CHAPTER 6

RETIREMENT AND RETIREMENT BENEFITS – PENSION SCHEME FOR THE PUBLIC SECTOR

6.1 Retirement Benefits

6.1.1 Retirement benefits form an important component of the compensation package of employees.

6.2 Defined Contribution Pension Scheme for new entrants as from 1 January 2013

6.2.1 The PRB has recommended at paragraphs 15.91 to 15.95 of its 2013 Report a single Defined Contribution (DC) Pension Scheme for new entrants to the Public Sector as from 01 January 2013.

6.2.2 The Unions have made strong representations for the alignment of both the accrued rate of pension and the final retirement benefits on the terms and conditions recommended in the 2008 Report and prevailing at the 31st of December 2012.

6.2.3 The Committee took note that the recommendation made in the Pay Research Bureau Report 2013 for the establishment of a Public Pensions Defined Contribution Pension Scheme has already been approved by Government and implemented pursuant to the amendments brought in the Finance (Miscellaneous Provisions) Act 2012.

6.3 Additional Pension Benefit for employees in post as at 30 June 2008 and reckoning more than 33 1/3 years of Pensionable Service.

6.3.1 With the Pension Reforms implemented as from 1 July 2008, Public Sector employees on permanent and pensionable establishment have to contribute 6% of their salary as pension contributions.

6.3.2 The staff side has represented that serving employees, who would have served for 33 1/3 years (400 months) of service or more and thus qualifying for full pension would still have to contribute 6% of their salary and, therefore, should be granted additional pension benefits for such contributions.

6.3.3 After a careful analysis of all the facts including the background to the 2008 Pension Reforms as well as the former non-contributory pension scheme, the Committee notes that:
(i) in the increase in salary granted to employees as from 2008, there is already a component representing the pension contribution of 6% plus the tax element thereon. In other words, the employee contributions over and above the 12% employer contribution are being borne by the Government;

(ii) according to the actuarial study carried out in 2008, the 18% contributions (6% for employees and 12% by employer) were estimated based upon contributions for 38 1/3 years’ service; and

(iii) the 18% contributions are meant to finance the basic retirement benefits only and did not take into account additional pension benefits for contributions above 33 1/3 years’ service.

6.3.4 Consequently, the Committee considers that, to correct the alleged inequity in relation to employees retiring after 33 1/3 years’ service only, the additional benefits to be granted for contributions above 400 months’ service should be kept at a minimum to be fair and reasonable to all stakeholders.

Recommendation EOAC 21

6.3.5 The Committee, therefore, recommends that –

(i) public officers in post as at 30 June 2008, who –

(a) reckon at least 33 1/3 years of pensionable service;
(b) have contributed to the Pension Scheme effective as from 1 July 2008; and
(c) have attained the compulsory retirement age as per the Pensions Act

would be granted a one-off payment equivalent to 2% of their annual pensionable emoluments for each completed year of pensionable service beyond the 331/3 years’ of pensionable service as from 1 January 2013.

(ii) the one-off payment should be paid pro-rata on the basis of completed months of pensionable service to officers in post as at 30 June 2008, who reckon less than one year’s service provided they satisfy the conditions at paragraph (i) (a) to (i) (c) above.

6.4 Early Voluntary Retirement Scheme

6.4.1 Federations and staff Unions have represented that officers on the verge of retirement should be given the option to retire earlier through the refund in
cash of the balance of their accumulated vacation leave on the same basis as for the payment of accumulated sick leave.

Recommendation EOAC 22

6.4.2 The Committee therefore recommends that an officer proceeding on retirement may be given the option to cash in full accumulated vacation leave computed on the officer’s retiring salary at the rate of 1/30 of the monthly salary per day provided he retires on the day he would normally have proceeded on leave prior to retirement.

6.4.3 The Committee further recommends that on the demise of the officer, the total value of accumulated vacation leave be paid to his heir(s).