

Report of the Chief Operating Officer

Amendment to the Council’s LGPS Discretions Policy to Implement a Shared Cost Additional Voluntary Contribution Scheme

1. This report requests approval of the Committee of an amendment to the Council’s LGPS Discretionary Policy Statement in order to comply with The Local Government Pension Scheme Regulations 2013 (the “LGPS Regulations”), to implement a Shared Cost Additional Voluntary Contribution Scheme (SCAVC) for employees.
2. This report was originally scheduled to be presented to the Committee in January 2022 via the virtual SMUC meeting however, it was agreed to be deferred until a meeting can be convened in person.
3. Concerns were raised as to the authorisation process for the introduction of a pension related scheme and further details of how the scheme works was requested. This report is therefore, an updated version. The report presented in January is available for reference.

Authorisation to Implement

4. Although, it is within the Chief Operating Officers authority to implement employee benefits, the technical advice and authorisation to proceed with this scheme rests with the Section 151 Officer. In addition, on advice from the Director of Governance and Monitoring Officer the Staffing Matters and Urgency Committee are authorised to endorse and approve the implementation of the new Shared Cost Additional Voluntary Contribution Scheme (*known as AVC Wise*) and the associated amendment to the LGPS Discretions required to implement the scheme.

Background

5. Members of the Local Government Pension Scheme (LGPS) already have the option to contribute to Additional Voluntary Contributions
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(AVCs), via the Council's provider Prudential, to provide a long term savings plan that runs alongside the mainstream LGPS and allows a member to build up a capital sum with flexible drawback options at retirement. The pot available on retirement is tax free and the amount invested from employment earnings receives tax relief, for example if a standard rate taxpayer was to contribute £100 per month, this would only cost them £80, as it is deducted before tax is paid.

6. To extend the employee offer of AVC's HR have been in discussions with PSTAX representatives to implement a salary sacrifice arrangement for employees who pay AVCs linked to membership of the LGPS. PSTAX promotes AVC Wise which is a fully managed solution to process online applications for SCAVCs linking with the Council's payroll services to administer the process. PSTAX are the only provider of a SCAVC scheme for local government and therefore, we are able to request an exception to the Contract Procedure Rules, and direct award the contract.
7. The introduction of a SCAVC would not remove the current AVC offer via Prudential and employees will have a choice as to whether they move to the SCAVC option. There is not a default requirement to change, although evidence shows that most employees once aware of the SCAVC benefits do move across to the scheme.
8. The SCAVC via a Salary Sacrifice option was first announced in July 2016. AVC Wise work with Prudential and are the market leader in this area with over 75 Councils and 31 other public sectors bodies already signed up.

How a SCAVC Works

9. SCAVCs continue to save the employee tax on any salary deducted, unlike standard AVCs though, it saves the employee and employer National Insurance Contribution (NIC) costs associated with the deduction.
 10. To ensure the arrangement is compliant with the LGPS regulations, the SSAVC has to be set up as a shared cost scheme which means that both the employee and employer has to contribute to the SSAVC. Although, this suggests that the Council has to actually pay its own contribution into the shared cost SSAVC plan, in reality this is not the case.
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- How it works in practice is that the employee agrees to take a contractual reduction in salary, equivalent to the amount of SSAVC's they would like to contribute and the Council then pays this amount into the shared cost SSAVC plan on their behalf. To ensure compliance with the LGPS Regulations of a SCAVC, the employee would also need to pay at least a nominal £1 a month into the AVC fund via a payroll deduction.

Benefits to the Council

- There would be a reduction in employer NIC's of 13.8% on the total value of the SSAVC's.
- There would also be a reduction in employer Apprentice levy costs of 0.5% of the total value of the SSAVC's. This will mean a reduced amount of Apprentice Levy funding available however, this is not of concern for current apprentice training commitments and projected future costs.

Next Steps for Implementation

- The introduction of a SCAVCs scheme is relatively simple to implement, with minimum risk to the Council and offers advantages for employees and the Council in terms of savings.
- Should we progress, the Council's current Pensions Discretions Policy Statement would need to be amended for one of the current discretions, all others would remain the same.

