

Issue Date April 2019

### **IMPORTANT** - Proposed Government Changes to Retirement Benefits.

**The following applies to Employers and Employees of Councils (whether Metropolitan, County, District, Borough or Parish) Police and Fire Authorities and Academies.**

#### Government Consultation – restricting exit payments in the public sector

For a while now, the Government have been planning to introduce a **£95,000 (£95K) cap to exit payments for public sector bodies**. The original Government proposals were issued in summer 2015 and finally on 10 April 2019, the Government announced a final consultation, which closes on 3 July 2019.

#### What is the exit payment cap?

The cap limits the exit payments made to Employees of public sector bodies. The proposed cap of £95K will cover the total value of exit payments (before tax) made by an Employer and includes the strain cost of early payment of pension and redundancy payments, plus any other compensation or severance payments (e.g. pay in lieu of notice, enhanced employer compensation lump sum payments etc.).

#### Impact on pension scheme members?

The cap will only apply to those individuals where the total of their exit payments is greater than the £95K limit. Where it does apply then the value of the exit payments will have to be reduced to the point where the total value of all exit payments is equal to £95K.



## Example

For an Employee aged 55+ who leaves on redundancy or reasons of efficiency, who is restricted to the 95K cap, we believe the **possible** options could be:

- Receive payment of a reduced pension and lump sum, but keep the redundancy or other exit payments (limited to the £95K cap);
- Give up some or all of their redundancy payment or other exit payments to receive an unreduced pension or limit the amount of the reduction to the retirement benefits; or
- Choose a mixture of 1 and 2 above which will mean giving up some of their redundancy pay to remove some (but not all) of the reduction on their pension and lump sum.

*A link to Governments Consultation, which sets out in detail how the proposed changes will be implemented and the impact they will have on public sector bodies and their employees can be found below.*

. <https://lgpsregs.org/landscape/consultations.php>

## Impact on Employers?

**Employers should assess the impact the proposed changes will have on their Organisation and Employees, specifically if an individual Employees retirement date is likely to be post the implementation of the Exit Cap (date to be confirmed). As we understand it currently, there will be no transitional period and Employees will be subject to Local Government Pension Scheme rules that apply on the date of leaving. i.e. subject to the Exit Cap.**

Further information and regular updates will be published on our website as we find out more.

You can contact us for more information in the meantime by one of the following methods:

Email us: [pensions.enquires@staffordshire.gov.uk](mailto:pensions.enquires@staffordshire.gov.uk)

Telephone us: on 01785 278222

You can also visit our website at:

[www.staffspf.org.uk](http://www.staffspf.org.uk)

