

## Decision to extend "Grace Period" from end August 2014 to end June 2015 for exemption from pay reductions of pension payments to retiring public servants under Financial Emergency Measures in Public Interest Act 2013

### Background

- Under the Financial Emergency Measures in the Public Interest Act 2013, the current grace period is due to expire at the end of August 2014, a date chosen to minimise impacts on schools in particular.
- The effect of the "grace period" is that persons who retire during it have their gross superannuation benefits calculated on the basis of the pre-pay cut pay rates, which were reduced on July 2013 by 5.5% or more. However their pension is then subject to a reduction under the same legislation of between 2 and 5%, reducing the immediate benefit to the individual.
- Nevertheless the "Grace Period" provides a modest incentive, for those who can due to age or with accumulated service on a cost neutral retirement basis, to retire before expiry of the period.

### Who will be affected?

- Although the numbers caught by the pay reduction are relatively small (some 13% of the service), by definition it tends to be the office holders and managerial ranks and higher paid who were affected by the pay reductions.
- Of those affected by the pay reductions, the persons most likely to consider retiring are limited to those over 60 or within a year or two of the minimum retirement age (on an actuarially reduced basis) with substantial pensionable service already accrued.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

## Potential Benefit for those retiring during Grace Period

<b>Pension benefit comparison: retiring during versus after the FEMPI 2013 Grace Period*</b>			
	€	€	€
<b>Salary (pre-FEMPI 2013 cut)</b>	70,000	85,000	100,000
<b>Retire during grace period</b>			
- Pension	34,430	41,705	48,980
- PSPR "hit"	570	795	1,020
- Lump sum	105,000	127,500	150,000
<b>Retire after grace period</b>			
- Pension	33,075	40,100	47,000
- Lump sum	99,225	120,300	141,000
<b>Grace period gain</b>			
- Pension	1,355	1,605	1,980
- Lump sum	5,775	7,200	9,000

**Assumptions:**

- 40 years' service and have reached retirement age
- Civil service-type "pre-1995" pension terms (no integration with DSP Contributory State Pension).