

To: Chief Executives
Salaries and Wages
Human Resources
Pension Contacts

Circular 11/2014
20 October 2014

At: All Councils
ARC21
NI Housing Executive
Local Government Staff Commission for NI

Dear Colleagues,

Review of Public Administration (RPA) Staff Severance Scheme for Local Government

This circular is designed to assist Councils plan for Local Government Reform. It provides guidance as to the cost of redundancy using illustrations of how different pension scheme members will be treated under the RPA Staff Severance Scheme for Local Government. It also explains the information that NILGOSC can currently provide to assist councils with their reform planning.

1. Background to the RPA Staff Severance Scheme for Local Government

At present we understand that the RPA Staff Severance Scheme for Local Government is a draft document, which the Department of Environment intends to incorporate into legislation. The regulations will be accompanied by statutory guidance issued under section 111 of the Local Government Act 2014. The information in this circular is based on the draft RPA Staff Severance Scheme for Local Government and may need amended should the legislation or guidance differ. This circular only illustrates the pension implications for those employees who participate in the Local Government Pension Scheme (Northern Ireland) (LGPS (NI)) – it does not cover the redundancy benefits that may be payable to non-members of the LGPS (NI).

2. Summary of benefits provided by the RPA Staff Severance Scheme for LGPS (NI) members leaving from 1 April 2015

Table 1 summarises the benefits payable to those leaving under the RPA Severance Scheme.

Table 1 - RPA Staff Severance Scheme for Local Government

Age at date of leaving	Entitlement
Aged over or under 55 and not a member of the LGPS (NI)	Statutory Redundancy Compensation Payment } Enhanced Redundancy Payment
Aged under 55 and a member of the LGPS (NI)	Statutory Redundancy Compensation Payment } Enhanced Redundancy Payment plus Deferred pension, payable at normal retirement age
Aged over 55 and a member of the LGPS (NI)	<p><u>Option 1A</u> Statutory Redundancy Compensation Payment } Enhanced Redundancy Payment Plus Immediate payment of unreduced pension benefits</p> <p><u>Option 1B</u> Statutory Redundancy Payment Plus Immediate payment of unreduced pension benefits Plus Additional pension purchased by an amount equivalent to the compensation payment</p> <p><u>Option 2</u> Statutory Redundancy Payment Plus Immediate payment of unreduced pension benefits Plus Additional pension purchased by an amount up to the maximum in the LGPS(NI) regulations</p>

The Enhanced Redundancy Payment is composed of statutory redundancy and a compensation payment and is subject to an overall maximum of 104 weeks' pay in total.

All costs associated with the RPA Staff Severance Scheme cannot exceed the individual's annual salary cost multiplied by 3.25.

Under the 2015 Local Government Pension Scheme additional pension may be awarded of up to £6,500 annual pension. This is not reduced on early payment due to redundancy and along with main Scheme pension can be commuted for additional tax-free lump sum subject to tax limits. However, awards of additional pension do count towards annual pension savings and could have tax implications for some members who have insufficient unused allowance.

3. Illustrations for members – comparison of final salary benefits versus career average benefits for members leaving the Scheme before and after 31 March 2015

Several employers have asked us whether a member is better off leaving the Scheme under the current regulations with all final salary scheme benefits i.e. before 1 April 2015 or leaving under the new regulations with a mixture of final salary and career average revalued earnings (CARE) benefits, which are effective from 1 April 2015.

The accrual rate in the new CARE Scheme is 1/49th which is a 22% improvement on the current accrual rate of 1/60th. Therefore it is expected that most members will receive a marginally higher level of benefits under the new CARE Scheme. The pensionable pay for CARE benefits will also include non-contractual overtime and additional hours, which again could provide higher benefits for some members.

The facility to award additional years (augmentation) is removed from the new Scheme and instead employers can award additional pension under both the current and new Scheme. The one important difference is that an award of additional pension under the new Scheme is not reduced on redundancy or business efficiency terminations. Additional pension awarded under the current Scheme is reduced on all early retirements, including redundancy. In general a slightly higher level of pension is provided by a post 31 March 2015 award of additional pension than that which is provided by a pre-1 April 2015 award of additional years for the same employer cost.

