



16 May 2017

## Reforms to Public Sector Exit Payments

Welcome to the second GMB bulletin on Exit Payments. Whilst there isn't much further to report due to a snap election being called the GMB is keen to ensure Exit payments remain on the radar.

Please note at a recently convened GMB Local Government Pension Scheme Meeting some GMB reps discussed their concerns on how some local employers were delaying people exiting the authority due to the reforms proposed by the Government. Please note status quo continues until such a time the government announce their next steps on this.

### To Re-cap

The government has imposed a £95,000 cap on public sector exit payments and is seeking further "reforms".

The cap applies to redundancy payments, any pension top-up to enable early retirement and any payment made as part of an agreed exit settlement

Therefore, in local government, where anyone made redundant after age 55 is automatically entitled to early retirement instead of redundancy, a payment is made by the employer into the pension scheme to compensate for taking entitlements earlier than expected. The cap applies to this payment as well as to the part which the individual receives.

They government have asked responsible departments to seek to reach agreement on this matter with their workforces, within an overall, centrally-set framework. The framework allows for

- A maximum tariff for calculating exit payments of three weeks' pay per year of service. (this is unlikely to affect Local Government staff)
- A ceiling of 15 months on the maximum number of months' salary that can be paid as a redundancy payment.
- A maximum salary on which an exit payment can be based of £80,000
- A taper on the amount of lump sum compensation an individual is entitled to receive as they get closer to their normal pension retirement age

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- Action to limit or end employer-funded early access to pension as an exit term. As part of an overall package the government will consider proposals appropriate to each workforce, including proposals to:
  - Cap the amount of employer funded pension ‘tops ups’ to no more than the amount of the redundancy lump sum to which the individual would be entitled
  - Remove the ability of employers to make such top ups, or offer greater flexibility to employers to determine the specific circumstances in which they would be available
  - Increase the minimum age at which an employee is able to receive an employer funded pension top up, so that it is closer to the individual’s normal scheme pension age.

## **GMB POSITION**

The GMB is seeking legal advice and working with other Trade Unions to resist these proposals as far as possible and will keep members advised of developments. The original expectation was for departments to put forward proposals and then consult with Trade Unions in order to seek agreement and implementation by June 2017. However, it is extremely unlikely that this timetable will be adhered to because of the General Election being called. Please note status quo needs to continue and should you have any employer locally looking to do something different from the current arrangements, please advise your local GMB Office, as soon as possible.

### **Are you a Pension Board Trustee?**

There are currently 89 Local Government Pension Boards and the GMB is represented on the majority of them. With the advent of pooling and the forthcoming Actuarial Valuations of the LGPS it is important that the GMB keeps a central register of Pension Board members.

If you represent the GMB on a Pensions Board or know of someone who does please contact George Georgiou in the pensions Department on [george.georgiou@gmb.org.uk](mailto:george.georgiou@gmb.org.uk) with their name, contact details and name of the board they sit on.

Thank you for your cooperation

### **Prepare for Pooling**

Numerous changes are taking place in the Local Government Pension Scheme (LGPS), in particular the introduction of pooling whereby numerous boards are coming together to act under one umbrella as per the table below

It is most important that GMB reps who are currently represented on the Boards have some say as to the workings and investment strategy of the newly created

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pools and we urge all current Board members to establish representation rights on the pooled funds. The Northern Pool has already agreed to 3 AUTOMATIC Trade Union seats on their pool (1 each for GMB, Unite and Unison) and we want the same level of representation on the ALL the other pools. The LGPS Board support this initiative

### **POTENTIAL POOLS**

London	32 London Boroughs and City of London Corporation
Northern	W Yorkshire, Greater Manchester, Merseyside
Central	Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, Nottinghamshire, Worcestershire, West Midlands Integrated transport Authority
Brunel	Avon, Cornwall, Devon, Dorset, Gloucester, Somerset and Wiltshire, Oxfordshire, Buckinghamshire, The Environment Agency Pension Fund
ACCESS	Northamptonshire, Cambridgeshire, East Sussex, Essex, Norfolk, Isle of Wight, Hampshire, Kent, Hertfordshire, West Sussex and Suffolk
Wales	Carmarthenshire, Cardiff, Flintshire, Gwynedd, Powys, Rhondda Cynon Taff, Swansea and Torfaen
Border to Coast	Cumbria, East riding, Surrey, Warwickshire, Lincolnshire, N. Yorkshire, South Yorkshire, South Yorkshire Passenger Transport Pension Fund, Tyne and Wear, Durham, Bedfordshire, Northumberland and Teesside
LPP	Lancashire, Berkshire, the London Pension Fund Authority

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