

Redundancy Explained

Usdaw
*Union of Shop, Distributive
and Allied Workers*

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Redundancy explained

Why am I facing redundancy?

If you face dismissal because of redundancy, this may be because:

- Your workplace moves or closes
- Your employer reduces the number of employees doing a particular kind of work
- Your job no longer exists because of new technology, job design or restructuring

What are my rights?

If you are faced with redundancy you have the right to be:

- [Consulted by your employer](#)
- [Selected fairly](#)
- [Considered for alternative work](#)
- [Paid redundancy pay if you have more than 2 years service; accrued holiday pay; outstanding wages and notice pay](#)
- [Given paid time off to find other work](#)

What should I do if I am facing redundancy?

If you are affected by redundancy and need further information:

- Check out Usdaw's latest briefings and updates
- Contact your Usdaw Rep on site
- Contact your [Usdaw local office](#)
- Check out the [training opportunities](#) and [finding work](#) areas on our website

Further information

Further information can be found on the following websites:

- <https://www.gov.uk/redundant-your-rights>

- <http://www.worksmart.org.uk/>

Redundancy consultation

When should redundancy consultation take place?

If your employer is planning to make more than 20 employees redundant within a period of 90 days or less, they must consult:

- Usdaw (if Usdaw is recognised by the Employer)
- Staff Consultation Body (if there is no recognised Union)

Where Usdaw is recognised and /or has members we will demand consultation. The Company must also consult you as an individual.

What should consultation cover?

The consultation should cover:

- Ways of avoiding the redundancy situation or dismissals.
- Ways of reducing the number of redundancies.
- Ways of mitigating the effects of the dismissals i.e. severance packages, support in finding work, method of selection.

[Job Centre Plus Rapid Response Service](#) may help you to find alternative work.

How long is the consultation period?

- Where there are 20-99 potential redundancies the consultation period should be at least 30 days.
- Where there are 100+ potential redundancies the consultation period should be at least 45 days.

How will I know what is happening during the consultation period?

Usdaw will do its best to keep members informed of developments during the consultation period through:

- Usdaw's latest briefings and updates

- Usdaw Reps
- Letters and circulars

Further information

Further information can be found on the following website:

- <https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

Redundancy and unfair dismissal

Redundancy is a potentially fair reason for dismissal. Where your employer has consulted and followed a reasonable procedure then dismissal will usually be fair.

If a site or section closes down completely and everyone is made redundant, dismissal is likely to be fair as there is no selection. However you would need to look carefully at a situation where:

- The work is being moved elsewhere and you want the chance of following the work.
- The Company has alternative job opportunities, which you should have been offered.

Unfair dismissal is most likely to arise where there is redundancy selection i.e. where staff are being cut and some people are staying and others are being sacked. Where the Company has consulted the Union and the individual; applied objective criteria even handedly; and considered alternative work possibilities, then dismissal is likely to be fair.

Selection checklist

In a redundancy situation use the following checklist to consider your position and see your Usdaw Rep if you think you have been treated unfairly with a view to lodging an appeal and an Employment Tribunal claim [within the time limits](#).

- Was this a selection or a closure?
- What was the criteria for selection - was it objective?
- Was the criteria agreed with the Union (if so a challenge to the criteria is more likely to fail)?
- Was the criteria properly applied to you or were any mistakes made in ranking you?
- Did you have a one-to-one to discuss your selection and alternative job options - would it have made any difference?
- Were there any alternative job options, which should have been offered to you?

Further information

Further information can be found on the following websites:

- <https://www.gov.uk/redundant-your-rights>
- <http://www.worksmart.org.uk/>

Alternative job offers from your current employer

What if my employer offers me an alternative job?

Usdaw would expect your employer to offer you a suitable alternative job (if there is one).

However, if your employer offers you a suitable alternative job and you unreasonably refuse it, you may lose your right to redundancy pay.

Suitable job offer

If your employer makes you a job offer, you should be given enough information about the job and the terms so you know how different it is from your old job.

The offer should be made before your old job ends and you have the right to a trial period.

Trial periods

You have the right to a four-week trial period in a new job and, if you need training for the new job, the period can be extended by written agreement.

