

## **EMPLOYER DISCRETIONS - PENSIONS**

Report of the Interim Finance Director

### **1. SUMMARY**

- 1.1 Derby Homes has a current policy for Employer's discretions relating to pensions. It is mandatory under the Local Government Pension Scheme (LGPS) to publish this and to review it periodically. It was last fully reviewed by the Governance Committee in May 2019 and subsequently approved by the Board on 30 May 2019.

The policy is now due for review. There are no revisions to the existing discretions that have been recommended by Derbyshire Pension Fund, hence the recommendation is to simply maintain the existing discretions.

There is one addition to the discretions required – relating to a new salary sacrifice shared cost Additional Voluntary Contribution (AVC) scheme, which the Derby Homes adopted in April 2022.

### **2. RECOMMENDATIONS**

- 2.1 To add the salary sacrifice shared cost AVC scheme to the company's Employer Pension Discretions policy as worded in section 4.7.
- 2.2 To note that the policy to be formally reviewed by May 2025, or earlier if a material change arises.

### **3. REASONS FOR RECOMMENDATION**

- 3.1 Every Derbyshire Pension Fund scheme employer must have a discretions policy in place, and although called a discretion, it is mandatory to be in place. This review updates the the discretion as required and fulfils Derby Homes' responsibilities on this.

### **4. MATTERS FOR CONSIDERATION**

- 4.1 **Employer Pension Discretions Policy – Salary Sacrifice Shared Cost Additional Voluntary Contribution (Shared Cost AVC) Scheme**
- 4.2 Derby Homes currently operates an AVC scheme for employees. This enables employees to make additional contributions into a pension scheme in addition to their Local Government Pension Scheme (LGPS). There is no company

contribution into this AVC scheme and no cost to the company in offering the scheme (fund fees are paid for by members). There are currently 12 employees using this facility.

- 4.3 There is a new scheme available to members of the Local Government Pension Scheme – called a Salary Sacrifice Shared Cost AVC.

The main difference to a normal AVC scheme is that for the employee because contributions are classed as a salary sacrifice, they make national insurance savings in addition to income tax savings on the contributions they make into the scheme. For the employer, there are employers national insurance and apprentice levy savings on the contribution made by the employee (because of the salary sacrifice).

Employees have the choice in which investment “pot” to place their contributions, just like they do with the existing AVC scheme.

There are no employer contributions into the scheme, same as the existing AVC scheme. There is however an administration fee that the employer pays, but this is more than offset in savings on employer’s national insurance and apprentice levy costs from the AVC amount invested by the employee (the salary sacrifice). The investments will continue to be managed by Prudential.

- 4.4 Derby Homes have appointed AVC Wise (for a minimum three-year period) to assist in the implementation and ongoing management of the scheme – this includes “a fully-managed solution - a dedicated web platform bespoke to your organisation, employee marketing and communication services, administration support from beginning to end, a dedicated customer service team and more”.
- 4.5 Derby City Council switched to this scheme in 2021 (Derbyshire County Council plan to switch in 2022), for their employees.
- 4.6 The Local Government Association, in their August 2021 briefing on this subject, recommended that employers update their pension discretions policies to reflect that the employer is offering Shared Cost AVC’s.

Derby Homes Board was updated on this at their 27 January 2022 meeting and it was agreed that an update to the policy would be taken to the next available Governance Committee.

The change in AVC scheme is deemed to be technical in nature to the Employers Pension Discretion Policy (employer now incurring an administration charge, more than covered by savings) and was not considered material to warrant an extraordinary meeting of the Governance Committee to update the policy.

The intention from joining this scheme is to offer employees a more attractive (employers) AVC option than is currently available to them. Whilst there will be employer savings from this change, these will be minimal and are an indirect benefit.

- 4.7 The only change to the Employers Pension Discretion Policy is to add the Shared Cost AVC discretion.  
Derby Homes Discretion Policy – For Derby Homes to provide a Shared Cost AVC scheme for current employees who are current members of the LGPS.
- 4.8 The Derbyshire Pension Fund “Guide to LGPS Employer Mandatory Discretions – 2019” was release in January 2019 and was considered by the Committee at the April 2019 meeting. The Derbyshire 2019 guide has not yet been updated. Upon updating, any material changes that require individual employer discretion consideration will be bought to the attention of this Committee.

## **5. OTHER OPTIONS CONSIDERED**

- 5.1 None

## **IMPLICATIONS**

### **6. CONSULTATION IMPLICATIONS**

- 6.1 None – but the amendment to the policy is required to be notified to the Derbyshire Pension Fund administrators within a month of approval.

### **7. PERSONNEL IMPLICATIONS**

- 7.1 The switch to this new AVC scheme presents a more attractive AVC option to employees – because of the enhanced tax savings compared to the existing AVC scheme.

### **8. POLICY REVIEW IMPLICATIONS**

- 8.1 This is a key policy of Derby Homes and is included in the Key Policy Review Schedule. In accordance with Derby Homes Board Minute 10/51 this policy will be reviewed no later than 3 years from the date of this meeting.

The areas listed below have no implications directly arising from this report:

Financial and Business Plan  
Legal and Confidentiality  
Council  
Environmental  
Equalities Impact Assessment  
Health & Safety  
Risk

For more information please contact: Michael Kirk

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Background information: For a detailed description of the individual discretions – these are detailed in the Employers Discretions Governance Committee report 29 April 2019.

More information on the Salary Sacrifice Shared Cost AVC scheme can be found at:

<https://avcwise.co.uk/employer>

Derbyshire Pension Fund – Guide to LGPS Employer Mandatory Discretions

<https://www.derbyshirepensionfund.org.uk/site-elements/documents/pdf/guide-to-lgps-employer-mandatory-discretions.pdf>

List of appendices

Appendix 1 – Employer Discretions

This report has been approved by the following

Managing Director	Maria Murphy	06/04/2022]
Company Solicitor	Taran Lalria	06/04/2022
Interim Finance Director	Michael Kirk	05/04/2022