An Roinn
Gnóthaí Fostaíochta agus Coimirce Sóisialaí
Department of
Employment Affairs and Social Protection

Government announces significant improvements to pension calculations for post 2012 pensioners with contribution gaps for homemaking and caring who were assessed under the pension rate band changes in 2012

A Total Contributions Approach (TCA) including a new 'HomeCaring Credit' of up to 20 years will address anomalies from the yearly averaging system

Over 40,000 pensioners assessed under the 2012 rate band changes will be contacted from Autumn 2018 and invited to have their pensions reviewed

Pensioners who qualified after 2012 will receive the higher of their current rate or the new TCA rate

Higher rates will commence from 30th March 2018

First payments at these higher rates and any arrears payable from 30th March 2018 will be made in Q1 2019

From now until the full implementation of the TCA, this option will be available to all new pension applicants

Today (23rd January 2018) Minister for Employment Affairs and Social Protection Regina Doherty T.D. announced significant improvements to pension outcomes for homemakers and carers who are assessed under rate band changes introduced in September 2012 and the current yearly averaging system.

A new Total Contribution Approach (TCA) will be available to pensioners affected by the 2012 changes, and will include up to 20 years of a new HomeCaring credit. This approach is expected to significantly benefit many people, particularly women, whose work history includes an extended period of time outside the paid workplace, while raising families or in a caring role. It will make it easier for pensioners assessed under the yearly average model, to qualify for a higher rate of the State Pension (contributory). The TCA will ensure that the totality of a person's social insurance contributions - as opposed to the timing of them - determines a final pension outcome.

Making the announcement the Minister said: **"In recent months, many people expressed concern about their pension rates, which were affected by rate band changes in 2012. We listened and we worked on a solution, and today I am delighted to announce a very significant change in Ireland's pension system. Today's changes will greatly benefit tens of thousands of pensioners, the majority of them being women who spent time out of the workforce caring for their families.**

"The early availability of a Total Contribution Approach with substantial HomeCaring Credits will deliver more equitable pension outcomes. The period of time over which a person paid social insurance contributions will no longer be a key determining factor in a pension calculation; instead the totality of contributions paid and credited will be. With up to 20 years of HomeCaring credits available for time spent in a family or caring role, many more people will now qualify for higher pensions under this approach."

The Minister added: **"Through pledging significant financial resources to this approach, the Government is demonstrating a commitment to ensure that State Pension (contributory) outcomes better reflect a person's contributions over the entirety of their working life. These changes we announced today are an indication of the value we as a Government place on the women and men, now of pension age, who have worked both outside and inside the home throughout their lives."**

The new TCA with substantial HomeCaring credits will be available to all people who reached pension age after 1st September 2012, when the revised rate bands took effect. The TCA calculation option will be made available to those who reached pension age after that date, and the higher rate of entitlement will be paid.

Under the new arrangements a person who has a 40 year record of paid and credited social insurance contributions, subject to a maximum of 20 years of the new HomeCaring credits, will qualify for a maximum contributory pension where they satisfy the other qualifying conditions for the scheme. This represents one of the most generous accommodations for people who have taken time out of the workforce for caring roles across State Pension systems in Europe.

The option of applying for a means tested non-contributory pension, which can pay up to 95% of the maximum contributory rate remains in place. Currently, over 70% of all non-contributory pensions are paid at the maximum rate of €227. The means disregards for the non-contributory pension are substantial. For example, the first €200 of gross weekly earnings from employment is disregarded.

The new TCA for pensioners assessed under the 2012 rate band changes, comes into effect from the 30th March 2018. The Department will invite over 40,000 pensioners, currently assessed under the 2012 rate band changes, to have their pensions recalculated under TCA to determine if they qualify for a higher rate of entitlement. However, as it will take time to design and set up administrative processes, and the necessary IT systems, the Department expects to send out the invitations from Q4 2018. Pensioners do not need to contact the Department or do anything else until written to by the Department nearer the end of the year. The first payments will be made from Q1 2019, with payment backdated to the 30th March 2018.

The TCA will replace the "yearly average" approach for all new State Pension (contributory) applicants from around 2020 onwards. This approach will ensure that a person's pension payments reflect more fully and fairly a person's lifetime contributions history.

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Link to Report

Link to Q&A

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