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Issued via email: [minister@welfare.ie](mailto:minister@welfare.ie)  
cc: [Caroline.Kilkenny@welfare.ie](mailto:Caroline.Kilkenny@welfare.ie)

September 2024

## **Social Insurance Fund**

Dear Minister Humphreys,

During your engagement with the Select Committee for Social Protection, Community and Rural Development on 7 February 2024<sup>1</sup>, Committee members raised queries in relation to the increasing administration costs in the Social Insurance Fund (SIF). Further to your response to these queries (27 February) the Committee agreed to forward your response to the Parliamentary Budget Office (PBO) seeking feedback in relation to this matter. Prior to your appearance before the Committee on February 7 the Committee also requested a note from the PBO explaining the administration costs of the SIF and how they interact with the overall costs of administration in the department. This letter sets out the feedback received by the Committee from the PBO<sup>2</sup>.

The PBO told the Committee, in their original note on the SIF administration, that while the composition of administration costs of both the Vote and the SIF are reasonably well known and understood, as are the means for recouping these costs, the methodology by which administration costs are valued and apportioned are not clear.

The Social Insurance Fund and the schemes it funds are distinct from public services and the current model effectively imposes a small change on contributors for the benefits granted under the Social Insurance Umbrella with administration costs recouped by Vote 37 in 2024 estimated to reflect about 1.1% of the SIF's forecast income. The total SIF administration in 2024 is estimated to reflect about 1.7% of the SIF's forecast income.

The PBO told the Committee that the administration costs of the SIF are unlikely to be different under an alternative funding model for those costs, but the sources of funding would presumably shift towards an alternative approach such as direct Exchequer funding as opposed to the current approach which is primarily PRSI contributions. If SIF income was to be

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<sup>1</sup> Select Committee Meeting Transcript, February 7 2024, available [here](#)

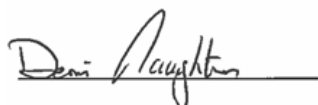
<sup>2</sup> Parliamentary Budget Office Note on the Social Insurance Fund Administration can be found at Appendix 1.

ringfenced, with administration funded from the Central Fund, it would place an increased burden on finite resources allocated within the annual budget process but would help to increase SIF surpluses. In the event of reduced SIF income, increased SIF expenditure or a combination of both, increased SIF reserves would potentially reduce the need for subventions from the Exchequer to fund SIF schemes.

In this context, the Committee recommends that the policy of allocating administration costs from the Social Insurance Fund be kept under review by the Minister

If you require any further information regarding this matter, please don't hesitate to contact me by return email at [spcri@oireachtas.ie](mailto:spcri@oireachtas.ie).

Yours Sincerely

A handwritten signature in black ink, reading "Denis Naughten", written over a horizontal line.

**Denis Naughten**  
**Cathaoirleach**  
**18<sup>th</sup> September 2024**



## Social Insurance Fund Administration

### Key Messages

- Social Protection schemes are either Social Assistance (funded by the Exchequer) or Social Insurance (funded from the Social Insurance Fund).
- The Social Insurance Fund (SIF) is primarily funded by Pay Related Social Insurance (PRSI) contributions.
- The 2024 allocation for Social Protection spending is €25,579 million, with spending from the SIF making up over €12,871 million (50.3%) of this total.
- The Department of Social Protection administers all these schemes and charges the SIF a fee for the administration costs associated with delivery of Social Insurance Schemes.
- This administration charge is treated as an Appropriation-in-Aid to the Vote, and is offset against the costs it incurs.
- In 2023 this charge (€185.6 million) made up approximately 60% of the Vote's Appropriations-in-Aid (€307 million).
- Based on 2022 figures, staff costs are the single biggest component of the Department of Social Protection's administration costs for both Social Assistance (54.3%) and Social Insurance (49.5%).
- The exact methodology for pricing the costs of administering Social Insurance schemes is not known.

### Introduction

This note has been prepared further to a request from the Committee on Social Protection, Community and Rural Development and the Islands (the Committee) received on the 18<sup>th</sup> of January 2024. In order to facilitate the analysis herein, the Committee shared some documentation with the PBO directly. The Select Committee on Social Protection, Community and Rural Development and the Islands met with the Minister for Social Protection on [07 February 2024](#).