Table 2 illustrates the pension benefits for three different types of members with leaving dates of 31 March and 30 June 2015, excluding any awards of additional pension. The examples illustrated are for a female aged 55 with a £66,000 salary and long service, a male aged 60 with a £30,000 salary and shorter service and a male aged 56 with a £20,000 salary and longer service.

Table 2 - LGPS(NI) Benefits for retiral dates of 31 March and 30 June 2015

	Retiring 31.3.2015 (all final salary) £	Retiring 30.6.2015 (final salary + CARE) £
Example 1		
Annual Pension	27,925.68	28,172.00
Pension Lump Sum	63,705.82	63,705.82
Example 2		
Annual Pension	5,498.63	5,561.69
Pension Lump Sum	7,495.89	7,495.89
Example 3		
Annual Pension	8,781.51	8,883.55
Pension Lump Sum	20,344.52	20,344.52

More detailed calculations for these three examples are included in Appendix 1.

4. Illustrations for employers - employer costs and member options and benefits for members leaving the Scheme before and after 31 March 2015

Appendix 2 contains three worked examples that illustrate the total costs to employers of the various options and the total benefits that would be payable to the members under each of the options within the RPA Staff Severance Scheme.

There are multiple options for members and they may wish to seek independent financial advice, particularly if they wish to make the most efficient use of tax-free benefits. The examples only show the lump sums and pension that are payable before tax.

5. Provision of Quotations under the LGPS 2015

NILGOSC is currently awaiting a bespoke software release that will introduce the programming for the LGPS (NI) 2015. Our software providers have now advised that they don't expect to release this software until January 2015. In addition, actuarial factors are required to enable calculations under different provisions within the new Scheme and the majority of these have yet to be published by Government.

This means that we are currently unable to provide definitive quotations on a CARE basis. In the interim we can only quote on the basis of the existing Scheme.

In the interim, we suggest that you request bulk redundancy quotations on a final salary basis for leaving dates during 2015/16 as per normal. If the members are leaving shortly after 31 March 2015 there will be minimal differences between the final salary benefits quoted and the mixed benefits (final salary and CARE) that will apply and we expect that the benefits payable when the new Scheme is introduced will be slightly higher. These small differences are illustrated in the detailed employer costs at Appendix 2. The bulk quote request spreadsheet is available on NILGOSC's website at <http://www.nilgosc.org.uk/resources/category/14/forms-and-spreadsheets.aspx>. This spreadsheet can be used for members aged 55 or over and under age 65. Quotations for any members aged 65 or over should be requested using an LGS17. Please check that you have advised NILGOSC of all hour changes before requesting quotations. Requests for bulk quotations should be sent securely to john.wheeler@nilgosc.org.uk and figures should be provided within ten working days.

On a positive note, we have received separate new actuarial factors from the Scheme's actuary that provide the costs of awarding additional pension under the 2015 Scheme. These factors are specifically for awards where the pension is payable immediately on an unreduced basis. These factors take into account both the cost of early payment and the cost of the additional pension. They are age and gender related and are now available on request from NILGOSC. Please contact Ruth.benson@nilgosc.org.uk if you would like a copy of the factors in order to facilitate your own calculations.

The Scheme's actuary has also advised that the capital costs (strain payments for early release of benefits) also need updated. He estimates that the current capital costs need uplifted by around 15%. The publication of the revised factors is

imminent. We have uplifted the costs in the examples in Appendix 2 by 15% but this amount is subject to change once the factors are issued. We recommend that employers apply this uplift to any quotations received before the increases are applied. We will advise employers when the new factors are to be implemented.


6. Employer Policy Statements

The regulations require employers to have Policy Statements in place to cover the exercise of any discretions under the LGPS (NI) regulations. This means that employers will need to update their Policy Statements both for the 2015 Scheme and to cover the exercise of the discretion to award additional pension under the terms of the RPA Staff Severance Scheme. If the terms of the RPA Staff Severance Scheme are more generous in the award of additional pension than the new council would normally apply to its existing staff, then the policy will need worded to reflect what level of award applies and to whom.

I hope the above information is helpful and I'm sorry that we cannot provide precise quotations for date of leaving after 31 March 2015 that take CARE benefits into account. We will let you know once our software is updated and the relevant factors are available. In the interim I hope that the above workaround whereby estimated quotes are provided on the basis of the existing Scheme is helpful. The attached appendices are available in MS Word format, should you wish to include some of this information in internal communications.