If you decide the new job isn't suitable, you can give notice during the trial period. You will give up your right to redundancy pay if you stay beyond the trial period. If you leave during the trial period you are still entitled to a redundancy payment unless the new job was suitable and you acted unreasonably in leaving it.

Unsuitable job offer

You will keep your right to statutory redundancy if the offer is not suitable.

Even if your employer makes you a suitable offer you will retain your right to statutory redundancy pay if your refusal is reasonable.

Refusing the offer

If you do not agree that the offer is suitable or you cannot accept the offer because of your personal circumstances and you would rather leave with a redundancy package, contact your Rep and raise a grievance. There may be others who would rather stay on if they could. The Company may agree to release you with a redundancy package.

If you are certain that you are not prepared to take the job offer and the company refuses to let you go with a redundancy package, then you can leave and make a claim for redundancy through the Employment Tribunal if the offer is unsuitable and/or your refusal is reasonable. Please [contact your Area Organiser](#) for more advice.

Retracting redundancy notice

If work picks up before your notice ends your employer might retract the redundancy notice and offers you your job back - in that event you will almost certainly lose your redundancy pay if you refuse to stay on unless you can reach an agreement with the Company about leaving on severance terms. Contact your Rep and raise a grievance - there may be others who would rather stay on if they could.

How does a Tribunal decide if an alternative job offer is suitable and/or reasonably refused?

A Tribunal would look at each case on its own facts and decide whether you are being reasonable or unreasonable in refusing an alternative job offer.

A job offer may be suitable but your refusal still reasonable because of your personal circumstances.

A suitable alternative depends on how the tribunal judges the offer - objective test

It will look at:

- The terms of the job being offered - how big is the difference
- Your skills, abilities and circumstances
- The pay (including benefits)
- Status
- Hours and shift patterns

- Location

A reasonable refusal depends on what you think about the offer - subjective test

The Tribunal will decide if you were reasonable by looking at:

- Your personal circumstances and reasons for refusal - why you cannot (as opposed to will not) accept the job
- Domestic arrangements, child care or other responsibilities
- Your health requirements or condition
- Travel arrangements - costs - availability - distance
- Clashes with other important parts of life - other jobs, education and training, other commitments
- Timing - offer made very late in the day and you are already committed to a new job

Further information can be found on the following websites:

- <http://www.worksmart.org.uk/>
- <https://www.gov.uk/>

Payments on redundancy

What redundancy payments am I entitled to?

A. If you are dismissed for redundancy and if you're an employee with more than 2 years service your entitlements include the following:

- [Statutory redundancy pay](#)
- [Statutory notice pay](#)
- [Accrued holiday pay](#)
- Wages (including Commission, bonus, overtime etc.)
- Statutory sick pay / maternity pay / paternity pay etc.
- Contractual payments due e.g. banked holidays, annualised hours reconciliation, contractual sick pay, contractual maternity/paternity pay etc.

B. You may also be entitled to additional payments negotiated by Usdaw as part of the severance terms e.g.

- Enhanced redundancy pay
- Loyalty bonus
- Notice pay

Payments for redundancy pay are usually tax free up to 30,000.

When are my redundancy payments at risk?

If your employer offers you a [suitable alternative job](#) which you unreasonably refuse you will lose your right to a redundancy payment.

If you leave before your dismissal date [you may lose your redundancy entitlements](#) notice, and consultation-notice procedures.

What if my employer fails to pay me my full redundancy entitlements?

If your employer fails to pay the sums due [contact your local Usdaw Office](#) for advice on how to enforce the payments. This is normally through the Employment Tribunal where there are very strict time limits (usually 3 months less 1 day from the date of dismissal) so act fast.

If your Company becomes [insolvent](#) then the payments in part A will be paid by the state, but payments in part B will depend on whether there is any money to pay unsecured Creditors.

If you are affected by redundancy and need further information:

- Check out Usdaw's latest briefings and updates
- Contact your Usdaw Rep on site
- Contact your [local Usdaw office](#)

Insolvency

Insolvency is where your Employer cannot meet its financial obligations and they have to take formal steps to sort out the financial problems by selling or winding the business up.

For insolvent companies the most common practice is the appointment of an Administrator to try and sell the business as a going concern.

What happens when an Administrator is appointed?

