently 10.5%). At the end of the year all employers shall provide you with a PRD60. You should present your PRD60(s) from your subsidiary employer(s) to your main employer. Your main employer will calculate your total public service earnings and PRD paid and refund any overpayment (where due).

11. I have a medical card, will I be subject to the PRD?

Holding a medical card is not relevant as to whether or not one is liable to PRD.

12. What happens if I leave before completing the minimum period for accruing a pension benefit (or without receiving a payment in lieu or preserved payment in lieu)? For example, if I leave before completing two years and without a preserved benefit. Do I receive a PRD refund?

If a person to whom PRD has been applied leaves without (a) a benefit or preserved benefit, or (b) a payment in lieu or preserved payment in lieu, or (c) transferring the service, then a PRD refund may be provided. Note where a person has a public service pension in payment, a preserved public service pension entitlement or has received a payment in lieu of a public service pension from a previous public service employment role, he/she will not be entitled to a PRD refund.

13. If I do leave before completion of the minimum period for accruing a pension benefit, then what happens if I later re-join a public service body?

If you are later employed in a public service body, the relevant pension scheme rules may allow you to effectively restore the pensionable service/rights from the earlier employment by repaying the pension contributions refund which accompanied the PRD refund at the time of your departure. If such restoration is available to you and you wish to avail of it, then the PRD refund previously received, plus compound interest, would have to be paid back before that service could be transferred and reckoned for public service superannuation purposes.

14. What happens if I leave mid-year, having being paid less than the PRD exemption threshold by my previous public service employer and I do not subsequently take up employment in the public service that year?

PRD is applicable to the portion of public service pay in a year that is over the exemption threshold (€26,083 in 2016 and €28,750 in 2017 and 2018). If a public servant receives an annualised level of pay higher than the applicable threshold, PRD should be deducted every pay period. However, in circumstances where the public servant leaves during the year and has earned less than the applicable PRD exemption threshold, a refund of PRD paid in that year should be issued at year end. This refund is issued because the annual public service remuneration is below the annual PRD exemption threshold, and is payable irrespective of whether a public service pension entitlement has vested.

15. Is the refund treated for tax purposes like a refund of pension contributions?

No, the Revenue Commissioners have advised that where a PRD refund is due the employer should ensure that the employee is placed in the same cash position as if the PRD had not been deducted from him or her in the first place. Such a refund constitutes remuneration which has not previously been subject to income tax and must now be made subject to income tax where warranted. In practical terms, the easiest way to do this may be to treat the refund in like manner to the payment of arrears of pay,

which payroll systems already handle. Note that under PAYE Regulation 19A an employer who is making a payment of arrears of pay to a ceased employee for whom they hold a tax credit certificate is obliged to deduct tax as if the payment was made on the date the employee ceased to be employed. For the avoidance of doubt, the refund will not itself be liable to the PRD.

16. I pay a contribution towards my public service pension scheme already. Am I liable to PRD?

Yes, you are. PRD applies to all pensionable public servants as defined in the FEMPI Act 2009, not only to those in non-contributory pension schemes.

17. I am employed in a public service workplace which has a formal pension fund; does PRD apply to me?

PRD applies to all public servants with public service pension entitlements as set out in the FEMPI Act 2009, whose pay exceeds the applicable thresholds, including those in funded public service pension schemes. The deduction must not be paid into the scheme fund, but remitted to the benefit of the Exchequer.

18. Does PRD apply to voluntary and other bodies that are funded in whole or in part from funds voted by the Oireachtas?

Yes, PRD may apply, if, in respect of that body, a public service pension scheme exists or applies or may be made. However, if in respect of that body a public service pension scheme does not exist (or apply or may not be made), then that body does not come within the definition of “public service body” for PRD purposes under the FEMPI Act 2009 and its employees are not public servants for the purposes of applying PRD. In the case of any doubt the parent Department should be consulted.

- 19. Is PRD payable by someone who is not in the pension scheme, e.g. someone employed on a short fixed-term or fixed-purpose contract?**

Being on contract, of whatever length, is not in itself relevant to determining PRD liability since most public service schemes accept short-term contract staff as members. Even for those who are not scheme members, a person who is employed on a contract and, for example, is in receipt of a payment in lieu of membership of a pension scheme, would be liable to PRD. In terms of assessing whether there is a payment in lieu of membership of a scheme, this requires examination by whoever approved the contract terms.

- 20. In some areas of the public service, on the introduction of a main public service pension scheme, existing employees got a one-off option to join or remain outside the scheme but with a gratuity or other payment if they opted not to join the pension scheme. Will those who opted to remain outside the scheme be liable for the deduction? If yes, will these people now be given a further option to join the scheme?**

In such circumstances, where the persons who opted out are public servants within the terms of the FEMPI Act 2009 and are in receipt of, or eligible for, a payment in lieu of membership of a public service pension scheme, they would be liable to PRD. Under section 7 of the FEMPI Act 2009, no additional pension benefit is conferred by the deduction and no option to join a scheme arises in these circumstances.

