



An Roinn Cosanta  
Department of Defence

# **Defence Forces Superannuation Schemes**

## **Annual Report**

**2017**

***Prepared by:***

**Pensions Section,  
Finance Branch,  
Department of Defence**

**31 October 2018**

## **Defence Forces Superannuation Schemes – 2017 Annual Report**

1. Under the provisions of Section 55 of the *Pensions Act 1990*, the trustees/administrators of occupational pension (superannuation) schemes are obliged to prepare an Annual Report containing specific relevant information, as outlined in Article 7 of the *Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (S.I. No. 301 of 2006)* as amended.
2. All benefits from the Defence Forces Superannuation Schemes are governed by the relevant rules, terms and conditions made pursuant to the Defence Forces Pensions Acts 1932 to 2004 and other relevant provisions, agreements, arrangements, circulars and/or other instruments, which together comprise the schemes and are also subject to any other relevant legislation and to public service pensions policy.
3. (a) The *Defence Forces Pensions Acts 1932 to 2004* empower the Minister for Defence, with the consent of the Minister for Finance/Public Expenditure and Reform, to make and amend pension schemes for the grant of superannuation benefits to and in respect of members of the Permanent Defence Force (PDF) recruited before 1 April 2004. The detailed terms and conditions for the grant of pensions etc. are contained in the *Defence Forces (Pensions) Schemes 1937* as amended, and in relevant agreements under the PDF Conciliation and Arbitration Scheme. Provision is also included for members of the Army Nursing Service and the Chaplaincy Service.
- (b) Section 8 of the *Public Service Superannuation (Miscellaneous Provisions) Act 2004* empowers the Minister for Defence, with the consent of the Minister for Finance/Public Expenditure and Reform, to make and amend pension schemes or arrangements for the grant of superannuation benefits to or in respect of members of the PDF recruited as new entrants on or after 1 April 2004 (and before 1 January 2013 – see below). The detailed terms of the new ‘post-2004’ scheme(s) were agreed in 2008/2009 under the PDF Conciliation and Arbitration Scheme between the Department of Defence and the military representative associations, PDFORRA and RACO.
- (c) The *Public Service Pensions (Single Scheme and Other Provisions) Act 2012* was enacted on 28<sup>th</sup> July 2012. Its principal purpose is to establish a new single pension scheme for all new entrants joining the public service from 1<sup>st</sup> January 2013, including PDF personnel. The detailed terms and conditions for the grant of pensions etc. under this new Single Scheme are set out in Part 2, Chapter 2 of the 2012 Act and relevant DPER circulars.

Chapters 3 and 4 of that Act also made certain changes affecting pre-existing public service pension schemes such as those at paragraphs (a) and (b) above, including:

- (i) the introduction from 28 July 2012 of a 40-year limit on the total service which can be counted towards occupational pension where a person has been a member of more than one 'pre-2013' public service pension scheme;
- (ii) the extension from 1 November 2012 of pension abatement so that a retiree's public service pension is liable to abatement on re-entering public service employment in future, even where the new employment is in a different area of the public service;
- (iii) the obligation from 1 November 2012 for a person to provide an appropriate declaration to the relevant public service body where he/she:
  - takes up employment in a public service body and has an (existing) entitlement to retirement benefits or preserved retirement benefits, or has received or is in receipt of retirement benefits under any public service pension scheme, or
  - applies for a benefit from a public service pension scheme, or
  - is covered by section 52 of the 2012 Act (relating to pension abatement and reckoning of pensionable service) and who applies for a public service pension; and
- (iv) from 1 September 2013, the aggregation of pensions for the purposes of applying the Public Service Pension Reduction (PSPR).

4. While there are no *Trustees*, the administration and management of Defence Forces superannuation arrangements including the calculation and award of benefits to members and their dependants, is carried out by officials of the Department of Defence. For practical purposes, these officials are regarded as the Trustees / Administrators. The payment of military pensions is carried out by the National Shared Services Office (NSSO), on behalf of the Department of Defence.
5. The superannuation provisions applicable to the PDF are "*defined benefit schemes*" for the purposes of the Pensions Act 1990. This means that the superannuation benefits payable to the members and/or their dependants are clearly stated in the rules of the relevant pension scheme.
6. There is no pension fund. Instead, like the vast majority of public service bodies, the Defence Forces superannuation schemes are financed by the Exchequer from current revenue, voted in the annual Estimates through the Army Pensions Vote (No. 35). The Vote is audited each year by the

Comptroller & Auditor-General. The Secretary General of the Department of Defence is the statutory Accounting Officer for Vote 35.

