LCM - Cap on Public Sector Exit Payments – Email from Chief Executive NI Local Government Officers' Superannuation Committee (NILGOSC)

From: David Murphy [mailto:david.murphy@nilgosc.org.uk]
Sent: 29 October 2015 16:47
To: +Comm Finance & Personnel Public Email
Subject: Proposed Legislative Consent Motion to place a Cap on Public Sector Exit Payments

Dear Mr McAteer

I understand that the Finance and Personnel Committee is currently considering the matter of a Legislative Consent Motion to enact clauses in Westminster's Enterprise Bill regarding the Capping of Severance Payments in the Public Sector.

Please could I draw the Committee's attention to the response issued by HM Treasury in September 2015 after a very short consultation. The Committee will note that a number of public bodies in Northern Ireland responded including NILGOSC.

For information NILGOSC, the Northern Ireland Local Government Officers' Superannuation Committee, is the NDPB responsible for the administration of the Local Government Pension Scheme in Northern Ireland. Despite its name the employers in the Scheme not only include the staff of the 11 Local Authorities but also include Education, Transport, Housing and other sectors.

The proposed legislation has particular implications for those public sector employers who are members of the Local Government Pension Scheme.

Any employer looking to operate a severance scheme will be affected by the proposed legislation as it will limit the range of staff that would find a voluntary scheme attractive. There is a particular characteristic of the pension scheme which will limit the range of staff that could receive redundancy payments made under the proposed legislation.

If an employee is a member of the Local Government Pension Scheme, is aged 55 or over, and is made redundant then they are entitled to a redundancy pension. There is an additional cost attached to such a pension which the employer must pay to NILGOSC. The Westminster legislation states that this additional cost borne by the employer *plus* the redundancy payment received by the employee must be less than the £95,000 cap. This additional cost is dependent on the employee's salary, age, gender and length of service in the pension scheme. For example, a female, aged 55 with 35 years' service earning £27,000 could cause an employer to bear a cost of £95000.99 and therefore would breach the Cap in its own right before adding on any redundancy payment also received. In this example the pension received by the individual would be £15,780.

I hope the above example illustrates that whilst the headline figure of £95,000 might appear only to affect those in very senior posts the proposed legislation will in fact impact on staff on lower salaries. If severance schemes continue to be run on a voluntary basis then the numbers of employees for which the scheme would be attractive will be much less than at present. Equally there will be Scheme members who will have made contributions to the pension scheme for years in the expectation that if they are made redundant they will receive a redundancy pension who will now be prevented from receiving this pension.

If the legislation is made to apply to Northern Ireland then the Local Government Pension Scheme legislation will have to also be changed. Instead it would be simpler not to include the pension scheme redundancy costs in the total that should be less than the £95,000 cap. Not only would this reduce the limitations that the legislation would place on Employers but is also removes the potential of challenges on the grounds of Equality as the pension cost is dependent on each individual's age and gender.

If you require any further information please do not hesitate to contact me.

Regards

David Murphy
Chief Executive and Secretary

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