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STATUTORY INSTRUMENTS

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**1996 No. 1680**

**The Local Government (Discretionary  
Payments) Regulations 1996**

**PART III**

**COMPENSATION FOR PREMATURE RETIREMENT**

*Interpretation*

**Interpretation of Part III**

- 5.—(1) Unless the context otherwise requires, in this Part—
- “the 1965 Regulations” means the Redundancy Payments Pensions Regulations 1965(1);
  - “the 1982 Regulations” means the Local Government (Compensation for Premature Retirement) Regulations 1982(2);
  - “annual compensation” shall be construed in accordance with regulation 10;
  - “credited period”, in relation to a person, means a period with which he is credited under regulation 8;
  - “eligible person” means a person who satisfies the conditions mentioned in regulation 6(1);
  - “enactment” includes any instrument made under an Act;
  - “excepted payment”, in relation to an employment of a person, means a payment received by him which is—
    - (a) a redundancy payment to which he is entitled under Part VI of the 1978 Act (redundancy payments), or compensation paid to him under Part II of these Regulations, in respect of the cessation of his former employment (including in either case any amount by which that payment is reduced in accordance with the 1965 Regulations); or
    - (b) a payment in respect of that employment made under Regulations, or under provisions having effect as provisions of regulations, made under section 7 of the 1972 Act; or
    - (c) a payment in lieu of annual or other leave to which he was entitled in that employment; or
    - (d) so much of any payment in lieu of notice of termination of that employment, as does not exceed the remuneration he would have received if he had remained in that employment for a period of three months after the material date;
  - “former employment”, in relation to a person, means the employment which ceased as described in regulation 6(1)(a);
  - “lump sum compensation” means such compensation as is mentioned in regulation 9;

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(1) S.I.1965/1932.

(2) S.I. 1982/1009, amended by S.I. 1984/740, 1986/151, 1988/466, 1989/372, 1989/1815, 1990/2380, 1992/2432, 1993/2890, 1994/3025 and 1995/817.

“material date”, in relation to a person, means the date upon which he ceased to hold his former employment;

“new employment” shall be construed in accordance with regulation 15(4);

“occupational pension”, in relation to a person, means a pension (other than a lump sum) to which he has become entitled (whether or not payable immediately) being—

- (a) a pension associated with any employment which is payable under an enactment (other than the Social Security Contributions and Benefits Act 1992(3) or the LGPS Regulations), contract, scheme or other arrangement, including a pension under a personal pension scheme in relation to which the Secretary of State has paid contributions under section 1 of the Social Security Act 1986(4) or section 43 of the Pension Schemes Act 1993(5); or
- (b) a pension derived from the payment of a transfer value calculated by reference to pension rights (contingent or otherwise) arising under the LGPS Regulations or arising with respect to such a pension as is mentioned in paragraph (a);

“official pension” has the same meaning as in the Pensions (Increase) Act 1971(6);

“pensionable remuneration”, in relation to a person, means the remuneration which is (or, if there has been a relevant disqualification, which, but for that disqualification and on the relevant assumptions, would be) that person’s pensionable remuneration;

“the relevant assumptions” has the meaning given in regulation 7(2);

“relevant disqualification” has the meaning given in regulation 7(1);

“relevant Scottish employer” means—

- (a) a scheduled body within the meaning of the Local Government Superannuation (Scotland) Regulations 1987(7); and
- (b) Scottish Homes;

“total period of membership” includes any period of special service (other than special service consisting of periods of unpaid leave or other unpaid absence from duty);

“special service” has the meaning given in regulation 7(3) and (4).

(2) For the purposes of this Part, a person is an “eligible child” of a person if—

- (a) he is a legitimate child of a marriage of the person which took place on or before the material date and was born before the expiry of the period of one year beginning with that date; or
- (b) he is a child adopted by the person on or before the material date; or
- (c) he is a child who was wholly or mainly dependent on the person both on the material date and at the time of the person’s death and is—
  - (i) the person’s step-child or illegitimate child;
  - (ii) an adopted child of someone else who married the person before the material date; or
  - (iii) a child accepted by the person as a member of the family.

(3) For the purposes of these Regulations, a person who in his employment immediately before the material date was subject to regulation B5(1) of the LGPS Regulations (separate employments under one employer) (or, if he is an assumed member would, apart from a relevant disqualification

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(3) 1992 c. 4.

(4) 1986 c. 50. Section 1 was repealed by the Pension Schemes Act 1993 (c. 48), s.188 and Sch. 5.

(5) 1993 c. 48. Section 43 was amended by the Pensions Act 1995 (c. 26), Sch. 5, paragraph 42.

(6) 1971 c. 56. “Official pension” is defined in s.5(1), which was amended by the Superannuation Act 1972 (c. 11), Sch. 6, paragraph 85.

(7) S.I. 1987/1850. “Scheduled body” is defined in Schedule 1.

and on the relevant assumptions, be so subject) shall be treated, unless the context otherwise requires, in relation to each of the employments as if the other or others were held by him under another LGPS employer.

(4) A person who in his employment immediately before the material date was subject to regulation B5(2) (returning officers) of the LGPS Regulations (or, if he is an assumed member would, apart from a relevant disqualification and on the relevant assumptions, be so subject) shall for the purposes of these Regulations be treated, unless the context otherwise requires, as if each additional duty were a separate variable-time employment with a LGPS employer other than the employer with whom he was in whole-time employment.

