Northern Ireland Assembly

Research and Information Service
Bill Paper

23 March 2012

Colin Pidgeon

The Superannuation Bill

NIAR 105-12

This paper provides a general overview of existing redundancy pay – statutory, and in the private and wider public sector. It then concentrates on the provisions of the Superannuation Bill and raises some specific issues for Assembly Members' consideration.

Executive Summary

Following a general briefing on redundancy provisions in the private and wider public sector, the research presented in this paper looks at the *Superannuation Act 2010* which applies in Great Britain (GB). Specifically it presents information relating to the legal challenges brought against the UK Government by the civil service unions in GB.

The primary purpose of the Northern Ireland Superannuation Bill is to make it more straightforward for the Northern Ireland Executive to introduce a new compensation scheme for Northern Ireland civil servants that is less generous than the current one. It does this by removing the existing requirement for government to secure trade union agreement to changes and replacing it with a duty to consult with a view to reaching agreement.

It should be noted then, that the Superannuation Bill does not itself change the current arrangements for the Civil Service Compensation Scheme (Northern Ireland) ("the NICSC Scheme"). Instead, the Bill alters the process for making changes to that Scheme. Consequently, information on the current and proposed Schemes may be relevant to the Assembly's consideration of the Bill itself as contextual background.

The underlying objective of amending the compensation scheme is to make it cheaper to the public purse to make civil servants either compulsorily or voluntarily redundant. The National Audit Office recently published a report which found that UK Government departments saved around 45% on redundancy costs in 2011 compared to what they would have paid out under the previous Home Civil Service scheme (which is the same as the current NICSC Scheme). This is a significant saving.

A number of issues are raised in the paper for Members' consideration. These are:

- Assembly procedure. A compensation scheme under the *Superannuation (Northern Ireland) Order 1972* can be made without any Assembly process to approve or annul it. This issue was raised in the Committee for Finance and Personnel during a pre-introductory briefing on the Bill. DFP was asked to consider if the *Superannuation (Northern Ireland) Order 1972* could be amended to change the Assembly procedure. Therefore, some issues relating to Assembly procedure are presented in this paper in section 2.2;
- Parity. The Northern Ireland Executive has introduced this Bill as a parity measure with Great Britain. There are two separate issues related to parity with GB. The first is in relation to systems and processes for administering the NICSC Scheme. The second is in relation to potential implications for the NI block grant – see section 4.1; and,

- Trade union opposition. It is apparent that unions representing civil servants are opposed to any revision to compensation arrangements which diminishes their value to their membership – see section 4.2.

Contents

Executive Summary 3
1. Introduction 6
1.1. Redundancy compensation in Northern Ireland 6
1.2. The Superannuation Act 2010 8
1.3. The Superannuation legislation in Westminster 9
2. The Superannuation Bill 12
2.1. Analysis of the Bill's clauses 12
2.2. Assembly control 14
3. The current and proposed NICS compensation schemes 18
3.1. Changes to the NICS compensation scheme 18
3.2. Reduced redundancy costs in GB 19
3.3. Reduced potential redundancy costs under the proposed NICSC Scheme 20
4. Issues for consideration 21
4.1. Parity 21
4.2. The trade union position 24
4.3. Support for reform 25
4.4. Impact assessment 25
5. Concluding remarks 27
Appendix 1 – current and proposed terms for compensation scheme 28
Appendix 2 – Summary of comparative figures for current and proposed compensation arrangements 31

1. Introduction

The Northern Ireland Executive's Superannuation Bill ("the Bill") was introduced to the Assembly by the Minister of Finance and Personnel on 12 March 2012. The Bill does two things:

- Clause 1 removes the requirement under the *Superannuation (Northern Ireland) Order 1972* for the Department of Finance and Personnel (DFP) to secure the consent of trades unions before introducing detrimental changes to the NICSC Scheme; and,
- Clause 2 places a new duty on DFP to report to the Assembly on its attempts to reach agreement with trades unions in relation to detrimental changes to the NICSC Scheme. The proposed duty requires DFP to lay a report describing the consultation process undertaken.

The provisions of the Bill are considered in section 2 of the paper. Proposed changes to the NICSC Scheme are presented in section 3 of this paper. Section 4 presents some issues for the Assembly to consider. Before proceeding to those matters, Section 1 provides briefing on redundancy provisions outside the Northern Ireland Civil Service (NICS) as general background to the Bill.

1.1. Redundancy compensation in Northern Ireland

This section looks firstly at statutory redundancy pay, then at provisions in the private and wider public sector. This gives a backdrop to discussion of provisions in the civil service.

Statutory redundancy pay

Part XII of the *Employment Rights (Northern Ireland) Order 1996* (as amended) provides statutory rights for qualifying employees to minimum redundancy payments. Article 194 of that Order provides that these statutory rights **do not apply to civil servants.**[1]

Statutory redundancy pay is calculated as follows:

- for each year's service aged 41+……………………….1.5 weeks' pay;
- for each year's service aged 22 - 40 (inclusive)...........1 week's pay; or,
- for each year's service aged below 22……….................0.5 weeks' pay.[2]

The number of years' service that counts is capped at 20.

[1] http://www.legislation.gov.uk/nisi/1996/1919/article/194
[2] http://www.legislation.gov.uk/nisi/1996/1919/article/197

In addition there is a limit on the amount of a weekly gross pay which counts. Under the *Work and Families (Increase of Maximum Amount) Order (Northern Ireland) 2009* the limit is currently £380.[3]

Generally speaking, pay is the level of pay the employee was entitled to at the time notice of redundancy was given.[4] To qualify for any redundancy payment, an employee must have been continuously employed by the same employer for at least two years. It does not matter whether the employee is employed full or part time.[5]

The private sector

In the public sector, employees' rights to redundancy pay are set out in schemes such as the NICSC Scheme. In the private sector, many employees' redundancy pay provisions are set out in their employment contracts.

The UK Government says that while private sector practice varies considerably, "the great majority provide between 6 to 12 months' salary."[6]

In October 2008 a survey of private firms by the Chartered Institute for Personnel Development (CIPD) found that:

> *Two in five (40%) do not offer redundancy pay above the statutory minimum. A third (35%) always offer it, with a further 14% offering it depending on seniority or length of service.*[7]

In addition to cash redundancy payments, some private sector employees may also qualify for early retirement packages. Research for the Department for Work and Pension (DWP) in 2007 found that:

> *Voluntary early retirement was provided for in around two-thirds of all schemes for which that particular arrangement was known, with [defined benefit] and [defined contribution] schemes again being similar in aggregate. Among those schemes that did make such provision, it was common for the pension to be actuarially reduced – only small proportions of schemes reduced the pension to a greater degree than the actuarial reduction or actually enhanced the pension, although again, a substantial*

[3] http://www.legislation.gov.uk/nisr/2009/317/article/2/made

[4] The Business Link website has an online tool for calculating the number of weeks' pay due. See http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1079123792 (accessed 12 March 2012)

[5] For more detail see House of Commons Library (2009) Standard Note SN/BT/960 'Redundancy Pay' available online at: http://www.parliament.uk/Templates/BriefingPapers/Pages/BPPdfDownload.aspx?bp-id=SN00960 (accessed 12 March 2012)

[6] Cabinet Office (2011) 'Reform of the Civil Service Compensation Scheme – Q&A' available online at: http://www.civilservice.gov.uk/wp-content/uploads/2011/09/Compensation-QA_tcm6-36784.doc (accessed 12 March 2012) (see page 2)

[7] CIPD (2008) 'Labour Market Outlook, focus: redundancy' available online at: http://www.cipd.co.uk/NR/rdonlyres/0268A0C4-D7E2-4F63-AE2A-73B2E5D927CD/0/labour_market_outlook_autumn_2008.pdf (accessed 12 March 2012) (see page 3)

proportion (around 30 per cent) could not provide an answer on this matter.[8]

'Actuarial reduction' means that a pension in early payment is reduced reflect the fact that it is likely to be in payment for a longer period.

