

**POLICY FINANCE ADMINISTRATION COMMITTEE**

**10 JULY 2013**

**JOINT REPORT OF THE HEAD OF COMMUNICATIONS & THE HEAD OF CENTRAL SERVICES**

**PENSION AUTO ENROLMENT**

**1.0 PURPOSE OF REPORT**

1.1 This report outlines the introduction of the pension auto enrolment scheme for all staff in February 2014 with an option to postpone this date for a period of up to three months. For existing eligible staff there is the option to apply a transitional delay up to October 2017.

**2.0 RECOMMENDATIONS**

**It is recommended that:-**

2.1 **That the initial staging date for pension auto enrolment for all staff be postponed from the original staging date of February 2014 to April 2014 in line with the commencement of the financial year and;**

2.2 **The Head of Communications in consultation with the Head of Central Services and the Joint Staff Working Group (JSWG) be given delegated authority to introduce a procedure for the implementation of pension auto enrolment in line with the legislation and defer auto enrolment up to October 2017 for existing eligible staff.**

**3.0 KEY ISSUES**

3.1 As a result of new laws on workplace pensions, all employers are required to auto enrol eligible employees into a pension scheme and offer non-eligible employees the option to join the scheme. Melton Borough Council's (MBC) staging date to commence the auto enrolment scheme is February 2014. This is dictated by the size of the organisation.

Eligibility for auto enrolment depends on the employee's age and annual earning. If the employee doesn't meet these requirements they must be given the option to join the scheme, but will not be enrolled automatically.

3.2 MBC have the option to postpone the initial staging date, which is the point they have to assess the existing workforce for a period of up to 3 months. It is recommended that the date be postponed until April 2014 in line with the commencement of the financial year. At this point the workforce will need to be assessed to determine whether they are eligible or non-eligible employee.

For eligible employees who qualify for auto enrolment, MBC can choose to operate a transitional delay and not enrol them until October 2017. This does not apply to staff that didn't qualify for auto enrolment and will have to be assessed each month from then on and enrolled as soon as they become qualified. It is recommended that delegated authority be given to the Head of Communications in consultation with the Head of Central Services and the JSWG to introduce a procedure for the implementation of pension auto enrolment in line with the legislation and defer auto enrolment up to October 2017 for existing eligible staff.

- 3.3 It should be noted that any eligible staff to which the transitional delay period is applied will still have the right to opt-in to the pension scheme during that period. All the employees who will be eligible for auto enrolment currently have the option to join the pension scheme but have not taken this opportunity. It is considered that if they are auto enrolled under the new scheme it is quite possible they will opt out.
- 3.4 The auto enrolment process requires MBC to communicate to all council staff regarding the new legislation to the staff directly affected by auto enrolment within one month of the staging date. Written confirmation must be provided of the employer intentions of deferring the automatic enrolment and giving them the option to opt-in by giving written notification.
- 3.5 The scheme will require additional work for payroll and HR in terms of amending procedures and communication with employees. For those employees who choose to opt out after auto enrolment, refunds will need to be requested and re-paid through the payroll and additional information passed to Leicestershire County Council's (LCC) pensions section.
- 3.6 Monitoring will be required under the new auto enrolment rules for the employees who have opted out of the pension scheme. Staff will need to be monitored each month to assess which category the person falls into and a written confirmation to be provided to each person. If the person falls into eligible staff category and the person has opted out they will need to be re-enrolled every three years with the option to opt out.

#### 4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 Auto enrolment will require amendments to new employee contracts, terms and conditions of employment and the staff hand book. This has been implemented already for the new employees however the process of dealing with re-enrolment on a 3 year cycle and the implementation of the process for existing employees not in the scheme will require policies and procedures put in place.

#### 5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 The analysis below shows the breakdown of employees who at present, are not a member of the Local Government Pension Scheme (LGPS). These figures show the annual cost to MBC if these employees stay in the scheme. These figures show the estimated 'worst case scenario' if they decided to stay in the scheme.

Employees eligible for auto enrolment (35 employees)	£97k pa.
Employees given option to join - earnings below threshold (11 employees)	£8k pa.
Employees on standby given the option to join after 3 months (15 employees)	£8k pa.
<b>Total Cost</b>	<b>£113k pa</b>

\*Note: Canvassers and Members not eligible to join (not contracted employees)

- 5.2 At this time from documentation available, it is thought that the impact on eligible jobholders at the staging date will be £97k which can be deferred by postponing enrolment to October 2017. The impact of non eligible jobholders is minimal and this can be postponed and they can be notified when they are to be automatically enrolled, allowing them enough time to 'opt out' before the first pension contribution is taken from their salary at the end of the month.
- 5.3 If MBC goes ahead with the automatic enrolment at the staging date this will create administrative simplicity (i.e. not having to run a dual track approach for new employees and existing employees) and encourage employees to provide for their retirement as early as possible, have another income on top of state pension for retirement and not rely only on state pension.

## 6.0 LEGAL IMPLICATIONS/POWERS

6.1 Auto enrolment is regulated by The Pensions Regulator and they have the powers to enforce against non-compliance with contravention notices and impose fixed penalties for failure to comply with the duties.

## 7.0 COMMUNITY SAFETY

7.1 There no community safety issues.

## 8.0 EQUALITIES

8.1 There are no equality implications as all contracted employees are currently able to opt in to the pension scheme. The only change auto enrolment will bring is that all eligible employees will be opted in automatically and will have to opt out without the employers assistance or prompt.

## 9.0 RISKS

**Probability**



Very High A				
High B				
Significant C		1,3		
Low D				
Very Low E		2		
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

**Impact**



Risk No.	Description
1	Requirement of additional funds if eligible auto enrolled employees don't opt out.
2	Financial hardship to employees if don't opt out in time before payday.
3	Increased administration in HR and Payroll.

## 10.0 CLIMATE CHANGE

10.1 No implications identified

## 11.0 CONSULTATION

11.1 Consultation regarding the report has been taken with the Head of Central Services, HR and Communications Manager, Joint Staff Working Group and the Unions with general support being afforded to the proposals in this report.

11.2 Consultation regarding the deferment of auto enrolment was made with the Leicestershire Treasurers Association (LTA). Of those authorities that responded seven were planning to defer leaving one remaining that wasn't.

## 12.0 WARDS AFFECTED

### 12.1 All

Contact Officer Rita Kadiwar & Sarah-Jane O'Connor

Date: 13/05/13

Appendices : None

Background Papers: Local Government Pension Scheme (LGPS)

Reference : C'tees, Council & Sub-C'tees/PFA/2013-14/10-07-13/AT – Pension Auto Enrolment