Financial Emergency Measures in the Public Interest Act 2013 (No. 18 of 2013)

Annual review and report to the Houses of the Oireachtas by the Minister for Public Expenditure and Reform under section 12 of the Act

June 2019

I – Introduction and Background

1. Under section 12 of the Financial Emergency Measures in the Public Interest Act 2013 (No. 18 of 2013) the Minister for Public Expenditure and Reform is obliged, before 30 June 2019, and in respect of the following four Acts;

    - Financial Emergency Measures in the Public Interest Act 2009 (No. 5 of 2009),
    - Financial Emergency Measures in the Public Interest (No. 2) Act 2009 (No. 41 of 2009),
    - Financial Emergency Measures in the Public Interest Act 2010 (No. 38 of 2010),
    - Financial Emergency Measures in the Public Interest Act 2013 (No. 18 of 2013),

    a) to carry out a review of the operation, effectiveness and impact of the relevant Acts, having regard to the overall economic conditions in the State and national competitiveness,
    b) consider whether or not any of the provisions of the relevant Acts continue to be necessary having regard to the purposes of those Acts, the revenues of the State and State commitments in respect of public service pay and pensions,
    c) make such findings as he or she thinks appropriate consequent on the review and consideration, and
    d) cause a written report of his or her findings resulting from the review and consideration to be prepared and laid before each House of the Oireachtas.

2. The Financial Emergency Measures in the Public Interest Act 2009 introduced a number of measures, the principal of which was the introduction of a new deduction from the remuneration of pensionable public servants, which is known as the Pension-Related Deduction (PRD); the percentage reduction rates applied were subsequently amended in section 13 of the Social Welfare and Pensions Act 2009. In addition, the 2009 Act contained measures allowing public service bodies to reduce the professional fees paid by them to external service providers, implementing changes in the early child care supplement and facilitating the payment of grants under the Farm Waste Management Scheme on a phased basis. With respect to the professional fees reduction measure,

section 9(13) of the Act provided that the Minister for Health may review the operation, effectiveness and impact of the amounts and rates of payments to health professionals fixed by regulation under the Act and consider the appropriateness of same. This requirement to review has now been repealed under the Public Service Pay and Pensions Act 2017. More information on this is contained in Section VI: Phase 2 of the Unwinding of FEMPI.

3. The purpose of the Financial Emergency Measures in the Public Interest (No. 2) Act 2009 was to provide for the reduction of the remuneration of public servants (including members of the Houses of the Oireachtas and certain Office Holders), and to provide for related matters. The Act was amended by the Financial Emergency Measures in the Public Interest (Amendment) Act 2011. The primary purpose of this Act was to apply the terms of the Financial Emergency Measures in the Public Interest Acts 2009 to serving members of the judiciary, and to a military judge once appointed. The 2011 Act also made provision for the reduction of salary rates for newly appointed members of the judiciary and to further increase the level of salary reductions for certain Office Holders.

4. The principal purpose of the Financial Emergency Measures in the Public Interest Act 2010 was to introduce a reduction in public service pension costs, by way of the introduction of the Public Service Pension Reduction (PSPR). It also provided for a reduction in pay rates of members of the Government and a reduction to the National Minimum Wage.

5. The Financial Emergency Measures in the Public Interest Act 2013 implemented a further pay reduction for public servants earning annual salaries of more than €65,000 and effected a reduction in public service pensions over €32,500.

6. The Financial Emergency Measures in the Public Interest Act 2015 commenced the gradual, fiscally sustainable, unwinding of certain measures contained in the earlier Acts. The primary purpose of the 2015 Act is to ameliorate the impact of the reductions provided for under the Financial Emergency Measures in the Public Interest Acts 2009-2013 through a series of amendments to the relevant Acts.

7. The Public Service Pay and Pensions Act 2017, provides the statutory road map for the unwinding of the remaining FEMPI measures, including the repeal of the 2009 Act.

