To: Human Resources

At: All Employing Authorities

Dear Colleagues,

**Government Proposal to Cap Severance Costs at £95,000**


If you are currently running, or are intending to run, a severance scheme you may wish to respond to this consultation. The proposed cap of £95,000 applies not only to a lump sum received by an exiting employee but also includes any payment which you may make to NILGOSC for the early payment of pension. If a scheme member is made redundant and is aged 55 or over, they will be entitled to receive a redundancy pension. This will result in a 'strain-cost' which must be paid by the employer and is included in the total cost limited by the proposed cap. In the last 3 months 10% of the redundancy pensions paid by NILGOSC on behalf of our employers have resulted in strain costs exceeding £95,000 therefore it is not an uncommon event. It is possible that such a cap would have an impact on any planned severance arrangements you either have in place or would be planning to implement.

Yours sincerely

David Murphy
Chief Executive