

Salary Sacrifice Shared Cost Additional Voluntary Contributions (SSSCAVCs) Scheme Employer's pack

SSSCAVCs scheme – employer’s pack

Changes to this document

This document is reviewed regularly to keep up with changes in policy or legislation. The latest versions of our publications can be found on our website. Before contacting us about the content of this document, we recommend that you refer to the most recent version on the website and any relevant guidance.

Version	Date approved	Approved by	Notes / changes
1.0	20/09/2022		

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Frequently Asked Questions (FAQs)

The questions and answers below provide a basic guide to the Shared Cost Additional Voluntary Contribution Scheme, known as SCAVCs or SSSCAVCs.

Please note that Denbighshire County Council, The Prudential, The Clwyd Pension Fund (CPF) or The Local Government Pensions Scheme (LGPS) are not able to provide advice on the suitability of AVC’s or SCAVCs for staff. Other options for saving for retirement are available. For details of other options for saving for retirement within the LGPS, please refer to the LGPS or CPF websites, or seek independent financial advice from your preferred advisor.

What are Shared Cost Additional Voluntary Contributions (SCAVCs)?

SCAVCs provide an opportunity for staff who are members of the LGPS to pay additional contributions, in order to increase their pension benefits at retirement. SCAVCs are an efficient way to save for retirement, because you will pay less tax and less national insurance provided that your income is sufficient to pay tax and national insurance. This is also subject to certain overall limits set by Her Majesty’s Revenue and Customs (HMRC).

If you choose to pay SCAVCs, the additional contributions are invested separately in your choice of fund(s) which are managed by the Prudential. They are the Clwyd Pension Fund (CPF) in house AVC provider. The Clwyd Pension Fund (CPF) administer the LGPS scheme on behalf of Denbighshire County Council. Your AVC funds should, hopefully, grow over time and will be available at retirement to convert into an additional pension (known as an annuity) or, subject to certain tax limits, be taken as a tax free lump sum or a combination of both. Any interest, income or capital gain earned on the SCAVCs is free from tax whilst the money is invested in your plan. Prudential offer a range of funds with differing investment risks and you will need to look at their investment fund factsheets for further information.

[Prudential Fund Guide website.](#)

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How does a SCAVC work?

Denbighshire County Council will contribute the amount you have salary sacrificed into your SCAVC fund. You will therefore be automatically entered into a ‘salary sacrifice’ arrangement under which you formally agree to accept a reduction in your gross salary which is equal to the SCAVC. You will also be required to make a contribution of £1 per month from your pay as a contribution to the ‘shared’ part of the SCAVC. This £1 contribution will not be part of the salary sacrifice arrangement.

Regulation 17 of the 2014 LGPS Regulations permits an employer to contribute to a shared cost AVC.

SCAVCs involve a commitment on your part to enter into an arrangement to reduce your gross salary for a minimum period of 12 months. At the point of commencing your SCAVC arrangement you must have an employment contract which runs for more than twelve months from the start date. Although you must commit to 12 months minimum you are of course able to change the amount you pay at any time.

The advantage of a SCAVC over the AVC scheme is that in addition to receiving full tax relief on the AVC’s, you will no longer pay National Insurance Contributions (NIC’s) on the amount that you have sacrificed. As a result a SCAVC allows you to save NICs in addition to tax, thus increasing your take-home pay compared to paying standard AVC’s.

As an example, if you complete an SCAVC application and state that you would like to pay AVCs of £50 each month, your total AVC will be £50 (£49 being the SCAVC amount and £1 being your personal AVC contribution).

Am I still able to join the standard AVC arrangement as opposed to SCAVC?

The ‘default position’ will be the SCAVC. However, Prudential will continue to offer the standard AVC arrangement where it is required. The differences between SCAVC and the standard AVC arrangement are explained in the table below:

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SCAVC	Standard AVC arrangement
You sacrifice salary which is paid into your AVC fund by Denbighshire and the amount sacrificed qualifies for both income tax and national insurance savings.	AVC contributions qualify for tax relief only. No NIC saving is available.
In addition to sacrificing salary you must pay a £1 contribution each month towards your AVC and this qualifies for tax savings only.	N/A
Minimum commitment to reduce your salary for a period of 12 months.	N/A
No tax saving is available if your taxable earnings are less than your tax allowance *	No tax saving is available if your taxable earnings are less than your tax allowance *
No NIC savings are available if you earn below the Primary NIC threshold *	No NIC savings are available on your AVC contributions

* [Current Tax and NI Limits can be found on the Gov.UK website.](#)

Who is eligible to participate?

