Labour Relations Commission Proposals (May 2013) for Public Service Stability Agreement 2013-2016 'Haddington Road Agreement' Frequently Asked Questions

NOTE: THESE FAQs RELATE TO THE OVERARCHING PROVISIONS IN THE HADDINGTON ROAD AGREEMENT. THESE PROVISIONS ARE VARIED BY SECTORAL COLLECTIVE AGREEMENTS AND QUERIES IN RELATION TO THE SPECIFIC SECTORS SHOULD BE DIRECTED TO THE RELEVANT HR SECTION FOR THAT SECTOR OR LOCAL MANAGEMNT.

GENERAL

The proposals apply to all public servants who are members of Grades to which a collective agreement accepting the terms of the Haddington Road Agreement is in place. There are particular measures applying to specific sectors of the public service and details of these are found in the appendices in the Haddington Road Agreement for particular groups/grades.

The changes are scheduled to take effect from 1st July 2013 unless otherwise specified.

In the absence of any collective agreement, the following measures will be implemented, in addition to the pay reductions to earnings over €65,000, as provided for under the FEMPI Act:

- A three year increment freeze from 1st July 2013.
- Loss of protections under the existing Croke Park Agreement including security. of tenure (i.e. protection against any compulsory redundancies) and redeployment arrangements

Further guidance on the pay matters covered in these FAQs is contained in Circular 8/2013: Revision of pay of Civil Servants.

PAY AND PRODUCTIVITY MEASURES

Application

Q.1 I am not a member of a union which has a collective agreement in place for members of my grade. How will I be affected?

The proposals apply to all grades regardless of union membership where a collective agreement accepting the terms of the Haddington Road Agreement is in place.

Increase in Hours

Q.2 What is the increase to the standard working week?

The standard working hours of public servants will increase as follows:

- Those with a working week of **35 hours or less** (net of rest breaks) will increase to a minimum of a 37 hour week. The implementation of these additional hours for specific groups is subject to the arrangements set out in Appendix 9 in the overall document.

- Those with a working week that is **greater than 35 hours but less than 39 hours** (net of rest breaks) will increase to a 39 hour week.

- Working hours of those currently with a net working week of **39 hours or greater** will remain the same. However, an hour of overtime worked each week for these grades will be unpaid until 31st March 2014.

The additional hours will be phased in with the first 2 hours 15 minutes implemented from 1st July 2013 and remaining liability will be implemented from 1st July 2015.

Details on the implementation of additional hours for certain grades are set out in Appendix 9 of the Agreement.

Q.3 Can I remain on my current working hours?

The working hours will increase as above with pro rata changes for job sharers and part-time workers. Management will allow persons to opt to remain on their current hours with appropriate pay adjustments for a period.

Q.4 How will the extra hours be used?

The extra hours will be used to best fit the business needs of public service employers. Broad principles of how they will be employed in each Sector are set out at in the proposals. The implementation of the extra hours will require consultation at workplace level.

Allowances

<u>Clarification on Allowances</u>

<u>Fixed Periodic Pensionable Allowances under the Financial Emergency Measures Act 2013</u>

Allowances in the nature of pay are fixed periodic pensionable allowances, a fixed periodic pensionable allowance is an allowance of a fixed amount, which is taxable and pensionable, is not paid in respect of an expense incurred, and is not reliant on the type or amount of the work performed at for example, weekend or nights. Some examples of a fixed periodic allowance would be a rent allowance or the allowance paid to Principals of Primary and Post-Primary schools.

Q.5 What are allowances in the nature of pay?

Allowances in the nature of pay are fixed periodic pensionable allowances, where a fixed periodic pensionable allowance is an allowance of a fixed amount, which is taxable and pensionable, is not paid in respect of an expense incurred, and is not reliant on the type or amount of the work performed at for example, weekend or nights.

Q.6 Is the Allowance Review affected by the proposed Agreement?

There will be full cooperation with follow up to the Government's Allowances Review, taking account of the recommendations contained in Labour Court Recommendation 20448.

