IMPLEMENTATION BODY

12th April, 2012

Mr. Ted McEnery
Clerk to the Committee of Public Accounts
Leinster House
Dublin 2

Dear Mr. McEnery,

During my appearance before the Committee on 22nd March last, I undertook to provide additional information on a number of issues raised by members. I have made enquiries on these issues and include hereunder the information which has been provided to me in response:

(1) Costs relating to the Implementation Structures for the *Public Service Agreement 2010-2014*

I can confirm that in 2011 the total costs associated with the Implementation Body and the eight Sector Groups, which underpin implementation of the Agreement at sectoral level, was approximately €167,500. This figure comprises approved Chairperson fees for myself as Chair of the Implementation Body and for the Chairs of the Sectoral Groups; related expenses (including travel and subsistence where appropriate and in accordance with standard approved rates); and costs incurred in respect of the engagement of external consultants to carry out a verification of the savings achieved in respect of three sample initiatives under the Agreement.

Fees and related expenses in respect of myself and the Chair of the State Agencies Implementation Group are met by the Department of Public Expenditure and Reform. Fees and related expenses incurred by the other Chairs are met by the relevant Government Department in each case.

Furthermore, I chair the sectoral implementation groups for An Garda Síochána and the Defence Forces and receive no additional fees in respect of this work. Also, the Civil Service Implementation Group is chaired by Ms. Anna Perry, Deputy Director of the Conciliation Services Division of the Labour Relations Commission and no fee is payable to Ms Perry in respect of this role.

(2) Annual Leave and Privilege Days

The issue of privilege days and annual leave arose during the briefing. I have made enquiries with the Department of Public Expenditure and Reform they have confirmed that, in respect of the civil service, privilege days were incorporated into annual leave following a binding ruling by the Civil Service Arbitration Board in March 2011. This arrangement was confined to the civil service and did not apply to the public service at that time. However, following agreement between public service Management and the Public Services Committee of the Irish Congress of Trade Unions in December 2011 the following standardised annual leave arrangements were put in place for the entire public service:

The number of days annual leave allowance to apply in respect of serving personnel in all sectors of the public service ranges from a minimum of 22 to a maximum of 32 days. This annual leave allowance is subject to the following conditions:

- The abolition of all local leave arrangements such as festivals, races and so on.
- That staff who avail of extra leave days arising from office closure (separate from the normal public and bank holiday arrangements) in a particular sector cannot have such leave included in their overall annual leave allowance that may exceed a maximum of 32 days. The annual leave allowance will be expected to cover such office closures subject to the requirements of the Organisation & Working Time Act.
- Where appropriate the compensation formula of time off calculated at 1.5 times the annual loss will apply in such cases.
- Grades with a leave allowance in excess of the new maximum of 32 days were brought within that 32 day ceiling not later than the 1st January 2012.
- Staff on recruitment or promotion are now placed with immediate effect on the standardised band of annual leave for their sector or organisation which will range from a minimum of 22 days to a maximum of 30 days. Each public service sector or organisation will arrange to band their respective staffing grades within the range of this minimum and maximum leave allowance in accordance with the normal method for such banding arrangements.
- Staff who are redeployed to a public service sector or organisation with less annual leave may be compensated with once off time off on a personal to holder basis calculated at 1.5 times the annual loss. This timing of this arrangement to be subject to the business needs of the recipient organisation.

(3) Increments and Salary Bands

As outlined in my briefing, figures obtained from the Department of Public Expenditure and Reform show that the Exchequer cost of increments (excluding the Local Authority sector) are estimated at no more than €180 million per annum and less than half that sum in 2012. With significantly reduced recruitment, the ongoing substantial fall in numbers of public servants, and higher numbers reaching the maxima of scales, this cost will continue to fall over the coming years.

I have made further enquiries with the Department of Public Expenditure and Reform on foot of the specific questions raised by the Committee about the availability of broken down information on increments across the public service. The Department have informed me that they do not hold detailed information on increments across the public service.