According to Incomes Data Services, an adverse funding situation for many pension schemes in recent years has led to general reduction in the generosity of early retirement terms.[9]

Wider public sector

Similar to civil servants, employees elsewhere in the public sector (such as the NHS, education or local government) have schemes which provide for compensation on redundancy.

The schemes for the NHS, local government and teachers have been reformed in recent years, partly to address provisions that might contravene age discrimination legislation. A common feature of the schemes post-reform is a cap of two years' pay applied to the maximum severance payment on redundancy. In general, individuals over minimum pension age (50 or 55) still have access to an early, unreduced, pension.[10]

1.2. The Superannuation Act 2010 in GB

The Superannuation Bill now before the Assembly mirrors the *Superannuation Act 2010* passed in Westminster.[11] This section looks at the policy rationale for parity, and presents detail of the challenges to the UK Government's changes to Home Civil Servants' rights in respect of redundancy.

The basis for keeping parity

The NICSC Scheme traditionally operates on a parity basis with the equivalent scheme for the Home Civil Service in Great Britain. This means that, while the NICS is a separate organisation from the Home Civil Service, the terms for redundancy mirror those for civil servants working in UK departments. In a briefing provided to the Committee for Finance and Personnel (CFP), DFP stated that:

---

[8] Department for Work and Pensions (2007) 'Employers' Pension Provision Survey 2007' available online at: http://statistics.dwp.gov.uk/asd/asd5/rports2007-2008/rrep545.pdf (accessed 12 March 2012) (see page 98)

[9] House of Commons Library (2010) 10/56 'Superannuation Bill' available online at: http://www.parliament.uk/Templates/BriefingPapers/Pages/BPPdfDownload.aspx?bp-id=RP10-56 (accessed 12 March 2012) (see page 4)

[10] House of Commons Library (2010) 10/56 'Superannuation Bill' available online at: http://www.parliament.uk/Templates/BriefingPapers/Pages/BPPdfDownload.aspx?bp-id=RP10-56 (accessed 12 March 2012) (see page 5)

[11] http://www.legislation.gov.uk/ukpga/2010/37/introduction/enacted

> *Although public service pension policy is a transferred matter it has been a matter of practice for many decades that the pension scheme for civil servants in Northern Ireland has been virtually identical to its equivalent in GB. […] Failure to maintain parity in this instance would result in civil servants who are made redundant continuing to receive higher compensation payments than GB civil servants who leave in similar circumstances which may also exert additional pressures on public expenditure in Northern Ireland.*[12]

In other words, if both the law and the NICSC Scheme remain unchanged, NICS staff (and other Scheme members) would be in a better protected position than their counterparts in GB. In the event of redundancies, this would result in higher costs to the public purse in Northern Ireland than in a comparable situation in the rest of the UK.

Aspects of the parity arguments are considered in more depth in section 4 of this paper.

1.3. The Superannuation legislation in Westminster

Reform of the compensation scheme for the Home Civil Service began under the previous UK Labour government for three reasons:

- to minimise the potential cost to the public purse;
- to simplify the system; and,
- to comply with age discrimination legislation.[13]

The current UK Government continued to pursue these reforms to ensure that any future redundancy payments were affordable in the current economic climate, and in the context of deficit reduction. It therefore amended the compensation scheme in GB to reduce the levels of compensation payable on redundancy.

Details of the legal challenges to those changes and subsequent legislation is below. This background helps to explain why the *Superannuation Act 2010* was brought in.

Legal challenge

The Public and Commercial Services (PCS) Union represents the majority of civil servants in the Home Civil Service. In May 2010, it applied for judicial review of the decision to change the compensation scheme in GB without the agreement of the trades unions.

The compensation scheme in GB is made under the *Superannuation Act 1972.* Section 2(3) of that Act (as it was in spring 2010) stated that detrimental changes to the

[12] Letter from DFP to Committee for Finance and Personnel, 27 June 2011
[13] Letter from DFP to Committee for Finance and Personnel, 27 June 2011

scheme could **not** be introduced unless representatives of persons affected (i.e. trades unions) **had agreed to it**.

The courts upheld the PCS case and stated that the amendments to the compensation scheme should be quashed. Mr Justice Sales rejected the argument made by the UK Cabinet Office that the requirement for agreement **only** applied to the pension scheme and not the compensation scheme. In his judgment he said:

> *…section 2(3) of the 1972 Act as amended is* ***properly to be interpreted as conferring protection in relation to all entitlements*** *in the [pension scheme] and [the compensation scheme] referable to length of service and contributions paid, whether they constitute legal entitlements in the full sense or entitlements as a matter of established and declared administrative practice as set out in any relevant scheme made under section 1 of the 1972 Act.*[14] *[emphasis added]*

Because the NICSC Scheme to all intents and purposes operates under the same legal provisions (albeit in the form of separate Northern Ireland legislation) it is reasonable to assume that the courts in Northern Ireland would take a similar view.

The Superannuation Act 2010

The UK Government responded to this judgment by introducing a Bill to amend the *Superannuation Act 1972*. The *Superannuation Act 2010* introduced new provisions which removed the requirement for trade union agreement to compensation scheme changes. Instead, the legislation now requires the government to "*consult with a view to reaching agreement with the persons consulted*."[15]

Further legal challenge

Subsequent to the initial legal challenge discussed above, the PCS made a further case to court that the new compensation scheme in GB breached Article 1 of Protocol 1 to the *European Convention of Human Rights* (i.e. the right to enjoyment of possessions). The PCS argued that the rights to redundancy pay in the compensation scheme amount to possessions, and therefore the UK Government was in breach by interfering with those rights.

The courts rejected this claim in summer 2011. Mr Justice McCombe said in his judgment that *"nothing in the [Superannuation Act 2010] interferes with or removes*

[14] The text of the judgment is available online at: http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWHC/Admin/2010/1027.html&query=2010+and+EWHC+and+1027+and+(Admin)&method=boolean (accessed 13 March 2012)(see paragraph 56)

[15] see http://www.legislation.gov.uk/ukpga/2010/37/section/2/enacted Section 2(2) of the Superannuation Act 2010 inserted a new section 3D into the 1972 Act.

accrued pension rights."[16] This meant that the only 'possession' which could be interfered with was in relation to retained rights to redundancy compensation.

