

**Haringey** Council

Report for:	Cabinet Committee 18 <sup>th</sup> December 2012	Item Number:	
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Title:	Auto-Enrolment (Pensions Act 2008)
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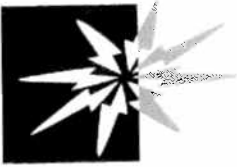
Report Authorised by:	Report Of Stuart Young, Assistant Chief Executive Signed <i>Stuart Young</i> Dated 10/12/12
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Ward(s) affected:	Report for Key Decisions:
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**1. Describe the issue under consideration**

- 1.1 The Government passed legislation under the Pensions Act 2008. The Act made provision for auto-enrolment of employees into a workplace pension scheme. This requires employers to auto-enrol eligible job holders into a pension scheme.
- 1.2 The date on which the Council is required to enrol its existing job holders is 1<sup>st</sup> March 2013. However it is possible to for the Council to temporarily defer auto-enrolment.
- 1.3 This report explains the current legislation as it applies to the Council and the options to
  - defer auto- enrolment for non contributing eligible job holders until 1<sup>st</sup> October 2017
  - postpone auto enrolment for three months for newly appointed eligible employees from 1<sup>st</sup> March 2013.
- 1.4 Officers have considered the operational and financial implications arising from auto-enrolment and propose the Council take advantage of the transitional delay period that permits delaying the auto-enrolment of all eligible non contributing job holders until 1<sup>st</sup> October 2017. This delay will apply to those who have previously opted out of the Local Government Pension Scheme (LGPS) and the Teachers Pension Scheme (TPS).



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1.5 All eligible New Starters will be auto enrolled from 1<sup>st</sup> March 2013

1.6 Casual 'as and when' workers with a contract of less than three months are not eligible for immediate membership of the LGPS. They can elect to join if they wish. The postponement option will be used for this group of employees to avoid the cost of providing an alternative qualifying scheme.

1.7 Councillors are not workers with a contract of employment and are therefore not affected by the rules on auto-enrolment

## **2 Cabinet Member introduction**

The Pensions Act 2008 requires that employers auto enrol their eligible jobholders into a qualifying pension scheme from the Staging Date which for Haringey is 1<sup>st</sup> March 2013.. This date is set by the Pensions Regulator based on the size of the Employer's PAYE payroll. The legislation gives employers the option to delay auto-enrolment until 1<sup>st</sup> October 2017 for those workers who at 1<sup>st</sup> March 2013 had opted out of their respective schemes.

2.1 There are approximately 564 (FTE) non schools employees that will be eligible to be enrolled on 1<sup>st</sup> March 2013. Although these employees would then be paying into the pension scheme there is a significant cost to the Council for employer contributions. There is a similar position for staff working in schools whether they be contributors to the Teachers Pension Scheme or the LGPS, but the costs are funded by the Dedicated Schools Grant so do not affect the Council budget.

2.2 The Government advise employers to assume that 75% will remain in the pension scheme after being auto-enrolled. On this basis, the cost to the Council for employer contributions would be an additional £3m per year

2.3 Given the current financial landscape this report recommends that the Council use the option of delaying auto-enrolment of these staff until 1<sup>st</sup> October 2017 as provided for under the auto-enrolment legislation.

## **3 Recommendations**

3.1 Members are asked:-

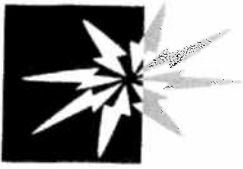
a) to approve delaying auto-enrolment for existing eligible job holders to 1<sup>st</sup> October 2017.

b) to approve postponement of auto-enrolment for all newly appointed eligible job holders with a short term contract of less than three months for a period of three months or until the expiration of the contract if sooner.

c) to note that auto-enrolment will apply to all other newly appointed eligible jobholders with effect from 1<sup>st</sup> March 2013

## **4 Alternative options considered**

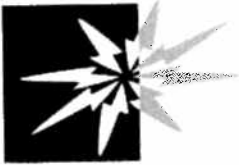
4.1 Consideration was initially given to postponing the date on which auto-enrolment obligations would otherwise apply from 1<sup>st</sup> March 2013 to 1<sup>st</sup> June 2013 to bed-in a SAP Payroll upgrade for auto-enrolment.



4.2 The early application of auto-enrolment across the whole workforce was initially considered on the basis that operationally it would be less administratively complex and simpler for employees to understand. It also underlined the Council's commitment to the benefits of membership of the LGPS and TPS and the benefits which both the Council as the employer and the employees enjoy from participation in the scheme. However the budgetary implications outweighed these considerations.

