



To: Principals of National Schools, Secondary Schools, Community Schools, Comprehensive Schools

Circular Letter PEN14/05

Revision of the Spouses' and Children's Pension Scheme Option to join the Revised Scheme

1. Introduction

The Government has decided that all members of the National Teachers' and Secondary Teachers' Superannuation Schemes in service on 31 March 2004 should be given the option of joining the Revised Spouses' and Children's Pension Scheme. This Decision was taken following a recommendation of the joint union/management Working Group which considered the introduction of pension reforms arising from the work of the Commission on Public Service Pensions.

Persons admitted to membership of the Superannuation Schemes **on and after 1 September 2005** will automatically become members of the Revised Spouses' and Children's Pension Scheme. Persons in membership of the Superannuation Schemes at any time **between 31 March 2004 and 31 August 2005** will have the **option** of joining the Revised Scheme or of retaining their existing status.

Persons admitted to the Revised Scheme will become members with effect from **1 April 2004** (or date of appointment, if later).

(Note that any reference in this Circular to the "Superannuation Schemes" will be construed as a reference to the National Teachers' and Secondary Teachers' Superannuation Schemes.)

2. Background

The existing (Original) Scheme applies to all male teachers admitted to pensionable service since 1969, (1 July 1969 in the case of national teachers; 1 August 1969 in the case of secondary teachers), and to all female teachers admitted to pensionable service since 1 June 1981. Male teachers in service in 1969 and female teachers in service in 1981 were given the option of joining the Spouses' and Children's Pension Scheme or remaining outside it. Persons who exercised the option not to join the Scheme did so on the understanding that this was a once-off option and that they would not subsequently be admitted to the Scheme. In the context of the introduction of the Revised Scheme, persons who opted not to join the Original Scheme will now have the opportunity, provided they have been in pensionable service on or after 31 March 2004, of joining the Revised Scheme.

3. Scope of Revised Scheme

The Revised Scheme will provide pension benefits for the spouse and children of the member and, unlike the Original Scheme, will include provision for the spouse of a member who marries after retirement, for the children of a member which are born after the member's retirement and for non-marital children.

Further details of the scope of the Revised Scheme, contrasting it with the Original Scheme, are set out in **Appendix 1** of this Circular.

Note that in the case of the Revised Scheme (as in the Original Scheme), the spouse of the member must be a party to a marriage recognised by the laws of this State.

4. Contributions payable by members of the Revised Scheme

Members of the Original Scheme who become members of the Revised Scheme will continue to pay periodic contributions at the existing rate, i.e. at the **rate of 1.5% of ongoing pay**. Where they have been married during the period of their contributing membership, they may also be liable, at retirement or death in service, to pay non-periodic contributions at the existing rate, i.e. at the **rate of 1% of pay** at retirement or death.

Note that, for the purposes of this Circular, a reference to "**contributing membership**" is a reference to the period in respect of which the member is liable to pay periodic contributions towards either the Original Scheme or the Revised Scheme and includes any period where, being on approved unpaid leave, the member is exempt from liability for payment of periodic contributions.

Persons who are **not members of the Original Scheme**, (having opted not to join the Scheme at the time of its introduction in 1969 for male teachers or in 1981 for female teachers), will be liable, where they become members of the Revised Scheme, to pay periodic contributions at the **rate of 2% of ongoing pay**. Where they have been married during the period of their contributing membership, they may also be liable, at retirement or death in service, to pay non-periodic contributions at the **rate of 1.5% of pay** at retirement or death.

Note also that a **non-periodic contribution** may be payable in respect of the difference between (a) the period paid for while serving and (b) the total period on which a spouses' pension would be based. Subject to a maximum of 40 years, such total period could include periods of service prior to the introduction of the Original Scheme (in 1969 in the case of male teachers or 1981 in the case of female teachers) or, where a person who opted not to join the Original Scheme exercises an option to join the Revised Scheme, the period prior to the introduction of the Revised Scheme on 1 April 2004. The total period could also include, where the member dies in service or retires on grounds of permanent infirmity, periods of potential service to age 65.