When an Administrator takes over you can expect:

- Early redundancies to cut down the wage bill of staff the Administrator considers to be non-essential.
- Business as usual for a period while attempts are made to sell the business or parts of it.
- Sale of the business, or part of it, as a going concern with some staff transferring.
- Redundancy for those not transferring with the business.

The Administrator has a duty to consult and follow the procedures we would expect of an employer. Usdaw will demand consultation where we are recognised and where we have members. In this instance Usdaw will keep members briefed through our Reps, letters and circulars, and Usdaw's latest briefings and updates.

Cooperate with the Administrator / Insolvency Practitioner

The State Insolvency Fund will [protect certain payments](#) up to a certain value due to you in an insolvency - pay; notice, redundancy; holidays.

[Other payments due](#) to you on termination will have to be met from the company funds and you will be an unsecured creditor. What you receive depends on the amount of money the Administrator has to pay unsecured creditors.

The Administrator will normally send you the necessary forms for claiming any money you are owed.

They should tell you how to claim payments from the Redundancy Payments Office and HM Revenue & Customs (HMRC) and how to claim from the company.

The following table sets out a summary of the debts that may be due to you, how you claim payment and what the limits are.

Insolvency summary table

Payments you may be able to claim	How to make your claim	Limits and notes
Statutory redundancy pay	Complete form RP1 (available from the Administrator) and return to: Insolvency Service – Redundancy Payments Office	As per the statutory redundancy pay formula
Wages	Complete form RP1 (available from the Administrator) and return to: Insolvency Service – Redundancy Payments Office	Up to a maximum of eight weeks wages are capped
Protective awards	Complete form RP1 (available from the Administrator) and return to: Insolvency Service – Redundancy Payments Office	Sums awarded to employees for failure to consult
Notice pay	Complete form RP2 (the RPO will send this to you) and return to: Insolvency Service – Redundancy Payments Office	As per the statutory notice pay formula wages are capped
Holiday pay	Complete form RP1 (available from the Administrator) and return to: Insolvency Service – Redundancy Payments Office)	Statutory and contractual Up to a maximum of six weeks falling in the last 12 months wages are capped
Unpaid pension contributions	Complete form RP1 (available from the Administrator) and return to: Insolvency Service – Redundancy Payments Office	
Basic award for unfair dismissal	Complete form RP1 (available from the Administrator) and return to: Insolvency Service – Redundancy Payments Office	As per the statutory redundancy pay formula
Statutory Sick Pay (SSP)	Contact the HM Revenue and Customs (Statutory Payments Disputes Team) Room BP 3202, Benton Park View, Longbenton, Newcastle upon Tyne, NE98 1ZZ. Tel: 0191 225 5221	
Statutory Maternity Pay (SMP)	Contact the HM Revenue and Customs (Statutory Payments Disputes Team) on Tel: 0191 225 5221	If your employer cannot pay you SMP because they are bankrupt because of insolvency, or the firm is in liquidation, arrangements can then be made for you to be paid. But note that HM Revenue & Customs can only pay you from the week of

		your employer's insolvency. Any SMP you are due for earlier weeks remains the responsibility of your employer.
Statutory Paternity Pay (SPP)	Contact the HM Revenue and Customs (Statutory Payments Disputes Team) on Tel: 0191 225 5221	
Statutory Adoption Pay	Contact the HM Revenue and Customs (Statutory Payments Disputes Team) on Tel: 0191 225 5221	
Enhanced company redundancy	Write to the Administrator	Unsecured Creditor – payment depends on what money the Administrator has to pay out
Wages not paid by the Insolvency Service	Write to the Administrator	Wages above the weekly pay cap or more than 8 weeks unsecured Creditor – payment depends on what money the Administrator has to pay out
Contractual notice pay not paid by the Insolvency Service	Write to the Administrator	Contractual notice pay – over the statutory minimum number of weeks or above the weekly cap unsecured Creditor – payment depends on what money the administrator has to pay out
Contractual holiday pay not paid by the Insolvency Service	Write to the Administrator	Holiday pay accrued more than 12 months ago – more than 6 weeks – above the weekly pay cap Unsecured Creditor – payment depends on what money the Administrator has to pay out
Compensatory award for unfair dismissal /discrimination etc.	Write to the Administrator	Unsecured Creditor – payment depends on what money the Administrator has to pay out
Contractual Sick Pay/Maternity Pay/Paternity Pay etc. above the statutory rates	Write to the Administrator	Unsecured Creditor – payment depends on what money the Administrator has to pay out

Useful contact numbers

- **Insolvency Service Helpline** Tel: 0845 145 0004 (calls are charged at local rates).
- Employees in Northern Ireland should contact the **Redundancy Payments Service** on free phone 0800 585 811.

