

The newsletter of the European Association of Public Sector Pension Institutions

National updates - Germany

New reforms of the general scheme of old age insurance

The famous reform of 2001 (see EPB n°9 of April 2001 and n° 10 of August 2001) was initially meant to provide a certain stability to the general scheme of old age insurance, which is pay-as-you-go and financed by both employers and employees on an equally shared basis. However the German economic context deteriorated in 2002 and even more in 2003 (GNP growth rate decreasing by 0.2 % in 2002 and likely to pass to 0% in 2003), with an unemployment rate of about 10 %. In such a situation, the level of contributions was too low and resulted insufficient to cover current expenses. Therefore legal measures were issued to balance the general scheme (A).

In addition, the government had to introduce a fundamental reform in pension taxation law by 2005, since the Constitutional Court decided on 6 March 2002 that the different treatment of pension taxation between the general scheme and the civil servants scheme was unlawful -see EPB n° 12 of April 2002 – (B).

A Measures to balance the general scheme

Faced with such financial problem, the government has first decided to increase the overall contribution rate from 19.1 % up to 19.5 % on 1 January 2003.

As each increase in the global contribution rate generates an increase in labour cost and each increase in labour cost damages the economic situation, the government had to issue additional measures to insure the general scheme stability. To avoid a new increase in the contribution rate, the reserve of the general scheme has been reduced to an amount representing 50 % of monthly expenditure.

However these measures still resulted insufficient, so that experts expected a new increase in the contribution rate up to 20.5 % in 2004. As this represents a serious obstacle for the economy upturn, the government has issued the following measures at the end of 2003:

NATIONAL UPDATES

GERMANY – Hagen Hügelschäffer – New reforms of the general scheme	p 1
SWEDEN – Johan Berglund – KPA introduces transferability	p 3
IRELAND – Public service pension reform	p 4
IRELAND – Damian Smyth – Internal disputes resolution procedures.....	p 6

MANAGEMENT

DENMARK – Responsible investment policy for Sampension	p 7
SPAIN – Jesus Maria Larretxi – information network for Elkarkidetza's clients	p 9

FOCUS

NEW MEMBER Northern Ireland– Jim Milligan – Local government pension scheme	p 10
FIRE FIGHTERS RIGHTS (continuation of EPB 17) – Gabriella Simeone – Italy	p 12

Editorial

The European Union is now stronger with its 25 Member States of so different sizes and its 450 million citizens. Our association only covers 28 million of them, to whom they pay or they will pay a replacement income when they leave what we usually call active life.

However pensioners are not so inactive. More and more of them travel. They thus help to promote a “euro-culture” which still stands at an early stage. In fact, the very concept of a European Union actually relies on populations. It is not only in the hands of Brussels civil servants, neither is it limited to national technocrats who are too often reluctant to the idea of losing a part of their power.

The history of the European construction is far from over, it will need several generations to be fully achieved. Our youngsters are already active in this construction, particularly those who study in another Member State. This is also a way to concretely participate in the “euro culture”.

If wisdom is the gift of seniors, they must remind the younger that the EU was born from the will of some perceptive individuals who wished to achieve a world of peace and prosperity to be shared by their descendants.

Today, with the wisdom due to ageing, it is the duty of the grey wave to intend to make Europe as they wanted it in their teenagers' dreams

Thierry CHRISTOPHOUL
Original language : French

- Pensioners will have to renounce the annual pension increase planned for 1 July 2004. The next increase is now expected for 1 July 2005.
- Starting from 1 April 2004, pensioners will have to pay the full contribution for dependency insurance instead of half of it, which will generate a 0.85 % decrease in their pension.
- New pensioners will receive their first pension at the end of the month instead of the beginning.
- The reserve of the general scheme will be reduced again down to 20 % of monthly expenditure, instead of 50 % (see above).

