DCLG VOLUNTARY EARLY RETIREMENT SCHEME 2010-11

1 INTRODUCTION AND ORGANISATIONAL CONTEXT

1.1 The new CSCS terms are unlikely to be available until late 2010/early 2011 and in advance of their introduction we want to make full use of a short window of opportunity to offer staff voluntary departures on the existing terms of Approved Early Retirement for those between 50 and 59

1.2 In considering whether to apply for these terms staff will need to take into account a number of factors and make a judgement about which set of terms may be the most advantageous. This largely depends on personal circumstances, your age and length of service. Proposals are summarised in **Annex A**.

1.3 In particular, while we have the outline of the new CSCS, the details have yet to be finalised. This outline is summarised in the attached pack, and there is a more comprehensive summary and Q and A brief on the Cabinet Office web site [insert link]. This is the best information available to us at present.

1.4 We are also offering staff aged 60 and over who are not currently covered by the terms of the CSCS the option to retire and receive a one off, ex gratia payment equivalent to 6 months actual salary.

1.5 We are not able to offer financial advice on the options open to you, and DCLG cannot be liable if the final terms of the new CSCS differ from the outline we have seen.

1.6 The closing date for applications is **12 November 2010.**

1.7 The scheme has been notified to all Staff Networks and the Departmental Trade Unions.

2. ELIGIBILITY CRITERIA

2.1 This scheme is available to all staff in the main DCLG Department at SCS Pay Band 1 and below.

2.2 **Subject to overall affordability** DCLG will seek to maximise opportunities for early exit. The following criteria will be used in the event of the scheme being over subscribed or where an exit would be contrary to business need:

a) <u>Retaining scarce skills</u>. DDs/DGs will normally be expected to approve cases as “releasable” unless this would jeopardise their ability to deliver to the extent that they would need to seek Perm Sec/SofS agreement to recruit a replacement under the recruitment freeze exemption process.

b) <u>VFM</u>. If the cost of releasing all applicants exceeds the available funding, applications will be prioritised according to their contribution to generate savings for the Dept. It is unlikely an individual who had benefited from a talent development scheme (e.g. Preparing for Top Management) would be released on VFM and skills grounds.

2.3 The following staff are <u>not</u> eligible to apply:

- Staff under 50 years old
- Staff aged 50 – 59 with less than 5 years qualifying service
- Staff on a career break/special leave due to end after 31 January 2010

2.4 The criteria include a need for last day of service to be no later than 31 January 2011.

3. TERMS OF SCHEME

3.1 The scheme is operated **on an entirely voluntary basis** and for a limited time we are able to conduct it under the current terms.

Aged 50 - 59

3.2 If you are aged 50-59 with at least 5 years qualifying service you can apply for the Approved Early Retirement Scheme (AER) which provides an unenhanced pension, payable now. The precise terms vary depending on which scheme you have joined.

3.2 You can get an estimate of the benefits you would receive under the scheme by using the Modeller provided. To do this you will need a copy of your last pension benefit statement. The information provided by the Modeller is an estimate based on the information you've supplied and is only intended as an indication of the benefits you might receive. **Any formal calculations made by the pension provider will always take precedence over the results produced by the Modeller**.

Aged 60 or over

3.3 Staff aged 60 and over on their proposed last day of service are not eligible for any benefits under AER terms. However, they will be eligible to apply for a one off, ex gratia payment equivalent to six months actual salary. As this payment is compensation for loss of office the first £30K will be paid free of tax.

3.4 You will also receive your normal retirement benefits payable under the Principle Civil Service Pension Scheme (PCSPS). The reckonable service for pension purposes will be calculated up to the agreed leaving date.

3.5 An application does not guarantee acceptance under this scheme.

New Civil Service Compensation Scheme

3.6 You will be aware of the latest announcements regarding the proposed changes to the Civil Service Compensation Scheme (CSCS) which can be seen using the following link http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

3.7 As the detail of the new terms are yet to be finalised you should not assume that an unreduced pension in the new scheme will be calculated in the same way as Approved Early Retirement (AER).