<u>Overtime</u>

Q.7 How is overtime affected for those earning up to €35,000?

For those on salaries up to €35,000 (including fixed periodic pensionable allowances), overtime will be paid at the rate of time and a half at the first point of the appropriate scale. This will not apply to any scale where the provision would result in overtime being paid at less than time at any point on the scale. In these cases, the formula for overtime at €35,000 or more will apply to that scale/grade.

Q.8 How is overtime affected for those earning €35,000 or more?

For those on salaries of €35,000 (inclusive of allowances in the nature of pay) or greater, overtime will be paid at the rate of time and a quarter at the individual's scale point on the salary scale.

Q.9 How is overtime affected on a Saturday afternoon and Sunday?

Current arrangements will remain in place for payment for overtime worked on a Saturday afternoon and Sunday.

Q.10 How will the divisor for overtime be affected?

The divisors for the calculation of overtime will be adjusted to take account of any additional hours. Details on additional hours for certain grades are set out in Appendix 9 of the Agreement.

Q.11 How is overtime affected for those working 39 hours or more a week?

For those currently with a net working week of 39 hours or more, an hour of overtime worked each week will be unpaid until 31st March 2014.

Q.12 Will there be an increase in the hours required for a day off in lieu of overtime?

Where the standard working day is increased under the terms of the proposed Agreement, the hours required for a day off in lieu will also increase. For example in the Civil Service the hours required currently for a day off in lieu are 6 hours 57 minutes, this will increase in line with the hours set out in the proposals (7 hours 24 minutes).

Q.13 My working hours have been increased to 35 hours per week. How will my ovetime payments be affected?

From 1 July 2013 the divisor for overtime calculations for those will be based on 37 hours and overtime will not be payable until 37 hours are worked and exceeded. The 36th and 37th hour will be required to be worked for free.

<u>Premia</u>

Q.14 Will twilight payments continue?

Twilight payments and any equivalent payments across the sectors will no longer be payable, save where sectoral collective agreements provide otherwise.

Q.15 Will the Sunday premium remain for those who continue to work Sundays?

Yes the Sunday premium will remain however management will actively seek to reduce the overall numbers of staff rostered to work on Sundays in the health service.

<u>Increments and related balancing measures</u>

<u>Earnings under €35,000</u>

Q.16 How will increments be affected for those earning under €35,000?

For those on salaries below €35,000 (inclusive of allowances in the nature of pay), a 3 month increment freeze will apply during the Agreement. The freeze will take place after the next increment is paid. The following increment will be awarded in 15 rather than 12 months or equivalent if the increment interval is longer.

<u>Earnings between €35,000 and €65,000</u>

Q.17 How will increments be affected for those earning between €35,000 and €65,000?

For those on salaries between €35,000 and €65,000 (inclusive of allowances in the nature of pay), there will be two 3 month increment freezes. This will take effect after the next increment is paid. For 2 consecutive years there would be a 15 month period between increment dates. If the increment interval is longer than 12 months (e.g. incremental interval of 2 or 3 years), the freeze will be for a single 6 month period.

Q.18 Can an individual apply to take the full reduction of 6 days of their annual leave in one year?

The default system will be a reduction in leave allowance of 2 days a year for the duration of the Agreement (i.e. 6 days in total). Applications to have more than 2 days of the deduction taken in any given year will be subject to approval by local management, having regard to Article 7 of the European Working Time Directive in terms of an employee's minimum statutory leave entitlements.

Q. 19 What is the position for those at the top of their incremental scale?

There are provisions for those who are on the final point of their incremental scale and whose salaries (inclusive of fixed periodic pensionable allowances) is between €35,000 and €65,000, apart from those who have annual leave of 23 days or less.

The default option will be a reduction in annual leave of 2 days per year for the three years (6 days in total), apart from grades with annual leave of 23 days or less.
A person may alternatively elect to avail of:

- Unpaid leave in respect of the 6 annual leave days subject to management approval. Unpaid leave is not reckonable for pensionable service.
- A cash deduction equivalent to half their most recent increment (certain technical issues have arisen, further advice will issue in due course).

