



The Irish Accounting & Tax Summit 2020

Session 14 Updates on Welfare Pension Changes



Presenter:

Brendan Casey

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OmniPro Education & Training
Main Street, Ferns, Enniscorthy, Co. Wexford
053 9100000
www.omnipro.ie info@omnipro.ie

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- Irish Accounting & Tax Session

- Brendan Casey
- PRSI Consultant

- The recent formation of a new coalition government has temporally put Welfare's future Pension qualification plans on hold
- The increase of the pension age from 66 to 67 which was due to commence in January 2021 has been suspended pending the recommendations of a new commission
- Accordingly, until further notice, clients born between 1st January 1955 and 31st December 1960 will continue to be awarded the pension at age 66

All topics covered today relate to the State Pension Contributory (Old Age Pension)

- Requesting a copy of client's Social Welfare records
- Identifying and correcting errors on the client's Welfare records
- Options on filling previous gaps on the client record
- Foreign Social Security and Irish pensions
- Forecasting the client's pension rate
- Advising on options to increase the client's future pension rate

Requesting a copy of client's Social Welfare records

Client can request online using the following link

- <https://services.mywelfare.ie/en/topics/statements-and-refunds/>
- If they are not computer literate they must write to

Records Section, Department Employment and Social Protection

McCarter Rd, Buncrana, Co Donegal

Customer Service Team 1890 690 690 e-mail

CSTGeneralQueries@welfare.ie

Correcting errors or identifying anomalies on clients record

- Ask client for a brief summary of their work history
- Welfare rely on Revenue for all of their client's PRSI contributions, most of which were manually updated to a database by Revenue up to the late nineties (hand written P35s)
 - Missing records can be caused by illegible or no PPS numbers on P35
 - Welfare have a database of PRSI contributions (millions of cases accumulated over the years), called the "Emergency File", that did not get to their intended destinations
 - Contact Welfare Records Section in Buncrana and ask them to check their database

Correcting errors or identifying anomalies on clients record

- Missing contributions may also be caused by the employer being non-compliant, if so, it is still possible to have an investigation initiated and subsequently have PRSI contributions credited to the clients account. This outcome is dependent on the Departments conclusion that the employee was not in collusion with the employer in not having PRSI deducted.
- PRSI @Class J may have been returned for periods of employment:
 - Weekly earnings of less than £25/£30 (€38) not liable to Class A
 - Prior to April 1991, when the employee was working less than 18 hours a week and was not dependent on the income for their livelihood

Correcting errors or identifying anomalies on clients record

- An Occupational Pensioner is not liable to pay “Class S” rate of PRSI on their unearned income e.g. Rental or Investments,
 - Class K (@4%) applied from 2014 but does not give cover for the State Pension
- Employment of a spouse/civil partner by the other sole-trading spouse is not liable to a Class A rate of PRSI

Options on filling previous gaps on the client record

- Advise the client to consider the Voluntary Contribution option for any recent years they have a gap in their insurance record, they have a 5 year window in which to do so
 - Annual Income less than €5,000
 - Sabbatical
 - Early retirement
- Always calculate their pension before advising on them on actually paying any VCs, it could be a waste of money or too expensive to ensure a small increase in the pension rate:
 - Additional VC may not help to reach the next Average Test Range
 - Under the Total Contribution Approach conditions they may already have the minimum required record to qualify for the max pension

Explaining the use of foreign Social Security in qualifying for an Irish pension

- There is no restriction on the number of pensions you may qualify for within the EU or by using Social Security paid with a country that has a Bi-Lateral with the EU (US, Australia, New Zealand, Canada, Korea, Japan, Switzerland etc)
- If you have a sufficient record in a country then a pension is payable
- If don't have sufficient paid in any country to have an independent title, you can have all other Social Security records combined, however the pension payable will be based on the proportion of the record that is paid into that country's system.
 - e.g. 1,200 weeks Irish, 300 UK, 300 German, 300 Italian: total 2,100 weeks
 - Irish Pension in the Average range of 20-29 €211 per week
 - UK pension (300/2100) 14% of their pension payable
 - German pension (300/2100) 14% of their pension payable
 - Italian pension (300/2100) 14% of their pension payable

Calculating a Pension Forecast

- The rate of payment of the Welfare State Pension Contributory is currently calculated using two distinct equations:
- The Average Test:- Divides the number of employment weeks/or credits by the number of years from the year of 1st payment to the year before your pension age (some exceptions on number of years used in the average test apply)
- The Aggregate Contribution Method (aka Total Contribution Approach):- Uses a minimum of 2,080 weeks (40 years) of PRSI paid and Credited to pay the maximum pension rate, currently €248 per week, a lower number pays a pension rate exponentially.

