

## **Pension Discretion**

### **Public Sector Exit Payment Cap**

November 2020

#### **Background to the Public Sector Exit Payment Cap**

The Public Sector Regulations 2020 came into force with effect from 4 November 2020. These placed a £95,000 cap on the total of exit payments made to an Employee, when they are made redundant or their employment is terminated for reasons of business efficiency. The Ministry of Housing, Communities and Local Government (MHCLG) has opened a consultation seeking views on proposals for further reforming exit payment terms, by Employers. The consultation also proposes changes to the Local Government Pension Scheme (LGPS) Regulations, in order to accommodate the £95,000 exit payment cap. This consultation closes on 18 December 2020, with the amending regulations coming into force early in 2021.

As the amendments to the LGPS Regulations were not in place when the £95,000 cap came into force the Staffordshire Pension Fund sets out below its policy for the payments of benefits related to redundancy and business efficiency exits, that occur from 4 November 2020, until such time that the LGPS regulations are changed to accommodate the Exit Cap.

#### **Staffordshire Pension Fund – Administering Authority Policy**

**This policy applies only to LGPS Members who are aged 55 or over.**

If the total of the exit payment elements are less than or equal to £95,000, LGPS benefits are payable immediately, without reduction for early payment, in line with the current regulations.

If the total exit payment is over £95,000, there is a conflict between the Exit Payment Cap regulations and the current LGPS regulations and therefore, the Fund's discretionary policy is to offer the LGPS member the opportunity to:

- receive a deferred benefit under LGPS regulation 6; or
- receive a fully actuarial reduced pension under LGPS regulation 30(5).



## Who does the Exit Payment Cap apply to?

The Exit Payment Cap applies to all public sector employees and employers including councils (Metropolitan, County, District, Borough) Police and Fire Authorities and Academies

## What is covered?

The Exit Payment Cap is set at a total of £95,000 with no provision for this amount to be index-linked. Exit payments include redundancy payments (including statutory redundancy payments), severance payments, pension strain costs - which arise when an LGPS pension is paid unreduced before a member's normal pension age - and other payments made as a consequence of termination of employment.

The cap applies to all exit payments that arise within a 28-day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.

The cap will only apply to those individuals where the combined total value of their exit payments (including pension strain costs) is greater than the £95,000 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 no greater than £95,000

## Further information

If you require further information about the areas covered by this Policy, you can get in touch as follows:



<https://www.staffspf.org.uk/Employers/Latest-News/Latest-News.aspx>



[pensions.enquiries@staffordshire.gov.uk](mailto:pensions.enquiries@staffordshire.gov.uk)



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