Please do not hesitate to contact me if you have any queries.

Yours sincerely



Zena Kee
Pensions Manager

Appendix 1

EXAMPLES OF THREE MEMBERS WITH PENSION BENEFITS PAYABLE ON REDUNDANCY ON 31 MARCH 2015, 30 APRIL 2015 OR 30 JUNE 2015

The attached calculations illustrate the benefits that would be payable if three different members were made redundant on either the 31 March, 30 April or 30 June 2015. A summary of the benefits payable on leaving dates of either 31 March 2015 or 30 June 2015 is detailed below.

	Annual Pension	Pension Lump Sum
Example 1 – leaving 31 March 2015	£27,835.27	£63,705.82
Example 1 – leaving 30 June 2015	£28,172.00	£63,705.82
Example 2 – leaving 31 March 2015	£5,498.63	£7,495.89
Example 2 – leaving 30 June 2015	£5,651.69	£7,495.89
Example 3 – leaving 31 March 2015	£8,781.51	£20,344.52
Example 3 – leaving 30 June 2015	£8,883.55	£20,344.52

EXAMPLES OF THREE MEMBERS WITH PENSION BENEFITS PAYABLE ON REDUNDANCY ON 31 MARCH 2015, 30 APRIL 2015 OR 30 JUNE 2015

The purpose of these examples is to compare the benefits that will be payable for redundancy retirements after 1 April 2015 when the new Scheme is introduced against what would have been payable had the final salary scheme continued.

EXAMPLE 1

Female, aged 55, pay £66,000 assumed throughout

Final salary scheme 1/80th membership – 25 years 270 days

Final salary scheme 1/60th membership – 6 years

CARE scheme 1/49th accrual – variable pension depending on leaving date (1/49th of pay in year to date of leaving)

Reason for leaving – redundancy (unreduced benefits to the member)

Benefits		Date of leaving and type of benefit payable				
		31.03.2015 All final salary £	30.04.2015 All final salary (for illustration only) £	30.04.2015 Final salary and CARE £	30.06.2015 All final salary (for illustration only) £	30.06.2015 Final salary and CARE £
Pension	1/80	21,235.27	21,235.27	21,235.27	21,235.27	21,235.27
	1/60	6,600.00	6,690.41	6,600.00	6,874.25	6,600.00
	CARE	0	0	112.24	0	336.73
Total Pension		27,835.27	27,925.68	27,947.51	28,109.52	28,172.00
Lump sum	3/80	63,705.82	63,705.82	63,705.82	63,705.82	63,705.82

Notes

1. Assumes all CARE service is in the main scheme i.e. 1/49th accrual
2. Assumes CARE pay and Final Salary pay for pre 2015 benefits are the same i.e. £66,000
3. Pension can be converted to provide additional tax-free lump sum at a rate of £12 lump sum for every £1 of pension given up subject to tax rules. Members should note that the additional cash lump sum may not be sufficient to replace the value of pension surrendered. Members considering this option are strongly recommended to take independent financial advice.

EXAMPLE 2

Male, aged 60, pay £30,000 assumed throughout

Final salary scheme 1/80th membership – 6 years 242 days

Final salary scheme 1/60th membership – 6 years

CARE scheme 1/49th accrual – variable pension depending on leaving date (1/49th of pay in year to date of leaving)

Reason for leaving – redundancy (unreduced benefits to the member)

Benefits		Date of leaving and type of benefits payable				
		31.03.2015 All final salary £	30.04.2015 All final salary (for illustration only) £	30.04.2015 Final salary and CARE £	30.06.2015 All final salary (for illustration only) £	30.06.2015 Final salary and CARE £
Pension	1/80	2,498.63	2,498.63	2,498.63	2,498.63	2,498.63
	1/60	3,000.00	3,041.10	3,000.00	3,125.00	3,000.00
	CARE	0	0	51.02	0	153.06
Total Pension		5,498.63	5,539.73	5,549.65	5,623.63	5,651.69
Lump sum	3/80	7,495.89	7,495.89	7,495.89	7,495.89	7,495.89

Notes

1. Assumes all CARE service is in the main scheme i.e. 1/49th accrual
2. Assumes CARE pay and Final Salary pay for pre 2015 benefits are the same i.e. £30,000
3. Pension can be converted to provide additional tax-free lump sum at a rate of £12 lump sum for every £1 of pension given up subject to tax rules. Members should note that the additional cash lump sum may not be sufficient to replace the value of pension surrendered. Members considering this option are strongly recommended to take independent financial advice.

