

DRAFT LETTER FOR ALL STAFF: TO BE ISSUED BY INDIVIDUAL
PERMANENT SECRETARIES

Dear colleague,

Proposals to reform the Civil Service Compensation Scheme

I am writing to tell you that, following extensive discussions with the Civil Service trades unions, the Government has today put formally to the trade unions proposals to reform the Civil Service Compensation Scheme. The proposals, which are intended to apply to departures from 1 January 2010, are intended to make compensation arrangements more affordable for the taxpayer while still providing fair and reasonable terms for staff. They reflect the commitment by the Prime Minister to reduce the costs of running government to focus money on front-line services.

The current compensation scheme sets the terms which Departments use when paying compensation to staff who are made compulsorily redundant or who volunteer for early retirement or early severance programmes. The current terms date from 1987 and, while they were appropriate at the time, they are now considerably more generous than comparable terms elsewhere in the public and private sectors. They also discriminate against some people because of their age.

The main proposals which have been put to the trades unions are:

- in cases of genuine compulsory redundancy, employees will in future receive cash compensation based on length of service but subject to an absolute maximum of two years' pay (the maximum will apply to anyone with more than 14½ years' service). For those over pension age, and therefore able to access an unreduced pension, the maximum will be six months' pay.
- in other circumstances, for instance where Departments seek volunteers for early exit, Departments will retain flexibility to set their own terms to suit their business needs and budgets. These terms will, however, be based on a standard tariff of one month's pay per year of service and will be subject to an absolute maximum of 2 years' pay. Departments will retain the flexibility to offer early retirement to those aged 55 or more but subject to certain constraints.

The new proposals will bring the Civil Service broadly into line with other parts of the public sector. You can see the full detail of the proposed changes, including detail on transitional arrangements, on the Civil Service website at: www.civilservice.gov.uk/pensions.

Going forward, we expect that the trades unions will wish to consult their members before making a formal response to Cabinet Office. If you would like to comment on the proposals, you can do so either via your union or by emailing: pensionspr@cabinet-office.x.gsi.gov.uk by 5 October.

If you have any questions or queries about how these proposals could affect you individually, please contact **[insert name of HR contact]**.

Permanent Secretary