



To: The Leader and Executive Councillor for Strategy:
Councillor Tim Bick
Report by: Director of Resources
Relevant scrutiny committee: Strategy & Resources
8/7/2013
Scrutiny Committee
Wards affected: All Wards

PENSIONS - AUTO ENROLMENT Not a Key Decision

1. Executive summary

- 1.1 The Pensions Act 2011 requires employers to automatically enrol eligible employees into a qualifying pension scheme, where they are not currently a member. This task then needs to be repeated every 3 years.
- 1.2 The main aim of the legislation is to increase pension provision in the private sector; however, the legislation will require organisations across all sectors to comply and will result in significant administrative burdens and potential financial implications on local authorities. Cambridge City Council employees are eligible to join the Local Government Pension Scheme (LGPS), which is a qualifying scheme, at any time, but all local authorities will still be required to undertake the added administration of automatically enrolling all eligible employees.
- 1.3 There is scope within the regulations for employers with Defined Benefit schemes to defer assessment of a large number of their existing workforce (as at the staging date) until the end of the transitional period which is 30 September 2017. There would be no detriment to Council staff as they can opt to join the pension scheme at any time. It is expected that the majority of local authorities will opt to apply the transitional arrangements to ease administrative burdens and reduce any potential associated costs.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 Approve the use of the transitional arrangements to defer the assessment of the existing workforce, under the pensions auto-enrolment arrangements, from 1 October 2013 to 30 September 2017
- 2.2 Approve the use of the option to postpone automatic enrolment for certain categories of workers for a period of up to 3 months (as set out in paragraph 3.7).

3. Background

- 3.1 The Pensions Act 2011 requires employers to automatically enrol eligible employees into a qualifying pension scheme where they are not currently a member. This task then needs to be repeated every 3 years. These requirements will result in significant administrative burdens on the City Council together with potential financial implications.
- 3.2 The main aim of the legislation is to increase pension provision in the private sector; however, the legislation will require organisations across all sectors to comply. Cambridge City Council employees are eligible to join the Local Government Pension Scheme (LGPS), which is a qualifying scheme, at any time but despite this, all local authorities will still be required to undertake the added administration of automatically enrolling all eligible employees.
- 3.3 The legislation will affect all employers in the country. The implementation date or staging date (to use the terminology in the regulations) is scheduled to take effect on a sliding timescale based employee headcount. The staging date for Cambridge City Council is 1st October 2013.
- 3.4 The following list is a summary of the tasks required to implement auto enrolment:
 - Determine the different types of jobholders within the organisation, entitled workers, eligible jobholders and non-eligible jobholders
 - Automatically enrol all 'eligible' jobholders into either the Local Government Pension Scheme and re-enrol those who have opted out every three years
 - Provide information to 'eligible' and 'non eligible' jobholders about auto enrolment and pensions
 - Monitor workers every month to assess their eligibility and automatically enrol them when they become eligible

- Process requests to opt in and out of a pension scheme and refund pension contributions if required
- Keep accurate records
- Prevent unfair treatment of workers on grounds related to the employer duties (for example, taking action to induce a jobholder to opt out of the pension scheme or screening during recruitment on grounds relating to potential pension scheme membership)
- Provide support to the external organisations on the Cambridge City Council payroll to ensure they comply with the auto enrolment legislation
- Communicate with any casual staff to make them aware of the changes in the LGPS regulations from 1 October 2012 that allows them to be admitted to the scheme.

3.5 Cambridge City Council already has a high participation rate in the LGPS. The table below details the participation rates as at January 2013.

Positions	% in LGPS (Jan 13)
Full Time Positions	88%
Part Time Positions	78%
All Positions	85%

Auto enrolment will require the Council to assess all of its employees who are not currently in the LGPS and depending on age and level of earnings; some will need to be automatically enrolled into a pension scheme. An assessment will need to be carried out on a monthly basis for any new employees and also to assess any changes to current employees' circumstances (pay and age).

3.6 All employees of Cambridge City Council with a contract of more than 3 months are automatically entered into the LGPS, they are able to opt out and re-join at any point. Employees who have a contract for less than 3 months and those who are casual/relief are not automatically entered into the scheme but are able to opt in should they wish to.

