



**Northern Ireland  
Assembly**

**Committee for Education  
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Parliament Buildings**

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**To: Shane McAteer  
Clerk to the Committee for Finance and Personnel**

**From: Peter McCallion  
Clerk to the Committee for Education**

**Date: 6 November 2015**

**Subject: Proposals to cap the total value of exit payments for public sector  
employees**

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Shane,

At its meeting on Wednesday 4 November 2015, the Committee for Education noted correspondence from a concerned individual regarding reported proposals to cap the total value of exit payments for public sector employees.

The Committee agreed to forward this correspondence to the Committee for Finance and Personnel for its information.

The correspondence is enclosed.

**Peter McCallion  
Committee Clerk  
Enc.**

Mr Peter Mc Callion  
Room 376, Parliament Buildings  
Stormont  
Belfast  
BT4 3XX

23 October 2015

Dear Mr Mc Callion

**Re: Government Proposal to cap severance costs**

My name is [REDACTED] and I am employed by the Education Authority, [REDACTED]. We were informed last week that there is a proposal to cap severance costs at £95,000. I am most disappointed and annoyed by this proposal as I have worked hard for the public service for 35+ years and as I earn [REDACTED] I am not on a high salary. Basically, this legislation would mean that the employee's monies will be reduced to take account of their state pension age which in my case has already been delayed until 67 years of age. This would consequently invoke an extortionate reduction to my total sum, so much so that I would struggle financially in my retirement. It also seems unjust and untimely that this should be introduced directly after others have received much more generous packages, and as I will not be 55 years of age until December 2016 I am therefore unable to apply for voluntary severance within this financial year and also be in receipt of my pension benefits.

Although I do see the rationale behind the cap for higher wage earners, some who may also have the additional advantage of a recent upgrade to enhance their final package, if my redundancy package is capped I will barely have enough to survive on once I have paid my outstanding bills. Should this proposed legislation be implemented regardless, I would then propose that in order to protect public servants who are not within the higher earnings wage bracket, that there should be a clause introduced that it applies only to those earning more than £30,000 G.P.A.

In my opinion there should be a protection for employees who have given our entire working careers to the public service, paying into the NILGOSC pension scheme, which we were led to believe would give us a fair return, in the hope that we would be able to live comfortably upon retirement.

I have attached examples overleaf showing the impact of this proposed legislation. I therefore request that this proposal be postponed, reviewed and amended, to protect lower wage earners. I await your response.

Yours sincerely  
[REDACTED]

### Example 1

Senior Executive Officer Age 55 in March 2016 earning £27,123  
G.P.A. with date of leaving=31/01/16 will receive:

£27,123 X 24 Months = £54,246 Voluntary Severance  
12

The cost of release is approximately £54,000

The total cost of release = £108,246

The employee will not suffer any reduction to voluntary severance

### Example 2

Senior Executive Officer age 55 in December 2016 earning £27,123  
G.P.A. with date of leaving=08/12/2016 will receive:

£2,7123 X 24 Months =£54,246 Voluntary Severance  
12

Costs are taken based on the above scenario as these are not  
currently available from NILGOSC

The cost of release is approximately £54,000

Total cost           £108,246

CAP (if applied) £95,000

£13,246

Therefore leaving under CAP rules in December 2016 the employee  
will be £13,246 worse off i.e. Voluntary Severance monies reduced  
£64,246-£13,246 = £41,000 than the employee leaving in the same  
year but just 9 months earlier. If you have any queries regarding  
the above please contact

[REDACTED]

**NILGOSC**  
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS  
SUPERANNUATION COMMITTEE



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To: Human Resources  
Pension Contacts

Circular 16/2015  
12 October 2015

At: All Employing Authorities

Dear Colleagues

**Government Proposal to Cap Severance Costs at £95,000**

This Circular is relevant to you if your organisation plans to operate a severance scheme or make redundancies from 2016 onwards.

On 31 July 2015 HM Treasury issued a consultation proposing legislation to cap the total value on exit payments in public sector employment. The consultation is now closed and the Government has set out its intention to proceed with legislation. The Government's response can be read at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/464367/Public\\_sector\\_exit\\_payments\\_response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464367/Public_sector_exit_payments_response.pdf)

The legislation made by Westminster will not automatically apply to Northern Ireland however it is likely that DFP will seek the agreement of the NI Executive for a Legislative Consent Motion (LCM) to adopt the Westminster legislation in Northern Ireland.

The proposed cap of £95,000 applies not only to a severance payment received by an exiting employee but also includes any payment which you may make to NILGOSC for the early payment of pension. If a scheme member is made redundant and is aged 55 or over, they will be entitled to receive a redundancy pension. This may result in a 'strain-cost' which must be paid by the employer to NILGOSC and is included in the total cost limited by the proposed cap. For example, the strain cost for a female with 35 years' service, made redundant at age 55, would breach the cap if she earned £27,053 or more. This example does not take into account any severance payment also received, which would mean that an individual could earn less and still breach the cap. In other words it is clearly not just senior staff that would be affected by the cap.

If you feel that such a cap would inhibit your organisation's plans to reduce staff numbers in the foreseeable future you may wish to alert your own parent Department to the problems the legislation would cause you. NILGOSC has alerted its Minister, the Minister of the Environment, to the complications that would be caused by the legislation and the range of employers it will affect across the public sector.

Yours sincerely