It should be noted that where an employee reaches the maximum of their scale during the course of the agreement, he/she will have a pro rata liability with reference to the duration of the agreement of the agreement, still to run. For example:
Maximum reached in 2013 – 6 days annual leave reduction applies.
Maximum reached in 2014 – 4 days annual leave reduction applies.

Q.20 I am earning between €35,000 and €65,000 and my next increment is due on 5th July 2013. When will this be paid and what will my next increment date be?

Under the proposals the increment would be awarded on the 5th July 2013. The next increment would be 15 months later on 5th October 2014. The following increment would be paid after another 15 months on 5th January 2016.

Q.21 I am currently earning between €35,000 and €65,000. What will happen if I am promoted over the next three years to a salary over €65,000?

If you are promoted to an incremental salary above €65,000 during the Agreement, two 6 month increment freezes will apply

Q.22 I am earning between €35,000 and €65,000 and due to move to LSI 1 on 1st January 2014. How am I affected by the proposed changes in increments?

Under the terms of the Agreement, in this case LSI1 would be awarded on 1st January 2014. However the following increment will be deferred by a period of 6 months.

Q.23 I am earning between €35,000 and €65,000 and on LSI 1 of my incremental scale and due to move to LSI 2 on 1st January 2014. How am I affected by the proposed changes in increments?

LSI 2 would be awarded on 1 January 2014. However, in this case, as no increment freeze will have been applied, a pro-rata reduction in annual leave of 4 days or a cash deduction equivalent to one third of the most recent increment will apply.

Earnings over €65,000

Q.24 What impact will proposals have on earnings?

Treatment of Allowances as Remuneration for Reduction to be effected for employees earning annualised remuneration of €65,000 or more.

For the purpose of calculating remuneration for the application of the pay reduction to those in receipt of annualised remuneration of €65,000 or more, fixed periodic pensionable allowances should be added to basic pay and the appropriate reduction applied in accordance with the Table below.

Annualised amount of Remuneration	Reduction
Any amount up to €80,000	5.5%
Any amount over €80,000 but not over €150,000	8%
Any amount over €150,000 but not over €185,000	9%
Any amount over €185,000	10%

Q. 25 Is there any restoration of the pay reductions?

For those on salaries above €65,000 to the max of the Principal (higher) scale or equivalent, the reduction in pay will be restored to the pay rate that they would have had, but for the pay reduction, within a maximum of 18 months at the end of this 3 year Agreement.

The restoration will be in two equal phases – the first after 9 months and the second 9 months later.

Q.26 How are increments affected for those earning €65,000 or more?

For those on salaries of €65,000 or greater (inclusive of allowances in the nature of pay), to the max of the Principal (higher) scale or equivalent across the public service, 2 six months increment freezes will apply. The freezes will take effect after the payment of the next increment ,with the following 2 increments being awarded in 18 months or equivalent if the increment date is longer.

Q.27 I am earning over €65,000 and on the max of scale. How am I affected by the proposed changes to increments?

For those on salaries of €65,000 or greater (inclusive of allowances in the nature of pay), and on the maximum of the scale a graduated pay reduction will apply as noted in Paragraph 2.26 of the Agreement.

Q.28 I am earning over €65,000 and on LSI 1 of the scale. How am I affected by the proposed changes to increments?

For those on salaries of €65,000 or greater (inclusive of allowances in the nature of pay) and on LSI 1. The next increment – LSI 2 – will be paid as normal.

Q.29 What is the situation in relation to the pay cuts where someone is on a payscale where they are paid €80,000 and decide to work a 4 day week, their salary would then be €64,000 which is below the €65,000 threshold, would they be subject to the pay cut?

Yes the pay reductions will be applied to the full time scale and workshares will then receive a pro-rata amount of the (reduced) full time scale. The salary of workshares and those on other atypical work patterns will be calculated by reference to the whole time equivalent salary for the grade in question.

Q.30 Are LSIs considered part of the pay scale?

Yes, LSIs (long service increments) where they apply are considered part of the incremental scale for this purpose

Q.31 My salary scale ranges from €85,900 to €105,400. How is my scale affected by the pay reduction?