### *Eligibility to benefit under this Part*

#### **Persons who are eligible to benefit: LGPS members and non-members with relevant disqualification**

- 6.—(1) A LGPS member or an assumed member is eligible to benefit under this Part if—
- (a) he ceases to hold his employment with an employing authority—
    - (i) by reason of redundancy;
    - (ii) in the interests of the efficient exercise of that authority’s functions; or
    - (iii) because he was one of the holders of a joint appointment and his appointment has been terminated because the other ceased to hold his appointment;
  - (b) in a case within paragraph (a)(i) or (ii), that authority—
    - (i) have certified in relation to him in accordance with regulation D6(2)(a) of the LGPS Regulations (redundancy etc.); or
    - (ii) are satisfied that but for a relevant disqualification and on the relevant assumptions they would have so certified;
  - (c) he is not, in respect of the loss of that employment, entitled to have his case considered for the payment of section 259 compensation;
  - (d) on the material date he has attained the age of 50, but not the age of 65;
  - (e) on that date the aggregate of—
    - (i) his total period of membership, and
    - (ii) any periods to which Part II of Schedule B6 to the LGPS Regulations applies, amounts to at least 5 years;
  - (f) on that date his total period of membership does not exceed 40 years; and
  - (g) the period beginning with the day following the material date and ending with his 65th birthday, exceeds any period of residual entitlement which he has to his credit as described in regulation 8(2).
- (2) In paragraph (1) “assumed member” means a person who the employing authority are satisfied would be or be treated as a LGPS member but for a relevant disqualification.
- (3) In paragraph (1)(c) “section 259 compensation” means long-term compensation or retirement compensation—
- (a) under regulations made under section 259 of the Local Government Act 1972(8); or
  - (b) under any instrument made under any provision to the like effect in any other enactment.

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(8) 1972 c. 70. Section 259 was amended by the Local Government Act 1974 (c. 7), s.39; the Food Act 1984 (c. 30), Sch. 10, paragraph 23; the Food Safety Act 1990 (c. 16), Sch. 3 paragraph 17.

### **Application of Part III to assumed members: “relevant disqualification”, “relevant assumptions” and “special service”**

7.—(1) In this Part, in relation to any person, “relevant disqualification” means an act or omission in consequence of which (either alone or taken together with other such acts or omissions) that person has not become, has ceased to be or has not been treated as being a LGPS member, being one of the following acts or omissions—

- (a) the failure of a medical examination required under regulation B1(16) of the 1986 Regulations;
  - (b) the making of an election under regulation B1(15B) of those Regulations (before its omission by the Local Government (Superannuation and Compensation) (Amendment) Regulations 1988<sup>(9)</sup>);
  - (c) the making of an election or the absence of an election with respect to any period under regulation B1(18) of, or Part IV of Schedule 2 to, the 1986 Regulations (before the omission or amendment of those provisions by the Local Government (Superannuation and Compensation) (Amendment) Regulations 1988);
  - (d) the absence of—
    - (i) an election under regulation B1A of, or paragraph 1(b) of Part III of Schedule 2 to, the 1986 Regulations with respect to any period; or
    - (ii) an application under regulation B10 of the LGPS Regulations for membership during any period;
  - (e) the giving of a notification under regulation B1B of the 1986 Regulations or under regulation B12 of the LGPS Regulations;
  - (f) the making of an election or the absence of an election with respect to any period under regulation 25(3)(b) of the Local Government Superannuation (Miscellaneous Provisions) Regulations 1987<sup>(10)</sup>.
- (2) In this Part “the relevant assumptions” means the following assumptions—
- (a) that during any period of special service a person was a LGPS member;
  - (b) that a person’s total period of membership included any periods of special service which do not consist of periods of unpaid leave or other unpaid absence from duty;
  - (c) that any election or determination which, on the assumptions mentioned in paragraphs (a) and (b), might have been made with respect to a period of special service under paragraph 2 of Schedule D1 to the LGPS Regulations (optional alternative relevant periods for calculating pensionable remuneration)—
    - (i) in the circumstances mentioned in paragraph 3 of that Schedule, had been made; and
    - (ii) in the circumstances mentioned in paragraph 4 or 5 of that Schedule, had not been made; and
  - (b) that paragraph 6(b) of that Schedule did not apply with respect to a period of special service.
- (3) In this Part “special service” means, subject to paragraph (4), any period of employment with respect to which the employing authority are satisfied—
- (a) that, if it were not for a relevant disqualification, the person concerned would have been or have been treated as being a LGPS member; or

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<sup>(9)</sup> S.I. 1988/466.

<sup>(10)</sup> S.I. 1987/293; revoked by the Local Government Pension Scheme Regulations 1995 (S.I. 1995/1019).

(b) that the employment would have fallen within paragraph (a) if it had not been qualifying part-time employment (within the meaning of Part IV of Schedule 2 to the 1986 Regulations) in which the person was ineligible to be a LGPS member.

(4) In relation to any employment ending before a person began his former employment, “special service” only includes such periods as are continuous with the former employment.

(5) For the purpose of paragraph (4), a period of employment is continuous with the former employment if in the interval between its ending and the former employment beginning there has been no period exceeding one month and one day during which the person was not employed by a LGPS employer or a relevant Scottish employer.

*Discretionary awards of lump sum and annual compensation to former employees*

**Power to award credited period for compensation purposes**

8.—(1) An employing authority may, not later than 6 months after the material date, credit a person who is eligible to benefit under this Part with a period (the “credited period”) not exceeding—

- (a) the period by which his total period of membership falls short of 40 years;
- (b) the period beginning with the day following the material date and ending with his 65th birthday, less any period of residual entitlement which he has to his credit;
- (c) the aggregate of his total period of membership and any periods to which Part II of Schedule B6 of the LGPS Regulations applies (or, if he is an assumed member, would apply apart from a relevant disqualification and on the relevant assumptions); or
- (d) 10 years;

but no person may be credited with a period of service under this regulation in respect of a former employment in respect of the cessation of which an additional period of membership may be counted under regulation B18 of the LGPS Regulations.

(2) For the purposes of paragraph (1)(b), where a person has been granted a credited period in respect of a cessation of employment (“the previous cessation”) before the material date, he has to his credit a period of residual entitlement equal to the excess (if any) of the relevant aggregate period over the period which—

- (a) begins with the day immediately following the previous cessation (or, if there has been more than one previous cessation in respect of which pre-material date extra service has been granted to him, the first of them); and
- (b) ends with the day on which he ceased to hold his former employment.

