



# University of Leicester

## Severance Arrangements & Terms

If you have any queries regarding this Severance Arrangements & Terms document, please contact Brian Cox (Personnel Consultant) on ext 2420, email [bjrc2@le.ac.uk](mailto:bjrc2@le.ac.uk)

### **1. Introduction**

- 1.1. The purpose of this document is to inform staff about the arrangements and terms, which will apply to agreed Early Retirements and Voluntary Severance associated with the achievement of the University's 2004/05 Staffing Plans.
- 1.2. Improved Severance Terms have been agreed in discussion with our recognised Trade Unions, Amicus, Unison and AUT. These improved terms are non-contractual, are available for a limited period only, and apply to agreed severances with leaving dates up to 31 July 2005.
- 1.3. Terms apply to permanent staff on open-ended contracts, and are available to Academic, Academic Related and Support Staff (Clerical, Technical and Manual).

Separate provisions apply to staff employed on Fixed Term Contracts.

### **2. Arrangements for Voluntary Severance and Early Retirement**

- 2.1. Individual discussions may be initiated by the University or by individual members of staff who may wish to apply for early retirement or voluntary severance. In all cases, progression to severance must be mutually agreed.
- 2.2. The process for Staff considering Early Retirement or Voluntary Severance is: -
  - (i) **Initial Contact:** Contact Brian Cox (Personnel Consultant) to arrange a confidential, and without commitment, initial discussion. The preferred method for this initial contact is by email to [bjrc2@le.ac.uk](mailto:bjrc2@le.ac.uk)
  - (ii) **Confidential Discussion:** To establish whether the member of staff wishes to proceed with an application for early retirement / voluntary severance. This discussion will confirm the terms that would be likely to apply, and also arrange for further information (e.g. pension quotes) to be made available. Applications would only advance to the subsequent stages if agreed by the individual staff member.
  - (iii) **Information from Department:** Contact is made with the appropriate Department Manager and Head to inform them of the application and establish what the effect on the Department would be. A key consideration is whether the post to be vacated could be absorbed within the Department. Applications are much more likely to be approved where no replacement is required – this is

because there will be a direct saving which contributes to the achievement of the Staffing Plans.

- (iv) **Redeployment:** Where a replacement is required, it may still be possible to progress the application if the post can be filled internally, by redeployment, resulting in a saving in another Department.
- (v) **Approval and Agreement:** Approval or otherwise, based on the University's interests, is decided by the Early Retirement Group.  
Where an application is approved, the severance will be formally agreed by signature of a letter, detailing the date of leaving and terms to be applied.

### 2.3. Likely timescales for progressing Applications: -

- (i) Applications already received are being progressed, with initial confidential discussions taking place before, and after, the Christmas / New Year holiday.
- (ii) Information from Departments will be gathered after the holiday and we expect the first group of applications to be submitted to the Early Retirement Group around the end of January 2005.
- (iii) The University requests that initial enquiries should be made as soon as possible and, in any case, by 31 January 2005. This is to give maximum time for consideration, including exploring redeployment opportunities where replacements may be required.

## **3. Terms for Voluntary Severance and Early Retirement**

### 3.1. **Lump Sum Payments**

- (i) Lump sum payments may apply to all categories of permanent staff, whether a pension is immediately payable (Early Retirement) or not (Voluntary Severance).
- (ii) Payments are based on length of continuous service with the University and are calculated at the rate of 1½ months' gross basic salary for each full year of service, up to a maximum of 18 months for 12 or more years' service.
- (iii) There is a minimum payment of 3 months' gross salary (irrespective of length of service).
- (iv) For staff nearing retirement age, the maximum lump sum payment is limited to 50% of the basic salary that would have been earned between the date of retirement and age 65. This may limit payments to staff aged 62+.

For example, for someone aged 62 years and 10 months (at the date of leaving), the payment would be 13 months' salary (half of the 26 months between age at leaving date and age 65).

- (v) Part of lump sum payments may be designated as a Statutory Redundancy Payment and the basis for leaving will be by reason of redundancy. Under current legislation, such lump sum payments are tax free up to £30,000.

For example, in the case of a £32,500 lump sum payment, £30,000 is tax free, and tax would be deducted only from the residual £2,500.

- (vi) Lump sum severance payments are quite separate from, and in addition to, lump sum payments available from Pension Schemes – including USS or PAS.

(vii) Examples of lump sum calculations are shown in the final page of this document.

### 3.2. **Early Retirement**

(i) To give flexibility, with regards to Early Retirement, all staff may choose to receive **either** a lump sum payment **or** an improvement to pension. The lump sum alternative is calculated as shown in the previous section.

