

## 7 Errors in public service pay and pensions administration

- 7.1** The National Shared Services Office (NSSO) was set up in 2014 as an administrative office within the Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation (Department of Public Expenditure). In January 2018, the NSSO formally became a new separate civil service office with its own vote accounting officer.
- 7.2** The NSSO has responsibility for delivering certain common corporate services – the shared services — on an agency basis, primarily for government departments. As part of this, it provides human resources and payroll shared services to around 60 client bodies.<sup>1</sup> These services include pensions administration and pension payments.
- 7.3** The NSSO enters into a service agreement with each client body which specifies the terms and conditions underpinning the shared services to be provided. This agreement sets out, *inter alia*, that the NSSO undertakes to process all transactions communicated to it by the client body.
- 7.4** Financial transactions processed by the NSSO as an agent on behalf of a client body are reflected in the client body's annual accounts/financial statements. Consequently, responsibility and accountability for the transactions, including compliance with the relevant government policies and procedures, ultimately rests with each client body.
- 7.5** The NSSO engages independent auditors annually to provide formal assurance on the operation of its controls.<sup>2</sup> The NSSO issues a letter to each of the client bodies availing of its services, on foot of the results of the assurance audits. Client bodies rely on this letter for assurance that appropriate controls are exercised by the NSSO in the provision of shared services.
- 7.6** Pension and retirement lump sum costs for civil servants and related personnel are charged centrally to Vote 12 Superannuation and Retired Allowances (Vote 12). The Vote is managed and accounted for by the Department of Public Expenditure, which also controls public sector pension policy and supports the administration of civil service pension schemes. The NSSO commenced the provision of shared services pensions administration on behalf of Vote 12 in December 2015.
- 7.7** The aggregate value of pension payments administered through Vote 12 in 2024 was €871 million. Education and training sector pensions administered by the NSSO in 2024 amounted to an additional €346 million.<sup>3</sup>

<sup>1</sup> This includes central government departments and offices and other public service bodies availing of shared services. The NSSO also provides pensions administration services for several publicly funded second level education and higher and further education bodies.

<sup>2</sup> The audits are undertaken in accordance with the International Standards on Assurance Engagements (ISAE 3402) *Assurance Reports on Controls at a Service Organisation*.

<sup>3</sup> This relates to education and training boards, technological universities and institutes of technology.

## Focus of the examination

- 7.8** This examination was undertaken to review the circumstances that gave rise to failures in the controls operated by the NSSO in respect of three non-standard categories of pay and pension cases. The failures were identified by the NSSO in 2024 and 2025 in a range of circumstances. The failings related to
- tax liabilities on high-value pensions not being applied or not being discharged in the required manner
  - miscalculation of some ministerial pension contributions, additional superannuation contributions and salary gifting
  - miscalculation of retirement benefits paid to some former civil servants who had worked on a part-time basis for a period during their careers.
- 7.9** The examination team reviewed documentation and issued formal audit queries to the NSSO, the Department of Public Expenditure and the Department of Finance. The examination team also interviewed relevant staff in the NSSO and conducted an onsite walkthrough of the NSSO's pension starter controls.
- 7.10** The issues examined are distinct, and so the findings are presented in three sections.

## A. Taxation of high-value pensions

- 7.11** Under tax law, an individual is entitled to receive a tax-free lifetime amount of up to €200,000 in retirement lump sums from all sources. Aggregated lump sum amounts between €200,001 and €500,000 are subject to withholding tax (WHT) at the standard income tax rate (20%). Amounts above €500,000 are taxed at a rate of 40% (the higher income tax rate).
- 7.12** Separately, chargeable excess tax (CET) is provided for under tax law.<sup>1</sup> Retiring individuals become liable for CET on the cumulative (estimated) value of their lifetime pension benefits (including lump sum amounts) over the statutory 'standard fund threshold' (SFT). The current SFT, in place since 1 January 2014, is €2 million.<sup>2</sup> The excess amount is liable for CET at 40%.

### *Calculation of CET*

- 7.13** The CET calculation for public sector pensions can be complex. Cumulative retirement benefits include both private and public service pension schemes within the State accruing to an individual on retirement.
- 7.14** No reliefs, allowances or deductions can be offset against the CET liability. However, any WHT paid by an individual on a retirement lump sum payment(s) may be offset against the CET liability.
- 7.15** Calculation methods for the estimated value of pension benefits include a multiplier used to value the future stream of pension payments i.e. annualised pension at the date of retirement times the multiplier. The value of the multiplier changed on 1 January 2014 from a flat rate to an age-related multiplier. Since that date
- pension benefits accrued prior to 2014 are calculated using a standard multiplier of 20
  - pensions accrued from 2014 to the date of retirement are calculated using an age-related multiplier.
- 7.16** Figure 7.1 presents an illustrative example of how CET is calculated.

1 CET is provided for under part 30, chapter 2C of the Taxes Consolidation Act 1997 (TCA 1997) which was introduced in 2006 by the insertion of sections 787O to 787U and schedule 23B.

2 The SFT was set at €5 million on introduction. It was reduced to €2.3 million with effect from 7 December 2010 and further reduced to €2 million with effect from 1 January 2014. The Finance Act 2024 provides for a phased increase to €2.8 million in the value of the SFT between 2026 and 2029.

