

**To CHIEF EXECUTIVE OFFICERS OF
VOCATIONAL EDUCATION COMMITTEES**

CIRCULAR LETTER PEN 4/01

***Admission of Tutors in Youthreach Centres
to the Education Sector Superannuation Scheme
(formerly included in the Local Government Superannuation Scheme)***

1. INTRODUCTION.

- 1.1 For the purposes of this Circular, the word "Tutor" refers to a member of the instruction staff in a Youthreach Centre, including Co-ordinators, Resource Persons and those appointed to give instruction on a part-time basis. Co-ordinators and Resource Persons are full-time staff who receive salary on the basis of working a 35-hour week. Part-time staff receive payment on a pro rata basis to comparable wholetime service, currently, of 22 hours per week.
- 1.2 For the purposes of this Circular, the "course year" will be regarded as the year commencing on 1 September and ending on the following 31 August. (Youthreach courses are not held in August but resume in September.)
- 1.3 Following discussions with the education partners it has been agreed that Tutors will, with effect from 1 September 1996, be admitted to the Education Sector Superannuation Scheme. VECs have already been informed of the arrangements for the pensionability on an ongoing basis of full-time Co-ordinators of Youthreach Centres, (Circulars issued by Further Education Section on 30 April 1999 and 17 June 1999). The purpose of this Circular is to clarify the superannuation provisions generally and, in particular, to set out the arrangements for the pensionability of service given prior to 1 September 1996 and for the pensionability of part-time service.
- 1.4 In order to facilitate implementation of these Agreements it has been agreed that the functions exercised by the Minister for Environment in regard to the superannuation of staff employed by Vocational Education Committees should be transferred to the Minister for Education and Science. Under an Order made in 1998, the functions relating to the superannuation of vocational teachers have already been transferred. An Order giving effect to the transfer of the remaining functions was made on 30 January 2001. The Order provides that schemes and regulations made before the commencement of the Order by the Minister for the Environment under the Local Government (Superannuation) Act, 1980, insofar as they relate to any person (other than a vocational teacher) currently or formerly employed by a Vocational Education Committee or an Institute of Technology, including the former Regional Technical Colleges, shall from the commencement of the Order be known as the Education Sector Superannuation Scheme.

A brief outline of the Scheme is given at Appendix 1.

2. ELIGIBILITY OF TUTORS FOR MEMBERSHIP.

- 2.1 Prior to 1 September 1996, membership of the Scheme was not open to Tutors.
- 2.2 With effect from 1 September 1996, it has been agreed that membership of the Scheme is compulsory for Tutors provided they are of satisfactory health and are in permanent or quasi-permanent employment.
- 2.3 **Quasi-permanent employment.**

For purposes of admission to the superannuation scheme, a Tutor who enters into a contract of employment at the outset of the course year which provides for the Tutor to work a minimum of 9 hours per week throughout the course year, will be regarded as in quasi-permanent employment during the course year in question.

N.B. It will be noted that quasi-permanent status cannot be established in retrospect:- the quasi-permanent status of the employment must be clear at the outset of the course year. This would be the situation with Tutors holding EPT contracts, since they are employed on a year-to-year basis, but would not be applicable to very many of the part-time hourly-paid staff. (There is provision, however, for part-time service, where it is not pensionable on an ongoing basis, to be made pensionable at a later date through purchase – paragraph 9 refers.)

2.4 Satisfactory health.

A Tutor who has already passed a medical examination for purposes of appointment will not have to undergo a medical examination for purposes of the Superannuation Scheme. Otherwise, before membership of the Scheme can be approved, the prospective member must undergo a medical examination by a doctor nominated for that purpose by the VEC.

A Tutor who fails to attend for a medical examination without good cause may be regarded as having failed the examination.

3. COMPULSORY MEMBERSHIP.

3.1 It will be a matter for the VEC to confirm that a Tutor satisfies the requirements for membership of the Scheme. It will be a condition for appointment to an eligible post that a Tutor passes a medical examination by a doctor nominated by the VEC.

Tutors who are otherwise eligible, who have not already undergone a medical examination for purposes of appointment and who are in service on or after 1 June 2001 will be referred for a medical examination by the VEC as soon as possible after that date.