8. In understanding the purpose and policy underpinning these Acts and consequently the context of the review, the preambles to the Acts should be noted. In this connection text from the preamble to the Financial Emergency Measures in the Public Interest (No. 2) Act 2009, the Financial Emergency Measures in the Public Interest Act 2013, the Financial Emergency Measures in the Public Interest Act 2015, and the Public Service Pay and Pensions Act 2017 is set out below and may be considered representative:

Extract from the Financial Emergency Measures in the Public Interest (No. 2) Act 2009

"WHEREAS a serious disturbance in the economy and a decline in the economic circumstances of the State have occurred and are continuing, which threaten the well-being of the community;

AND WHEREAS as a consequence a serious deterioration in the revenues of the State has occurred and there are significant and increasing State commitments;

AND WHEREAS it is necessary to take urgent measures to reduce the significant shortfall between expenditure and revenue and to reduce the unsustainable levels of public borrowings consequent on the deterioration in those revenues;

AND WHEREAS it is necessary to reduce State expenditure to maintain international confidence and to protect the State's credit ratings;

AND WHEREAS it is necessary to take urgent steps to help to restore the State's competitiveness;

AND WHEREAS it is necessary for the State to achieve significant savings in its expenditure, both directly and indirectly, on remuneration".

Extract from the Financial Emergency Measures in the Public Interest Act 2013

"WHEREAS budgetary and fiscal measures have been taken by the State since 2009 to address a serious disturbance in the economy and a decline in the economic circumstances of the State that have occurred;

AND WHEREAS it is necessary for the State to achieve further significant savings in its expenditure, both directly and indirectly, on remuneration and in its expenditure on public service pensions as a contribution to the reduction of the shortfall between revenue and expenditure that is needed to put debt on a downward path;

AND WHEREAS it is necessary for the State to take measures as part of remedial action to maintain the State's path toward correcting the excessive deficit by 2015 in line with the recommendation to that effect of the Council of the European Union (Council Recommendation with a view to bringing to an end the situation of an excessive deficit in Ireland of 7 December 2010)"

Extract from the Financial Emergency Measures in the Public Interest Act 2015

"WHEREAS economic growth has resumed and the State's international competitiveness has improved and a significant improvement in the fiscal circumstances of the State has occurred;

AND WHEREAS it remains necessary to retain firm control of current Exchequer expenditure so as to ensure ongoing access to international funding and improve competitiveness, while taking into account the continuing risks to the public finances which remain, and the need to meet the State's commitments to have a prudent fiscal policy under the Stability and Growth Pact and the Fiscal Compact;

AND WHEREAS the reductions in the remuneration and superannuation of public servants and former public servants effected by legislation enacted in the last 6 years have contributed substantially to improvements brought about in the public finances and it is equitable to implement a partial and phased reversal of those reductions"

Extract from the Public Service Pay and Pensions Act 2017

"WHEREAS the economic recovery has progressed to a level that the economy is now more balanced than heretofore, with a considerable improvement in the State's international competitiveness and fiscal position being witnessed

AND WHEREAS the economy remains vulnerable, in significant respects, due to various factors, including, domestically, from high levels of public and private debt and, internationally, by reason of the process initiated by the United Kingdom to withdraw from membership of the European Union and the uncertainty associated with the risk of protectionist trade and taxation policies:

AND WHEREAS reductions in the remuneration and superannuation of public servants and former public servants effected by legislation enacted in the last 8 years have materially contributed to the stabilisation of the public finances:

AND WHEREAS there is an obligation on the part of the State to have a prudent fiscal policy under the Stability and Growth Pact and the Fiscal Compact and the repeal of the foregoing legislation in one Budget year would not be sustainable in financial terms but its repeal, in a phased manner, over a number of years would be so sustainable"

9. This report is carried out in accordance with section 12 of the Financial Emergency Measures in the Public Interest Act 2013 and is in respect of the period July 2018 to June 2019.

10. The sections which follow review the overall economic conditions in the State, national competitiveness and Exchequer commitments in respect of public service remuneration and pensions, and represent my findings in the light of that review in accordance with section 12 of the 2013 Act.

II - Economic Context

11. The Irish economy experienced the most severe economic contraction since the foundation of the State over the period 2007-2009. The peak-to-trough decline in real GDP was 8 per cent over this period. Sharp declines in personal consumption (4 per cent) and in particular investment (27 per cent), in conjunction with the global financial crisis, were the primary reasons for this unprecedented downturn in the economy.

12. In the period leading up to the recession, the Irish economy had experienced a significant loss in competitiveness reflecting domestic cost and price developments which resulted in a moderation in export growth. During that period, pay increases exceeded productivity growth on an economy wide-basis while headline inflation exceeded the EU average. Rapid growth in property prices in particular had a detrimental impact on Irish competitiveness.

13. This loss of competitiveness has been reduced in the years since 2008. Prices and wages, while starting from a high base, have risen at rates slower than in trading partners. Actual and nominal adjustments in wages seen over the past few years also contributed to the improvement in competitiveness. As a result, Ireland's real harmonised competitiveness index, as reported by the Central Bank of Ireland, has improved by approximately 21 per cent since 2008, notwithstanding the appreciation of the euro-sterling bilateral rate in recent years.

