

## National LGPS Technical Group

### Agenda item

The following should be completed by a member of the National LGPS Technical Group and sent to [Kelly.Scotford@royalgreenwich.gov.uk](mailto:Kelly.Scotford@royalgreenwich.gov.uk) the Secretary and [jayne.wiberg@local.gov.uk](mailto:jayne.wiberg@local.gov.uk) LGA by no later than 12 noon on the date shown in the minutes.

**For meeting to be held on: 1 October 2021**

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**Raised by: Phil Drury**

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**Pension Officer Group: EMPOG**

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**Description of agenda item to be discussed:**

**Discussion regarding amendment to pensionable pay regulations to allow HMRC approved salary sacrifice for electric and zero emission motor vehicles**

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Colleagues,

As I'm sure you are aware, Government policy is to phase out the sale of petrol and diesel cars and vans by 2030 and encourage the uptake of electric vehicles (EVs) in order to reduce transport emissions and their impact on the environment.

According to [Governments own research into adoption of EVs by the Behavioural Insights Team](#);

*The high purchase price of EVs is one of the most commonly cited barriers to adoption. Evidence suggests that financial incentives which reduce the upfront purchase price are effective for increasing EV adoption.*

Therefore, many employers are already launching HMRC approved salary sacrifice schemes to assist their staff to either lease or purchase an EV, these operate like cycle to work schemes and colleagues across our POG have been approached by scheme employers for guidance on how these schemes interact with LGPS and pensionable pay.

Currently, LGPS regulation 20(2)(f) excludes:

*(f) any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision*

Additionally, [the latest LGPC HR guide](#) states the following:

*HMRC approved salary sacrifice arrangements where an employee has their contractual pay reduced by an agreed amount (supported by a variation to their contract) in return for a tax assessable benefit in kind, from which income tax liability may or may not then be removed, are pensionable under LGPS (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument).*

*The exception is any salary sacrificed for a car or any other vehicle, which cannot be pensionable.*

So, for LGPS members who use these salary sacrifice schemes, there are currently a number of potential issues, including:

- reduction in CARE pension build up
- reduction in final salary earnings while salary sacrifice in operation
- possible triggering of reductions in pensionable pay protection (3 in 13), at the employers' discretion, for final salary earnings
- reduction in potential death in service and ill health retirement benefits due to lower APP
- possible annual allowance consequences when members finish paying for their EV and their final salary earnings increase again.

Does Technical group agree that a recommendation be put to MHCLG to amend regulation 20(2)(f) as well as Benefit regulations, so that HMRC approved salary sacrifice schemes for EVs are counted as part of pensionable pay, in a similar way that cycle to work schemes are, with the goal being to both encourage EV adoption and avoid various LGPS pension issues and hurdles for those LGPS members using these schemes? As the regulations current stand, it seems unequitable that a scheme member sacrifice some of their potential LGPS benefits as well as their

salary when following government policy in adopting an EV, and thereby reducing their impact on the environment.