4.1 Ongoing deductions from salary for superannuation purposes are already being made in the case of wholetime Tutors. Ongoing deductions in respect of other eligible staff should be made from 1 June 2001, or as soon as possible thereafter.

The deductions will be regarded as provisional in the case of a Tutor who has been referred for a medical examination. In the event of the Tutor failing the medical examination, a refund of the superannuation contributions paid provisionally will be made.

3.2 Tutors who undergo the medical examination for purposes of admission to the Scheme will, on application to the VEC for reimbursement, have the costs reimbursed of the medical examination which has been carried out by the doctor nominated by the VEC.

4. COMMENCEMENT DATE OF MEMBERSHIP.

4.1 Provided they are of satisfactory health, Tutors will be admitted to the Superannuation Scheme with effect from date of appointment to an eligible post or from 1 September 1996, whichever comes later.

4.2 Arrears of contributions will be due in respect of the period between the effective date of admission to the Scheme and the commencement of ongoing deductions. The arrears will be recovered by increasing the ongoing contribution by instalments, over a period corresponding to the length of the service to which the arrears relate, until all arrears have been collected.

5. SUPERANNUATION CONTRIBUTIONS AND PRSI CONTRIBUTIONS.

Tutors pay the Class A rate of PRSI on an ongoing basis and, where they are eligible for admission to the Superannuation Scheme, they will be liable, from effective date of admission, for an ongoing co-ordinated superannuation contribution of

- 3% of Pay (including 1.5% of Pay towards the Spouses' Scheme), AND
- 3.5% of **Co-ordinated Pay**.

Co-ordinated Pay is Pay at the time the service is given less twice the maximum personal rate of social welfare Old Age Contributory Pension (OACP) at the time the service is given.

6. RECKONING OF ONGOING PENSIONABLE SERVICE.

6.1 The value of superannuation benefits is calculated by reference to length of pensionable service. Unless the Tutor retires from part-time service or dies while in part-time service, (see paragraph 7 below), part-time service in respect of which contributions have been paid **on an ongoing basis** will be reckoned as follows:-

6.1.1 In the case of a Tutor holding an EPT (Eligible Part-time Teacher) post, pensionable service will, subject to a maximum of one week's pensionable service per week of employment, be reckoned in the proportion which the weekly hours worked bear to comparable wholetime service of **22 hours**.

Example:- Ongoing pensionable service in an EPT post for 14 hours per week throughout the course year will be reckoned as 14/22 of a full year, ie 0.6363 of a year, since Tutors holding EPT posts are paid salary for the full 52.18 weeks of the course year, including holiday periods.

6.1.2 In the case of service at the part-time hourly rate, pensionable service during the course year will, subject to maximum credit of one year's pensionable service in respect of any one course year, be reckoned in the proportion which the annual hours worked bear to 1148 hours, which is currently, for a Tutor employed on a part-time basis, the hourly equivalent of a year of pensionable service, (52.18 weeks x 22 hours per week = 1148 hours).

Examples:-

(1) Ongoing pensionable service which consists solely of service at the part-time hourly rate and which comes to 700 hours in the 2000/01 course year will be reckoned as 700/1148 of a year = 0.6097 of a year.

Note that service in a course year which consists solely of service at the part-time hourly rate will not be pensionable on an ongoing basis unless it satisfies all of the criteria specified for eligibility **including, in particular, the quasi-permanent requirement as defined in 2.3 of this Circular.**

(2) **Additional part-time service** of 200 hours which is given in 2000/01 by a member who is also in pensionable EPT service of 14 hours per week during that year will be reckoned as

$$\frac{200}{1148} \text{ hours} = 0.1742 \text{ of a year}$$

In this example, the member's total pensionable service during the course year will come to 0.8105 of a year, made up of 0.6363 of a year arising from EPT service and 0.1742 of a year arising from additional part-time service.

6.2 Eligible service given prior to the commencement of ongoing deductions will be regarded as pensionable in the event of the death in service of a Tutor who has already passed a medical examination as a condition of appointment. Such service will also be regarded as pensionable where the member has not undergone a medical examination but death is due to a cause which would not have been likely to result in the member's failing a

medical examination if one had been carried out on or about 1 September 1996 or at the time of appointment to an eligible post, if later.