14. The labour market was particularly affected by the economic downturn with a peak-to-trough decline in employment of just over 16 per cent. The seasonally adjusted rate of unemployment peaked at 16 per cent in early 2012 having been as low as 5.3 per cent in early 2008. However, in the period since there has been a remarkable turnaround in the labour market with strong employment growth resulting in steady declines in the unemployment rate. The latest data for May 2019 indicates that the unemployment rate has fallen to 4.4 per cent

15. From 2010 to 2013, the growth performance was fitful. The economy returned to modest growth in 2010 which picked up in 2011 but this was not the turning point as the recovery stalled in 2012 with growth flat. Modest growth in 2013 meant that annual GDP growth

averaged 1.6 per cent between 2010 and 2013. While positive, this was well below the potential growth rate of the economy. Notwithstanding the well-known limitations with GDP, it is clear that the economic expansion has been strong in recent years, with underlying growth on a modified domestic demand basis averaging around 4 per cent per annum over the last four years.

16. The economic recovery is in an advanced stage with the labour market fast approaching full employment. However, internationally, notwithstanding the acceleration in global growth, risks remain firmly tilted to the downside. In particular, first and foremost is the potential fallout from a more adverse-than-expected outcome from Brexit. Secondly, risks from disruption to world trade remain elevated as there is the potential for a further escalation of the tit-for-tat trade war and protectionist measures to cause a disruption to global supply chains worse than currently envisaged. As highlighted by a number of international organisations such as the International Monetary Fund (IMF) and the European Commission in recent macroeconomic global growth forecasts, there is continuing evidence of a slowdown in global growth. This reflects a persistent decline in the growth of advanced economies, occurring more rapidly than previously expected, together with a decline in emerging markets and China. In addition, changes in other jurisdictions that affect the competitiveness of Ireland's corporate tax regime and rising geopolitical uncertainty all have the potential to undermine growth in the economy.

17. Domestically, the principal risk relates to potential overheating as the economy approaches full-employment. The baseline projections as published in SPU 2019 now indicate that some overheating pressures will emerge in the short and medium term. Overheating could be more significant than expected with the potential to generate dangerous imbalances over the coming years. This is why from a policy perspective, continued vigilance is required to ensure tax and revenue remains on a sustainable footing and that pro-cyclical budgetary decisions are avoided. In addition, prudent fiscal policy will need to be balanced against the need to address existing capacity constraints and the potentially significant negative impacts of international shocks in this current period of global uncertainty.

III - Budget Context

18. **Deficit**

While the Exchequer balance returned a small cash surplus in 2018 and a General Government balance of 0.0 per cent of GDP, these results are largely driven by a surge in corporation tax receipts underpinned by a buoyant economy which is at, or near, the peak of the business cycle. Increased expenditure at this point risks overheating the economy and undermining the economic and fiscal progress achieved to date. The Stability Programme Update 2019 forecasts a 2019 General Government Balance of 0.2 per cent of GDP.

19. **Corporation Tax**

Ireland's growing reliance on corporation tax receipts represents a growing fiscal vulnerability accounting for about a fifth of all Exchequer taxes in 2018. Furthermore, an increased concentration within this tax heading, where 10 companies accounted for 45 per cent of all such receipts in 2018, further magnifies the risk. This implies these 10 firms accounted for close to 8.5 per cent of all Exchequer taxes collected last year.

20. **Debt**

Although Ireland's debt-to-GDP ratio fell to 64.8 per cent at end-2018, which compares well with the Euro-area average of 86 per cent, the State has a legal obligation, under the Preventative Arm of the Stability and Growth Pact (SGP), to continue to reduce this ratio to 60 per cent of GDP.

While debt-to-GDP is the official measure for compliance with the SGP, Modified GNI (GNI*) strips out some multinational distortions and therefore provides a more accurate representation of Irish economic output. Measured on this basis, the debt ratio at the end of this year is expected to be still in excess of 100 per cent. On a per capita basis, this amounts to €42,500 for every person in the State, one of the highest figures in the developed world.

Ireland's total debt remains elevated, in excess of €200bn, and should economic output recede, debt ratios deteriorate. Any shock to the base would likely also have negative implications for the taxation yield and, potentially, open a hole in the public finances. In

this regard, it is worth stressing that Ireland entered the last crisis with a debt-to-GDP ratio of around 25 per cent.

