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AN ROINN COMHSHAOIL

AGUS RIALTAIS ÁITIÚIL

DEPARTMENT OF

THE ENVIRONMENT AND

LOCAL GOVERNMENT

Calculation of Preserved Pension for Fully Insured Staff

A Chara

OIFIGÍ RIALTAIS

BÉAL AN ÁTHA

CO. MHAIGH EO

GOVERNMENT OFFICES

BALLINA, CO. MAYO

Tel No: +353 96 24200

LoCall No: 1890 20 20 21

Fax No: +353 96 24222

Articles 77(5)(a)(i)(II) and 101(5)(a)(i) of the Local Government (Superannuation) (Consolidation) Scheme, 1998 provide for the calculation of preserved pension entitlement in the case of officers and employees, respectively, who are fully insured under the Social Welfare Acts.

It has recently come to our attention that the method of calculating preserved pension entitlement in the case of fully insured staff in other areas of the public service is different to that in operation under the 1998 Scheme. In other public service pension schemes the method is to calculate the preserved pension based on the rates of pensionable pay and old age contributory pension on date of resignation and to uprate this amount by reference to pension increases applicable between date of resignation and the date that the preserved benefits became payable. Under the 1998 Scheme the method is to calculate the preserved pension based on the relevant pensionable pay as increased and the rate of old age contributory pension at date of payment. The following example shows how the different methods operate.

Example

An employee resigned from a local authority in 1987 with 10 years' service. Pensionable pay is £188.70 per week and the rate of old age contributory pension is £55.10 per week. In 2000 when the person reaches age 60 the equivalent of his/her pensionable pay is £315.58 per week and the rate of old age contributory pension is £96 per week.

(a) Method of calculating preserved pension under other public service pension schemes

$$10/80 \times [£188.70 - (2 \times £55.10)] = £9.81$$

$$\text{Uprate to age 60} = £9.81 \times £315.58/£188.70 = \mathbf{£16.41}$$



(b) Method of calculating preserved pension under the Local Government (Superannuation) (Consolidation) Scheme 1998

$$10/80 \times [\pounds 315.58 - (2 \times \pounds 96)] = \pounds 15.45$$

Method (a) produces a higher pension because the old age contributory pension has increased at a faster rate (74.23%) than pay (67.24%) between 1987 and 2000.

Method (a) should be applied to all future determinations of preserved pension entitlements so as to bring the 1998 Scheme into line with all other public service pension schemes. Local authorities are also requested to examine all cases of preserved pensions granted to fully insured staff since 27 May 1977 with a view to applying method (a), where more favourable. An amendment to the statutory provisions will be made in due course.

Any enquiries in relation to this circular letter should be addressed to the Superannuation Section of the Department, Government Offices, Ballina, Co Mayo – telephone (096) 24406, 24407, 24408, 24409, 24410.

Mise le meas



DS
Damian Smyth
Assistant Principal
Superannuation Section

To each local authority and body to which the Local Government Superannuation Code applies.