

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – TUESDAY, 13 MAY 2025



Title of Report	PENSION DISCRETIONS - PROPOSED INTRODUCTION OF A SALARY SACRIFICE ADDITIONAL VOLUNTARY CONTRIBUTIONS SCHEME (AVC)	
Presented by	Allison Thomas Chief Executive	
Background Papers	Pensions discretions (included in appendices)	Public Report: Yes
Financial Implications	There are no costs associated with the scheme as it is funded from a percentage of National Insurance Contributions (NIC) saved by the Council for employees who adopt the scheme. Therefore, the Council should make savings on its employer NICs.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	This benefit will be available to all employees who are active members of LGPS, where salary sacrifice deductions take the employee below national living wage, they will not be able to join this scheme, but they can join the standard AVC. Employees will be encouraged to seek independent financial advice before signing up to the salary sacrifice.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	The report outlines a suggested revision to the Council's Pension Discretions, by adopting a salary sacrifice scheme.	
Recommendations	THAT COUNCIL: ADOPTS THE PROPOSED REVISIONS TO THE PENSION DISCRETIONS AS DETAILED IN APPENDIX 1 WITH EFFECT FROM MAY 2025	

1.0 BACKGROUND

- 1.1 This report outlines a suggested revision to the Council's discretionary Pension Policies with the proposed adoption of a Salary Sacrifice Additional Voluntary Contributions scheme. No other amendments to the Pension discretions are proposed.

- 1.2 Discretions are powers that enable employers to choose how to apply the rules of the Scheme in respect of certain provisions.
- 1.3 There are many employer discretions in the current Scheme regulations and several more still existing from previous Schemes; however, only a relatively small number of employer discretions have to be published.
- 1.4 Discretions fall into two categories:
- Those which must be formulated and published (mandatory discretions).
 - Those which do not need to be formulated and published (non-mandatory discretions)
However, in the interests of transparency and equal treatment, members approved a consistent approach to the discretions. This applies to the additional one.
- 1.5 A summary of the mandatory discretions applied by the Council are outlined in Appendix 1 and those which are non-mandatory in Appendix 2. Some of these discretions are also referred to in relevant Human Resources (HR) policies or guidance, for example the Flexible Retirement policy, Redundancy and the Council's Pay Policy Statement .
- 1.6 The Council and pension fund must decide how to exercise discretions. They must have a written decision on how they will apply certain discretions.

2.0 Introduction

- 2.1 The Council currently provides for employees to have access to an Additional Voluntary Contribution scheme through a preferred provider (Prudential). This has been previously arranged through the Leicestershire and Rutland Local Government Pension scheme.
- 2.2 A Salary Sacrifice Additional Voluntary Contributions scheme (SSAVC) is not currently in place at this Council. The difference with a SSAVC is that employees have an additional option to the AVC scheme whereby they sacrifice a portion of their salary (so to reduce their gross salary) through payroll deduction and this then reduces the amount of tax and National Insurance Contributions (NIC) that they are required to pay. This is a more tax-efficient method for an individual to put additional money aside for their retirement.
- 2.3 Shared Cost AVCs enable the employee to build an additional pot of money alongside their pension with contributions exempt from Income Tax and National Insurance contributions (NICs), with the potential to take it all as a tax-free lump sum when they retire.
- 2.4 Under the proposed scheme, employees agree to reduce their gross salary in exchange for contributions to their AVC pot. This arrangement allows for tax and NIC. This scheme is typically available to members of the Local Government Pension Scheme (LGPS) and applies to both new and existing AVC contributors.

3.0 Benefits

- 3.1 Salary sacrifice pensions are a tax efficient win-win. They help employees take home more money while cutting employer National Insurance contributions for businesses. Resulting in savings for the employee and 9% NI savings for employers.
- 3.2 The scheme is tax-efficient, as contributions are made from gross salary, reducing taxable income. Employees benefit from National Insurance savings which increases their take home pay compared to the standard AVC scheme currently in place. (The standard AVC scheme will continue to exist as an option for employees).

