

PROTECT MGMT



MRC Redundancy Compensation Proposal V0.6 July 2011

1. Background / Current Position

The purpose of this document is to summarise the outcome of the negotiations undertaken as part of the consultation process between MRC Management and TUS for changing the MRC's redundancy terms.

In December 2010 the MRC received a communication from the Department for Business, Innovation & Science (BIS) stipulating that they expected the MRC to align its Compensation Scheme with the new Civil Service Compensation Scheme.

The MRC Compensation Scheme is deemed to be contractual and MRC Management and National Trade Union Side are hoping to agree, under the terms of our Collective arrangements, on any necessary changes to these terms. As part of these arrangements, MRC and TUS have been formally consulting for a period no less than 90 days.

We advised in February that we would keep staff updated on the progress of formal consultation between MRC and TUS. We have now through using the Staff Bulletin as a means of communicating, confirmed that the formal period of consultation has now been concluded.

Four of the five recognised Trade Unions will ballot their members shortly, recommending the changes given the concessions being made. PCS will not be entering into this process as they are awaiting the outcome of a national position to be taken against the Cabinet Office changes to the Civil Service Compensation Scheme.

2. Proposed changes to the MRC's redundancy compensation scheme

There will be two main routes and revised terms for compensation payments available for redundancy exits if agreement is reached for changing MRC's redundancy terms. These are:

- Voluntary Redundancy
- Compulsory Redundancy

Voluntary Exit is another route available and broadly follows the terms on offer under Voluntary Redundancy but is subject to Cabinet Office approval.

Worked examples of the revised financial terms on offer can be found at Annex A.

2.1 Proposed New Terms – Voluntary Redundancy

Voluntary Redundancy schemes will only exist once the risk of there being Compulsory Redundancies has crystallised. The scheme must be offered to all staff at risk of redundancy under that consultation.

- Such a scheme will not require Cabinet Office approval.
- The standard tariff will be set to one month's pay per year of service only.
- The MRC will continue to recognise a one year qualifying period.
- Notice period will be set at 3 months.
- Cap for those below pension age¹ will be set at 21 months pay (21 months cap + 3 months notice = 2 years pay as a maximum).
- Cap for those above pension age will be set at six months pay.
- Lower paid protection (those earning below £23,000) will be permitted.

- Higher paid cap (those earning above £149,820) will be set.
- Early access to an unreduced pension² will be permitted for those at age 50/55 who are members eligible for these benefits provided by the MRC pension scheme.

2.2 Proposed New Terms - Compulsory Redundancy

Under the new terms, Compulsory Redundancy will only be used when all voluntary routes have been exhausted.

- The tariff will be set at one month's pay per year of service.
- A 2 year qualifying period will be set (this aligns with the qualifying period set for Statutory Redundancy compensation).
- Although the Civil Service Compensation Scheme indicates 3 months, current contractual notice for Compulsory Redundancy will remain at six months for MRC staff.
- Cap for those below pension age¹ will be set at a maximum of 12 months pay.
- Cap for those above pension age will be set at a maximum of six months pay.
- Lower paid protection (those earning below £23,000) will be permitted.
- Higher paid cap (those earning above £149,820) will be set.
- Early access to an unreduced pension² **cannot** be permitted.
- A year's annual leave entitlement would be paid to those leaving on compulsory terms.

¹ Subject to any tapering

² Pensions are usually reduced if they are taken before normal pension age to reflect the fact that they are paid for longer. Early access to an unreduced pension is permitted on voluntary redundancy subject to surrender of some or all of the lump sum compensation payment. Where the surrender of all the lump sum compensation payment does not meet the required level for access to an unreduced pension, the MRC will make up the shortfall.

As previously mentioned, MRC may have the ability under certain circumstances to use a Voluntary Exit route, however this would be subject to Cabinet Office approval. This route is designed for large-scale redundancy programmes where calls for volunteers would be organisation-wide. The only term which may differ to that of the Voluntary Redundancy is the flexibility to increase the standard tariff of at least one month's pay per year of service to a maximum of 2 month's pay per year of service, however the justification would need to be provided and this would be subject to Cabinet Office approval.