In addition to these decisions, on 11 March 2004, the Parliament issued a new set of measures aiming to provide long term financial stability:

- A new actuarial factor will be taken into consideration: the ratio of the number of pensioners to the number of active people. Since this ratio is expected to deteriorate over the next decades, this factor will reduce the level of future pensions. This new factor is supposed to maintain the global contribution rate increase under 1.6% by 2030. As, on the long term, it will also generate a reduction of the average pension level from 52 % (present level) down to 43 % of the gross salary (for a 45 year career), the government has introduced a revision clause. This latter provides that new measures will have to be introduced to avoid the pension level to go below 46%. The solution could be a financial participation of the State based on revenue, or a gradual increase in retirement age from 65 to 67, as Professor Rürup and his experts committee proposed in their strategy to ensure long term sustainability.
- The question of retirement age will come in the government agenda as from 2008.
- The legal age in the case of unemployment or after a gradual retirement schedule will be increased to age 63 between 2006 and 2008 (with some exemptions).
- High Education studies will no longer be considered in pension calculation, only professional training will be taken into account. This measure unfavourable for future graduates will probably generate a pension reduction of up to € 58 per month.
- Finally the reserve of the general scheme is expected to cover 150 % of monthly expenditure in order to smooth out the variation of the contribution level in the case of economic weakness.

B Project of pension taxation reform

According to the present taxation (and pension) law, the pensions paid by the general scheme are not (or hardly) taxed whereas the contributions are subject to taxation. On the contrary, in the special scheme for civil servants which also belongs to the first pillar, pensions are fully taxable since civil servants are not subject to contribution taxation during active periods.

This difference of treatment has been considered as unlawful so that the legislator intends to harmonise and simplify the whole pension taxation system. Therefore, on 3 December 2003, the government issued a bill which is expected to come into force on 1 January 2005. Generally speaking, the legislator intends to transfer taxation to retirement time by taxing all first pillar pensions (from general scheme and special schemes such as the civil servants scheme). Long transition periods will be provided to avoid double taxation. A one off transfer to final taxation is not possible since it would entail tax losses of about € 20 billion per year.

The implementation of final taxation in the general scheme will be carried out in a simplified way as follows:

- The part subject to final taxation will be fixed to 50 % in 2005 and increased by 2% as from 2006 (and 1 % as from 2020) to reach 100% in 2040, so that complete final taxation will be achieved by this date.
- Meanwhile, contributions to the general scheme will be gradually tax exempted as from 2005 so that they will be completely tax free in 2025, subject to a € 20,000 ceiling.

For the second pillar, contributions to occupational schemes will also be tax free provided schemes are funded. Consequently, the major part of AKA and VBL pension institutions, financed on a pay-as-you-go basis,

will be excluded and the contributions of their active members will be subject to taxation. In fact, as AKA and VBL cover almost one third of the population affiliated to occupational schemes, the legislator was afraid of considerable fiscal losses if contributions to public sector schemes turned to be tax free. However, officially, this measure is justified by the legal intention to promote only funded schemes.

Life insurance contracts, as products of the third pillar, will most probably lose the fiscal incentives they presently enjoy since the project provides for full taxation of contributions, (together with tax exemption for future benefits).

In addition to these measures, the rules promoting individual supplementary coverage, set up in 2001 by the former Minister Reister (the "Reister Rente") will be simplified. In practice, they appear to be too complicated. Finally the government intends to introduce a right to claim for portability of deferred pension rights accrued in occupational schemes.

As the Constitutional Court has decided that the reform should come into force by 1 January 2005 at the latest, the enactment is expected during the first half of 2004.

Hagen Hügelschäffer
Original language : French

National updates - Sweden

KPA introduces transferability

As of January this year, KPA has introduced transferability of pension rights. However, the right to transfer concerns only three product areas: private traditional pension insurance (covering 40 000 individuals); private unit-linked insurance (covering 800 individuals) and second-pillar occupational pension within the main Swedish collective agreement for blue-collar workers (covering 4 000 individuals).

In Sweden, occupational pensions are governed by nation-wide collective agreements between the parties of the labour market. One of these is the blue-collar workers agreement referred to above - "SAF-LO". In total, 2 million workers are concerned, most of which have placed their savings with other insurance companies. The SAF-LO agreement, like many other Swedish pension agreements, gives employees freedom to choose from a number of insurance companies in which to place their pension capital. (They may also choose between different products, ranging from traditional pension insurance to unit-linked insurance.) Roughly 4 000 of these workers have chosen KPA.

Occupational pension within the local government field is *not* covered by this decision. The parties behind the collective agreement in this field, "PFA", have not asked for transferability to be introduced. Local government occupational pensions are the main business of KPA, with roughly 800 000 employees having placed their occupational pension with us.