- 3.3 The scheme provides an additional, flexible way for employees to save into their pension for retirement, whilst seeing an increase in their take home pay. This has become more important due to the cost of living increases and the recent increases in NIC for employers.
- 3.4 The Council can save on Employer NICs of 9% per employee. (An element of the Council's saving is paid to the third scheme provider for the administration of the scheme (6%). This saving will be collated and reviewed on a quarterly basis as the provider will send reports on actual savings once employees join the scheme. There is also a small saving to the apprenticeship levy.
- 3.5 There are currently seven employees who participate in an AVC, it is estimated that 90% of the current AVC members (6) will transfer to the salary sacrifice Shared Cost AVC arrangement, Therefore in the first year it is expected that the Council will achieve immediate annual savings of around £1,678, based on 9% NIC employer saving.
- 3.6 The scheme is administered by My Money Matters, they are the only provider in the UK who delivers the administration of SCAVCs, and the AVC provider is Prudential.
- 3.7 The scheme will be implemented through an on-line managed platform. This will handle all administration, ensuring compliance and efficiency. My Money Matters will also support the HR team to promote the scheme to employees and they will provide access to financial advice to help employees make informed decisions.
- 3.8 My Money Matters estimates that over the three-year contract period there will be an 8% increase in the scheme participants from the total workforce, taking this to 41 employees which will make estimated savings of £11,613.
- 3.9 Active members of the Local Government Pension Scheme (LGPS) currently already have the option to contribute to AVCs and receive tax relief on the amount they pay through the payroll.
- 3.10 In accordance with the LGPS rules and regulations, an employer can also contribute to the employee's AVC fund. This is called a Shared Cost AVC (SCAVC) scheme. Such a scheme can be provided through a salary sacrifice arrangement.
- 3.11 Under a Salary Sacrifice Shared Cost AVC (SSSCAVC) arrangement the employer agrees to pay the employee's specified contribution amount to their AVC fund, and the employee agrees to reduce their gross salary by an amount equal to their contribution amount.
- 3.12 In addition, the employee pays a fixed £1 per month as their individual contribution. This results in an additional saving for the employee as they pay less tax, NI and Pension as their gross salary is reduced.
- 3.13 As well as the AVC, the My Money Matters platform provides a range of educational content, products and services to support and enhance the financial health and wellbeing of staff.
- 3.14 My Money Matters also provides:
- access for all the Council to free pension support through a range of webinars including 'understanding the LGPS'.
 - free 20 minute 1 to 1 sessions for staff to meet with a retirement professional for guidance on their pension.
 - access to other financial wellbeing support for staff including free wills, a financial learning Library, Mortgage Advice Plus, estate planning and debt support.

4.0 Human Resources Considerations

- 4.1 Promotion of scheme- The provider offers support and resources to help HR effectively promote the platform to their employees, including providing customisable communication materials, webinars, and ongoing engagement strategies that suit the needs of the organisation.
- 4.2 Eligibility- Employees are eligible if they are active members of the LGPS pension scheme.
- 4.3 Trade Union Consultation- Whilst Trade Union Consultation is not required, details of the proposed scheme have been circulated to the Trade Unions advising them of the details and asking for their feedback. GMB in particular has advised 'Our Union support AVCs for LGPS'.

Policies and other considerations, as appropriate	
Council Priorities:	Insert relevant Council Priorities: <ul style="list-style-type: none">- Planning and regeneration- Communities and housing- Clean, green and Zero Carbon- A well-run council
Policy Considerations:	Discretions are referenced in the Council's Flexible working, Redundancy and Pay Policy.
Safeguarding:	No Safeguarding considerations
Equalities/Diversity:	There are no implications. The scheme is accessible to all employees.
Customer Impact:	None
Economic and Social Impact:	None
Environment, Climate Change and zero carbon:	None.
Consultation/Community Engagement:	There is no requirement to consult with the Trade Unions, but they have been advised this is being introduced as a benefit to employees and their feedback has been requested.
Risks:	There are no risks to the Council in adopting this scheme
Officer Contact	Hannah Panter Head of Human Resources and Organisational Development Hannah.panter@nwleicestershire.gov.uk

NORTH WEST LEICESTERSHIRE PENSION DISCRETIONS

EFFECTIVE FROM 13 MAY 2025

1. LGPS Benefits Regulations - Regulation 31: Power of employer to award additional Pension.

Explanation	Council Policy
An employer may resolve to award a member additional pension of not more than £6,822 (figure as at 1 April 2018) a year within six months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency.	The Council is prepared to consider the award of additional pension under this regulation if there is a clear financial or operational benefit to the Council.

