An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

Guidance Note Reference:	**Single Scheme Guidance Note 01/2017**
Guidance Note Title:	**Enhancement of Benefits in cases of Retirement on Medical Grounds under the Single Public Service Pension Scheme**

To: All relevant authorities under the Single Public Service Pension Scheme

I am directed by the Minister for Public Expenditure and Reform to advise of the provisions for retirement on Medical Grounds for members of the Single Public Service Pension Scheme.

Guidance Note Application:	**All Single Scheme Members**
Date:	**3 February 2017**
Purpose:	**To set out the enhancement of benefits payable in cases of retirement on medical grounds for members of the Single Scheme.**
Relevant Legislation:	**Public Service Pensions (Single Scheme and Other Provisions) Act 2012** **Single Public Service Pension Scheme (Retirement on Medical Grounds) Regulations 2017 (S.I. No. 15 of 2017)**
Status:	**This Guidance Note is deemed effective from 1 January 2013**

Guidance Note 01/2017: Enhancement of Benefits in cases of Retirement on Medical Grounds under the Single Public Service Pension Scheme

1. The Minister for Public Expenditure and Reform has made Regulations entitled Single Public Service Pension Scheme (Retirement on Medical Grounds) Regulations 2017 (S.I. No. 15 of 2017) under section 8(2)(c) and section 29(6) of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 ("the 2012 Act"). These Regulations make provision for enhancement of the rate of pension and/or retirement lump sum payable to members of the Single Public Service Pension Scheme ("Single Scheme") who retire, or are retired or discharged on medical grounds.

   The purpose of this Guidance Note is to provide more detailed information on pension and lump sum benefit enhancement in cases of retirement or discharge on medical grounds of Single Scheme members, in line with the Regulations. This Guidance Note should be read in conjunction with the 2012 Act and the Regulations.

2. Retirement benefits (i.e. retirement lump sum and pension) will be payable immediately after the retirement or discharge on medical grounds is approved or otherwise determined by a relevant authority. As provided for in the Regulations, these benefits may be enhanced as detailed in paragraph 3 below.

   2.1. In summary, Single Scheme members will ordinarily qualify for retirement or discharge on medical grounds under section 29 of the 2012 Act provided that the following medical criteria, as set out in section 29(3) of the 2012 Act have been met to the satisfaction of the relevant authority:

   - the Scheme member has a current ongoing medically recognised physical or mental health condition that is likely to be permanent and enduring;

   - that condition permanently renders the member medically incapable of regular and effective service in their current occupation or grade; and

   - reasonable medical treatment options and practicable changes to working arrangements (including, in exceptional cases, outside the Scheme member's current occupation or grade) which would enable or facilitate continued service by the member have been examined and are not considered practical.

   2.2. Sections 29(3) to 29(5) of the 2012 Act set out the legislative requirements in relation to the medical assessment associated with the approval of a retirement or discharge of a Scheme member on medical grounds.

   2.3. As expressly provided for in section 29(1) of the 2012 Act, the arrangements set out in paragraphs 2.1 and 2.2 above do not apply to personnel of the Permanent Defence Force (PDF) who are Single Scheme members. Rather, in accordance with Regulations made under the Defence Acts or otherwise, such military personnel are subject to separate procedures under which they may be compulsorily discharged or retired on medical grounds from the PDF having been found unfit for further service in the force, as determined by the prescribed authority. In all other respects, the details set out in this Guidance Note apply to members of the PDF on the same basis as to their Single Scheme counterparts working in other areas of the public service.

Calculation of retirement benefits, including possible enhancement, in cases of retirement on Medical Grounds

3. In cases of approved or otherwise determined retirement or discharge on medical grounds, the calculation of retirement benefits and benefit enhancement, if applicable, is based on the following:

3.1. If a Scheme member retires or is retired or discharged on medical grounds before completing the Single Scheme vesting period (2 years), he or she shall be eligible to receive a gratuity of 8.5% of actual pensionable remuneration in respect of the period of employment. Pension contributions up to the date of discharge or retirement on medical grounds will not be refunded in such cases[1].

3.2. If the Scheme member has completed the vesting period at the date of retirement or discharge on medical grounds, the pension and lump sum payable may be enhanced by the award of additional referable amounts, subject to certain limits and conditions, as set out below.