EXAMPLE 3

Male, aged 56, pay £20,000 assumed throughout

Final salary scheme 1/80th membership – 27 years 46 days

Final salary scheme 1/60th membership – 6 years

CARE scheme 1/49th accrual – variable pension depending on leaving date (1/49th of pay in year to date of leaving)

Reason for leaving – redundancy (unreduced benefits to the member)

Benefits		Date of leaving and type of benefits payable				
		31.03.2015 All final salary £	30.04.2015 All final salary (for illustration only) £	30.04.2015 Final salary and CARE £	30.06.2015 All final salary (for illustration only) £	30.06.2015 Final salary and CARE £
Pension	1/80	6,781.51	6,781.51	6,781.51	6,781.51	6,781.51
	1/60	2,000.00	2,027.40	2,000.00	2,083.10	2,000.00
	CARE	0	0	34.02	0	102.04
Total Pension		8,781.51	8,809.91	8,815.53	8,864.61	8,883.55
Lump sum	3/80	20,344.52	20,344.52	20,344.52	20,344.52	20,344.52

Notes

1. Assumes all CARE service is in the main scheme i.e. 1/49th accrual
2. Assumes CARE pay and Final Salary pay for pre 2015 benefits are the same i.e. £20,000
3. Pension can be converted to provide additional tax-free lump sum at a rate of £12 lump sum for every £1 of pension given up subject to tax rules. Members should note that the additional cash lump sum may not be sufficient to replace the value of pension surrendered. Members considering this option are strongly recommended to take independent financial advice.

Appendix 2

EMPLOYER COSTS – RPA SEVERANCE SCHEME

This document aims to illustrate that there will be little difference in the benefits payable to members leaving either before or shortly after 1 April 2015 i.e. either under the final salary scheme or under the new career average revalued earnings scheme. The three examples illustrate the costs that need to be taken into account for the RPA Severance Scheme as it applies to members of the LGPS (NI) who are aged 55 and over and the benefits that these members could expect to receive. As can be seen from the illustrations members will have to make choices depending on whether they wish to maximise pension or cash. Some members may wish to seek independent financial advice, particularly if they wish to make the most efficient use of tax-free benefits. Our understanding is that the first £30,000 of any enhanced redundancy payment is tax-free in addition to the pension lump sum, which is also paid free of tax. Members will need to be aware that awards of additional pension will count towards their annual and lifetime allowances and this option could have tax implications if they have insufficient unused allowances.

The Options within the Severance Scheme are as follows:

Option 1A – release of unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Options 1B – release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Option 2 – release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Option 1B within the Severance Scheme will provide a lower level of pension benefits than Option 2 as the enhanced redundancy payment is capped by 104 weeks' pay as well as 3.25 times annual salary costs. The overall costs in Option 2 are capped by 3.25 times annual salary costs which normally allows for a higher award of additional pension.

Notes:

1. These calculations are based on our understanding of the Severance Scheme and could be subject to change once the Scheme is finalised and legislation and guidance are in place.
2. The Scheme's actuary has advised that capital costs for early payment of pension benefits need updated to reflect the last triennial valuation and the Scheme's Funding Strategy Statement. He estimates that the capital costs will increase by 15% on this factor alone. We expect to implement new factors for all early retirements/ redundancies taking effect from 1 December 2014. In addition, we have not yet received guidance on how capital costs will be affected by CARE benefits being payable at the new normal pension age, which will be state pension age under the 2015 Scheme. It is expected that under the 2015 Scheme the capital costs for early release of the CARE portion of the benefits may be slightly higher than the capital costs illustrated as these benefits will not normally be payable until the member's state pension age or age 65 if later. **Therefore, the capital costs used in these illustrations may increase slightly more than 15%.**

