

 <b>Executive</b> <b>13 November 2013</b>		<b>Agenda Item No.</b> <b>14</b>
<b>Title</b>	Auto Enrolment – Pension Scheme	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive 17 April 2013	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	28/10/13	Chris Elliott
Head of Service	28/10/13	Mike Snow
CMT	28/10/13	
Section 151 Officer	28/10/13	Mike Snow
Monitoring Officer	28/10/13	Andrew Jones
Finance	28/10/13	
Portfolio Holder(s)	28/10/13	Andrew Mobbs
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **SUMMARY**

- 1.1 Members considered a report in April on pension changes relating to the introduction of auto-enrolment. This report recommends that it is agreed that the Council's casual employees should be entitled to be admitted to the Local Government Pension Scheme.

## 2. **RECOMMENDATION**

- 2.1 That the Executive agree that "casual" employees be eligible to join the Local Government Pension scheme (LGPS).

## 3. **REASONS FOR THE RECOMMENDATION**

- 3.1 Workplace pension law has changed. Every employer has new legal duties to help their workers in the UK save for retirement. They will have to automatically enrol employees into a qualifying workplace pension scheme and make contributions towards it.
- 3.2 The Executive previously agreed that the Council should open a National Employment Savings Trust (NEST) scheme for casual employees wishing to join a pension scheme. As casual employees have no contract of employment, they currently have no automatic right to join the LGPS.
- 3.3 More recent advice has confirmed that it is ultimately for the employer to decide who does and who does not have access to the LGPS.
- 3.4 Auto enrolment is introducing many additional procedures to be carried out on a monthly basis in operating the payroll. Operating two pension schemes will be potentially confusing and will be administratively burdensome. The extra work will be significant considering the low number of casual employees involved and likely to remain within a pension scheme.
- 3.5 In April 2013, the Executive agreed that the Council should defer auto enrolment to 1 October 2017. This means current employees will not need to be auto enrolled until then, although will of course still have the option of joining the LGPS scheme at any time. Anyone who is auto enrolled, has the option of opting out of the pension scheme.
- 3.6 New employees are subject to auto enrolment from now onwards if they meet the relevant criteria.

## 4. **POLICY FRAMEWORK**

- 4.1 **Policy Framework** – the report does not bring forward changes to the policies listed below:
- Development Plan Documents
  - Fit for the Future
  - Food Law Enforcement Service Plan
  - The plan and strategy which comprise the Housing Investment Programme

## **5. BUDGETARY FRAMEWORK**

- 5.1 Employees earning over £9,440 per annum need to be auto enrolled into a pension scheme. The number of casual employees earning above this will vary on a monthly basis, although it is estimated that this figure is normally below 10. Due to the variability of these employees' monthly earnings, they will only be eligible to be auto-enrolled once they have earned above this threshold for three consecutive months.
- 5.2 Employees earning £5,668 to £9,439 per annum have the option of joining a pension scheme. Again the number of casual employees earning in this range will vary on a monthly basis, although it is estimated that this figure is normally around 25. Again, they will only be eligible to be in the pension scheme when they have earned over £5,668 (monthly pro-rata) for three consecutive months.
- 5.3 Due to the variability of earnings of casual employees each month, their earnings will need to be assessed over a rolling three month basis. Accordingly none will be subject to auto enrolment until at least January 2014.
- 5.4 It is difficult to estimate the likely cost to the Council of the employers' pension contributions in respect of these casual employees. Based on the numbers of employees referred to in paragraphs 5.1 and 5.2, if all eligible casual employees agree to be enrolled and stay within the LGPS the cost could in theory total £50,000. However this assumes all continue to earn above the thresholds (pro rata) as referred to in paragraph 5.2 each month, and choose to remain in the scheme. In reality, it is expected that the actual cost will be minimal.
- 5.5 In addition to the cost of the employer pension contributions, there is also the cost of time in administering auto enrolment. It is recognised that the scheme will be administratively burdensome, with increased repeated correspondence to employees, and the need to auto enrol some employees who will then subsequently opt out, and so be entitled to employee contributions being refunded.

## **6. ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 Whilst the Council has no choice but to comply with auto enrolment, it does have the option of opening a "National Employee Savings Trust" (NEST) scheme for casual employees rather than agreeing to admit them to the LGPS. This would result in reduced employer pension contributions (assuming employees choose to remain in the scheme), but would greatly increase the administration in terms of having a separate pension scheme to be administered.