**Figure 7.1 Calculation of chargeable excess tax — illustrative example**

CET example working			Age-related factor table	
<b>Civil servant retires on 2 October 2024 aged 60 with 40 years' service</b>			<b>Age at retirement</b>	<b>Relevant age-related factor</b>
	€		Up to/including 50	37
<b>Pensionable remuneration on 2 October 2024<sup>a</sup></b>	<b>180,000</b>		51	36
<b>Annual pension calculated on 2 October 2024</b>	<b>90,000</b>		52	36
<b>Lump sum calculated on 2 October 2024</b>	<b>270,000</b>		53	35
			54	34
<b>Accrued pension</b>	€	€	55	33
To 1 January 2014 <sup>b</sup>	57,769		56	33
<b>x factor 20</b>	<b>1,155,380</b>		57	32
			58	31
From 1 January 2014	32,231		59	30
<b>x age-related factor 30</b>	<b>966,930</b>		<b>60</b>	<b>30</b>
	<b>90,000</b>		61	29
<b>Lump sum on retirement</b>	<b>270,000</b>		62	28
<b>Total capital value on 2 October 2024</b>	<b>2,392,310</b>		63	27
Less: standard fund threshold (SFT)	(2,000,000)		64	27
<b>Chargeable excess</b>	<b>392,310</b>		65	26
CET @ 40%	156,924		66	25
Less: Withholding tax paid on excess lump sum*	(14,000)		67	24
<b>CET liability due (within three months)</b>	<b>142,924</b>		68	24
			69	23
			70 and over	22

\* Withholding tax: (lump sum 270,000 – 200,000) x 20% = 14,000<sup>c</sup>

Source: Office of the Comptroller and Auditor General

- Notes:
- a This amount is used for illustrative purposes only.
  - b The accrued pension to 1 January 2014 is based on a notional salary of €158,000 as of that date and accrued service of 29.25 years.
  - c €200,000 represents the tax-free limit applicable to lump sums on retirement.

### ***Payment of CET***

- 7.17** The pension administrator is obliged, under tax law, to pay the CET liability in full to the Office of the Revenue Commissioners (Revenue) on behalf of the retiree within three months of the person retiring. The NSSO, as pension administrator, processes the CET payment on behalf of its client bodies.<sup>1</sup>
- 7.18** For retiring public servants, the pension administrator recovers the CET amount paid on behalf of the pensioner by either
- full reimbursement from the individual at the time of retirement, or
  - reducing the individual's gross pension payable over a period not exceeding 20 years.<sup>2</sup>
- 7.19** The latter option is effectively an instalment arrangement, by way of a reduction in the gross pension payable to the individual — there is no transfer of funds involved. Consequently, the relevant public service body does not recognise income for the recovery of the CET in its annual appropriation account/financial statements. If the individual dies before the CET is fully recovered, the pension stops and the outstanding tax debt is written off.

### ***Non-payment of CET liabilities to Revenue***

- 7.20** The audit of the 2023 appropriation account for Vote 12 identified that the NSSO had underpaid Revenue amounts of CET liabilities in respect of persons availing of the option to pay the CET liability over 20 years. While the pension reductions had been applied properly, the corresponding CET liability had not been paid to Revenue. The amount of the underpayment was estimated at €2.3 million.<sup>3</sup>
- 7.21** In response to the audit's finding, the NSSO undertook a comprehensive review in July 2024 of the records for 26 retirees, over the period 2015 to July 2024, availing of the option to pay their CET liability through a reduced pension. The review found that CET payments totalling €1.4 million had been made to Revenue for just ten of these retirees.
- 7.22** Following the review, the Department of Public Expenditure made an unprompted voluntary disclosure to Revenue — from Vote 12 — of just over €2.3 million for its underpayment of CET on behalf of 15 retirees in the period 2015 to 2023. This amount was paid in 2024, together with a late interest payment of almost €470,000. A separate CET payment of around €65,000 was also made to Revenue in 2024 related to one retirement in early 2024.
- 7.23** Subsequently, arising from follow-on communications with Revenue, the NSSO identified that it had provided incorrect pension valuation information in respect of one case to Revenue. The retiree in that case has an additional CET liability which is currently being verified with the relevant local HR unit.

1 The NSSO does not act as pension administrator for all public bodies. It does not administer pensions for the Defence Forces; An Garda Síochána; or the Irish Prison Service. Similarly, it does not act as administrator for ministerial and judicial pensions.

2 Reimbursement options for public sector pension arrangements were introduced in the Finance Act 2012 and amended in the [Finance \(No. 2\) Act 2013](#). The latter introduced the post-retirement repayment option of up to 20 years for CET due.

3 See detailed disclosure in the statement on internal financial control presented with the [2023 appropriation account for Vote 12 Superannuation and Retired Allowances](#).

### ***Review of judicial pensions***

- 7.24** Judicial pensions are not paid through Vote 12. As provided for by law, they are paid directly from the Exchequer and are accounted for in the annual Finance Accounts. The Department of Finance is responsible for preparing the Finance Accounts. However, the Department of Public Expenditure is responsible for the administration of judiciary pensions, including issuing the payment instructions.<sup>1,2</sup>
- 7.25** In July 2024, the NSSO also reviewed the cases of retired judges who had availed of the option to pay their CET liability through reduced pensions.<sup>3</sup> The scope of the review covered the pensions of 26 judicial retirements between 2020 and July 2024.
- 7.26** The review identified that, while the pensions put into payment had been appropriately reduced, payment of CET and WHT relating to three former members of the judiciary had not been made to Revenue. On identification of the error, the Department of Finance (on instruction from the Department of Public Expenditure) made a payment to Revenue in 2024 totalling €248,000.<sup>4</sup> Interest on the late payment of €28,000 was paid through Vote 12. The Department of Public Expenditure stated that the interest was paid through this vote as there is no legal basis permitting its payment directly from the Exchequer.

