

Cherwell District Council

Executive

2 December 2013

<p>Auto enrolment into the Local Government Pension Scheme</p>

**Report of Head of Finance & Procurement
and Head of Transformation**

This report is public

Purpose of report

To inform the Executive about the changes to Local Government Pension Scheme legislation amendments that relate to auto enrolment, and the potential future resource implications arising.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the information in the report and the potential for additional resource implications.
- 1.2 To note that the scheme, including an officer recommendation to apply a transitional period for eligible jobholders, will be considered by the Council's Personnel Committee at its meeting on 11 December.

2.0 Introduction

- 2.1 Currently all new employees that start employment with the Council are invited to join the Local Government Pension Scheme (LGPS) with the exception of casual staff and those that do not have contracts that exceed three months in duration. If staff choose not to join the (opt out of) LGPS then they will remain out of the Local Government Pension Scheme for the duration of their employment unless they opt back in at a later date. Staff can chose to opt in to the LGPS at any time during their employment.
- 2.2 Auto enrolment requires employers to automatically enrol all new and current employees into the workplace pension scheme if they are not already in one, on a date set by the Pension Regulator. This process is then repeated every 3 years.

3.0 Report Details

3.1 A staging date has been provided by The Pensions Regulator which is when the changes have to be implemented by - for Cherwell this is 1 November 2013. The Pensions Regulator then states that we are able to delay this implementation date by 3 months to align with our payroll processes. This means that we can defer the implementation of Auto Enrolment to 1 February 2014.

3.2 In applying Auto Enrolment we have to divide the staff into different categories as prescribed by the Pension Regulator. These categories are as below:

Category of worker	Description of worker
Entitled Worker	<ul style="list-style-type: none">• Aged 16 – 74• Earning below £5,668
Eligible Jobholder	<ul style="list-style-type: none">• Aged 22 – State Pension Age• Earning above £9,440
Non-Eligible Jobholder	<ul style="list-style-type: none">• Aged 16 – 21 or State Pension Age – 74• Earning above £9,440 OR <ul style="list-style-type: none">• Aged 16 – 74• Earning above £5,668 but below £9,440

3.3 Assessing our staff against these categories, they are as at 15 November 2013:

Category of worker	Number of staff in each category	Description
Entitled Worker	13	These staff have a right to join the scheme
Eligible Jobholder	97	These staff must be automatically enrolled but could we could apply the transitional period to 1 October 2017
Non-Eligible Jobholder	38	These staff have a right to opt in
Staff already in the Local Government Pension Scheme	380	These staff are already in the scheme

3.4 The Council have already sent initial staff letters out to the Entitled Workers, Eligible Jobholders, Non-Eligible Jobholders, staff already in the LGPS and Staff out of Scope informing them that the Council are deferring the implementation of Auto Enrolment to 1 February 2014, what their individual entitlement is regarding the Auto Enrolment into the Local Government pension scheme and that a transitional period to 30 September 2017 may apply to the Eligible Jobholder.

3.5 At its meeting on 11 December 2013 the Personnel Committee is being recommended to apply the transitional period to the 97 eligible jobholders as set out above.

3.6 To be able to apply the transitional period to 30 September 2017 for eligible jobholders the Pensions Regulator state that the following conditions must be met:

- a. The eligible jobholder has been employed by that employer for a continuous period before the employer's first enrolment date, and
- b. At a point before the employer's first enrolment date, the eligible jobholder was entitled to become an active member of a defined benefit pension scheme (the Local Government Pension Scheme), and
- c. The eligible jobholder is, and always has been since that point, entitled to become an active member of a defined benefit pension scheme (the Local Government Pension Scheme), and
- d. The defined benefit pension scheme (the Local Government Pension Scheme) is a qualifying scheme, as is any such pension scheme of which the eligible jobholder is entitled to become an active member, on or after the employer's first enrolment date.

There are 67 eligible jobholders that meet these conditions and can be transitioned to 30 September 2017. The remaining 30 are casual staff that do not meet the conditions and will need to be automatically enrolled on 1 February 2014.

- 3.7 The transitional period to 30 September 2017 does not deprive the employee in any way of joining the LGPS at any point,
- 3.8 What the transitional period to 30 September 2017 does do, is avoid some work for the payroll team who would need to auto enrol these staff that do not want to be in the LGPS and then potentially take them out again. As the Pension Regulator states that the opt out process has to be instigated by the member of staff through Oxfordshire County Council, there will often be a delay before the member of staff can be taken back out of the scheme. This may mean that they will also incur costs in the way of pension contributions being deducted from their pay which are later refunded.
- 3.9 Therefore the decision to delay, if approved by Personnel Committee, will also avoid the costs for actioning 3.8 where employer pension contributions for the 69 Eligible Jobholders could be as much as £218k per annum if all staff choose to stay in the LGPS rather than opt out for the period to 30 September 2017.
- 3.10 The automatic enrolment for the 30 casual staff that do not meet the eligible jobholder conditions there will be a new employer pension contribution cost of up to £71k if all staff choose to stay in the LGPS rather than opting out.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Auto-enrolment has potential future resource implications for the Council depending upon the extent to which current non-LGPS members do not opt out. However it is possible to apply a transitional period expiring in September 2017 and the Personnel Committee is being recommended to do this.

5.0 Consultation

- 5.1 This report is based on Pension Legislation and is the result discussion with JMT, Head of Finance & Procurement, Head of Transformation and the Human Resources & Organisational Development Manager.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

As this report is bringing the potential future resource implications of a legislative requirement to Executive's attention there are no alternative options.

7.0 Implications

Financial and Resource Implications

- 7.1 The transitional period to 30 September 2017 does not deprive the employee in any way, they have the option to join the Local Government Pension Scheme) at any time. Any additional cost implications will need to be reviewed and considered as part of the budget planning process.

Comments checked by:

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Legal Implications

- 7.2 The transitional period is available to the Council for eligible jobholders as set out above because the LGPS is a Defined Benefit pension scheme pursuant to the relevant legislation.

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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: No

Wards Affected

Not applicable

Links to Corporate Plan and Policy Framework

Cherwell Financially Sustainable, Customer Focused

Lead Councillor

Councillor Ken Atack – Lead Member Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
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