In relation to that point he observed that:

> *Parliament expected significant savings in compensation payments to be achieved, but left the Minister the possibility of making a scheme agreed with the unions.*[17]

He further noted that, by questioning the motivation behind the will of Parliament in respect of measures to contribute to deficit reduction, the court was asked to go *"behind a government decision in the macro-political/macro-economic sphere",*[18] which he was not inclined to do.

In conclusion, the court dismissed the unions' claim.

[16] The text of the judgment is available online at: http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWHC/Admin/2011/2041.html&query=EWHC+and+2041+and+(Admin)&method=boolean (accessed 13 March 2012)(see paragraph 67)
[17] The text of the judgment is available online at: http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWHC/Admin/2011/2041.html&query=EWHC+and+2041+and+(Admin)&method=boolean (accessed 13 March 2012)(see paragraph 70)
[18] The text of the judgment is available online at: http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWHC/Admin/2011/2041.html&query=EWHC+and+2041+and+(Admin)&method=boolean (accessed 13 March 2012)(see paragraph 71)

2. The Superannuation Bill

Subsequent to the legal judgment presented above, the Northern Ireland Executive agreed to the preparation of the Bill which was introduced to the Assembly on 12 March 2012. The Bill replicates for Northern Ireland the provisions of the *Superannuation Act 2010*.

2.1. Analysis of the Bill's clauses

The Executive has agreed to pursue a policy of parity with GB. There are two substantive clauses in the Bill which make amendments to the *Superannuation (Northern Ireland) Order 1972.* The clauses are explained in the Explanatory and Financial Memorandum to the Bill. This paper does not repeat those explanations: this section instead supplements them with additional relevant information.

Clause 1

Clause 1 removes the requirement under the *Superannuation (Northern Ireland) Order 1972* for DFP to secure the consent of trades unions before introducing detrimental changes to the NICSC Scheme.

The purpose of this clause is removal of the current trade union veto over detrimental changes with a view to doing just that. In evidence to the Committee for Finance and Personnel (CFP) on 7 March 2012, an official noted that this will enable DFP:

> *…to align the amount of compensation payable to Northern Ireland Civil Service (NICS) staff and other members of the scheme who are covered by the NICS pension arrangements with that payable in Great Britain.*[19]

The new NICSC Scheme that will be introduced following passage of the Bill will reduce the amount of compensation available following either compulsory or voluntary redundancy. In evidence an official explained the difference:

> *…staff leaving on voluntary redundancy will receive a maximum of 21 months' salary, while those leaving on compulsory redundancy will receive a maximum of 12 months' salary. Pensions are a complex issue, and, under current terms, people generally — I emphasise the word "generally" — receive up to three years' pay. Broadly speaking, that is the difference.*[20]

[19] Official Report, Committee for Finance and Personnel, 7 March 2012, available online at: http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Meetings-of-Assembly-Committees-Minutes-of-Evidence/Superannuation-Bill-Pre-introductory-Briefing/

[20] Official Report, Committee for Finance and Personnel, 7 March 2012, available online at: http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Meetings-of-Assembly-Committees-Minutes-of-Evidence/Superannuation-Bill-Pre-introductory-Briefing/

DFP provided CFP with a paper in June 2011 which compared the proposed terms for the NICSC Scheme with the current terms. A number of points are drawn to the attention of Members in section 3 of this paper.

Clause 2

Clause 2 places a new duty on DFP to report to the Assembly on its attempts to reach agreement with trades unions in relation to detrimental changes to the NICSC Scheme. The proposed duty requires DFP to lay a report describing the consultation process undertaken.

In evidence to CFP, an official explained that:

> *…before making any amendment that would reduce the amount of compensation benefit, the Department of Finance and Personnel will have a duty to consult the unions with a view to reaching agreement. If an amendment scheme reduced the amount of compensation payable, the Department of Finance and Personnel must have laid before the Assembly a formal report that will provide information about the consultation that took place for that purpose; the steps that were taken in connection with that consultation with a view to reaching agreement on the issue; and whether such agreement has been reached.*[21]

The official also outlined the consultation that has taken place on the Bill:

> *…engagement with the unions will continue through the pension forum. The pension forum has been regularly updated. We had a meeting on 12 December, and, on 1 March this year, it was issued with an update letter informing it that the Executive had agreed on 23 February to introduce the Bill in the Assembly as a first step in the legislative process […] Following Royal Assent and before making the amendment and the changes [to the NICSC Scheme], we will continue to consult the unions. Employer pension notices will be issued to all staff and members of the scheme to inform them of the date of the amendment when it becomes law and on the changes to the Civil Service compensation scheme in Northern Ireland.*[22]

The key difference that will arise from the Bill is that, at present, DFP must reach agreement with the trades unions. The amended legislation will allow the **imposition** of a new NICSC Scheme. The clause 2 duty is to ensure that the unions are consulted and – even if they do not agree with the changes – the Assembly must be kept informed of that process.

[21] Official Report, Committee for Finance and Personnel, 7 March 2012, available online at: http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Meetings-of-Assembly-Committees-Minutes-of-Evidence/Superannuation-Bill-Pre-introductory-Briefing/

[22] Official Report, Committee for Finance and Personnel, 7 March 2012, available online at: http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Meetings-of-Assembly-Committees-Minutes-of-Evidence/Superannuation-Bill-Pre-introductory-Briefing/

During an evidence session with CFP, officials were asked about Assembly control over new the new NICSC Scheme. This issue is picked up in the next section.

2.2. Assembly control

This section presents considerations relating to Assembly control over a future NICSC Scheme made under the arrangements proposed in the Bill.

Article 4(8) of the *Superannuation (Northern Ireland) Order 1972* provides that:

> *(8) Before a scheme made under Article 3, being the principal civil service pension scheme or a scheme amending or revoking that scheme, comes into operation the Ministry shall lay a copy of the scheme before Parliament.*[23]

Unlike most Statutory Rules, therefore, there is no requirement either for a process of affirmative resolution (whereby the Assembly must vote to bring the measure into effect) or negative resolution (whereby the measure comes into effect unless the Assembly votes to annul it) before DFP can change the NICSC Scheme.

During a pre-introductory evidence session, this issue was raised with officials. The Deputy Chairperson asked:

> *Paragraph 6 of your paper of 15 June pointed out that DFP can make amendments to the scheme that are not subject to parliamentary procedure in the Assembly through the usual negative or affirmative resolutions. Why is that, and could that be changed in the Bill to provide the safeguard of the Assembly's having some control over the scheme amendments?*[24]

A DFP official responded that this issue had not to date been considered either by officials or by the Minister.

How is the Assembly procedure chosen?

The forms of Assembly control that may apply to subordinate legislation are set out in the Table 1 below.