### ***Non-calculation of CET liabilities***

- 7.27** In early March 2025, Revenue sought CET records and related calculations for 17 named retirees from the Department of Public Expenditure.<sup>5</sup>
- The Department of Public Expenditure submitted the requested information for 7 of the 17 retirees to Revenue. The Department has stated that Revenue's review of these cases is ongoing.
  - The NSSO undertook an investigation of the other ten retirees who fell under its administration. It identified that a CET calculation had not been performed for six of the ten retirees at the point of retirement. It found that each of the six cases had exceeded the SFT at retirement, and consequently, a CET liability existed in respect of those cases.<sup>6</sup> It provided the records for the remaining four retirees to Revenue.
- 7.28** In March 2025, the NSSO commenced a review of retirements at Principal Officer and higher grades to examine whether CET and WHT liabilities that were due on retirement were charged to the retiree and paid to Revenue within the requisite timeframe. The review covered approximately 1,300 retirements over the period 2015 to 10 July 2025. In May 2025, the NSSO extended the review to include an additional 1,500 retirements at Assistant Principal grade over the same period. The NSSO has stated that it expects that the review of retirements at Assistant Principal grade will be completed by October 2025.

1 This is provided for under section 9(1)(a)(iv)(IV) of the Ministers and Secretaries Amendment Act 2011.

2 The NSSO only processes the instructions for the payment of these pensions.

3 This review was prompted by the CET issues arising on Vote 12.

4 The late payment is disclosed in the 2024 Finance Accounts.

5 The request for records arose in response to Revenue's review of the Department of Public Expenditure's voluntary disclosure in 2024.

6 The investigation noted that WHT liabilities for each of the six cases had been calculated at retirement and paid to Revenue within the required timeframe.

### Financial implications

- 7.29** Since Revenue's enquiry in March 2025, the initial findings from the NSSO's review of the circa 2,800 retirements have identified that a small number of retirees have an outstanding CET liability and/or a WHT liability.
- 7.30** As of 10 July 2025, the NSSO has determined liabilities for 19 cases where the SFT was exceeded on retirement, but CET calculations were not undertaken. Each case was verified with the Department of Public Expenditure's actuarial unit. Most of the cases involved retirements occurring in 2022 and 2023. The individual liabilities determined range from less than €300 to over €211,000. The total amount owed to Revenue in respect of these cases is determined to be just under €1.43 million (see Figure 7.2).

**Figure 7.2 Number and value of CET liabilities determined, by year of retirement, as at 10 July 2025**

Year of retirement	Number of cases <sup>a,b</sup>	Value of liability €
2017	1	5,074
2022	6	327,005
2023	12	1,094,719
<b>Total</b>	<b>19</b>	<b>1,426,798</b>

Source: National Shared Services Office. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The 19 cases include 6 cases identified by the NSSO on foot of Revenue's enquiry in March 2025.
  - b Three cases identified for CET liabilities have also been identified for WHT liabilities.

- 7.31** As part of the same review, the NSSO has also identified 19 cases where WHT liabilities were not paid to Revenue. The NSSO has stated that this was mainly due to
- WHT not being calculated at the time of retirement
  - WHT deducted from the lump sum on retirement but not paid over to Revenue
  - the omission of private pension fund lump sum amounts when calculating the lifetime lump sum receipts at the date of retirement.
- 7.32** The WHT liabilities range from €70 to over €22,000. The total amount owed to Revenue for these 19 cases is around €85,000 (see Figure 7.3).
- 7.33** The associated grades for the retirees identified with CET and/or WHT liabilities are — Secretary General; Deputy Secretary; Assistant Secretary; Principal Officer; Assistant Principal Officer; and two other specialised posts.

**Figure 7.3 Number and value of WHT liabilities determined, by year of retirement, as at 10 July 2025**

Year of retirement	Number of cases <sup>a</sup>	Value of liability €
2016 – 2019	3	3,847
2021	5	19,959
2022	5	10,620
2023	5	27,807
2024	1	22,319
<b>Total</b>	<b>19</b>	<b>84,552</b>

Source: National Shared Services Office. Analysis by the Office of the Comptroller and Auditor General.

Note: a Three of the cases identified for WHT liabilities have also been identified for CET liabilities.

#### *Repayment arrangements of cases determined*

#### **7.34** The Department of Public Expenditure has instructed the NSSO

- that outstanding CET liabilities should not be paid to Revenue until an agreed recoupment plan is in place with the relevant retiree and<sup>1</sup>
- to pay any interest and penalties associated with outstanding CET and WHT liabilities from the NSSO's own vote — Vote 18.

#### **7.35** The NSSO stated that engagement has commenced with the 19 retirees with a CET liability to put recoupment arrangements in place. As of 10 July 2025

- seven retirees had entered agreements to repay their CET liabilities by way of deduction from their pension over 20 years<sup>2</sup>
- another retiree had fully repaid the CET liability (€276).

#### **7.36** On foot of these agreements, Vote 12 has paid eight CET liabilities totalling around €484,000 to Revenue. The associated interest of around €81,000 and penalties of €24,000 have been charged to Vote 18.

#### **7.37** Vote 12 also paid 15 WHT liabilities totalling around €53,000 to Revenue. The associated interest of around €13,000 has been charged to Vote 18. Penalties do not apply to the late payment of WHT.

#### **7.38** The examination team noted that the WHT payments to Revenue were made in the absence of formal repayment arrangements being in place with the relevant retirees. However, the Department of Public Expenditure informed the examination team that the recoupment of WHT is provided for within legislation.<sup>3</sup>

<sup>1</sup> This instruction did not cover the payment of the WHT liabilities.

<sup>2</sup> The commencement of the 20-year duration will be backdated, in each case, to the retirement date.

<sup>3</sup> This is provided for in Section 790AA(6)(b)(ii), as amended, of the TCA 1997.