3. Additional pension factors for awards of additional pension under the 2015 Scheme, payable immediately and unreduced, have been provided by the Scheme's actuary and are available on request. These new factors incorporate both the cost of the additional pension as well as the early retirement strain cost for employers. The factors are age and gender dependent.
4. We are not experts in calculation of redundancy payments and the figures shown are for illustration purposes. We have assumed that an actual week's pay is used to calculate redundancy and not the statutory maximum week's pay of £470 (2014/15). For the purpose of these calculations annual salary has been used to calculate both pension benefits and redundancy payments. These figures may differ when you carry out your own individual calculations. We have also assumed that the length of service for redundancy calculations equals the length of service in the pension Scheme. This may not equate to the length of service that employers will use to calculate redundancy payments.
5. Pension can be converted to provide additional tax-free lump sum at a rate of £12 lump sum for every £1 of pension converted subject to tax rules. Members should note that the additional cash lump sum may not be sufficient to replace the value of pension surrendered. Any members considering this option are strongly recommended to contact an Independent Financial Adviser.
6. Statutory redundancy and enhanced redundancy payments are calculated and paid directly to the member by the employer.
7. Application of the Severance Scheme limits (104 weeks and 3.25 multiplier) is up to individual employers and benefits may be awarded that are less than the maximum available.
8. Employers' policy statements will need to be updated for the 2015 Scheme and will need to reflect the employers' policy on awards of additional pension. If different awards are being made under the RPA Severance Scheme from those that will apply under non-RPA redundancy then the policy statement will need to be awarded to reflect both circumstances.

EXAMPLE 1

Female, aged 55, pay £66,000 assumed throughout

Final salary scheme 1/80th membership – 25 years 270 days

Final salary scheme 1/60th membership – 6 years

CARE scheme 1/49th accrual – variable pension depending on the leaving date (1/49th of pay in year to date of leaving)

Reason for leaving – redundancy (unreduced benefits payable to the member)

Benefits/Costs		31.03.2015	30.04.2015	30.04.2015	30.06.2015	30.06.2015
		All final salary	All final salary	Final salary and CARE	All final salary	Final salary and CARE
		£	£	£	£	£
Pension	1/80	21,235.27	21,235.27	21,235.27	21,235.27	21,235.27
	1/60	6,600.00	6,690.41	6,600.00	6,874.25	6,600.00
	CARE	0	0	112.24	0	336.73
Total Pension		27,835.27	27,925.68	27,947.51	28,109.52	28,172.00
Lump sum	3/80	63,705.82	63,705.82	63,705.82	63,705.82	63,705.82
Capital cost to release benefits early		110,278.90	109,505.56	109,625.69	107,912.55	108,251.93
Capital cost (uplifted by 15%) to release benefits early		126,820.73	125,931.39	126,069.54	124,099.43	124,489.71
Cost to award £1,000 per year additional pension payable immediately and unreduced (age 55 at last birthday)		21.78 x £1,000 = £21,780				
Statutory Redundancy		£66,000 x 7/365 x 27 = £34,175.25				
Enhanced Redundancy		£34,175.25 x 3.46 = £118,246.36				
Compensation Payment		£118,246.36 - £34,175.25 = £84,071.11				

EXAMPLE 1**Option 1A - Costs to the employer under the RPA Severance Scheme with date of leaving 30 June 2015**

Member receives unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost (plus 15%)	124,489.71	Salary	66,000
Additional pension	0	Pension Contributions (20.0%)	13,200
Statutory Redundancy	34,175.25	Employer NI (2014/15)	6,845
Compensation Payment	84,071.11	Total Annual Salary Cost	86,045
Total Redundancy cost	242,736.07	Total Annual Salary Cost x 3.25	279,646

Enhanced redundancy is less than 104 weeks' pay ✓

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 1A - Benefits payable to the member under the RPA Severance Scheme with date of leaving of 30 June 2015

Member receives unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Benefit	£
Total LGPS (NI) Annual Pension	28,172.00
LGPS (NI) Lump Sum	63,705.82
Statutory Redundancy	34,175.25
Compensation Payment (enhanced redundancy less statutory redundancy)	84,071.11
Total lump sum	181,952.18

EXAMPLE 1**Option 1B - Costs to the employer under the RPA Severance Scheme for a member with a date of leaving 30 June 2015**

Member receives unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	124,489.71	Salary	66,000
Additional pension	84,071.11	Pension Contributions (20.0%)	13,200
Statutory Redundancy	34,175.25	Employer NI (2014/15)	6,845
Compensation Payment	0	Total Annual Salary Cost	86,045
Total Redundancy cost	242,736.07	Total Annual Salary Cost x 3.25	279,646

£84,071.11 will buy £3,860 annual additional pension.

