

LOCAL GOVERNMENT 2018 Pensions Bulletin



Issue 9
May 15

INFORMATION FOR EMPLOYERS

Information for payrolls with AVC contributors – Changes to AVC rules

Amendments to the LGPS regulations effective from 14th May 2018 will affect the way that your payroll handles AVC deductions.

In 2014 when the new Pension Scheme came in, anticipated changes to the amount of tax free cash members could take from their AVC meant that different rules had to be enforced between any AVC arrangements taken out before April 2014, and those contracts that started after that date. As a consequence, LGPS employer payrolls with AVC payers have had to use 2 separate elements/coding structures for AVCs, because of the differences between the two.

In the end, the anticipated change behind all of this did not actually come into force, however the differences between pre and post 2014 AVCs remained in force – until now.

Therefore from 14th May 2018 (or your next available working pay date) you will need to make the following changes to existing payroll AVC related elements.

Limits on AVC contributions

Previously pre 2014 AVC payers could only pay 50% of their pensionable pay into an AVC each month. For post 2014 AVCs they could pay up to 100%. The 50% limit has now been removed. However it remains the case that whilst the legislation allows all members to pay up to 100% of their pensionable pay into an AVC each month, the level of pay after other deductions will need to support the chosen level of contribution.

AVCs have been deducted from pensionable pay using different definitions

AVC members whose plans started before 1st April 2014 and are paying active contributions on a percentage basis will have to move to the 2014 Regulations definition of pensionable pay which includes non-contractual overtime, harmonising with members who started their AVCs after April 2014. This could therefore mean that there may be a small number of current contributors who may see their contribution amounts change/vary with no action from the member themselves.

Please therefore take any necessary steps to alter affected payroll elements to bring both pre 2014 and post 2014 AVC deductions in to line in these 2 areas.

Regards

Ian Howe

Pension Manager