Transferability is voluntary in Sweden, and therefore the rules differ from one company to another. In the case of KPA, it is possible to transfer all the capital, accumulated before as well as after January 1st 2004. There is a transfer fee of 2% of the accumulated capital, plus an administrative fee.

The decision follows a wide-ranging debate in Sweden about how to better protect pension holders from potential mismanagement of their savings, not least because of the recent scandals within insurance company Skandia. The government has recently suggested that a bill establishing the legal right to transfer pension rights may be imminent. Meanwhile, the contracting parties of one of the major collective agreements, SAF-LO, have decided to make transferability compulsory within their field. KPA's decision is thus to follow the demands of the market and our stakeholders.

Johan Berglund
Original language : English

National updates - Ireland

Public service pension reform

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The Government has decided to implement the bulk of the recommendations of the Report of the Commission on Public Service Pensions. The recommendations have been the subject of a report by a joint management/union Working Group set up to advise on implementation of the Commission's recommendations, as well as having been considered by parallel Working Groups established in respect of the Garda Síochána and the Defence Forces.

MEASURES AFFECTING NEW ENTRANTS TO THE PUBLIC SERVICE

For **new entrants** to the public service, the following measures will be introduced with effect from 1 April 2004, except in those cases where, for legal or technical reasons, a later commencement date is required.

The minimum pension age will be increased to 65 for the generality of new entrants to the public service, including

- civil servants
- staff in education (including primary and second level teachers)
- staff in local government (including officers in the Fire Service)
- staff in the health services (including psychiatric staff employed under the Mental Treatment Act) and
- staff in non-commercial State Sponsored bodies.

The compulsory retirement age of 65 will be removed for **new entrants**, enabling staff to remain in work should they wish, subject to suitability and health requirements. Pension benefits for new entrants will accrue on a standard basis (i.e. one year's credit for one year's service up to a maximum of 40 years' service). For some categories (psychiatric nurses and others covered by the Mental Treatment Act and officers in the Fire Service), this means that the doubling of service after 20 years for pension purposes (effectively allowing a full pension to be obtained after 30 years' service rather than the standard 40 years) will not apply to people recruited on or after 1 April 2004.

The minimum pension age will be increased to **65 for members of the Oireachtas and Office Holders** elected or appointed **on or after 1 April 2004**. There will be no changes in the pension accrual rate for this group.

The minimum pension age will be increased to **55 for new entrant Gardaí (i.e. police) and Prison Officers** and in the case of **Gardaí**, the compulsory retirement age for **new entrants** will be increased to 60, subject to annual health and fitness certification after age 55. The current minimum pension age of 55 for **Fire-fighters** will be retained for new entrants. There will be no changes in the pension accrual rate for this group.

As recommended by the Commission, a new pension scheme will be designed for **new entrants** to the **Defence Forces**. This will include a minimum pension **age of 50** and the accrual of maximum pension over 30 years.

It is estimated that the annual savings, which will arise from the introduction of these pension changes, **will be of the order of €300 million in current terms in 30-40 years time**, with some savings being realised earlier than that.

It is emphasised that these changes do not in any way affect existing staff or pensioners.

The public service unions will be fully informed as to the details of the implementation of the reforms in advance of their introduction **for new entrants** on 1 April 2004.

MEASURES NOT BEING INTRODUCED

The Government has decided not to accept the Commission's recommendations in relation to the introduction of an additional 1% pension contribution or the use of a new index for the purpose of determining pension increases. **These measures would have applied to serving staff and/or pensioners, had they been accepted by the Government** . This means that the existing method of determining pension increases remains in place, and that an additional 1% contribution will not be levied on employees.

PENSION MEASURES IN RESPECT OF SERVING STAFF AND/OR PENSIONERS

The Minister for Finance is proposing changes also to the pension terms and conditions of serving staff along the lines recommended by the Commission on Public Service Pensions. These include:-

Integration -

Amendment of the existing formula used for integrating public service and social welfare pensions so as to make better provision for current and future staff on lower pay levels. Such a change would also be of benefit to some existing pensioners. Under integration occupational pensions are calculated on the basis of net pensionable remuneration - i.e. pensionable remuneration less an offset of twice the value of the Old Age Contributory Pension (OACP). Integration, with its flat-rate deduction, can provide a very low (or even zero) rate of occupational pension for public servants who retire on relatively low levels of pay. The new formula would have a higher cut-off of 3 1/3 times OACP. **The estimated cost of this improvement across the public service in 2004 is €8m.**

Scheme for Public Employees Additional Retirement Savings (SPEARS)-

Introduction of a single Additional Voluntary Contribution type scheme for the public service.

