Employees with Part- Time Service

Chapter 20

This manual should be read in conjunction with Part 30 Taxes Consolidation Act 1997.

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20.1 General

This Chapter deals with the methods of calculating maximum benefits where an employee has a combination of full-time and part-time service, including periods of job-sharing. The contents should assist in scheme design where part-time employees are included as scheme members. The Chapter should be used as a guide in calculating funding rates where employees have changed status while remaining with the same employer. The normal method of calculating maximum benefits for jobsharers is by conversion of part-time service to the full-time equivalent.

20.2 Converted service

Where an employee moves from part-time to full-time service or *vice versa*, benefits may be based on final remuneration in the full-time employment. Part-time service should be converted into its full-time equivalent using the formula:

$$\text{Years of part-time service} \times \frac{\text{Part-time working hours}}{\text{Full-time working hours}}$$

In Examples 1 and 2 below, part-time service is followed by full-time service.

In Examples 3 and 4, full-time service is followed by part-time service.

NB – The examples below show the maximum pension benefit and tax-free lump sum. The amounts paid in practice may be lower.

Example 1:

An employee has:
> 8 years part-time service (20 hrs) to age 58, final salary €26,000
> 7 years full-time service (40 hrs) to age 65, final salary €52,000

Convert part-time to full-time: 8 x (20/40) = 4 years
Total full-time service = 4 + 7 = 11

The maximum pension benefit, using the uplifted scale in Chapter 6-6, is 2/3 x €52,000 = €34,666

The maximum tax-free lump sum, using the uplifted scale in Chapter 7-2, where the pension is appropriately commuted, is 42/80 x €52,000 = €27,300

Example 2:

An employee has:

        5 years part-time service (20 hrs) to age 61, final salary €24,000
        4 years full-time (40 hrs) to age 65, final salary €58,000

Convert part-time to full-time: 5 x (20/40) = 2½ years

Total full-time service = 2½ + 4 = 6½ years

The maximum pension benefit, using the uplifted scale, is 26/60 x 58,000 = 25,133

Maximum tax-free lump sum, using the uplifted scale, where pension is appropriately commuted, is 6½ x 3/80 x 58,000 = €14,138

Example 3:

An employee has:

        8 years full-time service (40 hrs) to age 56, final salary €40,000
        9 years part-time service (20 hrs) to age 65, final salary €21,000

Convert part-time to full-time: 9 x (20/40) = 4½ years

Total full-time service = 8 + 4½ = 12½

The maximum pension benefit is the greater of:

        (i) $\underline{12\frac{1}{2}}$ x 40,000 = €8,333
                60

                                or

        (ii)   Using the uplifted scale: 2/3 x 40,000 = 26,667

Assuming dynamization/indexation @ 1.25, the maximum pension benefit is €26,667 x 1.25 = €33,334.

The maximum tax-free lump sum, using the uplifted scale, when pension is appropriately commuted, is 51/80 x 40,000 = €25,500.

Assuming dynamization/indexation @ 1.25, the maximum lump sum benefit is €31,875

Example 4:

An employee has:

        3 years full-time service (40 hrs) to age 59, final salary €46,000
        6 years part-time service (20 hrs) to age 65, final salary €22,000

Convert part-time to full-time: 6 x (20/40) = 3 years

Total full-time service = 3 + 3 = 6 years. The maximum pension benefit is the greater of:

(i)   6/60 x 46,000 = €4,600

                                or

(ii)   Using the uplifted scale: 24/60 x 46,000 = €18,400.

Assuming dynamization/indexation @ 1.15, the maximum benefit is 18,400 x 1.15 = €21,160.

The maximum tax-free lump sum, when pension is appropriately commuted, is 6 x 3/80 x €46,000 = €10,350.

Because the converted service totals less than nine years, the uplifted scale is not applicable.

Assuming dynamization/indexation @ 1.15, the maximum lump sum benefit is €10,350 x 1.15 = €11,903.

20.3 Early retirement benefits on change to part-time employment

Revenue does not accept that early retirement benefits are payable to an employee who remains in the service of an employer in a part-time capacity following a change from full-time employment. For the purposes of obtaining early retirement benefits, "retirement" means retirement from service with the employer, with no employee expectation of return with the same or associated employer.

20.4 Employee contributions

Tax relief for employee contributions (ordinary annual contributions and additional voluntary contributions (AVCs)) is always restricted to the age-related percentage limit of remuneration in the year of payment and subject to the upper income limit (currently €115,000).

20.5 Death-in-service

Spouses, civil partners and/or dependents' pensions should be calculated on the basis that the terms of employment, full-time or part-time, at the time of death would have remained unchanged until normal retirement date.

For the purposes of maximum lump sum death-in-service benefits, the normal definitions of final remuneration apply. However, in a change from full-time to part-time service, for the purposes of calculating lump sum death-in-service benefits, final remuneration may be calculated by reference to a year ended not earlier than 36 months prior to the date of change.

20.6 Final remuneration

As an alternative to calculating final remuneration by reference to full-time remuneration prior to the changeover with appropriate dynamization/indexation, either of the following options may apply:

(a)   Final remuneration in relation to previous full-time service or converted service may be calculated by reference to current remuneration of a full-time jobholder, if it can be clearly established that an equivalent full-time position continues to exist.

(b)   In relation to converted service only, final part-time remuneration may also be converted into its full-time equivalent. In Example 3 in paragraph 20.2 above conversion of part-time final remuneration is as follows:

€21,000 x 40 hours/20 hours = €42,000

The maximum pension benefit is then the greater of –

12.5/60 x 42,000 = €8,750

or

2/3 x 42,000= €28,000

(Dynamization/indexation does not apply in this instance.)

20.7 Calculating retirement benefits – alternative methods

Benefits can still be calculated based on the traditional method of final remuneration and actual service where the final service is part-time.

In Example 4, final remuneration (which was part-time) is €22,000; the service is 9 years (three years full-time and six years part-time). The pension benefit is 36/60 x 22,000 = €13,200.

If, in Example 4, full-time service followed part-time service, it would not be acceptable to apply the uplifted scale to a full-time salary of €46,000. Benefits should be calculated based on the converted service, as shown in the Example.

NB – As noted at paragraph 20.2 above, the amounts shown are maximum benefits and the amounts paid in practice may be lower.

20.8 Employees with part-time service only

If all service is given on a part-time basis, two options are available:

(i)   convert the service to its full-time equivalent and calculate benefits using the uplifted scale based on the final remuneration applicable to the full-time equivalent, or

(ii)   calculate benefits based on the unconverted service and final remuneration using the uplifted scale.