

## Amendment to Local Government Pension Scheme Employer Discretions Policy

To: Strategy, Resources and Performance Committee

Meeting Date: 31st October 2023

From: Executive Director of Strategy and Partnerships

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: The Committee is asked to approve an amendment to the position on shared cost Additional Voluntary Contributions (AVCs) specified in the Council's Local Government Pension Scheme (LGPS) Employer Discretions policy. This is to enable us to introduce salary sacrifice shared cost AVCs as an employee benefit.

Recommendation: The Committee is recommended to approve that the Council's LGPS Employer Pensions Discretions Policy be amended to incorporate the proposed changes.

### Officer contact:

Name: Sarah Haig

Post: Human Resources Policy Manager, Strategy and Partnerships

Email: [Sarah.Haig@Cambridgeshire.gov.uk](mailto:Sarah.Haig@Cambridgeshire.gov.uk)

Tel: 01223 699442

## 1. Background

- 1.1 The Council is continually looking for ways to enhance the employee benefit options for its workforce. On this basis it is seeking to introduce shared cost AVCs via a salary sacrifice arrangement. This approach will allow employees to increase their pension benefits while making the tax and NIC (National Insurance Contribution) savings. It also will result in employer NIC savings for the Council. To enable the Council to do this, it is seeking agreement to amend the policy position in its LGPS Employer discretions policy that relates to shared cost AVCs.

## 2. Main Issues

- 2.1 The LGPS regulations require employers who participate in the LGPS to have a Discretions Policy. Discretions are powers that enable employers to choose how to apply the scheme in respect of certain provisions.
- 2.2 Regulation 17(1) of the LGPS regulations relates to shared cost AVCs. Employers are required to specify whether they contribute to shared cost AVC arrangements and if so in what circumstances they will do this and how much they will contribute. The Council's LGPS Employer Discretions Policy (provided in appendix 1) currently states that "The Council does not contribute to any shared cost AVC".
- 2.3 The Council is seeking approval to change its position to the following "*The Council will pay shared cost AVCs where an employee has elected to pay AVCs by salary sacrifice. The amount of these employer shared cost AVCs will not exceed the amount of salary sacrificed by the employee. This is a discretion of the Council which is subject to the employee meeting the conditions for acceptance into the salary sacrifice shared cost AVC scheme*".
- 2.4 This amendment will enable the Council to introduce salary sacrifice shared cost AVCs as an employee benefit. This approach will result in savings for those employees who choose to take advantage of the scheme and for the Council where they do so. This employee benefit is already offered by a significant number of councils including Cambridge City Council, South Cambridgeshire District Council, Peterborough City Council and Milton Keynes Council.
- 2.5 With a standard shared cost AVC, the cost is shared between the employee and the employer. With a salary sacrifice arrangement the employee voluntarily sacrifices a set amount of their gross salary. This amount is used to pay the employer contribution to the shared cost AVC. The employee then pays £1.00 as their personal contribution.
- 2.6 The advantage of a salary sacrifice shared cost AVC over a standard AVC is that, as well as receiving income tax savings, the employee will not pay employee NIC on the amount of pay that they have sacrificed. This is a way for the employee to pay the same level of AVCs at a lower cost.
- 2.7 As an employer the Council make a saving in employers NIC of 14.30% of the salary sacrifice amount for each employee that opts into this arrangement.

- 2.8 60 employees currently pay for standard AVCs. If 90% of the current AVC members transfer to the salary sacrifice shared cost AVC arrangement, we can expect to achieve immediate annual employer NIC savings of £30,299.
- 2.8 In addition, this will provide a more affordable option for others who may wish to purchase AVCs but do not currently do so. The Council will promote this widely. For each 1% of its workforce that are LGPS members that take up the option, approximately £20,000 would be saved.
- 2.9 The costs of engaging a provider to administer the scheme will be fully met from the employer NIC savings achieved, leaving the Council with a net saving. The provider is being procured in compliance with the Council's Contract Procedure Rules.

### 3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes - There are no significant implications for this ambition.
- 3.2 Travel across the county is safer and more environmentally sustainable - There are no significant implications for this ambition.
- 3.3 Health inequalities are reduced - There are no significant implications for this ambition.
- 3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs - There are no significant implications for this ambition.
- 3.5 Helping people out of poverty and income inequality – This proposal will allow us to offer employees a cost-effective way to increase the pension benefits they will receive in retirement.
- 3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised - There are no significant implications for this ambition.
- 3.7 Children and young people have opportunities to thrive - There are no significant implications for this ambition.

### 4. Significant Implications

#### 4.1 Resource Implications

The savings that can be achieved by this approach are outlined in 2.7 and 2.8.

There is an anticipated positive impact for the Council's workforce to adding a new employee benefit available for its workforce. In addition, having an attractive employee benefits package helps the Council to attract individuals to work for its organisation.

#### 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications of making a change to this pension discretion.

- 4.3 Statutory, Legal and Risk Implications  
There are no significant implications in this area.
- 4.4 Equality and Diversity Implications  
There are no significant implications within this category.
- 4.5 Engagement and Communications Implications  
There are no significant implications within this category.
- 4.6 Localism and Local Member Involvement  
There are no significant implications within this category.
- 4.7 Public Health Implications  
There are no significant implications within this category.
- 4.8 Climate Change and Environment Implications on Priority Areas
  - 4.8.1 Implication 1: Energy efficient, low carbon buildings.  
Neutral
  - 4.8.2 Implication 2: Low carbon transport.  
Neutral
  - 4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.  
Neutral
  - 4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.  
Neutral
  - 4.8.5 Implication 5: Water use, availability and management:  
Neutral
  - 4.8.6 Implication 6: Air Pollution.  
Neutral
  - 4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.  
Neutral

Have the resource implications been cleared by Finance?

Yes

Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? Yes

Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes

Name of Legal Officer: Emma Duncan

Have the equality and diversity implications been cleared by your EqIA Super User?

Yes

Name of Officer: Faye McCarthy

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Sue Grace

Have any Public Health implications been cleared by Public Health?

Yes

Name of Officer: Kate Parker

## 5. Source documents

5.1 None.