Further debt reductions are needed to reduce the vulnerability of the Irish economy and minimise interest costs. Interest payments are a 'first charge' on revenue and reduce the amount available to finance more productive public expenditure. Thus, it is crucial that the burden of debt is reduced further through targeting general government surpluses at this point in the cycle. The aim of fiscal policy should be to 'lean against the wind'.

21. **Brexit**

Notwithstanding some diversification in recent decades, Ireland's economic relationship with the UK remains very strong. A disorderly exit of the UK from the EU would involve *inter alia* tariff and non-tariff barriers to goods trade, a loss of market access for services trade, and substantial short-run disruption due to uncertainty.

In order to quantify the costs of a disorderly exit, the Department and ESRI recently published an updated model based assessment of the economic and budgetary impacts With both output and employment below what they otherwise would be, government revenue will worsen, and the increase in the unemployment rate would lead to higher government spending on welfare payments. The net effect is a reduction in the general government balance in 2020 from a surplus of 0.4 to a deficit 0.1 per cent of GDP or worse.

22. **Fiscal Buffers**

The Irish economy is small and highly globalised, and thus highly exposed to external market risks such as Brexit, international corporation tax change and increased trade tensions. The elevated stock of debt compounds these risks with a diminished ability to absorb any shock to the tax base. It is therefore imperative to build fiscal buffers such as the Rainy Day Fund to mitigate the impacts that these risks present.

IV – Savings under FEMPI

23. In 2009 the gross Exchequer pay bill was €17.514 billion[1]. The Financial Emergency Measures in the Public Interest Act 2009 implemented a Pension-Related Deduction (PRD) on the wages and salaries of pensionable public servants. Across all sectors of the public service, the full year saving of the then deduction was €900 million per year. The 2009 (No. 2) Act provided the legislative basis necessary to facilitate a reduction in the gross pay bill cost of public servants (Exchequer funded and local government) by some €1 billion in 2010 through reductions in the remuneration of public servants of between 5 per cent and 20 per cent effective from 1 January 2010. In addition, the Financial Emergency Measures in the Public Interest Act 2013 implemented a further pay reduction for public servants earning annual salaries of over €65,000, and also implemented a reduction in public service pensions over €32,500. The pay reduction to those earning over €65,000 delivered approximately €210 million in savings.

24. As a consequence the gross Exchequer pay bill (which does not reflect the savings from the Pension-Related Deduction) reduced to €16.0 billion in 2010, €15.7 billion in 2011, €15.3 billion in 2012, €15.1 billion in 2013 and €14.7 billion in 2014. This amounted to a reduction of €2.8 billion over the 2009 figure of €17.5 billion. When account is taken of the Pension-Related Deduction, the reduction amounted to some €3.7 billion over the same period. This was achieved primarily through the reductions applied under the Acts, supported by a reduction in the number of serving public servants together with other cost reduction and productivity measures

25. In addition the Public Service Pension Reduction (PSPR), as provided for in the Financial Emergency Measures in the Public Interest Act 2010, and selectively increased on all public service pensions over €32,500 under the Financial Emergency Measures in the Public Interest Act 2013 played a key role in dampening overall public service pension

[1] The Exchequer pay bill does not include the pay bill for public servants in local government or those paid from the Central Fund. The Act applied to the pay rates of those public servants, and savings were therefore also achieved in those costs.

costs at an important time. Estimated full year savings from the measure were €135 million.

26. Since 2015, as the economy has started to recover and the public finances have stabilised successive Governments have committed to dismantling the Financial Emergency legislation. Given the level of savings associated with the measures, and the continued constraints on expenditure growth, repeal of the FEMPI Acts in any one budget year would exceed available additional resources; violate the terms of EU Stability and Growth Pact; broaden the deficit; increase the national debt; and result in reduced shares of Government Expenditure for capital investment and programme interventions

27. Instead a phased unwinding of the FEMPI acts has been negotiated with relevant staff interests through the Lansdowne Road Agreement and the Public Service Stability Agreement. This approach has allowed for strong fiscal planning, with dedicated resources ring-fenced within multi-annual expenditure ceilings, without compromising service delivery or capital investment. This provides greater certainty in Budget preparation, as the cost of pay and pensions restoration can be balanced against other urgent demands for Exchequer funding, including funding the recruitment of additional public servants and capital investment in social housing, health and education.

