

Speech by Minister O'Donovan, T.D.
Minister for Finance, and Public Expenditure and Reform
to the Committee on Finance/Public
Expenditure and Reform
6 December 2018

Good morning, Chairman and members of the Committee.

I am here this morning to present to the Committee a proposal for a Net Supplementary Estimate of €1 Thousand (Gross €15m) in respect of Vote 12 – Superannuation and Retired Allowances.

The supplementary estimate in respect of the Superannuation Vote will bring the total 2018 estimate for that Vote to €584.9 million gross and €366.2 million net.

The supplementary estimate arises from higher costs than forecast for the year under the pension scheme for established civil servants. There were also balances payable to former civil servants who retired in 2009 under the Incentivised Scheme for Early Retirement.

Vote 12 - Superannuation and Retired Allowances

Pensions and lump sums paid under the pension schemes for established civil servants make up just under 90% of total gross expenditure on the Superannuation and Retired Allowances Vote, so the main driver of the annual cost is the number of established civil servants who retire in the year.

However, it is particularly difficult to estimate the number of retirements from one year to the next for the following reasons -

- The majority of established civil servants may choose to retire within a five year window between age 60 and age 65;
- In addition to this, a number of people under age 60 retire each year under Cost Neutral Early Retirement or on grounds of ill-health;
- Each year a number of former employees become eligible to claim a preserved pension entitlement;
- Finally, the average pension benefits – lump sum and pension - that will fall to be payable to new retirees in any

given year will vary depending on the grades and years of service of that specific cohort of retirees.

The 2018 Gross Estimate for Vote 12 was €569.9 million, which was based on a forecast of 1,585 retirements from the established scheme.

As a general rule, for each person who retires, the once off lump sum paid out is three times the size of the annual pension. Accordingly, increases in retirement levels have a particular effect on Subhead A4 - which provides for the lump sum payments to established civil servants. Subhead A4 is therefore a key driver of expenditure variance on the Vote in any given year.

To end of October, €88.5 million has been expended from Subhead A4 compared to the original 2018 full year estimate of €94.2 million.

It is now estimated that total gross expenditure on the Vote for 2018 may be in the region of €584.9 million – some €15 million

in excess of the Gross Estimate of €569.9 million as voted previously by the Oireachtas.

The Committee should also note that the level of the Gross Supplementary Estimate being sought will be mitigated by anticipated increased levels of Appropriations-in-Aid.

Appropriations-in-Aid for 2018 were estimated at €203.8 million.

To end of October, receipts of some €191.8m have been received. In particular, receipts with respect to the Single Public Service Pension Scheme are ahead of profile year-to-date. Total appropriations in aid are now projected at €218.8 million by year end, €15 million more than originally expected. This excess amount will act to reduce the net effect of the Gross Supplementary Estimate.

Conclusion

I am satisfied that approval of the supplementary estimate of €1 Thousand net will confer the necessary legal authority to meet the pension entitlements of civil servants expected to retire up to the end of 2018. I commend the supplementary estimate to the Committee and I am happy to answer the Committee's questions on the Vote.

ENDS