An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

Public Health Sector Pensions: An Ever Increasing Burden on the HSE Budget?

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IGEES
Irish Government Economic & Evaluation Service

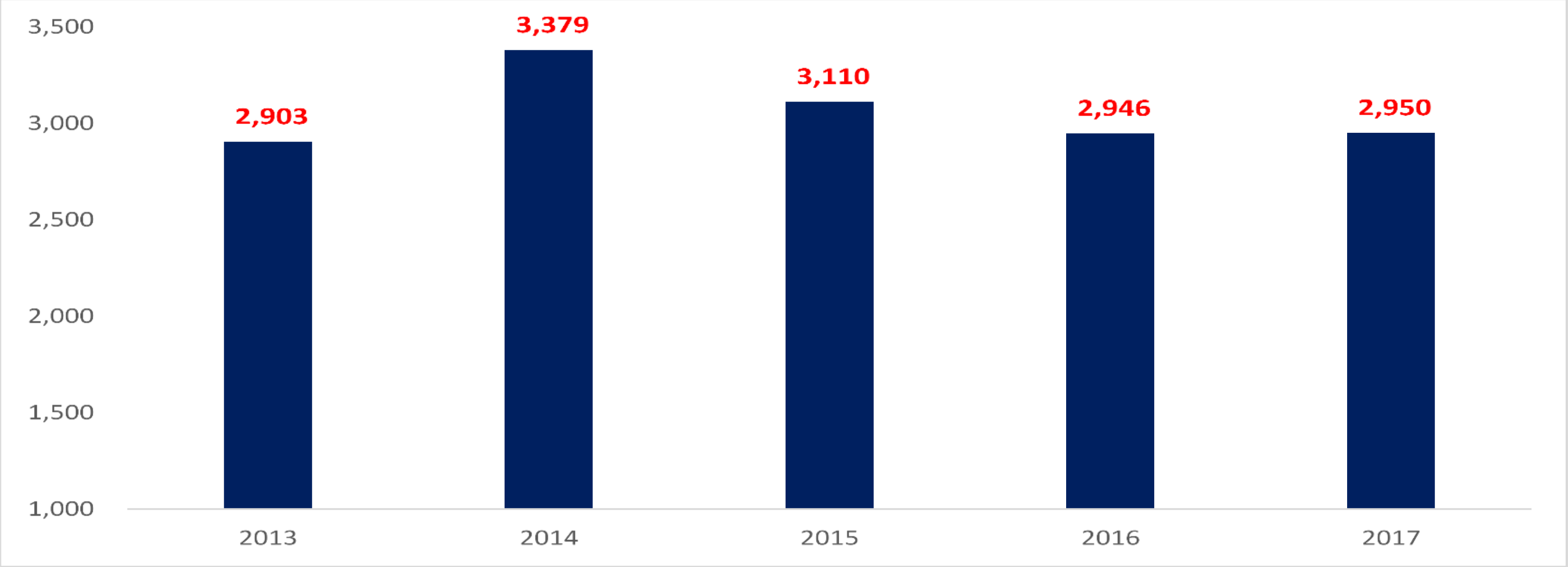
Overview

- Number of retirements per annum
- Historical cost of pensions on the HSE budget
- Funding of pension costs by the HSE
  - Superannuation Pension Contributions
  - Pension levy
  - Exchequer Contributions
- Calculating the 2017 Allocation
- Estimate of pension costs out to 2020
- Talking Points

Number of retirements per annum

- Number of expected claimants will vary dependent on two factors;
  - the number of retirements in a year
  - the attrition rate of existing pensioners