28. Importantly the phased approach to unwinding and the continued operation of the provisions of the Acts has allowed for targeted recruitment to fill critical gaps in public service numbers, due to the recruitment moratorium, and meet additional staffing requirements in frontline services related to demographic change. In total between Q4 2013 and Q1 2019 an additional 41,643 public servants have been recruited to meet demands for enhanced public service delivery. These include 10,612 teachers, 4,427 Special Needs Assistants, 760 Health and Social Care Professionals, 4,448 nurses and 2,140 consultants/doctors/dentists.

V – Phase 1 of the Unwinding of FEMPI

29. Improvements in the public finances provided the resources necessary to begin the first phase of unwinding the provisions of the Financial Emergency Measures in the Public Interest Acts through the enactment and implementation of the Financial Emergency Measures in the Public Interest Act 2015. This Act gave effect to the terms of the Lansdowne Road Agreement which the overwhelming majority of public servants accepted and subscribed to.

30. The provisions of the Financial Emergency Measures in the Public Interest Act 2015 partially unwound the pay reduction measures imposed on public servants and are prudent and sustainable given the level of additional resources available to Government. The estimated overall gross cost of these pay measures (inclusive of the previously committed costs attributable to the Haddington Road Agreement) in each year of the Agreement is €267 million in 2016, €290 million in 2017, and €287 million in 2018 or a total of €844 million by 2018 of which €278 million is attributable to the pre-existing Haddington Road Agreement commitments. This should be compared to public service pay bill savings of €2.1 billion, achieved as a direct result of pay reductions under the FEMPI legislation.

31. The provisions of the Financial Emergency Measures in the Public Interest Act 2015 also allow for the amelioration of the Public Service Pension Reduction (PSPR) as it applies to the pensions of public servants. The full year cost of the measure was estimated at €90 million to end 2018. As a result, a significant numbers of pensioners (approx. 65,000) have been removed from the application of the measure and only approx. 25,000 public service pensions, representing the top 20% high value pensions, remain impacted by PSPR. The completion of PSPR unwinding for these remaining pensions is detailed below.

VI – Phase 2 of the Unwinding of FEMPI

32. In recognition of the improvements in the economy, the contribution of public service pay reductions to the stabilisation of the State's finances and the value of collective agreements, the Government entered negotiations with relevant staff interests in May 2017. The outcome of this process was the Public Service Stability Agreement 2018 -2020 (PSSA 2018-2020) which extends the Lansdowne Road Agreement.

33. The terms of the PSSA were given legal effect through the enactment of the Public Service Pay and Pensions Act 2017 which will complete the unwinding of the FEMPI legislation. The Act also provided for the following public service pay and pension measures:
    - Conversion of existing FEMPI Pension Related Deduction (current yield approx. €700m p.a.) into a permanent Additional Superannuation Contribution payable on salaries above €34,500 p.a. (estimated yield approx. €550m p.a. by 2020).
    - Salary increases for public servants combined with raising the threshold for PRD which will give different income groups increases of between 6.2% and 7.4% over three years.
    - New entrant members of the Single Public Service Pension Scheme will attract increases of some 7% to 10%.

34. The costs associated with the agreement are €887 million over the years 2018-2020. Carry over costs of €227m associated with the final 2% pay increase in October 2020 fall in 2021. In addition a further €78m is required to complete FEMPI restoration for those public servants whose salary will not be fully restored (those on annualised remuneration greater than €70,000) through the PSSA increases. Under section 19 of the Public Service Pay and Pensions Act for those covered by the Agreement, these remaining amounts will be paid no later than July 2022. In total the costs associated with the agreed unwinding of remaining FEMPI measures is €1.2bn.

35. The Public Service Pay and Pensions Act 2017 provides for the replacement, after a transitional period, of section 9 of the Financial Emergency Measures in the Public Interest Act 2009 which applies to contracted Health Professionals and certain other groups. It provides relevant Ministers, with effect from 1 January 2019, with the statutory power to set and vary fees, where contracts permit, after consultation with relevant interests.

The Act provided a pathway for putting in place a new multi-annual approach to fees in return for service improvement and contractual reform in line with Government priorities for the health service.

36. The Public Service Pay and Pensions Act 2017 will also complete the unwinding of PSPR, by way of further changes which will occur on 1 January in 2019 and 2020. The increase in threshold in January 2019 removed approximately 12,000 public service pensioners from the impact of PSPR, while the increase in January 2020 will remove an estimated further 9,500 public service pensioners, leaving just 3,500 of the highest value pre-March 2012 pensions that will continue to be subjected to PSPR. At that point Section 27 of the Public Service Pay and Pensions Act 2017 provides that the Minister for Public Expenditure and Reform will, no later than 31 December 2020, issue an order which will specify a date for the full removal of PSPR from that residual group of PSPR-affected pensions. The date so specified in the order will effectively be the date of complete abolition of PSPR.