Cambridge City Council encourages staff to participate in the LGPS, employees receive regular scheme newsletters from the County Council, in addition Cambridge City Council provides on occasions access to information on the LGPS and Additional Voluntary Contributions (AVC's) through seminars. There is a dedicated Cambridge City Council intranet page on pensions and the Council provides further information on its LGSS pension's website for employees who are active members and also for those who are thinking of joining the scheme.

3.7 Deferral of assessment

There is scope within the regulations for employers with Defined Benefit schemes to defer assessment of a large number of the existing workforce (as at the staging date) until the end of the transitional period which is 30 September 2017. There would be no detriment to the Council's staff as they can opt to join the pension scheme at any time. It is expected that the majority of local authorities will opt to apply the transitional arrangements to ease administrative burdens and reduce any potential associated costs.

What this would mean is that all non-members of the pension scheme who earn more than £8,105 and are age 22 or over, will not need to be assessed until October 2017. Under the terms of deferral, Automatic Enrolment would still be applicable for:

- All new starters joining the Council after 1st October 2013
- Employees not covered by the transitional arrangements

It is the assessment of the majority of the existing workforce (as at the staging date) that could be delayed until September 2017.

There are several key implications of deferring the assessment of the existing workforce are:

- There is no detriment to staff as they can opt to join the pension scheme at any time and we will need to write to all staff to advise them of this fact prior to October 2013
- The Automatic Enrolment changes are complex and deferment will allow more time to develop better systems and processes
- There will be fewer staff to assess
- There will be no additional costs to the Council

No disadvantages in deferring the assessment until 30 September 2017 have been identified and this is why recommendation 2.1 above supports this action.

3.8 Postponing auto enrolment for certain categories of worker

In addition to deferral of assessment, there is also scope within the regulations to defer auto enrolment for certain types of worker for up to 3 months; this can also be referred to as a 'waiting period'.

It is felt appropriate that we make use of this provision for the following reasons:

- To align automatic enrolment to existing payroll processes, e.g. to avoid calculation of contributions on part period earnings, or to maximize the amount of opt-out period that falls before the payroll is run
- To smooth the process of the automatic enrolment duty in respect of employees with exceptional spikes in earnings
- To smooth the process of the automatic enrolment duty in respect of short-term workers who leave soon after starting work, or workers who trigger automatic enrolment just before leaving our employment.

It is recommended that the Council take advantage of the 3-month postponement period where applicable.

3.9 What are other Local Authorities doing?

Research of the recommendations / decisions of a large number of local authorities with early staging dates have shown that they propose to utilise the option to defer in the assessment of the existing workforce, under the pensions auto-enrolment arrangements until 30 September 2017

Cambridgeshire County Council, whose staging date was March 2013, has confirmed that they have deferred the assessment of the existing workforce until September 2017.

4. Implications

(a) Financial Implications

4.1 Employee budgets, with limited exceptions, are currently prepared on the basis that Council staff are members of the LGPS and provide for employer pension contributions. For staff not in the scheme, part of this budget provision is required to meet increased employer national

insurance contributions. However, currently any remaining budget will be either unspent at year-end or will have contributed to the achievement of the reductions built into employee budgets in anticipation of staff turnover savings.

- 4.2 There is a possibility that if some employees not currently in the pension scheme are auto enrolled, and do not subsequently opt out, that the Council could see a reduced underspend or failure to achieve turnover allowances. It is difficult to quantify the amount, as it will depend on whether employees decide to opt out of the scheme. The impact of this new legislation will need to be kept under review and any financial implications identified built into the Council's overall budget requirements.

(b) Staffing Implications

- 4.3 As a result of the Auto Enrolment legislation there will be an additional administration burden for the payroll team; this burden will be greater if the Council does not take advantage of deferment within the transitional arrangements.

(c) Equal Opportunities Implications

- 4.4 An equality impact assessment has not been conducted as the recommendations will not have an adverse effect on any employee.

(d) Environmental Implications

- 4.5 There are no environmental implications from this proposal.

(e) Procurement

- 4.6 There are no procurement implications from this proposal.

(f) Consultation and communication

- 4.7 The pension legislation requires the Council to inform all workers with certain information about the pension changes and how it affects them and this requirement will be met.

(g) Community Safety

- 4.8 There are no implications from this proposal.

5. Background papers

5.1 The Pensions Regular Workplace pensions reform – detailed guidance

6. Appendices

6.1 There are no appendices to this report

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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