Social Protection spending is divided across two sources of funding. The Vote (Vote 37) funds Social Assistance schemes such as Jobseekers' Allowance, Disability Allowance etc., with this spending approved by Dáil Éireann in the annual budget process, and ultimately in the annual Appropriation Act. In 2024, the projected gross spend on Social Assistance

schemes is due to exceed €12,896 million. The majority of this cost is met from the Central Fund.<sup>1</sup>

In addition to the Voted spend on Social Protection, a second non-Voted component exists to fund Social Insurance schemes. These schemes are primarily funded by Pay Related Social Insurance (PRSI) contributions. These contributions sit within the Social Insurance Fund (SIF) (also referred to as Vote 37a in some documentation). In the event that the SIF has insufficient funds to meet its liabilities, a top-up payment (known as a subvention) is made from the Exchequer (via Vote 37). In 2024 the SIF has projected expenditures of over €12,871 million, with ~€12,578 million of that used to fund schemes and services, with the balance of ~€293 million funding various administration costs of the SIF. SIF spending primarily relates to contributory pensions (with a projected cost of over €9,415 million in 2024).

The administration of the schemes funded by both Vote 37 and the SIF are carried out by staff of the Department of Social Protection, with significant crossover of duties likely to occur.

The purpose of this note is to explain the relationship between the Vote and the SIF and, in particular, how the Vote recoups the administration costs associated with its delivery of Social Insurance Fund schemes.

This note will build upon previous work of the PBO, specifically [An Overview of the Social Insurance Fund \(SIF\)](#).

## Context

In the *Revised Estimates for Public Services 2023*, the gross total cost projected for the delivery of Social Protection schemes was over €23,901 million, comprising:

- Gross Voted spending of €12,180 million (through Vote 37), and
- €11,894 million of non-Voted spending (through the SIF).

At that time, there was a projected spend of almost €274 million by the SIF on administration costs, of which €173 million would be recouped by the Vote (Department of Social Protection) as an Appropriation-in-Aid,<sup>2</sup> in respect of the administration costs incurred for Social Insurance schemes.

In briefing supplied by the Department of Social Protection to the Committee, the amount to be recouped by the Vote in respect of administration expenses from the SIF was revised upwards to €185.6

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<sup>1</sup> PBO, [An Overview of the Central Fund: What it is & how it operates](#) (2023).

<sup>2</sup> PBO, [Appropriations-in-Aid in the Revised Estimates for Public Services](#) (2018).

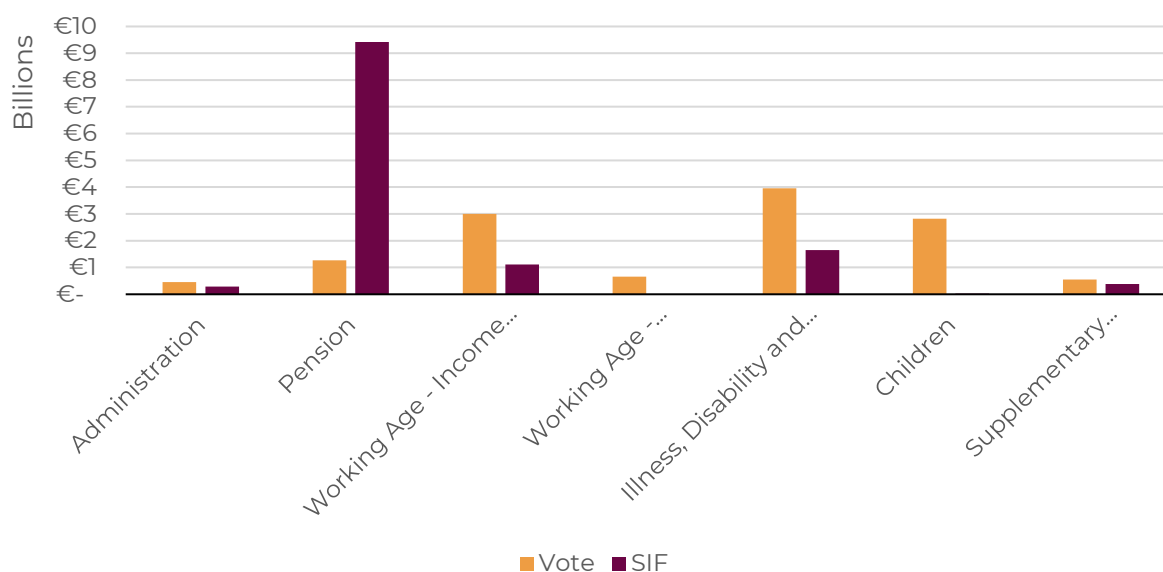
million (an increase of €12.6 million / 7%).<sup>3</sup> This formed part of an overall increase in Appropriations-in-Aid to the Vote of €49.7 million.