3.3. For the purpose of calculating the enhancements (additional referable amounts), the “normal retirement age” for the particular Single Scheme member who is retiring or being discharged on medical grounds should be established. For the vast majority of Single Scheme members, “normal retirement age” is as set out in section 13 of the 2012 Act. This coincides with the age of eligibility for the Contributory State Pension which is currently age 66 but is due to increase to age 67 on 1 January 2021 and to 68 on 1 January 2028. The main exceptions to this rule arise in the case of members who, because of the nature of their employment have an earlier retirement age and these are dealt with in section 26 of the 2012 Act. For ease of reference, the normal retirement ages in respect of these exceptions at the date of this Guidance Note are as listed below (however any subsequent changes that may occur in respect of the “normal retirement age” must be incorporated in the application of this Guidance Note):

3.3.1. In the case of a member of An Garda Síochána in a pensionable position, 55 years of age.

3.3.2. In the case of a prison officer as defined in section 26(5) of the 2012 Act, 55 years of age.

[1] In accordance with section 17(1) of the 2012 Act

3.3.3. In the case of a "specified fire brigade employee" as defined in section 26(5) of the 2012 Act, 55 years of age.

3.3.4. In the case of a member of the Permanent Defence Force in a pensionable position, 50 years of age.

3.4. The period of time on which the enhancement will be based (described in the Regulations as the "applicable time period") will be the period of time in years and days, from the date of retirement or discharge to the particular Scheme member's normal retirement age, divided by 2.

3.5. The monetary amounts on which the enhancement will be based are the higher of:

- the referable amounts (pension and lump sum) that accrued to the member in the most recent full year; or
- the average annual referable amounts (pension and lump sum) that accrued to the member in the 3 most recent full years.

These monetary amounts are described in the Regulations as the "relevant pension amount" (in respect of the pension) and the "relevant lump sum amount" (in respect of the lump sum). "Full year" for the purpose of this paragraph is defined in paragraph 3.8 below.

3.6. Subject to paragraph 3.7, the enhancement to be added to the pension and the lump sum is the applicable time period calculated as described in paragraph 3.4 multiplied by the relevant pension and relevant lump sum amounts respectively calculated as described in paragraph 3.5.

3.7. As specified in both section 29(7) of the 2012 Act and in the Regulations, if the enhancement amounts calculated as per paragraph 3.6 exceed 10 times the value of the most recent full year referable amounts, **the pension and lump sum enhancements shall be capped at 10 times the value of the most recent full year referable amounts.** "Full year" for the purpose of this paragraph is defined in paragraph 3.8 below.

3.8. For the purposes of paragraphs 3.5 and 3.7, a full year is defined as a January to December calendar year in which a member's referable amounts have <u>not</u> been reduced as a result of sick leave (e.g. a year in which the member was on sick leave but receiving no sick leave remuneration or was on TRR can be discounted). This is to the benefit of the Scheme member so that recent years when the member may have been on unpaid sick leave or on TRR need not be taken into account in the calculation of the enhancement.

3.9. Examples of these calculations are included at Appendix A of this Guidance Note.

Scheme members with pension rights in other public service pension schemes

4. For the avoidance of doubt, if a Scheme member has accrued benefits in another ("pre-existing") public service pension scheme and applies for retirement (or is compulsorily discharged or retired) on medical grounds in the Single Scheme, any pension entitlements in pre-existing public service pension schemes will not be combined with Single Scheme entitlements when calculating the potential enhancement of Single Scheme pension benefits. The member can, should he or she wish to do so, apply to the administrator of the pre-existing public service pension scheme to have those preserved payments paid early, subject to the terms and conditions of the particular pre-existing pension scheme regarding early retirement or discharge on ill-health/medical grounds.

