INTO Advice

INTO advice for members on issues of importance

An INTO guide to pensions

Whether you are just starting out in your career or nearing retirement, this article contains everything you need to know in relation to your pension including information on the three pension schemes, what the pension deductions on your payslip mean and how you can work out your pension and lump sum entitlements.

Pension schemes

There are three pension schemes in operation at present for teachers. Each pension scheme has its own associated terms and conditions in relation to retirement age and calculation of pension and lump sum.

1. Pre-1 April 2004 pension scheme (Old Entrants)
2. Post-1 April 2004 pension scheme (New Entrants I)
3. Post- 1 January 2013 pension scheme – Single Pension Scheme (New Entrants II)

1. Pre-1 April 2004 (Old Entrants)

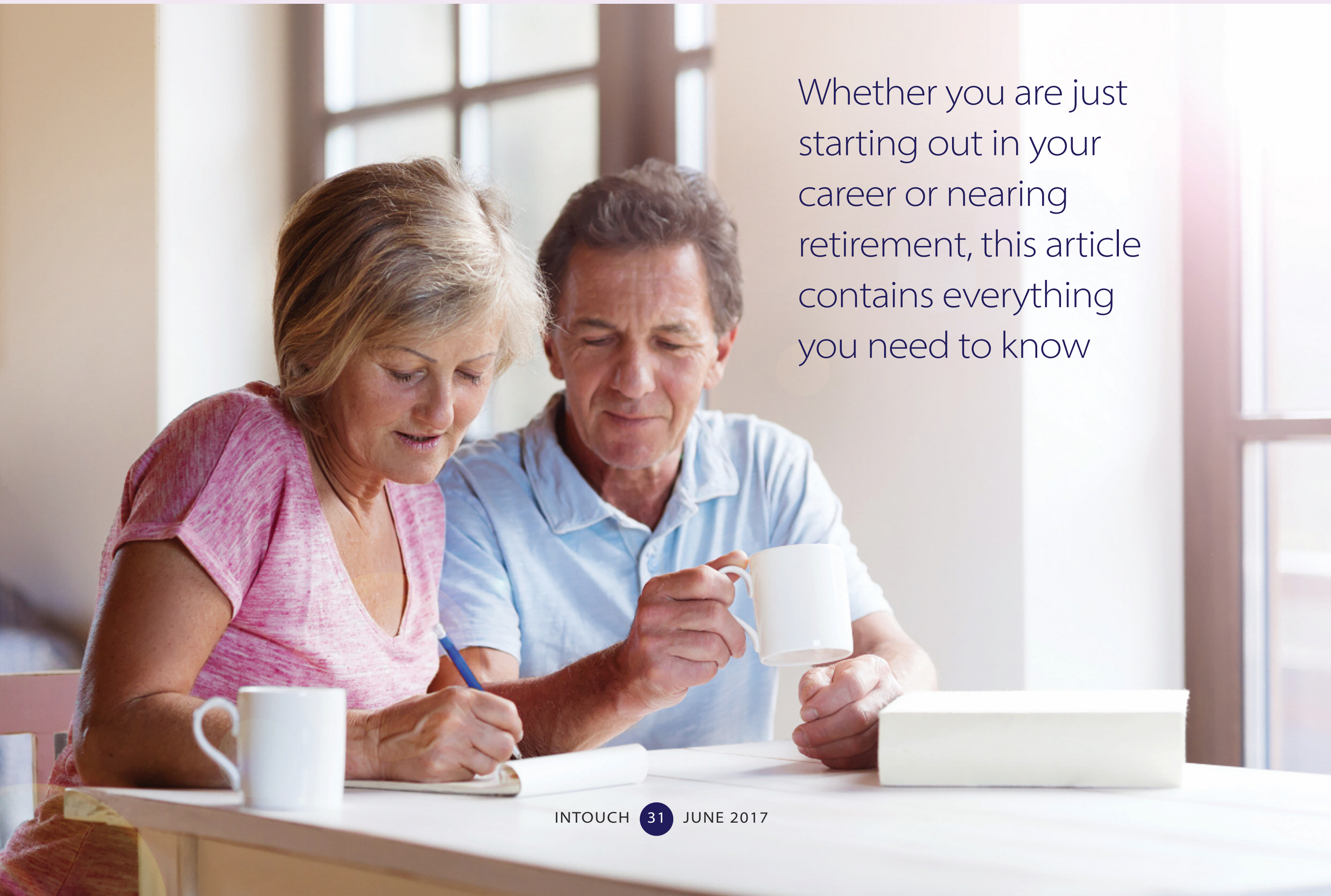
Voluntary retirement

Teachers who entered service prior to 1 April 2004 and do not have break of service* of more than 26 weeks after this date may retire voluntarily and without penalty provided they are aged 55 and have given the required number of years of actual service based on their pre-service training.