(3) In this regulation, in relation to any person—

- (a) “the relevant aggregate period”, means the aggregate of—
  - (i) his pre-material date extra service, reduced as may be necessary in accordance with paragraph (4);
  - (ii) the period of his former employment; and
  - (iii) the aggregate of any periods during which he was a LGPS member or an assumed member, being periods between the previous cessation (or, if there has been more than one previous cessation in respect of which pre-material date extra service has been granted to him, the first of them) and the commencement of the former employment;
- (b) “pre-material date extra service”, means a period by which his total period of membership has been increased or a period of service with which he has been credited, before the material date, for the purpose of calculating one of the kinds of benefit or compensation

mentioned in paragraph (5) (or, if more than one such period has been granted to him, the aggregate of them).

(4) Where after his previous cessation (or the first of them) a person has ceased to hold an employment and—

- (a) his pre-material date extra service has been reduced by the period of that employment or part of that period; or
- (b) the compensation or benefit attributable to such extra service has been reduced on account of that period or part of it,

his pre-material date extra service for the purposes of paragraph (3)(a)(i) shall be reduced by that period.

(5) The benefits and compensation mentioned in paragraph (3)(b) are—

- (a) retirement compensation under an Act or under regulations made under section 259 of the Local Government Act 1972(11), or a similar instrument, on account of loss of employment;
- (b) benefit under regulations made under section 260 of that Act, or a similar instrument;
- (c) compensation under any scheme made under section 1 of the 1972 Act(12), or a similar instrument, on account of his retirement in the public interest;
- (d) compensation under an Act or under these Regulations or any other regulations made under section 24 of the 1972 Act(13), or a similar instrument, on account of his ceasing to hold an employment with an authority in such circumstances as are mentioned in regulation 6(1)(a)(i), (ii) or (iii);

and in this paragraph “similar instrument” means any instrument made under any provision to the like effect in any other enactment.

### **Lump sum compensation**

9.—(1) An eligible person who has been granted a credited period under regulation 8 is entitled to receive compensation in the form of a lump sum in accordance with this regulation.

(2) If—

- (a) he is entitled, on ceasing to hold his former employment, to a retirement grant by virtue of regulation D6 of the LGPS Regulations in a case where one of the conditions in paragraph (2) of that regulation is satisfied (early retirement on redundancy, or in the interests of efficiency or on the cessation of a joint appointment); or
- (b) but for a relevant disqualification, he would be so entitled on the relevant assumptions and on the further assumption that, if the employing authority might have certified under regulation D6(2)(a) of those Regulations, they have done so,

he is entitled to receive lump sum compensation of an amount equal to the amount by which that retirement grant would be increased on the relevant assumptions and in accordance with those Regulations if the total period of his membership were increased by the credited period.

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(11) 1972 c. 70. Section 259 was amended by the Local Government Act 1974 (c. 7), s.39; the Food Act 1984 (c. 30), Sch. 10, paragraph 23; the Food Safety Act 1990 (c. 16), Sch. 3 paragraph 17.

(12) Section 1 of the Superannuation Act 1972 (c. 11) was amended by the Pensions (Miscellaneous Provisions) Act 1990 (c. 7), s.8, and the Pension Schemes Act 1993 (c. 48), Sch. 8, paragraph 6.

(13) Section 24 of the Superannuation Act 1972 (c. 11) was amended by the Police Pensions Act 1976 (c. 35) s.13(1), Sch. 2 paragraph 10.

### **Annual compensation: general provisions**

**10.**—(1) Subject to the following regulations, an eligible person who has been granted a credited period under regulation 8 is entitled to receive annual compensation in accordance with this regulation.

(2) From the day following the material date he is entitled to receive annual compensation at a rate equal to the rate by which the annual retirement pension to which—

- (a) he is entitled, on ceasing to hold his former employment, by virtue of regulation D6 of the LGPS Regulations in a case where one of the conditions in paragraph (2) of that regulation is satisfied (early retirement on redundancy, or in the interests of efficiency or on the cessation of a joint appointment); or
- (b) but for a relevant disqualification, he would be so entitled on the relevant assumptions and on the further assumption that, if the employing authority might have certified under D6(2)(a) of those Regulations, they have done so,

would be increased on the relevant assumptions and in accordance with those Regulations, if the total period of his membership were increased by the credited period.

#### *Adjustments to compensation: other receipts*

### **Limit on annual compensation where entitlement to occupational pension**

**11.**—(1) Where—

- (a) immediately before the material date a person is entitled to an occupational pension in respect of any period (whether or not it is in payment);
- (b) the aggregate of that period, his total period of membership and any credited period exceeds 40 years; and
- (c) at any time when the occupational pension is in payment, the aggregate of the annual rate for the time being—
  - (i) of that pension;
  - (ii) of his retirement pension under regulation D6(2) of the LGPS Regulations; and
  - (iii) of the annual compensation payable under regulation 10,

would (apart from this paragraph) exceed the relevant amount specified in paragraph (2), the basic rate of the annual compensation shall be reduced so that that aggregate does not exceed the relevant amount.

(2) The relevant amount mentioned in paragraph (1) is—

- (a) if a retirement grant under Part D of the LGPS Regulations is payable, 50 per cent. of the sum of—
    - (i) the amount of the eligible person's pensionable remuneration; and
    - (ii) the amount of the official increases by which an official pension at the annual rate of that pensionable remuneration would have been increased, if it had begun and first qualified for such increases on the day after the material date; and
  - (b) if no such retirement grant is payable, 66 per cent. of the sum of those amounts.
- (3) For the purposes of paragraph (1)—
- (a) the annual rates at any time of the annual compensation and of any other official pension are their annual rates with official increases;

- (b) the annual rate at any time of an occupational pension which is not such an official pension is its annual rate as increased under any enactment, contract, scheme or other arrangement.
- (4) As respects an occupational pension which is—
  - (a) a pension under a personal pension scheme in relation to which the Secretary of State paid contributions under section 1 of the Social Security Act 1986<sup>(14)</sup> or section 43 of the Pension Schemes Act 1993<sup>(15)</sup>; or
  - (b) a pension derived from the payment of a transfer value calculated by reference to rights arising with respect to such a pension as is mentioned in paragraph (a),
 any reference in paragraph (1) to the period in respect of which a person is entitled to the occupational pension shall be construed as a reference—
  - (i) to the period of employment by reference to which the Secretary of State has paid the contributions; and
  - (ii) without prejudice to the generality of that expression in other cases, to any period of employment in relation to which a transfer value has been paid into the personal pension scheme.
- (5) In this regulation—
  - “the basic rate”, in relation to annual compensation, means its basic rate for the purposes of the Pensions (Increase) Act 1971<sup>(16)</sup>;
  - “official increases” means any increases under that Act.