Preserved Single Scheme Benefits

5. A person who was a member of the Single Scheme but who then left the public service having completed the vesting period but before retirement, will have accrued preserved benefits in the Scheme. Should that former member subsequently incur permanent ill-health, he or she can apply to the relevant authority for early payment of Single Scheme pension and lump sum benefits[2]. If the relevant authority is satisfied that the former member would be eligible for retirement or discharge on medical grounds if he or she were still employed in the public service, then a preserved pension and preserved lump sum shall be payable from the date that the relevant authority has deemed the relevant criteria apply, and this date shall be no earlier than the date of the former member's application for early payment of such benefits. In such circumstances, no enhancement of pension and lump sum benefits shall apply but pension and lump sum entitlements arising in respect of referable amounts accrued will be paid without actuarial reduction.

Scheme members re-entering public service employment having previously retired on Medical Grounds

6. In accordance with sections 29(8) and 29(9) of the 2012 Act, where a person who has previously retired on medical grounds or been retired or compulsorily discharged on medical grounds from the public service, having received a Single Scheme retirement lump sum and being in receipt of Scheme pension payments, is subsequently re-appointed as a pensionable public servant having been deemed medically fit for such employment, then—

   6.1. The Scheme pension shall cease to be paid in respect of any period after such re-appointment.

   6.2. The Scheme member may repay the lump sum amount previously received, adjusted for applicable compound interest, to the relevant authority. Subject to full repayment of the required amount, the pension and lump sum referable amounts at the original date of retirement or discharge on medical grounds will be adjusted

[2] Under section 28 of the 2012 Act

for CPI movements and included in the referable amounts used in future benefit calculations under the Single Scheme.

6.3. The amounts restored under paragraph 6.2 shall be limited to the value of the referable amounts at the time of original retirement or discharge, as adjusted for applicable CPI increases. For the avoidance of doubt, any referable amounts added in the context of an enhancement paid at the time of retirement will not be restored.

6.4. For the purposes of paragraph 6.2, the relevant authority concerned may at its discretion agree to accept payment of the amount concerned in more than one payment (e.g. by instalments) and the appropriate rate of compound interest shall be applied over the agreed period of repayment.

6.5. Where repayment over a time period has been agreed, but subsequent circumstances prevent its completion, then the Scheme member has the option of repaying the amount outstanding in one lump sum, or the amount outstanding should be deducted from any future Single Scheme retirement lump sum or pension payments before any such amounts are payable to the Scheme member. Compound interest will apply to the amount outstanding until full payment is received.

6.6. Where a Scheme member chooses not to repay the lump sum and applicable compound interest upon re-entering the public service, having previously retired on medical grounds or been retired or discharged on medical grounds, then the referable amounts on which the pension and lump sum previously paid were based will not be restored to the Scheme member. In effect this means that any subsequent pension and lump sum to be paid to the Scheme member will be based solely on the referable amounts accrued in the subsequent period of employment as a Single Scheme member.

Employer Follow-up

7. Employers may issue their own Circulars to staff setting out the processes and procedures applying in relation to retirement on medical grounds in their particular sectors should they wish to do so, provided that those processes and procedures are not inconsistent with the provisions of this Guidance Note.

Effective date

8. These arrangements for the enhancement of benefits on retirement or discharge on medical grounds are deemed to have come into force on 1 January 2013.

Circulation

9. This Guidance Note is being issued to all Relevant Authorities with responsibility for the Single Public Service Pension Scheme.

Queries

10. Queries about this Guidance Note may be pursued as follows:

- Individual public servants with queries should raise them with their Relevant Authority/employer.

- Relevant Authorities/employers wishing to raise queries should send them to singleschemequeries@per.gov.ie, writing "Guidance Note 01/2017" in the subject line.

Colin Menton
Assistant Secretary

Appendix A: Examples of Calculations for Retirement on Medical Grounds in the Single Scheme.

- **Referable amounts in all examples are calculated on basis of Contributory State Pension rate of €233.30 effective from Jan 2016 to March 2017.**
- **Normal retirement age in all examples equates with the age of eligibility for the Contributory State Pension (as currently legislated) based on the age of the individual Scheme member at the time of retirement on medical grounds.**

Example I

A 50 year old Scheme member works full-time with pensionable remuneration of €50,000 per year (assume the salary does not change over time). The Scheme member falls ill after 1 ½ years as a Single Scheme member and is granted retirement on medical grounds at this time.

Calculation

As a non-vested Scheme member, he/she is eligible to receive a gratuity equal to 8.5% of the pensionable remuneration earned over the period of service.