Full details of the Contribution Conditions pertaining to membership of the Revised Scheme are included in **Appendix 1** of this Circular.

5. Payment of additional periodic contributions (Original Scheme and Revised Scheme)

It will be open to members of both the Original Scheme and the Revised Scheme to pay additional periodic contributions, with effect from a date not earlier than **1 September 2006**, in order to reduce liability for payment, at retirement (or death), of non-periodic contributions in respect of **prior service**. Prior service means service given prior to the period in respect of which the member has paid, or is liable to pay, periodic contributions and includes service given prior to the introduction of the Original Scheme or, in the case of a member who opted not to join the Original Scheme, prior to the introduction of the Revised Scheme.

A member who wishes to pay additional periodic contributions will be required to pay such contributions over a period of **at least one school year** but may opt to pay over a multiple of

school years. Similarly, a member liable to pay periodic contributions at the rate of 1.5% of salary may opt to pay additional periodic contributions at that rate or in multiples of that rate. Each year in which an additional periodic contribution of 1.5% of salary is paid by such a member will reduce liability for payment of non-periodic contributions by one year. Where a member liable to pay periodic contributions at the rate of 2% of salary opts to pay additional periodic contributions, such contributions will be payable at the rate of 2% (or multiples of 2%) of salary. (It will be recalled that the 2% periodic contribution rate applies to members of the Revised Scheme who had previously opted not to join the Original Scheme.)

For example:- A member who is liable to pay periodic contributions at the rate of 1.5% of ongoing pay and who opts to pay additional periodic contributions at the rate of 3% of ongoing pay over a period of 2 years, will reduce liability for payment of non-periodic contributions by 4 years.

Note that tax relief is available on superannuation contributions within limits set down by the Revenue Commissioners. The current limits, which have been in operation since January 2002, are age-related and vary from 15% of pay (where the member is below age 30) to 30% of pay (where the member is aged 50 or more). The limits cover all pension contributions paid by the member. Before deciding on payment of additional periodic contributions, it would be advisable, therefore, for the member to confirm the position on tax relief with his or her local Inspector of Taxes.

6. Refunds of contributions

Arising from the additional categories of dependants being provided for under the Revised Scheme, the provisions for refund of periodic contributions will be more restrictive. Specifically, the following provisions of the Original Scheme will not apply in the Revised Scheme:-

- (a) the provision for a refund of periodic contributions to all members who remain unmarried throughout their contributing membership
- (b) the provision for a partial refund of periodic contributions to certain members whose spouses are deceased at the time they retire or resign.

Under the Revised Scheme, the only circumstances in which any refund of periodic contributions would be due are:-

- (i) where a member **retires or resigns without entitlement** to pension or to preserved pension (ie because the member has less than 2 years of pensionable service) and does not transfer his/her service to another employment or
- (ii) where a member pays periodic contributions for a period in excess of 40 years. (In this case the contributions to be refunded will be those paid by the member in the **initial period** of his or her contributing membership.)
- (iii) where a member retires on pension or dies in service and the member is in the religious life and has been bound by a vow of celibacy throughout the period of his or her contributing membership. (Where, following retirement, the member leaves the religious life or ceases to be bound by a vow of celibacy and then returns to pensionable employment in the public service, the contributions refunded on initial retirement will be repayable together with compound interest.)

7. Membership of the Revised Scheme

- 7.1 Membership of the Revised Spouses' and Children's Pension Scheme will be **compulsory for all persons admitted**, (whether for the first time or whether membership is being resumed following an interruption of employment), to membership of the Superannuation Schemes **on or after 1 September 2005**.

Note that a **career break** or other period of **unpaid special leave** will not count as an **interruption of employment**.

- 7.2 Persons in pensionable service at any time **between 31 March 2004 and 31 August 2005**, (together with persons on special leave or who are on career break), will be admitted to membership of the Revised Scheme if they exercise an **option** to join during the period **from 1 October 2005 to 31 March 2006**.