3.8 The new CSCS proposals for those over scheme pension age (both for voluntary and compulsory terms) are 1 months pay for each year of service up to a maximum of 6 months pay, plus 3 months notice. Please check the link at 3.6 for the latest position on the new CSCS terms.

3.9 We will keep you informed of any information relating to the new proposals for the CSCS as soon as they are available, therefore, you are advised to check the intranet news pages regularly.

4. SELECTION PROCESS

4.1 Application is individual, voluntary and without a commitment at this stage. You should discuss your application with your line manager in the first instance.

4.2 Your Deputy Director (for grades up to G6) or your Director General (for SCS grades) will validate applications taking account of the business impact and evidence against the criteria for each application. The Deputy Director of PC&C will arrange a panel to consider applications and make final decisions.

4.3 The aims are to effect the necessary staff reductions and cost savings without undermining the delivery of DCLG ministers' objectives and to minimise the need for any compulsory redundancies as far as possible. Throughout any selection process the panel will take full account of the DCLG Workforce Equalities policies and monitor the impact of voluntary exits on the profile of our staff.

5. LEAVING DATES

5.1 The leaving date for successful applications under this Scheme will be no later than 31January 2011.

6. APPLICATION PROCESS

a. Staff aged 50 – 59 should calculate their individual benefits by putting the information from their benefit statement into the Benefits Modeller.

b. All Staff should advise their line manager they are making an application and discuss this with them.

c. Staff should complete the Application Form and send this to their Deputy Director (staff up to Grade 6) or Director General (SCS). Please note there are different application forms depending on your age, please ensure you select the right one for you.

d. The Deputy Director/ Director General will determine whether the application meets the retaining scarce skills criteria and return to the applicant (for onward transmission to PC&C).

After the Panel

a All applicants will be issued with a written notification of the outcome of the panel.

b Staff will be required to make a binding commitment to accept the offer and must inform HR of their decision using the acceptance letter by 26 November 2010. We will notify *My Civil Service Pensions* of your decision via the HR Shared Services.

c If your final quotation (see timetable below) is different from your modeller estimate by 5% or more you will be able to withdraw your agreement to leave on AER terms if you so wish. If it is not 5% below your modeller estimate you will be bound by your signed agreement to leave on 31st January 2011 irrespective of the final official terms for the CSCS.

d The leaving date will be no later than 31 January 2011.

Planned timetable

By	**Activity**
25/10/10	Launch
25/10/10 - 11/11/10	Use benefits Modeller & Complete application form Consideration of the application by your Deputy Director/Director General
12/11/10	Closing date for applications to HR
w/c 15/11/10	Consideration of all applications by an independent panel Approval of the panel decision by the Board
19/11/10	Notification of the final decision to you
w/c 22/11/10	Appeals panel and decision letters sent out
26/11/10	Return all acceptances to HR
20/12/10	Estimated date for receiving formal quotes and retirement packs
31/01/11	Staff leave

APPEALS PROCESS

7.1 There will be an appeals process. Appeals will need to be sent to aerqueries@communities.gsi.gov.uk in writing by 23 November 2010. Your e-mail should be copied to your Deputy Director/Director General.

8. RE-APPOINTMENT

8.1 This scheme is provided for staff to leave the employment of DCLG/Civil Service on a permanent basis. It is not an arrangement to create part-time work or replicate aspects of partial retirement. Staff wishing to take up further employment within the Civil Service will be expected to do so through external open competition and abatement rules will apply for those in receipt of early payment of a civil service pension.

ANNEX A

BRIEF SUMMARY OF PROPOSED NEW TERMS

- A "standard tariff" will operate, where each year of service provides one month's salary in the event of redundancy. This tariff will be capped at 12 months for compulsory redundancy. But departments will have the ability to offer better voluntary terms – up to a maximum of 21 months.