## Redundancy payments

- 12.—(1) Where—
- (a) the period with which an eligible person is credited under regulation 8 exceeds 6 <sup>2</sup>/<sub>3</sub> years; and
  - (b) he has received, or is entitled to receive, in respect of the cessation of his former employment—
    - (i) a redundancy payment to which he is entitled under Part VI of the 1978 Act (redundancy payments)<sup>(17)</sup>; or
    - (ii) compensation paid to him under Part II of these Regulations,
 his compensation under this Part shall be abated in accordance with the following provisions.
  - (2) In the case of lump sum compensation—
    - (a) if it exceeds the amount calculated in accordance with paragraph (3), it shall be reduced by that amount; and
    - (b) if the amount so calculated equals or exceeds it, it shall not be payable (and any such excess (“the outstanding balance”) shall be deducted from the annual compensation as mentioned in paragraph (4)).
  - (3) The amount ascertained under this paragraph is an amount equal to 30 per cent. of the aggregate amount of the redundancy payments referred to in paragraph (1)(b)(i) and (ii), multiplied by the excess mentioned in paragraph (1)(a) (expressed in years and fractions of a year), less

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<sup>(14)</sup> 1986 c. 50. Section 1 was repealed by the Pension Schemes Act 1993 (c. 48), s.188, Sch. 5.

<sup>(15)</sup> 1993 c. 48. Section 43 was amended by the Pensions Act 1995 (c. 26), Sch. 5, paragraph 42.

<sup>(16)</sup> 1971 c. 56; see section 17(1).

<sup>(17)</sup> Part VI has been amended by the Employment Act 1980 (c. 42), s.20, Sch. 1, paragraph 33, Sch. 2; the Employment Act 1982 (c. 46), ss. 20, 21, Sch. 2 paragraph 6(2), Sch. 3 Pt. I, Sch. 4; the Employment Act 1989 (c. 38), ss. 16(1), 17, 29, Sch. 6 paragraph 20, Sch. 7 Pt. II, Sch. 9 paragraph 3; the Employment Act 1990, ss. 13, 16, Sch. 3; the Trade Union Reform and Employment Rights Act 1993 (c. 19), s.49, Sch. 8; S.I. 1995/1953 Art. 3, Sch paragraphs 8 to 10; S.I. 1995/2587, reg. 13(6).



the aggregate amount of any reductions made in those payments in accordance with the 1965 Regulations.

(4) Annual compensation payable under regulation 10 shall be reduced by the appropriate percentage—

- (a) if paragraph (2)(b) applies, of the outstanding balance; or
- (b) if, apart from the provisions of paragraph (2), the person is not entitled to receive lump sum compensation, of the amount calculated in accordance with under paragraph (3));

and in this paragraph “the appropriate percentage” means the percentage specified in the Table in Schedule 1 in relation to a person of the eligible person’s age and sex.

### **Other termination payments**

**13.**—(1) Where an eligible person who has been granted a credited period under regulation 8 receives a termination payment to which this regulation applies—

- (a) his lump sum compensation is only payable if, and to the extent that, after abatement under regulation 12, it exceeds the amount of the termination payment;
- (b) if the termination payment exceeds his lump sum compensation after any such abatement, his annual compensation (after any necessary adjustments under regulations 12, 15, 16, 18 and 19) shall be reduced by the amount of the excess;
- (c) if (apart from paragraph (a)) he is not entitled to receive lump sum compensation, his annual compensation (after any such necessary adjustments) shall be reduced by the amount of the termination payment.

(2) Where—

- (a) the whole or part of the termination payment is received by a person after a period is credited to him under regulation 8; and
- (b) his compensation has not been abated on account of that payment in accordance with paragraph (1),

his annual compensation (after any necessary adjustments under regulations 12, 15, 16, 18 and 19) shall be reduced by the amount received in respect of the termination payment.

(3) Where a person’s annual compensation falls to be reduced by an amount under paragraph (1) (b) or (c) or (2), no instalment of annual compensation becomes payable to him until the aggregate of reductions equals that amount.

(4) In this regulation “termination payment” means the aggregate amount of any lump sum payments made to the eligible person by his employing authority in consequence of or as compensation for the loss of his former employment (other than lump sum compensation or any payment which is an excepted payment in relation to that employment), being payments made under an enactment or a contract or arrangement with that authority.

### **Periodic payments**

**14.**—(1) Where periodic payments are received by a person in respect of any period, annual compensation is only payable to him in respect of that period if, and to the extent that, after any adjustments necessary under regulations 12, 13, 15, 16, 18 and 19 have been made, it exceeds the amount of the aggregate of those periodic payments.

(2) In this regulation, “periodic payment”, in relation to a person, means an instalment of an allowance for life or other period (other than annual compensation under this Part or a payment which is an excepted payment in relation to that employment) granted to him by his employing authority

in consequence of or as compensation for the loss of former employment, being an allowance under an enactment or a contract or arrangement with that authority.

*Adjustments to compensation: new employment*

**New employment**

15.—(1) Where—

- (a) apart from this regulation and regulation 16, annual compensation is payable to a person; and
- (b) he enters a new employment,

the annual compensation shall be reduced in accordance with regulation 16 for so long as he holds that or any other new employment.

(2) Where two or more awards of annual compensation in respect of an eligible person fall to be reduced in accordance with this regulation, each such award shall be reduced in proportion to its amount.

(3) In this regulation and regulation 16, “annual compensation”, in relation to a person, means the annual compensation which would, apart from this regulation and regulation 16, be payable to him under this Part.

(4) In this Part “new employment”, in relation to a person, means employment with a LGPS employer or a relevant Scottish employer which he enters after the material date.

