DPE118/003/2017

6 November 2017

To: Public Service Employers (Single Scheme "Relevant Authorities")

Circular 18/2017: Single Public Service Pension Scheme – Cost Neutral Early Retirement

Background and Purpose

1. Members of the Single Public Service Pension Scheme ("Single Scheme") can, subject to meeting the eligibility rules, apply to their employer for "Cost Neutral Early Retirement" (CNER), as provided for in section 27 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 ("the 2012 Act"). CNER can only be granted to vested scheme members who are at least 55 years old. Where granted, CNER means that a scheme member retires earlier than the Normal Retirement Age, and on retirement gets immediate payment of an actuarially reduced pension and an actuarially reduced retirement lump sum.

2. The actuarial reduction of retirement benefits is carried out by reference to actuarial tables approved by the Minister for Public Expenditure and Reform, acting pursuant to section 27(2) of the 2012 Act. The purpose of this circular is:
    *   to publish the approved actuarial tables; and
    *   to set out further details of how CNER operates.

Eligibility

3. A scheme member will be eligible to apply to his or her Relevant Authority for Cost Neutral Early Retirement under the Single Scheme provided that:

    (i)   they have completed the vesting period;
    (ii)   they have not reached their Normal Retirement Age but will have attained the age of 55 years at the intended date of early retirement; and
    (iii)   they apply in writing to their Relevant Authority before the intended early retirement date for immediate payment of pension and lump sum benefits on retirement.

    Under the rules of the Single Scheme, the Normal Retirement Age is aligned to the Contributory State Pension (CSP) qualifying age and is currently set at age 66, rising to age 67 in 2021 and age 68 in 2028.

4. Certain categories of Single Scheme membership, comprising An Garda Síochána, the Permanent Defence Force, Prison Officers, and Firefighters, can retire early in the normal course (for example, on reaching the age of 55) and are therefore not eligible for Cost Neutral Early Retirement.

Tithe an Rialtais,
Sráid Mhuirfeán Uacht,
Baile Átha Cliath 2,
Éire.

Government Buildings,
Upper Merrion Street,
Dublin 2,
Ireland.

T: +353 1 676 7571
F: +353 1 678 9936
www.per.gov.ie

Application of Actuarial Tables (Reduction Factors)

5. Where a person is approved by his or her Relevant Authority for Cost Neutral Early Retirement in accordance with paragraph 3 above, his or her pension and lump sum benefits will be actuarially reduced and will become payable from the date of retirement.

6. **The pension and lump sum benefits will be calculated by reference to the referable amounts accrued at the date of retirement, actuarially reduced by application of the relevant age-related percentage reduction factors from the appropriate table in Appendix A of this circular, with adjustment, as necessary, for exact age (i.e. years and days) at retirement.**

7. In adjusting for exact age at retirement, pension and lump sum reduction factors will be calculated in accordance with the following formula:

$$[A + ((B/365) \times (C-A))]$$

    where

    -   **A** is the actuarial reduction factor (pension or lump sum, as appropriate) in the relevant table in Appendix A, appropriate to the person's age at their last birthday,

    -   **B** is the number of days since their last birthday, and

    -   **C** is the actuarial reduction factor (pension or lump sum, as appropriate) in the relevant table in Appendix A, appropriate to the person's age at their next birthday.

8. A Scheme member's Normal Retirement Age, which is linked to the CSP qualifying age, can be determined by reference to their date of birth as follows:

    -   Normal Retirement Age 66 years: persons born before 1 January 1955.

    -   Normal Retirement Age 67 years: persons born between 1 January 1955 and 31 December 1960.

    -   Normal Retirement Age 68 years: persons born on or after 1 January 1961.

9. Examples of the application of Cost Neutral Early Retirement in the Single Scheme are set out, for information, in Appendix B of this circular.

10. The actuarially reduced rate applies throughout the lifetime of the payment of a CNER pension, subject to such CPI-based increases as may apply to Single Scheme pensions generally. This means that a member who avails of Cost Neutral Early Retirement will not experience any step-jump increase in pension on reaching their Normal Retirement Age.

