

## Compulsory Redundancy – guidance for staff

This guide tells you about the compensation benefits available under the Civil Service Compensation Scheme 2010 if you are made compulsorily redundant.

Before your employer can serve a redundancy notice, they will have followed the required protocols. A voluntary redundancy scheme must have already been offered and must be linked to the Compulsory Redundancy scheme, covering the same staff. If you were previously turned down for voluntary redundancy then later selected for compulsory redundancy under the linked scheme, you will receive voluntary redundancy terms.

If you are made compulsorily redundant you will receive a cash payment as compensation for giving up your job. Depending on your circumstances, you can use some or all of your compensation payment to increase your pension.

### How is compensation worked out for compulsory redundancy?

We take a number of things into account when working out your compensation. These are:

#### 1) Pay

This is the full-time rate of your basic pay on your last day of service plus any permanent pensionable allowances.

##### **Protection for the lower paid**

If you earn less than £23,000, we will treat you as if you earned that amount when we work out your compensation payment (your pension benefits will continue to be based on your final pensionable earnings).

##### **Restricting payments to the higher paid**

If you earn more than £149,820, we will treat you as earning that amount when we work out your compensation payment (your pension benefits will continue to be based on your final pensionable earnings up to the maximum limit).

##### **Part-time pay**

If you work part time, please see the paragraph 'working part time' below.

#### 2) Tariff

Your employer will pay one month's pay for every year of service up to a maximum of:

- 12 months for those under scheme pension age\*, or
- six months for those over scheme pension age.

\* The compensation payment is reduced if you are near to scheme pension age. This is known as tapering. The maximum number of months' pay you can receive will be the lesser of:

- the normal maximum for those under scheme pension age, and
- the number of months you have to scheme pension age plus six months. (Part months will be rounded to the nearest full month.)

Whether or not tapering will apply to you depends on your scheme pension age, how old you are and how many years' service you have. There is an example in Appendix A which will give you an idea of how tapering works.

### 3) Years of service

To qualify for a compulsory redundancy payment, you must have at least two years' qualifying service.

We will base your compensation payment on your current service (service with previous Civil Service employers will count if there has been no break in service, or a break of no more than 28 days). We use decimal years and days to work out your compensation, for example:

11 years 200 days = 11  
+ (200 / 365) = 11.5479 years.

Current service does not include:

- any added years or pension that you are buying in the Civil Service pension scheme,
- any pension benefits you have transferred in to the Civil Service pension scheme, or
- any earlier periods of pensionable service that you have built up in the Civil Service pension scheme before beginning your current employment.

If you work part time, please see the paragraph 'working part time' below.

## How do my personal circumstances impact on my compensation payment?

### Fixed-term employees

If you are employed for a fixed term, you will normally receive the same compensation payment on compulsory redundancy as a permanent employee with the same pay and service, but this depends on the terms of your contract.

### Working part time

If you work part time, your service will be based on your actual hours worked and full time equivalent pay. If you have worked part time in the last three years, the maximum number of months' pay you can receive may be restricted proportionately by comparing your service with what it would have been if you had worked full time throughout.

Tapering will also apply to part-time workers, but again will be worked out



Civil Service Pensions

proportionately. See example 9 in Appendix A.

### **Pre-fresh start prison officers**

Pre-fresh start prison officers, who leave on compulsory redundancy before age 55, have a scheme pension age of 60 for the purposes of tapering.

### **Exit after partial retirement or formal retirement**

We'll use the whole of your current continuous service (both before and after partial or formal retirement) to calculate your compensation payment. This is subject to the limits according to your age or any part-time service.

If you have retired and been re-employed, your compensation will include only the service from the date of your re-employment.

### **Reserved rights**

Some people who have remained in continuous employment since before April 1987 have pre-1987 'reserved rights'. They were in post on 1 April 1987 under age 40 and in a mobile grade. If you are still under 50 on your last day of service, you will receive 40% of the reserved rights amount.

The amounts will be worked out using the pay and service at 21 December 2010 and adjusted to take account of inflation during the period up to the last day of service.

If you would get a better result under the standard 2010 terms, we'll pay you that instead.

## **Pension options**

### **Can I take my pension instead of a cash payment?**

If you are:

- a member of the Civil Service pension scheme, and
- have at least two years' qualifying service, and
- are over your **minimum** scheme pension age, (50 if you joined the scheme before 6 April 2006, 55 if you joined after)

you can take your pension early. Normally, if you take your pension before your scheme pension age, we will reduce it because you will be receiving it over a longer period. However, you can put your compensation payment towards the cost of buying out this reduction.

