
Subject: LOCAL GOVERNMENT PENSION SCHEME 2014

Meeting and Date: General Purposes Committee – 15 December 2020

Report of: Louise May, Head of Governance

Classification: Unrestricted

Purpose of the report: To amend the Pension Discretion Policy to enable the Council to offer a Shared Cost AVC (SCAVC) Scheme and to amend the references to the Director of Governance to Head of Governance

Recommendation: That General Purposes Committee:

1. Approve the revised Pension Discretion Policy Statement attached at Appendix 1;
2. Authorise the Head of Governance to make any necessary minor changes to the Pensions Discretion Policy Statement

1. Summary

A new Local Government Pension Scheme 2014 (LGPS) was introduced on 1 April 2014. This required that all scheme employers review their existing pension discretion policy statements and publish new statements in line with the Local Government Pension Scheme Regulations 2013. General Purposes Committee approved a revised statement in 2014 and a further revision in 2018. This review incorporates the option for the Council to offer SCAVCs to staff and changes references and delegations from the Director of Governance to Head of Governance. These changes are set out in detail in Appendix 2. Members are now asked to approve the revised statement.

2. Introduction and Background

- 2.1 The Local Government Pension Scheme Regulations 2014 (the Regulations), reg.60, requires all scheme employers to publish and keep under review a written policy statement on how they will apply their discretionary powers in relation to certain provisions of the scheme. A new LGPS came into effect on 1 April 2014 and the statement was originally approved by General Purposes Committee on 22 September 2014.
- 2.2 The LGPS 2014 Scheme accommodated a number of changes following the Government's fundamental review of public sector pension provision. The main modification to the 2014 scheme was the change from a final salary scheme to a career average re-valued earning scheme. Benefits accrued by members prior to 1 April 2014 have been largely unaffected by the new scheme and those benefits will continue to be assessed on a final salary basis rather than a career averaged scheme.
- 2.3 The Pension Discretion Policy Statement now requires review in accordance with the provisions of paragraph 17 of the statement. Members will see a copy of the amended statement at Appendix 1. Appendix 2 is a brief summary of the changes. There are minimal changes, mostly required due to changes to post titles and

responsibilities, but also to enable the Council to introduce and offer a Shared Contribution AVC scheme.

- 2.4 Additional Voluntary Contributions (AVCs) are currently available to all employees who are members of the Local Government Pension Scheme. In a standard AVC scheme, deductions are made before tax but are still subject to NI Contributions. In a Shared Cost AVC (SCAVC) scheme, the contribution into the AVC is made via a salary sacrifice arrangement so is not subject to tax or National Insurance contributions, saving the employee an additional 12% as a basic rate tax payer and an additional 2% as a higher rate tax payer. It also saves the employer 14.3% of any salary that is sacrificed which includes savings from National Insurance Contributions and the Apprenticeship Levy.
- 2.5 The scheme is administered by AVC Wise who will also provide full information and market the scheme to staff.
- 2.6 The Regulations require that in preparing or making revisions to its statement of policy, a scheme employer must have regard to the extent to which the exercise of any of the functions within its policy could lead to a serious loss of confidence in the public service.

3. Identification of Options

3.1 The options for General Purposes Committee are:

- (a) To approve the revised statement of policy
- (b) To reject the recommendation

3.2 The preferred option is option (a).

4. Evaluation of Options

- 4.1 The statement of policy will ensure compliance with the requirement to prepare and publish a statement of policy in reg. 60 of the Regulations and the requirement to keep it under review. It will also allow the Council to introduce a shared AVC scheme which will be beneficial to both employees and the Council.
- 4.2 To reject the recommendation is not advised as the Council will be acting contrary to its own policy to review its statement of discretions under the Regulations.

5. Resource Implications

- 5.1 Although there are no direct resource implications in relation to the review of the policy, it is possible that the Council may incur costs that are outside of the original budget when exercising a discretion within the policy. Each decision will be made by the Head of Governance together with the Strategic Director (Corporate Resources) and in consultation with EK Human Resources. A decision which relates to the exercise of a discretion in respect of a Chief Officer will be referred to this Committee for a decision.

6. Appendices

Appendix 1 – Draft Pension Discretions Policy Statement

Appendix 2 – Summary of Changes

7. **Background Papers**

None.

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