3. Overview of the principles of the new Resettlement / Notice arrangements

3.1 Notice and resettlement

MRC have agreed that if the new terms are agreed under our collective arrangements, then the Redundancy and Resettlement Policy will be updated and agreed with TUS quickly.

Under MRC's policy ahead of any agreement for revised terms, allows for six months of resettlement period is provided ahead of notice (also at six months) being issued.

Under the proposed new redundancy compensation terms, the following arrangements will be adopted:

- a) Voluntary Redundancies (inc. Voluntary Exits)

voluntary routes offer the provision to identify those individuals/groups 'at risk' at a very early stage. Prior to formal notice being given there will be a period of resettlement where redeployment options can be considered, i.e. current vacancies, establishing 'redundancy pools' or calling for volunteers. The period of resettlement would not exceed six months unless there is a genuine business requirement. The period of notice then provided to 'at risk' individuals would be 3 months.

b) Compulsory Redundancy

The MRC will not move to a position of confirming Compulsory Redundancy until the Voluntary Redundancy routes have been exhausted. Moving to a position of Compulsory Redundancy will be clearly communicated to the individual 'at risk'. If all voluntary routes have been exhausted and formal notice is to be issued for Compulsory Redundancy, the period of resettlement should not exceed six months from the point the individual was placed 'at risk'. Only once the resettlement period has been concluded will notice be given. MRC's contractual period for notice under compulsory terms will remain six months*.

A flow diagram of how the revised consultation, resettlement and notice periods will work in practice can be found at Annex B.

4. MRC / TUS Negotiated position in support of New Redundancy Terms

The following areas have formed part of the negotiations between MRC Management and TUS. We have reached a position of these concessions being agreed IF acceptance is reached and the revised redundancy terms introduced for the MRC.

4.1 Redundancy Avoidance Measures

The MRC will ensure redundancy avoidance measures, outlined in the guideline set by Cabinet office where appropriate, are exhausted for those placed 'at risk' by implementing the following redeployment measures:

- Expertise will be made available to facilitate and advise on discussions with those individuals 'at risk'. TUS and Management side agree that this provision be managed initially by the MRC with the intent of considering the medium or long term option of SSC providing a service.
- Positions are proactively identified to ensure those 'at risk' are given priority in recruitment to aid successful resettlement. TUS and Management side have considered and the agreement is that this be provided by MRC initially. Management side to consider the process and impact on how vacancies or opportunities are currently shared.
- Considering redeployment for those 'at risk' will be mandatory for recruiting managers and HR staff.
- Current redeployment guidance will be updated to reflect new arrangements.
- Communication on support and arrangements for redeployment will be communicated with staff.
- Exploit any opportunities available within the current HRIS (Oracle). There is provision available for Oracle to provide a flag when someone is placed 'at risk'. This will help identify those applying for vacancies where priority treatment will be applied for redeployment purposes.

4.2 Transferred-in service

For staff that joined the MRC prior to 1 January 2004 and transferred benefits into the MRC pension scheme before 31 July 2005, this service will continue to count towards reckonable service for redundancy compensation. This is a current commitment and MRC management have agreed that this be a concession in support of the new terms being agreed.

4.3 Redundancy payments for Career Development Fellows

At present, these positions are considered 'training roles' and at the end of the Fixed Term Appointment, the MRC use the 'some other substantial reason' for a fair exit. It has now been agreed by MRC management that at the end of these fixed term contracts, individuals may be eligible for redundancy compensation*.

*This brings CDFs in line with how other FTCs are treated and as such arrangements for issuing notice and notice periods, as detailed in MRC's redundancy and resettlement policy, will apply.

4.4 Notice periods for Compulsory Redundancy

Cabinet office arrangements are such as the Civil Service Compensation Scheme only offers 3 month notice for Compulsory Redundancies. The MRC have agreed with TUS that its current provision of six months notice under Compulsory terms will remain.