VII – Operation, Effectiveness and Impact of the Acts Reviewed

37. I am satisfied that the Acts reviewed here have operated effectively since their inception and that they continue to do so. They have made a significant contribution both to the initial stabilisation of the public finances and to their future sustainability. The phased unwinding of the Financial Emergency legislation, which commenced under the Financial Emergency Measures in the Public Interest Act 2015 and is to be completed under the Public Service Pay and Pensions Act 2017, has allowed for appropriate fiscal planning to ensure that unwinding of the measures under the previous Acts is accomplished without undermining the public finances. The approach also provides for the assignment of necessary resources to invest in our public services.

VIII – Consideration of the Need to Continue the Provisions in the Acts Reviewed

38. The consistent achievement of fiscal targets combined with significant structural reforms facilitated Ireland's exit from the EU/IMF support programme in late 2013. Although strong growth has been recorded since, considerable risks remain due to the severity of

the crisis. Ireland's openness to exogenous shocks and continuing high levels of public and private debt pose real risks to the public finances and economic progress.

39. As the Irish economy approaches full employment there is also a risk that the economy will overheat in the medium term, leading to a potentially painful readjustment process, which can increase unemployment and adversely impact the public finances. To mitigate this risk, the Government has committed to pursuing counter-cyclical fiscal policies that aim to prevent excess demand and reduce the positive output gap that has been predicted.

40. There is a considerable threat to the Irish economy with the United Kingdom, one of Ireland's most important trading partners, due to leave the European Union by 31 October 2019. While the nature of this exit is not yet clear, even a relatively benign scenario will impose significant costs on the Irish economy. A 'disorderly' exit, where the UK leaves the EU without a trading agreement or transition period, would have severe implications for output, employment and living standards in Ireland. The Department of Finance and the ESRI estimate the net effect of a 'disorderly' exit to be a reduction in the general government balance of 0.5 per cent of GDP or worse.

41. Achieving the medium term budgetary objective (MTO) of a balanced budget in structural terms is the anchor for the conduct of fiscal policy. In 2018, the General Government Deficit was eliminated for the first time since 2007. In its June assessment of the Stability Programme Update 2019, the Commission recommended that Ireland should meet the medium-term objective of a structural deficit of 0.5% of GDP in 2020 through, *inter alia*, the use of windfall gains to accelerate the reduction of the general government debt ratio and by limiting the scope and number of tax expenditures.

42. Working within the parameters of the fiscal rules, the savings made through FEMPI has allowed the Government to balance the competing demands of society as a whole: for example by meeting the needs for enhanced public services through recruitment of over 30,000 additional staff in the Health and Education sectors since 2013, which itself adds to the cost of the pay bill. Considerable resources have also been allocated to capital

investment. These resources would not be available if the FEMPI Acts were repealed in one Budget year.

43. The Public Service Pay and Pensions Act 2017 which implements the terms of the Public Service Stability Agreement 2018-2020 constitutes a prudential and agreed approach to the phased unwinding of the measures in the relevant acts. This provides certainty for economic planning in the context of medium term expenditure ceilings and the operation of the fiscal rules.

44. On 1 January 2019, the 'Pension Related Deduction' (PRD), brought in as part of the FEMPI Act 2009, was replaced by a permanent pension contribution, the 'Additional Superannuation Contribution' (ASC). This is a structural measure that will provide a permanent source of revenue for the Exchequer. This facilitated the repeal of the 2009 FEMPI Act.

45. Having considered the matter in line with section 12 of the 2013 Act, I am satisfied, having regard to the purposes of the relevant Acts, the overall economic conditions in the State, national competitiveness and Exchequer commitments in respect of public service pay and pensions that the measures put in place by the Acts (as amended) here reviewed continue to be needed.

46. I also find that it is appropriate, taking account of the improvements brought about in the public finances, the continuing risks which remain and the need to meet our commitments to have a prudent fiscal policy under the Stability and Growth Pact, to unwind the FEMPI measures in line with the terms agreed under the Public Service Stability Agreement 2018-2020 and provisions enacted in the Public Service Pay and Pensions Act 2017:

Paschal Donohoe, T.D.

Minister for Public Expenditure and Reform

26 June 2019