

## Exit Pay Cap Worked Examples

### Example A

Typical case where discretionary compensation is less than pension strain cost

Full strain costs	£50,000
Statutory Redundancy	£5,000
Discretionary compensation	£10,000

### Current Regulations

Pension Payable	Pension Strain paid by employer	Statutory Redundancy	Discretionary Redunancy	Value of Package
Full Unreduced Pension	£ 50,000	£ 5,000	£ 10,000	£ 65,000

### New Regulations

Pension Payable	Pension Strain paid by employer	Statutory Redundancy	Discretionary Redunancy	Value of Package
Full Unreduced Pension	£ 45,000	£ 5,000	£ -	£ 50,000
Pension with some reduction	£ 45,000	£ 5,000	£ -	£ 50,000
Pension with full reduction	£ -	£ 5,000	£ 10,000	£ 15,000
Deferred Pension	£ -	£ 5,000	£ 10,000	£ 15,000

Empee must be paid SRP but must repay it to receive unreduced pension.

## Example B

Less typical case where discretionary compensation is more than pension strain cost

Full strain costs	£	10,000
Statutory Redundancy	£	5,000
Discretionary compensation	£	15,000

### Current Regulations

	Pension Strain paid by employer	Statutory Redundancy	Discretionary Redundancy	Value of Package
Pension Payable				
Full Unreduced Pension	£ 10,000	£ 5,000	£ 15,000	£ 30,000

### New Regulations

	Pension Strain paid by employer	Statutory Redundancy	Discretionary Redundancy (Balance over Strain Costs)	Value of Package
Pension Payable				
Full Unreduced Pension	£ 5,000	£ 5,000	£ 5,000	£ 15,000
Pension with some reduction	£ 5,000	£ 5,000	£ 5,000	£ 15,000
Pension with full reduction	£ -	£ 5,000	£ 15,000	£ 20,000
Deferred Pension	£ -	£ 5,000	£ 15,000	£ 20,000

Empee must be paid SRP but must repay it to receive unreduced pension.

## Example C

Cap Exceeded

Full strain costs	£	150,000
Statutory Redundancy	£	15,000
Discretionary compensation	£	30,000

### Current Regulations

Pension Payable	Pension Strain paid by employer	Statutory Redundancy	Discretionary Redundancy	Value of Package
Full Unreduced Pension	£ 150,000	£ 15,000	£ 30,000	£ 195,000

### New Regulations

Pension Payable	Pension Strain paid by employer	Statutory Redundancy	Discretionary Redundancy (Balance over Strain Costs)	Value of Package
Full Unreduced Pension	£ 80,000	£ 15,000	£ -	£ 95,000
Pension with some reduction	£ 80,000	£ 15,000	£ -	£ 95,000
Pension with full reduction	£ -	£ 15,000	£ 30,000	£ 45,000
Deferred Pension	£ -	£ 15,000	£ 30,000	£ 45,000

Employee must be paid SRP but must repay it plus an additional £55,000 to receive unreduced pension.

Pension reduction calculated on £70,000 unpaid strain costs