

24 OCTOBER 2013

**REPORT OF THE PORTFOLIO HOLDER OPERATIONS AND ASSSTS AND  
APPOINTMENTS AND STAFFING COMMITTEE****THE PENSION AUTOMATIC ENROLMENT POLICY STATEMENT FOR TAMWORTH  
BOROUGH COUNCIL****EXEMPT INFORMATION**

None

**PURPOSE**

This report seeks endorsement of Tamworth Borough Council's proposed Pension Automatic Enrolment Policy and its subsequent recommendation to Cabinet.

**RECOMMENDATIONS****That the Committee**

- **Approve the proposed Pension Automatic Enrolment policy**
- **Recommend formal approval of the policy by Cabinet**
- **Approve application of transitional delay until October 2017**

**EXECUTIVE SUMMARY**

With effect from 1<sup>ST</sup> January 2014 Tamworth Borough Council must auto enrol eligible employees into the Local Government Pension Scheme (LGPS). The Council automatically enrolls all new employees into the LGPS with the exception of casual employees who are notified that they are allowed to opt into the current LGPS scheme following the introduction of the new regulations in October 2012.

The Policy at Appendix 1 sets out the approach the Council will use to manage the auto enrolment process from our staging date 1<sup>st</sup> January 2014 and details the financial impacts of the new regulations in light of our approach.

The key points of the policy are:

- 1) All workers will need to be assessed prior to the staging date to identify those who are eligible for auto enrolment and those who may simply opt in.
- 2) The Council can choose to delay bringing in eligible employees until Oct 2017. This is known as transitional delay and this report sets out the costs and implications of applying transitional delay which will reduce the financial risks to the authority.
- 3) Based on 2012 salary payments the indicative costs of applying auto enrolment are attached in appendix 2. This can be as high as £239,000 although indications from other local authorities (Staffordshire County Council) are that take up rate for opting into or remaining in the scheme once auto enrolled is as low as 10%.
- 4) Auto enrolment for opted out eligible employees must occur every 3 years – employees can still opt out. This will be a huge administrative overhead and will require close management of all employees especially casuals.
- 5) Communication to the entire workforce will be key to this process and will include: the

use of pin board information, a dedicated page relating to pension auto enrolment on Infozone, website pension auto enrolment page and information via email to employees.

- 6) Letters must be sent to all individual employees including casuals at the staging date with what this means for them. This policy does not apply to elected members.
- 7) Since 1<sup>st</sup> July 2012 Tamworth Borough Council has employer duties with regard to the safeguarding of individuals to ensure that employees are not treated unfairly with regard to auto enrolment or the employer does not take or fail to take action that results in them not being auto enrolled.
- 8) This new process will need system support to enable payroll to monitor this effectively each month. ITrent will be a supporting system but as the needs are employer specific for qualifying earnings, there may be an additional cost to support this but at this point these are not known.

This statement has been communicated to all recognized Trade Unions and in accordance with the Act will need to be formally approved by Cabinet and full Council.

### RESOURCE IMPLICATIONS

Additional administration will be required in the first instance for putting procedures and processes in place to ensure compliance, communication to the whole workforce, dealing with employee's queries and assessing the workforce. Additional monthly administration will be required to distribute the correct information to the different categories of workers within a strict time frame, notification of additional information to SCC, monthly assessment of workers and auto enrolment duties to tight timescales, manage opt in, opt out and refunds. It is anticipated that this additional administration can be met within existing staffing resources but this will need to be reviewed once the process commences.

While there is the potential for increased costs of £239,000 pa which could directly affect service costs in year, it would not affect the budget forecast initially as all salary budgets are currently prepared including an employers on-cost percentage (including employers pension costs).

The situation would have to be monitored in the first year of operation to determine the potential impact on service costs and therefore budgets for future financial planning.

### LEGAL/RISK IMPLICATIONS BACKGROUND

The maximum risk the Council could be exposed to in terms of additional employers pension could be £239,000 per annum, however experience of other Local Government employers is that take up can be as low as 10%

Employer Pension liability (based on 2012 salary payments)

	2014
Auto enrolled eligible permanent staff	* £201,800
Auto enrolled eligible casual staff	£8,400
Opt in non eligible permanent staff	£13,200
Opt in non eligible casual staff	£15,600
Total additional employer contributions	<u>£239,000</u>

\* due to transitional delay this maximum figure is unlikely as it would require all staff to opt in prior to Oct 17

Failure to comply with the automatic enrolment requirements could lead to enforcement action being taken by the pension Regulator including fines, it is therefore imperative that procedures are put in place to ensure compliance.

### **BACKGROUND INFORMATION**

The purpose of the statement is to provide information and confirm processes with regard to our employer duties for Pension Automatic Enrolment under Pension reform. Once approved by full Council, this policy will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

### **REPORT AUTHOR**

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### **LIST OF BACKGROUND PAPERS**

### **APPENDICES**

1. Pension Auto Enrolment Policy

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