7. The amount spent on superannuation benefits for year ended 31 December 2017 in the case of retired members of the PDF and the dependants of deceased members is recorded under Subhead A.2 of Vote 35 (Army Pensions). The full audited accounts are set out in the Appropriation Accounts 2017 – see relevant extract appended to this Report or on <http://www.audgen.gov.ie/viewdoc.asp?fn=/documents/annualreports/2017/AppAcc/En/Vote35.pdf>
8. Some 96% of the payments made under the Army Pensions Vote are for superannuation benefits, that is, retirement pensions and gratuities (lump sums), as well as death benefits. Gross expenditure on Defence Forces superannuation benefits in 2017 was €230.644 million. Members' employee pension contributions shown under Appropriations-in-Aid (Receipts at Note 4.1 of the audited accounts) amounted to €5.219 million. PDF members' pension contributions under the new Single Scheme mentioned at paragraph 3(c) above are not paid into Appropriations-in-Aid of the Army Pensions Vote but must be paid instead to the Central Fund. Details of average retirement pensions paid to retired Defence Forces personnel (and dependants) during 2017, and the numbers involved, are shown at Note 5.3 of the audited accounts. Details of average retirement gratuity (lump sum) payments to Defence Forces personnel who retired on pension during 2017 are shown at Note 5.4 of the audited accounts.
9. Enquiries about Defence Forces superannuation entitlements should be made to:

**Pensions Administration Section, Finance Branch, Department of Defence, Áras an tSáile, Renmore, Galway H91 AN2E**

**Tel. (091)743900 or LoCall 1890-426444 extension 3900 or E-mail: [pensions.admin@defence.ie](mailto:pensions.admin@defence.ie)**

Payroll enquiries about monthly-paid Defence Forces pensions should be made to:

**Payroll Shared Services, National Shared Service Office (NSSO), Áras an tSáile, Renmore, Galway H91 AN2E**

**Tel. 076-1002702 or E-mail [militarypensions@pssc.gov.ie](mailto:militarypensions@pssc.gov.ie)**

10. As with public service employees generally, the specific superannuation arrangements of members of the PDF depend primarily on when a person first joins the public service. Different 'fast accrual' pension arrangements apply to military personnel who:

- joined the PDF before April 2004, referred to as 'pre-April 2004';
- joined between 1 April 2004 and 31 December 2012, that is, 'post-April 2004'; or
- joining from 1 January 2013 onwards.

Information about entitlements, pension & lump sum rates etc., by way of handbooks, guidance notes and documentation prepared by Pensions Administration Section, Department of Defence, is available throughout the Defence Forces (DF), including on the DF Intranet IKON. Pensions information is also issued, on request, from the Pensions Administration Section to serving and retired personnel as well as dependants of deceased personnel. Officials from Pensions Administration Section participate in pre-retirement courses run by the Defence Forces for serving military personnel. Detailed information on Defence Forces pension arrangements and contact points for information / queries can be found on the Department of Defence website at <https://www.defence.ie/what-we-do/defence-forces-pension-information>. Information about the Single Scheme, including an FAQ and other explanatory documentation is posted on the DF Intranet IKON, and is also available from the Department of Public Expenditure and Reform on a dedicated website [www.singlepensionscheme.gov.ie](http://www.singlepensionscheme.gov.ie)

11. The Department of Defence has procedures in place for dealing with appeals / complaints about Defence Forces pensions. Details of these procedures are published on the Department's website link (above), or are available from **Pension Administration Section** – see paragraph 9 above.

## 12. Number of serving and retired members

At 31 December 2017, the relevant numbers were as follows:-

### (a) Serving members \*:

(i)	Enlisted Personnel	8,177
(ii)	Commissioned Officers	1,074
(iii)	Army Nursing Service	6
(iv)	Chaplaincy Service	15

\*Including 78 military personnel seconded on special leave with or without pay or on career breaks at end-2017, who have accrued or contingent superannuation entitlements.