2. LGPS Benefits Regulations - Regulation 16 (2) (e) and 16 (4) (d): Funding of additional Pension's contributions (shared cost)

Explanation	Council Policy
<p>An active member in the main section of the scheme may enter into an arrangement to pay additional pension contributions (APCs) by regular contributions or a lump sum.</p> <p>Such costs may be funded in whole or in part by the member's scheme employer.</p> <p>The Employer will need to determine a policy on whether it will make a contribution towards the purchase of extra pension.</p> <p>This does not relate to cases where a member has a period of authorised unpaid leave of absence and elects within 30 days of return to work to pay a shared cost APC to cover the amount of pension "lost" during that period of absence. In these cases the employer must contribute 2/3 rds of the cost (Regulation 15 (5) of the LGPS Regulations 2013).</p>	<p>The Council will not fund additional pension unless there is a clear financial or operational benefit to the Council.</p>

3. LGPS Regulations – Regulation 30 (6) Flexible Retirement

Explanation	Council Policy
<p>An active member who has attained the age of 55 or over who reduces working hours or grade of employment may, with the Scheme Employer's consent, elect to receive immediate payment of all or part of the retirement pension to which that member would be entitled in respect of that employment if that member were not an employee in Local Government service on the date of the reduction in hours or grade, adjusted by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.</p> <p>As an employer there is a requirement to determine the conditions under which a flexible retirement might be approved.</p>	<p>The Council will take all reasonable steps to accommodate an employee's request for flexible retirement. The Council has agreed to release pension where there is a clear financial or operational benefit to the Council. Under these circumstances the Council may use its discretion to waive any reduction in benefits. Employees will normally reduce their hours by a minimum of 40% and/or reduce their grade.</p>

4. LGPS Regulations 2013 - Regulation (paragraph 1 (1) (c) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014: Switching on rule of 85.

Explanation	Council Policy
<p>A member who has not attained normal pension age but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension in relation to an employment if that member is not an employee in local government service in that employment, reduced by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.</p> <p>In these circumstances (other than flexible retirement) the 85 year rule does not automatically apply to members who would otherwise be subject to it who choose to voluntarily draw their benefits on or after age 55 and before 60.</p> <p>The employer has the discretion to "switch on" the 85 year rule for such member. (paragraph 1(1) (c) of</p>	<p>The Council may exercise these discretions if there is a justifiable business case. (E.g. as an alternative to a redundancy situation).</p>

<p>Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014</p> <p>If the employer does agree to switch back on the rule of 85, the cost of any strain on the fund resulting from the payment of benefits before age 60 would have to be met by the employer.</p>	
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4.(a) Additional new decision required to cover former members who left after 1 April 1998 but before 31 March 2014 regarding Switching on 'Rule of 85'

Explanation	Council Policy
<p>A former member who has not attained normal pension age (NPA) but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension in relation to an employment if that member is not an employee in local government service in that employment, reduced by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.</p> <p>In these circumstances (other than flexible retirement) the 85 year rule does not automatically apply to members who would otherwise be subject to it who choose to voluntarily draw their benefits on or after age 55 and before NPA.</p> <p>The employer has the discretion to "switch on" the 85 year rule for such a member on compassionate grounds.</p> <p>If the employer does agree to switch back on the rule of 85, the cost of any strain on the fund resulting from the payment of benefits before NPA would have to be met by the employer.</p>	<p>The Council will not normally apply this discretion unless there is a clear financial or operational benefit to the Council.</p>

Note:- “compassionate grounds” is not defined in the regulations.	
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- 5 LGPS Regulations 2013 – Regulation (paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