### Revenue audit

- 7.39** The NSSO informed Revenue in May 2025 that it intended to make a full voluntary disclosure on all cases identified with a CET and/or WHT liability arising from its reviews.
- 7.40** However, in June 2025, Revenue informed the NSSO that it had been selected for a Revenue audit of CET and WHT covering the period 2015 to date.<sup>1</sup> Any findings and potential liabilities arising from Revenue's audit have yet to be determined as the audit is ongoing.

### Lapse in controls

- 7.41** Retiring individuals are required to provide timely notice of their retirement to their local HR and/or to the NSSO. Once notification is received from a retiring individual, the NSSO processes the case in consultation with the retiree's local HR and, where a CET liability arises, the Department of Public Expenditure.
- 7.42** The NSSO has a 19-step process for the review and payment of pensions and related taxes when transferring retirees from their current payroll to a pension payroll.<sup>2</sup> Payments of CET by the NSSO to Revenue are manual pay overs and are not integrated with the NSSO's payroll system. In mid-2024, the NSSO identified that one step (step 14) in its process to instruct the payment of CET to Revenue was often omitted.<sup>3</sup>
- 7.43** Subsequently in 2025, the NSSO also identified that, in some cases, step 12 in its process to instruct the payment to Revenue of WHT deducted from retirement lump sums was also omitted.
- 7.44** Separately, in March 2025, the NSSO identified that step 4 in its process, instructing the CET calculation, was required to occur only for Secretary General grades, their equivalent and above.<sup>4</sup> Retirements at lower grades, for example, Assistant Secretary level, Principal Officer grade or equivalent, were not examined by the NSSO for a potential CET liability. The examination team noted that there is no 'trigger' in the NSSO's system to prompt the review of other grades. Step 4 in its (19-step) process is dependent on the manual identification of an individual requiring a CET calculation on retirement.
- 7.45** The NSSO stated that potential CET liabilities were not calculated for other grades as it had been assumed that their cumulative pension entitlement would not exceed the SFT. The NSSO had not considered, for these grades, the impact of
- subsequent pay increases
  - the change in the CET calculation method from 2014 (i.e. the age factor), and
  - (some) public servants also having private pensions.
- 7.46** Furthermore, the review of CET undertaken by the NSSO in 2024 was confined to whether all CET amounts calculated had been paid over to Revenue. The review did not consider whether CET had been calculated in the first instance.

<sup>1</sup> The Revenue audit commenced in July 2025. This means that the NSSO can no longer avail of the option to make a prompted qualifying disclosure.

<sup>2</sup> The NSSO's pension starter and 19-step pension process is detailed at Annex 7A.

<sup>3</sup> The NSSO identified the missing step on review of 26 retirement cases, in response to the Comptroller and Auditor General's 2023 audit finding on the underpayment of CET liabilities to Revenue.

<sup>4</sup> This was identified by the NSSO in response to correspondence received from Revenue in March 2025.

- 7.47** The NSSO also identified in 2025 that, in some cases, step 3 in its process, to calculate WHT on retirement lump sums, was omitted. This was due to an oversight where lifetime lump sums received were not considered when calculating the overall value of the lump sum excess.
- 7.48** The NSSO stated that new controls have been put in place including access for the Department of Public Expenditure to CET and WHT payment data on a real-time basis and a newly-formed centralised team for the transacting and payment of CET and WHT. It also stated that, since August 2025, all retirees regardless of their grade are now checked for CET and WHT liabilities. Training of NSSO staff on the transacting and payment of CET and WHT has also commenced.

## B. Ministerial pensions, additional superannuation contributions and salary sacrifice/gifting

- 7.49** Members of the Dáil (Teachtaí Dála/TDs) receive salaries in respect of their membership which are administered by the Houses of the Oireachtas.
- 7.50** TDs who are appointed as government office holders — Taoiseach, Tánaiste, ministers of the Government and Ministers of State — also receive an additional allowance. These allowances are paid by the Department to which the office holder is assigned, and the employment is considered a subsidiary employment.<sup>1</sup> The NSSO processes the payment of these ‘ministerial’ allowances on behalf of the respective government departments.
- 7.51** There are two pension schemes in operation for TDs.
- The *Houses of the Oireachtas (Members) Pension Scheme*, also known as the Members’ Pension Scheme (applicable to TDs first appointed pre-2013).
  - The *Single Public Service Pension Scheme*, also known as the ‘Single Scheme’ (applicable to TDs first appointed on or after 1 January 2013).
- 7.52** The pension benefits in the single scheme are based on career average pensionable remuneration. TDs contribute at a rate of 13% of their pensionable remuneration towards their retirement benefits.<sup>2</sup> This is often referred to as a ‘fast accrual’ scheme whereby members accrue maximum benefits quicker than standard accrual members, for example, civil servants.<sup>3</sup>
- 7.53** Civil servants contribute towards their retirement benefits to the single scheme at a combined rate of 3% of their gross pensionable remuneration plus 3.5% of their net pensionable remuneration.<sup>4</sup>

### Misclassification of ministerial pensions

- 7.54** Following the formation of a new Government in 2025, the NSSO put a central team in place to manage the payroll instructions for incoming ministers. Some ministers had not previously served in a ministerial role, while other former ministers were reappointed, in most cases to a different department.
- 7.55** The NSSO found that the instructions received from ministers’ departments about the relevant pension scheme and associated deductions to be applied were inconsistent. It identified that local departmental HR units were not clear on the correct pension scheme to apply in individual cases. Consequently, some individuals who had previously held office had been placed on an incorrect pension scheme giving rise to under/over pension deductions.
- 7.56** Following enquiries by the NSSO, the relevant departments sought clarification from the Department of Public Expenditure on the matter. In February 2025, the Department of Public Expenditure clarified, by email to each department, that the fast accrual single pension scheme should be applied to ministerial allowances for office holders appointed since 1 January 2013.
- 7.57** On foot of the clarification, the NSSO received revised instructions from local departmental HR units, where relevant. This included instructions for correction of the pension scheme for persons continuing as office holders.