Graph 1: The number of Retirements from the HSE - 2013 to 2017

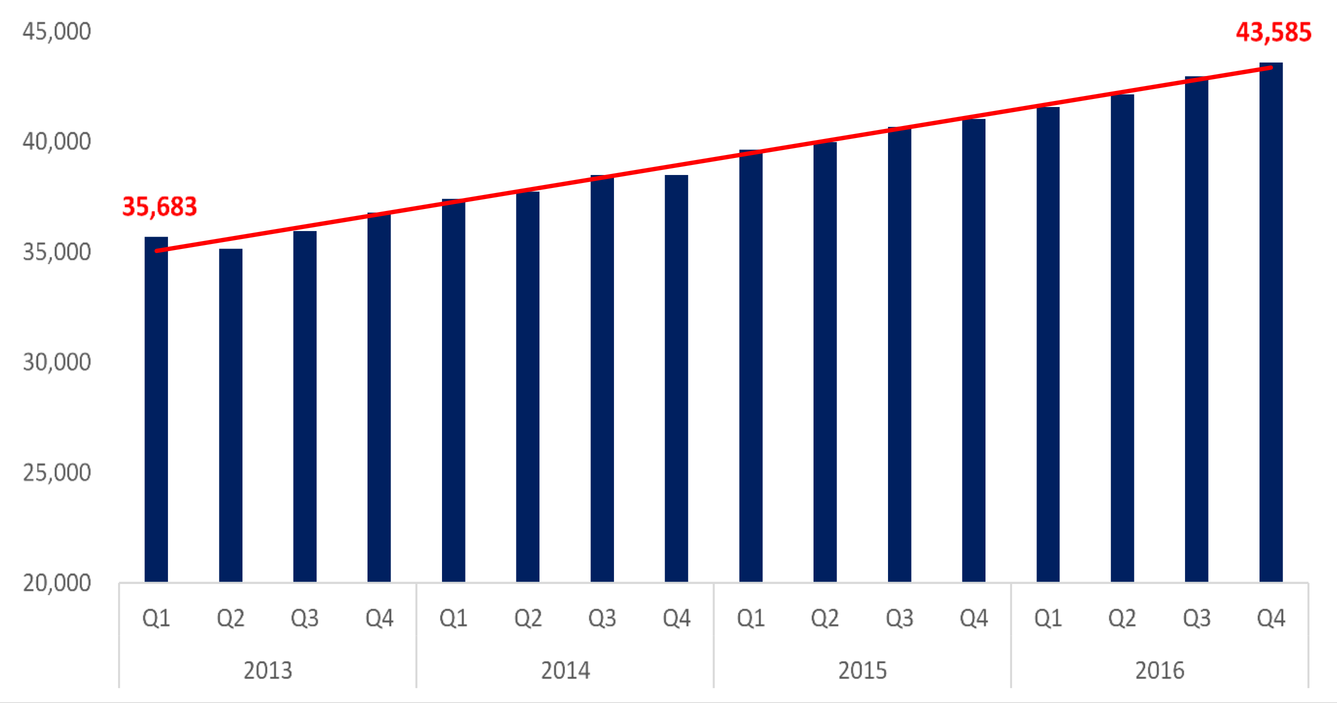


Source: HSE Data *HSE Estimate included for 2016 & 2017*

Number of retirements per annum

- Compared to the start of 2013, the overall number of HSE pensioners at the end of 2016 was 7,902, or 22%, higher.
- The overall numbers of HSE pensioners has increased broadly uniformly over the period at an average quarterly rate of 527 additional claimants.
- Attrition rate for the years 2014, 2015 and 2016 at 1,675, 578 and 380 respectively.