Explanation	Council Policy
<p>An employer has the discretion, under a number of retirement scenarios, to waive actuarial reductions on compassionate grounds.</p> <p>The cost of the pension capitalisation will fall on the Council in such situations.</p> <p>This may be on “compassionate grounds” as an example, which is not defined in the regulations.</p>	<p>In relation to waiving any reduction which may apply on compassionate grounds, the Council may exercise this discretion on a case by case basis if there are exceptional circumstances and there is a clear financial or operational benefit to the Council.</p>

Appendix 2

Regulation 2013

There are a number of other discretions which Scheme Employers may exercise under the LGPS Regulations 2013 where there is no requirement to have a written policy. However, in the interests of transparency and equal treatment, members approved a consistent approach to the discretions as detailed below:-

1. LGPS Regulations 2013 – Regulation 17 - Shared Cost Additional Voluntary Contribution Facility -**ADDITIONAL**

Explanation	Council Policy
This discretion allows the Employer to maintain and contribute to an employee's Additional Voluntary Contribution Scheme.	<p>The Council has adopted this discretion – to allow employees to join a salary sacrifice Additional Voluntary Contribution scheme.</p> <p>This will not have any effect on the existing AVC facility available where the employee also able to make such contributions.</p>

2. LGPS Regulations 2013 - Regulation 100 (6) – election to transfer within 12 months

Explanation	Council Policy
This discretion allows the Employer to extend the 12 months limit a member has in which to elect to transfer other pension rights into the LGPS. This must be with the agreement of the Administering Authority	<p>The Council will not normally allow an extension of the 12 month limit</p> <p>Extenuating circumstances may apply and this would include</p> <p>Where evidence exists that an election was made within 12 months but his was not received by the administering authority.</p> <p>Where evidence exists that the member was not aware of the 12-month limit due to maladministration</p>

3. LGPS Regulations 2013 - Regulation 22 (7) and (8) – election to aggregate within 12 months of commencement

Explanation	Council Policy
This discretion allows the Employer to extend the 12-month time limit a member has within which they must elect not to have deferred benefits aggregated with	<p>The Council will not normally extend this 12-month time limit</p> <p>Extenuating circumstances may apply and this would include</p>

their new LGPS employment	<p>Where evidence exists that an election was made within 12 months but this was not received by the administering authority</p> <p>Where evidence exists that the member was not aware of the 12 month limit due to maladministration.</p>
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4. LGPS Regulations 2013 - Regulation 21 – assumed pensionable pay.

Explanation	Council Policy
<p>This discretion allows the Employer to determine whether to include in the calculation of assumed pensionable pay the amount of any “regular lump sum payment”.</p> <p>This is in cases where an employee’s pay needs to be calculated where their pay has been reduced due to certain absences in order that they are not unduly advantaged or disadvantaged.</p>	<p>To determine in individual cases where necessary to establish in a fair, equitable and justifiable way what the members likely pay would have been but for the absence, and in cases where this pay is to be used for future enhancements whether that level of pay would have been received every year to normal retirement age.</p>

5. The Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006

Provisions provide local government employers with the powers to consider making a one off lump sum payment to an employee which must not exceed 104 week’s pay.

Regulation 5: Power to increase statutory redundancy payments

Explanation	Council Policy
<p>The Employer may decide to calculate a redundancy payment entitlement as if there had been no limit on the amount of a week’s pay used in the calculation.</p>	<p>The Council uses the actual weekly pay of the employee when calculating redundancy pay and there is no limit.</p>

6. The Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006

Regulation 6: Discretionary Compensation.

Explanation	Council Policy
A "one off" lump sum compensation payment may be awarded to an employee up to a maximum value of 104 weeks' pay, inclusive of any redundancy payment made.	<p>Compulsory redundancy The weeks payable determined according to statutory redundancy scheme multiplied by a factor of X 1.5.</p> <p>Voluntary redundancy On a case-by-case basis, taking into account the potential capital pension costs associated with an individual's departure, an additional payment of up to three months contractual pay in addition to the enhanced redundancy payment.</p> <p>If the total value of pension capital costs and redundancy etc. payments is in excess of £100.000, the decision will be referred to Council for decision.</p>