<sup>1</sup> The primary employment of the office holder is as a TD.

<sup>2</sup> This is provided for under the [Public Service Pensions \(Single Scheme and Other Provisions\) Act 2012 \(section 16\)](#).

<sup>3</sup> Fast accrual schemes are also in place for members of the judiciary and for certain other employments, for example, members of An Garda Síochána and prison officers.

<sup>4</sup> Gross pensionable remuneration is an individual’s total basic salary plus any approved pensionable allowances. Net pensionable remuneration is an individual’s gross pensionable remuneration less two times the value of the contributory state pension.

- 7.58** As this was identified as a legacy issue, in March 2025, the NSSO undertook an initial review of pension contributions for all 38 currently serving ministers. The review examined current pension scheme instructions and pension scheme instructions for all prior ministerial roles held, dating back to their first ministerial appointment.

### ***Additional superannuation contributions***

- 7.59** Additional superannuation contributions (ASCs) are levies paid by public service employees who are members of a public service pension scheme, receive a payment in lieu of pension or an ex-gratia retirement lump sum on their pensionable remuneration. The ASCs are paid in addition to any employee contributions provided for in the relevant pension scheme. ASC receipts are generally retained by the relevant departments and are used to supplement voted funding. In contrast, pension scheme employee contributions payable under the single scheme are remitted to Vote 12.

- 7.60** ASCs only apply to employees' gross pensionable remuneration. ASCs are charged at different rates depending on the applicable pension scheme.<sup>1</sup>

- 7.61** On foot of the initial review of pension contributions for the current ministers, the NSSO sought clarification from the Department of Public Expenditure on any potential impacts for ASCs.

- 7.62** In March 2025, the Department of Public Expenditure issued a briefing document to the NSSO clarifying the pension and ASC requirements for government office holders.

- 7.63** On receipt of the briefing document, the NSSO reviewed the amounts paid by serving ministers, dating back to the introduction of ASCs in 2019. It identified both net underpayments and net overpayments by office holders of pension contributions and ASCs.<sup>2</sup>

- 7.64** On foot of the anomalies identified, a wider review was undertaken by the NSSO to assess the accuracy of pension and ASC deductions for certain high-ranking officers.<sup>3</sup> This included current serving ministers, former ministers and designated office holders. The review examined deductions in each case since the commencement of the single scheme in 2013 and the introduction of ASCs in 2019.

<sup>1</sup> See the applicable ASC rates at Annex 7B.

<sup>2</sup> The Department of Public Expenditure also requested that the NSSO check another pension cohort while undertaking its review. Similar issues were also identified for this cohort.

<sup>3</sup> The officers covered by the review are listed in sections 20 to 25 of the [Public Service Pensions \(Single Scheme and Other Provisions\) Act 2012](#).

**7.65** The review found that

- some ministers had been assigned to the incorrect pension scheme, or in some instances, there was no pension scheme attached to their ministerial allowance — resulting in incorrect pension deductions (both under and over)
- the allowance for some ministers had been treated as a primary employment and not as a subsidiary employment, with the result that incorrect thresholds were applied in the calculation of their ASC liability — resulting in an under-deduction of ASCs
- some ministers assigned to the Single Pension Scheme should have been placed on the non-contributory pre-2013 scheme — resulting in incorrect over-deduction for pension purposes
- due to being on the incorrect pension scheme, some ministers were assigned an incorrect associated ASC rate — resulting in incorrect ASC deductions (both under and over).

***Salary sacrifice and gifting***

**7.66** A salary sacrifice or gifting arrangement allows individuals to voluntarily surrender a portion of their pay, or allowances, back to the State.

**7.67** In April 2025, on foot of its review of a pension contribution case, the Department of Public Expenditure clarified that pay that is gifted/surrendered voluntarily is subject to ASCs, as pension entitlements accrue on the full pensionable remuneration.<sup>1,2</sup>

**7.68** Following investigation, the NSSO established that its payroll system is configured to treat salary gifting as exempt from ASCs, in a similar way to the travel pass salary sacrifice.<sup>3</sup> The NSSO stated that this was initiated in 2008 in respect of the former pension related deductions.<sup>4</sup> However, under section 29 of the Public Service Pay and Pensions Act 2017 (as amended), all salary gifting/voluntary surrender of pay is deemed pensionable pay and is therefore subject to ASCs since its introduction (in 2019).

**7.69** The treatment of salary gifting as exempt from ASCs has resulted in the underpayment of ASCs by those who have made a salary gifting/voluntary surrender of pay since 2019. On foot of this, the NSSO revisited its earlier reviews of pensions and ASCs to ensure that salary gifting/voluntary surrender of pay was also considered.

***Financial implications***

**7.70** As of 25 July 2025, the NSSO has established that 81 individuals have been impacted by incorrect pension and ASC deductions (see Figure 7.4).

**7.71** The NSSO has quantified total net underpayments due of almost €353,000. This comprises total net refunds of just over €41,000 overpaid by six individuals, and total net underpayments of around €394,000 for recovery from 75 individuals. Of this amount, 90% relates to ASC underpayments and the balance relates to pension contribution underpayments. Most of the ASC underpayments are due to the misclassification of ASCs from incorrect pension scheme membership instructions and salary gifting. The 81 cases determined range from net refunds of just over €22,000 to net liabilities of just under €35,000.