Average Test

- Minimum of 520 weeks of Reckonable paid PRSI before pension age
- Entire Welfare insurance Record divided by the number of years from entry into the system to the year before pension age
- Pension rate is based on the range of the average attained

10-14	15-19	20-29	30-39	40-47	48+
€99	€160	€202	€228	€243	€248

- Average Test years will be reduced for any complete year of childcare (only for children under age 12) for any periods after 6/4/1994

Average Test:- Alternative Years used

- Self-Employed:
 - Concession made for Self-Employed who paid Class S PRSI in 1988/89 year, the average test will be made from 1988/89 to year before pension age
 - If there are no “Class S” PRSI paid in 1988/89 (e.g. income less than £2,500) the average test will be from the earliest year of PRSI paid to pension age
- April 1979 – Penultimate Year to Pension Age
 - If client has an Average of 48 from 1979 to year before pension age the maximum pension will be paid, irrespective of pre 1979 employment

Average Test-Credit issues

- Child-caring Credits (child up to age 12)
- or Home-carers Credit (caring for a person who needs constant care and attention). There is no limit on the number of Credits that can be used in the Average Test for a pension
 - No Childcare or Home-carers Credits will appear in the records provided by Welfare, however they will be used in a pension calculation. Childcare credits will not be allowed for any week the client was in receipt of an income.
 - Under the rules for the Average Test, child-caring and home-carers concessions only apply from the year 1994/95 onward.
 - Complete blank years while child-caring or Home-caring will be deducted from the number of years used in the average test.
 - The balance of any year when the caring started or ended (e.g. above age 12) will have credits awarded

Average Test-Credit issues

- Client will be entitled to Pre-Entry Credits for the period retrospective to their 1st PRSI payment, these credits are regularly omitted from the record provided by the Department, you can surmise the number and include it in your calculation. Prior to the introduction of PRSI in April 1979 women's Insurance years went from 1st Monday in July to last Friday in June, the Men's insurance was a calendar year.
- "Change of Status" credits are allowed retrospectively from the date the client resumes employment after having been previously employed in a permanent and pensionable employment in the public/civil service paying the Class B/C or D rate of PRSI. They are awarded for the balance of the year plus 52 weeks for the previous year. These credits will not show on a client's record but should be included in the pension calculation

Aggregate Contribution Method aka Total Contribution Method

- Maximum pension paid to client with $\geq 2,080$ weeks (40 years) of PRSI paid and credited, current rate of €248.30
- Reduced Pension are calculated in proportion of the figure to the 2,080 template, e.g. a record of 1,040 weeks of PRSI paid and credited in Ireland during their working life would pay a weekly rate of €124.20 (1040/2080)
- Credits given for all periods of child caring up to their 12th birthday, the maximum number allowable is capped at 1,040 weeks
- Credits given for all periods of caring for an incapacitated child over 12 or persons needing full-time care and attention, however these credits are included in the capped number of 1,040 weeks
- Regular credits for periods of unemployment, illness or miscellaneous issues are capped at 520 weeks (10 years)
 - ALL Credits are capped at 1,040 (20 years)

Examples

Example 1

- Client was born in 1955, and will be pension age 66 in 2021
- Record shows 1st PRSI paid in 1980
 - However client was employed in Civil Service from 1973 to 1978, paying the Widows & Orphans Welfare contributions, equivalent to current “Class B/C/D” rate of PRSI
 - Because the WOPS Welfare contributions were paid pre April 1979 they will not appear on the record provided but, when validated by the Civil Service HR, the Welfare Pension Section will include those years, but not the actual contributions, in their average calculations.
 - Her Average test will therefore be over a 48 year period from 1973 to 2020 and equals 44 which pays a reduced pension of €243.30 as opposed to the max of €248.30

- Client is entitled to “Change of Status” Credits for the retrospective part of 1980/81 plus 52 weeks of credits for the 79/80 year, these credits will be used in her pension calculations

Note the error in her record in 2014, there are 52 weeks @Class S rate of PRSI contributions remitted for her Rental income, this should have been @ the Class K rate of PRSI which does not qualify for the State Pension (irrelevant as she also has Class A for the full year as an employee).

Note, even though Welfare may have supplied a copy of the insurance record they reserve the right to delete any PRSI contributions they deem to be invalid, plus they will only refund up to the most recent 4 years of incorrectly paid PRSI

Year	Paid Contributions	Credited Contributions	Reckonable Paid Contributions for Pension	Reckonable Credited Contributions for Pension
1980/81	32 A1	-	32	-
1981/82	40 A	14	40	12
1982/83	52 A	-	52	-
1983/84	52 A	-	52	-
1984/85	52 A	-	52	-
1985/86	52 A	-	52	-
1986/87	51 A	-	51	-
1987/88	50 A	-	50	-
1988/89	52 A	-	52	-
1989/90	52 A	-	52	-
1990/91	52 A	-	52	-
1991/92	46 A	6	46	6
1992/93	32 A	19	32	19
1993/94	52 A	-	52	-
1994/95	27 A	22	27	22
1995/96	3 A, 21 J	46	3	46
1996/97	26 A, 2 J	26	26	26
1997/98	-	52	-	52
1998/99	30 A	22	30	22
1999/00	52 A	-	52	-
2000/01	52 A	-	52	-
2001	38 A	14	38	14
2002	40 A	10	40	10
2003	52 A	-	52	-
2004	52 A	-	52	-
2005	52 A	-	52	-
2006	52 A	-	52	-
2007	52 A	-	52	-
2008	52 A	-	52	-
2009	52 A	-	52	-
2010	52 A	-	52	-