1.5 * €50,000 = €75,000 is the actual pensionable remuneration received.
8.5% * €75,000 = €6,375 gratuity.

Example 2

A Scheme member works full-time with pensionable remuneration of €50,000 per year for 5 years, increasing to €55,000 per year from then onwards. The Scheme member falls ill and is granted retirement on medical grounds after 6 years as a Single Scheme member. The Scheme member is currently aged 52 and his/her normal retirement age is 68. For simplicity ignore CPI adjustments. The Scheme member has had no periods of unpaid sick leave or TRR.

Calculations

Over the initial 5 years, the Scheme member accrued €320 in pension referable amounts and €1,875 in lump sum referable amounts each year.

In Year 6 the Scheme member accrued €382 as a pension referable amount and €2,062 as a lump sum referable amount.

The accrued (unenhanced) pension and lump sum payments for the 6 Years are calculated as follows:

Accrued Pension = (€320 + €320 + €320 + €320 + €320 + €382) = €1,982
Accrued Lump sum = (€1,875 + €1,875 + €1,875 + €1,875 + €1,875 + €2,063) = €11,438

Determining the referable amounts applicable to the pension and lump sum Medical Grounds enhancements:

(i) Using Average of three most recent full years

Average Pension referable amount in three most recent full years = (€320 + €320 + €382) / 3 = €341

Average Lump Sum referable amount in three most recent full years = (€1,875 + €1,875 + €2,063)/ 3 = €1,938

(ii) Using Most Recent Full Year

Most recent full year Pension referable amount = €382
Most recent full year Lump Sum referable amount = €2,063

Most recent full year produces most favourable amount so
€382 is the Pension referable amount to be used
€2,063 is the Lump Sum referable amount to be used

Period of time applicable to the pension and lump sum enhancements:
The period of time to the normal retirement age is 16 years
(16/2) = 8

Pension Enhancement
Pension enhancement = 8 * €382
= €3,056
€3,056 is less than 10 times the most recent full year pension referable amount (10* €382= €3,820) and is therefore the appropriate pension enhancement.

Lump Sum Enhancement
Lump sum enhancement = 8* €2,063
= €16,504
€16,496 is less than 10 times the most recent full year lump sum referable amount (10* €2,062= €20,620) and is therefore the appropriate lump sum enhancement.

Pension and Lump sum Awarded
Total Pension to be awarded = €1,982 (accrued) + €3,056 (enhancement)
= €5,038
Total lump sum to be awarded = €11,438 (accrued) + €16,504 (enhancement)
= €27,942

Example 3
A Scheme member works full-time with pensionable remuneration of €50,000 per year for 5 years, increasing to €55,000 per year from then onwards. However at the beginning of the 6th year, the Scheme member changes to working part-time on a 50% basis. The Scheme member falls ill and is granted retirement on medical grounds after 6 years as a Single Scheme member. The Scheme member is currently aged 65, the normal retirement age for

this example is 66 and, again, for simplicity ignore CPI adjustments. The Scheme member has had no periods of unpaid sick leave or TRR.

<u>Calculations</u>
Over the initial 5 years, the Scheme member accrued €320 in pension referable amounts and €1,875 in lump sum referable amounts each year.

In Year 6 the Scheme member accrued €191 as a pension referable amount and €1,031 as a lump sum referable amount.
The accrued (unenhanced) pension and lump sum payments for the 6 years are calculated as follows:
Accrued Pension = (€320 + €320 + €320 + €320 + €320 + €191) = €1,791
Accrued Lump sum = (€1,875 + €1,875 + €1,875+ €1,875 + €1,875 + €1,031) = €10,406

Determining the referable amounts applicable to the pension and lump sum Medical Grounds enhancements:

(i) Using Average of three most recent full years

Average Pension referable amount = (€320 + €320 + €191) / 3
= €277
Average Lump Sum referable amount = (€1,875 + €1,875 + €1,031) / 3
= €1,594

(ii) Using Most Recent Full Year

Most recent Pension referable amount = €191
Most recent Lump Sum referable amount = €1,031

Average of three most recent full years produces most favourable amount so

€277 is the Pension referable amount to be used
€1,594 is the Lump Sum referable amount to be used

Period of time applicable to the pension and lump sum enhancements:

The period of time to the normal retirement age is 1 year
(1/2) = 0.5 so 0.5 is period of time to be awarded by way of enhancement

Pension Enhancement
Pension enhancement = 0.5 * €277
= €139
€139 is less than 10 times the most recent full year pension referable amount (10* €191= €1,910) and is therefore the appropriate pension enhancement.