1 This clarification was in response to a query raised by the NSSO on the application of ASC to ministerial salary gifting.

2 Salary gifting is not included in the definition of salary sacrifice as provided for in sections 112B and 118B of the TCA 1997.

3 Salary sacrifices for the travel pass scheme and the cycle to work scheme are exempt from ASCs.

4 Pension related deductions were introduced as a temporary measure in 2009 and was charged on all taxable remuneration. ASC replaced the pension related deductions in 2019.

**7.72** The NSSO stated that, as at 25 July 2025, repayment plans are in place for 12 cases, refunds have been processed for four cases, and one case has been fully repaid. Another 11 cases are in the process of establishing repayment plans. More than half of all payees have yet to be notified of their liability or refund.

**Figure 7.4 Net liability of impacted cases, as at 25 July 2025**

Payee group	Number of cases	Net pension contribution liability/ (refund due) €	Net ASC liability/ (refund due) <sup>a</sup> €	Net liability €
Ministers <sup>b</sup>	32	(7,016)	174,665	167,649
Former ministers <sup>c</sup>	40	8,310	134,921	143,231
Designated office holders	6	35,696	(434)	35,262
Civil servants	2	—	2,372	2,372
Others	1	—	4,209	4,209
<b>Total</b>	<b>81</b>	<b>36,990</b>	<b>315,733</b>	<b>352,723</b>

Source: National Shared Services Office. Analysis by the Office of the Comptroller and Auditor General.

Notes:

- a The ASC net liability amount is attributed to the misclassification of ASCs on pensions, gifting, subsidiary employment and incorrect ASC status.
- b Includes ministers and Ministers of State.
- c Seven of the former ministers are currently serving TDs.

## C. Part-time allowances on retirement

- 7.73** Under some legacy public service pension schemes, an individual's pension benefits are calculated by reference to their final pensionable remuneration and total reckonable service.
- 7.74** Final pensionable remuneration includes both pensionable salary and certain pensionable emoluments, such as allowances. Some allowances are generally allowable for pension calculation purposes, for example, shift allowance, higher duties allowance and acting up allowance. However, these are subject to confirmation at retirement.
- 7.75** A 'best 3-in-10' method is used to determine the value of variable allowances included in a public servant's final pensionable remuneration.<sup>1</sup> This method averages the allowances from the three consecutive years within the previous ten years that yield the highest allowance amount.
- 7.76** When an individual works part time, a multiplier representing the work pattern is used to determine the pensionable/reckonable service. For example, a 60% part-time work pattern would have a multiplier of 0.6 for the period of their service.
- 7.77** The [Protection of Employees \(Part-Time Work\) Act 2001](#) prescribes how retirement benefits for those in receipt of allowances and who were working part time, work sharing or availing of the shorter working year should be calculated.<sup>2,3</sup> It provides that the notional full-time equivalent (FTE) rate of the allowance at retirement is used for pension calculations, together with the individual's actual service.

<sup>1</sup> See [Circular 10/2008: Public Service Pension Reform: Revised method of reckoning variable pensionable allowances for pension purposes](#).

<sup>2</sup> A work-sharing arrangement is where the duties and pay of one full-time job are divided between two or more part-time employees.

<sup>3</sup> The rules for work-sharing in the civil service are governed by [Circular 12/2013](#). The implementation and operation of the work-sharing arrangements are at the discretion of management.

<sup>4</sup> The clarification was sought by the NSSO following a query raised by a work-sharer in late 2024 on the treatment of a pensionable allowance for retirement benefits.

### **Basic calculation of pensionable remuneration:**

$$(\text{FTE allowance} + \text{FTE salary}) \times \text{reckonable service multiplier} \\ = \text{pensionable remuneration}$$

### **Miscalculation of part-time allowances on retirement**

- 7.78** In early 2025, the NSSO identified that its treatment of allowances on retirement was incorrect for some pensioners, following clarification received from the Department of Public Expenditure's pension section.<sup>4</sup>
- 7.79** The NSSO was using a legacy process whereby
- the relevant part-time multiplier was applied to the actual amount paid (based on the 'best 3-in-10' reports which used actual amounts earned and paid), rather than the FTE amount
  - the result was then added to the FTE salary, and
  - the same service multiplier was then applied to the result.
- 7.80** Effectively, the NSSO was applying the part-time multiplier twice to the allowance portion of the pension calculation.

### ***Financial implications***

- 7.81** The NSSO stated that work is ongoing to establish the value of underpayments. Initially, it had identified that approximately 13,000 retirees were in receipt of a pension with an allowance component. However, as of 11 July 2025, indications are that less than 2,000 of these retirees had a part-time history in the ten years prior to their retirement.
- 7.82** The NSSO is also working to identify other cohorts which could be impacted by reduced hours, for example, the shorter working year.
- 7.83** The NSSO has stated that
- since the issue was identified, it now checks all new retirement cases to ensure allowances are correctly reflected in all pensions calculated
  - it is also revising 'best 3-in-10' reports, but that these will require testing
  - it has also commenced manual sampling of actual cases to develop test data that will confirm if its methodology is correct
  - as it only commenced transacting pensions in 2013, any part-time cases prior to this, since the commencement of the Act in 2001, will need to be reviewed by individual departments
  - any revisions arising will then be transacted by the NSSO on instruction from the originating departments.

