

Redundancy – HSC Staff Only – Employer FAQs (not including interests of efficiency)

Q Is quarterly billing still an option?

A Yes, but only for Choice B cases

Q If a member of the special class is made redundant over age 50 but Before age 55 and chooses to take a collective agreement payment (severance), can their deferred benefits still be paid at 55?

A Yes

Q What are the arrangements for severance (redundancy payment) and What does the employer pay for?

A Transitional Arrangements:

For a member who qualifies for and takes benefits under the transitional arrangements (with enhancements) the severance payment from the employer will be under “old rules”. (not one month’s pay etc) and, the relevant deductions made (30% for each year over 6 2/3rds) – based on the full enhancements due on 30 September 2006. The employer can pay the costs as now by either quarterly billing or capitalisation.

New Arrangements:

For a member who qualifies for both transition and new arrangements and chooses “new arrangements” and then chooses pension benefits (unlikely but possible) or for any member who meets the new qualifying criteria for pension and chooses pension (but doesn’t qualify for transitional rules) then the cost is borne by the employer from the severance payment and the bill can only be paid by cap costs in one sum or by five equal instalments.

Q If the employer chooses the annual instalments option, what gets deducted from the severance pay to see if there is a residue? Is it the basic charge or the charge including the interest?

A The calculation is as follows:

Severance payment minus the capitalised cost of benefits (excluding any interest charged if paid in five instalments – the employer is responsible for this).

You can find this information in the revised section of the Agenda for Change Handbook.

Q Why is the phase 2 transitional reductions based on 1/24ths?

- A NHS Employers and the Trade Unions agreed that enhancements would be frozen at their 30 September level and that they would have gone completely by 1 October 2011.

It was agreed that those made redundant before 1 October 2009 would receive no less in total benefits than they would have received had they been made redundant on 30 September 2006. So phase 1 transition was born – whereby the lost enhancements are simply replaced by real membership on a “day for day” basis.

That left a decision needed for retirements 1 October 2009 to 30 September 2011. It seemed sensible to leave the first reduction in place. So the maximum enhancements due at 30 September 2006 of 10 years would reduce on a “day for day” basis as follows:-

- by September 07 (10 reduced to 9), by September 08 (10 reduced to 8) etc so that the first 5 years of enhancements disappear by 30 September 2011.

That left a need for a formula to remove any enhancements of over five years in a consistent and fair way (that also recognises that excess over five years will vary). Simply, it was decided that members should lose a „proportion“ of that excess over the five years and it seemed sensible to reduce the proportions after every month. Two years provides 24 months, therefore reducing by 1/24th for each month passed would ensure that by 1 October 2011 all excess has also been used up.

Q Most Scheme members who leave on Redundancy grounds and are 50 Or over, take redundancy retirement benefits?

- A No, from 1 December 2006, they may choose to take a severance payment instead of their terms and conditions of employment give them this choice. Even those who do not have this choice, may instead claim any other benefits for which they qualify. Those over minimum pension age (currently 50) can claim actuarially reduced voluntary early retirement or defer/transfer their benefits. Those over 60 (55 for qualifying special classes) can claim age benefits.

Q If a member is made redundant from one of his concurrent employments, Can he retire from all employments?

A If they have more than one job in the HSC they may either:

- Take their benefits in respect of all their pensionable HSC jobs. If they do this, they must leave all their jobs for at least one day unless they total no more than 16 hours per week. If they choose to take their benefits from all their jobs, they will not be able to be a member of the 1995 Section of the Scheme in respect of any further employment in the HSC. It may be possible for them to return to HSC employment and join the 2008 Section of the Scheme. Please check the eligibility criteria for details; or
- If they are age 55 or over they could take their benefits only in respect of the employment from which they are retiring prematurely and remain a member of the Scheme in respect of their other pensionable jobs.

Q How much enhancement will a member get under the transitional regulations?

A If member has been in the scheme for up to 10 years at 30 September 2006 the membership at 30 September 2006 would be doubled, subject to the maximum they could have had by age 65, or any earlier retirement age written into the contract of employment.

If they had been in the scheme for more than 10 years at 30 September 2006, the membership at 30 September 2006 will be increased by 10 years" subject to the maximum they could have had at age 65, or any earlier retirement age written into the contract of employment.

The total membership cannot be increased to more than 40 years.

If there is any part-time membership, the enhancement will be reduce to take account of this.