[23] http://www.legislation.gov.uk/nisi/1972/1073/article/4
[24] Official Report, Committee for Finance and Personnel, 7 March 2012, available online at: http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Meetings-of-Assembly-Committees-Minutes-of-Evidence/Superannuation-Bill-Pre-introductory-Briefing/

Table 1: Varieties of Assembly control[25]

Class	Procedure
	Affirmative resolution procedures
(a)	The rule is laid in draft and cannot be made unless approved by the Assembly
(b)	The rule is laid after making but cannot come into operation unless and until approved by the Assembly
(c)	The rule is laid after making but shall cease to have effect unless approved by the Assembly within a specified time, referred to as the confirmatory resolution procedure
	Negative resolution procedures
(a)	The rule is laid in draft to take effect at the end of a specified period if not negatived by resolution of the Assembly within that time
(b)	The rule is laid after making and is annulled if a resolution of annulment is passed within the statutory period. The effect of such a resolution is that the rule is void and ceases to have effect
	Other procedures
(a)	The rule is required to be laid before the Assembly but there is no provision for further proceedings
(b)	The rule is not required to be laid

A legal text discussing the process for determining the Parliamentary procedure applicable to secondary legislation in Westminster makes clear that the decision is one of policy:

> ***The choice of procedure to be adopted lies with the government*** *[…] the affirmative resolution procedure is rarely adopted by government; the negative resolution procedure requires Members of Parliament to be vigilant and astute if they (usually the Opposition) are to be aware that a particular instrument has been laid and are able to move a prayer for annulment within the 40 day period.*[26] *[emphasis added]*

Whilst this extract does not specifically address the mechanism when **no** procedure is required, it does make clear that it is within the discretion of the government to decide which system is most appropriate.

The National Assembly for Wales' Constitutional and Legislative Affairs Committee has recently been trying to establish whether the Welsh Assembly Government uses any guidelines to help decide which procedure to use. The Welsh Assembly Government provided the committee with a copy of the guidelines its legislative counsel employ. These state:

> *There are some factors that may, to a greater or lesser extent depending on the context:*

[25] Source: Handbook on Subordinate Legislation, February 2012
[26] Barnett, H (2009) 'Constitutional and administrative law' 7 edition Routledge, Cavendish Abingdon, pages 376 to 377

(a) tend to suggest the application of the "draft affirmative" procedure; or

(b) require particular justification if a procedure other than "draft affirmative" procedure is applied.

The factors referred to above are:

1) powers that enable provision to be made that may substantially affect provisions of Acts of Parliament, Assembly Measures or Acts of the Assembly;

2) powers, the main purpose of which is, to enable the Welsh Ministers, First Minister or Counsel General to confer further significant powers on themselves;

3) powers to apply in Wales provisions of, for example, Acts of Parliament that in England, Scotland or Northern Ireland are contained in the Act itself (whether with or without modifications);

4) powers to impose or increase taxation or other significant financial burdens on the public;

5) provision involving substantial government expenditure;

6) powers to create unusual criminal provisions or unusual civil penalties;

7) powers to confer unusual powers of entry, examination or inspection, or provide for collection of information under powers of compulsion;

8) powers that impose onerous duties on the public (e.g. a requirement to lodge sums by way of security, or very short time limits to comply with an obligation).

9) powers involving considerations of special importance not falling under the heads above (e.g. where only the purpose is fixed by the enabling Act and the principal substance of the legislative scheme will be set out in subordinate legislation made in exercise of the power).

Factors that may reasonably tend to suggest the application of the "negative" procedure include, in particular:

1) where the subject-matter of the subordinate legislation is relatively minor detail in an overall legislative scheme or is technical;

2) where it may be appropriate to update the subject-matter of the subordinate legislation on a regular basis;

3) where it may be appropriate to legislate swiftly (e.g. to avoid infraction proceedings or for the protection of human or animal health or of the environment);

4) where the discretion of the Welsh Government over the content of the subordinate legislation is limited (e.g. legislation that gives effect to some provisions of EU law);

5) where it would be appropriate to combine provision to be made under the power with provision that can be made under another power where the latter may be subject to negative procedure.[27]

In Northern Ireland, the First Legislative Counsel has confirmed that – like in Westminster – the appropriateness of a particular form of Assembly control is a matter of policy:

…like everything else that goes into a Bill, ***the level of Assembly control is a policy matter*** *which is decided by the Department in charge of the Bill. The draftsman may well advise based on criteria similar to those [mentioned in relation to Wales], but there are* ***no hard and fast rules****. For example while 99.9% of commencement orders are subject to no procedure at all we do very occasionally have one that is subject to affirmative resolution where the subject matter is extremely contentious. Very often the question of which procedure to apply depends on operational or political considerations on which only the Department can take a view.*[28] *[emphasis added]*

The Examiner of Statutory Rules has noted that the NICSC Scheme is not technically implemented by statutory rule.[29] Nevertheless, it would appear to be theoretically open to DFP to amend the *Superannuation (Northern Ireland) Order 1972* to allow for an Assembly control process. As noted above, CFP requested that DFP consider the feasibility of such an approach.

[27] Constitutional and Legislative Affairs Committee 'Public Documents Pack' 5 March 2012 available online at: http://www.senedd.assemblywales.org/documents/g713/Public%20reports%20pack,%20Monday,%2005-Mar-2012%2014.30,%20Constitutional%20and%20Legislative%20Affairs%20Committee.pdf?T=10 (accessed 20 March 2012) (see pages 364-5)

[28] Source: communication from First Legislative Counsel

[29] Source: communication from ESR

3. The current and proposed NICS compensation schemes

DFP provided comparative tables to CFP in relation to the proposed NICSC Scheme. This is attached as Appendix 1 due to the complex nature of the information. Appendix 2 gives worked examples, also provided by DFP, of what the changes would mean to employees of different ages and in different circumstances. Some particular points of potential interest to Members are made here.

The current NICSC Scheme has complicated benefits depending on the age of the employee, the length service and whether the employee was in post on 1 April 1987. In some circumstances, compensation for compulsory redundancy can be up to 3 years' pay. In other circumstances (where an employee is aged between 40 and 50 and qualifying for the pre-1987 package), the cost can exceed 6 years' pay.

The NICSC Scheme also provides for early retirements under both compulsory and voluntary terms. In certain circumstances, pensionable service can be enhanced by up to 6 2/3 years **plus** a lump sum compensation payment.

The generosity of the current terms **in GB** attracted some media attention. For example, an article in the *Daily Mail* reported:

> *An estimated 1,700 civil servants whose jobs have been abolished are still on the public payroll because their 'gold-plated' redundancy deals make them too costly to sack.*
>
> *It is thought they are pocketing £50million a year despite having no job to do. Instead they are waiting in 'talent pools' to be redeployed.*
>
> *A Government source last night said the 'ludicrous' situation underlined the urgent need for a crackdown on lavish civil service redundancy deals.*[30]

3.1. Changes to the NICS compensation scheme

As noted above, the comparative table produced by DFP in relation to the proposed NICSC Scheme is complex and is attached as Appendix 1. Appendix 2 gives worked examples, also provided by DFP, of what the changes would mean to employees of different ages and in different circumstances. As before, some particular points of potential interest to Members are made below.