**(b) In receipt of pensions:**

(i)	Retired Enlisted Personnel	8,648
(ii)	Spouses and Children of deceased Enlisted Personnel	1,128
(iii)	Retired Commissioned Officers	1,770
(iv)	Spouses and Children of deceased Officers	312
(v)	Retired members of Army Nursing Service	40
(vi)	Retired members of Chaplaincy Service	7

**(c) Former members with deferred (preserved) superannuation benefits:**

Under the relevant pension scheme rules, superannuation benefits are deferred for payment until age 60 in the case of 785 former PDF personnel who were recruited between 1 April 2004 and 31 December 2012 (see paragraph 3(b) above) and who have, up to end-2017, left the Defence Forces with at least 2 years' pensionable service (the 'vesting period'). The superannuation benefits of a further 101 former PDF personnel who joined since 1 January 2013 under the Single Scheme (see paragraph 3(c) above) and who up to end-2017 left after completing the vesting period, are deferred for payment until State Pension age.

Note: For PDF personnel recruited prior to 1 April 2004, payment of retirement benefits, where applicable, was/is immediate on retirement/discharge.

**13. Pension increases / reductions**

13.1 Until recently, the last occasion that public service pensions were increased, including Defence Forces pensions, was on 1 September 2008. Up until then, all public service pensions were generally adjusted in line with, and from the same operative date as, relevant pay increases applied to their serving counterparts. Such pension increases normally required the prior approval of the Minister for Finance / Public Expenditure and Reform. In the intervening years, the *Financial Emergency Measures in the Public Interest (FEMPI) Acts 2009 – 2013* reduced public service pay and pension rates.

13.2 In respect of pensioners, the key FEMPI measure has been the 'public service pension reduction' (PSPR), which cut pensions whose pre-PSPR value exceeds certain exemption thresholds. PSPR is designed so that the actual reductions have been progressively more for those with higher rates of pension. From its introduction in January 2011, all public service pensions below €12,000 a year

were exempt. In tandem with gradual pay restoration under the 'Lansdowne Road Agreement' and as legislated in the FEMPI Act 2015, a three-stage partial reversal of PSPR over the years 2016 to 2018 has been completed<sup>1</sup>. The initial focus was on those in receipt of relatively low pensions impacted by PSPR. This involved the application of different exemption thresholds, bands and rates of PSPR depending on the person's (pre-PSPR) gross rate of pension and retirement/pension award date. For the years 2016-2018, the phased restoration of pension income to most PSPR-impacted pensioners can be summarised as follows (note these are maximum amounts):

- From 1st January 2016 – restoration of €400 per year
- From 1st January 2017 – restoration of €500 per year
- From 1st January 2018 – restoration of €780 per year.

These gradual PSPR changes mean that as of 1 January 2018 most public service pensioners – including about 95% of military pensioners – no longer have their pensions reduced by PSPR. For those pensioners who are still impacted by PSPR, the *Public Service Pay and Pensions Act 2017* provides for another significant lessening of PSPR in the years 2019 and 2020. The details are available on <http://www.per.gov.ie/en/faq-documents>

13.3 The FEMPI Acts also provide that when calculating superannuation benefits (pension and retirement lump sum), the pay reductions are to be disregarded for those who retired from the public service before certain dates. The current 'grace period' expires on 1 April 2019. Consequently, if a public servant impacted by the (2013) pay cuts retires on or before 1 April 2019, their pension and retirement lump sum will be calculated as if those pay cuts, where applicable, and any increment pause or freeze operative from 1 July 2013, had not applied to them. However, PSPR is payable if their annualised gross (pre-PSPR) rate of pension is over a certain threshold (i.e. where pension is above €39,000 if retiring during 2017).

### Current Policy on Public Service Pension Increases

13.4 The *Public Service Pensions (Single Scheme and Other Provisions) Act 2012* contains an enabling provision for the use of Consumer Price Index (CPI) to determine future pension increases. This has been applied by law in the case of retirement benefits accrued under the Single Pension Scheme for those who joined the Public Service as *new entrants* on or after 1 January 2013.

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<sup>1</sup> As provided for in the Financial Emergency Measures in the Public Interest Act 2015. Details of the PSPR rates can be found at [Circular 18 of 2015](http://circulars.gov.ie/yearindex/2015/) "Changes to the Public Service Pension Reduction (PSPR)" or <http://circulars.gov.ie/yearindex/2015/>.