If those who opted out are not otherwise entitled to a public service pension benefit, and are not in receipt of, or eligible for, a payment in lieu of membership of a public service pension scheme then they would not be liable to PRD.

- 21. Are public servants who have an entitlement to receive a non-pensionable gratuity on retirement, but are not in a public service pension scheme liable to PRD?**

A person who is in receipt of any payment in lieu of membership of a public service pension scheme would be liable for PRD and such a gratuity would usually be deemed to be such a payment in lieu.

In addition, it should be noted that a public service pension scheme is defined as an occupational pension scheme or pension arrangement, by whatever name called, for any part of the public service which is provided for under any administrative measure for the like purpose and to the like effect as the Superannuation Acts or is made by a Minister or has been approved by a Minister or requires the approval or consent of a Minister.

22. Is PRD applied on the same basis to Class B, Class D and Class A PRSI contributors?

Yes. The social insurance class of the public servant has no bearing on the application of PRD.

23. Is PRD charged on all income both pensionable and non-pensionable (e.g. acting up allowances)?

PRD is calculated by reference to remuneration. Remuneration is defined as emoluments to which Chapter 4 of Part 42 of the Taxes Consolidation Act 1997 applies or is applied and payable by or on behalf of a public service body to a public servant for his or her services as a public servant. This definition includes non-pensionable pay, including overtime, acting-up allowances and benefit-in-kind.

24. I am a public service pensioner who works part-time in the public service. Is all of my income (pay and pension) subject to PRD?

No. Where a pensioner returns to work in the public service, remuneration in respect of that work is subject to PRD but his or her pension is not.

25. Will persons on secondment from one public service post to another and in receipt of a non-pensionable top-up salary be liable for PRD on the top-up? If so how will the second employer calculate the correct levy?

PRD is calculated by reference to remuneration. Remuneration is defined as emoluments to which Chapter 4 of Part 42 of the Taxes

Consolidation Act 1997 applies or is applied and payable by or on behalf of a public service body to a public servant for his or her services as a public servant. Therefore basic salary plus the top-up salary will be liable for the deduction. See FAQ 10 above, where there are two or more employers involved in the payment of remuneration. As such, one would expect the top-up employment to apply the marginal deduction rate to the top-up salary.

26. Are public servants on pension rate of pay or Temporary Rehabilitation Remuneration (TRR) subject to PRD?

In general where a person is in receipt of pension rate of pay or TRR and the period in question does not reckon as service for the accrual of superannuation, annual leave entitlement, etc., the pension rate of pay is not subject to PRD. Payment for the period in question would not be considered to be in respect of "services as a public servant", which is part of the definition of "Remuneration" in section 1 of the FEMPI Act 2009.

27. Will my travel and subsistence payments be affected?

No, PRD is applied to remuneration (generally, income which could or would be subject to tax) not to travel and subsistence allowances.

28. Will my Maternity Benefit be affected?

From 1 July 2013 Social Welfare Maternity Benefit became taxable. This means that maternity benefit is now liable for PRD.

29. Will my Illness Benefit be affected?

Yes, Illness Benefit became taxable from 1 January 2012 and since then has been liable for PRD.

30. Do I get tax relief on PRD?

Yes. PRD is treated as an allowable deduction under the Tax Acts and relief is given at the marginal tax rate. The deduction will be calculated on the person's gross income.

31. Does PRD affect the overall threshold levels for tax relief on pension contributions?

No. PRD is not a pension contribution and does not count towards a person's limit for tax relief on pension contributions.

32. Do I receive any additional pension benefits as a result of PRD?

No. Additional pension benefits do not arise as a result of this deduction.

33. Who makes the deduction?

The application of PRD is the responsibility of the person who authorises the payment. While this will normally be the employer, in some cases it will not be the employer, e.g. teachers may be employed by schools but paid by the Department of Education and Skills.

34. Who collects the money? How is it returned to the Exchequer?

The collection and recovery of PRD is normally dealt with through payroll. The deductions are remitted for the benefit of the Exchequer as provided for in section 4 of the FEMPI Act 2009.

35. Are the normal pension contributions affected?

No. Existing rates of pension contribution are not affected by PRD. This includes rates to purchase notional service or to purchase actual service under the terms of the Programme for Competitiveness and Work Agreement (PCW). Specifically, the cost of purchasing public service pension entitlements is unaffected by PRD.

For further information, please contact your employer who will liaise with the Department of Public Expenditure and Reform where necessary.