Lump Sum Enhancement
Lump sum enhancement = 0.5 * €1,594
= €797

€797 is less than 10 times the most recent full year lump sum referable amount (10* €1,031= €10,310) and is therefore the appropriate lump sum enhancement.

Pension and Lump sum Awarded

Total Pension to be awarded	= €1,791 (accrued) + €139 (enhancement)
	= €1,930
Total Lump sum to be awarded	= €10,406 (accrued) + €797 (enhancement)
	= €11,203

Example 4

A Scheme member works full-time with pensionable remuneration of €50,000 per year for 5 years, increasing to €55,000 per year from then onwards.

In the 5th year, the Scheme member falls ill and takes 2 months sick leave on full pay;

In the 6th year, the Scheme member takes 1 month sick leave on full pay and 1 month sick leave on half pay; and

in 7th Year, the Scheme member takes 2 months sick leave on half pay and is absent from work on TRR for a further 5 months in that year.

The Scheme member is granted retirement on Medical Grounds after 7 years as a Single Scheme member. The Scheme member is currently aged 59, the normal retirement age for this example is 67 and, again, for simplicity ignore CPI adjustments.

Calculations

Over the initial 5 years, the Scheme member accrued €320 in pension referable amounts and €1,875 in lump sum referable amounts each year, notwithstanding the fact that the Scheme member was on 2 months sick leave on full pay in Year 5. In Year 6, the Scheme member benefited from higher referable amounts (€382 and €2,063) reflecting his/her higher salary and again, the member accrued full referable amounts notwithstanding the fact that he/she was on 1 month sick leave on full pay and 1 month sick leave on half pay in that year. In Year 7 the Scheme member again benefited from the higher salary but did not accrue any referable amount for the 5 month period during with he/she was absent on TRR, as TRR is not pensionable. Year 7 referable amounts were, therefore, €223 and €1,203.

The accrued (unenhanced) pension and lump sum payments for the 7 years are calculated as follows:

Accrued Pension = (€320 + €320 + €320 + €320 + €320 + €382 + €223) = €2,205

Accrued Lump sum = (€1,875 + €1,875 + €1,875 + €1,875 + €1,875 + €2,063 + €1,203) = €12,641.

Determining the referable amounts applicable to the pension and lump sum Medical Grounds enhancements:

(i) Using Average of three most recent full years (years in which referable amounts were not reduced as a result of the member being on sick leave with NO sick pay remuneration or TRR – Years 4, 5 and 6 in this example):

Average Pension referable amount	= (€320 + €320 + €382) / 3
	= €341
Average Lump Sum referable amount	= (€1,875 + €1875 + €2,063) / 3
	= €1,938

(ii) Using Most Recent Full Year – Year 6 in this example

Most recent full year Pension referable amount	= €382
Most recent full year Lump Sum referable amount	= €2,063

Most recent full year produces most favourable amount so
€382 is the Pension referable amount to be used
€2,063 is the Lump Sum referable amount to be used

Period of time applicable to the pension and lump sum enhancements:
The period of time to the normal retirement age is 8 years
(8/2) = 4 so 4 is period of time to be awarded by way of enhancement

Pension Enhancement
Pension enhancement = 4 * €382
= €1,528
€1,528 is less than 10 times the most recent full year pension referable amount (10* €382= €3,820) and is therefore the appropriate pension enhancement.

Lump Sum Enhancement
Lump sum enhancement = 4 * €2,063
= €8,252
€8,252 is less than 10 times the most recent full year lump sum referable amount (10* €2,062= €20,620) and is therefore the appropriate lump sum enhancement.

Pension and Lump sum Awarded

Total Pension to be awarded	= €2,205 (accrued) + €1,528 (enhancement)
	= €3,733
Total Lump sum to be awarded	= €12,641 (accrued) + €8,252 (enhancement)
	= €20,893