If you choose to do this, your compensation payment may not be enough to meet the full cost of buying out the reduction to your pension. If this is the case, you will need to make the additional payment using your own funds. Please contact the Scheme Administrator at [contactcentre@mycsp.co.uk](mailto:contactcentre@mycsp.co.uk) for details of how to do this.

If the compensation payment is more than the cost of the buy-out, you will be paid the remainder of the payment at the time you leave.

### **Can I take my pension and get my compensation paid as cash payment?**

If you are over your **minimum** scheme pension age (see above), you can take your pension, reduced for early payment, and receive your compensation as a cash payment. Alternatively, you can buy out the reduction using your own money (rather than your compensation payment). If you want to do this you must buy out the full reduction on all your service.

You cannot use your pension lump sum to buy out the reduction to your pension.

### **What if I am over scheme pension age?**

You can receive your compensation payment and we will pay you your pension immediately, or you can use some or all of your compensation payment to buy added pension for immediate payment.

## **Other information**

### **Notice**

You will be entitled to six months' notice unless you have a contractual right to a different period of notice. Notice will commence from the date the notice of redundancy is issued.

If your employer does not give you full notice, they must pay you Compensation In Lieu Of Notice (CILON). The CILON payment will be paid through the payroll. Tax and National Insurance contributions will apply to this payment.

### **Buying added pension**

If you have qualified for a pension, you can buy added pension when you leave. You can use some or all of your compensation payment to do this. If you are interested, you can use the added pension calculator in the Member Calculators section on the Civil Service Pensions website:

[www.civilservicepensionscheme.org.uk/members/member-calculators/](http://www.civilservicepensionscheme.org.uk/members/member-calculators/) to see how much you would like to spend, and how much pension it will buy for you.

Added pension is subject to the Annual Allowance and Lifetime Allowances tax legislation

### **Civil Service Additional Voluntary Contributions Scheme (CSAVCS)**

You should consider what action, if any, you would like to take with your CSAVC if you hold one.

#### **Tax**

Under current tax law, the first £30,000 of a compensation payment will be tax-free. Normal tax rules will apply to payments in excess of this.

Normal tax rules will apply to CILON payments (and to your pension if in payment). National Insurance will also apply to CILON payments.

If you have any questions concerning your tax position, please contact your local tax office.

#### **Re-employment**

If you are re-employed in an organisation covered by the Civil Service pension and compensation arrangements within 28 days of leaving your current employer, your compensation will be cancelled and your service will be treated as continuous. You will have to repay the **full** compensation amount.

If you are re-employed in an organisation covered by the Civil Service pension and compensation arrangements outside the 28 day period, but within the lesser of:

- a) six months, and
- b) the notional period of the compensation payment

you will have to pay back the compensation payment pro-rata.

The repayment will be reduced in cases where the new employment is at a lower salary level than before.

If you have taken your PCSPS pension on leaving, it may be subject to abatement on re-employment.

The guide does not cover every aspect of the Civil Service Compensation Scheme. Full details are contained only in the rules, which are the legal basis of the scheme.

## Examples of calculations

### Appendix A

#### Example 1 – Full-time worker

Joe works full time. He earns £30,000pa and has 10 years' service. Joe would receive a payment of £25,000 ( $10 \times £30,000/12$ ).

#### Example 2 – Full-time worker (with maximum number of months' tariff applied)

Hamish works full time. He earns £40,000pa and has 30 years' service. Even though Hamish has 30 years' service, his redundancy payment is capped at 12 months' pay. Hamish's redundancy payment is worked out as  $12 \times £40,000/12 = £40,000$ .

#### Example 3 – Part-time worker – service only

Mary worked full time for three years. Her conditioned hours were 36. She then reduced her hours to 29 a week for the next five years.

Mary's service is her actual hours worked therefore  $3 + (5 \times 29/36) = 7.0278$  years rounded to the nearest whole day (by multiplying .0278 by 365) = 7 years 10 days reckonable service.

#### Example 4 – Worker over scheme pension age

David is 63 and is a member of the **premium** pension scheme. David earns £24,000 a year and he has eight years' service. He will receive a payment of £12,000 ( $6 \times £24,000/12$ ). David's pension (and any pension commencement lump sum he chooses to take) will come into payment immediately after his last day of service.

#### Example 5 – Protection for the lower paid

Jane works full time. She earns £15,000 and has 20 years' service. If Jane is made compulsorily redundant her payment will be £23,000 ( $12 \times £23,000/12$ ). If Jane is close to scheme pension age, she might choose to take her pension and use some or all of her payment to offset the early payment reduction that would otherwise apply.

#### Example 6 – Early access to pension

Kirsty is aged 56 and is a member of the **classic** pension scheme. As Kirsty is over her minimum scheme pension age, Kirsty can choose to receive her pension (and lump sum) immediately with reduction for early payment. However, Kirsty does not have to take an immediate pension. She can take a compensation payment and leave her pension (and associated pension commencement lump sum) preserved for payment at scheme pension age (60).