- NTs with two years' training must have 35 years' actual service (55/35);
- B.Eds with three years' training must have 34 years' actual service (55/34);
- Post graduates with four or more years' training must have 33 years' actual service (55/33).

Teachers who avail of early voluntary retirement will have their pension and lump sum calculated based on their years of actual service i.e. there are no years added to their service.

Teachers who do not meet the above rule but who have given at least five years of pensionable service may retire on or after reaching their 60th birthday.



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Compulsory retirement

Teachers in this scheme are required to retire on 31 August following their 65th birthday.

2. Post-1 April 2004 (New entrants I)

Teachers on this pension scheme may not retire until the age of 65 except on a cost neutral early retirement (CNER) basis – see Circular 07/2005. There is no compulsory retirement age for any member of this scheme.

3. Post-1 January 2013 (New Entrants II)

Teachers who have entered since 1 January 2013 are members of the Public Service Single Pension Scheme. The retirement age for members of this scheme is linked to the state retirement age which is currently 66, rising to 67 in 2021 and 68 in 2028. Compulsory retirement under this scheme occurs at the age of 70.

Un-coordinated and co-ordinated pensions

Un-coordinated pension

Teachers who began their careers prior to 6 April 1995 and who have not broken their service since then pay PRSI at the Class D rate. Teachers in this category do not have an entitlement to the state pension and will have their pension paid in full by the DES. The pension paid by the DES is termed an occupational pension.

Co-ordinated pension

Teachers appointed from 6 April 1995 onwards (or re-appointed following a break in service after that date) pay PRSI at the Class A rate. Teachers in this category will receive their pension from two sources: (i) an occupational pension from the DES and (ii) a state pension from the Department of Social Protection. The total of these two figures can never be lower than the entitlement a teacher would have had if they were to receive their pension solely from the DES as in the Class D situation. Other social welfare considerations will also apply for teachers on Class A PRSI at the time of retirement, as noted below.

Pension deductions

There are a number of deductions on a teacher's payslip that relate to their pension and lump sum. These headings differ depending on whether a teacher is a member of the Single Pension Scheme or not. All pension deductions are made prior to tax being calculated, meaning that they are not liable for taxation.

Pre-1 January 2013 deduction headings

Pension grouped: This pension deduction is five percent of gross salary for teachers paying the Class D rate of PRSI. It is reduced for teachers paying the Class A rate of PRSI due to the contribution being made by these teachers towards their state pension through their PRSI contributions which are higher at the Class A rate.

1.5% Sp. & Ch. - Pen: This deduction is in respect of the Spouses' and Children's Scheme. This scheme allows part of a teacher's pension to be transferred to their spouse and/or children in the event of their death in service or while in receipt of pension. It is calculated at 1.5% of gross salary.

Pension Related Ded: This deduction refers to the pension related deduction (PRD) introduced for all public servants in March 2009. At present, the first €28,750 of a teacher's annual salary is exempt from PRD. Earnings in excess of €28,750 but under €60,000 are liable at 10% and earnings over €60,000 are liable at 10.5%. This heading is the same for all teachers.

Post-1 January 2013 (Single Pension Scheme) deduction headings

Single Pens. Sch 1: This deduction is calculated as 3.5% of net pensionable remuneration. Net pensionable remuneration is a teacher's gross salary minus twice the value of the state pension.

Single Pens. Sch 2: This deduction is calculated as 3% of a teacher's gross salary.

Pension related ded: As above.
Teachers on the Single Pension Scheme are automatically members of the Spouses' and Children's Pension Scheme despite the heading not featuring on their payslip. This deduction is incorporated into the Single Pens Sch 2 deduction.

Teachers may also have additional voluntary pension deductions if they are paying for notional service or AVCs.

Calculation of pension and lump sum

Calculation of pension

A teacher's pension is calculated as per the pension scheme they are on.

Teachers who entered service prior to 1 January 2013 will have their pension calculated on their final salary at the time of retirement. Teachers on the Single Pension Scheme (after 1 January 2013) will have their pension calculated on their career averaged salary. A maximum of 40 years' service can be used for calculation of pension and lump sum.

