

# County Council

## 20<sup>th</sup> September 2017

<p><b>Local Government Pension Scheme (LGPS) – September 2017 updated Employer’s Discretions</b></p>
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**Recommendations / Key decisions required:**

To approve the inclusion of a new discretion in the Council’s Discretionary Pension Policy Statement to authorise Shared Cost Additional Voluntary Contribution Scheme (SCAVC) as one of the Employer discretions.

**Reasons:**

To enable the Council to introduce and operate the agreed LGPS Employer Discretions in accordance with its obligations under the LGPS 2014 Scheme.

<b>Relevant scrutiny committee consulted: Scrutiny committee and date:</b>	<b>N/A</b>
	<b>N/A</b>

<b>Executive Board Decision Required:</b>	<b>No</b>
<b>Council Decision Required:</b>	<b>YES</b>

**Executive Board Member Portfolio Holders:**

**Cllr. David Jenkins**  
**Cllr. Mair Stephens**

<p><b>Directorate:</b> Corporate Services/Chief Executive’s Chris Moore Paul Thomas</p> <p><b>Report Author(s):</b> Kevin Jenkins Kevin Gerard</p>	<p><b>Designation:</b> Director of Corporate Services Assistant Chief Executive ( People Management)</p> <p>Payroll Manager Pensions Manager</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267224120 CMoore@Carmarthenshire.gov.uk</p> <p>01267 246123 PRThomas@Carmarthenshire.gov.uk</p>
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## EXECUTIVE SUMMARY

# County Council 20th September 2017

## Local Government Pension Scheme (LGPS) – September 2017 updated Employer's Discretions

### SHARED COST ADDITIONAL VOLUNTARY CONTRIBUTION SCHEME (SCAVC)

#### Background

1. Members of the LGPS already have the option to contribute to additional voluntary contributions (AVCs) and receive tax relief on the amount they pay through their payslip. AVCs are effectively a long term savings plan that runs alongside the mainstream LGPS that allow a member to build up a capital sum with flexible drawdown options at retirement.
2. The Council (through Dyfed Pension Fund) administers two AVC schemes and the providers are Prudential and Standard Life. This arrangement would not change with the introduction of a shared cost SCAVC scheme.
3. The Council has recently identified that scope exists to implement a SCAVC scheme for members of the LGPS. The advantages of implementing this new arrangement over the current scheme is that in addition to the tax relief that is currently received, the employee will pay lower national insurance contributions. In addition, the Council will benefit from a commensurate reduction in the employer national insurance contributions.
4. The current Pension Discretionary Pension Policy Statement will need to be amended and published to give the Council the necessary discretion to implement a SCAVC. This will be a collaborative arrangement with both Pembrokeshire and Ceredigion County Councils.
5. Details of the new discretion are shown below:

Whether, how much, and in what circumstances to contribute to shared cost AVC arrangements entered into on or after 1/4/14.

17(1) &  
Definition of  
SCAVC in  
Schedule 1

Apply this discretion for salary sacrifice contributions.  
Employee contributions will be fixed at £1 per pay period which will be included as part of the total contribution.  
Existing and new AVC scheme



		members will automatically transfer to the SCAVC unless they opt not to do so.
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There are a number of advantages of implementing a SCAVC, and these are set out below:

6. Staff who contribute to a LGPS SCAVC scheme will see a reduction in national insurance contributions (NICs). For most staff this will result in a 12% reduction in their NIC contributions on the SCAVC amount and this will act as an important incentive to help save towards pension provision for both existing and new SCAVC contributors.
7. Some salary sacrifice schemes reduce pensionable pay and ultimately reduce the scheme member's main pension benefits on retirement. This does not apply however to SCAVCs as long as we make appropriate amendments to the statement of particulars.
8. There will be a reduction in employer NICs of approximately 13.8% on the total value of the SCAVCs. Provided that the majority of staff who pay into the existing arrangement transfer to the new SCAVC, it is estimated that this will result in a saving of £100,000 per annum in employer NIC contributions. We expect that most staff will transfer to the new scheme on the basis that it will result in an increase in take home pay.
9. The savings that are available to both the employee and employer will depend on the SCAVC amount the employee chooses to pay and the amount an employee earns. As an example, an employee who receive less than £45,000 salary and pay £100 each month into a SCAVC will save £144 per annum in NIC contributions and the employer will save £166. The saving for employees on pay of greater than £43,000 is lower due to reductions in the NIC percentage thresholds.
10. The key to a successful SCAVC implementation will be to communicate the changes effectively to all existing LGPS AVC contributors to help them understand the financial benefits of transferring to the scheme. We expect that most members of staff will opt for the new SCAVC scheme on the basis that they will see an increase in their take home pay.
11. The new SCAVC scheme will act as an important incentive for staff to contribute to AVCs. This is likely to lead to an increase in the number of new AVC contributors and existing AVC contributors increasing the amount they pay. This in turn will lead to greater NIC savings for both staff and the Council.
12. When the scheme is fully live, any member of staff who applies for an AVC in the future will automatically be entered into the new SCAVC arrangement by default but they will have the option to join the original standard AVC scheme if they wish.

<b>DETAILED REPORT ATTACHED?</b>	<b>No.</b>
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## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

**Signed:**

**Chris Moore, Director of Corporate Services**

**Paul Thomas Assistant Chief Executive**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>

**1. Policy, Crime & Disorder and Equalities** – In accordance with the Council's Constitution and Policy Framework.

**2. Legal** – The scheme's contractual documentation meets HMRC salary sacrifice legislation to ensure that the SCAVC scheme is compliant.

The Council's discretionary policy is amended and published to include a new discretion to allow shared cost AVCs.

**3. Finance** – The estimated employer NIC savings based on the likely take up of staff that transfer from the existing AVC arrangement to a SCAVC is expected to be £100,000 per annum. The scheme will be constructed with the advice of professional Tax Advisers and HMRC approval will be sought.

**4. Staffing Implications** – An amendment is made to the statement of particulars for staff that elect to join SCAVCs to indicate that the AVC contributions are considered to be a pensionable emolument. This will ensure that there is no reduction to a members pensionable pay.

**5. Risk Management** - To obtain HMRC approval, the County Council must have a fully approved scheme in place and have run a live 'test-case'. HMRC approval will be sought immediately after the 'test-case' has been run. As such, before the scheme is fully operational we require the approval of the HMRC.



# CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed:

Chris Moore, Director of Corporate Services  
Paul Thomas Assistant Chief Executive

1. County Council
2. Corporate Management Team
3. Scrutiny Committee – N/A
4. Local Member(s) – N/A
5. Community / Town Council – N/A
6. Relevant Partners – N/A
7. Staff Side Representatives and other Organisations

**Section 100D Local Government Act, 1972 – Access to Information**  
**List of Background Papers used in the preparation of this report:**

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Local Government Pension Scheme (LGPS) 2014	<a href="http://www.lgps2014.org/">http://www.lgps2014.org/</a>
Local Government Pension Scheme (LGPS) Regulations and Guidance	<a href="http://www.lgpsregs.org/">http://www.lgpsregs.org/</a>