A person who exercises an option to join the Revised Scheme will become a member with effect **from 1 April 2004** (or date of appointment, if later).

- 7.3 Persons who do not opt to join the Revised Scheme.

- 7.3.1 Persons who do not exercise an option to join the Revised Scheme within the specified period will retain their membership of the Original Scheme or, where they have already opted not to join the Original Scheme, will remain outside the Spouses' and Children's Pension Schemes.

- 7.3.2 It should, however, be noted that where, following an interruption of employment, **such a person resumes service** as a member of the National Teachers' or Secondary Teachers' Superannuation Schemes, the person **will become a member of the Revised Scheme** and will be liable to pay the appropriate contributions. The following circumstances may arise in regard to payment of contributions:-

- a) Where such a person had received a refund of Spouses' and Children's contributions in accordance with the terms of the Original Scheme (being single on initial retirement), the person will be liable to repay the amount refunded, together with compound interest.
- b) Where such a person was not a member of the Original Scheme, having opted not to join, the person will be liable, from date of return to service, for the payment of periodic contributions at the rate of 2% of ongoing pay. In addition, the person will be liable for payment, on subsequent retirement, of non-periodic contributions in respect of the service given up to the date of cessation of the previous period of employment. The non-periodic contributions will be payable at the rate of 1.5% of retiring pay.

8. Exercise of Options

A **copy of this Circular**, ie Circular PEN xx/05, together with a copy of either Option Form SP/1 (option by a member of the Original Scheme) or Option Form SP/2 (option by a non-member of the Original Scheme), as appropriate, will be sent by the Department

in September 2005

to persons who qualify for an option – (more than 40,000 teachers will qualify).

Each person receiving the Circular will be advised to study the terms of the Circular and the explanatory material contained in the Appendix. Their attention will be drawn to the fact that the Option Form, on which Part A or Part B has been completed, as appropriate, must be returned **not later than 31 March 2006** and that any person who does not comply with this requirement will not subsequently be admitted to membership of the Revised Scheme.

The Option Form, as completed by each person, will be retained in the Department.

Specimen Option Forms SP/1 and SP/2, completed as by a person opting to join the Revised Scheme, are attached (for information only) in **Appendices 2 and 3, respectively**, of this Circular.

9. Payment of contributions by persons who were not members of the Original Scheme and who exercise an option to join the Revised Scheme

As stated in paragraph 4, persons will be required to pay ongoing contributions at the rate of 2% of pay where they opt to join the Revised Scheme but were not members of the Original Scheme. Following the processing of the options, it is planned to **commence making deductions from salary** in the case of the members in question with effect from **1 September 2006**.

Arrears of ongoing contributions will be owed by such members in respect of the period from 1 April 2004 to 31 August 2006. It will be open to the members to pay the amount owed in the form of a lump sum or to pay by instalments over a period corresponding to the duration of the period to which the arrears relate.

10. Members of the Revised Scheme who are single at retirement and subsequently marry

On the death of a member of the Revised Scheme who was single at retirement and subsequently married, a pension will be payable to the member's surviving spouse based on all reckonable service, including service which, had the member not been single at retirement, would have been paid for at that time by way of non-periodic contributions. There will, however, be no liability on the part of the deceased member's estate for the payment of any further contributions.

(As stated already in paragraph 4, non-periodic contributions may be payable at retirement in respect of service given prior to liability for periodic contributions and – where the member's retirement was because of permanent infirmity – in respect of potential service to age 65. Non-periodic contributions are not payable in the case of a person who is single at retirement and has not been married during the course of his or her contributing membership of the Original Scheme or Revised Scheme. Similarly, they are not payable in respect of potential service to age 65 in the case of a person who retires because of permanent infirmity and is single at that time - his or her spouse having died earlier during the person's contributing membership).

11. Notional service – Transitional arrangements

The following provisions will apply in the case of a person who is purchasing (or has purchased) notional service and who is admitted to membership of the Revised Scheme and who was **not a member of the Original Scheme** (having opted not to join at the time of the introduction of the Original Scheme in 1969 or 1981, respectively).