[30]Daily Mail '1,700 civil servants paid to do nothing because redundancy deals are too costly' , 6 July 2010, available online at: http://www.dailymail.co.uk/news/article-1292348/1-700-civil-servants-paid-redundancy-deals-costly.html (accessed 14 March 2012)

Compulsory redundancy

- the employer **must** offer voluntary redundancy terms **before** moving to offer compulsory terms;
- employees earning **less than £23,000** per annum will have any compensation payment calculated on that amount. This provides a measure of protection for lower-paid workers;
- employees' earnings will be **capped at £149,820** for the purposes of any compensation payment. This means that the very highest earners would have their current rights more significantly curtailed;
- one month's pay for each year of service with an overall limit of **12 months'** (one year's) pay for those **under** pension age; and,
- for those **over** pension age, the overall limit will be at **six months'** pay with immediate access to pension.

Voluntary redundancy

- one month's pay for each year of service with an overall limit of **21 months'** (one year's) pay for those **under** pension age;
- for those **over** pension age, the overall limit will be at **six months'** pay with immediate access to pension;
- employees earning **less than £23,000** per annum will have any compensation payment calculated on that amount. This provides a measure of protection for lower-paid workers;
- employees' earnings will be **capped at £149,820** for the purposes of any compensation payment. This means that the very highest earners would have their current rights more significantly curtailed;

NOTE: The higher and lower deemed earnings are for the purpose of calculating compensation payments only. They will <u>not apply</u> to the calculation of pension benefits.

3.2. Reduced redundancy costs in GB

The National Audit Office (NAO) recently published a report *Managing early departures in central government.* It found that UK Government departments had made considerable savings in 2011 as a result of the new compensation scheme, compared to what it would have cost to reduce staff numbers under the old scheme:

> *Departments paid an estimated total of £600 million gross to release the 17,800 employees who left early under the revised Scheme during 2011. These costs are* ***around 45 per cent lower than they would have been under the previous Scheme.*** *However, there were no estimates of the*

administration or other costs of managing the departures.[31] *[emphasis added]*

3.3. Reduced potential redundancy costs under the proposed NICSC Scheme

In the indicative comparative figures attached as Appendix 2, DFP has stated that:

For comparison purposes if a Department had a voluntary redundancy exercise which included 100 members of staff aged approximately age 55 and with 30 years [service] the cost under the current scheme […] would be over £12 million. However, under the proposed revised scheme the scheme cost would be £7 million with a saving of approximately £5 million.[32]

An indicative saving of £5m under proposed terms compared with £12m under current terms would be a reduction in cost of over 40%. This is of a similar order to the savings reported by the NAO in relation to GB which gives some assurance that estimate is realistic.

It is important to note that there is currently **no** public plan to introduce a redundancy programme in Northern Ireland. Also, DFP centrally manages human resource for the NICS which means **the circumstances are not directly comparable to GB.**[33] UK Government departments operate more independently of each other in relation to staffing. The NAO report noted that:

Coordination from the centre of government on early departures was minimal, creating duplication of work in HR departments. Moreover, the arrangements for redeploying staff from one department or agency to another are inconsistent, and cannot ensure best use of skills.[34]

This could lead to one department introducing redundancies at the same time as another is recruiting staff. In contrast, the NICS, **does** have arrangements for redeploying staff between departments. For example, a number of Planning Service staff were redeployed to Land and Property Services in 2010.[35] It is arguable that this flexibility mitigates against any perceived risk to civil servants' job security.

[31] NAO (2012) 'Managing early departures in central government – Executive Summary' available online at: http://www.nao.org.uk//idoc.ashx?docId=22a81453-1a7a-47f4-9d3e-800e2fb8093c&version=-1 (accesses 20 March 2012) (see page 6)
[32] Source: personal communication with DFP official
[33] Source: personal communication with DFP official
[34] NAO (2012) 'Managing early departures in central government – Executive Summary' available online at: http://www.nao.org.uk//idoc.ashx?docId=22a81453-1a7a-47f4-9d3e-800e2fb8093c&version=-1 (accesses 20 March 2012) (see page 9)
[35] DFP press release at: http://www.dfpni.gov.uk/lps/index/news_archive_section/lps_welcomes_planning_staff_-_19_august_2010.htm (accessed 22 March 2012)

4. Issues for consideration

4.1. Parity

The legislation under which the NICSC Scheme is operated (i.e. *Superannuation (Northern Ireland) Order 1972*) is framed in very similar terms to the Westminster legislation. Similarly, the amendments proposed in the Bill are the same as those introduced in GB through the *Superannuation Act 2010.*

It was noted above that the Northern Ireland Executive has opted to continue to pursue a policy of parity in relation to the NICSC Scheme. This means that the NICSC Scheme will continue to mirror the compensation scheme that operates in the Home Civil Service in GB.

DFP has highlighted in evidence to CFP that by breaking parity there would be a financial cost to the Executive. This cost falls into two distinct elements:

- systems, structures and processes; and,
- implications for the Northern Ireland block grant.

Each of these elements is considered below.

Systems, structures and processes

DFP explained this element in a briefing provided to CFP:

> *Parity with GB has provided a number of benefits over the decades, including a central forum for negotiations with the Trades Unions and consistency of approach across the public sector. It has* ***enabled the costs of administration to be controlled*** *as parity provides for a source of primary legislation and also secondary legislation from GB in the form of Scheme Amendments; associated communication booklets, leaflets etc for staff and employers notices; legal advice and policy guidance; and common IT systems maintained at minimal cost. A break with parity would result in the above benefits being lost.*[36]*[emphasis added]*

The point in relation to policy guidance was explained further in evidence to CFP on 7 March:

> *We have detailed scheme rules, and it has been extremely helpful to us in the past and has served us well to have other sources of expertise to go to. Our scheme membership is quite small, and others who have more experience in dealing with issues and what happens when cases go to the Pensions Ombudsman, for example, can share the experience of other precedents and how that has been handled.*

[36] Letter from DFP to Committee for Finance and Personnel, 27 June 2011

Not only, therefore, would there be a cost in maintaining systems which were different from those used in GB; there could also be a cost in securing policy advice and guidance on implementation of a scheme which the much larger Home Civil Service was no longer operating. Among other possibilities, this might involve additional training, recruitment of additional staff, or commissioning external advice.

Implications for the Northern Ireland block grant – additional public expenditure pressure?

Public service pensions policy is devolved to Northern Ireland. Any redundancy scheme (voluntary or compulsory) under either the current or proposed NICSC Scheme would be funded from the resources under the control of the Northern Ireland Executive.

If there were a redundancy scheme for civil servants introduced in England, Northern Ireland would receive 'Barnett consequentials'[37] on any **additional** funding made available for it by the UK Government. This means that Northern Ireland would get a **population-based share of any addition to a Whitehall department's budget** over-and-above what it has already been allocated under Spending Review 2010. If, however, a Whitehall department funded a redundancy scheme from **within its existing budget**, Northern Ireland would **not** receive a Barnett Consequential.

Barnett Consequentials are unhypothecated. In other words, the money that the Northern Ireland Executive receives is not earmarked for any specific purpose – it would go into the general 'pot' of resources – and it is for the Executive to decide how to use it. So, in the event that the Executive received Barnett Consequential as a result of an increase in funding because a redundancy scheme in England, it would not have to apply that additional funding to the NICSC Scheme. It could be used for any purpose.