All Denbighshire employees that are members of the Local Government Pension Scheme (LGPS) and have contracted hours are eligible to join the SCAVC. This includes part-time employees. However, as SCAVCs require a commitment for a minimum of 12 months, you must have a contract of employment which runs for more than 12 months from the start date of your arrangement. If you have a contract with less than 12 months duration, you will not be able to have an SCAVC arrangement.

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A salary sacrifice scheme cannot reduce your cash earnings below the National Living Wage. Where this may result from your participation in the SCAVC, you will be advised and asked to revise your request.

When can I join a SCAVC?

You may join the SCAVC scheme at any time by contacting the Prudential and completing an application.

You can find out how to complete the contract amendment form with the information needed in the [‘how do I join the Denbighshire County Council SSSCAVC Scheme’ section](#) below.

Salary sacrifice will normally commence when Prudential send a notice to the Payroll section that you have completed an application. Prudential will inform them of the amount you have agreed to pay*.

*Monthly amount to be paid into SSSCAVC (inc £1 contribution)

How much can I pay into an SCAVC?

Under pension rules, the amount you and your employer can pay into the AVC is up to 100% of your pay in any tax year, however, your salary in any month must not fall below the National Living Wage.

Current tax regulations allow you to take 100% of your AVC pot as a tax-free cash lump sum when the benefits are taken at the same time as the LGPS pension as long as this isn’t more than 25% of the total value of the LGPS pension benefits. There is, therefore, a limit on the amount of AVCs you can pay in and get back as tax free cash. You will need to check your tax free cash limit with the Prudential as you will pay tax on the amount that exceeds this when you draw your pension benefits.

It is important to remember that you may become subject to a tax charge if you make pension savings which exceed the ‘Annual Allowance’ in any tax year. This is the amount

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by which the value of a person’s accrued pension rights can grow in one year free of tax.

This limit includes:

- the growth in the value of your main LGPS benefits;
- any AVC’s and or SCAVCs paid by you and your employer
- contributions to other UK registered pension schemes in a tax year (between 6 April and the following 5 April)

Denbighshire recommends you seek financial and/or tax advice if you think the tapered Annual Allowance applies to you before paying AVCs. You will also be subject to a reduced limit if you have ‘flexibly accessed’ any money purchase pension savings. Your pension scheme will have informed you if this applies to you.

[For more details about the Annual Allowance, please go to HMRC website.](#)

When can I take the SCAVC benefits from this arrangement?

As a new plan, the benefits must be taken at the same time as the attached main scheme benefit and cannot be deferred to a date later than when the main scheme benefits are taken.

Should I be worried by the fact that you are reducing my gross pay?

Reducing your gross pay by participation in the SCAVC Scheme will not have an impact on any redundancy pay or occupational payments that you are likely to receive, such as Maternity, Paternity, Adoption or Sick Pay. Denbighshire will use your original salary before the sacrifice to base payroll calculations on, which we will now be calling your ‘notional salary’.

Some statutory payments e.g. Statutory Sick Pay (SSP) or Statutory Maternity Pay (SMP) may be lower though once you have exhausted occupational entitlements as they are based on NI-able earnings. In most cases however, employees receive the higher of Occupational Pay, if still in entitlement, or Statutory Pay.

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If you are likely to receive only Statutory benefits for any period of time, then you should first consider carefully whether your participation in the SCAVC scheme will be worthwhile.

What will happen if I have a pay award, promotion or other increment?

Any future pay awards and increments will be based on your original salary prior to your participation in a SCAVC. This original salary is known as ‘notional salary’.

What happens to earnings related payments such as allowances or on call?

Participation in a SCAVC will not affect payments such as overtime, on call and shift or night allowances. These will continue to be calculated on your notional salary prior to participation in the scheme.

Will my normal LGPS pension be affected?