Further information

Further information can be found on the following website:

- <http://www.bis.gov.uk/insolvency>

Job Centre Plus Rapid Response Service

Job Centre Plus can help support employees in a redundancy situation through its online and telephone-based services by:

- Providing information about alternative jobs within the labour market
- Matching them to known vacancies
- Helping them draw up CVs
- Helping them enhance their job search skills, and
- Providing general information about benefits and taking claims.

In addition, if there are 20 or more redundancies the Rapid Response Service can be called in to provide services including:

- A skills analysis to help identify transferable skills and training needs relevant to the local labour market
- Job-focused training to help individuals develop vocational skills needed within the local labour market, and
- An action fund to overcome individual, more short-term barriers to taking up a specific job offer, e.g. travel to work expenses.

Further information can be found on the following websites:

- <https://www.gov.uk/contact-jobcentre-plus>

Statutory redundancy pay calculation

What is statutory redundancy pay?

Statutory redundancy pay is based on:

- Age
- Service
- Normal weekly wages

What should I be entitled to?

Provided you have completed a minimum of 2 years continuous service at the Company, you should be entitled to:

Age	Pay
Below 22 yrs of age	Half a week's pay for each complete year of continuous service.
Between 22 and 40 yrs of age	A full week's pay for each complete year of continuous service.
41 yrs of age and above	A week and a half's pay for each complete year of continuous service.

Service will be capped at a maximum of 20 years.

Service under the age of 18 yrs and over 65 yrs will count towards your entitlement.

What is classed as a weekly wage?

A weekly wage is your normal contractual weekly wage.

When calculating redundancy pay, the weekly wage is capped, see [capped wages](#) for further details.

If your wage varies from week to week, your average wage (over 12 weeks) should be used.

Redundancy payment calculator

To calculate your redundancy pay use the Government's online ready reckoner at <https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

Further information

Further information can be found on the following websites:

- <https://www.gov.uk/redundant-your-rights>
- <http://www.worksmart.org.uk>

Statutory notice pay

You are entitled to the following minimum periods of notice if you are dismissed.

If you do not work out your statutory notice you are entitled to wages in lieu of notice.

Your contract may give you the right to a longer period of notice. Usdaw may have negotiated a severance package, which includes better notice terms.

Your statutory notice entitlement depends on years of continuous service as follows:

Period of Continuous Employment	Minimum Notice
Under 4 weeks	NIL
4 weeks - 2 years	1 week
2 years - 12 years	1 week for each complete year
Over 12 years	12 weeks

Accrued notice pay protected by the Insolvency Fund

If your Employer is insolvent any shortfall in statutory notice will be guaranteed and paid from the state Insolvency Fund, subject to the weekly pay cap and an offset if you find other paid employment in the notice period.

If you were not allowed to work out all or part of the notice period then pay in lieu is payable and will be assessed by calculating net pay and then offsetting any wages from a new job in the period of claim and benefits.

If you worked during your notice period you will have to account for this if claiming for notice pay from the insolvency service.

Further information

Further information can be found on the following websites:

<https://www.gov.uk/handling-in-your-notice-resigning-leaving-job>

<http://www.worksmart.org.uk>

Holiday pay

Statutory minimum holiday pay

- When you are made redundant, you get paid for any holiday due to you up to the point of leaving at normal weekly pay.
- You are entitled to a minimum of 5.6 weeks times your usual pay for a working week.
- Those working part-time are entitled to the same level of holiday pro rata (so currently 5.6 times your usual pay for a working week).
- When you finish a job, you get paid for any holiday you have accrued but not taken during the leave year, at normal weekly pay.
- Paid bank and public holidays count as minimum entitlement taken.
- You continue to be entitled to your holiday leave throughout your ordinary and additional maternity leave, paternity leave and adoption leave.
- You may also be entitled to better holiday terms under your contract, which should be paid up in redundancy.

