

Local Government Pension Scheme Bulletin



Issue 6

23rd February 2021

Important Update: £95K Exit Cap Revoked

On the 12th February 2021 Government issued a direction disapplying the exit cap with immediate effect.

By disapplying the cap, this means the LGPS Regulations are “reintroduced” for current cases, and effectively back dates these to the 4th November 2020 (when Government first introduced the exit cap). This allows the Pension Fund to pay unreduced benefits for scheme members who retired on redundancy and efficiency grounds age 55 or over in this period (4/11/2020 to 12/2/2021), with payment of the full pension strain by the employer.

I’m pleased to say that the Leicestershire Pension Fund does not have any cases where scheme members breached the £95K cap and subsequently retired, so there are no retirement payments to be recalculated for scheme members who retired. However, if you have scheme members who breached the cap and an estimate was requested, please let us know of these cases so we can review these for you.

It is also important to note; the decision by Government to disapply the exit cap also includes the future potential changes that were planned for 2021.

However, also on the 12th February 2021, HM Treasury issued guidance stating; It is still vital that exit payments deliver value for the taxpayer and employers should always consider whether exit payments are fair and proportionate.

HM Treasury will bring forward proposals at pace to tackle unjustified exit payments.

Because further changes are expected, the Pension Section has had to look again at this process.

The online modeller for redundancy and efficiency estimates has been reintroduced for scheme members allowing them to run their own estimates via [Member Self-Service](#).

Redundancy and efficiency estimates will continue to originate from the employers. The Pension Fund will not accept estimates directly from scheme members. However, the need for the employers to decide if a member has or has not breached the £95K cap has been removed. Revised forms will be provided from the Pension Section shortly.

If you are an employer impacted and have workforce reduction exercises currently planned, please note the change from the 12th February 2021, but also consider future changes are still likely.

Regards,
Ian Howe – Pensions Manager