Graph 2: Quarterly number of HSE Pensioners - 2013 to 2016

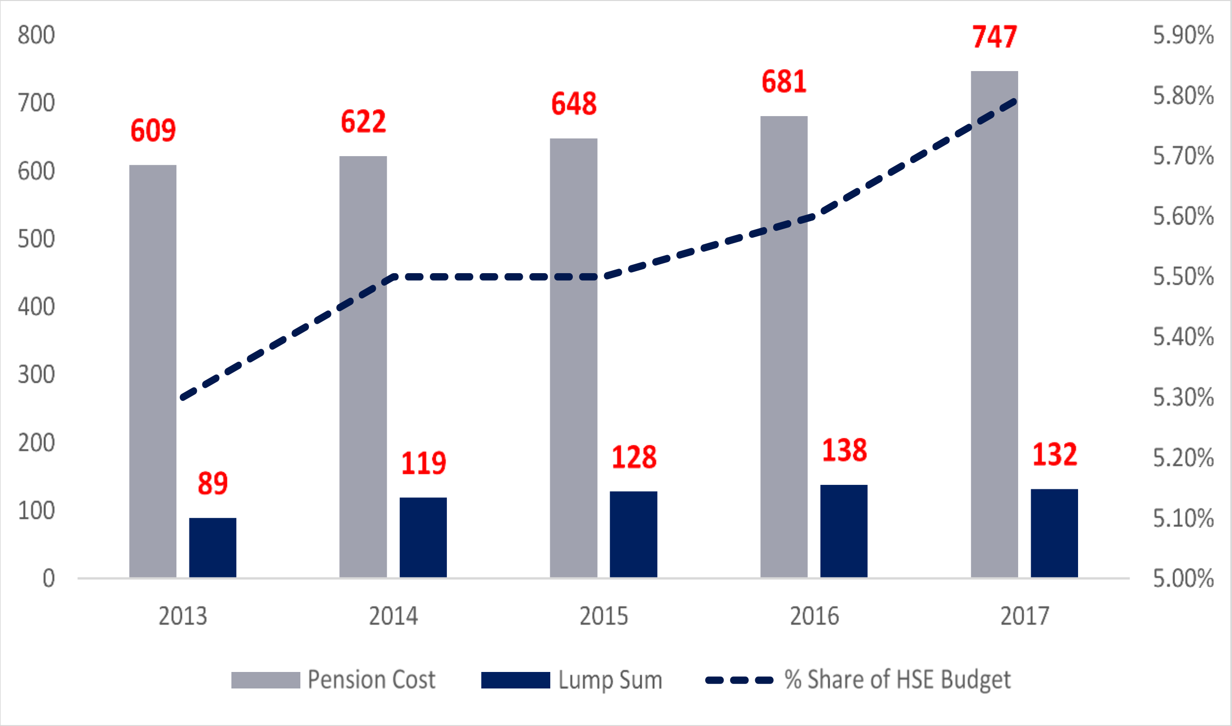


Source: HSE Data

Historical cost of pensions on the HSE budget

- If the HSE allocations are correct, the outturn in 2017 (both ongoing and lump costs combined) will be €181 million, or 26%, higher than the outturn in 2013.
- in 2013 pension payments accounted for 5.3% of overall HSE expenditure.
- In 2017, this proportion is estimated to increase to 5.8% as the absolute cost of pensions is estimated to go up by €60 million to €879 million compared to 2016.

Graph 3: The Annual Expenditure on Pensions by the HSE (€ Millions)



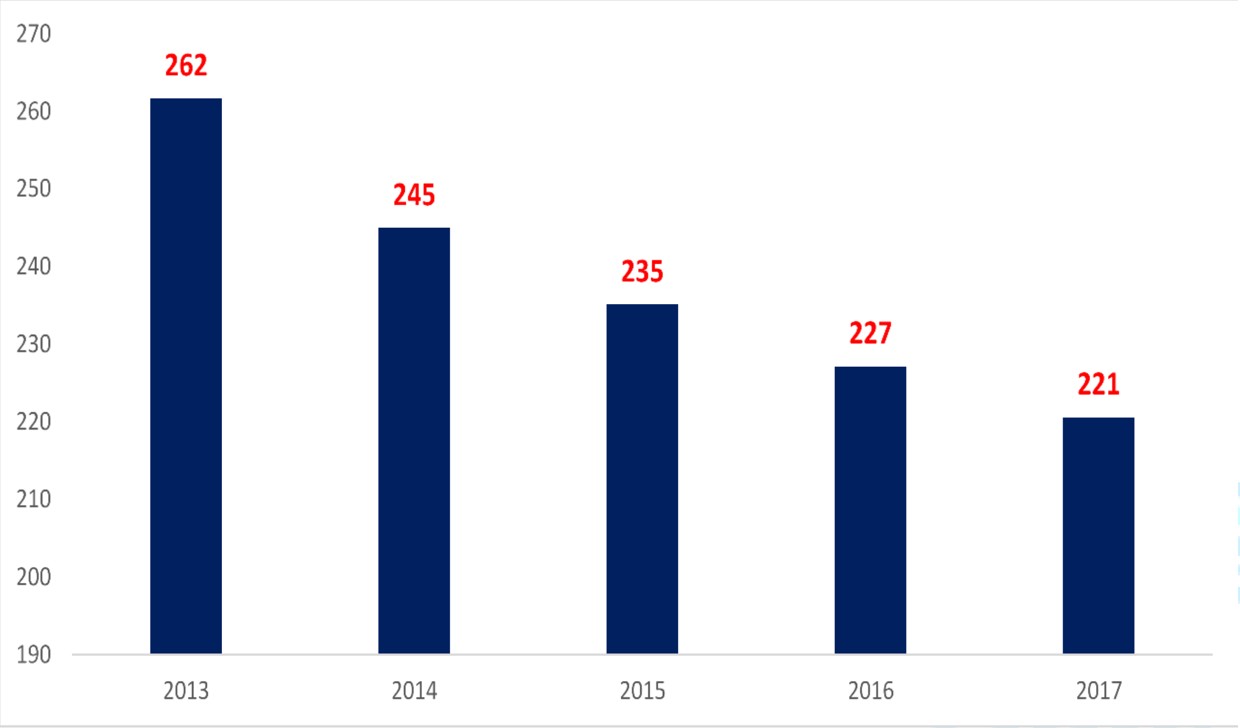
Source: HSE Employment Reports & Campbell & Mullins (2016)