5. **Next Steps**

MRC Management Board are supportive of the approach being taken and have agreed to the concessions if agreement is reached on the new redundancy compensation terms.

Four of the five recognised Unions will ballot their members and be recommending that with the concessions reached, members accept the revised terms on offer. This proposal document can be used by both MRC management and TUS in communicating with their interested parties and ballot process.

Worked Examples of Redundancy Terms

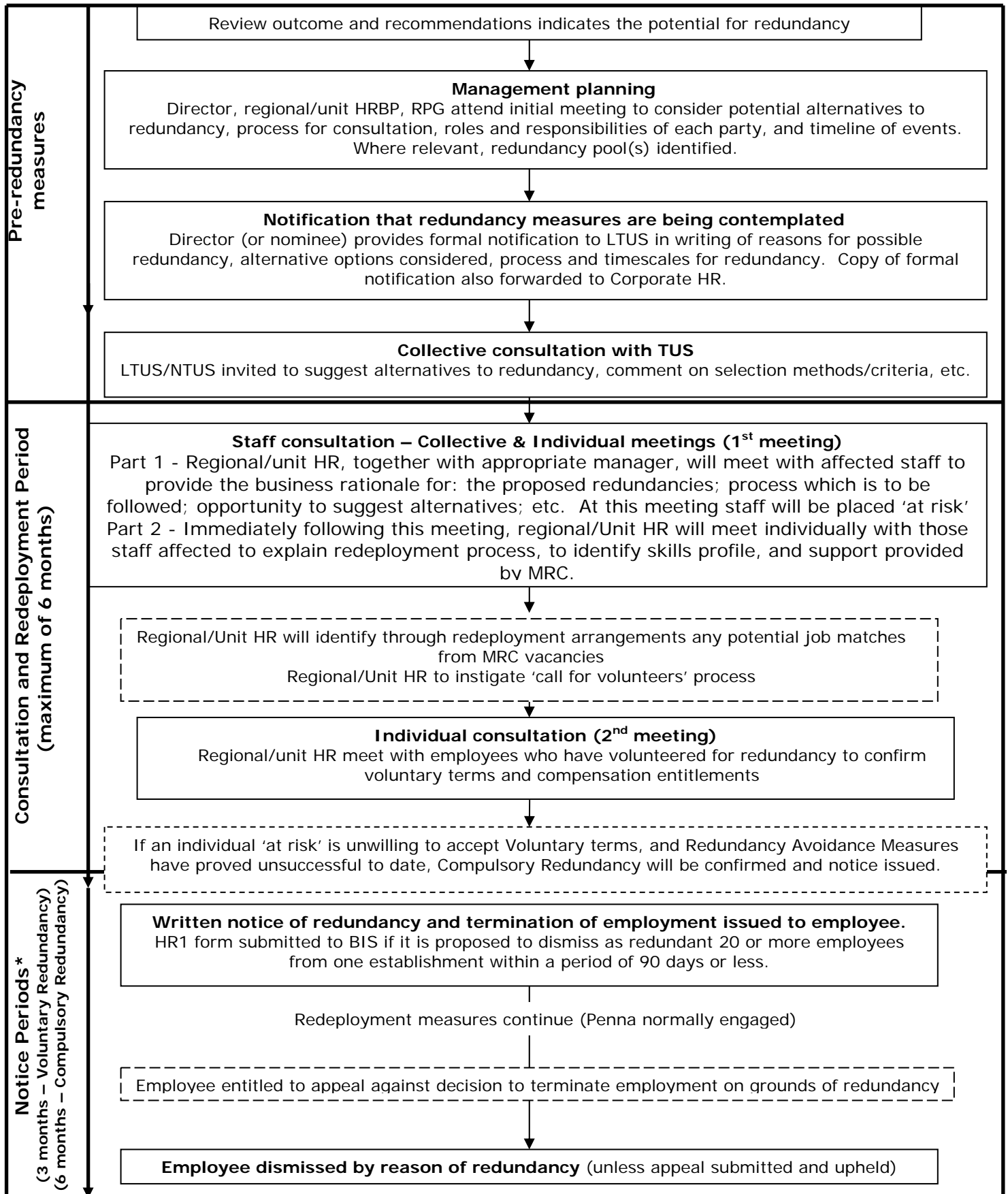
- Bob and Jane work full time, are both 35, have accumulated 15 years service and are both paid £20,650. Local management at the MRC announce that a Management Initiated Review (MIR) will take place with the intention of restructuring the administration office. Formal consultation begins on the possibility of Compulsory Redundancy. The MRC therefore makes a call for volunteers, making it clear to the employees that they are at risk of Compulsory Redundancy. All employees are provided with relevant MIR information and timelines. Redeployment is considered from information gathered by the individual 'at risk' and vacancy information which proves unsuccessful.