- 13.5 The pre-FEMPI non-statutory linkage of pension adjustments to movements in the pay of serving public servants – sometimes referred to as “pay parity” – lapsed in 2010 in the case of ‘pre-existing pensions schemes’ (pre-2013). Due to the 2010 salary reductions and the ‘grace period’ associated with those reductions, public servants who retired in the period up to end-February 2012 had their pensions based on higher ‘pre-cut’ salary levels. This has led to the current situation whereby those who retired since 1 March 2012, on a like-for-like basis, generally receive lower pensions than their counterparts who retired before them.
- 13.6 In the case of pre-2013 public service pensions schemes, the new *Public Service Stability Agreement* (PSSA) 2018-2020 contains a commitment by Government not to apply CPI linkage for pension increases for the duration of that Agreement.<sup>2</sup> Instead, the benefit of recent public service pay increases including the PSSA is being passed on to relevant public servants retiring after February 2012 whose pensions were impacted by the January 2010 FEMPI pay reductions. This is in accordance with Section 6.2 of the PSSA and the provisions of the *Public Service Pay and Pensions Act 2017*.
- 13.7 Section 6.2 of the PSSA sets out the policy on pension increases, as now adopted by Government out to end-2020. This states that future policy on public service pensions in payment (i.e. under pre-2013 schemes) will, for the duration of that Agreement, be guided by three elements:
- First, the need to adopt an equitable approach to the various public service pensioner groups differentiated by date of retirement (in particular pre and post end-February 2012) is affirmed.
  - Second, for those who retired or will retire after end-February 2012, to the extent that they retired on reduced salaries for pension award purposes, they will receive pension increases in line with pay increases received by their peers currently in employment, in accordance with the terms of the collective Agreement.
  - Third, when alignment is achieved between pre and post end-February 2012 pensioners, as will happen progressively for salary ranges up to €70,000 in 2020 under the collective agreement, pay increases will continue to benefit pensions in payment for the duration of the Agreement.

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<sup>2</sup> Section 40 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 provides for CPI linkage in the case of Single Scheme retirement benefits. The Act also made an enabling provision (in section 47) for post-retirement increases for existing pensioners and serving public servants to be linked in future to the cost of living, rather than pay. Activating the link to the CPI would be by way of ministerial order (Minister for PER) as and when decided by Government, and subject to approval by the Houses of the Oireachtas.

In effect, this means that the pensions of post-February 2012 retirees will first 'catch up' with their counterparts who retired before them on higher pension rates. The policy out to end-2020 also provides that the benefit of the PSSA pay increases will be passed on to qualifying pre-March 2012 pensioners, but only where the pensions of their post-February 2012 retired counterparts (with analogous rank, pensionable service etc.) have moved ahead of them. There is an ongoing exercise over the course of the PSSA to review public service pension rates on that basis.

- 13.8 In effect, this represents a limited resumption of the pre-FEMPI non-statutory "pay parity" model, under which pension rates rose in line with pay increases. This policy is to be applied until end-2020 only, when the PSSA expires. No decision has yet been made by Government about how indexation will operate after 2020 in relation to pensions payable under pre-2013 pension schemes.
- 13.9 In terms of military pension increases during 2017, the following is the position in line with paragraph 13.7 above:

- (a) Under the *Lansdowne Road Agreement 2015-2018 and FEMPI Act 2015*, certain public servants including relevant Defence Forces members received pay increases. These applied from 1 January 2016 where annualised basic salary was less than €31,000 (primarily Privates and equivalent)<sup>3</sup>; and from 1 April 2017 a €1,000 pay increase was awarded to all qualifying public servants with annualised basic salaries below €65,000 (essentially all PDF ranks up to and including Commandant). At maximum pay-scale point for the rank, this involved basic pay increases of 1% from 1 January 2016 for Privates (and equivalent); and increases from 1 April 2017 generally ranging from 1.58% to 3.43% depending on rank, salary level, date of entry etc. Payment of these basic pay increases to relevant serving PDF personnel was authorised in 2017 by the Minister for Public Expenditure and Reform.
- (b) Corresponding % increases (including arrears) from 1 January 2016 and/or 1 April 2017, as appropriate, in the pension benefits of public servants who retired after the relevant effective dates (as at 13.7 above) in relevant qualifying ranks during the period 2016/2017 were also authorised by the Minister for Public Expenditure and Reform. The pension benefits (including gratuities) of such qualifying retired PDF personnel were adjusted accordingly during 2017.

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<sup>3</sup> From 1 Jan 2016, for any public servant whose annualised (basic) salary did not exceed €24,000, there was an increase in gross pay of 2.5%; and where between €24,001 and €31,000, an increase of 1% applied to gross pay. For Privates in the Defence Forces, the maximum scale point of gross basic pay increased by 1%.

