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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**

*Adjustments to compensation: new employment*

**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<sup>(1)</sup> 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).

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(1) 1971 c. 56.