(5) If—

- (a) the person’s contractual hours in a new employment are altered; or
- (b) he is transferred to another post under the same employing authority at an altered remuneration,

this regulation applies as if he had again entered a new employment.

**Reduction of annual compensation during new employment**

16.—(1) If during any period during which a person holds a new employment the aggregate annual rate of—

- (a) annual compensation payable to him;
- (b) remuneration of his new employment; and
- (c) retirement pension payable to him in relation to his former employment,

exceeds the annual rate of remuneration of his former employment, then, subject to paragraph (2), the rate of annual compensation payable to him in respect of that period shall be reduced by the amount of the excess.

(2) If concurrently with his former employment and during the period of 12 months ending with the material date a person who is entitled to annual compensation held any other employment with a LGPS employer or a relevant Scottish employer (“concurrent employment”), then, if—

- (a) he ceased to hold the concurrent employment before the material date without having become entitled to receive a retirement pension in relation to it and enters new employment within 12 months after ceasing to hold the concurrent employment; or
- (b) he ceases to hold the concurrent employment on or after the material date without having become so entitled and has later entered new employment,

his annual compensation shall only be reduced in relation to his new employment—

- (i) if he spends in the new employment a time materially greater than the time which during the 12 months ending with the day on which he ceased to hold the concurrent employment he spent in that employment; and
  - (ii) if, and to the extent that, the aggregate annual rate mentioned in paragraph (1) exceeds the aggregate of—
    - (I) the annual rate of remuneration of his former employment; and
    - (II) the annual rate of remuneration of the concurrent employment during that year.
  - (3) In this regulation “retirement pension” means—
    - (a) a pension under regulation D5, D6, D7 or D9 of the LGPS Regulations (including an annual pension within the meaning of paragraph 1(2) of Schedule D5 to those Regulations); or
    - (b) an occupational pension.
  - (4) In this regulation “annual compensation”, in relation to a person, means—
    - (a) in paragraph (1)(a), the annual compensation payable to him under regulation 10; and
    - (b) elsewhere, the annual compensation which would, apart from regulation 15 and this regulation, be payable to him under these Regulations.
  - (5) For the purposes of this regulation, references to the “annual rate” of retirement pension or of the remuneration of a former employment or concurrent employment are references to the annual rate of such a pension or remuneration with official increases.
  - (6) In paragraph (5) “official increases”, in relation to a pension or remuneration, means the increases (if any) by which an annual pension of an amount equal to the annual rate of that pension or remuneration would have been increased under the Pensions (Increase) Act 1971(18) during the period ending with the day immediately preceding the day on which the person in question entered the new employment, on the assumption—
    - (a) that that pension were specified in Part II of Schedule 2 to that Act and began for the purposes of that Act on the day the pension actually began or, as the case may be, the next day after that on which he ceased to hold the employment; and
    - (b) that he had on that day attained the age of 55.
  - (7) In calculating the annual rate of remuneration of a former, concurrent or new employment, paragraph 5 of Schedule D5 to the LGPS Regulations (re-employed pensioners) shall apply on the relevant assumptions—
    - (a) as if a former or concurrent employment were a former employment, and a new employment were a new employment, within the meaning of that paragraph; and
    - (b) with respect to paragraph 5(1)(a), as if the source of entitlement were the LGPS Regulations;
- but, in relation to a period of special service, paragraph 5(2)(b) of that Schedule shall have effect as if the words “or he made” onwards were omitted.

### **Cessation of new employment**

17.—(1) Where—

- (a) a person who has been granted a credited period under regulation 8 has ceased to hold a new employment in which he was a LGPS member or an assumed member; and
- (b) the aggregate of—

- (i) the total period of membership (to be taken into account under the LGPS Regulations in the calculation of his retirement pension on cessation of his new employment, on the relevant assumptions); and
- (ii) the period of residual entitlement which he has to his credit,

exceeds the total period of membership which would have been so taken into account if he had held his former employment until his 65th birthday,

his annual compensation shall be abated in accordance with regulation 18.

(2) Where a period of pre-material date extra service has been granted to a person, paragraph (1) (b) has effect with the substitution for the reference to former employment—

- (a) if it has been granted in respect of one cessation of employment which occurred before the material date, of a reference to that employment; and
- (b) if it has been granted to him in respect of more than one such cessation, of a reference to the first such employment to cease.

(3) The abatement under paragraph (1) shall have effect from the day the person in question becomes entitled to receive benefits under Part D of the LGPS Regulations in relation to his new employment (or but for a relevant disqualification and on the relevant assumptions would become so entitled).

(4) For the purposes of paragraph (1), the total period of membership of a person includes membership which, but for this paragraph, would be excluded by virtue of paragraph 4(7) of Schedule B6 to the LGPS Regulations (exclusion of periods in respect of which transfer values paid).

(5) In this regulation “annual compensation”, in relation to a person, means the compensation payable to him under regulation 10—

- (a) after any necessary adjustments under regulations 12 and 19; and
- (b) in a case where he has held a previous new employment (that is to say, a new employment which ceased before cessation of the new employment referred to in paragraph (1)), after any necessary adjustments under this regulation made as respects that previous new employment, but disregarding any reduction under regulation 18(3).

(6) For the purposes of paragraph (1), a person has to his credit a period of residual entitlement equal to the aggregate of—

- (a) any period of pre-material date extra service granted to him, reduced as may be necessary in accordance with paragraph (7); and
- (b) his credited period, reduced as may be necessary in accordance with paragraph (8).

(7) Where—

- (a) after the first cessation of employment in respect of which a period of pre-material date extra service was granted to him a person has ceased to hold another employment; and
- (b) his pre-material date extra service has been reduced by, or his compensation or benefit attributable to such a period has been reduced on account of, the period of that other employment or a part of it (“the reduction period”),

his pre-material date extra service shall, for the purposes of paragraph (6)(a), be reduced by the reduction period.

(8) Where there has been an abatement of a person’s annual compensation in accordance with this regulation on account of a period of previous new employment or a part of such a period (“the abatement period”), then for the purposes of paragraph (6)(b) the length of his credited period shall be reduced by the abatement period.