By comparison, the Supplementary Estimates for Social Protection included an additional 2% spending on administration in the Vote.

### Overview of Social Insurance and Social Assistance

Figure 1 illustrates the projected spend (€25,579 million) on Social Protection in 2024. Overall, SIF spending reflects 50.3% of the total spend. Administration of the SIF is estimated to be 1.1% of total expenditure compared to 1.8% for the administration of Social Assistance schemes.

**Figure 1: Composition of Projected Spending 2024**

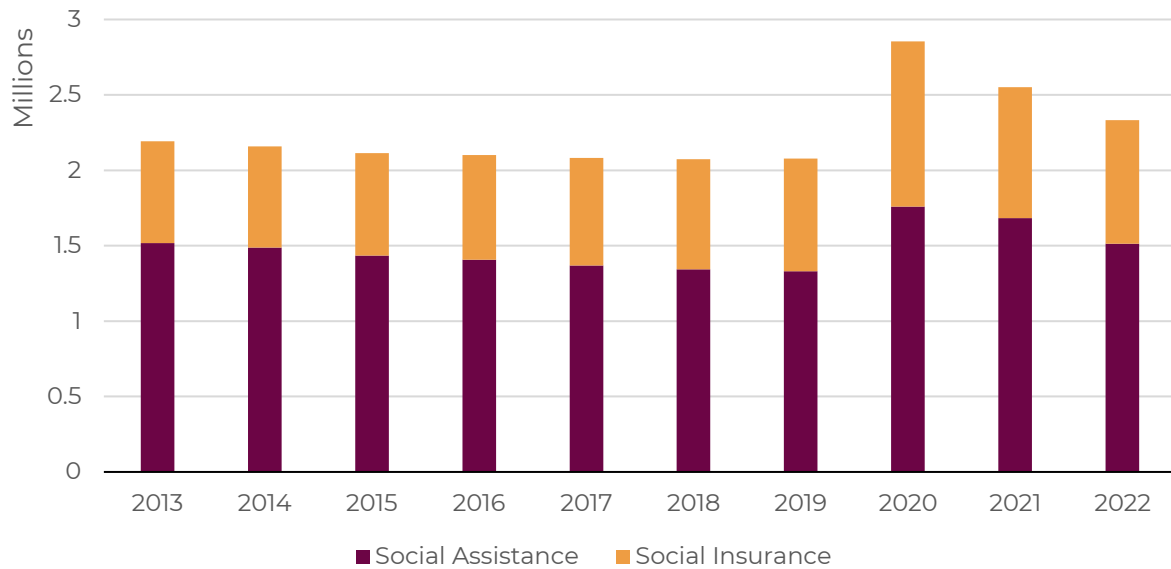


Source: [Revised Estimates for Public Services 2024](#) (December 2023).

Figure 2 illustrates that in 2022, 35.1% of recipients of the main periodic benefits were associated with Social Insurance schemes. Despite being referred to as a benefit (usually used to refer to Social Insurance schemes), Child Benefit is a universal payment delivered through the Vote. Child Related Payments have the single greatest number of beneficiaries of any scheme category (see Figure 1), with 852,903 beneficiaries in 2022 (of which 851,711 were associated with Social Assistance schemes).

<sup>3</sup> Department of Social Protection, *Vote 37 2023 Supplementary Estimate: Briefing for members of the Select Committee on Social Protection, Community and Rural Development, and the Islands* (2023) p.10.

**Figure 2: Number of Recipients of Main Periodic Benefits by Programme and Insurance or Assistance, 2013-2022**



Source: Department of Social Protection, [Statistical Information On Social Welfare Services: Annual Report 2022](#) (2023) p.25.

