

Staffing Committee

Dorset County Council



Date of Meeting	9 July 2018
Officer	Service Director for Organisational Development
Subject of Report	Local Government Pension Scheme (LGPS) Employer Discretions – Shared Cost Additional Voluntary Contributions
Executive Summary	<p>LGPS pension regulations allow the employer discretion to make decisions on certain aspects of payment of benefits. As an LGPS employer, the council is required to publish and keep under review a statement of policy in relation to these discretions.</p> <p>This report focusses on the council's approach to additional pension contributions, or additional voluntary contributions (AVCs), and a proposed change to existing arrangements to provide greater financial benefit to both employees and the county council.</p>
Impact Assessment:	<p>Equalities Impact Assessment (EqIA):</p> <p>A full EqIA was completed when the policy statement was revised in 2014. Proposed revisions take account of the findings of the EqIA.</p>
	<p>Use of Evidence:</p> <p>Information has been gathered from other local authorities that have introduced a Shared Cost AVC Scheme to help understand in full the benefits available and any potential issues associated with implementing such a scheme.</p> <p>Additional support, information and evidence has been provided up to this point by the county council's tax advisers, PS Tax, who have also been identified as the county council's implementation partner.</p>
	<p>Budget:</p> <p>There are no direct cost implications arising from this report. The</p>

	introduction of a Shared Cost AVC Scheme will introduce financial benefits to employees and the county council.
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW</p>
	<p>Other Implications:</p> <p>None.</p>
Recommendation	It is recommended that the Staffing Committee agree to the change in the county council's approach to additional pension contributions and the publication of an amended employer discretion policy.
Reason for Recommendation	The Staffing Committee oversee matters relating to staff terms and conditions and people management policies.
Appendices	Appendix 1: Existing Discretionary Policy Statement showing proposals for amendments to additional pension contributions
Background Papers	None.
Report Originator and Contact	Name: Chris Matthews, HR Service Manager - Operations Tel: 01305 225171 Email: c.m.matthews@dorsetcc.gov.uk

1. Background

- 1.1. The county council, as an employer providing the Local Government Pension Scheme (LGPS), has discretionary powers under LGPS regulations and is required to formulate, publish and review a policy statement in relation to the exercise of these discretions. The discretions must be reviewed on a periodic basis to ensure that they remain fit for purpose.
- 1.2. The discretions, which are published on the council's website, cover a range of areas including, for example, whether the council will extend the period of time allowed for employees to transfer other pension rights from previous employments into the LGPS.
- 1.3. The Staffing Committee last reviewed the council's approach to LGPS discretions at its meeting on 13 September 2017.
- 1.4. As part of the county council's modernisation of its employment policies and practices in 2016 it was agreed that a range of salary sacrifice arrangements would be introduced, and we have since seen the launch of a bike to work scheme and car scheme, in addition to the child care voucher scheme that was already in place. The LGPS allows for employers to contribute to an employee's AVC arrangement through a salary sacrifice arrangement.

2. Shared Cost Additional Voluntary Contributions

- 2.1 From 1st October, it is proposed that the council will introduce a new salary sacrifice Shared Cost Additional Voluntary Contributions Scheme (SCAVC) to provide employees, who are members of the Local Government Pension Scheme, with an opportunity to gain National Insurance Contribution savings on additional voluntary contributions made into the Local Government AVC Scheme.
- 2.2 The LGPS rules allow employees to build up their pension benefits for retirement by paying Additional Voluntary Contributions (AVCs) by way of a tax-free deduction through payroll. If an employee chooses to pay AVCs, they are invested separately from the main LGPS pension benefits and provide additional income upon retirement.
- 2.3 The LGPS has a provision within its regulations to allow the employer to also contribute to an employee's AVC arrangement. This is known as a 'Shared Cost' AVC (SCAVC) which can be provided through a salary sacrifice arrangement.
- 2.4 A salary sacrifice arrangement is a popular and legitimate method used by employers to provide employees with a benefit (in this case the benefit is AVCs, paid by the council into an employee's AVC fund). The council currently provides an opportunity for employees to participate in other salary sacrifice arrangements such as childcare vouchers and cycle to work.
- 2.5 Under the SCAVC salary sacrifice arrangement, the council will agree to pay an employee's chosen contribution amount to their AVC fund and, in return, the employee agrees to enter a salary sacrifice arrangement under which he/she accepts a reduction in their gross salary, which is equal to the contribution amount. In addition, the employee is required to pay a fixed £1 a month as their individual contribution to the SCAVC arrangement. This contribution is deducted from the employee's gross salary and paid into the AVC fund in addition to the contribution from the employer under the salary sacrifice arrangement.

