



Redundancy / Efficiency

If an employer states in writing that you are leaving their employment on the grounds of redundancy or efficiency, then you should be eligible for a compensation lump sum and/or be able to access your pension before the Normal Pension Age of 65.

Compensatory Lump Sum

In addition to statutory redundancy payments, employers can provide additional compensation. To comply with age discrimination legislation, employers must ensure that either their enhanced arrangement mirrors the statutory redundancy system or does not include any age discriminatory element (such as an age or length of service related formula). Having an age or length of service element to a compensation formula does not contravene age discrimination law if it can be objectively justified. Anyone faced with a potentially discriminatory provision in a redundancy compensation formula should ask the reason for the objective justification. It should be noted that cost alone is not sufficient for an objective justification.

The statutory redundancy scheme, despite its blatant age and length of service elements, is specifically exempt from age discrimination law. Similarly any formula for enhanced redundancy payments can qualify for the same exemption if it mirrors the statutory formula. Enhancement can be achieved by doing one or more of the following in relation to the statutory arrangement:

- ❖ remove the cap on a week's pay (in 2008 this is £330)
- ❖ increase the multiplier
- ❖ multiply the total amount

Any other amendments to the statutory arrangements are likely to be in breach of the legislation. Features such as caps on the maximum number of weeks' pay after the statutory provisions have been enhanced, for example, are likely to be age discriminatory unless they can be objectively justified. Having said this, there is an overall cap on compensation lump sums set at 104 weeks that is laid down by the DCLG.

Access to LGPS Pension

If you are a member of the LGPS you have a right to immediate payment of your pension providing you are at least 55 years of age (50 years of age for some members until April 2010). In this situation the pension will not be reduced for early payment.



Enhancement

One of the many discretionary elements of the LGPS is the potential for employers to artificially increase an employee's scheme membership (their pensionable service). Your employer should have a published policy on how they use this discretion.

Your employer **can** decide when you leave on redundancy/efficiency grounds to increase your length of scheme membership. This will mean that in terms of calculating your pension and lump sum benefit from the LGPS, your pensionable service will be greater than the period when you were actually paying in contributions. This would normally be done instead of a discretionary enhancement to your severance lump sum.

Limits On Enhancement

Obviously this discretion only goes so far and there are limits to how much extra service your employer can grant. They should however, publish a policy on how they use this discretion which you can request. The maximum enhancement that can be given is ten years' additional service.

It is also possible for employers to enhance members' pensions by actual amounts so it would be possible for an employer to increase your pension by up to £5,000 per year.