2017 Estimate based on HSE Submission to Cabinet Committee on Health

Funding of pension costs by the HSE

- Alterations to the treatment of superannuation income were made in 2013 arising from the implementation of the Public Service Pensions (Single Scheme and Other Provisions) Act (2012);
  - Income directly received by the HSE fell from €262 million in 2013 to an estimated €221 million in 2017.
  - An average yearly fall of €10 million per annum.

Graph 4: Annual Superannuation Income Received by the HSE (€ Millions)

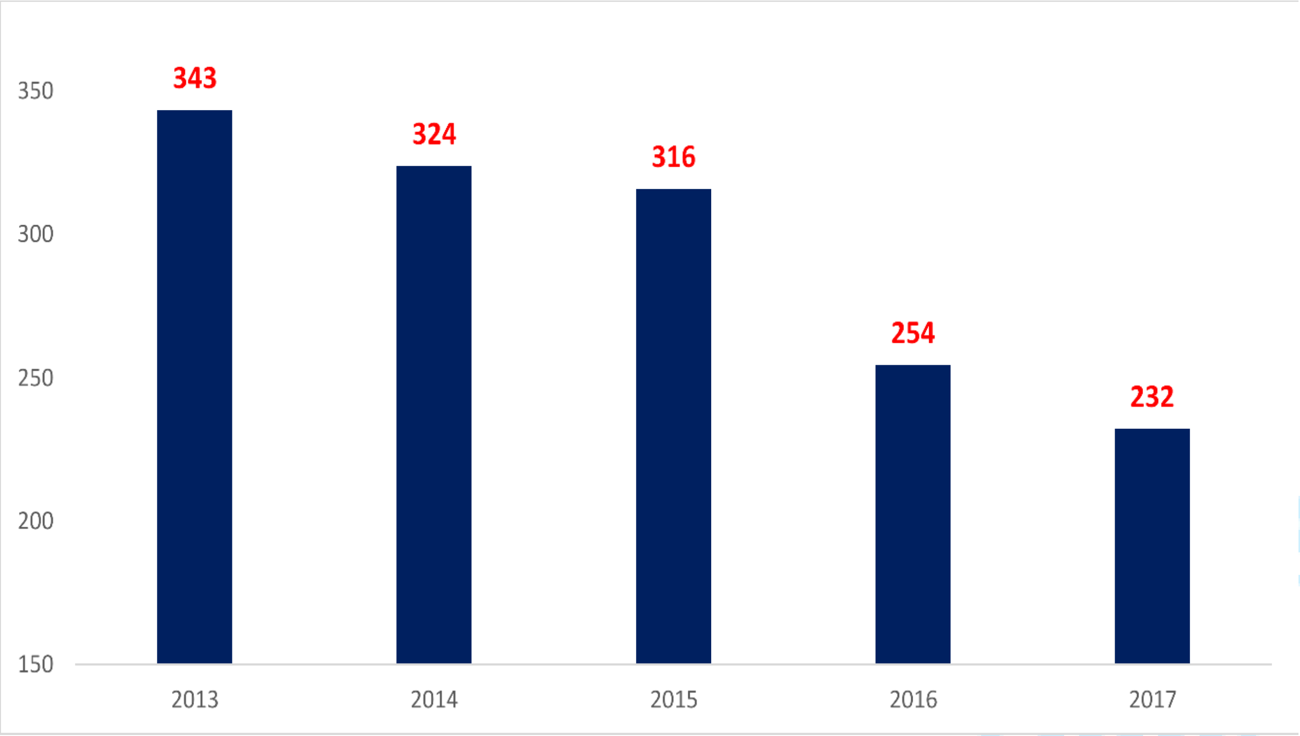


Source: HSE Data

Funding of pension costs by the HSE

- The usual practice pertaining to the pension levy is that income generated through this measure is ceded back to the central fund.
- An agreement was struck with the HSE to retain this income;
  - The expected income in this line of income in 2017 is €111 million, or 32%, lower than the amount received in 2013.

