

INTO SUBMISSION

Green Paper On Pensions (2007)

1. The Government Foreword to *The Green Paper on Pensions* states that the essential purpose of the Green Paper is to stimulate debate on how best to meet the challenge of providing adequate and sustainable pensions in the years ahead.

Pension adequacy and the quality of life in retirement are key issues of concern to INTO members and to our colleagues in the Retired Teachers' Association of Ireland. Accordingly, INTO is eager to respond to the Government's invitation to participate in the discussions on *The Green Paper on Pensions*.

2. As a member of the Irish Congress of Trade Unions, the INTO endorses ICTU's response to the Green Paper. In particular, we support ICTU's comment on the 2nd Benchmarking Report which states:

"As the salaries of Public Servants have been set following a 12% discount based on the estimated value of the current benefits, it would be completely inappropriate and unacceptable to further alter or erode the benefit structure which was used in making the comparison."

We would also concur with the view expressed by ICTU that "demographic projections are notoriously error-prone and cannot accurately capture migration. They cannot therefore be a reliable guide to policy. The longer the period of projection, the more the certainty of error".

In addition to ICTU's response, we wish to make a number of points on behalf of serving and retired teachers, specifically in relation to Chapter 13: Public Service Pension.

3. ***Teachers' Superannuation Scheme***

The Teacher's Superannuation scheme has been subject to significant change in recent years.

The main features of the scheme for teachers employed prior to 1995 are

- an annual pension based on $1/80^{\text{th}}$ of pensionable remuneration per year of service subject to a maximum of $40/80^{\text{ths}}$
- a lumpsum of $3/80^{\text{ths}}$ of pension remuneration per year of service subject to a maximum of $120/80^{\text{ths}}$
- a spouses and children's pension (compulsory for male teachers since 1969 and female teachers since 1981)

- optional retirement age between 55 and 60 (subject to a minimum service requirement of 35 years)
- optional retirement from age 60 onwards (with a minimum of 5 years' service)
- compulsory retirement at age 65

The employee's contribution of the scheme is generally 6.5% of salary (5% for non-members of the Spouses' & Children's Scheme).

4. *Revised Social Insurance Status*

A significant change to the historical provisions outlined at 3 above was introduced by regulation of the Minister for Social Welfare in 1995. These revised arrangements provided that modified social insurance status (Class D) would no longer apply to teachers. Accordingly, from 6 April 1995 the higher Class A rate of PRSI would apply to teachers appointed (or re-appointed) by Boards of Management.

This introduced a significant change in conditions of service in relation to revised sick pay and maternity pay arrangements as well as revised superannuation arrangements.

In relation to superannuation arrangements, for post April 1995 entrants "occupational" benefits will be "co-ordinated" with social insurance benefits.

In the case of teachers covered by Class A insurance, the employee contribution for occupational benefits was adjusted as follows:

- a contribution of 1½% of full remuneration plus 3½% of net remuneration (i.e. remuneration less twice the annual rate of social insurance old age contributory pension) and
- 1.5% of full remuneration in respect of spouses' and children's benefits.

Overall these changes reduced the cost to the State of providing the Public Service Pensions to new employees.

5. *Public Service Superannuation (Miscellaneous Provisions) Act 2004*

A substantial programme of public service pension reform has been underway based on the recommendations of the Commission on Public service Pensions (2000). Key elements of this programme were implemented through legislative

change in 2004, i.e. Public Service Superannuation (Miscellaneous Provisions) Act 2004. The 2004 Act introduced significant changes to the Superannuation terms for new entrants to the Public Service (including teachers) appointed on or after 1 April 2004.

These included:

- the abolition of the requirement to retire on age grounds; and
- the introduction of a standard retirement age of 65 years

A cost neutral early retirement option was introduced which facilitates retirement from age 50 (for pre-2004 employees) and from 55 for new entrants on an actuarially reduced basis.

The 2004 Act therefore abolished the longstanding provision whereby primary teachers could retire (without actuarial reduction) from age 55 onwards having completed 35 years' service.

In the case of new entrants this effectively increased the retirement age by 10 years (from age 55 to age 65) unless retiring on a significantly reduced pension by way of the cost neutral option. It is difficult to envisage a more radical "reform" of the teachers' superannuation scheme.

6. *Report of the Public Service Benchmarking Body (2007)*

The Second Benchmarking Report conducted an exercise designed to place a value on the public service benefit structure in comparison with benefits in the private sector.

The PSBB concluded that "having regard to actuarial advice received, the Body decided that the superior value of public service pensions should be quantified as 12% of salary and that a discount of this amount should be applied in comparing remuneration levels in the public service and the private sector."

The value of public service pensions was therefore taken into consideration in determining the level of increases to be awarded to the various grades in the public service. With the exception of some adjustments to the salary scales for principal teacher, no increase was recommended for the majority of teachers.

7. *Recruit, Retain & Motivate Staff*

The Public Service Benchmarking Report was required in its terms of reference to have regard to the need to recruit, retain and motivate staff with the qualifications, skills and flexibility required to exercise their different responsibilities.

In its submission the teacher unions established that teaching is a highly qualified career. Few countries have as many top quartile graduates in teaching as Ireland.

