



**LOCAL PENSION COMMITTEE – 26 FEBRUARY 2021**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**DISAPPLYING THE PUBLIC SECTOR EXIT PAYMENT CAP**

**Purpose of the Report**

1. The purpose of this report is to inform the Local Pension Committee of the Government's direction to disapply the public sector exit payment cap.

**Background**

2. On the 7 September 2020 Government published their consultation reforming Local Government Exit Pay. This followed several consultations in this area going back four years.
3. Initial proposals were principally aimed at senior managers, and sought to limit exit packages to £95,000, however further measures were more reaching.
4. On the 30 September 2020 the House of Commons approved the Exit Cap change, and this was subsequently signed by Government officials, with the Restriction of Public Sector Exit Payments Regulations becoming law on the 4 November 2020.
5. This law change created an issue for employers and the Pension Fund as the Exit Cap Regulations and the LGPS Regulations did not align. In response, following appropriate legal advice the Committee on 27 November 2020 agreed a proposed solution for those cases where members retired from 4 November 2020.
6. Several judicial reviews were lodged by various groups and these were planned to be heard in late March, however on the 12 February 2021 Government issued a direction disapplying the exit payment cap with immediate effect.

**Impact on Scheme Members**

7. Prior to the introduction of the exit cap on the 4 November 2020 the LGPS Regulations required; when an active scheme member retires on either redundancy or efficiency grounds age 55 or over in the LGPS a pension strain cost is created and paid by the employer to the Pension Fund. This funds the Pension Fund's early release of unreduced pension benefits to the scheme member.

8. On the 4 November 2020, under the Exit Cap Regulations, if a scheme member breached the £95,000 cap, their total benefit package must be reduced.
9. Disapplying the exit cap has reversed this and reintroduces the LGPS Regulations prior to the 4 November 2020.
10. Fund Officers liaised closely with the Fund's employers during the period of change, and the Pensions Manager is pleased to confirm the Leicestershire Fund has no scheme members that breached the £95,000 cap and then subsequently retired, so there are no retrospective benefits to be calculated.
11. Fund Officers are working through several administrative changes required to reintroduce the position prior to the 4 November 2020, this includes informing all the Fund's employers.

### **Potential for Further Change**

12. Whilst Government issued the direction disapplying the exit payment cap on the 12 February 2021, HM Treasury also issued guidance on the same day. The guidance states; It is still vital that exit payments deliver value for the taxpayer and employers should always consider whether exit payments are fair and proportionate. HM Treasury will bring forward proposals at pace to tackle unjustified exit payments.

### **Recommendation**

13. The Committee is asked to note the Government's direction to disapply the public sector exit payment cap.

### **Equality and Human Rights Implications**

None specific

### **Background Papers**

[Restriction of Public Sector Exit Payments – Local Pension Committee - 27 November 2020](#)

### **Officers to Contact**

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