- 2.6 For employees, the advantage is that they will not pay tax or National Insurance Contributions (NICs) on the amount salary sacrificed. As a result, operating a SCAVC through a salary sacrifice arrangement provides an opportunity for employees to save NICs in addition to the usual tax savings, thus increasing take-home pay when compared to paying AVCs in the standard way. In addition, the council will benefit from a reduction in Secondary (employer's) Class 1 NICs that it is required to pay.
- 2.7 For example, if an employee is earning £25,000 a year, and agrees with the council that they will sacrifice £1,200 of their salary, which the council will pay into the employee's AVC fund, the employee saves an additional 12% (£144) as they do not pay NICs on the amount of the salary sacrifice. The council will also benefit by saving 14.3% (£171.60) as a result of not paying employer NICs (13.8%) and apprenticeship levy. (0.5%).
- 2.8 The county council currently has around 120 employees contributing into an AVC arrangement, with combined annual total contributions of around £300k. If all current arrangements are transferred into a shared cost arrangement the county council would achieve savings of around £40k, a portion of which will be payable to PS Tax for their ongoing support to the scheme.
- 2.9 Experience of other local authorities that have introduced a shared cost scheme is that the number of employees accessing the scheme increases, as does the value of average contributions as employees often opt to reinvest the National Insurance savings that they have achieved.
- 2.10 Operating a SCAVC by means of a salary sacrifice arrangement is growing in interest within the public sector and is not affected by the legislative changes relating to the withdrawal of tax and NICs advantages of certain benefits provided through salary sacrifice.
- 2.11 PSTAX will be supporting the council with the introduction of the Shared Cost AVC Scheme. PSTAX are the tax specialists for the public sector and have implemented the SCAVC solution at other local authorities and other public sector organisations in conjunction with the LGPS AVC fund providers.

3 Next Steps

- 3.1 Should the committee agree the proposals in respect of a revised statement and the introduction of a shared cost AVC scheme, the council will commence preparations to introduce the new scheme on 1 October 2018. With the support of PS Tax a launch programme will be put in place during August and September that will include a number of staff briefings and targeted communications.

Jonathan Mair
Service Director for Organisational Development

9 July 2018

STATEMENT OF POLICY ON:- The Local Government Pension Scheme 2014 Discretions

By Dorset County Council
Policy effective from 9 July 2019

Statement of Policy on :-
The Local Government Pension Scheme Regulations 2013 [R]
The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [TP]
The Local Government Pension Scheme (Administration) Regulations 2008 [A]
The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [B]
The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [T]
The Local Government Pension Scheme Regulations 1997 (as amended) [L]
The Local Government Pension Scheme (Miscellaneous Regulations) 2012 [E]

The Employing Body which is Dorset County Council has resolved that the following Discretions available in the Statutory Instrument, should be implemented in compliance with the Local Government Pension Scheme Regulations as set out below:-

PART A - where formulation of policy is compulsory

	Existing Provision	Proposed Provision
<p>Regulation 16 [R]</p> <p><u>Power of employing authority to contribute to a shared cost APC scheme</u></p> <p>Whether, how much, and in what circumstances to contribute to a shared cost APC scheme.</p>	<p>The council will not normally fund (in whole or in part) any Additional Pension Contribution (APC) arrangement voluntarily entered into, except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits, ensuring that it</p>	<p><i>The Council will pay Shared Cost Additional Voluntary Contributions (SCAVC) where an employee has elected to pay AVCs by salary sacrifice. The amount of these employer SCAVC contributions will not exceed the amount of salary sacrificed by the employee. 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.</i></p>