The unions therefore argued that policy in relation to teachers' pay and conditions must ensure:

- that teaching remains an attractive career choice for students from the top quartile of graduates; and
- that teachers are offered a rewarding career structure to ensure that they remain within the system;

Superannuation benefits are a critical element of this remuneration package and any worsening of pension terms would lead to the teaching career becoming less attractive to highly qualified and mobile graduates.

8. *Public Service Numbers*

The recently published OECD Public Management Review of Ireland states that while the number of Public Service employees has increased significantly between 1995 and 2007 that public sector spending and employment growth have not kept up with population and GDP growth.

The report states:

“Government policy therefore has actually decreased the total number of public sector employees as a percentage of the labour force and decreased the overall public sector wage bill as a percentage of GDP.

As compared with other OECD countries, 2005 data indicate that general government employment in Ireland represents around 14.6% of the total labour force, which is relatively low among OECD countries and is significantly less than the level of public employment in Norway, Sweden, France, Finland and Belgium.”

The report goes on to state:

“In comparison with other OECD countries, Ireland thus has been able to deliver public services with a public sector that is relatively small given the size of its economy and labour force. Even when factoring in infrastructure investment, Ireland has the third smallest total public expenditure as a percentage of GDP, and this figure has actually decreased over the past 10 years.”

9. *Public Demand for Services – including Teachers*

One of the key reasons for the escalating cost of public service pensions is an increase in the number of public service employees in response to system requirements.

This is also true in the case of primary teachers. While the numbers employed in recent years have expanded, this growth is directly related to the state responding to the educational needs of its younger citizens.

Additional teachers have been employed

- to cater for population growth
- to address the needs of students with special needs; and
- to provide English language support to newcomer children.

It remains the case that Ireland has the 2nd largest class sizes of the OECD countries and that the Government's own targets for reducing class size have not been met.

The state is therefore employing teachers in response to system needs and the cost of responding to these needs has to be met in terms of salary and associated pension costs.

10. *The Nature of Teaching as a Career*

Teaching as a career is becoming increasingly complex as teachers face changing environments both within the classroom and within school communities. Teachers work with an increasing diversity of pupils from different social, cultural and ethnic backgrounds. Changing family patterns, the emphasis on inclusion, interculturalism and information technology also impact on teachers' work. Teachers deal with complex social and personal issues pertaining to the students in their care. In addition, they face ongoing developments in curriculum, pedagogy and assessment policy and practices throughout their career. Teachers' work has also broadened to include collaborative work with colleagues, developing and maintaining relationships with parents, and liaison with higher education institutions and other professionals working with schools. Teaching, therefore, is and will continue to be a stressful and demanding career.

We believe that based on the challenging, demanding and stressful nature of teaching that the historical provision of retirement from age 55 years onwards, having completed 35 years' service was not unreasonable.

Retirement age is now set at 65 (except on a cost neutral basis) for staff employed since April 2004. It is still an objective of the INTO to have restored to teachers *the option* of retiring after 35 years service without actuarial reduction.

As a minimum, the INTO believes that teachers should have the right to retire on full pension and lumpsum after 40 years' service irrespective of age.

Increasing the retirement age further is not an option.

11. Conclusion: Questions for Consideration

Chapter 13 of the Green Paper acknowledges that significant reforms have been implemented in public service pensions in recent years based largely on the recommendations of the Commission of Public Service Pensions.

Nonetheless, Chapter 13 of the Green Paper outlines *“a number of further reform options which the Government intends to research and consider in respect of future appointees to the public services”* and invites contributors to the debate to indicate *“which individual reform options offer the most realistic potential?”*

The INTO concurs with the view expressed in the Green Paper that significant “reform” has already been implemented. Section 13.30 of the Green Paper states:

“Demographic and budgetary realities are central to the changes introduced on foot of the Commission’s report. These reforms, collectively, constitute a significant reshaping of the public service pension system in Ireland and combine measures designed to curb cost escalation, along with a range of modernising initiatives which serve to enhance flexibility, fairness and choice.”

These reforms included the co-ordination of occupational benefits with social insurance benefits (from 1995) and the major changes introduced from April 2004 arising from The Public Service Superannuation (Miscellaneous Provisions) Act 2004. In addition, the 2007 Benchmarking exercise placed a value on public service pensions when determining the appropriate increases awarded to the various grades.

Accordingly, it is the strongly held view of the INTO that further changes to public service pensions are not warranted.

The Organisation believes that future “reform” equates with a further worsening or erosion of pension benefits which as an Organisation we cannot assent to.

The Pension bill for teachers is increasing as the number of teachers increase. However, as outlined earlier, the increase in the number of teachers is directly related to system needs. If the state wishes to provide a high quality education service the providers of these services must be adequately rewarded in terms of salary and pension.

The state must meet this challenge without placing any additional burden on public service workers including teachers particularly at a time when the pension terms of future generations of teachers have been altered significantly.

In addition, Government must resist attempts by private sector employees to walk away from their pension commitments by transferring responsibility to the individual and to the state which could rebound to the disadvantage of those on the state payroll.

Finally, on behalf of our colleagues in the Retired Teachers' Association of Ireland, the INTO wishes to state that it would be utterly opposed to any attempt to modify the "pay parity" basis for post retirement increases in pension, notwithstanding the statement in the Green Paper that: *"It is envisaged that any changes decided upon would be applied to future appointees to the public service only"*