The Minister for Finance will examine the feasibility of implementing the Commission's recommendation for the payment of survivor's pensions to non-spousal partners and also the possibility of providing for some form of optional early retirement with payment of actuarially reduced benefits, which would have a cost neutral effect, as recommended by the Commission.

Extract from summary of budget measures 2004



**Local Government Superannuation Scheme
Internal Disputes Resolution Procedures and Pensions Ombudsman**



The Minister for the Environment, Heritage and Local Government is responsible for making schemes and regulations under the Local Government (Superannuation) Act, 1980 (with the consent of the Minister for Finance) and determining appeals in relation to the pensions of staff covered by the Local Government Superannuation Scheme (LGSS). A right of appeal to the Minister arises where a person is aggrieved by the failure or refusal of a local authority, health board etc to grant him/her a superannuation award or by the amount of the award granted.

The Office of Pensions Ombudsman was established in 2003 under the Pensions (Amendment) Act, 2002. The Act and Regulations made under it by the Minister for Social and Family Affairs provide for the establishment of procedures for internal resolution of disputes (internal review) in relation to pensions and for the investigation and determination by the Pensions Ombudsman of complaints and disputes which are not resolved at the internal review stage.

The Ministerial appeals process under the LGSS is not an internal review process and only arises at the time of a person's retirement when his/her pension entitlements are determined. On appeal, the Minister may only

make such provision as should, in his/her opinion, have been made by the local authority in accordance with the LGSS. The scope of the new legislation is wider in that cases involving alleged financial loss due to maladministration and disputes of fact or law are covered. Therefore, a member could make a complaint or refer a dispute at any time before or after his/her retirement.

The new legislation created serious difficulties for the LGSS having regard to -

- its size (about 97,000 active members)
- the fact that it is managed and administered locally by a large number of bodies (almost 150)
- the wider scope of complaints/disputes covered
- the limited staff resources available to the Department's Superannuation Section and the wide range of its responsibilities
- the time-limit imposed for determining complaints.

For these reasons, it was decided to replace the right of appeal to the Minister under the LGSS with an internal review process at local authority level. The appeal function formerly discharged by the Minister will now effectively be discharged by the Pensions Ombudsman. These changes were appropriate for a number of reasons, including

- the establishment of the Office of Pensions Ombudsman means that an independent appeals mechanism in relation to pensions is now in place;
- appeals to the Minister on pension amounts etc are outdated in an era when more powers and functions are being devolved to local authorities; the removal of the pensions appeal function is consistent with the removal of appeals to the Minister in relation to pay, duties or other conditions of service previously brought into effect;
- the strengthening of the senior management structure in local authorities means that local authorities are better equipped to carry out the internal review function; a complainant may seek to have the decision of the pensions administrator reviewed and resolved at a higher level in the local authority;
- local authority employees now have two opportunities to have their case reviewed (internal review stage at local authority level and Pensions Ombudsman) in lieu of the existing one (appeal to the Minister) and may make a complaint or refer a dispute at any stage instead of at retirement only;
- The Superannuation Section of the Department is now in a position to allocate more time to policy, regulatory, training and support functions.

Damian Smyth - Superannuation Section - Department of the Environment, Heritage and Local Government

Original language : English

Management - Denmark

Responsible investment policy for SAMPENSION

SAMPENSION has adopted an investment policy concerning social and environmental matters and weapons.

OBJECTIVE

The purpose of a social and environmental policy for SAMPENSIONS investments of SAMPENSION is to emphasise our position as a responsible investor and communicate this to all stakeholders.

The implementation of this investment policy is based on the assumption that companies acting in a responsible way, socially and environmentally, will do better in the long run. It could, for example, be difficult for companies with a bad reputation to attract and retain the desired labour, and consumers have also on several occasions boycotted companies that exploit child labour or deliberately pollute the environment.

