

**Local Government Pension  
Scheme (LGPS) Regulations  
1997: Notification of Intent  
Concerning Additional Voluntary  
Contributions (AVCs) and Trivial  
Commutation**

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**Response to the Department for Communities and  
Local Government, January 2007**

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## **Local Government Pension Scheme (LGPS) Regulations 1997: Notification of Intent Concerning Additional Voluntary Contributions (AVCs) and Trivial Commutation**

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1. Aspect has carefully considered this consultation paper published by the Department for Communities and Local Government, which seeks views on its intention to amend the LGPS Regulations in respect of purchase of additional voluntary contributions (AVCs) and to raise the current limits for trivial commutation to new limits allowed by HM Revenue & Customs.
2. Aspect has no objections to the changes proposed in respect of trivial commutation, but is opposed to the intention to introduce a 50 per cent limit on the amount of salary individual members can invest in the LGPS AVC of choice, in relation to individual and combined employments.
3. While we fully accept that AVCs are viewed as deductions from salary and that this principle should be retained, we do not see why presentational issues in comparison with other unfunded public service schemes should prevent our members from paying in their whole salaries if they so choose and to potentially benefiting by maximising tax-free lump sums via an AVC rather than accrued pension, when both the current tax system and new regulations allow for this.
4. No such restrictions have been imposed on private sector pensions or on the pensions of other categories of public service workers such as judges. In addition there are no guarantees that the purchase of AVCs will provide sufficient returns to allow the commutation of anything close to 25 per cent of the capital value of pension rights.
5. While Aspect can appreciate an assumption that the facility to commute up to 25 per cent of pension to increase a tax-free lump sum could be taken up by 50 per cent of the membership (thus providing considerable savings for the scheme since it reduces the liability to pay ongoing pension), there is no evidence to suggest that considerable numbers of local government scheme pension members are planning or can indeed afford to do this via the purchase of AVCs. There is already a limit on the amount individuals can invest in a scheme in any one year and receive tax relief, and this should be sufficient an imposition to provide the scheme savings anticipated to meet the costs of extending the Rule of 85 transitional protections.
6. Aspect believes that the above points deserve full and fair consideration by the Local Government Employers and the Department for Communities and Local Government in determining their final responses to this important consultation exercise. The structure of the 'new look' local government pension scheme remains a key issue for many of our members, and it is important to allow staff to enjoy terms that provide equivalent benefits to those they currently receive.

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