## 5 Background information

- 5.1 For the Council the LGPS and the TPS are both qualifying pension schemes for the purposes of the Pensions Act 2008. The Secretary of State for Work and Pensions has allocated employers a Staging Date based on the size of the employers' payroll (PAYE employees). The Staging Dates run from 1<sup>st</sup> October 2012 to 30<sup>th</sup> April 2017. The larger the employer the earlier the Staging Date. The Council's allocated Staging Date is 1<sup>st</sup> March 2013
- 5.2 Eligible Job holders are workers who are not already members of the employers pension scheme. They are between ages 22 and State Pension Age and earn at least £8105 p.a. (this is currently the PAYE personal tax allowance). Employees may opt-out if they wish but employers are required to auto-enrol eligible jobholders every three years. The election to opt-out cannot be exercised by the member before being auto-enrolled.
- 5.3 The LGPS and TPS enrol new employees from start of employment. However employees can choose to opt-out. The Pensions Act 2008 requires the Council to auto enrol these opted-out employees on 1<sup>st</sup> March 2013. This means that approximately 1116 (equivalent fulltime posts) will be auto-enrolled. These are individuals who previously opted not to contribute to the LGPS or TPS and might be expected to do so again. The number likely to opt-out again is unknown but the Government recommend that authorities assume that 75% of those who are auto-enrolled will remain in the scheme.
- 5.4 The Act allows an employer with a defined benefit scheme like the LGPS and the TPS to delay auto-enrolment by electing to apply the transitional delay period. Use of this option will mean that those eligible jobholders in post on 1<sup>st</sup> March 2013 who had elected not to join the LGPS or TPS on appointment, will not be automatically enrolled into the LGPS or until 1<sup>st</sup> October 2017.
- 5.5 If the Council decide to apply the transitional delay period, it is nonetheless required to notify those affected and some may decide to exercise their right to opt-in. At the end of the transitional delay period, those eligible jobholders still employed must be enrolled into their appropriate scheme
- 5.6 The Act includes a provision whereby an employer is able to postpone for 3 months the date at which an individual is auto-enrolled. Casual Employees with a contract of less than 3 months are not eligible for immediate membership of the LGPS and cannot be auto-enrolled into the LGPS on starting employment. They can however elect to join. The Council is required to provide a qualifying scheme for all eligible job holders. To avoid the cost of providing a separate scheme, the postponement option can be used for the duration of the 3 month contract. If the contract extends beyond three months, the eligible job holder will be auto-enrolled.



## **6 Chief Financial Officer Comments**

- 6.1 A budgetary pressure for the Council arises if the non school employees who previously opted out, remain in the pension scheme once they are auto-enrolled and employer contributions become payable. These employees have taken an active decision to opt out of the pension scheme once already, so it is anticipated that a significant number will opt out again, however this is an unknown at present.
- 6.2 If the Council chooses not to defer auto-enrolment until 2017, there would be a budgetary pressure in 2013/14 in the range of £0.9m to £3.7m depending on the number of employees who opt out again. If auto-enrolment is deferred then this pressure is deferred until 2017/18.
- 6.3 If school employees who are auto-enrolled remain in either the Teachers Pension Scheme or the Local Government Pension Scheme, then employer contributions will be payable out of school budgets which are funded by the Dedicated Schools Grant. If the Council chooses not to defer until 2017, then the pressure on school budgets will be in the range of £0.7m to £2.8m, depending on the number of employees who opt out again.

## **7 Head of Legal Services and legal implications**

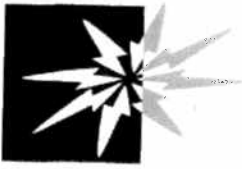
- 7.1 The Head of Legal Services has been consulted on this report
- 7.2 The Pensions Act 2008, together with the Occupational and Personal Pensions Scheme (Automatic enrolment) Regulations 2010, the Employers Duties (Implementation) Regulations 2010 and the Employers Duties (Registration and Compliance) Regulations 2010 provide the legislative framework for the automatic enrolment of workers into qualifying pension schemes.
- 7.3 In accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, the obligations created by the Pensions Act 2008 are executive functions for determination by the Cabinet. The Corporate Committee have been updated on the proposals in line with their pensions responsibilities.

## **8 Equalities and Community Cohesion Comments**

- 8.1 The majority of employees who do not belong to the LGPS are Part-time females who are primarily employed in schools. Forcing entry to the pension scheme could cause hardship in managing their cash flows because although they can opt-out again and receive a refund of contributions their pay may be reduced for the initial pay period. Remaining in the scheme will provide immediate life and ill health cover but receipt of a small pension on retirement may impact on means tested State Scheme benefits

## **9 Head of Procurement Comments**

N/a



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**10 Policy Implication**  
N/a

**11 Reasons for Decision**

- a. The decision to delay auto-enrolment to 1<sup>st</sup> October 2017 will alleviate an estimated increase in employer contributions amounting to £3m in 2013/14 and each subsequent year thereafter until 2017/2018.
- b. Postponing the auto-enrolment of Casual will remove the requirement for an alternative scheme to be provided for them.

**Use of Appendices**

No appendices are used in this report

**12 Local Government (Access to Information) Act 1985**

