

SUPERANNUATION ACT 2010

EXPLANATORY NOTES

COMMENTARY

Section 3: Limits on value of benefits provided under civil service compensation scheme

14. *Section 3* imposes caps on the amounts payable to members of staff under the terms of the CSCS. *Subsection (2)* in effect imposes a cap of 12 months' salary in cases of compulsory severance, and 15 months' salary in cases of voluntary severance. The salary figure used is pensionable earnings. This is the rate of earnings immediately before severance on which a person was required to pay (or would have been required to pay) pension contributions under the Principal Civil Service Pension Scheme (PCSPS). *Paragraph (b)* of the definition of 'pensionable earnings' in *subsection (7)* is intended to cover cases such as where a person has opted out of the PCSPS. *Subsection (8)* covers the treatment of those whose pensionable earnings were restricted or, at the time of severance, were receiving earnings at a reduced rate.
15. The effect of section 3 will be to reduce the maximum amount payable under the CSCS. An individual currently entitled to 9 months' salary on departure will still receive a sum equivalent to 9 months' salary. However, an individual who under the current compulsory early severance terms might be entitled to (say) 27 months' salary would instead have their payment capped at only 12 months' salary if made compulsorily redundant.
16. *Subsection (4)* provides that, where the cost of providing an early retirement package (for example including an actuarially unreduced pension, or enhanced pension) exceeds the cap, benefits will be paid as a cash lump sum equivalent to the cap rather than as an early retirement package. In such cases pension benefits will be preserved for payment at normal pension age (or may be paid early on an actuarially-adjusted basis in accordance with pension scheme rules). *Subsection (3)* provides that that cost will be determined in accordance with guidance issued by the Minister for the Civil Service.
17. *Subsection (5)* provides that the cap applies where a person is issued with a notice of dismissal after the provision comes into force, or agrees to voluntary severance after that time.
18. *Subsection (10)* excludes from the capping provisions any compensation in lieu of notice and any payments made on early termination of fixed term contracts.
19. *Subsection (11)* confers an order-making power on the Minister for the Civil Service to relax the caps by increasing the number of months specified in subsection (2). That power is subject to affirmative resolution procedure in the House of Commons: see *section 4(8) and (9)*.