### **Conclusions**

- 7.84** Public service pension arrangements have evolved over time, with different terms and conditions applying to successive cohorts of entrants, and specific rules governing transfers from one employment category to another. The complexity of the arrangements was added to by the temporary application from 2009 of 'pension related deductions' (in response to the financial crisis), which were replaced in 2019 by 'additional superannuation contributions' payable at variable rates. Pensions and related lump sum payments are also subject to tax, which adds further complexity, especially at the point where pension payment commences.
- 7.85** While the overall pension structure and its taxation is complex, administering it is essentially a technical exercise that is capable of being streamlined efficiently and controlled through effective process design and implementation. For most retirees, the information to be gathered and the matters to be decided are relatively straightforward, and payments are made as provided for by the relevant scheme and in line with the relevant tax law. Where unusual circumstances arise in individual cases, there are mechanisms in place to clarify the policy and legal provisions.



- 7.86** Enquiries from a variety of sources in 2024 and 2025 drew the NSSO's attention to errors that had arisen in relation to the pension processing of certain categories of pensioners. In addition, in the course of administering payroll and pension information for outgoing and incoming members of Government, the NSSO identified the previous misapplication of certain provisions of the particular payroll and pensions arrangements for members of Dáil Éireann who are appointed as ministerial office holders, and who are paid a 'ministerial allowance' in addition to their salary as a member of Dáil Éireann.

### ***Chargeable excess tax (CET) and withholding tax (WHT)***

- 7.87** The audit of the 2023 appropriation account for Vote 12 identified the underpayment to Revenue of CET liabilities in respect of certain individuals, mainly in the years 2017 to 2023. In those cases, the CET liabilities had been calculated, and the pensions to the retirees had been reduced to pay the liabilities. A voluntary disclosure was made to Revenue in respect of the underpayment, and a payment of €2.3 million to Revenue was charged to Vote 12 in 2024. Related interest of €0.47 million was also paid by Vote 12 in 2024.
- 7.88** In 2025, further weaknesses have been identified in the NSSO's processes which has resulted in non-calculation of CET and/or WHT on retirement. By early July 2025, on foot of ongoing reviews, the NSSO and the Department of Public Expenditure had determined 19 cases of non-calculation of CET amounting to €1.4 million and 19 cases of non-calculation of WHT amounting to almost €85,000. In three cases, neither CET nor WHT liabilities had been identified at the time the retirement was initially processed.
- 7.89** The Department of Public Expenditure has made payments for 8 of the CET and 15 of the WHT determined liabilities to Revenue, amounting to around €484,000 and €53,000 respectively. Interest and penalties relating to these CET and WHT liabilities of €105,000 and €13,000, respectively, have been paid by the NSSO and charged to Vote 18. These charges are being met from the 2025 voted funds.
- 7.90** The primary cause of the errors for the non-calculation of CET was the NSSO's failure to specify a trigger for the calculation of CET liability that was related to the value of the pension, rather than the grade/rank of the person who was retiring. While the 'grade' trigger used may have been effective in the past, increasing salary (and pension) values in recent years have brought progressively more employees at lower grades into the CET net.
- 7.91** More transparency in the accounting for Vote 12 — and in other relevant financial statements — around the recognition of CET debtors and the recovery of the debts (over 20 years) from gross pension payments could have provided a focus for earlier identification of the failure to pay liabilities to Revenue. Accounting for pension payments in CET cases on a 'gross expenditure' basis would also be more consistent with the principles of the Department of Public Expenditure's *Public Financial Procedures*.

***Ministerial pensions, additional superannuation contributions (ASC) and salary gifting***

- 7.92** The NSSO identified issues due to inaccurate ministerial pay and pension instructions being received from local department HR units around the time of Government formation in January/February 2025. Misunderstanding and inconsistency in the HR units in ministers' departments was found to have resulted in the previous misclassification of ministerial pension contributions and in the calculation of ASC liabilities.
- 7.93** Following extended reviews of ministers and other higher-grade officers, further inaccuracies were identified with the allocation of pension contributions and ASC rates. Issues were also identified with the configuration of the NSSO's system regarding ASCs on salary gifting. The NSSO is taking steps to prevent such errors from occurring in the future.
- 7.94** As of 25 July 2025, the NSSO has established that 81 individuals have been impacted by pension and/or ASC misclassifications resulting in mis-payments. Net refunds totalling €41,000 are being made to six individuals. Net underpayments totalling €394,000 have been identified for recovery from 75 individuals. The NSSO is engaging with the relevant individuals to arrange repayment plans and refunds.