(c) In December 2017, the Minister for Public Expenditure and Reform also authorised application of the benefit of the basic pay increases at (a) above to certain existing pensions in payment in all sectors of public service, with effect from **1 September 2017**. This is essentially confined to pensions of those retired on or after 1 March 2012 but before those at (b) above, on annualised basic salaries below €65,000.<sup>4</sup> This pension increase was paid during 2018 to qualifying post-February 2012 retirees from the PDF (and associated dependants), backdated to 1 September 2017.

13.10 The *Public Service Pay and Pensions Act 2017* gives effect to the provisions of the PSSA, which includes a series of pay increases scheduled over the period 2018-2020 for serving public servants weighted towards those on lower pay. The cumulative effect of those PSSA increases range from 7.4% for lower-paid public servants to 6.2% for the higher paid over the three years of that agreement. In January 2018, the Minister for Public Expenditure and Reform authorised that those basic pay increases also be passed on to the pensions of relevant public servants who retired post-February 2012.<sup>5</sup> The benefit of the PSSA increase from 1 January 2018 (1%) has generally speaking been passed on to the military pensions of qualifying post-February 2012 retirees and associated dependants. Work is currently underway to apply the benefit of the 1 October 2018 pay increase (1%) to their pensions as quickly as possible.

14. The Defence Forces superannuation schemes are registered with the Pensions Authority <http://www.pensionsauthority.ie/en/> - Registration No. PB48912.

15. The Department of Defence has access to the Trustee Handbook produced by the Pensions Authority (established by the Pensions Act 1990) and Guidance Notes issued by the Board from time to time.



**Joan Connaughton**  
**Pensions Section**  
**Finance Branch**  
**Department of Defence**



**Breffni O'Rourke**  
**Pensions Section**  
**Finance Branch**  
**Department of Defence**

**31 October 2018**

<sup>4</sup> As provided in DPER Circular 20/2017 Increases in certain public service pensions with effect from 1 September 2017

<sup>5</sup> DPER Circular 02/2018: Pension increase policy in the public service until end-2020

**Appropriation Account 2017**

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**Vote 35**

**Army Pensions**

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## Introduction

As Accounting Officer for Vote 35, I am required each year to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2017 for retired pay, pensions, compensation, allowances and gratuities payable under sundry statutes to or in respect of members of the Defence Forces and certain other military organisations, etc., and for sundry contributions and expenses in connection therewith; for certain extra-statutory children's allowances and other payments and for sundry grants.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2017 including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €575,031 was recorded for the year.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

## Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts as set out by Department of Public Expenditure and Reform in Circular 25 of 2017 have been applied in the preparation of the account.

## Statement on Internal Financial Control

### *Responsibility for System of Internal Financial Control*

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department.

This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

I have fulfilled my responsibilities in relation to the requirements of the service management agreement between this Department and the National Shared Services Office for the provision of shared services.

I rely on a letter of assurance from the Accounting Officer of the Vote for Shared Services that the appropriate controls are exercised in the provision of shared services to this Department.

***Financial Control Environment***

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system
- procedures for all key business processes have been documented
- there are systems in place to safeguard assets

***Administrative Controls and Management Reporting***

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that:

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- a risk management system operates within the Department
- there are systems aimed at ensuring the security of the ICT systems

***Internal Audit and Audit Committee***

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

***Risk and Control Framework***

The Department has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Department and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the Management Board on a monthly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and assigns responsibility for operation of controls to specific staff.

***Ongoing Monitoring and Review***

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Management Board where relevant, in a timely way. I confirm that key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies.

***Review of Effectiveness***

I confirm that the Department has procedures to monitor the effectiveness of its risk management and control procedures. The Department's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors and the senior management within the Department responsible for the development and maintenance of the internal financial control framework.

***Internal Financial Control Issues***

No weaknesses in internal financial control were identified in relation to 2017 that resulted in, or may result in, a material loss.

