

## Pension Fund Committee

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<b>Title:</b>	Exit payment cap
<b>Date:</b>	Friday 26 July 2019
<b>Author:</b>	Head of Finance – Pensions, Investments & Projects
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<b>Local members affected:</b>	N/A

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### Summary

In 2015 the government announced plans to cap exit payments in the public sector. On 10 April 2019 HM Treasury (HMT) launched a consultation on draft regulations, guidance and Directions to implement the cap, which closed on 3 July 2019. The cap will apply to all public sector employers and will be implemented in two stages. Local government employers will be included in the first stage. The consultation document is attached as Appendix 1 to this report.

The proposal is to set the exit payment cap at £95,000. Redundancy payments (including statutory redundancy payments), severance payments, pension strain costs (the cost of paying unreduced benefits to LGPS members before their normal pension age) and other payments made as a result of termination of employment are also included.

Statutory redundancy payments cannot be reduced so if the cap is exceeded, other elements that make up the exit payment must be reduced. Policy intent is for member's benefits to be reduced so that the cap is not breached, with the member having the option to buy-out some or all of the reduction. LGPS Regulations would need to be amended to facilitate this change along with guidance from the Government Actuary's Department (GAD) on calculating the pension reduction and operating the buy-out process.

There are circumstances where the cap must be (mandatory cases) or may be (discretionary cases) relaxed by the 'Decision Maker' which in the case of a local authority is full council. Mandatory cases relate to TUPE regulations or exits that would otherwise be considered by an Employment Tribunal under whistleblowing or discrimination legislation. Discretionary cases are those to avoid undue hardship, to effect workforce reforms or exits agreed before the regulations take effect.

Buckinghamshire County Council Pension Fund's response, submitted on 3 July 2019, is attached at Appendix 2.

## **Recommendation**

**The Committee are asked to NOTE the response submitted to the consultation.**

**Supporting information to include the following if a decision is being requested:**

### **Resource implications**

N/A

### **Legal implications**

N/A

### **Other implications/issues**

Concern regarding the implementation period has been raised in the Fund's consultation response. The proposal is to implement the cap the day after the date the Regulations are passed. With the transition to the new Buckinghamshire Council underway, the Fund's preference would be for a nine month implementation period to enable guidance and Regulations to be enacted and to give employers within the Fund sufficient time to comply with them.

### **Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

N/A

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## **Background Papers**

Appendix 1 – Restricting exit payments in the public sector consultation document

Appendix 2 – BCCPF's response to the consultation

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