Enhanced redundancy is less than 104 weeks' pay ✓

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 1B - Benefits payable to the member under the RPA Severance Scheme with date of leaving of 30 June 2015

Member receives unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Benefit	Standard Benefits	Total pension converted for maximum tax free cash
	£	£
LGPS (NI) annual pension	28,172.00	
LGPS (NI) annual additional pension	3,860.00	
Total LGPS (NI) Annual Pension	32,032.00	24,004.77
LGPS (NI) Lump Sum	63,705.82	160,031.79
Statutory Redundancy	34,175.25	34,175.25
Compensation Payment (enhanced redundancy-statutory redundancy)	0	0
Total lump sum	97,881.07	194,207.04

EXAMPLE 1**Option 2 – Costs to the employer under the RPA Severance Scheme with date of leaving of 30 June 2015**

Release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to: (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	124,489.71	Salary	66,000
Additional pension	120,981.04	Pension Contributions (20.0%)	13,200
Statutory Redundancy	34,175.25	Employer NI (2014/15)	6,845
		Total annual salary cost	86,045
Total Redundancy cost	279,646.00	Total annual salary cost x 3.25	279,646

£120,981.04 will buy £5,555 additional pension

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 2 - Benefits payable to the member under the RPA Severance Scheme with date of leaving of 30 June 2014

Release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Benefit	Amount payable	After maximum conversion of pension to lump sum at £12 lump sum for every £1 given up	If member elected for same pension as that payable under Option 1A
	£	£	
LGPS (NI) annual pension	28,172.00		
LGPS (NI) annual additional pension	5,555.00		
Total LGPS (NI) Annual Pension	33,727.00	25,094.55	28,172.00
LGPS (NI) Lump Sum	63,705.82	167,296.36	130,365.82
Statutory Redundancy	34,175.25	34,175.25	34,175.25
Total Lump Sum	97,881.07	201,471.61	164,541.07

EXAMPLE 2

Male, aged 60, pay £30,000 assumed throughout

Final salary scheme 1/80th membership – 6 years 242 days

Final salary scheme 1/60th membership – 6 years

CARE scheme 1/49th accrual – variable pension depending on leaving date (1/49th of pay in year to date of leaving)

Reason for leaving – redundancy (unreduced benefits to the member)

Benefits		Date of leaving and type of benefits payable				
		31.03.2015 All final salary	30.04.2015 All final salary (for illustration only)	30.04.2015 Final salary and CARE	30.06.2015 only All final salary (for illustration only)	30.06.2015 with Final salary and CARE
Pension	1/80	2,498.63	2,498.63	2,498.63	2,498.63	2,498.63
	1/60	3,000.00	3,041.10	3,000.00	3,125.00	3,000.00
	CARE	0	0	51.02	0	153.06
Total Pension		5,498.63	5,539.73	5,549.65	5,623.63	5,651.69
Lump sum	3/80	7,495.89	7,495.89	7,495.89	7,495.89	7,495.89
Capital cost to release benefits early		15,303.16	15,184.12	15,210.36	14,931.73	15,004.56
Capital cost (uplifted by 15%) to release benefits early		17,598.63	17,461.74	17,491.91	17,171.49	17,255.24
Cost to award £1,000 per year additional pension immediately payable and unreduced (age 60 at last birthday)		18.48 x £1,000 = £18,480				
Statutory Redundancy		£30,000 x 7/365 x 18 = £10,356				
Enhanced Redundancy		£10,356 x 3.46 = £35,831.76				
Compensation payment		£35,831.76 - £10,356 = £25,475.76				

EXAMPLE 2**Option 1A - Costs to employer under the RPA Severance Scheme with date of leaving of 30 June 2015**

The member receives release of unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	17,255.24	Salary	30,000
Additional pension	0	Pension Contributions (20%)	6,000
Statutory Redundancy	10,356.00	Employer National Insurance (2014/15)	2,218
Compensation Payment	25,475.76	Total Annual Salary Cost	38,218
Total Redundancy Cost	53,087.00	Total Annual Salary Cost x 3.25	124,209

Enhanced redundancy is less than 104 weeks' pay ✓

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 1A - Benefits payable to member under RPA Severance Scheme with date of leaving of 30 June 2015