A hypothetical example of a Barnett Consequential is provided in Box 1.

Box 1: worked example of Barnett consequential

NI population as proportion of England (ONS mid-year estimate 2010) = 3.44%

Comparability = 100%

Additional allocation made to Whitehall department for redundancy scheme = £100m

£100m x 3.44% = £3.44m. *Less* VAT abatement at 2.5% = £3.35m

[37] For further information see RaISe (2011) 'Barnett Consequentials' available online at: http://www.niassembly.gov.uk/Assembly-Business/Research-and-Information-Service-RaISe/Publications-2012/

In the example in Box 1, the Northern Ireland Executive would receive £3.35m as a consequence of the spending decision in England. So it is possible to argue that any scheme in Northern Ireland that cost **more** than £3.35m would be **unfunded** by the amount of the difference.

Therefore, if an NICSC Scheme cost £5m, for example, there would be a public expenditure pressure for the difference: £3.35m **-** £5m = **-£1.65m**

It is important to note, however, that this apparent gap in funding only appears **if a Whitehall department and the Northern Ireland Executive both decide to initiate a programme of redundancy.**

But in different circumstances, the funding pressure would **not** arise. If the Whitehall department received an additional allocation for a scheme, and the Northern Ireland Executive did **not** instigate a programme then the **full** consequential (i.e. £3.35m in the example) would be available to fund something else.

These situations could arise **irrespective** of the retention of (or amendment to) the NICSC Scheme. Presumably the point made by DFP is that additional expenditure pressure is **more likely** to arise if Northern Ireland retains a more generous scheme than exists in GB.

It should be noted that this indicative expenditure pressure would be as a consequence purely of meeting the costs of compensation payments. It does **not** address the potential additional costs in relation to systems and processes discussed above. DFP has been asked by CFP to provide separate estimates of those costs.

Implications for the Northern Ireland block grant – 'repercussiveness'

Another consideration in relation to the block grant is the concept of 'repercussiveness'. The arrangements for devolved funding are set out in HM Treasury's *Statement of Funding Policy.* This states:

> ***where decisions taken by any of the devolved administrations or bodies under their jurisdiction have financial implications for departments or agencies of the United Kingdom Government*** *or, alternatively, decisions of United Kingdom departments or agencies lead to additional costs for any of the devolved administrations, where other arrangements do not exist automatically to adjust for such extra costs,* ***the body whose decision leads to the additional cost will meet that cost.***[38] *[emphasis added]*

[38] HMT (2010) 'Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: a statement of funding policy' available online at: http://cdn.hm-treasury.gov.uk/sr2010_fundingpolicy.pdf (accessed 15 March 2012) (see page 12)

In other words, if the policy decisions of a devolved administration had financial repercussions for the UK Government, the devolved administration would have to pay for those repercussions.

A hypothetical example in the current context helps to illustrate the concept. If the NICSC Scheme continued to offer higher levels of compensation than an equivalent compensation scheme in GB - and members of the Home Civil Service were able to successfully argue in a court that their rights were legally the same as an NICSC Scheme member – Northern Ireland could be liable for any additional costs incurred by departments in GB.

4.2. The trade union position

In evidence to CFP on 7 March 2012, a DFP official confirmed that the Northern Ireland Public Service Alliance (NIPSA) (the main public sector union) had been consulted on the proposed changes to the NICSC Scheme but had not formally responded at that date. In the absence of a formal NIPSA position this section looks at evidence for the trade union's from other sources.

NIPSA's 2010 annual report indicates that it supported the PCS legal challenge to the UK Government's amendments:

> *..one of the Civil Service unions, PCS, assisted by NIPSA, decided to instigate a judicial review of the revised arrangements on the grounds that they were detrimental to most members and potentially unlawful.*[39]

NIPSA's 2011 annual report contains the following statement:

> *Trade Union Side reiterated its position that the changes [to the compensation scheme] were unnecessary as well as detrimental.*[40]

In addition, Brian Campfield, NIPSA General Secretary was quoted in *Belfast Telegraph* as saying the UK Government's policy was:

> *…an attack on the redundancy compensation scheme so they can get away with making redundancies on the cheap.*[41]

Taken together, these statements give a reasonably strong indication of the position NIPSA is likely to take in response to the proposed changes to NICSC Scheme and also to the proposed amendments to the *Superannuation (Northern Ireland) Order 1972* to remove the obligation to secure agreement with unions.

[39] NIPSA 'Annual Report 2010' available online at: http://www.nipsa.org.uk/Docs/Publications/2011/AR2010-web
[40] NIPSA 'Annual Report 2011' available online at: http://www.nipsa.org.uk/getattachment/66766a3b-f24e-48cc-93f6-db42e176a15e/Annual-Report-2011.aspx (accessed 15 March 2012)
[41] Belfast Telegraph 'Civil servants are facing redundancy on the cheap: union', 8 September 2010, available online at: http://www.belfasttelegraph.co.uk/news/local-national/northern-ireland/civil-servants-are-facing-redundancy-on-the-cheap-union-14936734.html#ixzz1p0u4KhgM (accessed 15 March 2012)

4.3. Support for reform

Whilst it is understandably the case that public sector unions would oppose changes both to the *Superannuation (Northern Ireland) Order 1972* and to the NICSC Scheme, it is also the case that there is an alternative view. For example, it has been argued by some commentators that tackling the cost of civil service compensation is an important element of addressing national debt:

> *If the national debt is going to be tackled public sector reform is absolutely vital. PCS have fought a battle in the high court regarding redundancy pay, defending the current Civil Service Compensation Scheme (CSCS), which, under existing rules, entitles civil servants to severance payouts worth as much as six years' salary. The redundancy scheme is so expensive that many ministries have pools of hundreds of employees who do not have allocated work but are not sacked because it is too expensive.*[42]

It should perhaps also be noted that there was an element of political consensus on the need for reform in GB:

> *The move to reform civil service redundancy payments has bipartisan support as the previous Labour government tried to reform the system - however, even though all other unions agreed the PCS mounted a legal challenge which overturned the previous administration's efforts. The coalition government agrees with its predecessor and argues that the reform is needed as the current system is prohibitively expensive especially in austere times.*[43]

4.4. Impact assessments

Equality

DFP screened the Bill for equality impacts and concluded that there were no impacts on any of the section 75 categories. It also concluded that, because the policy relates to payments to staff, there are no opportunities promote equality of opportunity for people within the section 75 groups.[44]

One possible weakness in this analysis is that it is presumably more likely that it would be older staff that are likely to avail of any future redundancy package, so there may be an impact on older people vis-a-vis younger people. Members may wish consider this aspect.

[42] Dunn, J (2010) 'Unions still in denial over the scale of the fiscal crisis' available online at: http://www.taxpayersalliance.com/economics/2010/09/unions-still-in-denial-over-the-scale-of-the-fiscal-crisis.html (accessed 23 March 2012)

[43] 'Government's Civil Service Redundancy Plans Face Judicial Review As PCS Rejects Arrangement' http://www.egovmonitor.com/node/40271 (accessed 15 March 2012)

[44] Superannuation Bill - Equality Screening, available online at: http://www.dfpni.gov.uk/superannuation-bill-equality-screening (accessed 15 March 2012)

Human rights

The second court case brought against the UK Government led to a ruling on compliance with the *European Convention on Human Rights* (see section 1.3 above). The court found that nothing in the *Superannuation Act 2010* interfered with accrued pension rights.