	<p>can be objectively justified and that potential discrimination issues are fully considered.</p> <p>(This statement does not apply in cases where the shared cost APC is to cover a period of authorised unpaid leave).</p>	
<p>Sch 2, para 2 (2) & (3) [TP]</p> <p><u>Power of employing authority to apply 85 Year Rule before age 60</u></p> <p>Whether to "switch on" the 85 Year Rule for a member voluntarily drawing benefits on or after age 55 and before age 60.</p> <p>Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits from pre 01/04/2014 membership where the employer has "switched on" the 85 Year Rule for a member voluntarily drawing benefits on or after age 55 and before age 60.</p>	<p>The council will not normally switch on the 85 Year Rule, or waive the actuarial reduction in benefits from pre 01/04/2014 membership, for a member voluntarily drawing benefits on or after age 55 and before age 60, except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits, ensuring that the decision can be objectively justified and that potential discrimination issues are fully considered.</p>	No change
<p>Regulation 30 (6) & (8) [R] and 11 (2) [TP]</p> <p><u>Flexible retirement</u></p> <p>Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement).</p> <p>Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement.</p>	<p>The council will consider applications for flexible retirement, where there is a business case. Applications for flexible retirement are subject to approval by the council in accordance with the scheme of delegation on people management matters. The needs of the customer and service will be taken into account. Where there is a cost to the council, applications must be considered by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR &</p>	No change

	<p>OD Service Manager before a final decision is made. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Such applications will normally only be approved on exceptional compassionate grounds or for exceptional business reasons. Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p> <p>Where an application for flexible retirement includes an application to waive the actuarial reduction at a cost to the council, this must be considered by the member's Director, after consultation with the cabinet member, a Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager before a final decision is made. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required. Such applications will normally only be approved on exceptional compassionate grounds.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>	
<p>Regulation 30 (8) [R]</p> <p><u>Power of employing authority to waive actuarial reduction</u></p> <p>Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws</p>	<p>Any actuarial reduction applied due to voluntary early access to pensions benefits will normally be met by the member. Any application to waive the actuarial reduction at a cost to the council must be considered by the member's Director, after consultation with the cabinet member, the Group Finance</p>	<p>No change</p>

<p>before normal pension age.</p>	<p>Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>	
<p>Regulation 31 [R]</p> <p><u>Power of employing authority to grant additional pension</u></p> <p>Whether to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (of no more than the higher additional pension limit that applies at the time of the decision).</p>	<p>Additional pension will not normally be awarded except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered</p>	<p>No change</p>
<p>Regulation 30 (2) & (5) [B]</p> <p><u>Power of employing authority to grant early payment of deferred benefits</u></p> <p>Regulation 30 (2) Whether to grant application for early payment of deferred benefits on or after age 55 and before age 60.</p>	<p>The council will not normally grant early payment of deferred benefits except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds or for exceptional business reasons. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant</p>	<p>No change</p>

<p>Regulation 30 (5) Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under Regulation 30(2) [B].</p>	<p>Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits, ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p> <p>Where there is an application to waive the actuarial reduction at a cost to the council, this must be considered by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager before a final decision is made. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required. Such applications will normally only be approved on exceptional compassionate grounds.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>	
<p>Regulation 30A (3) & (5) [B]</p> <p><u>Power of employing authority to grant early payment of suspended tier 3 ill health pension</u></p> <p>Regulation 30A (3) Whether to grant application for early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60.</p> <p>Regulation 30A (5) Whether to waive, on</p>	<p>The council will not normally grant early payment of a suspended tier 3 ill health pension, except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Financial Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds or for exceptional business reasons. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the</p>	<p>No change</p>

<p>compassionate grounds, the actuarial reduction applied to benefits paid early under Regulation 30A [B].</p>	<p>Staffing Committee is required.</p> <p>Each case will be considered on its own merits, ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p> <p>Where there is an application to waive the actuarial reduction at a cost to the council, this must be considered by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager before a final decision is made. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required. Such applications will normally only be approved on exceptional compassionate grounds.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>	
<p>Regulation 31 (2) & (5) [L]</p> <p><u>Power of employing authority to grant early payment of deferred pension</u></p> <p>Regulation 31 (2) Grant application from a post 31.03.98 / pre 01.04.08 leaver or from a councillor for early payment of benefits on or after age 50 / 55 and before age 60.</p> <p>Regulation 31 (5) Waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under Regulation 31 (2).</p>	<p>The council will not normally grant early payment of benefits, except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds or for exceptional business reasons. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits, ensuring that the award of augmented membership</p>	<p>No change</p>