Jane volunteers and is accepted. She receives 15 months of salary (at one month per year) together with three months notice. As her salary is below £23,000, the actual payment is based on 15 months of £23,000 (therefore a payment of £28,750 – tax free) plus a further three months notice at her salary of £20, 650 (subject to usual deductions).

Bob was told his job was at risk but chose not to volunteer. Redeployment is unsuccessful and he is then made compulsory redundant. He receives 12 months salary (the maximum under compulsory dismissal) together with six months notice. As his salary is below £23,000, the actual payment is based on 12 months of £23,000 (therefore a payment of £23,000) plus six months notice at his salary of £20,650. As Bob is leaving on compulsory terms, he will also receive payment for 30 days annual leave.

- As a result of a decision arising from a quinquennial review, a scientific programme will no longer be funded. Simon earns £200,000 and has 5 years service. The MRC is still obliged to offer voluntary terms before compulsory, but Simon does not apply for voluntary terms and is dismissed as compulsory redundant. Simon's pay is restricted to the deemed maximum of £149,820. Simon's redundancy payment is calculated as $5 \times £149,820 / 12 = £62,425$. He is also entitled to six months notice and payment of 30 days annual leave.
- Kirsty is aged 56 and is a member of the MRC pension scheme. She has 21 years service and a pensionable salary of £30,000. The MRC has announced redundancies and is inviting volunteers. As Kirsty is over her minimum pension age, she can choose to receive a pension (and lump sum) that she has earned immediately without reduction – even if this costs more than the lump sum compensation payment she would have received. But Kirsty does not have to take an immediate pension. She can take a lump sum compensation payment under the terms of the Voluntary Redundancy scheme of $21 \times £30,000 / 12 = £52,500$ (of which £30,000 would be tax free) and leave her pension (and associated retirement lump sum) preserved for payment at normal pension age. Whichever option she chooses, Kirsty will also receive 3 months' notice.

MRC Redundancy Process - Flow Diagram



Questions & Answers

Why do we have to have a new compensation scheme?

In December 2010 the MRC received a communication from the Department for Business, Innovation & Science (BIS) stipulating that they expected the MRC to align its Compensation Scheme with the new Civil Service Compensation Scheme.

Since February, under its Collective Agreement, the MRC have been consulting with its five recognised Trade Unions to work towards agreeing new terms. Although the requirement is for MRC to align with the new Civil Service Compensation Scheme and not to exceed the standard tariff, MRC Management have agreed a number of concessions to be implemented if the new arrangements are to be adopted.

How is the proposed new scheme different that MRC's current terms?

There are a number of key differences in approach and terms from current MRC redundancy arrangements. In summary, these are:

- Voluntary Redundancy:
 - Below normal pension age – one month's pay per year of service up to 21 months. All staff will be given three months' notice.
 - Above normal pension age – one month's pay per year of service up to a maximum of six months.
 - Staff who have reached minimum pension age can choose to opt for early retirement on their current pension entitlement. Staff will be asked to surrender some (or all) of their lump sum compensation payment to meet the cost of receiving this pension early.
- Pay thresholds have been set:
 - All staff earning less than £23,000 (on FTE basis) will be treated as if they earn £23,000 for the purpose of calculating their redundancy payments.
 - There will also be an upper pay threshold of £149,820. Staff will have their salary capped at this figure for the purpose of calculating their redundancy payments.
- Compulsory Redundancy:
 - One month's pay per year of service up to 12 months. All staff who may face Compulsory Redundancy will first have had the opportunity to exit under voluntary terms.