It was further found that, although there was interference with compensation rights, it was not the place of the courts to investigate the macro-economic policies of government. As the Act was primarily introduced as a means of controlling potential costs with a view to managing the UK's deficit, the court declined to rule in favour of the unions.

5. Concluding remarks

This paper has presented evidence in relation to a number of aspects of the Bill before the Assembly. It has attempted to unpack the concept of 'parity' in relation to the Bill's provisions with a view to illustrating how a break in parity might lead to expenditure pressures on the NI block grant.

The research also reports that potential savings from a new NICSC Scheme under the Bill could be significant. It highlights that, whilst there is likely to be opposition from trades unions, there have also been reformist arguments made by commentators. It appears that there may be potential for the Assembly process in the *Superannuation (Northern Ireland) Order 1972* in relation to making an NICSC Scheme to be changed if there is sufficient political support for such a move.

Appendix 1 – current and proposed terms for compensation scheme

Current Exit Terms			Proposed Terms
Compulsory Redundancy Terms These terms are intended to be used when an individual's contract is being terminated compulsorily (eg on redundancy but also for "structural" departures of senior staff).	**Early Retirement** **> 50 with min of 5 years service** Immediate payment of pensions & associated lump sum without reduction for early payment. Pensionable service enhanced by up to 6 2/3 years* plus a lump sum compensation payment of the greater of (a) 6 months pay & (b) statutory redundancy which is reduced by 1/36th for each month the person is aged > 57. Under the new proposals the current terms will be modified to remove the tapering which currently applies to the compensation lump sum paid to those between 57 & 60 (backdated to 16 July 2008) & a full 6 months compensation lump sum will be paid to those > 60 (backdated to 1 April 2009.	**Early Severance - (Standard terms)** **< 50 (or > 50 with < 5 years)** 1 months pay per year of service plus 1 months pay per year of service after the alter of (a) 5 years service and (b) age 30 plus 1 months pay per year of service after age 35. Subject to a maximum of 3 years pay. Early Severance (1987 terms – apply to staff in mobile grade @ 1/4/87) < 40 on departure – as standard terms but not capped. Aged between 40 & 50 on departure - standard terms topped to the capital value of the early retirement package under pre-1987 terms. Cost can exceed 6 years pay.	**Compulsory Redundancy Terms** Employer must offer Voluntary Redundancy Terms before moving to Compulsory Terms 2 Year qualifying service condition Compensation payment of 1 months pay for each year of service - subject to a maximum of 12 months pay for those under pension age. Tapering will apply – Maximum compensation will be limited to number of months to pension age plus 6 months. Employees earning less than £23,000 per annum will be deemed to be earning that amount for the purposes of calculating the compensation payment. Employees earning more than £149,820 per annum will be deemed to be earning that amount when calculating the compensation payment. The lower and higher deemed earnings will not apply to calculation of pension benefits. Redundancy payments will be capped @ a maximum of 6 months pay for those > pension age. Immediate access to pension. Members may opt for the Employer to use their compensation payment to buy-out the actuarial reduction, which would otherwise apply, to members who are over age 50 (55 if joined scheme on or after 6 April 2006). Employers will not meet any buy out costs due in excess of the compensation amount but members may buy out the short-fall – otherwise must take compensation payment and draw pension on reduced basis or leave pension preserved to pension age. Employers have no Flexibility to vary Compulsory Redundancy Terms.

Current Exit Terms			Proposed Terms
Voluntary Redundancy Terms Employers must offer Voluntary Terms prior to moving to Compulsory	**As for compulsory above.**	**As for compulsory above.**	**Voluntary Redundancy Terms** 2 Year qualifying service condition – although Employers can waive the qualifying period or reduce it. Compensation payment of 1 months pay for each year of service – subject to maximum of 21 months for those under pension age. Tapering will apply – Maximum compensation will be limited to number of months to pension age plus 6 months. Employees earning less than £23,000 per annum will be deemed to be earning that amount for the purposes of calculating the compensation payment. Employees earning more than £149,820 per annum will be deemed to be earning that amount when calculating the compensation payment. The lower and higher deemed earnings will not apply to calculation of pension benefits. Employers must offer early payment of pension to those aged 50 (55 if member joined after 6 April 2006) or over & chose to fund part or all of the cost of buying out the actuarial reduction from their compensation payment. If compensation payment is insufficient to meet the cost of buy out, then the Employer must fund the difference. If there is residual compensation payment after buy out the member will be paid the balance. Redundancy payments will be capped @ a maximum of 6 months pay for those > pension age. Immediate access to pension.
Flexible Retirement/ Severance Employers can invite individual applications to assist with	**Early Retirement** **> 50 (& under pension age) with minimum of 5 years service** Immediate payment of pensions & associated lump	**Early Severance** **Under 50 (or between 50 & 60 with < 5 years service).** Minimum of 12 months service required.	**Voluntary Exit Terms** 2 Year qualifying service condition – although Employers can waive the qualifying period or reduce it.

Current Exit Terms			Proposed Terms
Structural change.	sum without reduction for early payment. Pensionable service enhanced by up to 6 2/3 years*	2 weeks pay per year of service during the 1st 5 years plus 3 weeks pay per year of service during years 5-10 plus 4 weeks pay per year of service after 10 years plus 2 weeks pay per year of service after reaching age 40. Subject to a maximum of 2 years pay.	Compensation payment of 1 months pay for each year of service – subject to maximum of 21 months for those under pension age. Tapering will apply – Maximum compensation will be compared to number of months to pension age plus 6 months. Employees earning more than £149,820 per annum will be deemed to be earning that amount when calculating the compensation payment. Employer flexibilities: Employer can offer compensation payment of up to twice the standard tariff up to overall limit of 21 months, subject to approval of Department of Finance and Personnel. The minimum an Employer can offer is equal to the amount due under statutory redundancy terms. Employers may, where the member earns less than £23,000, deem the member to be receiving that amount for purposes of calculating the compensation payment only. Employers can offer to top up the compensation payment on current service for those who have reached minimum retirement age (50, or 55 where member joined service on or after 6 April 2006) and wish to take their pension benefits early without reduction.
Approved Early Retirement Members over age 55 with more than 25 years service may apply to leave on these terms, subject to Employer agreement/funding of costs until pension age. Otherwise Employers can invite individual applications to assist with Structural Change or limited postability	**> 50 (age 55 for new entrants from April 2006) with minimum of 5 years service** Immediate payment of pension & associated lump sum without reduction for early payment.	**N/A**	**Voluntary Exit Terms** As for voluntary exit terms set out above.