Moreover, it is possible for an investor to influence the social and environmental conduct of companies by introducing this sort of investment policy.

It should be pointed out that it has not been substantiated whether investments in responsible companies give a higher or lower long-term yield than investments in other companies.

SCOPE

Presumably the attitudes to social and environmental responsibility differ just as much among the customers of SAMPENSION as among people in general. Therefore the social investment policy is based on the general principles laid down in UN Conventions concerning fundamental human rights.

For this reason, no policy has been formulated on tobacco, alcohol, gaming enterprise, animal welfare, genetic engineering or the like.

Nor will any requirements be made to the sustainability of products and production methods of the companies invested in. Similarly, SAMPENSION does not want to boycott any companies with activities in a country with dictatorship, unless the United Nations or the Danish Government imposes a boycott against such a country, or the company in question actively, and possibly together with the regime, exploits the situation to its own advantage.

The investment policy of SAMPENSION only applies to the companies invested in, and not to subcontractors and other business partners of such companies. Nonetheless, the companies are encouraged to lay down guidelines for what they will accept from their subcontractors and other business partners in terms of social and environmental matters and to prepare an action plan for their reaction to any unacceptable matters.

INVESTMENT POLICY

The principles of our responsible investment policy are presented below.

Social investment policy of SAMPENSION

SAMPENSION invests in companies:

- that do not employ child labour.
- that respect equal rights regardless of sex, race and religion;
- that respect the individual's right to form and to join a lawful trade union;
- that do not employ forced labour.

Environmental investment policy of SAMPENSION

SAMPENSION invests in companies:

- that observe the national environmental law, including the working environment law, in each country of activity;
- that observe all ILO Conventions concerning the working environment. For the time being there are more than 25 conventions in this field concerning health and safety, hours of work, sweatshops, etc.;
- that pursue a cleaner environment.

Investment policy of SAMPENSION concerning weapons

SAMPENSION does not invest in companies:

- whose involvement in the manufacture of weapons and weapons-specific components accounts for more than five per cent of the turnover;
- that produce anti-personnel mines or their components (in accordance with the Ottawa Convention);
- that are in any way involved in the development and proliferation of weapons of mass destruction (nuclear, biological and chemical weapons).

MANAGEMENT OF INVESTMENT POLICY

Screening and follow-up

It is the responsibility of the Investor Relations Department of SAMPENSION to ensure that shares are held only in companies that observe the investment policy described above.

The ongoing monitoring of all shares in listed companies in the portfolio has been outsourced – following a Board resolution in December 2001 – to CoreRatings (“CR”), an independent company carrying out professional expert screening.

This company examines selected global websites of:

- institutions (such as the United Nations, US State Department, the IMF, the World Bank and local authorities)
- financial service providers (such as Standard & Poors)
- selected NGOs (such as Amnesty International, Greenpeace and SIPRI)
- international news media (such as Bloomberg and Reuters)
- companies and trade organisations

to ensure that the investments of SAMPENSION are not in focus due to matters contrary to the policies of SAMPENSION. CR analyses and assesses sources and information. Then CR categorises the individual company of the portfolio as acceptable, questionable or unacceptable.

Shares held by SAMPENSION in unacceptable companies are sold. As regards questionable companies, the Investor Relations Department receives a report on each company from CR. Then the Investor Relations Department is responsible for assessing whether the company is acceptable or unacceptable or should be kept under observation. Since the problems can be complex and involve contradictory information, such assessment will inevitably be subjective to some extent.

When assessing a company that has acted contrary to the policies of SAMPENSION, the Investor Relations Department emphasises the reactions of the company to a specific episode. If the company has acknowledged the problem, attempted to make good the harm caused and formulated new policies/procedures to avoid repetitions, this contributes positively to the assessment. Furthermore the Investor Relations Department sometimes takes into consideration, particularly in developing countries, any special traditions of the individual cultural area. Attempts are made to assess the attitudes and actions of a company on the basis of a comparison with corresponding local companies rather than with corresponding Danish or western companies.

Contact with the companies

Through CR, SAMPENSION notifies each new company in the portfolio in writing of the investment policies. In that connection the company receives a declaration, which it may choose to sign to affirm that it observes the principles of the policy. If so requested by a company, SAMPENSION is open to a dialogue about the contents.