Salary scales starting above €100,000 will be reduced by the appropriate percentage permanently.

Salary scales which start below but range above €100,000 will be reduced by the appropriate percentage with restoration in two equal phases in 2017 and 2018.

Q. 32 How do the pay reductions affect those on salaries above €100,000?

Salary scales starting over €100,000 will be reduced by the appropriate percentage based on the reductions set out in the table above. There is no provision for restoration of the reductions at this level.

Q.33 What is the position on increments for salaries on €100,000 or over?

Incremental progression will be suspended for 3 years for those on salaries scales starting over €100,000 (inclusive of allowances in the nature of pay).

<u>Other pay related measures</u>

Q.34 Is Travel and Subsistence affected by the proposed Agreement?

The Government intends to review and standardise Travel and Subsistence arrangements across the Public Service. Work has commenced on the review. In accordance with normal procedures, there will be negotiations with staff representatives and normal IR machinery may be utilised in accordance with this proposed Agreement.

Q.35 Are there proposals to address the imbalance in the New Entrant Salary scales?

In order to address the imbalance between those who entered the public service since 2011 and those who entered before that date, revised incremental salary scales will be prepared for the same grade entrants to each public service sector.

<u>Pension Related Deduction</u>

Q.36 Are there any changes to the Pension Related deduction (PRD)?

The public service Pension Related Deduction (PRD) is being reduced with effect from 1st January 2014 as follows:

Current Rates

Measure	Bands	Rates
Pension Related Deduction	€0 - €15,000 €15,000 - €20,000 €20,000 - €60,000 Above €60,000	Exempt 5.0% 10.0% 10.5%

Proposed Rates

Measure	Bands	Rates
Pension Related Deduction	€0 - €15,000 €15,000 - €20,000 €20,000 - €60,000 Above €60,000	Exempt 2.5% 10.0% 10.5%

For almost all Public Servants this will mean a reduction in the pension related deduction (PRD) cost of €125.00 over a full year.

Pensions

[Note: Certain changes to public service pensions are to apply from 1 July 2013; these are not part of the Haddington Road Agreement.]

Q.37 Are public service pensions reduced by the *Financial Emergency Measures in the Public Interest Act 2013*?

Yes, but only higher-value pensions are reduced. Pensions of up to €32,500 are not reduced by the 2013 Act.

With effect from 1 July 2013, the Act reduces those public service pensions valued at €32,500 per annum or greater, affecting all such pensions already payable on that date or awarded up to end-August 2014. The reductions range from about 2% near the €32,500 threshold level (subject to no pension falling below €32,500), to 5% for the highest pensions.

Q.38 How does the 2013 Act secure these pension reductions?

From 1 July 2013 onwards, the Act secures the appropriate reductions (i.e. cuts ranging from 2% to 5% on pensions above €32,500) by revising and adapting the existing **"Public Service Pension Reduction"** (PSPR) in such a way that

- revised (higher) rates of PSPR apply to those pensions above €32,500 which have been subject to PSPR before July 2013 - largely comprising pensions awarded up to end-February 2012, while

- new rates of PSPR are introduced for those pensions above €32,500 not previously subject to PSPR – largely comprising pensions awarded after February 2012, and up to end-August 2014.

Q.39 What is the Public Service Pension Reduction (PSPR)?

The Public Service Pension Reduction (PSPR) is a tiered reduction of certain public service pensions above €12,000, in place since 1 January 2011. It features five increasing bands of pension income with rising reduction percentages associated with each band.

The PSPR was introduced by the *Financial Emergency Measures in the Public Interest Act 2010*. That Act applied PSPR to all public service pensions above €12,000 awarded up to end-February 2012 (i.e. up to the end of the previous "grace period", during which pension and lump sum awards were boosted by discounting of the 2010 public service pay cuts.)

As originally legislated, PSPR did not apply, and up to end-June 2013 was not applied, to pensions awarded after February 2012. Such pensions were instead decreased (and usually harder hit) by dint of being awarded by reference to actual retirement pay levels (i.e. **not** by reference to the notional higher pay levels which applied during the 2010-2012 grace period).

