

Scheme Advisory Board

Exit Pay Consultation
Local Government Workforce and Pay Team,
Ministry for Housing, Communities and Local Government
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Email to: LGExitPay@communities.gov.uk

9th November 2020

Dear Sirs

Local Government Pension Scheme (LGPS) - Response to consultation: Reforming Local Government Exit Pay

I write in response to the Department's policy consultation on reforming local government exit pay which commenced in October 2020.

Following recent Advisory Board discussions, we would like to draw attention to the following policy considerations:

1. That the option of a fully reduced or deferred pension plus compensation is only offered to capped scheme members and not to all. The Board are concerned that non capped scheme members may be tempted to take a compensation payment which could well prove financially disadvantageous in the long term and could result in future litigation.
2. That the option of an 'enhanced deferred benefit' is also made available to capped scheme members. This option which would enable scheme members to receive the benefit of the capped strain cost without having to commit to taking an immediate pension. This would not involve any additional cost to the employer but provide more flexibility to deal with the member's individual circumstances.
3. That we support the contention in the LGA's response that the proposal around statutory redundancy pay being either deducted from the pension strain cost resulting in a lower pension for life, or paid to the employee and then paid into the pension fund in order to part-pay the strain on fund cost (even where the payments would not otherwise breach the £95,000 cap) will have a greater impact on lower paid workers, who are most in need of a cushion when made redundant. This will also result in a significant administrative burden for administering authorities and confusion for scheme members faced with a potentially financially disadvantageous choice. Further details and the evidence to support this contention are given in the LGA's response at http://lgpslibrary.org/assets/cons/lgpsew/20200907_RD.pdf

I am of course happy to meet with you to discuss this in more detail if you think that would be helpful.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Roger Phillips', with a horizontal line underneath.

Cllr Roger Phillips
Chair of the Board