



## **DISCRETIONARY SEVERANCE AND PENSION ARRANGEMENTS POLICY**

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<b>Equality Impact Assessment:</b>	<b>February 2014</b>
<b>Next Review:</b>	<b>February 2017</b>
<b>Policy Family</b>	<b>Organisational Change</b>

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## **Equality Impact Assessment**

**1. Position Statement**

The Council is obliged to set out its position with regards to discretionary severance and pension arrangements. This document serves to discharge that obligation.

**2. Purpose**

2.1 This document sets out the Council’s policy on the use of the discretions available to it under the terms of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the Local Government Pension Scheme Regulations 2008.

**3. This applies to:**

3.1 This policy applies to all employees, excluding employees in schools. The sections relating to early retirement and pension provisions apply only to employees who are members of the Local Government Pension Scheme (LGPS).

**4. Roles and responsibilities**

4.1 The responsibility for payment Discretionary Severance and Pension Arrangements has been delegated from the Employment and Appeals Panel (EAP) to officers named in the Scheme, with the exception of redundancy payments for Schools, which will continue to be decided by the EAP.

**5. Principles**

**5.1 Severance Payments**

**5.1.1 Redundancy Pay:**

A redundancy payment will be due to any employee with at least two years’ continuous local government service at the date of dismissal that fulfils the statutory definition of redundancy.

The Council will calculate redundancy pay based on age, continuous local government service and actual weekly pay (capped at the top of Grade 13), up to a maximum of 30 weeks pay, using the following formula:

(Age factor) x (number of complete years of continuous local government service – capped at 20 years) x (gross weekly salary capped at the top of grade 13) = Redundancy Entitlement.

The age factor is calculated as follows:

- 0.5 for each full year of service where the employee's age was under 22;
- 1 for each full year of service where the employee's age was 22 or above, but under 41; and
- 1.5 for each full year of service where the employee's age was 41 or above.

Redundancy pay (including any severance pay) under £30,000 is not taxable.

Voluntary redundancy payments will be an enhanced lump sum payment that applies a 1.25 multiplier to the formula. Please note that any pay in lieu of notice is taxable and will be funded by the employing Directorate.

For voluntary redundancies, offer an enhanced compensation payment that applies a 1.25 multiplier to the statutory formula.

There will be no entitlement to such a payment if the employee commences employment in local government or with a body included in The Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order 1999, as amended within a month and a day of leaving the Council. However if an employee starts employment after a month and a day, their continuous employment under the Modification Order will be broken.

## 5.2 Pension Arrangements

### 5.2.1 Early Retirement

The Council will, where the employee has at least three months membership of and is still contributing to the LGPS at the date of leaving:

- Pay an unreduced pension and lump sum based on accrued service to employees over the age of 55 who are dismissed on grounds of redundancy (unreduced means without an actuarial reduction and employer picking up the strain cost).
- Consider requests for early retirement from employees between the ages of 55 and 59 where the Pension Fund charge can be saved over a period of not more than three years.

- Consider requests for early retirement from employees between the ages of 55 and 59 on compassionate grounds where medical evidence is provided that the employee has to provide continuous care for a sick partner or dependant. This provision also applies to ex-employees who have deferred pension rights.

### 5.2.2 Additional Pension Service

The Council will not exercise its discretion to augment pensionable LGPS service, except in circumstances when an employee wishes to convert a lump sum payment in excess of the statutory redundancy payment to additional pensionable LGPS service.

### 5.2.3 Flexible Retirement

The Council will consider applications for Flexible Retirement in accordance with the provisions of the Flexible Retirement Procedure. The criteria for consideration of flexible retirement are as follows:

- An employee aged 55 or more and a member of the LGPS can draw all of the pension benefits they have already built up while continuing in employment
- This is provided the Council agrees to the employee either reducing their hours or moving into a position on a lower grade
- In such cases, pension benefits will be reduced in accordance with actuarial tables, unless an employee has protected rights. The Council will not waive the actuarial reductions.
- The Council will pay any cost for the early payment of benefits if this is financially viable (i.e. paid back within a year). This will not include the cost of waiving any early payment reduction. If this is not financially viable the request for Flexible Retirement will be declined.
- Requests for flexible retirement should typically involve a reduction in salary of 40%, either through reduced hours or level of responsibility (grade). However reductions of less than 40% will be considered with reference to the criteria listed below.

Applications should only be granted when it is in the Council's interests to do so. Consideration will be given to:

- Tangible and substantial future benefits to the Council and its tax payers
- Direct financial savings

- The need to ensure that the Council does not unlawfully discriminate on the grounds of characteristics protected by the Equality Act or other employment legislation.
- Overall reasonableness in exercising the discretion
- All costs incurred by the Council as an employer.

The change in hours will be ordinarily permanent

There may be a strain charge for the release of a pension for flexible retirement. Whether or not the employer authorises the flexible retirement in these cases will depend on the business case and the payback of the strain charge.

#### 5.2.4 Early Payment of Deferred Benefits

Deferred benefits, including suspended tier three ill health pensions, will be paid early provided it is in the Council's interests to do so, and having regard to the Pension Fund Charge for paying benefits early being affordable in each case.