If CR or SAMPENSION categorises a company as unacceptable, the company will be informed that SAMPENSION has sold its shares and will be given a summary explanation.

Reporting to Management and Board of Directors of SAMPENSION

The Investor Relations Department prepares statistics of the results of the screenings performed by CR. The following data can be provided at any time as concerns the individual portfolio and on an aggregate basis:

Number of companies in each category (acceptable, unacceptable, questionable).

Number of declarations signed and/or replies to the letter of information from SAMPENSION to the companies.

SAMPENSION endeavours to make regular reports on these matters in financial statements and on our website.

Sampension
Original language : English

SAMPENSION gives more details about child labour, equality regardless of sex, race and religion, and environmental awareness in an annex.

To obtain this document please contact

khs@sampension.dk ou claire.dubois@caissedesdepots.fr

Management – Spain - Basque Country

An information network for ELKARKIDETZA's clients

Until October 2002, Elkarkidetza website only presented the information contained in the various forms used for the scheme management. Since then, the website has been restructured.

The basic idea was to change the presentation and create a proper style to circulated information. Once the system was working, we came to the conclusion that this was the right time to split the site into two areas. The public area, setting out general communication elements to which any Internet user could have access, and the private area where you can find the elements feeding the IT system.

Here are the main features of this private area.

To have access, you must use a personal key word which makes it possible to identify the users and guarantees that they have access only to their own individual file. Presently key words are provided on request introduced either through internet or at our offices. For security reasons key words are sent by post to the users' personal addresses. Keys are determined through a random system and you can change them later.

The system which generates the connections is independent from the main system so that this latter cannot undergo any risk and the access to personal information is secured.

The private area is divided into three sections meant for active members, pensioners and employer institutions.

Active members have access to the following data:

- Identity elements including personal and family information as well as address. This section also allows active members to notify any entry of new dependants. These data are then processed by Elkarkidetza.

- Access is also given to historical financial data, i.e information relating to employment, monthly contributions, evolution of personal assets according to the fund performance. Active members can obtain statements of accrued pension rights at the end of each financial year as well as the annual contribution statement they need for their annual income declaration to Revenue services.

Finally the system also provides a simulator to calculate the capital guaranteed in case of decease or disability, as well as a tool allowing to calculate the capital to be accrued until retirement age and the pension it can purchase according to actuarial hypotheses.

Pensioners can consult and modify themselves the same type of personal information as active members; they can consult the records of their pension payments and obtain their statements for revenue services.

The information available to institutions concerns the monthly calculation of contributions for Elkarkidetza. Employers can consult in line the calculation and the invoicing for a given month and they can download these data through a file in ASCII format. They can thus obtain a programme which cross-checks their data and those from Elkarkidetza so that the elements on which calculations are based can be compared and modified if necessary. Finally they can have access to annual, monthly or individual contribution statements.

Presently 93 employer institutions affiliated to Elkarkidetza have requested a key word and there are 1646 users of the system. Now that the system has been globally restructured, it is time to make a new effort of communication towards our clients in order to induce them to use more and more the website, since it represents an efficient tool for both information and management.

Jesus Maria Larretxi
Original language : French

New membership – Northern Ireland

**Department of the Environment
the Local government Pension Scheme**

The Department of the Environment (DOE) in Northern Ireland was approved for membership of EAPSPI in March 2004. It is responsible for the legislation governing the Local Government Pension Scheme (“the scheme”) in Northern Ireland. As the scheme generally replicates the equivalent schemes in England, Wales and Scotland, officers from DOE liaise closely with colleagues in the Office of the Deputy Prime Minister in London and in the Scottish Public Pensions Agency.

Administration of the scheme and membership

The scheme is administered in Northern Ireland by a Non Departmental Public Body, the Northern Ireland Local Government Officers’ Superannuation Committee (NILGOSC) which is appointed by the DOE Minister and consists of a chairperson and five members representative of scheme employers and five members representative of employees. The term of office of a NILGOSC member is four years from date of appointment and a member is eligible for re-appointment. The legislation sets out the powers of NILGOSC, which acts in practice as a corporate trustee with powers and responsibilities defined by the legislation rather than by trust deed. NILGOSC prepares annual financial statements for the DOE together with a report of its proceedings during the year and is subject to external audit by the Local Government Auditor and to internal audit.

