



Ministry of Housing,  
Communities &  
Local Government

Chief Executives  
Councils and LGPS Administering Authorities

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Dear Chief Executive,

The Restriction of Public Sector Exit Payments Regulations 2020 make it clear that public sector bodies must not make payments in relation to individual exits in excess of £95k. That includes local government employers and Local Government Pension Scheme administering authorities.

Previously, the Local Government Pension Scheme Regulations 2013 and to a lesser extent the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 allowed for some individuals to receive benefits which would be in excess of the cap now set in the 2020 Regulations.

In considering the 2020 Regulations with existing provisions of the LGPS or Early Termination Regulations, public sector bodies should be mindful that the 2020 Regulations reflect Parliament's intention in section 153A of the Small Business, Enterprise and Employment Act 2015. Parliament was clear that it wished to limit total public sector exit payments to no more than £95,000, and the legislation provides a power to cap exit payments at that level.

This Department has published a policy consultation and issued draft regulations that will remove any remaining ambiguity in the legal position once they come into effect. Subject to consideration of views received through consultation, effect will be given to those proposals as soon as parliamentary time allows.

In the meantime, the recommended course of action for an administering authority to act consistently with its legal duties is that the provisions of Regulation 30(7) are subject to the cap and so the provisions of Regulation 8 of the 2020 Regulations and Regulation 30(5) of the LGPS 2013 Regulations should be engaged. The Government's view is that LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost.

The 2020 Regulations also identify circumstances where the application of the cap may be waived. I will issue more detailed guidance on this, but this also provides a route by which these transitional issues may be mitigated.

**LUKE HALL MP**