



Pension Automatic Enrolment Policy

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This document is held by Tamworth Borough Council, and the document owner is Director of Transformation & Corporate Performance.

Revision History

Revision Date	Version Control	Summary of changes
Draft		

Key Signatories

Approvals Creation and Major Change

Name	Title	Approved

Approvals Minor Change and Scheduled Review

Name	Title	Approved

Approval Path

Major Change

Originator
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 Trade Unions & LGPS
 CMT
 Appointments & Staffing Committee

Action

Christie Tims
 Anica Goodwin
 Consultative group
 Corporate Approval
 Council Approval

Minor Change

Originator
 LGPS
 John Wheatley

Action

Christie Tims
 Consultative Group
 Delegated Approval

Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be distributed through NETConsent as a NON MANDATORY policy and will also be available on the Intranet and paper based copies.

Security Classification

This document is classified as SEC 1 Routine with access restricted to Tamworth Borough Council Staff and business partners.

Pension Auto Enrolment Policy

1. Introduction

From 1ST January 2014 Tamworth Borough Council must automatically enrol all qualifying workers into its pension scheme. This is in response to the Pensions Act 2008 which requires all employers to auto-enrol qualifying workers into a qualifying pension scheme to save for their future.

The LGPS will be a qualifying scheme. Regulations have been amended with effect from 1st October 2012 to allow casual employees and temp contracts of 3 months or less to be able to opt in to the pension scheme. The rules under LGPS do not allow us to operate an additional / other pension scheme.

2. Who will be eligible for automatic enrolment?

From 1st January 2014 we will be required to enrol “eligible jobholders” automatically into a qualifying pension scheme (where they are not already a member of such a scheme)

An eligible jobholder is a person :-

- a) Working or ordinarily working in the uk
- b) At least 22 years of age and below state pension age, and
- c) To whom earnings of more than £9440 pa / £786.67 per month are being paid (2013/14 rates)

Other workers will be eligible to opt into the LGPS scheme.

NB: Office holders ie Councillors are excluded.

3. Who can opt out?

SCC have confirmed that we will operate the LGPS scheme as we do currently – everyone who has contracted hours is automatically put into the scheme unless they opt out within the NEW “opting out” window (see below opting out)

If however an employee is under the earnings trigger and opts out under LGPS and then subsequently become entitled to auto enrolment under the pension reform rules if it's the first time they hit the earnings trigger, they will have to be auto enrolled under pension reform rules. This is only the case though if it is the first time they hit the earnings trigger, if they had previously hit the earnings trigger when they opted out this would not apply. This will need careful monitoring each month via the payroll system.

In order to monitor auto enrolment correctly there will be additional work within Payroll and HR on a monthly basis and to very tight timescales as all correspondence needs to be sent to all new starters and each employee in a new category in a timely manner in order for the assessment to take place. The assessment can only take place once all the monthly input has been completed. Once the assessment has been completed, payroll will then have to auto enrol, manage opt outs, manage refunds and only once this has all been done can the payroll then be run.

Additional work will also occur as if an employee is auto enrolled and subsequently opts out within the opt out period, a refund of contributions will have to be made via the payroll which will mean reversing and refunding any pension payment, ensuring the payroll records are correct and notifying Staffordshire County Council.

4. Opting out

Within one month of being automatically enrolled into the pension scheme or 1 month after receiving the statutory auto-enrolment information, whichever is the later, individuals will be able to opt out of the scheme and receive a refund of their contributions. Where an employee wants to leave a scheme after the end of the one month statutory opt out period they can do so in accordance with the normal LGPS rules.

NB: This will create additional work for Payroll and need careful monitoring as the new opt outs are only valid within certain dates i.e. opt out window is one month after their start date or one month after they receive the relevant information whichever is the latest date and these dates will be individual for each employee. In order to be able to manage this effectively we will require all employee's to return signed and dated when they received the pension information. If however we do not receive this information back we will have to use the date of one month after the start date.

Employers **MUST** still re-enrol eligible workers who opt out or leave the scheme every 3 years, but if an employee has opted out in the last 12 months they are not re-enrolled until the following 3 years auto enrolment.