The Secretary to NILGOSC is responsible for 40 staff administering the scheme on a day-to-day basis. In 1950, NILGOSC had only 1849 members to look after but it now administers the scheme for some 69,000 current and former employees as follows:

Members	38,697
Pension Beneficiaries	20,127
Deferred Pensions	9,790

	68,614

The current members are employees of the 210 employers contributing to the scheme, which includes 26 local government councils and other admitted bodies.

NILGOSC has a statutory duty to administer the scheme as defined by the legislation and its responsibility is to ensure:

- the pension fund is invested prudently;
- the scheme is properly administered; and
- the members’ benefits are secure, calculated accurately and paid promptly.

It has no power to amend the rules of the scheme although the DOE consults with it and other interested parties before making any changes.

Benefits of the scheme

The scheme is a “defined benefit scheme” which means that the benefits to be paid are specified in the legislation and are based on final pay and length of service. They include:

- a tax-free lump sum;
- a guaranteed pension for life based on final salary;
- voluntary retirement from age 60;
- retirement from age 50 with employer’s consent;
- an ill-health pension from any age provided the employee has been a member of the scheme for at least 2 years;
- a pension, if the employee is made redundant and is over 50 at the time;
- a lump sum of two times final salary if the employee dies in service;
- a widow or widower’s pension;
- the facility to increase the pension by paying extra contributions; and
- index-linking of benefits to ensure that they keep pace with inflation.

Funding of the scheme

The scheme is funded by contributions paid by both employees and employers. Employees’ contributions are fixed by the legislation at either 5% or 6% of pensionable pay, with employers’ contributions set every 3 years by the scheme’s actuary at a rate necessary to maintain the scheme’s solvency. In recent years the pension fund has performed well, producing a surplus that enabled the actuary to reduce the employers’ contribution rate. The current employers’ rate is 11.9% payable for 3 years from April 2002, but the surplus enabled the rate for the majority of employers to be reduced to 4.6%. The next valuation is due as at 31 March 2004 and the resulting employers’ rate will be effective for the 3 years from 1 April 2005.

Management and investment of the pension fund

NILGOSC appoints investment managers to manage and invest the pension fund on its behalf but it retains a statutory responsibility:

- to take account of the amount to be managed by each investment manager and to be satisfied, having taken advice, that the amount is not excessive;
- to have regard to the suitability of investments;
- to monitor the performance of the investment managers and from time to time review their appointment; and
- to take proper advice, obtained at regular intervals.

NILGOSC maintains overall control of the fund, currently valued at just over £2 billion by agreeing the overall investment objectives with the fund managers, taking into account actuarial expectations and investment powers, and monitoring the managers investment performance.

Vision and mission statement

The vision of NILGOSC is to be recognised as an excellent public sector provider of pensions through service quality and investment performance. Its mission statement is “to administer and manage the scheme efficiently and cost effectively while continuously enhancing the quality of service provided to all stakeholders”. In carrying out its aims and objectives NILGOSC is committed to:

- providing an efficient and high standard of service, which is equitable and fair for all its stakeholders;
- paying benefits promptly and accurately in accordance with the legislation;

- maintaining accurate and up to date records;
- being responsive to the requirements of its stakeholders; and
- making every effort to address problems quickly and honestly.

Jim Milligan
Original language : English

Focus – continuation of the article on fire-fighters in EPB n° 17

Pension rights for fire-fighters in Italy

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The National Corps of fire-fighters was created in 1939. At this time, the permanent staff was covered by CPDEL, the pension scheme for local government staff.

In addition to permanent staff, the National corps of fire-fighters included volunteers who acted in exceptional situations. These latter were not covered by the above mentioned scheme.

As from 1961, the National corps of fire-fighters has been directly administered by the Ministry of the Interior ; its legal status therefore changed as well as pension conditions.

Permanent staff is no longer covered by CPDEL. Fire-fighters are subject to the same pension conditions as Police staff whereas volunteers are affiliated to the general scheme of social security.

Today active staff include 33,000 members who are assimilated to police officers and covered by the social security legislation applying to State civil servants.