The member receives release of unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Benefit	£
Total LGPS (NI) Annual Pension	5,651.69
LGPS (NI) Lump Sum	7,495.89
Statutory Redundancy	10,356.00
Compensation Payment (enhanced redundancy-statutory redundancy)	25,475.76
Total Lump Sum	43,327.65

EXAMPLE 2**Option 1B - Costs to the employer under the RPA Severance Scheme for a member with a date of leaving 30 June 2015**

The member receives unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	17,255.24	Salary	30,000
Additional pension	25,475.76	Pension Contributions (20%)	6,000
Statutory Redundancy	10,356.00	Employer National Insurance (2014/15)	2,218
Compensation Payment	0	Total Annual Salary Cost	38,218
Total Redundancy Cost	53,087.00	Total Annual Salary Cost x 3.25	124,209

£25,475.76 will buy £1,379 annual additional pension.

Enhanced redundancy is less than 104 weeks' pay ✓

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 1B - Benefits payable to the member under the RPA Severance Scheme with date of leaving of 30 June 2015

Member receives unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Benefit	Standard Benefits	Total pension converted for maximum tax free cash
	£	£
LGPS (NI) annual pension	5,651.69	
LGPS (NI) annual additional pension	1,379.00	
LGPS (NI) Annual Pension	7,030.69	4,921.29
LGPS (NI) Lump Sum	7,495.89	32,808.63
Statutory Redundancy	10,356.00	10,356.00
Compensation Payment (enhanced redundancy-statutory redundancy)	0	0
Total Lump Sum	17,851.89	43,164.63

EXAMPLE 2**Option 2 – Costs to the employer under the RPA Severance Scheme with date of leaving of 30 June 2015**

Release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to: (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	17,255.24	Salary	30,000
Additional pension	96,597.76	Pension Contributions (20%)	6,000
Statutory Redundancy	10,356.00	Employer National Insurance (2014/15)	2,218
Compensation Payment	0	Total Annual Salary Cost	38,218
Total Redundancy cost	124,209.00	Total Annual Salary Cost x 3.25	124,209

£96,597.76 will buy £5,227 additional pension

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 2 - Benefits payable to the member under the RPA Severance Scheme with date of leaving of 30 June 2014

Release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to: (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Benefit	Amount payable	After maximum conversion of pension to lump sum at £12 lump sum for every £1 given up	If member elected for same pension as that payable under Option 1A
	£	£	
LGPS (NI) annual pension	5,651.69		
LGPS (NI) annual additional pension	5,227.00		
Total LGPS (NI) Annual Pension	10,879.00	7,395.21	Not possible under HMRC rules
LGPS (NI) Lump Sum	7,495.89	49,301.39	Not possible under HMRC rules
Statutory Redundancy	10,356.00	10,356.00	Not possible under HMRC rules
Total Lump Sum	17,851.89	59,657.37	

EXAMPLE 3

Male, aged 56, pay £20,000 assumed throughout

Final salary scheme 1/80th membership – 27 years 46 days

Final salary scheme 1/60th membership – 6 years

CARE scheme 1/49th accrual rate – variable pension depending on leaving date (1/49th of pay in year to date of leaving)

Reason for leaving – redundancy (unreduced benefits to the member)

Benefits		Date of leaving and type of benefits payable				
		31.03.2015 All final salary	30.04.2015 All final salary (for illustration only)	30.04.2015 Final salary and CARE	30.06.2015 All final salary (for illustration only)	30.06.2015 Final salary and CARE
		£	£	£	£	£
Pension	1/80	6,781.51	6,781.51	6,781.51	6,781.51	6,781.51
	1/60	2,000.00	2,027.40	2,000.00	2,083.10	2,000.00
	CARE	0	0	34.02	0	102.04
Total Pension		£8,781.51	8,809.91	8,815.53	8,864.61	8,883.55
Lump sum	3/80	£20,344.52	20,344.52	20,344.52	20,344.52	20,344.52
Capital cost to release benefits early		25,548.63	25,244.61	25,271.02	24,619.65	24,693.70
Capital cost (uplifted by 15%) to release benefits early		29,380.92	29,031.30	29,061.67	28,312.60	28,397.76
Cost to award £1,000 per year additional pension immediately payable and unreduced (age 56 at last birthday)		20.27 x £1,000 = £20,270				
Statutory Redundancy		£20,000 x 7/365 x 27.5 = £10,547.95				
Enhanced Redundancy		£10,547.95 x 3.46 = £36,495.89				
Compensation payment		£36,495.89 - £10,547.95 = £25,947.94				