- In addition, all staff who are made redundant (voluntarily or compulsorily) will receive a notice period of 3 months. This is a new term - previously there was no notice period for voluntary departures);

- All staff who are made redundant who earn less than £23,000 (Full-Time Equivalent) will have their severance payment based on a salary of £23,000 (full time equivalent). So an individual paid £19,000 per year (Full-Time Equivalent) will have their payment calculated as if they were paid £23,000 instead. We are describing this as a "deemed salary", and it's future level will be set as a proportion of the Private Sector Median Annual Earnings figure;

- Staff earning (again on a Full-Time Equivalent basis) more than six times the Private Sector Median Annual Earnings will have their salary limited to this figure (currently £149,820) when their redundancy payment is calculated. Therefore an individual working full time earning £160,000 would have their redundancy pay calculated on a salary of £149,820.

- Staff who have reached their minimum pension age may be able to access an unreduced pension upon their departure. This will be achieved by surrendering the amount of any severance payment received under the voluntary terms to meet the capital cost of removing the actuarial reduction. If the amount of the capital cost is higher than the severance payment, the employing Department may top up the payment to the pension provider so long as the employee uses their whole severance payment for this purpose;

Examples

- Phil works full time on £17,467. He is 48 and has accumulated 24 years of service. His department decides to run a voluntary scheme and offers 100% of the standard tariff. Phil will be eligible (if selected for departure) to a payment of 21 months salary (the upper limit of the scheme) together with 3 months notice. However, as his salary is below £23,000, any actual payment would be 21 months of £23,000 per year (therefore a payment of £40,250) plus a further three months notice at his salary of £17,467.

- Bob and Jane work full time, are both 35, have accumulated 15 year's service and are both paid £20,650 per year. With Cabinet Office approval their employer announces that they intend to restructure the office and begin a formal consultation on the possibility of compulsory dismissal. The employer therefore offers a voluntary scheme at 100% of the standard tariff. Jane volunteers and is accepted. She receives 15 months of salary (at one month per year) together with three months notice. As her salary is below £23,000, the actual payment is based on 15 months of £23,000 (therefore a payment of £28,750) plus a further three months notice at her salary of £20,650. Bob does not volunteer, but is chosen for compulsory dismissal. He receives only 12 months of salary (the maximum under compulsory dismissal) together with three months notice. As he did not volunteer, and his is below £23,000, the actual payment is based on 12 months of £23,000 (therefore a payment of £23,000) plus a further three months notice at his salary of £20,650.

- Sir Humphrey Appleby is 57, works full time for £172,354 per year and has 30 years of service. With Cabinet Office approval his employer announces that they intend to restructure the office and begin a formal consultation on the possibility of compulsory dismissal and runs a voluntary scheme on 100% of the standard tariff and he decides he would like to take early retirement. He is entitled to 21 months salary as a lump sum, but as his salary is above £149,820 it is calculated on the basis of the lower number (a payment of.£262,185) together with three months notice at his standard alary. Sir Humphrey decides that he would like to start drawing his pension. It would cost him £206,824 to buy out the reduction to his pension. He therefore surrenders all but £51,361 of his payment in return for early access to his pension.

<u>HOW IS THIS DIFFERENT FROM THE CURRENT SCHEME?</u>

The changes from the current scheme are significant and fundamental. The key changes are:

- Compulsory terms will no longer be the best terms available to the individual;

- Departments will have more flexibility to tailor their offer to staff as the current terms operate as a "fixed menu";

- Staff will no longer receive any enhancement to their pension if they depart close to pension age;

- Protection for the low paid is targeted so that the lowest paid gain the greatest degree of benefit and that benefit will begin to apply very early rather than being dependent upon long periods of service;

- There is no longer a presumption that staff close to pension age will choose to retire, although they will still have the option of receiving an unreduced pension;

- The maximum value of the packages available will be less than currently. No one will be able to leave with enhancements to their pension (these can be worth over 5 years' salary for some staff) and there will be no cash payments of more than 21 months compared to the current terms that allow payments of up to 36 months' salary; and

- A shorter, more streamlined, process for making staff reductions. This will include providing all staff with the right to three months' notice.

The contents of this annex is based on our understanding of the proposals for the new civil service compensation scheme as these have not yet been fully formalised you are strongly advised not to enter into any financial commitments on the strength of the information provided.

Further information can be found on the civil service website at www.civilservice.gov.uk