11. It is envisioned that the actuarial reduction factors set out in this circular will be reviewed periodically. Accordingly, and as provided for under section 27 of the 2012 Act, revised actuarial tables may be approved and issued from time to time by the Minister for Public Expenditure and Reform.

Applications

12. Applications for Cost Neutral Early Retirement should be made, in writing, to the individual's personnel unit prior to the intended date of early retirement. **It is important to note that a person cannot apply for CNER terms after he or she has resigned.**

13. All applications for CNER will be considered on an individual basis having regard, in particular, to business needs.

Return to Public Service Employment

14. As in the case of resignation or retirement generally, a person availing of Cost Neutral Early Retirement has no right of return to work in the public service other than through normal recruitment/selection procedures.

15. Where a person who has availed of Cost Neutral Early Retirement returns to public service employment, that person will be subject to potential pension abatement in accordance with section 52 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

Queries

16. Queries in relation to this circular may be pursued as follows:

- The dedicated Single Scheme website singlepensionscheme.gov.ie contains a number of useful explanatory documents on the Single Scheme, for both Scheme members and Relevant Authorities, and should be consulted in the first instance.
- Individual public servants wishing to raise a query should refer to their Relevant Authority/employer.
- Relevant Authorities/employers wishing to raise queries should send them to singleschemequeries@per.gov.ie, with "Circular 18/2017" in the subject line.

Mise le meas,

Colin Menton

Assistant Secretary

Appendix A – Actuarial Reduction Tables for Cost Neutral Early Retirement

Table 1 – Normal Retirement Age 66 Years

Age at Last Birthday	Pension	Lump Sum
55	69%	97%
56	71%	97%
57	73%	97%
58	76%	98%
59	78%	98%
60	81%	98%
61	84%	98%
62	86%	99%
63	90%	99%
64	93%	99%
65	96%	99%
66	100%	100%

Table 2 – Normal Retirement Age 67 Years

Age at Last Birthday	Pension	Lump Sum
55	67%	97%
56	69%	97%
57	71%	97%
58	73%	97%
59	75%	98%
60	78%	98%
61	80%	98%
62	83%	98%
63	86%	99%
64	89%	99%
65	93%	99%
66	96%	99%
67	100%	100%

Table 3 – Normal Retirement Age 68 Years

Age at Last Birthday	Pension	Lump Sum
55	64%	96%
56	66%	97%
57	68%	97%
58	70%	97%
59	72%	97%
60	75%	98%
61	77%	98%
62	80%	98%
63	83%	98%
64	86%	99%
65	89%	99%
66	92%	99%
67	96%	99%
68	100%	100%

Appendix B – Examples of Cost Neutral Early Retirement in the Single Scheme

Example 1 – Normal Retirement Age 66, retirement at age 63

Date of Birth: 10 October 1954

Date of Early Retirement: 10 October 2017

Pension Referable Amounts at Retirement: €2,500

Lump Sum Referable Amounts at Retirement: €11,800

Actuarial Reduction (Table 1):

- **Actuarially Reduced Annual Pension:**
  €2,500 x 90% = €2,250

- **Actuarially Reduced Lump Sum:**
  €11,800 x 99% = €11,682

Example 2 – Normal Retirement Age 68, retirement at age 63 and 146 days (63.4 years)

Date of Birth: 23 December 1968

Date of Early Retirement: 17 May 2031

Pension Referable Amounts at Retirement: €4,000

Lump Sum Referable Amounts at Retirement: €20,000

Actuarial Reduction (Table 3), with exact-age adjustment (see formula in paragraph 7):

	Pension	Lump Sum
A	83%	98%
B	146 days	146 days
C	86%	99%

- **Actuarially Reduced Annual Pension:**
  Reduction Factor: [83 + ((146/365) x (86 – 83))] = 84.2%

  €4,000 x 84.2% = €3,368

- **Actuarially Reduced Lump Sum:**
  Reduction Factor: [98 + ((146/365) x (99 – 98))] = 98.4%

  €20,000 x 98.4% = €19,680