(9) In this regulation “pre-material date extra service” has the meaning given in regulation 8(3)(b).

## **Reduction of annual compensation on cessation of new employment**

**18.**—(1) The abatement in a person’s annual compensation referred to in regulation 17(1) is its reduction by an annual sum equal to the relevant fraction of the amount calculated in accordance with paragraph (5); and the amount of the annual compensation as so reduced is in this regulation referred to as “reduced annual compensation”.

(2) Subject to paragraphs (3) and (5), the reduced annual compensation is payable to the person in question in lieu of his annual compensation (as defined in regulation 17(5)).

(3) Where on cessation of his former employment a person became entitled to lump sum compensation, his reduced annual compensation shall be further reduced by an amount (“the abatement amount”) equal to the relevant fraction of the amount calculated in accordance with paragraph (5), so that no instalment of reduced annual compensation becomes payable to him until the aggregate of reductions equals the abatement amount.

(4) In this regulation “the relevant fraction” means the fraction, ascertained in accordance with regulation D2 of the LGPS Regulations, which was the fraction used—

- (a) in the case of paragraph (1), in determining the increase in pension mentioned in regulation 10(2) for the purpose of determining the rate of the annual compensation; or
- (b) in the case of paragraph (3), in determining the increase in grant mentioned in regulation 9(2) for the purpose of determining the lump sum compensation.

(5) The amount to be calculated in accordance with this paragraph is an amount equal to the product of—

- (a) the smaller of—
  - (i) the pensionable remuneration of the person’s former employment; and
  - (ii) the pensionable remuneration of his new employment (after deducting the notional indexed increase); and
- (b) the shortest of—
  - (i) his credited period;
  - (ii) the total period of membership to be taken into account in relation to his new employment (as described in regulation 17(1)(b)(i)); and
  - (iii) the period of excess referred to in regulation 17(1)(b);

and for the purposes of paragraph (b) periods shall be expressed in years and fractions of a year.

(6) For the purposes of paragraph (5), the notional indexed increase, in relation to the pensionable remuneration of a person’s new employment, is such proportion of it as the aggregate of any increases which would have been awarded in respect of the relevant period under the Pensions (Increase) Act 1971(19) on an official pension of £100 a year which commenced from the first day of the relevant period, bears to the amount of an official pension of £100 as so increased.

(7) In paragraph (6) “the relevant period” means the period beginning with the day following cessation of the former employment and ending with the day the person becomes entitled (or but for a relevant disqualification and on the relevant assumptions would become entitled) to a retirement pension in respect of the new employment (notwithstanding that the right to the payment of such pension may be deferred).

## *Surrenders*

### **Allocation of part of annual compensation**

**19.**—(1) Where an eligible person who has been granted a credited period under regulation 8 has been allowed, in accordance with regulation D14 of the LGPS Regulations, to surrender a part of the retirement pension to which he would otherwise be entitled on ceasing to hold his former employment (“the surrendered part”), he may give notice to his employing authority that he wishes this regulation to apply to him.

(2) Notice under paragraph (1) must be given by a person before the expiry of the period of one month beginning—

- (a) in the case of a person who has not entered a new employment, with—
  - (i) the date on which he is given notification under regulation 27(a) of the grant of the credited period; or
  - (ii) his NRD,whichever is the later;
- (b) if he has entered new employment, with—
  - (i) the date on which that employment ceases;
  - (ii) the date on which he is given notification under regulation 27(c) of any adjustment made by reason of that cessation; or
  - (iii) his NRD,whichever is the latest.

(3) A person who duly gives notice under this regulation may surrender any part of his annual compensation (not exceeding the surrendered pension percentage), on the like terms and conditions and for the like consideration as if his annual compensation were a retirement pension to which he had become entitled by virtue of regulation D6(2)(a) of the LGPS Regulations (early retirement on redundancy etc).

(4) In paragraph (3) “the surrendered pension percentage”, in relation to any person, means the same percentage as the surrendered part of the retirement pension is of the retirement pension to which he would be entitled apart from the surrender.

(5) In this regulation “annual compensation”, in relation to any person, means the compensation payable under regulation 10, adjusted as may be necessary—

- (a) in accordance with regulation 12;
- (b) if he is a person to whom such an allowance for life as is mentioned in paragraph (2) of regulation 14 has been granted, in accordance with that regulation; and
- (c) in accordance with regulation 18 (but disregarding any reduction under regulation 18(3)).

(6) In the case of a person to whom regulation D14 of the LGPS Regulations does not apply because of a relevant disqualification—

- (a) paragraph (1) shall have effect as if he had been allowed to surrender as mentioned in that paragraph; and
- (b) the annual compensation which he is entitled to surrender in accordance with paragraph (3) shall be such part as he may specify in the notice required under paragraph (1).

*Awards to surviving spouses*

**Entitlement to surviving spouse's short-term and long-term compensation**

**20.**—(1) This regulation applies where an eligible person who has been granted a credited period under regulation 8 dies and is survived by a spouse or spouses—

- (a) who is or, as the case may be, who are jointly entitled to receive a pension under Part F of the LGPS Regulations (surviving spouses' pensions) in relation to the deceased's former employment; or
- (b) who would be so entitled apart from—
  - (i) a relevant disqualification with respect to the deceased (and on the relevant assumptions); or
  - (ii) the transfer of benefits to another pension scheme.

(2) Where this regulation applies the surviving spouse is or, as the case may be, the surviving spouses are jointly entitled to receive—

- (a) surviving spouse's short-term compensation—
  - (i) in the case of a surviving spouse who has (or one of whose spouse's other surviving spouses has) one or more eligible children in his care, for the period of six months after the date of the death; and
  - (ii) otherwise, for the period of three months after that date; and
- (b) after that period, surviving spouse's long-term compensation;

and where surviving spouses are jointly entitled to compensation under this regulation, the employing authority may decide how it shall be apportioned between them.