Appendix 2 – Summary of comparative figures for current and proposed compensation arrangements

Classic, classic plus and premium

	Current arrangements	**Proposed arrangements**
	Flexible Early Severance	**Voluntary Exit/Voluntary Redundancy**
Member aged 35 with 15 years reckonable service and final pensionable earnings of £20,000	Lump sum compensation= **£17,307**	Lump sum compensation= **£28,750**
Member aged 45 with 25 years reckonable service and pensionable earnings of £40,000	Lump sum compensation= **£73,076**	Lump sum compensation= **£70,000**

	Current arrangements	**Proposed arrangements**
	Flexible Early Retirement	**Voluntary Exit/Voluntary Redundancy**
Member aged 55 with 15 years reckonable service and final pensionable earnings of £20,000	**A:** Annual compensation payment to pension age =**£4,950** **B:** Lump sum compensation =**£5,299** **Total payable = £30,048**	Lump sum compensation= **£28750**
Member aged 55 with 30 years reckonable service and final pensionable earnings of £40,000	**A:** Annual compensation payment to pension age =**£17,400** **B:** Lump sum compensation =**£13,995** **Total payable = 100,995**	Lump sum compensation= **£70,000**

	Compulsory Early Severance	**Compulsory Exit**
Member aged 35 with 15 years reckonable service and final pensionable earnings of £20,000	Lump sum compensation **=£33,333**	Lump sum compensation **=£23000**
Member aged 45 with 25 years reckonable service and pensionable earnings of £40,000	Lump sum compensation = **£120,000**	Lump sum compensation = **£40,000**

	Current arrangements	Proposed arrangements
	Compulsory Early Retirement	**Compulsory Exit**
Member aged 55 with 15 years reckonable service and final pensionable earnings of £20,000	**A:** Annual compensation payment to pension age =**£4,950** **B:** Lump sum compensation =**£15,299** **Total payable = £40,049**	Lump sum compensation = **£23000**
Member aged 55 with 30 years reckonable service and final pensionable earnings of £40,000	**A:** Annual compensation payment to pension age =**£17,400** **B:** Lump sum compensation =**£33995** **Total payable = £120,995**	Lump sum compensation =**£40,000**

It should be noted that the members above who are over age 50 will also receive a further additional compensation payment from pension age which is equivalent to the enhanced element of the member's benefits.

This is not costed above as the benefits payable will depend on the longevity of the member.

For comparison purposes if a Department had a voluntary redundancy exercise which included 100 members of staff aged approximately age 55 and with 30 years the cost under the current scheme the cost would be over £12 million. However, under the proposed revised scheme the scheme cost would be £7 million with a saving of approximately £5 million.

Nuvos

Nuvos was introduced in July 2007 and is not yet covered under the rules of the Civil Service Compensation Scheme (Northern Ireland). Under interim arrangements members of nuvos who leave on voluntary or compulsory redundancy are entitled receive an ex gratia payment 1 month pay for each year of service. This is the equivalent to the proposed terms.

2B. Detailed calculations of comparative figures provided in previous table (2A)

	Current arrangements	Proposed arrangements
	Flexible Early Severance	**Voluntary Exit/Voluntary Redundancy**
Member aged 35 with 15 years reckonable service and final pensionable earnings of £20,000	**A:**2 weeks final pensionable earnings for each year of reckonable service during the first 5 years of qualifying service = **£38,46** **B:** 3 weeks final pensionable earnings for each year of reckonable service during the next 5 years of qualifying service = **£5,769** **C:** 4 weeks final pensionable earnings for each year of reckonable service after the first 10 years of qualifying service = **£7,692** **A+B+C = £17,307**	1 month pay for each year of service up to a maximum of 21 months. Lower Pay protection applies – salary deemed to be £23,000. **=£28,750**
Member aged 45 with 25 years reckonable service and pensionable earnings of £40,000	**A:**2 weeks final pensionable earnings for each year of reckonable service during the first 5 years of qualifying service = **£7692** **B:** 3 weeks final pensionable earnings for each year of reckonable service during the next 5 years of qualifying service = **£11,538** **C:** 4 weeks final pensionable earnings for each year of reckonable service after the first 10 years of qualifying service = **£46,154** **D:** 2 weeks final pensionable earnings for each year of reckonable service after age 40 = **£7,692** **A+B+C+D = £73,076**	1 month pay for each year of service up to a maximum of 21 months = **£70,000**

	Current arrangements	Proposed arrangements
	Flexible Early Retirement	**Voluntary Exit/Voluntary Redundancy**
Member aged 55 with 15 years reckonable service and final pensionable earnings of £20,000	Annual compensation payment (ACP)equivalent to enhanced pension until pension age and from pension age an annual compensation payment reduced to the amount of enhancement **A:** ACP to pension age =**£4950** **B:** Lump sum compensation =**£5,298** **Total cost = £30,048**	1 month pay for each year of service up to a maximum of 21 months. Lower Pay protection applies – salary deemed to be £23,000. = **£28750**
Member aged 55 with 30 years reckonable service and final pensionable earnings of £40,000	Annual compensation payment (ACP)equivalent to enhanced pension until pension age and from pension age an annual compensation payment reduced to the amount of enhancement **A:** ACP to pension age =**£17,400** **B:** Lump sum compensation =**£33,995** **Total cost = £120,995**	1 month pay for each year of service up to a maximum of 21 months = **£70,00**

	Current arrangements	Proposed arrangements
	Compulsory Early Severance	**Compulsory Exit**
Member aged 35 with 15 years reckonable service and final pensionable earnings of £20,000	**A:** 1 month final pensionable earnings for each year of reckonable service = **£25,000** **B:**1 month final pensionable earnings for each year of reckonable service after age 30 = **£8,333** **A+B=£33,333**	1 month pay for each year of service up to a maximum of 12 months. Lower Pay protection applies – salary deemed to be £23,000. **=£23,000**
Member aged 45 with 25 years reckonable service and pensionable earnings of £40,000	**A:** 1 month final pensionable earnings for each year of reckonable service = **£83333** **B:**1 month final pensionable earnings for each year of reckonable service after age 30 = **£50000** **C:** 1 month final pensionable earnings for each year of reckonable service after age 35 = **£33,333** **A+B+C=£167,0000 (limited to maximum of 3 years final pensionable earnings = £120,000**	1 month pay for each year of service up to a maximum of 12 months = **£40,000**

	Current arrangements	**Proposed arrangements**
	Compulsory Early Retirement	**Compulsory Exit**
Member aged 55 with 15 years reckonable service and final pensionable earnings of £20,000	Annual compensation payment (ACP)equivalent to enhanced pension until pension age and from pension age an annual compensation payment reduced to the amount of enhancement **A:** ACP to pension age =**£4,950** **C:** Lump sum compensation =**£15,299** **Total =40,049**	1 month pay for each year of service up to a maximum of 12 months. Lower Pay protection applies – salary deemed to be £23,000. = **£23,000**
Member aged 55 with 30 years reckonable service and final pensionable earnings of £40,000	Annual compensation payment (ACP)equivalent to enhanced pension until pension age and from pension age an annual compensation payment reduced to the amount of enhancement **A:** ACP to pension age =**£17,400** **C:** Lump sum compensation =**£33,995** **Total =120,995**	1 month pay for each year of service up to a maximum of 12 months =**£40,000**