5. Assessing the workforce

Prior to our staging date and also on our staging date we must assess:

- All workers who have a contract of employment or a contract to perform services personally (excludes office holders ie Councillors)
- **Any self employed person we currently pay via creditors.** All self employed contracts paid via creditors will need to be checked and assessed to see if they fall under the above for pension reform auto enrolment.
- Those who receive election payments - if they hit the age and earnings trigger, they will be automatically enrolled.

- Anyone else we pay as individuals in whatever capacity.

We must also make decisions on how we will treat multiple contracts – LGPS state that those employees with two or more separate contracts will be treated as two separate people for pension purposes, i.e. earnings not together even if aggregated on payroll for tax and nic. In the past TBC has issued multiple contracts where work is broken down into specific sections e.g. cleaning for different locations. In the future TBC will only issue separate contracts where the work is substantively different and from a different cost centre.

6. Categories of Workers

Workers will fall into one of three categories

- a) eligible jobholder – auto enrolled
- b) non eligible jobholder – can choose to opt into a qualifying scheme
- c) Entitled workers – have a right to join a pension scheme but no ERS contributions – N/A to LGPS though. Employers pension will have to be paid on all employees but this category still has the right to opt in.

Which category a worker falls into will generally be determined by their age and level of earnings. Tamworth Borough Council will need to assess earnings on a pro rata basis in EVERY PAY reference period.

If a worker's earnings (especially casuals) exceed the earnings trigger during a pay reference period, they will need to be auto enrolled into the pension scheme, provide they meet the other eligible criteria, unless they have previously opted out within the opting out window.

This will be the case even if it results from a one off pay spike (i.e. backpay or bonus, overtime or casual hours claim forms) Care if 2 claims submitted in 1 month, it is treated as when paid and not what period worked so would be classed as 1 month.

Tamworth Borough Council will be required to enrol all eligible workers automatically into a qualifying scheme within one month of the worker becoming eligible.

Tamworth Borough Council will also be required to provide certain information to workers within one month of enrolment, including information about the pension scheme and their right to "opt out". Non eligible workers must be given basic information about the opportunity to opt into the pension scheme.

The payroll system will need to be updated to support us in complying with our new duties in monitoring workers eligibility and earnings levels and there may be an additional cost for this. Our current provider will be supporting the pension auto enrolment procedure.

As each employer may use different qualifying earnings the payroll system will need updating to take into account our own requirements.

7. Qualifying earnings

Qualifying earnings is reference to earnings made up of the following components of pay that is due to be paid to the worker

- Salary (we can include any pay elements that we class as “salary” please see appendix 1 attached for full list we intend to use
- Wages
- Commission
- Bonuses
- Overtime (elements 410, 410a, 411, 411a, 412, 412a)
- Statutory sick pay
- Statutory maternity pay
- Ordinary or additional statutory paternity pay
- Statutory adoption pay

It will not include:

- Essential Car lump sum payments as we do not class this as salary
- Mileage
- Telephone Allowance
- Expenses
- Payroll giving
- First Aid allowance

8. Compliance

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.

If contributions are NOT collected and paid over within 3 months of due date, the EMPLOYER can be made to pay all contributions (employees & employers). This should not impact on Tamworth Borough Council as the pension contributions are paid over each month to Staffordshire County Council.

The pension regulator has powers to impose penalties for non-compliance.

9. Transitional delay

For eligible employees who have already opted out at out staging date, Tamworth Borough Council can opt to use transitional delay which means we can delay auto enrolment until Oct 17 for this group of employees at Tamworth's staging date of 1st January 2014. Tamworth Borough Council will issue them with a letter stating that we will not be auto enrolling them until Oct 17 so as to keep the costs of ERS pension (currently 19.6%) down for this group of employee's until Oct 17. **This approach is recommended.**

Note: There are currently 72 employees who have opted out of the pension scheme, of which 14 of these have earnings under the qualifying earnings amount.

10. Postponement

Tamworth Borough Council has the additional flexibility to choose to postpone automatic enrolment for a period of up to three months (calendar months). To exercise that choice, workers must be issued with a postponement notice. Postponement can only be used for a worker on certain dates:-

- a) 1st January 2014
- b) The first date of employment
- c) The date a worker meets the criteria to be an eligible jobholder after the 1st January 2014

The deadline for issuing the postponement notice is one month following the day after the date from which you wish to use postponement. If the notice is not issued, postponement can not be applied.