Holiday pay calculator

To calculate your holiday pay, use the Government's [online ready reckoner](#)

Accrued holiday pay protected by the Insolvency Fund

If your employer is insolvent any holiday pay outstanding will be guaranteed and paid from the state [Insolvency Fund](#).

Accrued holiday will be guaranteed up to a maximum of 6 weeks and provided that it has been accrued in the last 12 months. It is subject to the [weekly pay cap](#).

Holiday pay includes pay for holidays already taken and holidays accrued but not yet taken.

Holiday pay includes both contractual and statutory holiday pay.

Payments guaranteed by the Insolvency Fund

What happens if the company I worked for is insolvent and cannot pay the statutory minimum payments?

When a Company is insolvent and unable to make statutory payments to its employees the state guarantees certain payments subject to various limits and deductions. These payments are guaranteed by the Insolvency Fund.

Members are advised to co-operate with the Administrator who should provide a claim Form RP1 along with advice and support in making the claim. Form RP1 is also available from the Redundancy Payments Office (RPO) - Insolvency Service.

The Insolvency Service have produced '[Redundancy and Insolvency - Guide for Employees](#)' which may provide you with further information.

What payments are guaranteed by the Insolvency Fund?

The main payments guaranteed by the Insolvency Fund are:

- [Arrears of pay](#)
- [Accrued holiday pay](#)
- [Unpaid holidays](#)
- [Statutory notice pay](#)
- [Statutory redundancy pay](#)

Is there a cap on the weekly wage?

Yes - [weekly pay cap figure](#).

The cap is reviewed annually and is applied to gross wages except for pay in lieu of notice. In pay in lieu of notice claims it is applied to the level of loss after deduction of tax and other income.

The Insolvency Service will also set off certain state benefits against notice pay. They will also offset anything earned in the notice period.

[Payments not covered](#) by the state have to be claimed from the [administrator](#).

Capped wages

When the cap applies

A cap is put on your weekly wage figure when calculating your entitlements to:

- Statutory redundancy pay
- Statutory notice pay

When your Employer is insolvent a cap is put on your weekly wage figure when calculating your entitlement to protected payments from the state Insolvency Fund for:

- Redundancy pay
- Notice pay
- Holiday pay up to 6 weeks
- Arrears of pay

That cap changes every year - usually in February.

Date cap began	Cap per week
February 2012	430
February 2014	450
April 2014	464

When the cap does not apply

The statutory cap does not apply to the claims you are entitled to make under your contract, including wages, notice, redundancy and holiday pay.

The statutory cap does not apply to the claims you are entitled to make under Usdaw Agreements, including wages, notice, redundancy and holiday pay.

It only applies where you are enforcing the statutory minimum payments or to the payments you can claim from the state when your employer is insolvent.

The cap does not apply to statutory holiday pay claims, unless these are being claimed from the insolvency fund.

Arrears of pay protected by the Insolvency Fund

Pay includes:

- Wages
- Bonuses
- Commissions
- Overtime
- Company Sick Pay over Statutory Sick Pay (SSP)
- Contractual Maternity Pay over Statutory Maternity Pay (SMP)
- Protective award

A week's pay is subject to the [weekly pay cap](#).

Up to 8 weeks pay can be claimed and you can choose the best 8 weeks (but no more than a total of 8 weeks from all sources).

(Protective award payments are calculated from the date the award is made.)

The Redundancy Payments Office (RPO) will deduct tax and National Insurance (NI) at basic rates.

Employees have to claim a tax rebate if this amounts to an overpayment.

Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) are not claimed from the Redundancy Payments Office (RPO) - Insolvency Service but from HMRC (tax office).

Notice is calculated under a separate section (see [Statutory notice pay](#)), but if you worked all or part of the notice period but were not paid for it that period does not count toward the limit of 8 weeks' arrears of pay as it is attributable to the number of weeks notice due.

Are all termination payments protected by the state?

No. If the guaranteed protected payments from the Insolvency Office are less than your outstanding monetary claims, then you will be a Company Creditor for the balance and should notify the Administrators of your claim.

You will be classed as an unsecured creditor for this part of your claim, but whether you will receive any payments will depend on whether there are any funds left over after paying off the secured creditors. This will take quite a long time to sort out.