**Maurice Quinn**  
Accounting Officer

29 March 2018

## **Comptroller and Auditor General**

### **Report for presentation to the Houses of the Oireachtas**

#### **Vote 35 Army Pensions**

##### ***Opinion on the appropriation account***

I have audited the appropriation account for Vote 35 Army Pensions for the year ended 31 December 2017 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

In my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 35 Army Pensions for the year ended 31 December 2017
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform

##### ***Basis of opinion***

I conducted my audit of the appropriation account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the *Preface to the Appropriation Accounts*. I am independent of the Department of Defence and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### ***Report on the statement on internal financial control, and on other matters***

The Accounting Officer has presented a statement on internal financial control together with the appropriation account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the *Preface to the Appropriation Accounts*.

I have nothing to report in that regard.

**Seamus McCarthy**  
Comptroller and Auditor General

21 September 2018

## Vote 35 Army Pensions

### Appropriation Account 2017

	Estimate provision		2017	2016
	€000	€000	Outturn	Outturn
	€000	€000	€000	€000
<b>Programme expenditure</b>				
<b>A Provision for Defence Forces' pension benefits</b>				
<i>Original</i>	229,632			
<i>Supplementary</i>	11,000	240,632	240,022	234,713
<b>Gross expenditure</b>				
<i>Original</i>	229,632			
<i>Supplementary</i>	11,000	240,632	240,022	234,713
<i>Deduct</i>				
<b>B Appropriations-in-aid</b>				
<i>Original</i>	5,000			
<i>Supplementary</i>	300	5,300	5,265	5,437
<b>Net expenditure</b>				
<i>Original</i>	224,632			
<i>Supplementary</i>	10,700			
		<b>235,332</b>	<b>234,757</b>	<b>229,276</b>

#### Surplus

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer.

	2017	2016
	€	€
Surplus to be surrendered	575,031	214,167
Excess Vote	—	23,299

Maurice Quinn  
Accounting Officer

29 March 2018

## Notes to the Appropriation Account

### Note 1 Operating Cost Statement 2017

	2017	2016
	€000	€000
Programme cost	239,951	234,643
Pay	56	56
Non pay	15	14
<b>Gross expenditure</b>	<b>240,022</b>	<b>234,713</b>
<i>Deduct</i>		
<b>Appropriations-in-aid</b>	<b>5,265</b>	<b>5,437</b>
<b>Net expenditure</b>	<b>234,757</b>	<b>229,276</b>
Net allied services expenditure (note 1.1)	2,582	2,659
<b>Net programme cost</b>	<b>237,339</b>	<b>231,935</b>

#### 1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following estimated amounts in relation to Vote 35 borne elsewhere in respect of administration salaries and other services.

	2017	2016
	€000	€000
Vote 18 National Shared Services Office	1,258	1,273
Vote 36 Defence	1,324	1,386
	<b>2,582</b>	<b>2,659</b>

**Note 2 Statement of Financial Position as at 31 December 2017**

	Note	2017 €000	2016 €000
<b>Current assets</b>			
Bank and cash		572	232
Other debit balances		7	—
<b>Total current assets</b>		<b>579</b>	<b>232</b>
<b>Less current liabilities</b>			
Other credit balances	2.2	5	19
Net Exchequer funding due	2.3	574	213
<b>Total current liabilities</b>		<b>579</b>	<b>232</b>
<b>Net current assets</b>		<b>—</b>	<b>—</b>
<b>Net assets</b>		<b>—</b>	<b>—</b>
<b>Represented by:</b>			
State funding account	2.1	—	—

**2.1 State funding account**

	Note	2017 €000	2016 €000
Balance at 1 January		—	—
<b>Disbursements from the Vote</b>			
Estimate provision	Account	235,332	
Net surplus	Account	(575)	
<b>Net vote</b>		<b>234,757</b>	<b>229,276</b>
Expenditure (cash) borne elsewhere	1.1	2,582	2,659
Net programme cost	1	(237,339)	(231,935)
<b>Balance at 31 December</b>		<b>—</b>	<b>—</b>

**2.2 Other credit balances**

at 31 December	2017	2016
	€000	€000
Amounts due to the State		
Taxes payable	—	5
	—	5
Pension payments held in suspense	5	14
	5	19

**2.3 Net Exchequer funding due**

at 31 December	2017	2016
	€000	€000
Net surplus	575	214
Exchequer grant undrawn	(1)	(1)
<b>Net Exchequer funding due</b>	<b>574</b>	<b>213</b>
<b>Represented by:</b>		
<b>Debtors</b>		
Bank and cash	572	232
Debit balances: suspense	7	—
	579	232
<b>Creditors</b>		
Due to State	—	(5)
Credit balances: suspense	(5)	(14)
	574	213