- (a) **The person is in course of purchasing notional service** by periodic deductions from pay (at the rates appropriate to a non-member of the Scheme):-

Admission to the (Revised) Scheme will result in a **revised notional service contribution** becoming payable with effect from the person's next birthday **following 1 September 2006**. The revised contribution will be the rate of contribution which would have been payable if the person had been a member of the Scheme at the time he or she entered into the contract to purchase notional service. In order to reflect the fact that a lower contribution was paid previously, an **additional notional service contribution** will be payable by lump sum at retirement (or death) and will be equal to the difference between the rate of contribution payable by a member of the Scheme and that payable by a non-member of the Scheme, multiplied by the number of years over which the rate of contribution payable was that appropriate to a non-member of the Scheme.

For example, a male teacher who had entered into a contract to buy 4 years of notional service over the period from his 46th birthday to his 65th birthday as a non-member of the Scheme would pay a notional service contribution of 3.04% of salary per year, (ie 0.76% for each year of notional service involved). On becoming a member of the Scheme from, say, his 60th birthday in December 2006, he would **commence paying a revised** notional service contribution of 4% of salary per year, including 0.96% of salary towards the Spouses' and Children's Scheme (3.04% + 0.96% = 4.00%). Finally, on retirement at age 65, he would pay an **additional** notional service contribution of 13.44% of retiring salary, ie 14 years (from age 46 to age 60) multiplied by 0.96%.

- (b) **The person has purchased a period of notional service** by lump sum (at the rates appropriate to a non-member of the Scheme):-

In such circumstances, an additional notional service contribution will be payable by lump sum at retirement (or death) and will be equal to the difference between (1) the lump sum contribution which would be payable at retirement or death by a non-member of the Scheme in order to secure the amount of notional service involved and (2) the corresponding lump sum which would be payable by a member of the Scheme.

For example, a male teacher who had entered into a contract to buy 4 years of notional service as a non-member of the Scheme and who retired at age 65 as a member of the Scheme would pay an additional lump sum contribution at that stage of 12.4% of pay, (ie 3.1% of pay for each of 4 years, where 3.1% is the difference between the lump sum contribution payable for one year of notional service by a member of the Scheme at age 65 – 21.46% – and the corresponding lump sum contribution payable by a non-member of the Scheme – 18.36%).

Note that, although the Scheme member in question would be liable to pay periodic contributions towards the Spouses' and Children's Scheme at the rate of 2% of pay, as a non-member of the Original Scheme who has opted to join the Revised Scheme, the standard contribution rates for the purchase of notional service are applicable.

12. Transitional provisions applicable in case of death

In the event of the death of a person who is entitled to an option and who has not made an option before the expiration of the option period on 31 March 2006, the option may be exercised by the person's spouse or legal personal representative.

13. Circulation

School authorities are requested to bring the contents of this Circular to the attention of teachers for information only at this stage.

Teachers should note that in **September 2005**, the Department will send a copy of this Circular, together with an Option Form, to each teacher who is on the Department's payroll system as of June 2005, (including those who are on a career break or on approved leave without pay).

The Department will also send a copy of the Circular, and an Option Form, to each teacher who has retired since 31 March 2004.

Teachers should note, in particular, that they will be **unable** to exercise an option in regard to membership of the Spouses' and Children's Pension Scheme **until they have received the official Option Form from the Department, in September next**, and that they will have until 31 March 2006 in order to exercise their option.

(Special arrangements will, of course, be made in the case of teachers who die prior to 31 March 2006 without making an option – paragraph 12 above refers.)

This circular is also available on the Department's website, www.education.ie

John Feeney
Pensions Unit
24 May 2005

Appendix 1 (Page 1 of 2)

(1) Scope of Revised Spouse's and Children's Scheme (2) Contribution Conditions

INTRODUCTION.

The Revised Scheme is being introduced with effect from 1 April 2004.