7. **RETIREMENT OR DEATH WHILE IN *PENSIONABLE PART-TIME SERVICE*.**

Where a Tutor retires from pensionable part-time service, pension benefits will be related to actual pay at retirement and to pensionable service where the member is given one full year's credit for each year of part-time service.

Similarly, where a Tutor dies while in pensionable part-time service, pension benefits will be related to actual salary at death and to pensionable service where the member is given one full year's credit for each year of part-time service. Potential pensionable service for purposes of a Spouses' and Childrens' pension will be counted in full years from the date of death.

An appropriate adjustment may be made where hours vary substantially during service.

These provisions will be reviewed in the light of the Report of the Commission on Public Service Pensions and are subject to change in the light of that review.

NB:- Pending review, and further clarification of this provision, VECs should contact this Department in any case where a Tutor is about to retire from pensionable part-time service or dies whilst in pensionable part-time service.

8. **TUTORS WHO HAVE RETIRED OR DIED SINCE 1 SEPTEMBER 1996.**

Some Tutors who are eligible for admission to the Superannuation Scheme in accordance with the provisions of this circular may have already retired or died. In these circumstances, appropriate contributions should be offset against superannuation benefits. The contributions will consist of

- (1) **arrears** in respect of the period from 1 September 1996 to date of retirement or death-in-service or, (in the case of full-time Tutors), to the date on which ongoing deductions have commenced AND
- (2) a **purchase of service** contribution in respect of reckonable service given prior to 1 September 1996.

The purchase of service contribution will be a co-ordinated contribution – see paragraph 9 following - and will be based on pay at retirement or death-in-service.

A Spouses' and Childrens' Scheme contribution in respect of **potential service** will also, of course, be payable where appropriate.

9. PURCHASE OF SERVICE FOR SUPERANNUATION PURPOSES.

9.1 In accordance with the provisions of the Education Sector Superannuation Scheme, **all wholetime service and certain part-time service** given by Tutors prior to 1 September 1996 must be purchased for superannuation purposes. Certain part-time service given since 1 September 1996, where it is not pensionable on an ongoing basis, must also be purchased for superannuation purposes.

9.2 Part-time service given prior to 1 September 1995.

All part-time service given during the course year must be purchased where the hours worked during the year came to at least 400 hours.

Where the hours worked during the course year came to less than 400 hours, any **week** must be purchased in which the weekly hours worked came to at least 10 hours.

9.3 Part-time service given in the 1995/96 course year.

All part-time service given during the course year must be purchased where the hours worked during the year came to at least 368 hours.

Where the hours worked during the course year came to less than 368 hours, any **week** must be purchased in which the weekly hours worked came to at least 10 hours.

9.4 Part-time service given since 1 September 1996.

Part-time service, **where it is not pensionable on an ongoing basis**, must be purchased in the following circumstances:-

- (1) All part-time service given during the course year must be purchased where the hours worked during the year come to at least half of comparable wholetime yearly service.
- (2) Where the hours worked during the course year come to less than half of comparable wholetime service, any **week** must be purchased in which the weekly hours worked come to at least 9 hours.

9.5 Note that currently, for a Tutor employed on a part-time basis, **comparable wholetime yearly service** is regarded as 735 hours, (52.18 weeks x 22 hours per week = 735 hours); prior to 1 September 1995, comparable wholetime yearly service was regarded as 800 hours. *1148*

*Same as
Teacher
Hours.
"T/PO"*

9.6 The purchase scheme provides that reckonable part-time service must be purchased on appointment to a permanent wholetime post or at retirement or on death-in-service, whichever comes first. Since Youthreach staff do not, currently, have the prospect of permanent employment, it has been agreed **as an exceptional matter** that they may have the following options for purchase. The member will have the option of purchasing service

- at retirement, by deduction from the Retirement Gratuity of a lump sum based on pay at retirement
- OR,
- provided the Tutor is in wholetime employment, by instalments out of ongoing pay.

In the event of retirement or death before purchase has been completed, any outstanding contributions will be deducted from the Retirement Gratuity or Death Gratuity.

