

LANCASHIRE RESOURCES COMMITTEE

Meeting to be held on 25 September 2019

LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS

(Appendix 1 refers)

Contact for further information:

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Executive Summary

The Local Government Pension Scheme currently offers an Additional Voluntary Contribution (AVC) facility.

Recommendation

To amend the current LGPS Discretions Policy to allow members the option to access the Shared Cost AVC Option.

Information

The Local Government Pension Scheme currently offers an Additional Voluntary Contribution (AVC) facility allowing members a tax-efficient way to purchase additional pension on a voluntary basis. At the present time 12 employees contribute to an AVC. A facility exists to improve the current AVC arrangements to a Shared Cost AVC Scheme, allowing employees to save for retirement in a cost efficient way. The main advantage for the employee is that they save money in both Income Tax and National Insurance Contributions, which increases their benefits making it more beneficial for the employee when compared to paying AVCs in the standard way.

The AVC funds continue to be invested with Prudential, via the Lancashire Pension Fund arrangements.

In the Shared Cost AVCs both the employee and LFRS contribute into the AVC fund. The employee pays £1 per month into the AVC fund and the remainder of their total monthly contribution amount is paid by LFRS, through a salary sacrifice arrangement. The employee makes savings in Income Tax and National Insurance Contributions (NICs) on the amount of pay they have sacrificed. As a result of switching to a Shared Cost AVC the employees take home pay will increase when compared to paying AVCs in the standard way.

By offering employees the opportunity to swap to a salary sacrifice Shared Cost AVC Scheme, LFRS can save a sum equal to 14.3% of the total salary sacrifice amount. To enable this change in the AVC facility it is a requirement to amend the current LGPS Discretions Policy (see Appendix 1) to allow the facility to offer Shared Cost AVC's so that employees can benefit from the arrangements described above.

Business Risk

There are no business risks arising from the report.

Environmental Impact

There are no environmental impacts arising from the report.

Equality & Diversity Implications

There are no equality and diversity implications arising from the report.

HR Implications

There are no human resources implications arising from the report.

Financial Implications

There are no financial implications arising from the report.

Local Government (Access to Information) Act 1985**List of Background Papers**

Paper	Date	Contact
Reason for inclusion in Part 2, if appropriate:		

APPENDIX 1

LGPS Discretions

Shared Cost Additional Voluntary Contributions (SCAVCs)
(regulation 17 of the LGP 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)

An active member may elect to pay AVCs into a scheme established under contract between his appropriate administering authority and a body approved for the purposes of the Finance Act 2004.

An employer can, at its discretion, contribute to the AVC scheme and where they do the AVC scheme is known as a shared cost additional voluntary contribution arrangement (SCAVC). An employer should establish whether, how much and in what circumstances to either continue with an existing SCAVC or enter into a new SCAVC.

Employer's policy:

Lancashire Fire and Rescue Service operates a Shared Cost Additional Voluntary Contributions (SCAVC) scheme.