

LGRJF

facilitating local government reorganisation

CIRCULAR LGRJF/03 - * 2010**

RPA STAFF SEVERANCE SCHEME

FOR LOCAL GOVERNMENT

Final Draft - December 2009

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RPA STAFF SEVERANCE SCHEME FOR LOCAL GOVERNMENT

1.0 SCOPE AND PURPOSE

1.1 This Scheme has been agreed between the Employers' and Trade Union Side of the Local Government Reform Joint Forum (the Joint Forum) and will apply to all local government staff under the scope of the Forum i.e.

- 26 district councils (including Environmental Health and Building Control Group Committees)
- arc21 and SWaMP 2008
- any staff employed by Transition Committees
- staff in the 11 new councils
- Northern Ireland Housing Executive

1.2 The Scheme is based on the provisions of the Northern Ireland Executive's 5th Principle as recommended by the Public Service Commission '*Voluntary Severance Arrangements*' and represents the operationalisation of this Principle for RPA implementation in local government.

1.3 The Scheme will apply specifically in cases of both voluntary and compulsory redundancy (avoidance of compulsory redundancy is a necessary requirement to ensure the smooth transfer of staff to new organisations) linked exclusively to RPA implementation and will only apply to staff who are surplus under the new structures and who cannot be offered suitable alternative employment. This Scheme will only apply to situations where the termination meets the criteria of being in the financial and managerial interests of the service and organisational need, and it is anticipated that the Scheme will have only minimal application.

1.4 Statutory Transition Committees will be responsible for identifying and notifying those members of staff who have been approved to leave under the terms of the Scheme. No staff will be released before vesting day and payment will be made by the new councils as soon after vesting day as possible. Decisions made in relation to Severance after vesting day will be a matter for the new council.

The Scheme will be available for use from the date of this Agreement, however, the introduction of Severance will be phased and expressions of interest will be invited from specific groups of staff at the appropriate time in the phasing process.

The Scheme will operate up to 31st December 2015.

1.5 This Scheme also takes account of the provisions of:

1. Local Government Pension Scheme Regulations (NI) 2009
2. Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (NI) 2007
3. Employment Rights (Northern Ireland) Order 1996
4. Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order (Northern Ireland) 1999
5. NI Executive's Principles and Associated Recommendations as recommended by the Public Service Commission

2.0 TERMS OF THE SCHEME

2.1 In addition to the immediate release of any Local Government Pension Scheme (NI) (LGPS NI) pension (if applicable), the Scheme provides two separate options for enhancement of redundancy benefits by way of compensation:

Option 1. Enhanced redundancy pay; OR

Option 2. Statutory redundancy pay + compensatory pension (added years)

2.2 All the costs associated with the redundancy must not exceed the individual's annual salary cost multiplied by **3.25**. This is the period during which the costs are recouped or paid back i.e.:

Redundancy costs ÷ individual's total annual salary cost = **3.25 or less**

Redundancy costs are:

Redundancy payment i.e. statutory and enhanced if applicable
Capital cost i.e. cost paid to pension provider for early payment of pension
Augmentation cost i.e. cost paid to pension provider if added years awarded

Individual's total annual salary cost are:

Gross annual salary
Employer's national insurance contributions
Employer's pension contributions

It is intended that all payments made under the terms of this Scheme will be based on the maximum possible for the individual subject to the 3.25 payback period.

Selection decisions will be made on the basis of the information available at the time, any subsequent recalculation of benefits etc. resulting from, for example, the implementation of the outcomes of a Single Status Pay and Grading Review will not alter the original decision.

Where an individual's costs do not fall within the 3.25 year payback period, a reduced enhanced redundancy payment or reduced pension added years compensation may be negotiated.

Redundancy Payments

2.3 To qualify for a redundancy payment an individual must be entitled to a redundancy payment under the Employment Rights (Northern Ireland) Order 1996 i.e. be employed by one of the bodies at 1.1 above and have two years continuous service with that body or continuous previous service with an Employer to which the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order (Northern Ireland) 1999 applies.

For clarification, those who transfer and subsequently compete and are successful in obtaining a local government post which at a later point becomes surplus as a consequence of RPA will have an entitlement for the purposes of this Severance Scheme to have all of their service counted as reckonable service.

2.4 Any payment will be based upon the employee's contractual weekly rate of pay, as at the "calculation date" for the purpose of calculating a redundancy payment. Any benefit in kind e.g. the value of a leased car; will not be taken into account when determining the amount of a week's pay.

2.5 Details of Options 1. & 2.

OPTION 1. ENHANCED REDUNDANCY PAY

An Enhanced Redundancy payment is made up of:

- Statutory Redundancy Pay as detailed in the Employment Rights (Northern Ireland) Order 1996 **plus** a compensation payment.

The Enhanced Redundancy payment will be calculated as follows:

1. A Statutory Redundancy payment calculated in accordance with the Employment Rights (Northern Ireland) Order 1996 as follows:
 - 0.5 week's pay for each full year of service where age during the year is less than 22;
 - 1.0 week's pay for each full year of service where age during the year is 22 or above, but less than 41;
 - 1.5 weeks' pay for each full year of service where age during the year is 41+.

A copy of a **Ready Reckoner** for calculating the number of weeks' pay due is attached as **Appendix 1**.

2. The Compensation Payment is calculated by applying a multiplier of **3.46** to the Statutory Redundancy payment subject to an overall **maximum of 104 weeks' pay** (including Statutory Redundancy Pay).