EXAMPLE 3**Option 1A - Costs to employer under the RPA Severance Scheme for a member with a date of leaving 30 June 2015**

Member receives unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	28,397.76	Salary	20,000
Additional pension	0	Pension Contributions (20%)	4,000
Statutory Redundancy	10,547.95	Employer National Insurance (2014/15)	1,177
Compensation Payment	25,947.94	Total Annual Salary Cost	25,177
Total Redundancy cost	64,893.65	Total Annual Salary Cost x 3.25	81,825

Enhanced redundancy is less than 104 weeks' pay ✓

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 1A - Benefits payable to member under RPA Severance Scheme with date of leaving of 30 June 2015

Member receives unreduced LGPS (NI) pension benefits plus cash through an enhanced redundancy payment (statutory redundancy plus compensation payment) up to a maximum of 104 weeks' pay.

Benefit	£
Total LGPS (NI) Annual Pension	8,883.55
LGPS (NI) Lump Sum	20,344.52
Statutory Redundancy	10,547.95
Compensation Payment (enhanced redundancy-statutory redundancy)	25,947.94
Total Lump Sum	56,840.41

EXAMPLE 3**Option 1B - Costs to the employer under the RPA Severance Scheme for a member with a date of leaving 30 June 2015**

The member receives unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	28,397.76	Salary	20,000
Additional pension	25,947.94	Pension Contributions (20%)	4,000
Statutory Redundancy	10,547.95	Employer National Insurance (2014/15)	1,177
Compensation Payment	0	Total Annual Salary Cost	25,177
Total Redundancy cost	64,893.65	Total Annual Salary Cost x 3.25	81,825

£25,947.94 will buy £1,280 annual additional pension.

Enhanced redundancy is less than 104 weeks' pay ✓

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 1B - Benefits payable to the member under the RPA Severance Scheme with date of leaving of 30 June 2015

Member receives unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount actuarially equivalent to the compensation payment.

Benefit	Standard Benefits £	Total pension converted for maximum tax free cash £
LGPS (NI) annual pension	8,883.55	
LGPS (NI) annual additional pension	1,280.00	
Total LGPS (NI) Annual Pension	10,163.55	7,623.59
LGPS (NI) Lump Sum	20,344.52	50,823.97
Statutory Redundancy	10,547.95	10,547.95
Compensation Payment (enhanced redundancy-statutory redundancy)	0	0
Total Lump Sum	30,892.47	61,371.92

EXAMPLE 3

Option 2 – Costs to the employer under the RPA Severance Scheme with member's date of leaving of 30 June 2015

Release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to: (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Redundancy Cost	£	Annual Salary Cost	£
Capital cost	28,397.76	Salary	20,000
Additional pension	42,879.29	Pension Contributions (20%)	4,000
Statutory Redundancy	10,547.95	Employer National Insurance (2014/15)	1,177
		Total Annual Salary Cost	25,177
Total Redundancy cost	81,825.00	Total Annual Salary Cost x 3.25	81,825

£42,879.29 will buy £2,115 additional pension

Total redundancy cost does not exceed total annual salary cost x 3.25 ✓

Option 2 - Benefits payable to member under RPA Severance Scheme with date of leaving of 30 June 2014

Release of unreduced LGPS (NI) pension benefits plus statutory redundancy plus an award of additional pension by an amount equal to: (3.25 times annual salary costs) less the capital cost to release pension benefits early less statutory redundancy cost.

Benefit	Amount payable	After maximum conversion of pension to lump sum at £12 lump sum for every £1 given up	If member elected for same pension as that payable under Option 1A
	£	£	£
LGPS (NI) annual pension	8,883.55		
LGPS (NI) annual additional pension	2,115.00		
Total LGPS (NI) Annual Pension	10,998.55	8,160.38	8,883.55
LGPS (NI) Lump Sum	20,344.52	54,402.54	45,724.52
Statutory Redundancy	10,547.95	10,547.95	10,547.95
Total Lump Sum	30,892.47	64,950.49	56,272.47