The Original Scheme was introduced with effect from the following dates:-

- 1 July 1969 male national teachers,
- 1 August 1969 male secondary teachers,
- 1 June 1981 female teachers (national and secondary).

1. SCOPE OF REVISED SCHEME

(a) Beneficiaries under Revised Scheme

- (1) Spouse of member, irrespective of date of marriage
- (2) all children of member including all step-children and all adopted children of the member.

(b) Beneficiaries under Original Scheme

- (1) Spouse of member if marriage takes place before retirement
- (2) (a) children of the marriage of the member if conceived before retirement
(b) step-children of member if the member's marriage to child's parent takes place before retirement.
(c) adopted children of member if the child was adopted while member was married and the adoption takes place before retirement

provided that in the case of (a), (b) and (c) above the member was married during the period of contributing membership. {The effect of this is that the child or step-child of the spouse who died prior to the member's contributing membership would not be covered if the member remained unmarried during membership - in such a case the member would receive a full refund of his/her contributions to the scheme on death in service or on retirement.}

2. REVISED SCHEME - CONTRIBUTION CONDITIONS

- (a) As in the case of the Original Scheme, contributions under the Revised Scheme take the form of
- (i) periodic contributions (deducted from salary), and
 - (ii) non-periodic contributions (deducted from retirement lump sums or death gratuities).

The **periodic contribution** rate is 1.5% per cent of ongoing salary or, in the case of a person who becomes a member of the Revised Scheme having opted (in 1969 or 1981, respectively) not to join the Original Scheme, 2% of ongoing salary.

- (b) **Non-periodic contributions** may be charged if at the time of retirement, or death-in-service, the member concerned is married or has been married at some time during his/her membership of the Original Scheme or the Revised Scheme.

Non-periodic contributions are payable at the rate of 1 per cent of pensionable salary at retirement or death or, in the case of a person who becomes a member of the Revised Scheme having opted not to join the Original Scheme, 1.5% of pensionable salary at retirement or death.

A non-periodic contribution is payable in respect of each year of **reckonable service** (if any) for which contributions **have not been paid**. Reckonable service in this context means:-

- (1) if the member is married at retirement, all actual pensionable service (plus, in the case of ill-health retirement, potential service to compulsory retirement age) subject to a maximum of forty years.
 - (2) if the member is married and dies in service, all actual pensionable service, plus potential service to compulsory retirement age, subject to a maximum of forty years.
 - (3) if the member is not married at the time of retirement or death-in-service (his/her spouse having died earlier), the amount of pensionable service up to the date of the spouse's death.
- (c) In the case of members who are **unmarried at all times** during their contributing membership of the Scheme(s), non-periodic contributions will not be charged.
- (d) **Periodic contributions** paid by members may be **refunded** in the following circumstances:
- (1) If the member resigns without entitlement to pension or preserved pension and does not transfer service to another employment. In such cases, periodic contributions are refunded in full.
 - (2) If the member, on retirement or death, has paid periodic contributions for a period in excess of 40 years. In such cases, the member (or estate) will receive a refund of a portion of the initial contributions paid, such that the period in respect of which contributions are retained does not exceed 40 years.

(Example: A teacher enters pensionable service on 1 September 2002 and subsequently retires having paid periodic contributions over a period of 43 years. He/she would receive a refund of the amount of the contributions paid in the three-year period commencing on 1 September 2002).

- (3) If the member retires on pension or dies in service and the member is in the religious life and has been bound by a vow of celibacy throughout the period of his or her contributing membership.
- (e) Under current Revenue provisions, **income tax relief** is allowable on contributions towards the Spouses' and Children's Scheme, whether paid by deduction from salary or by deduction from retirement lump sum or death gratuity. Refunds of contributions are subject to tax.

**Appendix 2 - Form SP/1 (completed specimen form)
REVISED SPOUSES' AND CHILDREN'S PENSION SCHEME**

**Option by a teacher
who is a member
of the Spouse's and Children's (Original) Scheme**

*NB: This Form should be completed and returned to the Department not later than
31 March 2006*

NameAnne O'Leary..... Payroll No 1234567.....Member...YES....
Address...24, Summer Road, Anytown..... Date of Birth.....27 March 1976.....
.....County Westmeath.....School Roll No .1234.....

