

NORTHAMPTON BOROUGH COUNCIL**EXAMPLE COSTS****Example 1**

Employee Aged 55

Continuous Local Government and NBC Service 25 years

Pension Scheme Member 25 years

Salary £28,000

Cost of Severance - Current Scheme

- a) Redundancy £17,485
- b) Number of Added Years awarded = $6 \frac{2}{3}$ (max)
- c) Cost of Added Years = £2345pa pension plus £7035 lump sum = £9380
- d) Total Year 1 cost = a+c=£26,865
- e) Recurring cost of Added Years = £2345pa until employee dies, then 50% of value to surviving spouse*

Cost of Severance – Proposed Scheme

- a) Redundancy £17,485
- b) Number of Added Years awarded = Nil
- c) Cost of Added Years = Nil
- d) Total Year 1 cost = £17,485
- e) Recurring cost of Added Years = Nil

Cost of Severance – TU Proposal

- a) Redundancy £17,485
- b) Number of Added Years awarded = 4
- c) Cost of Added Years = £1400 pension + £4200 = £5600
- d) Total Year 1 cost = a+c £23,085
- e) Recurring cost of Added Years = £1400 pa until employee dies, then 50% of value to surviving spouse*

Example 2

Employee Aged 35

Continuous Local Government and NBC Service 12 years

Pension Scheme Member 5 years

Salary £20,000

Cost of Severance - Current Scheme

- a) Redundancy £6730
- b) No added Years
- c) Total Cost £6730

Cost of Severance – Proposed Scheme

- a) Redundancy £4615
- b) No Added Years
- c) Total Cost £4615

Cost of Severance – TU Proposal

- a) Redundancy £6912
- b) No Added Years
- c) Total Cost £6912

Example 3

Employee Aged 49

Continuous Local Government and NBC Service 30 years

Pension Scheme Member 30 years

Salary £38,000

Cost of Severance - Current Scheme

- a) Redundancy £32,884
- b) No added Years
- c) Total Cost £32,884

Cost of Severance – Proposed Scheme

- a) Redundancy £21,923
- b) No Added Years
- c) Total Cost £21,923

Cost of Severance –TU Proposal

- a) Redundancy £21,923
- b) No Added Years
- c) Total Cost £21,923

Example 4

Employee Aged 52

Continuous Local Government and NBC Service 10 years

Pension Scheme Member 10 years

Salary £22,000

Cost of Severance - Current Scheme

- a) Redundancy £6346
- b) Number of Added Years awarded = 4
- c) Cost of Added Years = £1100pa pension plus £3300 lump sum = £4400
- d) Total Year 1 cost = a+c=£10,746
- e) Recurring cost of Added Years = £1100pa until employee dies, then 50% of value to surviving spouse*

Cost of Severance – Proposed Scheme

- a) Redundancy £6346
- b) Number of Added Years awarded = Nil
- c) Cost of Added Years = Nil
- d) Total Year 1 cost = £6346
- e) Recurring cost of Added Years = Nil

Cost of Severance – TU Proposal

- a) Redundancy £6346
- b) Number of Added Years awarded = 2
- c) Cost of Added Years = £550pa pension plus £1650 lump sum = £2200
- d) Total Year 1 cost = a+c = £8546
- e) Recurring cost of Added Years = £550pa until employee dies, then 50% of value to surviving spouse*

Example 5

Employee Aged 45

Continuous Local Government and NBC Service 15 years

No in Pension Scheme

Salary £30,000

Cost of Severance - Current Scheme

- a) Redundancy £10,097
- b) No added Years
- c) Total Cost = £10,097

Cost of Severance – Proposed Scheme

- d) Redundancy £10,097
- e) No added Years
- a) Total Cost = £10,097

Cost of Severance – TU Proposal

- a) Redundancy £12,982
- b) No added Years
- c) Total Cost £12,982

Notes

- 1 Where employee is aged over 50 and automatically in receipt of a pension, the pension strain costs for early release of pension are not included. These are the same for either option. From 1 April 2008 early release of pension will not be permitted before age 55 (50 for existing members up to 2010).
- 2 * Under current rules introduced on 1 April 2007 augmented service is subject to an actuarial assessment of lifetime cost and recharged to the employing Authority as a cost to be paid within 3 years not, any longer, annually over the lifetime of the employee/surviving spouse. This, in many cases, creates a significant short-medium cost for the employer.