(ii) **For USS Members** (Academic and Academic Related Staff)

- Recently applied arrangements for enhanced pensions will continue to be available. Subject to conditions, these provide for up to 5 years' additional pensionable service funded by the University.
- To qualify for these additional years pensionable service, staff must be aged over 50, and have been members of the USS Pension Scheme for more than 5 years (at their date of leaving).
- Available additional years may be less than 5, for example if there is less than 5 years to normal full retirement date or where the USS member is within 5 years of achieving the maximum allowable 40 years in the pension scheme. In these cases, the available additional years are limited to the period up to reaching normal retirement age and/or making pensionable service up to the maximum allowable 40 years.

(iii) **For PAS Members** (Support Staff )

- Additional pension scheme years are not available. This is one of the reasons why maximum lump sum payments have been increased to 18 months (which is similar to the cost, to the University, of funding the maximum of 5 additional years in USS).
- Members have the option to increase pension by using their severance lump sum (as detailed in previous Section 3.1.) to purchase additional pension within PAS.

### 3.3 **Further Information and Advice**

(i) Detailed individual information will be provided to enable colleagues to make informed decisions and choices. Further support, in the form of career management and outplacement advice, will be available as required.

(ii) In all cases it is strongly advised that the staff member seeks independent financial advice before making decisions between a lump sum and additional pension.

## 4. **Fixed Term Contracts**

4.1. Where Fixed Term Contracts run their full term, but are not renewed, arrangements are unchanged – i.e. a Statutory Redundancy Payment where there is continuous service of 2 years or more.

4.2. Where it is agreed to terminate a Fixed Term Contract before the expiry date, a Severance Payment equivalent to basic salary for 50% of the unexpired period of the

contact will be payable. This severance payment would be inclusive of Statutory Redundancy Pay, where applicable.

## 5. Examples of Terms

### 5.1 Lump Sum – Maximum Payment – 12+ Years' Service

Date of Birth: 07/03/1954	Continuous Service From: 01/02/1988	Date of Leaving (DOL): 31/07/2005
Age (at DOL): 51	Service (at DOL): 17 years	Salary (Basic, at DOL) £24,000 PA £2,000 per month
Lump Sum Calculation: - 18 months' @ £2,000		= <b>£36,000</b>
<b>Notes:</b> (i) Service 12+ years, thus maximum lump sum of 18 months' gross basic salary (ii) Lump Sum more than £30,000, therefore £30,000 tax free and £6,000 subject to tax deduction.		

### 5.2 Lump Sum – 2 to 11 Years' Service

Date of Birth: 11/09/1962	Continuous Service From: 01/02/1996	Date of Leaving (DOL): 31/07/2005
Age (at DOL): 42	Service (at DOL): 9 years	Salary (Basic, at DOL) £15,000 PA £1,250 per month
Lump Sum Calculation: - 13½ months' @ £1,250		= <b>£16,875</b>
<b>Notes:</b> (i) Service 9 years, thus lump sum is 9 X 1½ months' = 13½ months' gross basic salary (ii) Lump Sum less than £30,000, therefore tax free		

### 5.3 Lump Sum – Minimum Payment- Less than 2 Years' Service

Date of Birth: 29/11/1967	Continuous Service From: 14/02/2004	Date of Leaving (DOL): 31/03/2005
Age (at DOL): 37	Service (at DOL): 1 year	Salary (Basic, at DOL) £18,000 PA £1,500 per month
Lump Sum Calculation: - 3 months' @ £1,500		= <b>£4,500</b>
<b>Notes:</b> (i) Minimum lump sum of 3 months' gross basic salary (ii) Lump sum less than £30,000, therefore tax free		

### 5.4 Lump Sum – Nearing Retirement Age

Date of Birth: 01/12/1942	Continuous Service From: 01/09/74	Date of Leaving (DOL): 31/07/2005
Age (at DOL): 62 years 8 months	Service (at DOL): 30 years	Salary (Basic, at DOL) £36,000 PA £3,000 per month
Lump Sum Calculation: - 14 months' @ 3,000		= <b>£42,000</b>
<b>Notes:</b> (i) Unadjusted payment (18 Months) would be more than 50% of Basic Salary through to age 65, therefore limit applies (ii) Payment is limited to 50% of the 28 months' period from the Date of Leaving (31/07/2005) to Normal Retirement Date (01/12/2007) (iii) Lump sum more than £30,000, therefore £30,000 tax free and £12,000 subject to tax deduction		

Dr. Alison Hall

Director of Personnel Services