Public Sector Pensions Reform in Ireland
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As a condition for receiving funds for its bailout, Ireland's finances are now subject to the approval of a council made up of members from the ECB, IMF and the EC. This "troika" has demanded radical reform in many areas of public expenditure with reform of the Irish pension's sector high on their list of targets.

In an attempt to comply with the these conditions, the Irish State has introduced several measures focused on reducing the cost of the public service including the significant cost of public sector pensions.

Under the terms of the EU/IMF bailout, the Irish State must cut €1.2 billion from its public service payroll. As part of its strategy for doing so, the government is seeking to reduce public sector employees by 23,000 by 2015. In order to accelerate matters, the government has introduced an incentive to entice civil servants to take early retirement by offering them favourable terms. In effect, the pensions of staff retiring before February 2012 will be calculated based on their individual 'pre-cut' salaries and in addition, any lump sum entitlement paid before March will not be subjected to new taxation measures.

Last year it is thought that public sector pensions cost the Irish State in the region of €3 billion. For a country its size, this amount is viewed as being unsustainable. The Irish State has therefore sought to reduce this cost through amended legislation and the introduction of revised terms for new civil/public servants. These changes are significant and will create a large saving for the Irish state.

Similar to many other EU countries with aging populations, the Irish Government's Public Service Pensions (Single Scheme) and Remuneration Bill 2011, which is currently before the Irish parliament, proposes that future civil/public servants will have a retirement age of 66 (with some exceptions). This retirement age will rise to 67 and 68 years of age in the years 2021 and 2028 respectively. These increases are in line with increases to the State pension age.

A further change proposed under the Irish Government's new pension bill is that the value of pensions attributable to new entrants to the civil/public service will be calculated in accordance with their average career earnings and not their salary at the date of retirement, as is currently the case.

Under the Financial Emergency Measures in the Public Interest Act, 2010, public sector pensions were reduced on an escalating scale, as follows; 6% on amounts between €12,001 and €24,000, 9% on amounts between €24,001 and €60,000 and 12% on amounts above €60,001.

Following the introduction of the Financial Emergency Measures in the Public Interest (Amendment) Act 2011, a new band of such reductions has been introduced so that now, public service pension amounts above €100,000 will be reduced by 20%. In reality, this addition will affect only a very small number of individuals, including ex-presidents and Taoisigh (prime ministers) and has been criticised by some as being too lenient. In effect, the pensions of such individuals will be reduced by an additional €4,000 per annum.

Further public sector pension reform is anticipated at the expiry of the 'Croke Park Agreement' in 2014. In this agreement, retired public servants are entitled to receive increases in their pensions in line with salary increments granted to current public servants holding positions equivalent to those held by the pensioners at the time of their retirement. Under the mooted change, any increases will no longer be in line with pay increments, but rather increases to the consumer price index.

In November of last year, the government announced that future civil servants at secretary general level (Ireland's highest level for civil servants) will see a significant reduction in their pension entitlements. These changes to terms include the fact that no pension will be payable to a Secretary General prior to the minimum pension age. In addition, no severance pay will be provided except where a person is not of minimum pension age or has not been offered an alternative post (in which case severance of up to one year's salary applies). Further still, no severance payment will be provided where a person is offered, but refuses, an alternative post.

The Irish government has acknowledged that such reductions may lead to an inability to attract appropriate staff. Consequently, this strategy is to be reassessed in due course and amended as appropriate.

Continuing reform in the area of public sector pensions is anticipated in the coming years.

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