

Governance Committee
9 September 2019
Part I
Local Government Pension Scheme Employer Discretions
Report by Executive Director Resource Services and Director of Human Resources and Organisational Change

Summary

This report considers the discretions available to the County Council as an employer following the amendments to the Local Government Pension Scheme and introduction of a salary sacrifice scheme, through AVC Wise, to pay additional voluntary contributions.

Recommendations

- (1) That the change in regulations, which allows a deferred member to take their retirement benefits from age 55 without the need for their former employer's (County Council's) consent, be noted; and
- (2) That the change in practice, to exercise the County Council's discretion to allow for Shared Cost Additional Voluntary Contributions, be approved.

Proposal

1. Background and Context

- 1.1. On 10 January 2019, The Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 came into force. This necessitated the County Council to review its discretions policy to ensure that any amendments were reflected within its policy.
- 1.2 Following the amendment order the Local Government Pension Scheme now allows for a deferred member to request payment of their pension benefits, without the need for their former employer's (County Council's) consent.
- 1.3 As a consequence of this change, some discretions have been removed and others have needed to be amended. These are highlighted in bold, italic text within the discretions policy at Appendix 1, for noting.
- 1.4 The County Council wishes to offer its employees flexibility in how they pay for their Additional Voluntary Contributions (AVCs) and wishes to offer the ability to do this via salary sacrifice and facilitated through a scheme called AVC Wise.
- 1.5 For the County Council to do this, it needs to exercise its discretion to allow

Shared Cost AVCs.

2. Proposal: Shared Cost AVCs

- 2.1 The Local Government Pension Scheme (LGPS) allows for an employee to pay additional voluntary contributions to build up a pot of money, which can then be used to provide additional benefits alongside an employee's LGPS benefits.
- 2.2 All Local Government Pension Funds have an arrangement with an AVC provider (the County Council's is Standard Life) in which an employee who is a member of the Scheme can invest money. The money is deducted directly from an employee's salary before tax is worked out, so if an employee pays tax, they will receive tax relief automatically.
- 2.3 The LGPS also has an option of a Shared Cost AVC arrangement. A shared cost AVC is different to paying AVCs in the standard way because it is a shared arrangement, meaning that both the employee and employer contribute to an employee's AVC Fund.
- 2.4 The County Council would like to offer flexibility to its employees in how they pay AVC contributions, and would like to introduce a salary sacrifice scheme, which is facilitated by AVC Wise.
- 2.5 This would work by the employee paying £1 per month into their AVC fund as their contribution and the remainder of their total monthly contribution amount being paid by the County Council, through a salary sacrifice arrangement (by a reduction in their gross salary).
- 2.6 This means that the employee would make savings in Income tax and National Insurance Contributions and the County Council would make savings on employer National Insurance Contributions on the amount of salary that the employee sacrifices.
- 2.7 To facilitate the AVC Wise salary sacrifice arrangement the County Council would need to exercise its discretion to allow a shared cost AVC. It is therefore proposed that the County Council agrees to the change in its current discretions policy to allow a Shared Cost AVC.

3. Resources

- 3.1 Cost – AVC Wise charges are based on a percentage of the amount of salary sacrificed in the respective invoicing period. The percentage applicable is 4.5% (plus VAT). There is no cost to implement or set up with Capita.
- 3.2 ER NI Savings from the scheme will cover the above cost.

Factors taken into account

4. Consultation

- 4.1 The AVC Wise salary sacrifice scheme is a discretionary employee benefit and there is no requirement to consult with members of the LGPS or the recognised trade unions.

- 4.2 The County Council will engage with current members to inform them of the availability of the scheme once it is implemented. It will also liaise directly with employees who currently have AVCs (but not through a salary sacrifice arrangement) about moving to the new scheme.

5. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
HMRC comments on any Salary Sacrifice scheme after it has been introduced. The risk of non-compliance is extremely low if not in fact non-existent as AVC Wise is part of a company called PSTax which the County Council uses as its tax advisors. They are experts in these matters and know exactly what the requirements are to satisfy HMRC.	If not compliant – HMRC would advise on how to make the scheme compliant.

6. Other Options Considered

- 6.1 Not applicable.

7. Equality Duty

- 7.1 Not applicable.

8. Social Value/Crime and Disorder/Human Rights Implications

- 8.1 Not applicable.

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Appendix 1 - WSCC LGPS Employer Discretions Policy

Background Papers

None