Calculation of pension also depends on the rate of PRSI that a person is paying.

Class D: A teacher paying PRSI at the Class D rate will have their pension paid in full from the DES – an un-coordinated pension. As such the calculation is 1/80th X years of service X final salary.

Class A: A teacher paying PRSI at the class A rate will have their pension calculated with reference to their entitlement the state pension also – a co-ordinated pension. The formula for calculation of their occupational/DES pension is:

1/200th X years of service X 3 1/3 times the single rate of state pension contributory (SPC) plus 1/80th X years of service X retiring salary (if any) as exceeds 3 1/3 times the single rate of state pension contributory (SPC).

There is a further clarification required in respect of Class A contributors. At present, most teachers, subject to meeting the minimum service requirement, can retire from age 55 (as described above under pre-1 April 2004 – Old Entrants heading). However, the state pension is only paid from age 66 onwards. There is a mechanism in place to ensure that there is no income gap for these teachers. In the interval between a teacher retiring and reaching age 66 the DES will pay the teacher a supplementary pension. This additional amount of pension is based on what a teacher would

* **Break in service:** if a teacher has a gap of more than 26 weeks between two periods of employment this teacher will be deemed to have had a break in service. When they re-enter, they do so as per the terms of the pension scheme at the time of re-entry.

receive if s/he was a Class D contributor and the DES has sole responsibility for paying full pension. On reaching age 66, the state pension commences and the additional 'supplement' paid by the DES will cease (or in some cases reduce). Before the DES commence the payment of the supplementary pension, a teacher is required to claim job seeker's benefit for nine months. When the job seeker's benefit has been exhausted, the DES will commence the payment of the supplementary pension until the teacher reaches age 66 (as described above).

Calculation of lump sum

A teacher's lump sum is calculated as 3/80th X years of service X retiring salary. This payment is capped at 1.5 times a teacher's retiring salary. This payment is currently tax free.

Examples

This teacher is on the top point of the scale with a pass degree, special duties post of responsibility allowance, long service allowance and was a member of the supervision and substitution scheme. Retiring salaries calculated under the present grace period provides for inclusion of the supervision and substitution allowance.

Pensionable salary = €69,063
Years of service = 38 years and 29 days (38.079452 years)
Value of state contributory pension = €12,173 (relevant only for co-ordinated pension calculation)

Example of calculation of un-coordinated (Class D) pension:

Un-coordinated pension = (38.079452 x €69,063)/80 = €32,873 (paid by the DES throughout retirement)

Example of calculation of co-ordinated (Class A) pension:

Co-ordinated pension = (38.079452 x [€12,173 x 3.3333])/200) + (38.079452 x €28,487)/80) = €21,285 (paid by the DES throughout retirement)
Supplementary pension = €32,869 - €21,285 = €11,588 (paid by the DES up to the state retirement age)

Example of calculation of lump sum

This calculation will be the same for both un-coordinated and co-ordinated pensions
Lump sum = (38.079452 x €69,063)/80 x 3 = €98,620

Ill health retirement

A teacher who has given at least five years of pensionable service, and who can satisfy the Department of Education and Skills that owing to disability of mind or body, s/he is permanently incapacitated from carrying on work as a teacher, may be awarded a disability pension and lump sum. Applications for ill health retirement are made directly to the Department of Education and are assessed by Medmark. Where retirement on grounds of ill health is approved, additional pensionable credit may be allowed for the purposes of calculating pension and lump sum. This number of added years is dependent on the service given by the teacher in question. More information can be found on the INTO website and we would encourage any teacher thinking of applying for ill health retirement to get in touch with Head Office first.

Cost neutral early retirement

A teacher may apply for Cost Neutral Early Retirement (CNER) if they do not meet the voluntary retirement criteria as explained at the beginning of this article. A teacher's rate of pension and lump sum is actuarially reduced under the CNER scheme. The rate of reduction depends on the pension scheme a person is on and the age they are when availing of CNER.

Notification of retirement

Any teacher intending to retire is asked to give at least three months' notice to their board of management. This is done in the form of a letter. Teachers are also required to submit an application form to the Department of Education's pension unit with at least three months' notice also to ensure prompt payment of pension and lump sum upon retirement. Application forms for retirement can be found under the pensions section on the Department of Education's website (www.education.ie/en/Education-Staff/Services/Retirement-Pensions/)

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