Discretion	Regulation	Employer Policy	
		Current	Proposed
Whether, how much, and in what circumstances to contribute to a share cost AVC arrangement entered into on or after 1st April 2014	R17(1) & Definition of SCAVC in RSch1	The Council does not contribute to AVC's	<p>The Council will exercise discretion to allow Local Government Pension Scheme Members (LGPS) to contribute to a shared cost salary sacrifice scheme additional voluntary contribution (SCAVC) scheme</p> <p>This is a Council discretion which is subject to the employee meeting the Council's conditions for acceptance into the salary sacrifice Shared Cost AVC scheme and may be withdrawn or changed at any time. The Council will not enter into any other form of shared cost AVC.</p>

16. On approval HR will make arrangements to amend and publish a new version of the Pensions Discretions Policy.
17. The change of this discretion is a low risk to the Council and the benefits for the employee and savings for the Council outweigh any risks. As mentioned, there is no cost to the Council.
17. The Council is satisfied that the exercise of its discretions in accordance with the proposed Discretionary Policy Statement would not lead to a serious loss of confidence in the public service and in the case of the exercise of the discretions under the Discretionary Compensation Regulations, would be workable, affordable and reasonable having regard to the foreseeable costs.

Consultation

18. Consultation has taken place with key members of staff across the organisation, Corporate Management Team, and North Yorkshire Pension fund. Engagement has also been made with the trade unions.

Council Plan

19. This report contributes to the overall effectiveness of the Council's governance and assurance arrangements contributing to an 'open and effective council'

Implications

20. The following implications have been considered in the implementation of a Shared Cost Additional Voluntary Contribution Scheme;
 - (a) **Financial** – There is an overall saving to the council in NICs, including after fees, where staff pay into the new SSSCAVC scheme.
 - (b) **Human Resources (HR)** – There are no HR implications.
 - (c) **Equalities** – There are no implications from an equalities perspective, AVC's and SCAVC's are available to all employees who are members of the LGPS as long as they earn more than the NMW, this is a Government Regulation and not something that can be influenced or changed.
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(d) **Legal** – The LGPS Regulations and the Discretionary Compensation Regulations both makes it clear that the Council must formulate, publish and keep under review a Discretionary Policy Statement and any failure to do so would be a breach of those Regulations.

(e) **Crime and Disorder** - There are no implications

(f) **Information Technology (IT)** - There are no implications

(g) **Property** - There are no implications

Risk Management

21. Any failure to formulate, publish and keep under review a Discretionary Policy Statement in accordance with the LGPS Regulations and the Discretionary Compensation Regulations would be a breach of those Regulations and potentially an act of maladministration. This could also result in the Council exercising its discretions in an inconsistent manner and possible legal challenge.

Recommendation

22. The Staffing Matters and Urgency Committee is asked to;

- a Approve the introduction of a Shared Cost Additional Voluntary Contribution Scheme as detailed in **paragraphs 5 to 13**
- b Thereafter, approve the revised Discretionary Policy Statement amendments with the proposed wording described at **paragraph 15**

Reason: To implement a Shared Cost Additional Voluntary Contribution scheme for employees

23. If approved the Pension Discretion Policy Statement will be signed dated, and forwarded to the NY Pension Scheme by the Chief Finance Officer (Section 151 Officer). It is anticipated that the scheme will be implemented in May 2022.

Contact Details

Author: Helen Whiting
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Chief Officer Responsible for the report: Ian Floyd, Chief Operating Officer

Report Date: 15 February 2022

Approved

Specialist Implications Officers:

Accounting Technician
Chief Finance Officer/Section 151
Director of Governance and Monitoring Officer

Wards Affected: None

For further information please contact the author of the report – Helen Whiting

Background Papers:

Report and appendix submitted to Staffing Matters and Urgency Committee on 17th January but deferred for an person meeting

https://democracy.york.gov.uk/documents/s155503/Report%20Shared%20Cost%20AVCs%20amendment%20to%20Discretions_Policy.html?CT=2

<https://democracy.york.gov.uk/documents/s155504/Appendix%201%20CYC%20Pension%20Discretions%20Policy%20Statement%20Jan%202022.html?CT=2>

Annex – None