Graph 5: Annual Pension Levy Income Received by the HSE (€ Millions)

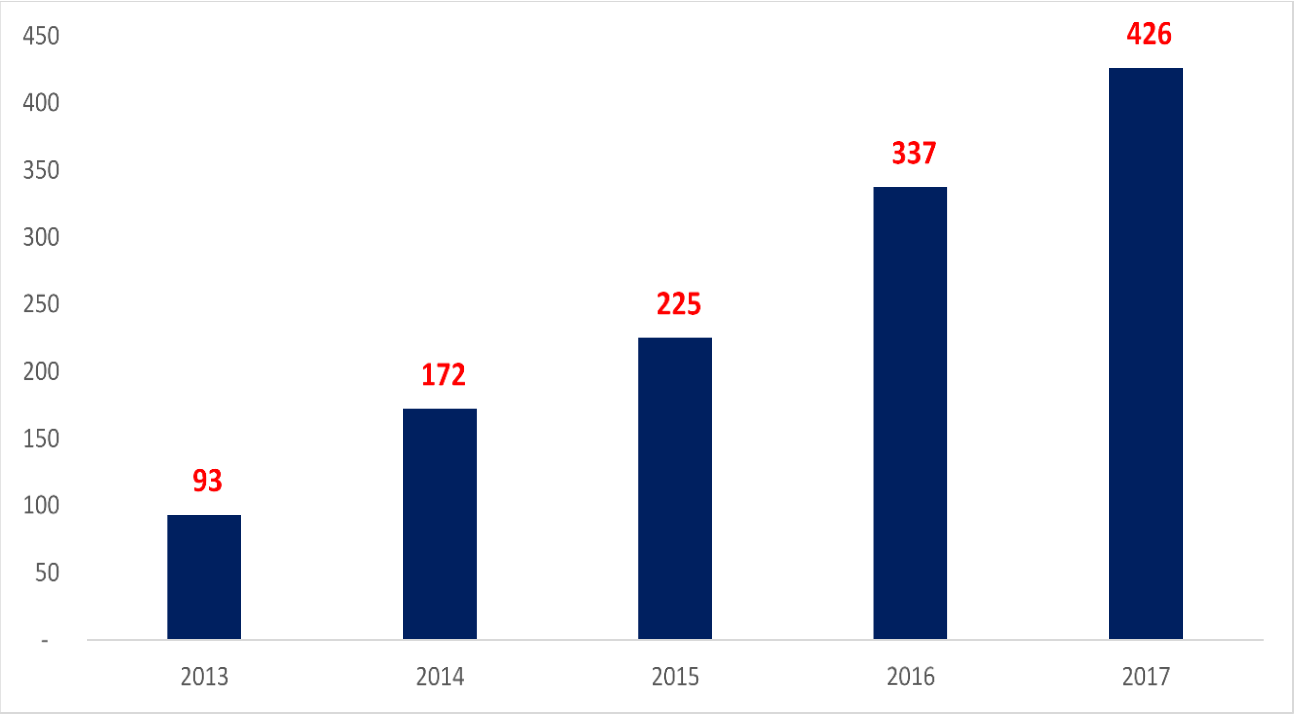


Source: HSE Data

Funding of pension costs by the HSE

- Currently the balance of costs are being met by contributions from the exchequer.
- the contributions made directly by the Exchequer have increased from €93 million in 2013 to an allocation of €426 million in 2017
- the share of Exchequer resources being spent on pension's costs as a percentage of the overall pension bill has increased from 13% to 48%.

Graph 6: Annual Contribution from the Exchequer (€ Millions)



Source: HSE Data

Calculating the 2017 Allocation

- 2,950 retirees spread evenly across twelve months in 2017
- Statutory Sector
  - Average pay-out €13,600 per annum and €42,500 lump sum
- Voluntary Sector
  - Average pay-out €11,300 per annum and €47,500 lump sum
- Pensioner attrition estimated at €4.5 million