### Legislative Basis for SIF Administration Costs Transfer

The Department of Social Protection administer Social Insurance schemes and recoup these administrative costs from the Social Insurance Fund in the form of Appropriations-in-Aid.<sup>4</sup> Part 1, Section 5(2) of the [Social Welfare Consolidation Act 2005](#) provides that:

There shall be paid to the Minister for Public Expenditure and Reform out of the Social Insurance Fund, at the times and in the manner the Minister for Public Expenditure and Reform may direct, any sums that the Minister may estimate, on the basis that may be agreed on between the Minister and the Minister for Public Expenditure and Reform, to be the part of those expenses of the Minister or any other Minister which relates to the scheme of social insurance provided for in Part 2 and any sums so paid shall be appropriated in aid of moneys provided by the Oireachtas for carrying this Act into effect.

<sup>4</sup> See also PBO, [Appropriations-in-Aid in the Revised Estimates for Public Services](#) (2018).

## Overview of SIF Administration Costs

The *Revised Estimates for Public Services* describe the composition of SIF administration costs under 9 distinct headings. The 2023 costs for these headings are set out as per the [Revised Estimates for Public Services 2024](#) (December 2023).

**Table 1: Details of Social Insurance Fund Administration (2023) (€ millions)**

Heading	Estimate
Department of Social Protection - costs incurred administering SIF schemes and funded from Vote 37 Administration	€185.600
Office of the Revenue Commissioners - Vote 9 - collection of PRSI receipts	€37.437
An Post Payment Delivery Services	€21.314
Department of Public Expenditure, NDP Delivery and Reform - Superannuation and Retired Allowances - Vote 12	€33.685
Office of Public Works - Vote 13 - Rent and Maintenance of Department buildings	€4.792
Department of Housing, Planning and Local Government - Vote 34 - payment in lieu of rates	€0.741
Comptroller & Auditor General - Vote 8 - audit of Social Insurance Fund accounts	€0.330
Department of Enterprise, Trade and Employment - Vote 32 Employment Appeals Tribunal	€0.205
Bank Charges – Fund	€2.400
Negative Interest – Fund	€0.000
<b>Total</b>	<b>€286.504</b>

Source: [Revised Estimate for Public Services 2024](#) (2023) p.183 (p.190 of pdf).

The [Social Insurance Fund: Financial Statements 2022](#) (2023) describe SIF Administration Expenses under two distinct categories. As the most recent data for these relates to 2022 the PBO is confined to commenting on these figures. These are set out separately in Table 2 and Table 3 below.

**Table 2: SIF administration charges apportioned per Vote 37 services mix (2022) (€ millions)**

Charge	Cost
Staff costs – salaries	€81.278
Staff costs – travelling	€0.478
Postage and telecommunications	€3.777
Accommodation/Equipment/Supplies	€21.420
External Consultancy	€0.345
Medical Certification	€44.618
Other	€12.269
<b>Subtotal</b>	<b>€164.185</b>

Source: Department of Social Protection, [Social Insurance Fund: Financial Statements 2022](#) (2023) p.16.

**Table 3: SIF administration charges incurred directly (2022) (€ millions)**

Charge	Cost
Agency Costs – An Post: Transmission of benefit payments	€21.112
Agency Costs – Revenue Commissioners: Collection of contributions	€37.437
Staff Costs – Superannuation	€27.582
Accommodation/Equipment/Supplies	€9.911
Audit Fees	€0.000
Agency Costs – Department of Enterprise, Trade and Employment: Payments Re: Employment Tribunals	€0.327
Bank charges, exchange gain/loss and negative interest	€3.463
<b>Subtotal</b>	<b>€100.102</b>

Source: Department of Social Protection, [Social Insurance Fund: Financial Statements 2022](#) (2023) p.16.

In 2022, total administration costs reached almost €264.3 million for the Social Insurance Fund, with €164 million (62%) of this being payable to the Vote for the costs of administering SIF schemes.

Table 2 highlights that administration costs for Social Insurance schemes are highly concentrated in two areas:

- Staff costs – salaries (€81.278 million / 49.5%), and
- Medical certification (€44.618 million / 27.2%).