### Note 3 Vote Expenditure by Subhead

#### Programme A Provision for Defence Forces' pension benefits

		2017		2016	
		Estimate provision		Outturn	
		€000	€000	€000	
A.1	Administration – pay		70	71	70
A.2	Defence Forces pensions schemes and payments in respect of transferred service				
	<i>Original</i>	220,137			
	<i>Supplementary</i>	10,830	230,967	230,644	225,040
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defence Forces				
	<i>Original</i>	8,700			
	<i>Supplementary</i>	430	9,130	8,857	8,977
A.4	Payments to spouses of veterans of the War of Independence				
	<i>Original</i>	400			
	<i>Supplementary</i>	(55)	345	335	489
A.5	Compensation payments				
	<i>Original</i>	225			
	<i>Supplementary</i>	(155)	70	74	73
A.6	Medical appliances and travelling and incidental expenses				
	<i>Original</i>	100			
	<i>Supplementary</i>	(50)	50	41	64
			<b>240,632</b>	<b>240,022</b>	<b>234,713</b>

#### Significant variation

Overall, gross expenditure in relation to the Programme was €10.39 million higher than the original estimate. A supplementary estimate of €10.83 million was required on Subhead A2 to cover the full projected cost of the retirement benefits – pensions and retirement lump sums – arising during 2017 and the superannuation costs of the increased numbers of military pensioners. A further €0.43 million was required on Subhead A3 to meet the increased military disability pension costs. This supplementary estimate of €11.26 million was partly offset by savings of €0.26 million arising on Subheads A4, A5 and A6, which are demand driven, giving a gross requirement of €11 million. Estimated extra receipts in Subhead B of €0.30 million resulted in a net supplementary estimate of €10.70 million.

#### A.2 Defence Forces pension schemes and payments in respect of transferred service.

Estimate Provision: €220.137 million, outturn: €230.644 million

The increase in expenditure of €10.507 million relative to the estimate provision was due to a range of factors. The number of Defence Forces retirement pensioners rose from 11,807 at end-2016 to 11,970 at end-2017, continuing the underlying upward trend of previous years. Retirement benefits payable will vary depending on service, retiring rank and pensionable pay and many new retirees qualified for maximum retirement benefits. In 2017, some 70% of military personnel who retired with immediate entitlement to pension and retirement lump sum did so voluntarily, that is, before their maximum retirement age. As the numbers and rank mix varies from year to year, it is very difficult to accurately predict the exact numbers of such voluntary retirements and the potential benefits payable in any given year.

*A.5 Compensation Payments*

Estimate provision: €0.225 million, outturn: €0.074 million

The shortfall (saving) in expenditure of €0.151 million relative to the estimate provision was due to the fact that no payments were made under the main 'contingency' element of this subhead during 2017. That element provides for payment of special lump sum compensation by the Department of Defence for service-related deaths or disablement of members of the Defence Forces while serving overseas with the UN and certain other missions.

## Note 4 Receipts

### 4.1 Appropriations-in-aid

		2017		2016
		Estimated	Realised	Realised
		€000	€000	€000
B.1	Contributions to Defence Forces Spouses' and Children's Pension Schemes			
	<i>Original</i>	3,347		
	<i>Supplementary</i>	300	3,647	3,846
B.2	Contributions to Defence Forces Contributory (Main) Pensions Schemes	1,500	1,525	1,493
B.3	Recoveries of overpayments	40	36	96
B.4	Payments received in respect of transferred service	40	8	—
B.5	Miscellaneous	70	—	—
B.6	Receipts from pension-related deduction on public service remuneration	3	2	2
	<b>Total</b>	<b>5,300</b>	<b>5,265</b>	<b>5,437</b>

#### Significant variations

Overall, appropriations-in-aid were €0.265 million more than the original estimate.

The main explanation for the variance is set out below:

#### B.1 Contributions to Defence Forces Spouses' and Children's Pension Schemes

Estimate provision: €3.347 million, outturn: €3.694 million

The increase of €0.347 million was due to the fact that contributions to the pension schemes by serving Permanent Defence Force personnel were higher than anticipated. Contributions will vary according to personnel turnover changes, pensionable earnings and career progression across the Permanent Defence Force. The level of receipts is therefore difficult to predict in any given year.