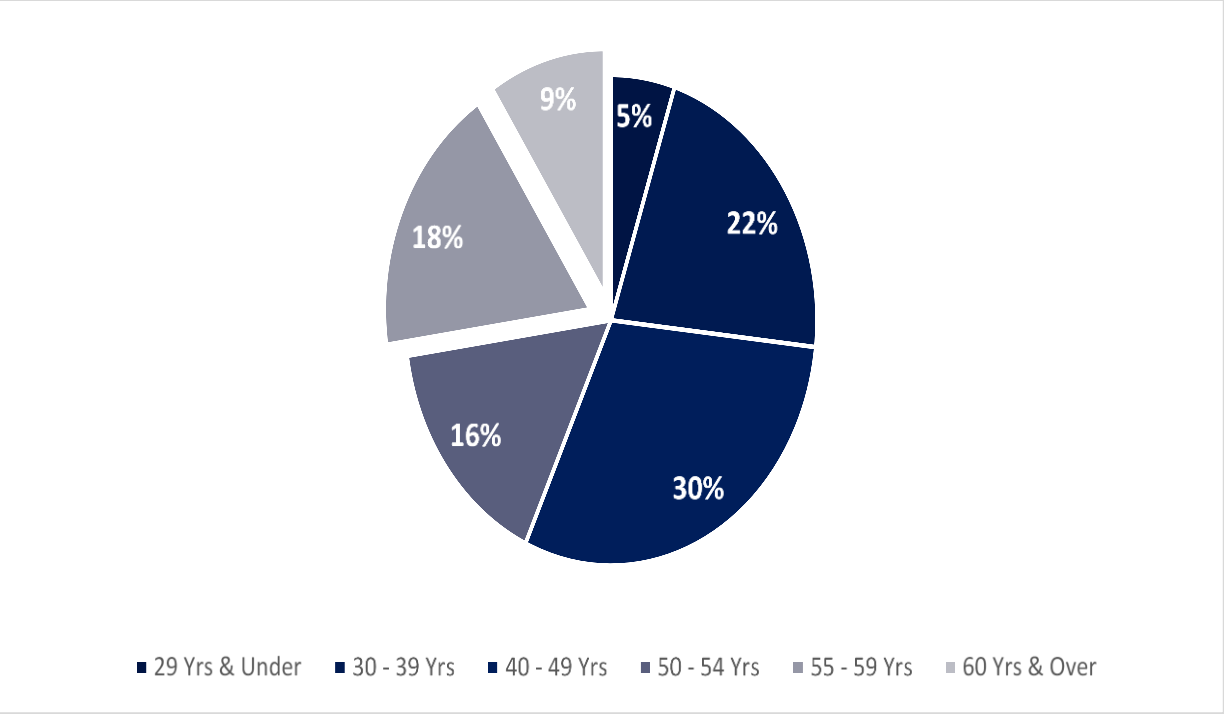
Table 1: Estimated breakdown of funding provided to cover HSE pension bill in 2017

Source	€ Millions
Superannuation Income	221
Pension Levy Income	232
Exchequer Contribution	426
Total	**879**

Estimate of pension costs out to 2020

- Number of expected claimants will vary dependent on two factors;
- the number of retirements in a year & the attrition rate of existing pensioners
- Going forward, this can be estimated by looking at the cohort of employees over 60
- This data is not made available to DPER but could be significant
- For example across the Civil Service 9% of staff fall into this category

Graph 7: Breakdown of Civil Service Staff by Age cohort (WTEs)



Estimate of pension costs out to 2020

- Pension liability to increase by an average of 5.9% per annum
- Superannuation Income
  - Income to fall by 4.2% per annum
- Pension Levy income
  - Income to fall by 9% per annum
- Share of the Exchequer contributions in 2020 is estimated to be 64% compared to 13% in 2013

Table 2: Estimated pension costs 2017 – 2020 (€ Millions)

	2017	2018	2019	2020
Superannuation Income	221	212	203	195
Pension Levy Income	232	211	192	175
Exchequer Contribution	426	500	574	647
Total	**879**	**923**	**969**	**1,018**

Estimate of pension costs out to 2020

- The Programme for Partnership Government (2016) – Commitment to increasing the Exchequers overall contribution to health funding by 3% per annum.
- Capital Plan (2015) - Spending to increase from €454 million in 2017 to €570 million in 2020.
- The percentage of current expenditure accounted for by pensions is estimated to increase to 4.2% in 2020 from 3% in 2017.

Table 3: Estimated Exchequer contributions to the healthcare system 2017 – 2020 (€ Millions)

	2017	2018	2019	2020
Current	14,152	14,571	14,946	15,390
Capital	454	473	550	570
Total	**14,606**	**15,044**	**15,496**	**15,960**
Exchequer spend on Pensions	426	500	574	647
% of Current Spend	3.0%	3.4%	3.8%	4.2%

Talking Points

- How big could the HSE’s pension liability get and are the HSE adequately estimating this liability?
- What impact does an ever increasing cost of health sector pensions have on budget sustainability?
- What impact does an increasing cost of pensions have on the provision of healthcare in the State?
- What other funding models could the HSE use?