

EXIT PAYMENTS CAP
NEWS AS AT 18 NOVEMBER 2015

As ALACE members will know, legislation is currently going through Parliament to introduce a £95K cap on public sector exit payments. It is included in the Enterprise Bill which is currently at the Committee Stage in the House of Lords. ALACE is working behind the scenes with the LGA and others to try to get some amendments made to the relevant clauses of the Bill at the Committee Stage. Our main concern has been to try to prevent the costs of pension strain in relation to compulsory and voluntary early retirements being included in the cap as this could affect severely any ALACE members who retire early in the future and also the ability of Councils to carry out restructurings to help them to downsize and achieve cost efficiencies not least because the new provisions could affect significant numbers of staff not just high-earners. If we can't get the costs eliminated entirely from the cap then we are trying to get as fair and workable a solution as we can as to how the costs should be calculated and treated.

Our expectation so far has been that, should the Government introduce the cap, it would do so from next April (2016). However, our pension advisers, Hymans Robertson, have just drawn to our attention to the fact that on 3 November the Government quietly introduced the "Public Sector Exit Payment Regulations 2016". These regulation-making powers cannot come into effect until the Enterprise Bill 2015-2016 is passed. It appears, however, that the Government intend that, as soon as it is passed, the new regulation-making powers will come into effect and that may well be before next April. A copy of the relevant Hymans' Briefing Note (confidential to ALACE members) is attached.

Unfortunately until the details of the new Enterprise Act have been resolved we cannot advise you on how these new regulations will work. We know there is much speculation going round at the moment (e.g. that anyone who meets the 85 year rule protection criteria will not be affected, or that it may be possible to circumvent the regulations by staging payments, but we do not think such rumours have firm foundations). All we can say is "watch this space" and we will keep you in touch with developments as they become clearer.