- 9.7 **It is emphasised that the option to purchase by way of instalments may be exercised only by Tutors who are in wholetime employment.**

It will be a matter for VECs to notify Tutors appointed to wholetime posts of the amount of service which falls to be purchased. **Notification should be made as soon as possible after appointment to wholetime employment.**

- 9.8 The cost of purchase of reckonable service **at retirement** will be:-
- 2.5% of Pay at Retirement, including 1% towards the Spouses' and Childrens' Pension Scheme, AND
 - 3.5% of Co-ordinated Pay at Retirement

- 9.9 The cost of purchase of reckonable service **by instalments** will be:-
- 3% of Current Pay, including 1.5% towards the Spouses' and Childrens' Pension Scheme, AND
 - 3.5% of Current Co-ordinated Pay

Current Pay means the pay the teacher is in receipt of at the time the service is being paid for.

Current Co-ordinated Pay means the pay the teacher is in receipt of at the time the service is being paid for less twice the maximum personal rate of social welfare Old Age Contributory Pension at the time the service is being paid for.

- 9.10 A Tutor who is eligible to pay by instalments and opts to do so will purchase each year of previous service through making instalments over the course of a year. For example, a Tutor who has 3 years of reckonable previous service and opts to pay by instalments, will pay the instalments for a period of 3 years.
- 9.11 Where a Tutor opts to purchase previous service by instalments, the purchase contribution should be collected **BEFORE** the collection of arrears due in respect of the period from 1 September 1996 to the date of commencement of ongoing contributions. Where the collection of arrears has already commenced, the collection should be suspended until the purchase of previous service by instalments has terminated.

10. **CREDITING OF PART-TIME SERVICE WHICH IS PURCHASED.**

- 10.1 Part-time service given between 1989, when Youthreach centres were first established, and 31 August 1995 will be reckoned as follows:-
- (a) **Where hours worked come to 800 or more in the course year):-** credit as a year of pensionable service.
 - (b) **400 hours but less than 800 hours in the course year:-** credit = total hours worked divided by 800. For example 500 hours worked in the course year 1994/95, would be reckoned as $500/800 = 0.625$ of a year.
 - (c) **Less than 400 hours in the course year:-** give credit, for each week of at least 10 hours, in the proportion which the total hours worked in such weeks bear to 800 hours. For example, 300 **reckonable** hours in the course year 1994/95 would be credited as $300/800 = 0.375$ of a year.

10.2. Part-time service given in the course year 1995/96 will be reckoned as follows:-

- (a) **735 hours or more in the course year:-** credit as a year of pensionable service.
- (b) **368 hours to 734 hours in the course year:-** credit = total hours worked divided by 735 hours.
- (c) **Less than 368 hours in the course year:-** give credit, for each week of at least 10 hours, in the proportion which the total hours worked in such weeks bear to 735 hours. For example, 300 **reckonable** hours in the course year 1995/96 would be credited as $300/735 = 0.4081$ of a year.

10.3 Part-time service given from 1 September 1996 which falls to be purchased

Part-time service given from 1 September 1996, **where it is not pensionable on an ongoing basis**, must be purchased on appointment to wholtime service or on death-in-service or at retirement. The amount of service to be credited in respect of each course year will, as in the case of ongoing pensionability, be related to the number of hours, or reckonable hours, during the year in respect of which salary was payable (and therefore in respect of which contributions are due).

Part-time service given from 1 September 1996 **which falls to be purchased** will be reckoned as follows:-

- (a) **At least 368 hours in the course year:-** give credit, subject to maximum credit of one year's pensionable service in respect of any one course year, in the proportion which the annual hours worked bear to 1148 hours, which is currently, for a Tutor in part-time service, the hourly equivalent of a year of pensionable service, (52.18 weeks x 22 hours per week = 1148 hours).

For example, 600 hours of service in the 1998/99 course year would be credited as $600/1148 = 0.5226$ of a year of pensionable service.

- (b) **Less than 368 hours in the course year:-** give credit, for each week of at least 9 hours, in the proportion which the total hours worked in such weeks bear to the hourly equivalent, for a Tutor in part-time service, of a year of pensionable service. For example, 200 hours of **reckonable service** in the 1998/99 course year would be credited as $200/1148 = 0.1742$ of a year.