Year	Paid Contributions	Credited Contributions	Reckonable Paid Contributions for Pension	Reckonable Credited Contributions for Pension
2012	52 A	-	52	-
2013	52 A	-	52	-
2014	52 A, 52 S	-	52	-
2015	52 A, 52 K	13	52	-
2016	52 A	-	52	-
2017	52 A	-	52	-
2018	52 A	-	52	-
2019	52 A	-	52	-

Pension example 2

- Female Client born 1955, pension age 66 in 2021
- Worked abroad in non EU/Bilateral country from 1994 to 2006 so no Child Caring Credits for this period
- Her average would be 24 over 47 = pension of €211 per week, note paying VCs would not increase this average into the 30-39 range (€233 per week)
- TCA or ACM would be 1185 weeks of paid and credited contributions which equates to a weekly pension of €199.
- Welfare will pay the higher rate of €211.

Year	Paid Contributions	Credited Contributions	Reckonable Paid Contributions for Pension	Reckonable Credited Contributions for Pension
1974/75	5 ORD	-	5	-
1975/76	52 ORD	-	52	-
1976/77	51 ORD	-	51	-
1977/78	49 ORD	-	49	-
1978/79	17 ORD	6	17	6
1979/80	42 A1, 10 M1	-	42	-
1980/81	42 A1	12	42	10
1981/82	52 A1	-	52	-
1982/83	52 A1	11	52	-
1983/84	-	2	-	2
1984/85	-	-	-	-
1985/86	-	-	-	-
1986/87	-	-	-	-
1987/88	-	-	-	-
1988/89	-	-	-	-
1989/90	-	-	-	-
1990/91	-	-	-	-
1991/92	27 J1	-	-	-
1992/93	52 A1	-	52	-
1993/94	43 A1	-	43	-
1994/95	-	-	-	-
1995/96	-	-	-	-
1996/97	-	-	-	-
1997/98	-	-	-	-
1998/99	-	-	-	-
1999/00	-	-	-	-
2000/01	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-

Rannóg na dTaifead, Seirbhísí Cáilitheachta Cliant, Bóthar Mhic Artúir, Ard Rámhann, Bun Cranncha, Dún na nGall
Records Section, Client Eligibility Services, McCarters Road, Ardara, Buncrana, Donegal
T 1890 690 690 / +353 1 471 5998

Year	Paid Contributions	Credited Contributions	Reckonable Paid Contributions for Pension	Reckonable Credited Contributions for Pension
2006	-	-	-	-
2007	52 S	-	52	-
2008	52 A, 52 S	-	52	-
2009	52 A, 52 S	-	52	-
2010	52 A, 52 S	-	52	-
2011	52 A, 52 S	-	52	-
2012	52 A, 52 S	-	52	-
2013	35 A, 52 S	-	52	-
2014	1 J, 52 S	-	52	-
2015	1 J, 52 S	-	52	-
2016	11 J, 52 S	-	52	-
2017	52 S	-	52	-
2018	3 J, 52 S	-	52	-
2019	1 J	-	-	-

Children's d.o.b.

29.08.1980

25.02.1983

12.05.1987

25.04.1989

Advising on options to increase the client's future pension rate:

Employees @ Class A rate of PRSI

- If client takes early retirement and is in receipt of an occupational pension, check if they already have sufficient paid/credited to qualify for a substantial Welfare State Pension Contributory
- If the Welfare record is deficient to qualify them for the maximum pension, advise them to explore the VC option. VC payments @ 6.6% of previous income can be expensive, however there is nothing to lose in asking to be admitted as a VC, as you still have the option of not paying if you think the cost is prohibitive.
- Advise the client to “sign on” at the Intreo Office for as long as they are allowed, “its free” and the credits will count toward the pension

Advising on options to increase the client's future pension rate: Self-Employed @ Class S rate of PRSI

- Check if they already have sufficient paid/credited to qualify for a substantial Welfare State Pension Contributory
- If the Welfare record is not sufficient to qualify them for the maximum pension, further PRSI weeks of contributions can accumulate on their record from
 - Downloads from an ARF in excess of €5,000 incur a “Class S” rate of PRSI provided they are tax resident in Ireland.
 - Income from Rental or Investments is also liable to a “Class S” PRSI charge provided they are tax resident in Ireland.
- If there are no future PRSI liabilities, advise them to explore the VC option. VC payments for those who have previously been self-employed are charged @ €500 per annum
- The option to “sign on” for credits at the Intreo Office is not available to those who have been previously self-employed paying Class S

- Finally, to stay in touch with all future developments with Welfare Pension plans follow the Department online
<https://www.gov.ie/en/service/e6f908-state-pension-contributory/>
- Or onTwitter
- Q&A