

Desktop Review of Lancaster City's

Early Termination of Employment Policy (1 May 2007)

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Relevant Regulations

The third paragraph of the policy's introduction should include reference to The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. In summary these regulations include rules on:

- Payment of pension in the event of redundancy or efficiency termination, if
- The employee is aged 55 or over at the date of leaving, or
- The employee is aged 50 or over at the date of leaving and he/she was a member of the LGPS at 31 March 2008, and the date of leaving is before 31 March 2010.
- The power to augment an employee's membership of the LGPS by a maximum of 10 years (note: a compensatory lump sum payment cannot be paid if augmented service is granted).
- The power to award additional annual LGPS pension of up to £5000 (note: a compensatory lump sum payment may still be paid if additional pension is awarded).
- Arrangement for third-tier ill-health retirement benefits

Ill-health Retirement

There is no mention of the new three—tier provision of ill-health retirement benefits – e.g.

Tier 1	No reasonable prospect of the employee obtaining gainful employment due to ill-health before NRD
Tier 2	Cannot obtain gainful employment within three years of leaving due to ill-health but likely to be able to do so before NRD
Tier 3	Can obtain gainful employment within three years of leaving

Early Retirement with Reduced Pension

The employer's consent is required if the employee wishes to retire before aged 60 (not just in capital costs cases). The earliest age an employee can

request to retire is 55 (or 50 if the employee is aged 50 or over at the date of leaving and he/she was a member of the LGPS at 31 March 2008, and the date of leaving is before 31 March 2010).

Redundancy

Third paragraph – consider changing ‘all possible steps’ to *all reasonable steps*.

The factors taken into account for the calculation of redundancy payments, including the use of an actual week’s pay, are consistent with the practice adopted by most other local authorities.

Voluntary Redundancy

The formula used to calculate enhanced redundancy payments is, I would conclude, within the ‘normal’ range of what is expected from local authorities. Within Lancashire, a number of other District Councils use a 2.2 multiplier (capped at 66 weeks) as does the County Council. However, there is at least one authority that does not appear to apply any multiplier and another who previously reported a multiplier of 3.46.

Under Lancaster’s policy, the 2.2 enhancement is only afforded to those who volunteer for redundancy. Employees whose redundancies are compulsory are only entitled to statutory redundancy pay (based on an actual week’s pay). Whilst this practice is not unlawful, it is also not particularly common (no similar practice was found in the policies from other Lancashire authorities seen in the course of this review). If this provision is to be retained, it might be helpful to include a brief rationale explaining why the policy differentiates in such a way.

Termination in the Interests of Efficiency

This paragraph is consistent with the approach generally adopted by other authorities.

Note: Compensation payments for efficiency terminations are not exempt from the Age Regulations and therefore should be age/length of service neutral unless objectively justified.

Employees Aged 50 and Over

This paragraph should be updated in line with the 2007 Regulations – see ‘Relevant Regulations’ above.

Conclusion

The policy is in need of some updating, in particular to reflect the changes introduced by the 2007 Regulations. The discretionary aspects of the policy fall largely within the ‘normal’ range of what other authorities are doing. However, it is also probably true to say that there are more authorities that

use a lower redundancy pay multiplier (2.2) than there is who use a higher one.

Consideration should also be given to and, if necessary, explaining why employees facing compulsory redundancy are excluded from receiving enhanced redundancy payments (although in practice this is likely to be few in number as the Redeployment Policy allows employees to opt for voluntary redundancy in the event of redeployment being unsuccessful).

Consideration should also be given to including a statement on pension augmentation, the award of additional pension of up to £5000 and the Council's policy on flexible retirement (or a reference to other documents if these are included elsewhere).
