

LGRJF

facilitating local government reorganisation

Guidance on the Interpretation and Application of the RPA Staff Severance Scheme - February 2015

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**GUIDANCE ON THE
INTERPRETATION AND APPLICATION OF
THE RPA STAFF SEVERANCE SCHEME
CIRCULAR LGRJF/11 – FEBRUARY 2015**

February 2015

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1.0 CONTEXT

1.1 Purpose of the Guidance

This Guidance has been developed to assist employers with the interpretation and application of the terms of the **RPA Staff Severance Scheme as set out in Circular LGRJF/11 February 2015**.

This RPA Staff Severance Scheme is based on the provisions of the Northern Ireland Executive's 5th Guiding Principle, as recommended by the Public Service Commission¹, and is underpinned by the **Local Government Reorganisation (Compensation for Loss of Employment) Regulations (NI) 2015** currently being progressed by the Department of the Environment under Section 123 of the Local Government Act (NI) 2014.

Therefore this agreed Scheme is the only Scheme to be applied for redundancies which are being considered as part of the RPA local government reform process.

In the application of severance arrangements councils will need to make a clear distinction between severance cases which arise from decisions relating to the RPA local government reform process, within the lifetime of this RPA Staff Severance Scheme (from 01 April 2015 to 31 December 2019), and those which have been identified for other reasons.

1.2 Local Government Pension Scheme Discretions

The new Local Government Pension Scheme (NI) 2015 requires employers to have a Policy Statement in place stating how they will exercise certain discretions under the new Pension Scheme, effective from April 2015. Appendix 1 details wording provided by NILGOSC, to be included by employers in their Policy Statements for the purposes of implementing Circular LGRJF/11 - February 2015.

An employer may choose to apply different discretions for severances which arise for reasons other than RPA.

1.3 Application of the RPA Scheme

The RPA Scheme is intended to apply to staff who are surplus under the new structures and who cannot be offered suitable alternative employment; therefore it is anticipated that the RPA Scheme will have only minimal application.

It is recognised that changes may need to be made at all levels of the organisation and that there may be subsequent restructuring relating to RPA, therefore the RPA Scheme will remain in operation until 31 December 2019.

¹ The Compendium of the RPA Guiding Principles, Code of Practice and Guidance Notes can be found at http://www.pscni.gov.uk/compendium_of_guiding_principles.pdf

2.0 SUMMARY OF THE RPA SCHEME BENEFITS

The Table below summarises the benefits that are available under the Scheme, further details on each component can be found on Page 4 of the Circular, paragraph 2.5 'Details of Options 1. & 2.'

Table 1 - Summary of RPA Scheme Benefits

TYPE OF EMPLOYEE INCLUDING AGE AT DATE OF REDUNDANCY	RPA SCHEME BENEFITS				
	1	2	3	4	5
	Statutory Redundancy Payment based on a contractual week's pay	Pension Benefits total membership accrued at the date of leaving	Compensation Payment by applying a multiplier of 3.46 to the Statutory Redundancy Payment	Additional Pension	
			Individual may choose to buy additional pension using their Compensation Payment	Additional pension awarded by employer instead of a Compensation Payment	
Under 55 and <u>not</u> a member of the LGPS (NI)	✓		✓ <i>Option 1</i>		
	Total payment is subject to an overall maximum of 104 weeks' pay in total Total cost to employer must not exceed the 3.25 payback period				
Under 55 and a member of the LGPS (NI)	✓	Pension is deferred, ie, payable at normal retirement age	✓ <i>Option 1</i>	✓ <i>Option 1</i>	
	Total payment is subject to an overall maximum of 104 weeks' pay in total Total cost to employer must not exceed the 3.25 payback period				
55 or over and <u>not</u> a member of the LGPS (NI)	✓		✓ <i>Option 1</i>		
	Total payment is subject to an overall maximum of 104 weeks' pay in total Total cost to employer must not exceed the 3.25 payback period				
55 or over and a member of the LGPS (NI)	✓	Unreduced pension benefits are paid immediately	✓ <i>Option 1</i>	✓ <i>Option 1</i>	
			OR		
				✓ <i>Option 2</i>	
Total cost to employer must not exceed the 3.25 payback period					

3.0 TABLE 1 – NOTES RELATING TO THE RPA SCHEME BENEFITS

3.1 Statutory Redundancy Payment (column 1 of Table 1)

For the purposes of this RPA Scheme the Statutory Redundancy Payment is based on a contractual week's pay and is calculated with reference to the Ready Reckoner (attached as Appendix 1 to the RPA Scheme).