#### Example 7 – Tapering (full-time worker)

Bernard leaves on compulsory redundancy on 30 June. He will reach 60 (his scheme pension age) on the following 3 March (in eight months and three days). Bernard has 32 years' service and his pay is £24,000pa. Bernard will receive the lesser of:



## Civil Service Pensions

The normal maximum ( $12 \times \text{£}24,000 / 12$ ) =  $\text{£}24,000$

X months' pay where  $X = 8 + 6 = 14$ . This is  $14 \times \text{£}24,000 / 12 = \text{£}28,000$

Bernard will receive  $\text{£}24,000$

### Example 8 – Tapering (lower-paid and part-time worker)

Zilla leaves on compulsory redundancy on her 59<sup>th</sup> birthday. Zilla works part time (she is currently working three days a week or 0.6 as a decimal) and she is a member of the **premium** pension scheme. Zilla has a total of eight years of service, built up over 11 years. Zilla's full-time equivalent pay rate is  $\text{£}20,000$  so her compensation is based on the deemed minimum full time rate of  $\text{£}23,000$ . Zilla's compensation calculation takes account of both the tapering and the part time restrictions to maximum compensation.

Zilla's compensation is worked out as the lesser of:

- Unlimited compensation :  $8 \times \text{£}23,000 / 12 = \text{£}15,333.33$
- The normal maximum (scaled for part time):  $12 \times \text{£}23,000 / 12 \times 8 / 11 = \text{£}16,727.27$
- X months' pay where X:  $(12 \times 0.6) + (6 \times 8 / 11) = 12$  (rounded to nearest whole number). This is  $12 \times \text{£}23,000 / 12 = \text{£}23,000$

Zilla will receive  $\text{£}15,333.33$

### Example 9 – Redundancy after partial retirement

Caspar is aged 66. He took partial retirement a couple of years ago when he went part time. Caspar has a total service of 43 years accumulated over 44 years and his full time equivalent rate of pay is  $\text{£}15,000$ . Caspar will receive compensation reflecting his entire service, not just the period after his partial retirement. Caspar's compensation will reflect the deemed minimum ( $\text{£}23,000$ ) and he will receive:  $\text{£}11,238.64$  ( $6 \times \text{£}23,000 / 12 \times 43 / 44$ ) or a payment worked out according to the statutory redundancy rules if this is greater.

### Example 10 – Using compensation to purchase added pension

Henry asks his employer to pay all of his compensation payment into the pension scheme to buy added pension for him. The added pension increases Henry's pension by  $\text{£}1,000$  a year. Henry's pension had increased in real terms during the year (as a result of his ongoing service and a small pay rise) by  $\text{£}500$ pa. In total, Henry's pension has increased by  $\text{£}1,500$ . Henry is in the **classic** pension scheme so his lump sum has also increased by  $\text{£}4,500$ . For Annual Allowance purposes, Henry's pension increases are valued at  $\text{£}28,500$  ( $16 \times \text{£}1,500 + \text{£}4,500$ ). Henry's benefits within the CSP arrangements are within the standard Annual Allowance of  $\text{£}40,000$ , so Henry does not incur any extra income tax charges.

### Example 11 – Re-employment

Upma receives a severance payment of  $\text{£}30,000$  which represents 12 months' pay. Four months later, Upma is re-employed in an organisation that offers the Civil Service pension and Civil Service compensation arrangements, on a salary of  $\text{£}24,000$ . Upma will be required to repay 8 months' compensation, adjusted for her new salary level. The amount to be repaid will be worked out as  $\text{£}30,000 \times 8 / 12 \times 24,000 / 30,000 = \text{£}16,000$ .

In this case, the compensation payment (being no more than  $\text{£}30,000$ ) would not have attracted tax. In cases where tax is payable, any repayment is adjusted, as now, to take account of tax paid.

**Example 12 – Reserved rights pre-1987**

Graham joined the Civil Service in 1986 as an Executive Officer. He leaves on compulsory redundancy on 31 March 2017 when he is 49. Graham’s full “reserved rights” compensation works out at £300,000. Graham receives 40% of his reserved rights compensation which totals £120,000.

**Example 13 – Reserved rights pre-1987**

Julie joined the Civil Service in 1986 as an Executive Officer. Julie leaves on compulsory redundancy on 30 September 2017, when she is 50. Although Julie would have had access to “reserved rights” terms had she left before age 50, these terms stop on reaching age 50. Julie will receive a compensation payment of 12 months’ pay (she has more than 12 years’ service).