**Appendix A**

**Illustrative cost savings**

**Example**

Pensionable pay - £30,000

AVC contribution each month £250

|  |  |  |  |
| --- | --- | --- | --- |
|  | Without AVC | With Normal AVC | With Salary Sacrifice Shared Cost AVC |
| Gross pay before LGPS contributions | £2,500 | £2,500 | £2,251 |
| LGPS Contributions | £163 | £163 | £163 |
|  |  |  |  |
| Employee AVC Contributions | £0 | £250 | £1 |
| Employer AVC Contributions | £0 | £0 | £249 |
| Total AVC Contributions | £0 | £250 | £250 |
|  |  |  |  |
| Income tax | £276 | £226 | £226 |
| National Insurance | £218 | £218 | £188 |
| **Monthly pay after tax** | **£1,843** | **£1,643** | **£1,673** |

**1. Employee Saving**

In the above example, the employee sees £250 per month invested in their AVC fund with or without the salary sacrifice scheme, but by using the salary sacrifice scheme the member pays less national insurance contribution and therefore increases their net pay.

The "salary sacrifice" shared cost AVC (SS SCAVC) scheme does not affect a member's LGPS benefits, provided Lancashire County Council specifies in the contract of employment that the contribution the employer makes to the SS SCAVC will be a pensionable emolument. Therefore there is no detrimental impact to the calculation of pension benefits as a result of joining the SS SCAVC scheme.

**2. Employer saving**

Using the example above the employer is effectively paying the employee the same amount per month with a normal AVC (£2,500 gross pay) as they would with a salary sacrifice shared cost AVC (£2,251 gross pay plus £249 AVC contribution, totalling £2,500). However as the gross pay under the salary sacrifice scheme only amounts to £2,251, the employer only pays national insurance on this lower amount. For the employer this will represent a saving of £34.36 per month being the 13.8% national insurance against the AVC of £249. A further amount is saved equalling 0.5% of the AVC of £249 per month relating to the apprenticeship levy.