Employees who receive an enhanced compensation payment, on being made redundant and who are members of the LGPS (NI) will be given the option, before their termination date, of converting their compensation payment into additional pensionable service (less the statutory element of the payment). The option must be exercised before the termination date.

3. All the costs associated with the redundancy must not exceed the individual's annual salary cost multiplied by 3.25. (see 2.2 above)

OPTION 2. STATUTORY REDUNDANCY PAY + COMPENSATORY PENSION (ADDED YEARS)

Members of the LGPS (NI) who are made redundant and have two years' continuous service and two years' qualifying pension Scheme membership (subject to the pension regulation age provisions) may chose to retire early without reduction in the value of pension benefits, plus compensatory added years, as an alternative to receiving the Enhanced Redundancy pay as outlined at Option 1 above.

Members choosing this option will also receive a Statutory Redundancy Payment calculated in accordance with the Employment Rights (Northern Ireland) Order 1996 as detailed in Option 1. above.

2.6 Calculation of Pension Benefits

Existing accumulated pension service (i.e. membership¹):

Accumulated pension membership accrued from the date of joining up to and including 31 March 2009 will be used to calculate the payment of a pension and a lump sum on the following basis:

Pension = 1/80th x final annual pensionable pay x membership up to and including 31/3/09

Lump Sum = 3/80th x final annual pensionable pay x membership up to and including 31/3/09

Accumulated membership on and from 1 April 2009 up to the date of redundancy will be used to calculate the payment of a pension only, on the following basis:

Pension = 1/60th x final annual pensionable pay x membership on and from 1/4/09

Compensatory Pension (Added Years):

Up to 10 added years will be paid as a compensatory pension calculated on the following basis. (Subject to the condition that all the costs associated with the redundancy must not exceed the individual's annual salary cost multiplied by 3.25 - see 2.2 above):

Compensatory Pension = 1/60th x final annual pensionable pay x added years

Commutation (Converting Pension to Lump Sum)

An employee can exchange part of their pension for extra lump sum at a rate of £1 pension = £12 lump sum, provided the total lump sum benefits received do not exceed 25% of the overall capital value of pension benefits.

In the current climate of long life expectancies and low interest rates, LGPS (NI) members are reminded that the cash sum may not be sufficient to replace the pension surrendered. If you are considering this option you are strongly recommended to contact an Independent Financial Advisor.

2.7 Making A Choice

Any offer of a redundancy payment made to individuals must meet the conditions and criteria within the Scheme. Where these are satisfied the individual will normally be given the choice of Option where applicable. Whilst information will be made available to individuals to enable them to make decisions it will be a decision of the employee as to what they choose and it will be their responsibility to take appropriate independent advice as to the merits of their choice.

¹ Membership is:

(a) any period for which a member has paid (or is treated as having paid) contributions under regulation 3 (contributions payable by active members);
(b) any period added under regulation 12 (power of employing authority to increase total membership of members) or 20 (early leavers: ill-health); and
(c) any period added following a transfer in of pension rights under regulations 79 (inward transfers of pension rights) to 81 (community scheme transferees) of the Administration Regulations(a).

2.8 Consideration of Applications for a Redundancy Payment

In **all** circumstances, a financial case for the payment of severance must be made by the relevant Transition Committee/Transition Management Team. The standard approval form must be used for this process.

Where in any case the amount of the severance payment, calculated as a multiplier of 3.46 on the statutory scheme, will exceed the person's potential earnings to the default retirement age (currently age 65), such a payment will be limited to the number of weeks pay due from the date of the termination to age 65.

2.9 Criteria for Consideration of Applications

Consideration will be given in cases where there is a surplus of staff under the new structures who cannot all be offered suitable alternative employment and where a voluntary redundancy will avoid the need for compulsory redundancy in the particular group of surplus staff.

In these circumstances the following criteria will be applied:

- Least cost first whilst ensuring that essential skills and expertise are maintained
- Prioritisation of requests will be based on available finance and the level of savings which will be delivered
- All other relevant options have been considered including the potential for redeployment/retraining

3.0 MONITORING THE POLICY

The impact of this policy will be monitored by the LGRJF and any subsequent changes required will be consulted upon in the normal way.

Any disputes about the interpretation of the provisions of this Scheme will be considered jointly by the LGRJF who will be the final arbiters.

READY RECKONER TABLE FOR STATUTORY REDUNDANCY PAY

Service (Years)	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Age (Years)																			
18*[1]	1	1½																	
19	1	1½	2																
20	1	1½	2	2½															
21	1	1½	2	2½	3														
22	1	1½	2	2½	3	3½													
23	1½	2	2½	3	3½	4	4½												
24	2	2½	3	3½	4	4½	5	5½											
25	2	3	3½	4	4½	5	5½	6	6½										
26	2	3	4	4½	5	5½	6	6½	7	7½									
27	2	3	4	5	5½	6	6½	7	7½	8	8½								
28	2	3	4	5	6	6½	7	7½	8	8½	9	9½							
29	2	3	4	5	6	7	7½	8	8½	9	9½	10	10½						
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11	11½					
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12	12½				
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13	13½			
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14	14½		
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15	15½	
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	16½
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61*[2]	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

18*[1] - It is possible that an individual could start to build up continuous service before age 16, but this is likely to be rare, and therefore we have started the table at age 18.

61*[2] - The same figures should be used when calculating the redundancy payment for a person aged 61 and above.

This table is an extract from booklet *ER3 Redundancy Entitlement Statutory Rights* published by the Department for Employment and Learning - www.delni.gov.uk/erpublications