However, detailed statistics in respect of increments payable in the Civil Service are available. This information shows that, of the estimated number of full time equivalent employees in the Civil Service (31,618), 63% (19,710) of employees are eligible for an increment (annual or long service). Accordingly, some 11,908 (37%) employees would be unaffected by measures to target increments in the civil service.

In terms of salary bands in the civil service, the number of those eligible for increments on annual salaries above €70,000 up to €150,000 is 2776. The number of employees eligible for increments on annual salaries up to €50,000 is 13,839 (i.e. 70% of those eligible for increments) and this number increases up to 16,933 (i.e. 86% of those eligible for increments) at salary bands up to €70,000.

Links to salary scales in the various sectors of the public service are set out in Appendix 1. They provide further information on the number of incremental points applying to particular public service grades and may be useful to the Committee.

(4) The Public Service Pay Bill

A number of questions arose towards the end of the meeting relating to Exchequer pay and pensions costs. While I addressed these issues insofar as possible at the time, I consider nevertheless that it would be useful for the Committee for the purposes of clarity and understanding to set out the position in detail.

Exchequer Pay Bill

As the Committee members will be aware, the Financial Emergency Measures in the Public Interest Acts 2009 implemented two significant measures to reduce the cost of the Exchequer pay bill. The Financial Emergency Measures in the Public Interest Act 2009 implemented the Pension Related Deduction (PRD) for public servants with effect from March 2009 while the Financial Emergency Measures in the Public Interest (No. 2) Act 2009 applied a pay reduction to the remuneration of public servants with effect from January 2010.

While both measures effect a reduction in the cost of the public service pay bill, they are accounted for differently in Government accounts. While the pay reduction directly reduces the Exchequer pay bill, the pension-related deduction is included in gross Exchequer pay costs but is deducted at source by Departments and Agencies and returned to the Exchequer.

Members will be aware that the Minister for Public Expenditure and Reform has stated that it is expected that the overall cost of paying public servants will have fallen by €3.5bn, or 20%, over the 7 year period from 2008 to 2015 through reduced numbers, through the pay cuts that were applied in 2010 and through the ongoing pension related deduction. This was the figure I provided to the Committee in my briefing. However, it may also be useful to take 2009, the year when the gross pay bill cost peaked, as the basis for comparing the estimated net (of the Pension Related Reduction) pay bill costs up to 2015.

On this basis the cost of the Exchequer Pay Bill will reduce from a peak in 2009 of €17.5bn (gross) in 2009 to €13.7bn (net of PRD) in 2015, effecting a saving of €3.8bn. I enclose at Appendix 2 a more detailed schedule of actual and estimated pay bill and pension costs from 2009 out to 2015 which may be of assistance to the Committee. This information has been provided to me by the Department of Public Expenditure and Reform.

Exchequer Pension Bill

Regarding the queries raised by members of the Committee at the meeting which addressed the issue of the estimated reduction in the pay bill in the context of an estimated increase in the pension bill over a similar period, I think it important to clarify a number of points for the information of members. The relationship between movements in the pay bill and the pension bill is not a direct relationship. Movements in the pension bill are subject to a number of other factors including:

- Increased survival rates of existing pensioners who are living longer;

- Pensions in payment before 29 February 2012 are with effect from January 2011 subject to a pension-related reduction of an average of 4% (this is separate to the PRD which applies to serving public servants);

- Pensions coming into payment post 29 February 2012 are based on the reduced public service remuneration rates effective from 1 January 2010;

- Pension costs include the once off costs of superannuation lump sums payable under public service superannuation schemes (generally 1.5 times the annual rate of pensionable remuneration for full-length careers). Given the higher retirement rates of recent years, these lump-sum pay outs will naturally tend to increase the annual pension cost out-turns.

The pensions bill is estimated to increase from €2.6 to €3.1 billion (an increase of €0.5bn) as compared to the saving of €3.8 billion in pay costs.