You will be an unsecured creditor if you are entitled to company redundancy pay in addition to statutory redundancy pay. Statutory redundancy pay is guaranteed through the insolvency fund. Company redundancy pay is not a preferential debt.

You will be an unsecured preferential creditor if you earn more than the weekly wage cap or are owed more than 8 weeks arrears of wages.

You will be an unsecured preferential creditor if you earn more than the weekly wage cap or are owed more than 6 weeks holiday pay.

Preferential creditors have priority over other unsecured creditors - subject to some limits.

Pensions and redundancy

If you leave your pension scheme because of redundancy you will not lose the benefits you have built up. You will have a number of options depending on how long you have been a member of the scheme for and how old you are.

The options may differ slightly depending on the type of pension scheme you joined and what is stated in the scheme rules.

We would therefore recommend that you find out from your employer what type of scheme you are a member of and the options available to you.

Please refer to our [online jargon buster](#) for help in understanding some of the terms used in this leaflet.

Defined Benefit and Defined Contribution Schemes (Trust Based)

Refund

If you are a member of one of these types of schemes and have contributed for less than two years, you can generally take a refund of your own contributions.

It is important to remember however that the employers' contributions will not be refunded to you and will be subject to taxation.

The first £10,800 of your refund will be taxed at the rate of 20% and the balance at 40%.

Sometimes a refund will not be available, for instance if you participated in a salary sacrifice arrangement. You will not lose your benefits in this instance, you will just not have the option of a refund.

Also, refunds cannot normally be paid if you have transferred benefits into your current scheme from another previous pension arrangement.

Keeping your benefits in the scheme

If you have contributed to the scheme for more than two years you will have the option of leaving your benefits in the scheme.

Sometimes you will be offered this option even if you have contributed for less than two years.

Transfer

If you have contributed to the scheme for more than 3 months you will also have the option of transferring your pension pot to another pension scheme (this could be a workplace scheme or a personal pension).

Pension transfers can be very complex and you may want to take advice from an Independent Financial Adviser, in order to check whether this is the right thing for you.

Despite there being some advantages to transferring benefits you could be giving up guaranteed benefits especially if you are transferring from a defined benefit scheme to a defined contribution scheme.

Early Retirement

You may be able to start drawing your pension following redundancy if you have reached the age of 55. This will depend on the rules of the scheme and it may be subject to agreement of your employer and /or the scheme trustees.

If you do want to consider taking early retirement, you are likely to receive a smaller pension than if you had worked to your normal retirement age as your pension is likely to be paid to you for longer.

There have been some important changes to defined contribution pensions, which will take place in 2015 and these are noted later in this document.

Defined Contribution Schemes (Contract based)

If you are participating in this type of pension scheme you will be given the option of continuing to pay into your personal pension pot, even though your employer's contributions will stop.

Alternatively you will have the following options:

Refund

If you are a member of a group personal pension or group stakeholder pension scheme, you only have a legal right to a refund if you have been a member for 30 days or less and you haven't made any contributions using a salary sacrifice arrangement.

Keeping your benefits in the scheme

If you have contributed to the scheme for more than 30 days you will have the option of leaving your benefits in the scheme until you decide to draw them.

You may want to check with the pension provider what future charges will apply to your pension pot (this will differ depending on where your benefits are invested). High charges can

sometimes erode your pension pot especially if you have only built up a small pot. You will usually be given the option to change your investment fund if you want to in the future.

Transfer

If you have contributed to the Scheme for more than 30 days you will have the option of transferring your pension pot to another pension scheme (this could be a workplace scheme or a personal pension).

Some schemes/providers will only accept a minimum transfer value however, so if the value is quite small you may not be in a position to transfer your benefits.

Most schemes will also not accept any transfers into their schemes (particularly defined benefit schemes) as they do not want the added liability.

As mentioned previously pension transfers can be very complex. There are many things to consider and you may want to take advice from an Independent Financial Adviser, in order to check whether this is the right thing for you.

Important changes to Defined Contribution Schemes (Trust Based and Contract Based) from April 2015

You can choose to access your pension pot and use it to give yourself an income at any time from age 55. You can do this even though the retirement age for your scheme is likely to be later than this.

From April 2015, if you have reached the age of 55, you will have much more flexibility and choice as to what you can do with your pension pot.