11. TRANSFERABILITY OF RECKONABLE SERVICE.

Pensionable service which has been given by a Tutor who transfers to pensionable service in an organisation which is a member of one of the Public Sector Transfer Networks may be reckoned by that organisation for purposes of a pension.

Service given prior to 1 September 1996 will be reckonable in accordance with the provisions of the scheme for the purchase for superannuation purposes of such service. Part-time service given on or after 1 September 1996 **and which was not pensionable on an ongoing basis** will also be reckonable in accordance with the provisions of the purchase scheme.

The amount of reckonable service to be credited and the contribution payable for the service in question, where contributions have not already been paid in full to the VEC, will be calculated by the relevant VEC. Any outstanding contributions due will be payable to the public sector organisation to which the member has transferred.

12. AGE LIMIT FOR RETIREMENT OF TUTORS.

A Tutor may retire voluntarily at any time after reaching age 60.

A tutor must retire not later than 31 August of the course year in which the Tutor reaches age 65.

13. INCOME TAX RELIEF.

Full tax relief is automatically granted by the VEC on superannuation contributions which are deducted from salary payments made by the VEC.

The overall position and, in particular, the position regarding the payment of superannuation contributions by lump sums - for the payment of certain contributions to the Spouses' and Childrens' Pension Scheme, for example - is set out in Appendix 2. Questions relating to this should be taken up by the member concerned with his/her Inspector of Taxes.

14. ENQUIRIES.

Enquiries by VECs regarding the provisions of this Circular should be addressed to the Department at the address given below.

VEC/IOT PENSIONS SECTION,
DEPARTMENT OF EDUCATION,
CORNAMADDY,
ATHLONE

Enquiries by phone should be made to 0902-74621 or 01-8734700: extensions 3657 or 3658.

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9 May 2001

Appendix 1 of Circular Letter PEN 4/01
BRIEF OUTLINE OF THE SUPERANNUATION SCHEME.

1. The Education Sector Superannuation Scheme, formerly included in the Local Government Superannuation Scheme, is made up of the main Scheme - which provides essentially for pensions at retirement or for the payment of a Death Gratuity where a member dies in service - and the associated Spouses' and Childrens' Pension Scheme.

The main Scheme originated in the nineteenth century in the case of officers of local authorities and was open to officers, including teachers, employed by Vocational Education Committees from the establishment of those Committees in 1930. The Scheme has also been open to employees of Institutes of Technology since the Institutes were established as independent bodies in 1993.

The associated Spouses' and Childrens' Pension Scheme was introduced in 1969 in the case of male members and in 1984 in the case of female members. A revised Spouses' and Childrens' Scheme was introduced later in 1984.

Since 1984, admission to the Superannuation Scheme for all members involves admission to both the main Scheme and the Spouses' and Childrens' Scheme.

The pensions payable under the Scheme, but not the Retirement Gratuities and Death Gratuities, are co-ordinated with social welfare benefits in the case of members who are liable to pay the Class A rate of PRSI.

2. For members liable for the Class A rate of PRSI, including Tutors in Youthreach Centres, the value of the superannuation benefits is as follows:-

The value of the Retirement Gratuity is 3/80 of pensionable remuneration at retirement for each year of pensionable service, subject to a maximum of 40 years.

The value of the Retirement Pension is 1/80 of co-ordinated pensionable remuneration at retirement for each year of pensionable service, subject to a maximum of 40 years. (Co-ordinated pensionable remuneration is pensionable remuneration less twice the maximum personal rate of social welfare OACP.)

Added years of pensionable service, subject to a maximum in most circumstances of 6 and 2/3 years, will be credited to a member who retires on health grounds.

In the event of death in service, a Death Gratuity of not less than one year's salary at the rate applicable at the date of death and not more than 1.5 times that rate of salary will be payable. If there is a surviving spouse and/or dependent children, the deceased member will be credited with added years of pensionable service which will bring total pensionable service, for purposes of calculating the Spouses' and Childrens' Pension, up to 40 years or up to the amount which the member would have had by compulsory retirement age, whichever is less.