## Note 5 Employee Numbers and Pay

### 5.1 Employee numbers

	2017	2016
Number of staff at year end (full time equivalents)	1	1

### 5.2 Pay

	2017 €000	2016 €000
Pay	55	55
Employer's PRSI	1	1
<b>Total pay</b>	<b>56</b>	<b>56</b>

One staff member provides administrative support to the Army Pensions Board.

Pay costs along with associated travel costs of €15,000 are charged to the A.1 subhead.

Currently there are 18.5 employees (FTEs) of the Department of Defence engaged solely in the administration of pensions and other related payments. Their remuneration, which amounts to some €0.9 million, is charged to Vote 36.

### 5.3 Retirement pension (annual) – average payments to retired Defence Forces personnel<sup>a</sup>

Category of pensioner	Number of pension recipients at year-end		Average individual payment (rounded)	
	2017	2016	2017 €	2016 €
Retired officers	1,817	1,773	30,600	30,500
Retired NCOs and privates	8,648	8,526	16,600	16,600
Dependants and other <sup>b</sup>	1,905	1,935		
<b>Totals</b>	<b>12,370</b>	<b>12,234</b>		

a Table 5.3 shows the total headcount for all categories of recipient from all subheads within Vote 35 as at year-end. Superannuation-type benefits by way of pension and gratuity (lump sum) payable to former members of the Permanent Defence Force and the dependants of deceased members account for some 95% of all military pensions' expenditure. Some retired personnel are in receipt of both a military retirement pension and a military disability pension, and similar payments are also payable to some spouses/children of deceased personnel: such dual recipients are counted only once for headcount purposes above.

b The average individual payment has not been recorded above under 'Dependants and other' as the amounts vary due to the different categories of recipients within this sub-group. The overall average dependants' superannuation-related pension for 1,440 recipients in 2017 was €9,100, broadly the same as in 2016.

#### 5.4 Retirement gratuity (lump sum) – average payments where retiring on pension<sup>a</sup>

Category of pensioner	Number of recipients		Average individual payment (rounded)	
	2017	2016	2017	2016
			€	€
Officers – new retirees on pension during the year	69	74	81,500	69,300
NCOs and privates – new retirees on pension during the year	258	256	44,800	41,000
<b>Totals</b>	<b>327</b>	<b>330</b>		

a The level of pension and retirement gratuity varies with retiring rank, pensionable earnings, overall reckonable service, etc.

## 6 Miscellaneous

### 6.1 Payments in excess of entitlements

There were 55 overpayments outstanding at year end (2016: 52) amounting to €48,458, of which €28,348 relates to previous years. Overpayments of €59,721 came to light in 2017 of which €38,385 was recovered and €1,227 written off. Efforts are ongoing to recover outstanding amounts. The vast majority of these overpayments relate to the portion of pension paid in the period after the date of a pensioner's death, when the monthly payroll had already been processed for that month.

	2017		2016
	€	€	€
<b>Opening balance</b>		<b>50,423</b>	<b>31,193</b>
Identified overpayment in year		<u>59,721</u>	<u>90,672</u>
		110,144	121,865
<b>Recouped</b>			
Overpayments Identified 2017	38,385		
Overpayments Identified pre-2017	<u>20,098</u>	<u>58,483</u>	<u>63,904</u>
		51,661	57,961
<b>Written off</b>			
Overpayments Identified 2017	1,227		
Overpayments Identified pre-2017	<u>1,976</u>	<u>3,203</u>	<u>7,538</u>
<b>Closing balance</b>		<u><b>48,458</b></u>	<u><b>50,423</b></u>

### 6.2 Payments subject to Public Service pension abatement

Ten overpayments, amounting to €72,365 - which are not included in the figures at 6.1 above - came to light in 2017. They were in respect of former members of the Defence Forces, in receipt of military retirement pensions, who had subsequently taken up employment elsewhere in the public service. Such pensions should have been subject to the abatement provisions of Section 52 of the Public Service Pensions (Single Scheme and Other Provisions) Act. In each case, the pension overpayments arose due to delays on the part of the relevant public service employer in notifying the Department of Defence of the pensioner's re-employment. In 2017 €21,716 of the outstanding amount was recovered. Recovery is complete in one case and is ongoing in six cases. The Department of Defence is in ongoing correspondence in three other cases.

	2017
	€
Overpayments identified in the year	<u>72,365</u>
	72,365
<b>Recouped</b>	
Overpayments identified 2017	<u>21,716</u>
<b>Closing balance</b>	<u><b>50,649</b></u>