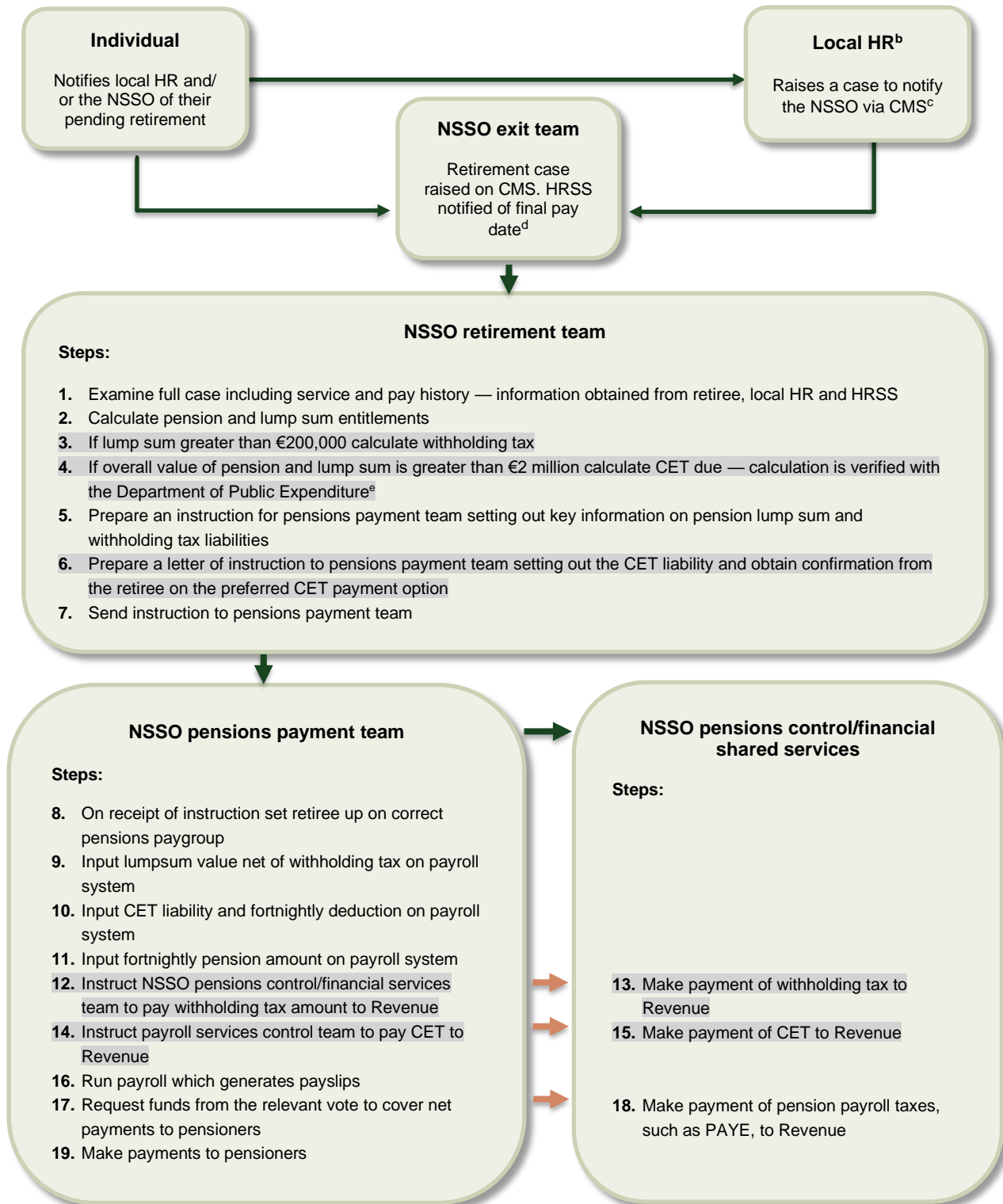
***Processing of pensionable allowances for part-time employees***

- 7.95** In early 2025, the NSSO identified that its treatment of pensionable allowances on retirement was incorrect for some individuals, resulting in underpayment of pension entitlements. Initial indications, as of 11 July 2025, are that less than 2,000 retirees had a part-time history in the ten years prior to their retirement. Work is ongoing to determine the number of individuals affected and the value of any underpayments.
- 7.96** As the NSSO only commenced transacting pensions in 2013, any part-time cases prior to this to this date will need to be reviewed by individual departments.

***Learning from the errors identified***

- 7.97** The above three matters indicate a systemic lack of understanding of some of the intricacies within public sector pension legislation and its interrelationship with tax provisions. The relevant departments and administrators of public sector pensions should be provided with timely, sufficient and frequent guidance, updates and oversight in relation to all pension matters.
- 7.98** The cumulative financial impact of the matters determined to date is not considered to be material at an individual vote level. However, the impact of the errors on individual retirees or employees may certainly be material. As provided for in Department of Public Expenditure guidelines, any underpayment or overpayment due to a public body in respect of salary or pension must be recovered as quickly as possible.

- 7.99** NSSO reviews are ongoing and corrective action is being taken to address weaknesses identified in its processes and systems. A Revenue audit of the NSSO is also in progress since July 2025, the results of which may lead to further corrective action being required. Payments to Revenue have been made by the Department of Public Expenditure — from Vote 12 — and the NSSO on matters determined to date. Further settlements or liabilities may be determined on foot of the findings and quantification of the ongoing matters under review.

**Annex 7A NSSO pension starter and 19-step pension process<sup>a</sup>**

Source: National Shared Services Office. Analysis by the Office of the Comptroller and Auditor General.

Notes:

- Items highlighted in grey represent the steps which were not undertaken resulting in the non-disclosure and/or non-payment of CET and WHT liabilities.
- Local HR refers to the HR unit of the body that employed the individual.
- CMS stands for case management system.
- HRSS stands for human resource shared services unit.
- The calculation of CET has been undertaken for the Assistant Secretary grade and above since 1 June 2024. The NSSO stated that, since August 2025, all retirees regardless of their grade are now checked for CET and WHT liabilities.

## Annex 7B ASC rates

ASC is chargeable on pensionable remuneration only and different rates apply depending on whether a public servant is a member of a standard accrual (pre-2013) pension scheme, a fast accrual pension scheme or the single public service pension scheme.

### Member of a standard accrual (pre-2013) pension scheme

2019+ threshold	2020+ threshold	Rate
€0 to €32,000	€0 to €34,500	Exempt
Over €32,000 to €60,000	Over €34,500 to €60,000	10%
Over €60,000	Over €60,000	10.5%

### Member of a fast accrual pension scheme

2019+ threshold	Rate
€0 to €28,750	Exempt
Over €28,750 to €60,000	10%
Over €60,000	10.5%

### Member of the single public service pension scheme (since 2013)

2019+ threshold	Rate	2020+ threshold	Rate
€0 to €32,000	Exempt	€0 to €34,500	Exempt
Over €32,000 to €60,000	6.66%	Over €34,500 to €60,000	3.33%
Over €60,000	7%	Over €60,000	3.5%

Source: [Public service pensions.gov.ie](https://publicservicepensions.gov.ie)