The exemption from PSPR for post-February 2012 pensions, as originally legislated, remains in place for all such pensions below €32,500.

Q.40 What rates of PSPR applied before the changes on 1 July 2013?

The PSPR rates prevailing before the changes on 1 July 2013, **and which continue to apply after that date to pensions below €32,500 awarded up to the end-February 2012**, are set out in Table 1 below.

(NB: In Table 1 and the other PSPR tables below, the band-specific reduction rates apply to the slices of pension income in each band; they do not apply to the entire pension.)

Table 1: PSPR rates on pensions awarded up to end-February 2012 – these continue to apply to such pensions below €32,500	
Annualised amount of public service pension	*Reduction*
Up to €12,000	Exempt
Any amount over €12,000 but not over €24,000	6 per cent
Any amount over €24,000 but not over €60,000	9 per cent
Any amount over €60,000 but not over €100,000	12 per cent
Any amount over €100,000	20 per cent

Q.41 What specific PSPR rate changes are set down in the *Financial Emergency Measures in the Public Interest Act 2013*?

For pensioners who retired up to end-February 2012 on pensions in excess of €32,500 …

… the PSPR rates which applied before July 2013 (Table 1) are **increased** to the rates in Table 2 below with effect from 1 July 2013:

Table 2: Revised PSPR rates for pensions awarded up to end-Feb 2012 above €32,500*	
Annualised amount of public service pension	*Reduction*
Up to €12,000	Exempt
Any amount over €12,000 but not over €24,000	8 per cent
Any amount over €24,000 but not over €60,000	12 per cent
Any amount over €60,000 but not over €100,000	17 per cent
Any amount over €100,000	28 per cent

*** The €32,500 threshold for exposure to these revised rates is based on the pension after application of PSPR as it applied just prior to the selective 2013 increase in PSPR rates. This equates to an effective threshold of €34,132 in terms of pre-PSPR pension.**

For pensioners who retired after end-February 2012, and for public servants who retire up to end-August 2014, in each case on pensions in excess of €32,500 …

… PSPR applies for the first time, at the rates in Table 3 below, from 1 July 2013. These pensioners were not subject to PSPR before 1 July 2013, but **their pensions do reflect the 2010 public service pay cuts**.

Table 3: New PSPR rates on pensions awarded between 1 March 2012 and end-August 2014 above €32,500	
Annualised amount of public service pension	*Reduction*
Up to €12,000	Exempt
Any amount over €12,000 but not over €24,000	2 per cent
Any amount over €24,000 but not over €60,000	3 per cent
Any amount over €60,000 but not over €100,000	5 per cent
Any amount over €100,000	8 per cent

Q.42 What is the significance of end-August 2014 in the 2013 Act? Does it mean there will be another "grace period" for persons who retire from the public service?

Yes, a new grace period is provided for; it is due to expire at end-August 2014, or such later date as may be set by the Minister for Public Expenditure and Reform.

Under **section 9(2)(a) of the 2013 Act**, public servants who retire during this grace period have their pension and lump sum calculated by reference to the pay rates in force before the pay cuts (above €65,000) of 1 July 2013. On this basis, public servants who retire **between 1 July 2013 and end-August 2014, and whose pay is reduced due to the 1 July 2013 pay cuts,** qualify for the grace period concession of having their pension and lump sum awards based on their higher (pre-cut) pay rates. This cohort of retirees is however subject to the new PSPR on their pensions with effect from 1 July 2013, where those pensions exceed €32,500 (Table 3 above).

In addition, public servants who retire during the grace period may benefit from a separate protection, insofar as their pension and lump sum will be calculated by reference to pay rates which discount the effect of any suspension of the operation of a pay scale (increment freeze or delay); this specific protection is provided by, and subject to the terms of, **sections 9(2)(a) and (b) of the 2013 Act**.

Q.43 What about public servants who retire after the new grace period, i.e. after August 2014? How will their pensions be determined? Will those pensions be subject to PSPR?