Table 3 highlights other administration costs associated with the SIF; however, these costs are not recouped by the Department of Social Protection. Some are, however, recouped as Appropriations-in-Aid by other Votes, such as Vote 9 Revenue Commissioners.



## Understanding the Costs of SIF Administration

Audited accounts of the Social Insurance Fund are prepared annually and are usually made available around Q4 each year, with the most recent relating to 2022.

Notwithstanding the availability of some breakdowns of administration costs associated with the Social Insurance Fund, the methodology for apportionment of costs is not available to the PBO. In correspondence received by the Committee, the Minister for Social Protection stated that:

To arrive at the estimated cost of administering SIF schemes, the Department apportions the overall Vote 37 administration costs. In calculating this apportionment, some elements of the total Vote 37 costs carry more weight than others.

Therefore, the cost of administering SIF schemes is determined not just by the Department's overall administration costs, but also by the make-up of that figure.

While the exact means of calculating the administration costs associated with SIF schemes is not known, Table 2 illustrates the key drivers of costs in this area.

**Table 4: Administration Allocation to Vote 37 (2022) (€ millions)**

Charge	2022 Allocation
Salaries, wages and allowances	€336.934
Travel and Subsistence	€2.291
Training and Development and Incidental Expenses	€15.490
Postal and Telecommunications Services	€14.477
Office Equipment and External IT Services	€64.605
Office Premises Expenses	€21.010
Consultancy	€1.100
Payments for Agency Services	€144.986
EGovernment Related Projects	€19.300
<b>Total allocation</b>	<b>€620.193</b>

Source: *Revised Estimates for Public Services 2023* (2022).

Table 2, Table 3 and Table 4 can be contrasted to get some sense of the key drivers of administration costs for Social Insurance Schemes compared to Social Assistance Schemes.

For Social Assistance schemes, salaries, wages and allowances reflect 54.3% of the allocation for administration costs – potentially due to increased administrative burden of some schemes e.g., from means testing. This compares to 49.5% of the administration costs for Social Insurance schemes relating to salaries, wages and allowances.<sup>5</sup> This

<sup>5</sup> This is calculated purely on administration costs recouped by the Vote from the SIF (see Table 2).

indicates that the administrative burden of Social Insurance and Social Assistance schemes on the Department of Social Protection are broadly similar.

The Departmental Briefing received by the Committee set out almost €868 million of spending on cost-of-living measures in 2023,<sup>6</sup> distributed between spending on Social Insurance and Social Assistance schemes as follows:

- €245.642 million (28.3%) of which directly related to Social Insurance schemes,
- €123 million (14.1%) related to Fuel Allowance which is paid from both the Vote and the SIF, and
- The PBO estimates that approximately 42% (~€52 million) of this was paid from the SIF.<sup>7</sup>

This would mean that almost €300 million of cost-of-living measures were drawn from the SIF, or about one-third of the total allocation for cost-of-living measures.

## Conclusion

While the composition of administration costs of both the Vote and the SIF are reasonably well known and understood, as are the means for recouping these costs, the methodology by which administration costs are valued and apportioned is not clear. This process is referenced by the Minister in a written response to the Committee further to engagement on the [Supplementary Estimates for Public Services 2023](#):<sup>8</sup>

Given the changes to the overall total Vote 37 administration costs, and the composition of same outlined above, a further apportionment exercise was undertaken by the Department to arrive at the revised Social Insurance Fund administration costs included in the Supplementary Estimates.

The Department of Social Protection, having undertaken this exercise, is best placed to detail the specific methodology used to apportion costs associated with the administration of Social Insurance schemes on behalf of the SIF.

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<sup>6</sup> Department of Social Protection, *Vote 37 2023 Supplementary Estimate: Briefing for members of the Select Committee on Social Protection, Community and Rural Development, and the Islands (2023)* pp.12-3.

<sup>7</sup> The *Revised Estimates for Public Services 2024 (2023)* shows a breakdown of the Fuel Allowance allocation for 2023 between the Vote and the SIF at p.183 (p.190 of pdf).

<sup>8</sup> Minister for Social Protection Heather Humphreys TD, Correspondence to the Select Committee on Social Protection, Community and Rural Development, and the Islands (20 December 2023).

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