

Cambridgeshire County Council

(Appendix 4) - Redundancy - Guide to Redundancy Payment (LGPS)

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Introduction

This guide has been written for Council employees who are eligible to join the Local Government Pension Scheme (LGPS) – a separate guide exists for those eligible to join the Teachers' Pension Scheme (TPS). The guide is designed for general use and cannot cover every personal circumstance. It does not confer any statutory rights, cannot override the appropriate legislation, and is provided for information purposes only.

Legislation

Throughout this guide the legislation referred to is:

- Employment Rights Act (ERA) [The Employment Rights Act 1996, as amended]
- Modification Order [The Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order, 1999 as amended]

Full details of the above legislation can be found at <http://www.opsi.gov.uk>

Redundancy Payment

Eligibility Criteria - Length of Continuous Service

To be eligible for a redundancy payment an employee must have been continuously employed in local government for 2 years or more at the effective date of termination.

In the event of redundancy, whether voluntary or compulsory, it is necessary to determine the length of an individual's continuous service in order to establish whether they are entitled to a redundancy payment and the amount of redundancy payment. Service accrued via **successive** employment contracts, without a break of a statutory week¹ with certain other employers covered by the Modification Order, counts in determining length of continuous service. Where an employee has simultaneous contracts, either with the County Council or across employers covered by the Order, there can be no 'double counting' of continuous service for redundancy payment purposes. Therefore, each contract must be treated separately and the redundancy payment is based on the particular start date for each individual contract, i.e. longer continuous service accrued by virtue of an earlier start date on another

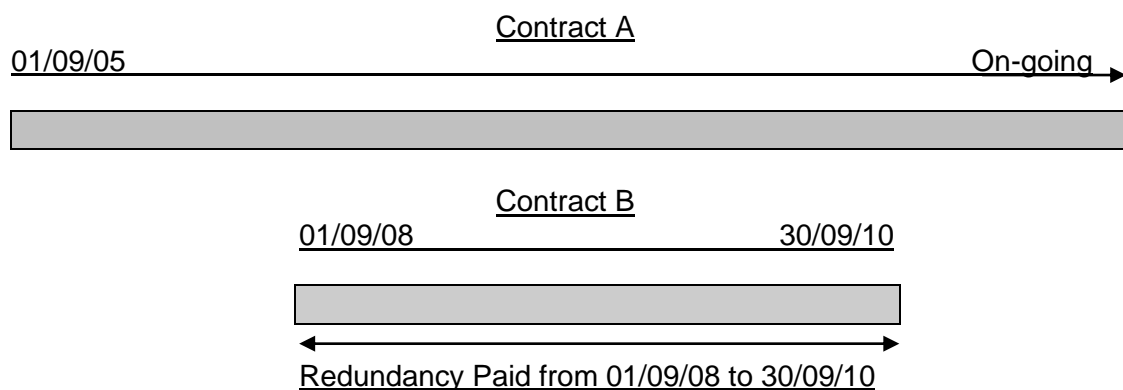
¹ Statutory weeks are counted from Sunday to Saturday

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simultaneous contract cannot be used for redundancy payment purposes (see continuous service guidelines, available on Camweb).

Example A

An employee is employed in a part-time position starting 01 September 2005 (contract A). On 01 September 2008, he/she accepts an additional part-time post (contract B) and is employed on simultaneous contracts. Contract B is made redundant with effect from 30 September 2010. The employee's length of service in contract B exceeds 2 years. This means that he/she is eligible for a redundancy payment based on the employee's continuous service start date for that contract, i.e. 01 September 2008 to 30 September 2010



Example B

An employee is employed in a part-time position starting 01 September 2005 (contract A). On 01 September 2008, he/she accepts an additional part-time post (contract B) and is employed on simultaneous contracts. Contract B is made redundant with effect from 01 August 2010. The employee is not eligible for redundancy pay in respect of this contract because he/she has less than 2 years continuous service in that contract.

Calculating a Redundancy Payment

The Council calculates redundancy payments based on an individual's actual pay, length of continuous [service](#) and age.

Each completed year of continuous service up to a maximum of 20, counts for payment on the following scale:

Redundancy Pay and Age
0.5 week's pay for each full year of service where your age was under 22
1 week's pay for each full year of service where your age was 22 or above, but under 41
1.5 week's pay for each full year of service where your age was 41 or above

Therefore, the maximum number of weeks' pay for an employee aged 61 or over on leaving is 30 weeks, i.e. 20 weeks x 1 ½.