(3) If the marriage with the deceased took place after the material date, a surviving spouse is only entitled to receive surviving spouse's short-term or long-term compensation calculated as if the amount of the eligible person's compensation were determined by reference only to the period by reference to which surviving spouse's pension is determined by virtue of regulation F6(2) or, as the case may be, regulation F8(2) of the LGPS Regulations (or would be so determined apart from the matters mentioned in paragraph (1)(b)); and for the purposes of this paragraph it shall be assumed that, where any entitlement depends on an exercise of discretion on the part of any person, he has exercised that discretion in such a manner as to result in entitlement to the maximum benefit.

(4) Except where paragraph (5) applies, a surviving spouse who is entitled to short-term or long-term compensation by virtue of this regulation—

- (a) is not so entitled during any subsequent marriage or any period of cohabitation outside marriage; and
- (b) is entitled to surviving spouse's long-term compensation from the end of any such marriage or period only if the employing authority in their discretion so decide.

(5) Where a widower and a widow each of whom is entitled to short-term or long-term compensation under this regulation marry each other or cohabit with each other outside marriage—

- (a) only such one of them as they may determine shall be so entitled; and
- (b) the other shall cease to be so entitled until the end of the marriage or cohabitation.

**Amount of surviving spouse's short-term and long-term compensation**

**21.**—(1) Surviving spouse's short-term compensation is payable at an annual rate equal to the rate at which any annual compensation would have been payable to the deceased in accordance

with these Regulations immediately before his death if there were disregarded any adjustment in accordance with regulation 13, 14 or 18(3).

(2) Surviving spouse's long-term compensation is the relevant fraction of any annual compensation which would have been payable to the deceased in accordance with these Regulations immediately before his death—

(a) if there were disregarded—

(i) any adjustment in accordance with regulation 12, 13, 14, 18(3) or 19;

(ii) in a case where at the time of the deceased's death, the deceased was in a new employment in which he was not a LGPS member, any adjustment in accordance with regulations 15 and 16; and

(b) in a case where at the date of death the deceased was in a new employment in which he was a LGPS member, if that annual compensation were reduced in accordance with regulation 18 on the assumption that the total period of membership referred to in regulation 18(5)(b)(ii) were the membership which the deceased would have been entitled to count as membership on the relevant assumptions if at the date of death the deceased had been such a person as is mentioned in regulation D7(1)(b) of the LGPS Regulations.

(3) In paragraph (2) "the relevant fraction" means—

(a) if the deceased was entitled to receive compensation under regulation 9, one half; and

(b) otherwise, three eighths.

(4) Where a surviving spouse receives periodic payments in respect of any period, surviving spouse's short-term or long-term compensation is only payable in respect of that period if, and to the extent that, it exceeds the amount of the aggregate of those periodic payments.

(5) In paragraph (4) "periodic payment" means an instalment of an allowance for life or other period (other than annual compensation under these Regulations) granted to the surviving spouse by the deceased's employing authority, in consequence of or as compensation for the loss of the deceased's former employment, under an enactment, or a contract or arrangement with that authority (excluding a payment which is an excepted payment in relation to that employment).

#### *Awards to surviving children*

#### **Entitlement to children's short-term compensation**

**22.**—(1) This regulation applies where an eligible person who has been granted a credited period under regulation 8 dies and is survived by an eligible child or children—

(a) who is or are entitled to receive a children's short-term pension under regulation G4 or G7 of the LGPS Regulations in relation to the deceased's former employment; or

(b) who would be so entitled apart from—

(i) a relevant disqualification with respect to the deceased (and on the relevant assumptions); or

(ii) the transfer of benefits to another pension scheme.

(2) Where this regulation applies, children's short-term compensation is payable to or for the benefit of such eligible child or eligible children as are mentioned in paragraph (1)—

(a) if a children's short-term pension under regulation G4 or G7 of the LGPS Regulations is payable for the period of 3 months beginning with the date of the death, for that period; and

(b) otherwise, for the period of 6 months beginning with that date.



(3) Children’s short-term compensation is not payable in respect of a period for which surviving spouse’s short-term compensation is payable to the surviving spouse of the deceased.

#### **Amount of children’s short-term compensation**

**23.**—(1) Children’s short-term compensation is payable at an annual rate equal to the rate at which any annual compensation would have been payable to the deceased in accordance with these Regulations immediately before his death, disregarding any adjustment in accordance with regulation 13, 14 or 18(3).

(2) Where periodic payments are received in respect of a child in respect of any period, children’s short-term compensation is only payable in respect of that child and that period if, and to the extent that, it exceeds the amount of the aggregate of those periodic payments.

(3) In paragraph (2) “periodic payment” means an instalment of an allowance for life or other period (other than annual compensation under these Regulations) granted to or in respect of the child by the deceased’s employing authority, in consequence of or as compensation for the loss of the deceased’s former employment, under an enactment, or a contract or arrangement with that authority (excluding a payment which is an excepted payment in relation to that employment).

#### **Entitlement to children’s long-term compensation**

**24.**—(1) This regulation applies where an eligible person who has been granted a credited period under regulation 8 dies and is survived by an eligible child or children—

- (a) in respect of whom there is an entitlement to receive a children’s long-term pension under regulation G3, G5 or G6 of the LGPS Regulations in relation to the deceased’s former employment; or
- (b) in respect of whom there would be such an entitlement apart from—
  - (i) a relevant disqualification with respect to the deceased (and on the relevant assumptions); or
  - (ii) the transfer of benefits to another pension scheme.

(2) Where this regulation applies, children’s long-term compensation is payable to or for the benefit of such eligible child or eligible children—

- (a) if a children’s long-term pension under regulation G3, G5 or G6 of the LGPS Regulations is payable following the expiry of the period of 3 months beginning with the date of death, from the day following the expiration of that period; or
- (b) otherwise, from the day following the expiry of the period of 6 months beginning with the date of death.

#### **Amount of children’s long-term compensation**

**25.**—(1) Children’s long-term compensation is payable at an annual rate equal to the appropriate fraction of the deceased’s annual compensation.