Page 4 of Circular LGRJF/11, paragraph 2.5 i 'Statutory Redundancy Payment' refers.

3.2 Pension Benefits (column 2 of Table 1)

- If the employee is under 55 at the date of the redundancy and a member of the LGPS (NI); payment of their pension benefits for their total membership in the Scheme up to the date of redundancy will be deferred to their normal retirement date.
- If the employee is aged 55 or over at the date of redundancy and is a member of the LGPS (NI); they will be entitled to the immediate unreduced payment of their pension benefits (early release of pension) built up to the date of redundancy, if released under this RPA Scheme.

Page 2 of Circular LGRJF/11, paragraph 2.1 'Entitlements' refers.

3.3 Compensation Payment (column 3 of Table 1)

The Compensation Payment is calculated by applying a multiplier of 3.46 to the Statutory Redundancy Payment (based on a contractual week's pay).

The Compensation Payment plus the Statutory Redundancy Payment (based on a contractual week's pay) forms the overall Enhanced Redundancy Payment, ie, Option 1 within the RPA Scheme.

The Enhanced Redundancy Payment is subject to an overall maximum of 104 weeks' pay in total.

Page 4 of Circular LGRJF/11, paragraph 2.5 ii 'A Compensation Payment' refers.

3.4 Additional Pension (Option 1) (column 4 of Table 1)

Employees who receive an Enhanced Redundancy Payment (Option 1) and are members of the LGPS (NI) may choose to buy Additional Pension using their Compensation Payment, subject to the agreement of their employer. The Statutory Redundancy Payment cannot be used to buy Additional Pension.

Individuals should be informed by their employer of the option of buying additional annual pension equivalent to their Compensation Payment before their termination date.

Page 4 of Circular LGRJF/11, Option 1 'Converting the Compensation Payment into Additional Pension' refers.

3.5 Additional Pension (Option 2) (column 5 of Table 1)

Under Option 2, and in addition to the Statutory Redundancy Payment, award of Additional Pension by the employer is allowed as an alternative to receiving the Compensation Payment for employees, who are aged 55 and over, and who are members of the LGPS (NI) at the date of redundancy.

An employer may award Additional annual Pension up to the maximum permissible in the Local Government Pension Scheme Regulations (Northern Ireland) 2015 providing all costs associated with the severance package do not exceed the individual's gross annual salary costs multiplied by 3.25.

Page 5 of Circular LGRJF/11, Option 2 'Additional Pension' refers.

4.0 WORKED EXAMPLES

Worked examples reflecting the practical application of the various options within the Scheme as set out in Table 1 are attached for information in Appendix 2. These summary examples have been prepared with the assistance of NILGOSC.

5.0 COMMUNICATION WITH THE EMPLOYEE

The employer is responsible for providing employees with sufficient information, including illustrations of the benefits payable from NILGOSC, to assist them to make an informed decision, when exercising their various options under the Scheme. Whilst this information will be made available on an individual basis, it is solely a decision for the employee as to how they exercise their various options under the Scheme.

It should be noted that for some individuals there are multiple options available to them under the Scheme, but it is their sole responsibility to seek appropriate, independent advice as to the merits of their choice.

Page 6 of Circular LGRJF/11, Section 2.7 'Making a Choice' refers.

6.0 FINAL DECISIONS BY THE EMPLOYER

In all circumstances, a financial case for the payment of severance must be approved by the appropriate employing council. (See Circular LGRJF/11, paragraphs 2.8 'Consideration of Applications for a Severance Payment' and 2.9 'Criteria for Consideration of Applications'.)

In doing so particular attention should be given to the following criteria:

- All other relevant options have been considered including the potential for redeployment/retraining.
- Prioritisation of requests should be based on available finance and the level of savings which will be delivered.
- Least cost first; whilst ensuring that essential skills and expertise are maintained.

The employer will be responsible for advising each individual under consideration of final decisions reached.

LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS

The following draft wording has been suggested by NILGOSC, to be included by employers in their policy statements on discretions for the purposes of implementing Circular LGRJF/11 – February 2015 (Page 1, paragraph 1.2 of this Guidance refers):

“For redundancies which are being considered as part of the local government reform process under the RPA Staff Severance Scheme, the Local Government Act 2014 and the Local Government Reorganisation (Compensation for Loss of Employment) Regulations (Northern Ireland) 2015 the Council will adhere to the arrangements set out under the RPA Staff Severance Scheme.

In such circumstances the Additional Pension awarded will be up to the maximum permissible in the Local Government Pension Scheme Regulations (Northern Ireland) 2015 providing all costs associated with the severance package do not exceed the individual’s gross annual salary costs multiplied by 3.25. Where an employee’s costs do not fall within the 3.25 year payback period a reduced amount of Additional Pension may be awarded.