PART A

Complete this section if you wish to join the Revised Spouses' and Children's Pension Scheme.

I have read and noted the contents of Circular PEN xx/05.

I hereby declare that I wish to join the Spouses' and Children's (Revised) Pension Scheme referred to in that circular.

I appreciate that as a member of the Scheme I will have to pay the appropriate contributions required under the terms of the Scheme but that the contribution rates remain unchanged at 1.5% of ongoing salary (periodic contributions) and 1% of salary at retirement or death-in-service (non-periodic contributions).

In order to assist in the processing of my decision by computer, I have signified it by placing an "x" in the box hereunder.

Box Date15/10/2005..... SignedAnne O'Leary (signature).....

PART B

Complete this section if you have not completed Part A, i.e. if you do not wish to join the new Spouses' and Children's Pension Scheme referred to in Circular PEN xx/05.

I have read and noted the contents of Circular PEN xx/05 and have noted, in particular, the provisions pertaining to post-retirement marriages and the improved cover provided in the case of children, generally.

I hereby declare that I do not wish to join the Spouses' and Children's (Revised) Pension Scheme referred to in that circular.

I appreciate that, as a result of this declaration I may not subsequently apply for membership of the Revised Scheme.

In order to assist in the processing of my decision by computer, I have signified it by placing an "x" in the box hereunder.

Box _____ Date Signed

**The completed form should be returned, in the pre-addressed envelope provided, to:
Teachers Pensions Section, Department of Education and Science, Athlone, Co. Westmeath**

Appendix 3 - Form SP/2 (completed specimen form)

REVISED SPOUSES' AND CHILDREN'S PENSION SCHEME

**Option by a teacher
who is NOT a member
of the Spouse's and Children's (Original) Scheme**

NB: This Form should be completed and returned to the Department not later than
31 March 2006

NameMary O'Hara..... Payroll No...2345678..... Member...NO.....
Address...24, Spring Road, Everytown..... Date of Birth.....27 June 1956.....
.....County Offaly..... School Roll No ...2345.....

PART A

Complete this section if you wish to join the Revised Spouses' and Children's Pension Scheme.

I have read and noted the contents of Circular PEN xx/05.

I hereby declare that I wish to join the Spouses' and Children's (Revised) Pension Scheme referred to in that circular.

I appreciate that, as a person who opted not to join the Original Scheme, I will be required to pay periodic contributions to the Revised Scheme at the **rate of 2%** of ongoing salary with effect from 1 April 2004.

I also appreciate that, if married at any time during the period from 1 April 2004, (and as set out in paragraph 2(b) of Appendix 1 of Circular PEN xx/05), I may also be required, in respect of periods not paid for by way of periodic contributions, to pay non-periodic contributions to the Scheme at retirement (or death-in-service) at the **rate of 1.5%** of salary at retirement/death,.

In order to assist in the processing of my decision by computer, I have signified it by placing an "x" in the box hereunder.

Box X Date15/12/2005..... SignedMary O'Hara (signature).....

PART B

Complete this section if you have not completed Part A, i.e. if you do not wish to join the new Spouses' and Children's Pension Scheme referred to in Circular PEN xx/05.

I have read and noted the contents of Circular PEN xx/05.

I hereby declare that I do not wish to join the Spouses' and Children's (Revised) Pension Scheme referred to in that circular.

I appreciate that, as a result of this declaration I may not subsequently apply for membership of the Revised Scheme or the Original Scheme. I further appreciate that as a result of this declaration, my spouse and children (if any) cannot benefit from the provisions of either Scheme.

In order to assist in the processing of my decision by computer, I have signified it by placing an "x" in the box hereunder.

Box _____ Date Signed

**The completed form should be returned, in the pre-addressed envelope provided, to:
Teachers Pensions Section, Department of Education and Science, Athlone, Co. Westmeath**