	<p>can be objectively justified and that potential discrimination issues are fully considered.</p> <p>Where there is an application to waive the actuarial reduction at a cost to the council, this must be considered by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager before a final decision is made. In respect of the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required. Such applications will normally only be approved on exceptional compassionate grounds.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>	
<p>Regulation 31 (7A) [L]</p> <p><u>Power of employing authority to grant early payment of deferred pension for pre 01.04.08 employee optants out and councillors.</u></p> <p>Councillor optant outs and pre 01.04.08 employee optants out only to get benefits paid from NRD if employer agrees.</p>	<p>Additional pension will not normally be awarded except in cases specifically agreed by the member's Director, after consultation with the cabinet member, the Group Finance Manager on behalf of the Chief Financial Officer and an HR & OD Service Manager, on exceptional compassionate grounds or for exceptional business reasons. In respect of Councillors, the Chief Executive, Assistant Chief Executive, Directors, Statutory Officers and Assistant Director/Service Director/Heads of Service, approval of the Staffing Committee is required.</p> <p>Each case will be considered on its own merits ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>	<p>No change</p>

PART B - where formulation of a written policy is not compulsory	
Regulation 9 (1) & (3) [R] Contributions payable by active members Employers determine the contributions payable by members by attributing each member to one of the contribution bands set out in Regulation 9 (2) [R]. Employers have the capacity to re-attribute the specific payband (upwards or downwards) where there is a material change in a member's contractual terms.	<p>The council will allocate employees to LGPS pay bands based on an estimation of their annual pensionable pay.</p> <p>The council will review the allocation to pay bands at least once a year. Reviews will normally be undertaken at 1 April each year and may also be undertaken during the year if the council considers it is reasonable to do so, following a material change which affects the member's pensionable pay.</p> <p>Each case will be considered by the Head of Human Resources & Organisational Development or their nominated representative on its own merits, ensuring that it can be objectively justified and that potential discrimination issues are fully considered.</p>
Regulation 22 (7) (b) and (8) (b) [R] Facility to extend time limits for active members to not aggregate deferred periods of LGPS membership Whether to extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with a new employment or ongoing concurrent employment.	The council will not normally extend the twelve month option period except in cases where the available evidence indicates that it had not reasonably been possible for the member to meet the timeframe. Each case will be considered by the Head of Human Resources & Organisational Development or their nominated representative on its own merits, ensuring that it can be objectively justified and that potential discrimination issues are fully considered.
Regulation 100 (6) [R] Facility to extend time limits for active members to request a transfer of previous pension rights into the LGPS Where an active member requests to transfer previous pension rights into the LGPS, the member must make a request within 12 months of becoming an active member. Employers, with agreement of Administering Authority, may allow a longer period than 12 months.	The council will not normally extend the twelve month option period except in cases where the available evidence indicates that it had not reasonably been possible for the member to meet the timeframe. Each case will be considered jointly by the Head of Human Resources & Organisational Development and the Pension Benefits Manager, Dorset County Pension Fund, or their nominated representative(s), on its own merits, ensuring that it can be objectively justified and that potential discrimination issues are fully considered.
JOINT DISCRETION WITH ADMINISTERING AUTHORITY	
<p>Other non-compulsory discretions are available for Dorset County Council to consider, and cases where these may arise in the future will be considered on an individual basis; the merits of each case being fully investigated.</p> <p>The county council in exercising the discretionary powers available under the above Regulations has acted with due prudence and propriety and considered the financial impact of applying the discretions.</p> <p>These policies may be subject to review from time to time. Any subsequent change in this</p>	

Policy Statement will be notified to affected employees.

Signed on behalf of Dorset County Council

Signature

Date

Please PRINT name of person signing:

The LGPC Secretariat's understanding of the discretions which exist within the LGPS regulatory framework and the parties responsible for exercising those discretions can be found at the website below. In particular, it details their understanding of the new discretions applicable from April 2014.

Also on this webpage is a discretions policies document, setting out in more detail the LGPC Secretariat's understanding of the discretions that employers should have a policy on. This will be of use while compiling your policy.

www.lgpsregs.org/index.php/guides/administration-guides-to-the-2014-scheme