LGPS Regulations treat SCAVCs as part of your pensionable pay, and therefore the contributions that both you and Denbighshire make into the Local Government Pension Scheme (LGPS) will continue as though your salary had not been reduced. Consequently, your main LGPS benefits will be unaffected by you joining the SCAVC scheme including any benefits due to your dependants in the event of your death. You will therefore have the same pension benefits as someone who doesn’t pay SCAVCs. SCAVC is a pensionable emolument (in accordance with regulation 20(1)(b) of the 2014 Regulations).

I currently receive tax credits. Will joining SCAVC affect my entitlement to tax credits?

The tax credit calculation is based on your taxable (P60) income. By signing up to SCAVC, your taxable income will be reduced and therefore your tax credit entitlement may change. Given the complexities involved in calculating entitlement to tax credits, we recommend that if you have any queries you go to [the tax credits section of the GOV.UK website](#) for more information or contact the HM Revenue & Customs helpline on 0345 300 3900.

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I am currently repaying a student loan which is based on a percentage of my earnings over the approved threshold. Will this alter?

Yes, it will alter as the student loan repayments are calculated on the salary on which you are liable to pay NICs. Under SCAVC your total gross salary on which NICs are paid will reduce, hence your loan repayments will decrease. You should bear in mind that any decrease in your loan repayments will result in you repaying your student loan for an additional time period.

Will participating in a SCAVC impact on any contribution-based benefits?

If the SCAVC means that your gross pay is less than the annual Lower Earnings Limit (LEL) for NICs, it may affect your eventual entitlement to the Basic State Retirement Pension and you may lose entitlement to certain other benefits. Therefore, if your weekly pay is less than the LEL, you should first consider carefully the possible impact before joining the SCAVC scheme.

Can I participate in any other salary sacrifice arrangements provided by Denbighshire?

Denbighshire currently provides an opportunity for staff to participate in other salary sacrifice arrangements. You may participate in more than one, but, if by increasing your salary sacrifice amount your earnings fall below the National Living Wage, you will need to consider which scheme(s) to join.

Can I withdraw from SCAVC?

Normally, under the terms of a salary sacrifice agreement, once you enter, cancellation will not be permitted for a minimum 12 month period. At the time of joining the SCAVC you must have a contract running for at least 12 months.

If you wish to reduce or increase your contributions then that is permitted at any time, even in the first 12 months, subject to completion of [the appropriate form on the Denbighshire County Council website](#).

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What happens if I leave my employment with Denbighshire County Council?

If your employment with Denbighshire ends for whatever reason, your entitlement to participate in the SCAVC will cease upon leaving. If you have LGPS membership of two years or more, your SCAVC plan will remain invested and will be available to provide you with additional benefits on retirement. Please note that the Prudential may continue to deduct charges to cover the cost of managing your plan in the intervening period.

Alternatively, you are able to transfer all your local government SCAVC benefits, including any local government AVC’s held with other employers, to any other pension scheme of your choice that will accept the transfer in.

If you have less than two years LGPS membership on leaving employment, you can choose to receive a refund equal to the realisable value of your SCAVC plan. Please note that the value of the SCAVC fund will reduce to take into account the tax relief you will have benefitted from during the period that contributions were made.

Who should I contact if I need any further information about SCAVC?

You can contact the Payroll Section at Denbighshire on 01824 706033 or email:

payroll@denbighshire.gov.uk

How do I vary my monthly contribution?

Under the terms of SCAVC, you are permitted to vary the level of contributions. Where you do wish to vary your contributions you will need to [complete the appropriate form on the Denbighshire County Council website](#).

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Where can I get more information about my pension, AVCs and SCAVCs?

For more details about the options to increase your pension benefits (including AVC and SCAVCs) please go to:

- [Local Government Pension Scheme website](#)
- [Clwyd Pension Fund website](#)
- [Prudential website](#)

Please note that neither the Clwyd Pension, Denbighshire County Council, Prudential nor the Local Government Pension Scheme are able to provide advice on the suitability of AVC's or SCAVCs. If you are unsure whether they are suitable for you will need to seek independent financial advice from your preferred financial advisor.

How do I join the Denbighshire County Council SSSCAVC Scheme?

Complete the [online contract amendment form on the Denbighshire County Council website](#).

You will also need to [contact Prudential and complete the appropriate application form available online](#).