On expiry of the new grace period (due to expire at end-August 2014), new public service pension and lump sum awards thereafter will revert to the normal basis of determination, i.e. they will generally be based on actual pay at retirement.

For persons whose pay has been impacted by the 1 July 2013 pay cuts (above €65,000), this means that their pension and lump sum awards from September 2014 onward will reflect the **removal** of the concessionary award basis applicable during the grace period.

PSPR will not apply to the pensions of persons retiring after the new grace period.

Q.44 What about aggregation of two or more public service pensions held by one person for the purpose of applying PSPR – is this going to happen?

Yes. Legislative underpinning for such aggregation has already been put in place, mainly by way of Part 4 of the *Public Service Pensions (Single Scheme and Other Provisions) Act 2012*.

To trigger actual pension aggregation for purposes of applying PSPR, a commencement date must be set by order of the Minister for Public Expenditure and Reform. It is expected that a commencement date in the near future will be set by the Minister.

Q.45 How do the 1 July 2013 PSPR changes affect actual rates of pension payment?

For pensioners who retired up to end-February 2012 …

… PSPR from 1 July 2013 impacts on pensions as shown in the table below. Note that for pensioners below the €32,500 threshold no additional PSPR arises from 1 July 2013, i.e. there is no change in their PSPR rates.

Revised PSPR rates – impact at various pension levels					
Pension before PSPR	Total PSPR		…of which "extra" PSPR imposed from 1 July 2013		Pension after PSPR
€	€	% of pension	€	% of pension	€
12,000	0	0%	0	0%	12,000
15,000	180	1.2%	0	0%	14,820
20,000	480	2.4%	0	0%	19,520
25,000	810	3.2%	0	0%	24,190
30,000	1,260	4.2%	0	0%	28,740
35,000	2,280	6.5%	570	1.6%	32,720
40,000	2,880	7.2%	720	1.8%	37,120
45,000	3,480	7.7%	870	1.9%	41,520
50,000	4,080	8.2%	1,020	2.0%	45,920
55,000	4,680	8.5%	1,170	2.1%	50,320
60,000	5,280	8.8%	1,320	2.2%	54,720
70,000	6,980	10.0%	1,820	2.6%	63,020
80,000	8,680	10.9%	2,320	2.9%	71,320
90,000	10,380	11.5%	2,820	3.1%	79,620
100,000	12,080	12.1%	3,320	3.3%	87,920
125,000	19,080	15.3%	5,320	4.3%	105,920

150,000	26,080	17.4%	7,320	4.9%	123,920

For pensioners who retired after end-February 2012, and for public servants who retire up to end-August 2014, in each case on pensions in excess of €32,500 …

… PSPR from 1 July 2013 impacts on pensions as shown in the table below.

New PSPR rates – impact at various pension levels			
Pension before PSPR	PSPR		Pension after PSPR
€	€	% of pension	€
30,000	**No liability to PSPR below €32,500 if retiring on or after 1 March 2012.**		
35,000	570	1.6%	34,430
40,000	720	1.8%	39,280
45,000	870	1.9%	44,130
50,000	1,020	2.0%	48,980
55,000	1,170	2.1%	53,830
60,000	1,320	2.2%	58,680
70,000	1,820	2.6%	68,180
80,000	2,320	2.9%	77,680
90,000	2,820	3.1%	87,180
100,000	3,320	3.3%	96,680
125,000	5,320	4.3%	119,680
150,000	7,320	4.9%	142,680

<u>Position of individuals where there is no collective agreement</u>

Q. 46 What applies to individuals where there is no collective agreement – i.e. what does the legislation provide for?

The legislation gives effect to the pay reductions. It also provides for a suspension of incremental progression for three years for all public servants unless they are covered by a collective agreement that modifies the terms of the incremental suspension and which has been registered with the Labour Relations Commission.

The legislation also provides clarification regarding the existing powers of Ministers of the Government or other bodies that may set terms and conditions of employment of public servants may be exercised so as to reduce the remuneration or increase the working time of those public servants.