Additional Pension cannot be awarded to members who are being compensated under the terms of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007 except where the member exercises the option before their termination date and asks the council to use the value of their Compensation Payment (less the statutory element) to award Additional Pension as an alternative.”

SUMMARY ILLUSTRATED EXAMPLES

Please note that these summary examples are provided by way of illustration only.

More detailed calculations are included in NILGOSC Circular 11/2014, dated 20 October 2014, entitled 'Review of Public Administration (RPA) Staff Severance Scheme for Local Government'.

For all examples a leaving date of 30 June 2015 is assumed.

Example 1

Individual under 55 and not a member of the LGPS (NI)

Male aged 35, pay £30,000
6 years' service

Benefits	Type of benefits payable
Statutory Redundancy	$£30,000 \times 7/365 \times 6 = £3,452$
Enhanced Redundancy	$£3,452 \times 3.46 = £11,944.10$
Compensation Payment	$£11,944.10 - £3,452 = \mathbf{£8,492.10}$

Enhanced Redundancy is less than 104 weeks' pay

Example 2

Individual under 55 and a member of the LGPS (NI)

Male aged 35, pay £30,000
6 years' service

Benefits	Type of benefits payable
Statutory Redundancy	$£30,000 \times 7/365 \times 6 = £3,452$
Enhanced Redundancy	$£3,452 \times 3.46 = £11,944.10$
Compensation Payment	$£11,944.10 - £3,452 = \mathbf{£8,492.10}$
Additional Pension	The Factors required for calculations of Additional Pension in relation to those individuals under 55 were not available at the time of preparation of this guidance. Specific calculations would be required for each individual.
Total LGPS (NI) Annual Pension	£3,028.00 (Deferred until the member's normal retirement age)

Example 3

Individual 55 or over and not a member of the LGPS (NI) (Option 1)

Male aged 60, pay £30,000
12 years' service

Benefits	Type of benefits payable
Statutory Redundancy	$£30,000 \times 7/365 \times 18 = £10,356$
Enhanced Redundancy	$£10,356 \times 3.46 = £35,831.76$
Compensation Payment	$£35,831.76 - £10,356 = \mathbf{£25,475.76}$

Enhanced Redundancy is less than 104 weeks' pay

Example 4

Individual 55 or over choosing to buy additional pension using Compensation Payment (Option 1)

Female aged 55, pay £66,000
31 years 270 days' membership of LGPS (NI)

Standard Benefits	Type of benefits payable
Statutory Redundancy	$£66,000 \times 7/365 \times 27 = £34,175.25$
Enhanced Redundancy	$£34,175.25 \times 3.46 = £118,246.36$
Compensation Payment	$£118,246.36 - £34,175.25 = \mathbf{£84,071.11}$
Additional Pension	£84,071.11 will buy £3,860 annual Additional Pension
Total LGPS (NI) Annual Pension	£32,032.00

Annual Salary Cost	£
Salary	66,000
Pension Contributions (20.0%)	13,200
Employer NI (2014/15)	6,845
Total Annual Salary Cost	86,045
Total Annual Salary Cost x 3.25	279,646

Redundancy Cost to the Employer	£
Capital Cost	124,489.71
Additional Pension	84,071.11
Statutory Redundancy	34,175.25
Compensation Payment	0
Total Redundancy Cost	242,736.07

Enhanced Redundancy is less than 104 weeks' pay
Total redundancy cost does not exceed total annual salary cost x 3.25

Example 5

Individual 55 or over and a member of the LGPS (NI) awarded Additional Pension by the employer instead of a Compensation Payment (Option 2)

Female aged 55, pay £66,000
31 years 270 days' membership of LGPS (NI)

£120,981.04 will result in an award of £5,555 annual Additional Pension

Standard Benefits	Type of benefits payable
Statutory Redundancy	$£66,000 \times 7/365 \times 27 = £34,175.25$
Total LGPS (NI) Annual Pension	33,727.00

Annual Salary Cost	£
Salary	66,000
Pension Contributions (20.0%)	13,200
Employer NI (2014/15)	6,845
Total Annual Salary Cost	86,045
Total Annual Salary Cost x 3.25	279,646

Redundancy Cost to the Employer	£
Capital Cost	124,489.71
Additional Pension	120,981.04
Statutory Redundancy	34,175.25
Compensation Payment	0
Total Redundancy Cost	279,646.00

Total redundancy does not exceed total annual salary cost x 3.25