A [ready reckoner](#) is available in Appendix A for calculating how many weeks redundancy pay an employee is entitled to.

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There are also circumstances during which a redundancy payment is not likely to be payable due to the Modification Order. If any local authority or other employer in the Modification Order offers an employee a job with a start date within 4 complete statutory weeks² of redundancy this MAY impact on eligibility for a redundancy payment. Employees should check the relevant rules applicable to them if they are seeking or are offered such a job – the exact timescale involved will depend on the day of the week they are made redundant and when that offer is received.

Calculating a Redundancy Payment for a Relief Employee

Relief employees are entitled to redundancy pay based on age and length of service in the same way as employees with contracted hours. For relief employees a week's pay will be the average weekly pay received in the 12-weeks prior to notice of redundancy being issued. Any weeks not worked during this 12-week period will be discounted, e.g. if the employee did not work for 3 of the 12 weeks, the Council will look back 15 weeks. The Council will look back a maximum period of 1 year to determine the average weekly pay.

Pension Benefits

Eligibility

Eligibility for redundancy retirement benefits from the LGPS is separate to the eligibility for Redundancy Payment. If the employee is a member of the LGPS, is aged 55 or over and either has three months' Membership or has transferred pension rights from another pension scheme he/she will be entitled to immediate payment of pension benefits

Calculating Pension Entitlement

The amount of retirement pension benefit payable will vary depending on an individual employee's pension history. If an employee is at risk of redundancy, his/her HR Officer will arrange a redundancy pension estimate to be provided by the Council's Pensions Service that will provide details of his/her own personal circumstances.

Payment of Pension Entitlement

Redundancy retirement benefits must be paid – the employee has no option to delay taking their benefits or to transfer them to another pension scheme. If the individual subsequently enters employment where he/she is **entitled** to membership of the Local Government Pension Scheme they must inform the Pensions Service. The Pensions Service will apply the re-employment earning rule relevant at that time. If certain criteria are met pension payment will be suspended in full or part. The Pensions Service takes part in the National Fraud Initiative - this means that relevant re-employment is likely to be discovered and any overpayment re-claimed.

Tax Implications

Income tax is payable on the retirement pension (subject to tax code) but no tax is normally payable on any lump sum paid by either the LGPS or TPS. However some very high earners or individuals who make certain decisions may be subject to pension tax charges – details are subject to individual circumstances and will be included in an estimate.

Redundancy payments are tax free up to £30,000. If the Redundancy Payment PLUS any other termination payment exceed £30,000 in total, Income Tax is payable on the excess.

² Statutory weeks are counted from Sunday to Saturday.

Capital Costs

The early payment of pension benefits results in a cost to the Pension Fund, which is not reflected in the employer contribution rate. The capital cost of early payment of pension benefits must be taken into account when costing a potential redundancy (voluntary or compulsory).

The capital cost associated with the early receipt of pension benefits will be recouped from the relevant service in equal installments over the 5 years following the redundancy. The relevant Director is responsible for determining where payment will come from.

Further Advice

It is important to note that whilst this guide can be used to determine a Redundancy Payment, it is wise not to communicate the cash sum without first obtaining an estimate from the Pensions Service. The estimate will detail information specific to individual circumstances.

Please note: The Pensions Service can only provide redundancy estimates on receipt of a request from the employee's HR adviser.

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Appendix A

Ready Reckoner for Redundancy Payments

To use this table, read off the employee's age and the number of complete years of service. The table will then show how many weeks pay the employee is entitled to.

Service (Years)																				
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Age																				
18	1																			
19	1	1½																		
20	1	1½	2																	
21	1	1½	2	2½																
22	1	1½	2	2½	3															
23	1½	2	2½	3	3½	4														
24	2	2½	3	3½	4	4½	5													
25	2	3	3½	4	4½	5	5½	6												
26	2	3	4	4½	5	5½	6	6½	7											
27	2	3	4	5	5½	6	6½	7	7½	8										
28	2	3	4	5	6	6½	7	7½	8	8½	9									
29	2	3	4	5	6	7	7½	8	8½	9	9½	10								
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11							
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12						
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13					
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14				
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15			
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16		
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	

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Service (Years)																				
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Age																				
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*	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30	

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