For further information, refer to Section 2 and 3 of this paper.

Can the compensation tariff be varied?

The MRC cannot offer more than 21 months' pay for Voluntary Redundancies and 12 months' pay for Compulsory Redundancies. The only variance on this will be where the MRC wish to run a Voluntary Exit scheme before commencing formal consultation on Compulsory Redundancy, we may have some discretion over the terms on offer. However, this would be subject to Cabinet Office approval before any consultation begins.

Under the proposed new arrangements, can MRC go straight to Compulsory Redundancies if timings require?

The MRC cannot go straight to Compulsory Redundancies. The MRC would need to commence formal consultation with the Trade Unions before identifying those 'at risk' of redundancy. The MRC will need to offer staff an opportunity to exit under the Voluntary Redundancy terms making clear to individuals that they are 'at risk' of Compulsory Redundancy.

Do individuals who applied for Voluntary Redundancy terms preserve a right to these if later selected for Compulsory Redundancy?

Staff who applied for, but were not chosen, for departure under Voluntary Redundancy terms will be offered the opportunity to exit under Voluntary Redundancy terms if they are later selected for Compulsory Redundancy as part of the same exercise. The right to the Voluntary Redundancy terms only applies for the exercise in which the individual volunteered. If there is a further round of redundancies the person will need to apply again to be able to leave under the Voluntary Redundancy terms.

The underlying objective is to maximise the use of voluntary releases and minimise the use of Compulsory Redundancy.

Will there be any restriction on payments to staff who are close to their normal pension age?

There will be a degree of tapering of the award so that those who are particularly close to pension age are not advantaged over those who have reached pension age. Therefore the cap on the number of months' pay can not be any larger than the time to normal pension age (rounded to the nearest whole month) plus six months. Therefore someone with a pension age of 60 leaving under Voluntary Redundancy at age 59 years and 3 months will be able to receive a maximum payment of 15 months' pay (9 months for the time remaining until 60, plus the six months maximum that could be paid to those past pension age).

Would I need to repay my lump sum compensation payment if MRC were to re-employ me?

There are rules concerning re-employment and it is recommended that you check how the rules apply to your particular circumstances before accepting a new job with the MRC.

How would the terms apply to part-timers?

The calculation will be based on the full time equivalent rate of pay and pro-rata service. For example, working for 2.5 days per week for four years will count as two years of service.

In addition there are limits to the maximum benefits that part-time workers can receive so that they do not receive disproportionately more than full-time workers.

What happens to my pension lump sum if I opt for early retirement under Voluntary Redundancy terms? Is it surrendered to meet the cost of taking the pension early?

If you leave on Voluntary Redundancy and opt for early retirement on an unreduced pension you will be asked to surrender some (or all) of any lump sum compensation payment to meet the cost of receiving your pension early. Only the lump sum compensation payment is surrendered to meet the cost of taking the pension early.

How much lump sum compensation payment is likely to be required to meet the cost of taking the pension early under the Voluntary Redundancy terms?

The cost of taking the pension early depends on age and length of service. The further from normal pension age the higher the cost is. The more service in the scheme the higher the cost.

Why are voluntary terms more generous than compulsory terms?

The Government believes that this approach will allow departments to run orderly departure exercises. However, no individual will depart on compulsory terms without being offered the option to take voluntary terms. A principle aim will be to minimise the number of departures on compulsory terms.

Is it possible that my application for voluntary terms could be rejected and I could then be selected for redundancy and forced to leave on compulsory terms?

No.

What are the notice provisions?

Departures on voluntary terms will be subject to 3 months notice. Subject to mutual agreement between the employee and the employer this may be paid in lieu of working the notice period.

Departures on compulsory terms will be subject to six months notice*.