#### 5.2.5 Other Pension Provisions

The Council will implement the following provisions:

- Employees will be asked to confirm their intention to pay optional contributions for unpaid absence over 30 days. This must be done within 30 days of the return to work.
- The Council will include a woman's LGPS membership between 1/4/72 and 5/4/88 in the calculation of her widower's pension at no extra charge.
- Employees may transfer pension rights from another pension scheme or LGPS employer within 12 months of joining the Council.

## 6. **General Guidance**

### 6.1 Severance Payments

The statutory formula for calculating a redundancy compensation payment allows the employer to calculate the number of week's pay an employee is entitled to, dependent on age and length of continuous local government service, up to a maximum of 30 weeks pay.

### 6.2 Early Retirement

- If a LGPS member leaves a local government employment:
  - a. Between the ages of 60 and 64 they are entitled to receive immediate pension benefits without the employer's consent.
  - b. Before they are entitled to the payment of retirement benefits but once they have attained age 55, they may request payment. However, the consent of the employing authority (or former employing authority) is required where the member is under 60.
- If the sum, in whole years, of the employee's age and the length of membership of the LGPS equals or exceeds 85, the employee is entitled to receive the payment of unreduced pension benefits in respect of membership before 1<sup>st</sup> April 2008 (or, in the case of employees born before 1<sup>st</sup> April 1956, membership before 1<sup>st</sup> April 2016). If the total service and age are less than 85, the pension benefits will be actuarially reduced unless the retirement is on redundancy, efficiency or compassionate grounds.

In cases of early retirement, the Council will have to pay a charge to the Pension Fund to cover the actuarial costs. This will not apply if the early retirement is made on compassionate grounds.

## 7. Links to related topics

Organisational Change Procedure  
Flexible Retirement Procedure

## 8. Review

- 8.1 This policy will be reviewed as necessary to ensure that it complies with current employment legislation and the requirements of the Council.



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## Equality and Safety Impact Assessment

The **public sector Equality Duty** (Section 149 of the Equality Act) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people carrying out their activities.

The Equality Duty supports good decision making – it encourages public bodies to be more efficient and effective by understanding how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all and meet different people's needs. The Council's Equality and Safety Impact Assessment (ESIA) includes an assessment of the community safety impact assessment to comply with section 17 of the Crime and Disorder Act and will enable the Council to better understand the potential impact of the budget proposals and consider mitigating action.

<b>Name or Brief Description of Proposal</b>	Discretionary Severance and Pension Arrangements Policy
<b>Brief Service Profile (including number of customers)</b>	This document sets out the Council's policy on the use of the discretions available to it under the terms of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the Local Government Pension Scheme Regulations 2008.
<b>Summary of Impact and Issues</b>	<b>Low – review in 3 years</b> Although there are some negative impacts in relation to age, these are specifically excluded from the Equality Act through other legal instruments in relation to pension and redundancy
<b>Potential Positive Impacts</b>	Mostly positive – legislation and regulations have changed in recently times to make pension benefits more available to minority groups e.g. civil partnerships. Also the nature of ill health benefits are to help ex employees who are permanently unfit for work/disabled.
<b>Responsible Service Manager</b>	Verity Srawley
<b>Date</b>	07/02/14



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Southampton City Council Strategic HR & OD	Date Printed: 11/03/2014

<b>Approved by Senior Manager</b>	Mike Watts
<b>Signature</b>	Mike Watts
<b>Date</b>	07/02/14

## Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
<b>Age</b>	The pension provisions will apply to older employees. The redundancy elements apply to all though younger staff may not get as much through reduced length of service and age factor compared to older employees	These provisions are as stated in legislation and pension regulations and are exempt from age discrimination legislation.
<b>Disability</b>	If an employee becomes permanently unfit to work and they have deferred benefits, this policy outlines how these claims will be dealt with	N/A – a positive impact to enable those with a disability to access their pension (if they are eligible).
<b>Gender Reassignment</b>	None	N/A
<b>Marriage and Civil Partnership</b>	Pension benefits apply to civil partnerships	The legislation and regulations changed a few years ago to reflect this – positive impact
<b>Pregnancy and Maternity</b>	Employees who are on maternity leave may receive a reduced pension if they choose not to make, or make reduced voluntary contributions while on maternity leave	Employees are advised of their options with regards to pension contributions prior to going on maternity leave.
<b>Race</b>	None	N/A
<b>Religion or Belief</b>	None	N/A
<b>Sex</b>	The retirement age for both genders were equalised a few years ago so this policy applies equally regardless of gender	None – positive impact
<b>Sexual Orientation</b>	None	N/A
<b>Community Safety</b>	None	N/A
<b>Poverty</b>	Policy outlines pension options for employees for when they reach retirement age or just prior to retirement age, e.g. flexible retirement and early retirement. Also option for deferred benefits when ex employees	This policy outlines the options for these groups so they do not endure poverty either later in life or when they become permanently unfit for work.

	have left the pension scheme and become disabled, or current employees become permanently unfit for work	
<b>Other Significant Impacts</b>	Although this policy will not improve the health of ex-employees/employees who become permanently unfit for work, it outlines the policy for how these cases are dealt with so for those who are eligible it might make their lives easier, e.g. they can use any lump sum awarded to make adjustments to their home	None – positive impact.