(2) In paragraph (1) “the appropriate fraction” means—

- (a) where there is a surviving spouse to whom surviving spouse’s short-term compensation or long-term compensation is payable (or would be payable apart from regulation 20(4))—
  - (i) if there is one eligible child, one quarter; and
  - (ii) if there are two or more eligible children one half;
- (b) where there is no such surviving spouse or in respect of any period after the death of such a surviving spouse—

- (i) if there is one eligible child, one third; and
- (ii) if there are two or more eligible children, two thirds.

(3) For the purposes of paragraph (1), “the deceased’s annual compensation” means any annual compensation which would have been payable to the deceased in accordance with these Regulations immediately before his death—

- (a) if there were disregarded—
  - (i) any adjustment in accordance with regulation 12, 13, 14, 18(3) or 19; and
  - (ii) in a case where at the time of the deceased’s death, the deceased was in a new employment in which he was not a LGPS member, any adjustment in accordance with regulation 15 and 16; and
- (b) in a case where at the time of the deceased’s death, the deceased was in a new employment in which he was a LGPS member, if that annual compensation were reduced in accordance with regulation 18, on the assumption that the total period of membership referred to in regulation 18(5)(b)(ii) were the membership which he would have been entitled to reckon as membership on the relevant assumptions if he had been, at the time of his death, a person such as is mentioned in regulation D7(1)(b) of the LGPS Regulations.

(4) Where periodic payments (as defined in regulation 23(3)) are received in respect of a child in respect of any period, children’s long-term compensation is only payable in respect of that child and that period if, and to the extent that, it exceeds the amount of the aggregate of those periodic payments.

(5) If an eligible child to whom, or for whose benefit, children’s long-term compensation is payable—

- (a) has attained the age of 17; and
- (b) is in receipt of remuneration in respect of full-time training for a trade, profession or calling at an annual rate in excess of the indexed training rate,

then—

- (i) the annual rate of the children’s long-term compensation shall be reduced by an amount equal to the amount of that excess (less any reduction made in the children’s long-term pension in respect of that excess under regulation G10(1) of the LGPS Regulations); or
- (ii) if it would result in a smaller reduction of the children’s long-term compensation, that child shall be disregarded for the purpose of calculating the amount of that compensation.

(6) In paragraph (5)(b) “the indexed training rate” means the annual rate at which an official pension would for the time being be payable if it had begun on 1st April 1994 and had then been payable at an annual rate of £1,450.

### **Payment of children’s compensation**

**26.—**(1) In a case where children’s compensation is payable in respect of children in relation to whom children’s short-term pension or children’s long-term pension is paid under regulation G11 of the LGPS Regulations (discretions as to payment of children’s pensions), children’s compensation—

- (a) is payable to the same person; and
- (b) is payable for the benefit of the eligible children in the same proportions,

as the children’s pension is payable.

(2) If children’s short-term pension or children’s long-term pension is not paid under regulation G11 of the LGPS Regulations because—

- (a) of a relevant disqualification with respect to the deceased; or

(b) of the transfer of benefits to another pension scheme, but otherwise (and on the relevant assumptions) it would be so payable, the employing authority shall decide to whom the children's compensation is payable and in what shares it is to be apportioned amongst the eligible children.

*Miscellaneous and supplemental*

**Notification of compensation**

27. Before the expiry of the period of one month beginning with the date of—
- (a) the grant of a credited period to any person under regulation 8;
  - (b) the death of a person to whom such an award has been made; or
  - (c) the making of any adjustment affecting the compensation payable to a person in accordance with this Part,

the employing authority shall give that person, or any other person to whom compensation is payable in accordance with this Part, written notification of the compensation payable or, as the case may be, of the adjustment, giving details of the calculation in question.

**Information**

- 28.—(1) Where a person who has been granted a credited period under regulation 8 enters or ceases to hold a new employment, before the expiry of the period of one month beginning with the date on which he does so he shall give his employing authority written notification of that fact.
- (2) A person to whom compensation is payable in accordance with this Part shall—
- (a) furnish all such information as the employing authority may at any time reasonably require; and
  - (b) verify that information in such manner, including by the production of documents in his possession or control, as may be reasonably so required.

**Payment of compensation**

29.—(1) Compensation (other than lump sum compensation) which is payable to a person under this Part shall be payable at intervals equivalent to those at which his pension is payable under the LGPS Regulations (or would have been so payable but for a relevant disqualification and on the relevant assumptions or, as the case may be, the transfer of benefits to another pension scheme), or at such other intervals as may be agreed between him and the paying authority.

- (2) Without prejudice to any statutory provision to the contrary, any compensation payable under this Part—
- (a) shall be payable to or in trust for the person entitled to receive the compensation; and
  - (b) shall not be assignable or chargeable with his debts or other liabilities.
- (3) Where any compensation under this Part is paid in error to any person (including an overpayment)—
- (a) he shall as soon as practicable repay it to the paying authority; and
  - (b) the paying authority may recover it from him (including, but without prejudice to any other means of recovery, by deducting it from any compensation payable to or in respect of him under this Part).

(4) In this regulation “the paying authority” means the authority who, in accordance with regulation 31, pay the compensation.

### **Interest on sums due under Part III**

**30.**—(1) Where all or part of any sum due under this Part by way of compensation is not paid before the expiry of the relevant period after the date on which it becomes payable, the paying authority shall pay the person to whom the sum is payable interest on the amount remaining unpaid, calculated at one per cent. above base rate on a day to day basis from that date to the date of payment, and compounded with three-monthly rests.

(2) In paragraph (1) “the relevant period” means—

- (a) in the case of compensation payable in the form of a lump sum, one month; and
- (b) in the case of other compensation, one year.

### **Paying authority**

**31.**—(1) Subject to paragraph (2), compensation payable under this Part shall be paid by the employing authority.

(2) The appropriate authority in relation to any person who is entitled to any compensation under this Part may agree with the employing authority to pay any compensation arising in respect of that person (other than compensation payable in the form of a lump sum) on their behalf, and to recover the amount from them within a period of two months from the payment.

(3) In paragraph (2) the reference to the appropriate authority, in relation to any person, is a reference to the authority who are the administering authority in relation to him for the purposes of the LGPS Regulations or who would be that authority in relation to him but for a relevant disqualification and on the relevant assumptions.