The value of the pension payable to the member's spouse is, for each year of pensionable service, 1/160 of adjusted pensionable remuneration at retirement or at death-in-service, subject to a maximum of 40 years. (Adjusted pensionable remuneration is pensionable remuneration less ONCE the maximum personal rate of social welfare OACP.) Where death has occurred after retirement, the retirement remuneration is uprated, for purposes of calculating the spouse's pension, by reference to rates of pay current at date of death. The pension payable to the member's spouse may be increased where there are dependent children subject to a maximum pension, where there are 3 or more dependent children, of double the amount payable in respect of the spouse.

3. A Tutor in a Youthreach Centre must retire not later than 31 August of the year in which the Tutor reaches age 65 but may retire voluntarily any time after reaching age 60.
4. The main Superannuation Scheme provides for ongoing deductions from salary from the date of admission to the Scheme until retirement or death in service.

The Spouses' and Childrens' Scheme provides for ongoing deductions from salary and also provides, where a member retires on health grounds or dies in service, for the deduction of contributions from the Disability Retirement Gratuity or Death Gratuity in respect of any added years which may be credited to the deceased member for the purposes of a Spouse's and/or Childrens' pension.

Appendix 2 of Circular Letter PEN 4/01
TAX RELIEF ON PENSION SCHEME CONTRIBUTIONS

1. This note is indicative only and does not purport to be a formal interpretation of tax law.

Subject to this, the position is that tax relief is allowable on employee contributions up to a limit of 15% of salary in the year in question. In computing that 15%, account must be taken of all superannuation contributions (eg: ongoing contributions under the Superannuation Scheme, including arrears payable by instalments; arrears payable by lump sum; contributions for the purchase of notional service under the Notional Purchase Scheme; contributions for the purchase of actual service; deductions from the Retirement Lump Sum or Death Gratuity for purposes of the Spouses' and Children's Scheme; contributions made under an Additional Voluntary Contributions (AVC) scheme; etc).

2. Where a lump sum contribution is made at retirement, the relief is given by spreading the payment evenly over the five years preceding the year of payment; any remaining excess can be carried back into the year preceding the fifth year and so on as far back as the tenth year.

For example, assume that

- (a) the amount of the deduction from the lump sum is £14,000;
- (b) the member has been paying ongoing contributions at the rate of 3% of Pay and 3.5% of Co-ordinated Pay;
- (c) the member's pay in each year was £26,000;
- (d) the maximum personal rate of OACP in each year was £4,000 and therefore the member's Co-ordinated Pay in each year was £18,000 :- (£26,000 less 2 times £4,000).
- (e) in each year the member paid income tax at 48% on £2000 of income and at 27% on £9000 of income.

The contribution at (b) amounts to a contribution of 5.42% of total pay and has already been relieved of income tax deductions. This leaves a balance of 9.58% (15% less 5.42%) per annum potentially available for relief. Because the deduction at (a) above, (£14,000), is less than £24,908 (10 times 9.58% of pay), the full contribution is relievable within the 10 year time limit.

The maximum amount relievable in each year is £2,490.80 (9.58% of £26,000). Therefore, for each of the last 5 years, the member qualifies for tax relief on £2,000 at 48% and on £490.80 at 27%. The balance of £1,546 is at 48% in the 6th last year.

3. Where a lump sum contribution is made during service, the relief is given, up to the 15% limit, in the year of payment, any excess being carried forward into the following year where it would again be allowable up to the 15% limit; any remaining excess would be carried forward into the following year and so on until the year of retirement or, if earlier, death. If the full relief had not then accrued, and the total allowable period was less than 10 years, some or all of the excess could be relieved by treating it as if it were a lump sum contribution payable at retirement.
4. It will be noted from the above that it is not possible to say with certainty that the full relief will accrue in any particular case. There will not normally be a problem unless the member was in pensionable employment in the public service prior to the introduction of the Spouses' and Childrens' Scheme in 1968/70 (for male public servants) or 1981/84 (for female public servants) or unless the member dies shortly after making the option to purchase actual service. Deductions from the Retirement Lump Sum or Death Gratuity for purposes of the Spouses' and Childrens' Scheme would then come into consideration.