

Report of	Record of	Date
Director (Change and Delivery) (Introduced by the Executive Member (Economic Development and Public Service Reform))	Executive Member Decision	17 November 2022

Shared Cost Additional Voluntary Contribution Scheme

Is this report confidential?	No
------------------------------	----

Is this decision key?	Yes
-----------------------	-----

Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
--	---

Purpose of the Report

- As part of the continuing implementation of the adopted People Strategy, to inform the Executive Member of, and seek approval to implement an Additional Voluntary Contribution scheme as an employee benefit.

Recommendations

- To approve the implementation of a Shared Cost Additional Voluntary Contribution salary sacrifice scheme with the provider AVC wise; and the inclusion of a new discretion in the councils' pension discretion policy, Regulation 17 of the LGPS Regulations 2013 to enable this.

Reasons for recommendations

- As part of People Strategy plan to provide an exceptional employee experience, consideration has been given to enhancing the financial wellbeing offer for employees. This scheme would feature on the existing MyRewards platform alongside other employee benefits.
- Additional Voluntary Contributions (AVCs) enable staff to better plan for retirement and if done through a salary sacrifice scheme this is a lawful and tax efficient option for them.

Other options considered and rejected

- No other options have been considered as AVC wise is the only provider that works in partnership with the local government pension scheme.

Corporate priorities

6. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	An ambitious council that does more to meet the needs of residents and the local area

Background to the report

Additional Voluntary Contributions – Salary Sacrifice scheme

7. Members of the Local Government Pension Scheme (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
8. The council (through Lancashire Pension Fund) administers an AVC scheme through Prudential and this arrangement would not change with the introduction of a shared cost AVC scheme.
9. The council has identified that by implementing a shared cost AVC scheme for members of the LGPS, that in addition to the tax relief that is currently received, the employee will pay lower national insurance contributions. The Council will benefit from a reduction in the employer national insurance contributions of 13.8% and the Apprenticeship Levy of 0.5%.
10. Employer savings are only made when the employees' earnings are above the Primary NIC threshold of £12,570 and it is recommended that eligibility is restricted to protect the council's finances. Standard AVC arrangements will be available to these employees.
11. AVC Wise are currently the only platform that offers a fully managed solution that deals with HMRC compliance, administration and liaison with Prudential, Employers and Employees via a bespoke portal. The solution also includes implementation and ongoing support. AVC Wise fees are 4.5% of the contributions paid to Prudential. Therefore, the total employer savings after fees would be 9.8% on each contribution.
12. To ensure that the arrangement is compliant with the LGPS regulations, the SCAVC must be set up as a shared cost scheme which means that both the employee and employer must contribute to the SCAVC. How it works in practice is that the employee agrees to take a contractual reduction in salary, equivalent to the amount of SCAVCs they would like to contribute and the council then pays this amount into the shared cost AVC plan on their behalf. To ensure compliance with the LGPS Regulations, the employee also must pay a nominal £1 a month into the AVC fund via a payroll deduction. The council would pay SCAVC contributions where the employee has elected to pay AVCs by salary sacrifice. The amount of the employer SCAVC contributions will not exceed the amount of salary sacrificed by the employee.

13. The current Pension Discretionary Pension Policy Statement, detailed within the Pension and Long Service Policy, will need to be amended and published to give the council the necessary discretion to implement a shared cost AVC.

Shared Cost of Additional Voluntary Contributions	(Regulation 17 of the LGPS Regulations 2013, Regulations 15(1)(d) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Regulation 25(3) of the LGPS (Administration) Regulations 2008 and Regulation 15(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007)	Employees may elect to pay additional voluntary contributions (AVC) to an appropriate administering authority.	The council will make a contribution towards the AVC which is the equivalent value to the employees salary sacrifice.
--	---	--	---

14. Although this scheme gives a cost saving to the council, due to the total value of the contract (the contributions into the AVCs) this must be considered as a key decision. Based on current AVCs employees have in place, it is estimated that the value could exceed £100,000. A contract will be in place for each Council. A waiver will be sought due to the limited number of providers in the market.
15. AVC wise liaise with HMRC to ensure the necessary notifications and agreements are in place (expected to take up to 8 weeks). Once this is complete, they will support the launch of the scheme to all employees.

Climate change and air quality

16. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

17. There are no implications as the schemes are available to all employees that are in the LGPS

Risk

18. Key risks are managed through the AVC wise scheme and through the required changes to the Pensions Discretionary policy as detailed above.

Comments of the Statutory Finance Officer

19. The savings in employer NIC contributions are dependent on the decision (and number) of individual members of staff to transfer from the existing AVC arrangements to a shared cost AVC. There are no costs to the Council in implementing the scheme.

Comments of the Monitoring Officer

20. There are no legal concerns with what is proposed. There are strong arguments for granting a waiver of the relevant parts of the CPRs in this instant.

There are no background papers to this report.

Appendices

1 – Chorley South Ribble AVC Wise Proposal

Report Author:	Email:	Telephone:	Date:
Gail Collins (HR Transformation Lead)	gail.collins@chorley.gov.uk		

Following careful consideration and assessment of the contents of this report, I approve the recommendation(s) contained in Paragraph 2 of the report in accordance with my delegated power to make executive decisions.



Councillor Alistair Bradley
Executive Member for Economic Development and Public Service Reform Dated 11.11.22

This decision will come into force and may be implemented five working days after its publication date, subject to being called in in accordance with the Council's Constitution.