Chairman and Committee members,

I thank the Committee for the opportunity to present for its consideration the 2019 Supplementary Estimates on the Army Pensions Vote.

The Army Pensions Vote makes provision for retired pay, pensions, allowances and gratuities payable to or in respect of members of the Defence Forces and certain dependants. The 2019 Estimate provides a gross sum of €249.1 million for the Army Pensions Vote. However, gross outturn this year is expected to be some €251 million, which leaves a shortfall of €1.9 million. The additional amount needed is less than one per cent of the original gross Estimate.

I will now set out the position regarding the relevant Subheads of the Vote:

Subhead A.2 is the largest subhead of the Army Pensions Vote. It covers spending on all pension benefits for former members of the Permanent Defence Force – the PDF – and their dependants. It accounts for ninety six percent of all military pensions spending, including retirement lump sums. It is demand-driven and non-discretionary. The original provision of some €239.5 million for Subhead A.2 will not be sufficient to meet all requirements for the year. In the circumstances, the shortfall on this subhead is estimated at €2.65 million.

The main reasons for the shortfall in Subhead A2 are as follows:-

- The number of Defence Forces pensioners has continued to rise during the past year, and at end-October 2019 there were some 12,640 military pensioners of all categories. This is a net increase of about 600 since the end of 2014. Based on available information, it is projected that some 400 military personnel will retire with a pension and lump sum in 2019. Overall, this level of turnover during the year was greater than the 350 provided for in the original Estimate, with new retirees going on pension continuing to outnumber deceased pensioners by a ratio of about 2 to 1 on average.

- In other areas of the public service, most people leave at a standard retirement age and so their numbers and timing of departure can generally be predicted well in advance. However, the PDF is different, as the vast majority of military personnel who retire on
pension do so voluntarily; that is, before reaching mandatory retirement age and at a time of their own choosing. As these voluntary early retirements are not known in advance, this can contribute to greater than expected expenditure on military retirement benefits in any given year.

- During 2018, some seventy five percent of military personnel who retired on pension did so voluntarily and the picture is very similar for 2019. In addition, many retirees qualified for the maximum retirement benefits, which also contributes to the ongoing increased expenditure.

So in any given year, forecasting of Defence Forces pensions expenditure and the exact numbers of retirements is very difficult.

The shortfall of €2.65 million on Subhead A.2 will be partly offset by expected savings of seven hundred and fifty thousand euro on Subheads A.3, A.4, A.5 and A.6.

To sum up, the purpose of the Supplementary Estimate for Vote 35 is to:

- Seek additional funding of €2.650 million for Subhead A2; and
- Re-allocate savings of €0.750 million on Subheads A.3, A.4, A.5 and A.6 into Subhead A2.

This leaves a net supplementary estimate requirement of €1.9 million.

As the Committee will be aware from previous Estimates debates, it has been my stated intention to seek extra funding for the Army Pensions vote as part of the overall budgetary negotiations. I am again pleased to report that solid progress continues to be made on funding.

As announced in Budget 2020, an extra €10 million has been allocated in the 2020 Estimates for the Army Pensions Vote, a 4% increase. The higher 2020 allocation builds on the steady progress made over recent years in securing additional funding for Vote 35, with an increase of €6 million in the 2017 Estimates, an extra €9.5 million in 2018 and an extra €10 million in 2019.
At the same time, the level of supplementary estimates required for the Army Pensions vote has fallen from €11 million in 2016 to an estimated €1.9 million in 2019, that is, about 0.8% of the original estimate.

As stated in the pensions briefing material provided to the Committee for today’s debate, the actual level of funding needed by Vote 35 in the Estimates process each year, will be dictated by circumstances and the demand-led drivers that I have outlined above.

In conclusion, I now wish to commend this Supplementary Estimate for the Army Pensions Vote to the Committee. I will be happy to take any questions regarding the Vote.