Fire-fighters are not entitled to any service enhancement apart from maritime emergency staff (enhancement by 1/5th of pensionable service, up to 5 years).

Like for other public employees, fire-fighters are concerned by the last Reform Act n° 335/95 which aims to harmonise social security schemes for public and private sector workers. According to these provisions, all additional remuneration elements are pensionable in the same way as fixed elements.

Remuneration

In general, fixed remuneration elements are :

- the basic salary, including the cost of living allowance,
- the seniority allowance,
- the risk bonus.

The additional part of remuneration includes elements relating to their specific activity, i.e. payment of extra working time, bonuses for night work or work on holidays, as well as bonuses for prevention actions.

For guidance, a fire-fighter at the beginning of his career has a yearly salary of about € 21,000, fully pensionable ;

Voluntary staff are employed in emergency situation (such as natural calamities, huge fires etc ;) they are paid on daily basis, at the same rate as permanent staff.

Pensionable age

1) Old age pension

Like for other workers concerned by the 1995 Reform, retirement age for fire-fighters is gradually increasing. It was initially 57 and will increase to :

- age 58 in 2004

- age 59 for the period 2005 to 2007,
- age 60 as from 2008

2) Early pension (seniority pension)

Related to age

- a) Fire-fighters can retire at age 53 if they have fulfilled the service period provided by the corps regulations. This period which initially was 30 years will gradually increase up to 40 years. This specific measure concerns the army, the police and the fire-fighters.
- b) For years 2004 and 2005, age 56 with 35 service years
As from 2006, age 57 with at least 35 service years.

With no age condition

- If 38 service years in 2004 and 2005
- If 39 service years in 2006 and 2007
- If 40 service years as from 2008.

The qualifying conditions for old age pension between age 58 and 60 (point1) and the qualifying conditions for early retirement at age 53 (point 2 a) are specific provisions applying to the army, police and fire-fighters.

The other conditions (points 2 b & c) are general qualifying conditions for all public employees relating either to age or seniority.

The calculation formula of the retributive system*** (defined benefit system) provides for a 2 % accrual rate with no enhancement, like for the other workers.

The qualifying conditions for ordinary disability pension or for job related disability pension are the same as for the other public employees.

Fire-fighters whose disability is not job related can request their transfer to administrative functions. Retirement age then grows to 65 and, on request, the employee can stay at work until age 67 like all the other administration employees.

Supplementary pension

Today there is no supplementary pension for fire-fighters. However after the recent creation of a pension fund for teachers, the government envisages to introduce other pension funds for the new labour contracts applicable to other categories of public employees.

Gabriella Simeone / Claudio Meconi / Ornella Virgili
Original language: French

*** The reform of 1995 has replaced the retributive system (defined benefit system) by a contributive system (defined contribution). However the retributive system is used in the pension calculation for employees who had at least 18 service years at the end of 1995, whereas the defined contribution system is used to calculate the pensions of employees affiliated after 1995. A mixed system applies to the employees who had less than 18 service years by the end of 1995.

In short

Life of the association

EAPSPI members have been invited to give their opinion on draft questionnaires issued by the European Commission (obtained through the Pensions Forum).

In particular, the Commission has issued a project of questionnaire aiming to collect targeted information, in order to propose a directive “establishing minimum requirements for the protection of occupational pension rights of early leavers”. The questions of the Commission concern the present situation in the Member States as well as the foreseeable impact of certain measures concerning for example vesting periods or the indexation method of deferred pension rights. The question of transferability was also raised, more particularly concerning the procedure presently in use in the Member States and the fiscal conditions applied.

The Portability working group has analysed the questionnaire and given its opinion to the Commission. This group will meet in Paris on 11 and 12 May to continue transfer simulations.

A practical case of co-ordination has been submitted by INPDAP to the co-ordination working group. The German, Portuguese and Belgian schemes have given their positions as institutions managing benefits governed by Regulation (EEC) 1408/71.

Web site

The judgement files concerning recent case law relating to the implementation of Regulation (EEC) 1408/71 have been placed on the association Web site, under the chapter “Working groups”. The “Thesis Paper” of the Portability working group is also available under this chapter. All these documents are presented in the working language of the each working group.

European Association of Public Sector Pension Institutions

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