In relation to the cohort of staff availing of the "grace period" to retire before the 29 February 2012 and have their pensions based on the pay rates prior to the implementation of the pay reduction in January 2010, it is important to emphasise those staff retiring did not have any 'early retirement' enhancement. The pension costs incurred by the Exchequer in respect of those staff retiring before 29 February 2012 represent accrued liabilities for the exchequer in respect of employees who are members of and who have contributed to pension schemes. It should be pointed out that because of an expansion of the public service in the 1970s (following membership of the EU, introduction of free second level education, etc) it was always expected that there would be an increase in the number of public servants retiring in this decade. In so far as these staff were retiring early (i.e. in advance of the normal age when they would be entitled to their pension entitlements) they retired on cost neutral retirement terms, that is, their pension terms were reduced to reflect that they would avail of their pension in advance of their normal entitlement date. As service ceases when the person retires, not only is there a pay saving to the Exchequer, the future potential service of employees and the additional pension cost that would accrue to the exchequer in respect of such service is also avoided.

The Department of Public Expenditure and Reform publish an annual analysis of trends in public service pay and pensions which is available on their website.

I hope that this additional information is helpful to Committee members.

Yours sincerely,

PJ Fitzpatrick
Chair of the Implementation Body

APPENDIX 1

Links to public service pay scales

Civil Service
http://per.gov.ie/wp-content/uploads/circ282009.pdf

Health Sector
http://www.hse.ie/eng/staff/Benefits_Services/pay/

Local Government
http://www.environ.ie/en/Publications/LocalGovernment/Administration/FileDownLoad,22976,en.doc

Defence Forces
http://www.military.ie/careers/army/recruits/rates-of-pay
http://www.military.ie/careers/army/apprentices/pay
http://www.military.ie/careers/army/cadetships/rates-of-pay

Education
http://www.education.ie/servlet/blobservlet/circular_listing.htm
http://www.ucd.ie/hr/add/salary_scales/scales.htm
http://www.ucc.ie/en/hr/salaryscales/Salary-Scales-2011-(all-2011-changes)-(2).pdf
http://www.nuigalway.ie/payscales/
http://humanresources.nuim.ie/documents/SalaryScalesPre95coversheet.pdf
http://humanresources.nuim.ie/documents/SalaryScalesPost95coversheet.pdf
http://www.tcd.ie/Staff_Office/hrteam/planning-payroll/payroll/scales.php
http://debates.oireachtas.ie/dail/2011/06/28/00136.asp#N23

An Garda Síochana
http://debates.oireachtas.ie/dail/2011/06/28/00250.asp#N3

APPENDIX 2

	2009	2010	2011	2012	2013	2014	2015	2009-2015 reduction net of PRD
	€m	€m	€m	€m	€m	€m	€m	
Exchequer Pay Bill - Gross	17,514	15,935	15,645	15,375	15,000	14,700	14,600	
Pension Related Deduction (PRD)	837	945	950	930	916	911	911	
Exchequer Pay Bill Net of PRD	16,677	14,990	14,695	14,445	14,084	13,789	13,689	3,825
								2009-2015 increase
Exchequer Pension Bill - Gross	2,558	2,733	2,753	3,038	2,979	3,099	3,099	
Increase over previous year		175	20	285	-59	120	0	541

- Gross pay bill peaked at €17.5bn in 2009 and is estimated to fall to €13.7bn net of Pension Related Deduction (PRD) in 2015
- Taking into account the affect of the PRD, the estimated reduction in the pay bill cost from 2009 to 2015 is €3.8bn
- The pension bill is expected to increase from €2.6bn in 2009 to €3.1bn in 2015, which is an increase of approximately €0.5bn
- Offsetting the pension bill increase against the Gross pay bill reduction will see the overall Exchequer Pay and Pensions Bill fall by approximately €3.3bn.