- You will have the option of taking your entire pension pot as a cash sum; or
- You can take some cash as and when you like (there is no limit as to how much); or
- You can draw a regular income directly from your pension pot (which will continue to be invested) or you can secure a regular secure income for life by purchasing an annuity.

There are pros and cons of taking your benefits early, however from April 2015 the Government has promised that individuals will be entitled to free and impartial guidance. This will be provided by The Pensions Advisory Service (TPAS) and the Citizens Advice Bureau (CAB). There will be no charge and it will be offered through a range of channels, including web-based, phone based and face to face.

Your pension provider will be required to give you details about this service from April 2015.

For further information please see our leaflet - [Redundancy Payments and Tax](#)

Jargon Buster

Defined Benefit Schemes

These are sometimes called final salary or career average schemes.

They are run by a board of trustees. There will be a set of rules that promise and guarantee a 'defined' benefit usually based on the number of years you are in the scheme, and your earnings either at retirement or when you leave.

There is one fund, into which both the members and employers contribute – and this will fund all the promises, which have been made to members.

Defined Contribution Schemes – Trust Based and Contract Based

Each member has their own individual pension fund or 'pot' into which contributions from the member and employer are paid. The contributions are invested and then used to buy a pension at retirement. (From April 2015 however, an individual will have a number of additional options including taking the whole pot as cash).

There are two types of Defined Contribution Schemes; trust based and contract based. Depending upon which type you have, it can affect your benefits on leaving and who makes the decisions about how your money is invested and paid to you at retirement.

Trust based schemes have a board of trustees who are there to look after your interests and decide how your fund is managed.

With Contract Based Schemes the employer simply pays a contribution to a pension provider. The pension provider is responsible for running the scheme and sets up a contract with the member direct. With this type of scheme it is the member who decides how their fund is invested.

Salary Sacrifice

Salary sacrifice is an alternative method of paying your regular contributions to a company pension scheme. It is designed to save money for both you and your employer by reducing the amount of National Insurance contributions you have to pay. This can sometimes impact on the options you have when you leave a pension scheme.

For further information call 0161 224 2804, email us on pensions@usdaw.org.uk or visit us at www.usdaw.org.uk

Early release

Leaving for another job - members under notice

If you have been given a formal redundancy notice with a personal dismissal date and you find another job and want to leave before the dismissal date, you should do the following:

- Write a letter and give it to your manager (remember to keep a copy for yourself).
- Make sure that you give as much notice as you can.
- If your employer gives you more notice than you are entitled to, you must give your notice within the statutory minimum notice period.
- The letter should be dated and should contain your name and address.
- The letter should be headed 'Redundancy Counter Notice'.
- The letter should say "Redundancy Counter Notice. You have given me a redundancy dismissal date of _____ (insert date). I have found another job and I would like my contract to end on _____ (insert proposed leaving date). Please confirm that you accept this as my date of dismissal".

We would expect the manager to agree this and allow staff to leave before the dismissal date and their redundancy payment will be unaffected.

If you are refused an early leaving date and are served with a further notice from the Company you will have a difficult choice to make and should contact Usdaw for more advice.

You should do all you can through the procedures to try and persuade the Company to release you. If you cannot then you should try and persuade your new employer to wait for your previous contract to end.

If you have no choice but to leave early to take up your new job despite the Company's refusal to release you, you can apply to the Employment Tribunal to consider your claim if your redundancy payments are withheld and you must lodge a grievance about it. [Contact Usdaw](#) for help with a Tribunal claim and be careful of the time limits.

Ushaw may have agreed early release provisions in the consultation process - check with your Rep.

Leaving for another job - members not on notice

If you have not been given formal personal notice of redundancy dismissal and a specific leaving date, you must be very careful. Even though you are at risk of redundancy if you leave early to go to another job, you will not be considered as dismissed and you will lose your redundancy entitlement if you just resign.

If you want to leave because you have found another job, contact your manager and ask them to dismiss you by reason of redundancy on the date you want to leave and issue you with a dismissal notice to that effect.

If the Company refuses to co-operate then you will be forced to make a very hard choice between the new job and the redundancy package.

We hope you will not find yourself in this position, but if you do please [contact Usdaw](#) for further advice.