This flexibility means an employer could use postponement to :-

- a) smooth the process of staging eg auto enrol groups of workers at different points in the three month period (to save having to enrol everyone at the same time)
- b) Align auto enrolment with their existing payroll processes eg to avoid calculations of contributions on part period earnings or to maximise the amount of the opt out period that falls before payroll is run.

We can choose to use postponement in respect of one worker, some Worker's or all of their workforce.

We recommend the use of postponement for :

- Temporary contracts of 3 months or less

Deferral date for postponement

The deferral date is the last day of the postponement period. It is the date on which they must assess the worker and it must be included in the postponement notice.

11. Safeguarding individuals

TBC duties start July 12.

Employers must not take or fail to take action that results in either:-

- a) The jobholder ceasing to be an active member of the scheme
- b) The scheme ceasing to be a qualifying scheme

If either of the above should happen the employer must auto enrol the Employee.

An employer can not treat workers unfairly related to employer duties ie deny promotion or training because the employee has not opted out of the pension.

12. Communication to employees is key to this process

We will need to start planning when and how we will communicate with our workforce. For staff who have not previously participated in the pension scheme, it is particularly important they appreciate the benefits of joining a scheme and the need to save for retirement.

It is critical that communication be compliant ie the literature **MUST NOT** in any way encourage or induce a member to opt out of the pension scheme.

Expected Actions

- a) SCC to issue template letters for authorities to use
- b) At staging date TB must write to all employee's currently in the pension scheme to tell them about the scheme, that it's a good scheme and where more info about the scheme can be found.
- c) Send information to eligible jobholders each month
- d) Send information to non eligible jobholders each month
- e) Send information to entitled workers each month
- f) Send information for "transitional delay" employees
- g) Send information for "postponement" employees

13. Lifetime Allowance implications

Any employee's who have registered with HMRC for enhanced or fixed protection (which essentially enables them to save more towards a pension before the lifetime allowance charge bites- are effectively prevented from accruing any further pension benefits under registered pensions schemes.

However these individuals are not excluded from the auto-enrolment regime. Therefore their employers will be required to enrol them automatically into a pension scheme when the new legal requirements take affect. Although they will have the right to opt out within the first month, if they do not they will certainly lose their protection and could face a significantly higher tax bill than they were expecting when they take their benefits. HMRC plan to take a strict approach on this issue. Therefore this issue will be raised in employee communications with reference to the ability to opt out if the employee wishes to maintain their tax protection.

14. Additional information to be sent to SCC

- Name, gender, DOB, NI number
- Home address and works address
- Email – work and home if known
- Automatic enrolment date
- Gross earnings in pay ref period
- Ee & er cont as % of amount of pen pay or qualifying earnings

Records must be kept for six years but SCC advise to keep electronically indefinitely in case of disputes later on down the line.

Appendix 1

Elements to be included for Qualifying Earnings :-

- 1) Basic pay
- 2) Honorarium
- 3) Statutory sick pay
- 4) Statutory maternity pay
- 5) Overtime plain time
- 6) Overtime time half
- 7) Overtime double time
- 8) Occupational maternity pay
- 9) Returning officer fees
- 10) Standby overtime
- 11) Holiday pay
- 12) JE call out overtime
- 13) Unpaid leave
- 14) Occupational sick pay
- 15) Statutory paternity pay
- 16) Occupational paternity pay
- 17) Childcare voucher salary sacrifice
- 18) Cycle to work salary sacrifice
- 19) Casual P/T hrs (pensionable)
- 20) Casual holiday pay
- 21) JE call out payment
- 22) JE standby (week)
- 23) JE standby (weekend)
- 24) Market supplement
- 25) Special Licence
- 26) Shift allowance (10%)
- 27) Shift allowance (15%)
- 28) Responsibility allows
- 29) Deputy Register of Elector payment
- 30) Mayor driver hour's
- 31) Protection (10%)
- 32) Sleeping in allowance

Will not include the following elements

- 1) Essential car lump sum payments
- 2) Mileage
- 3) Telephone allowance
- 4) Expenses

- 5) Payroll giving
- 6) First aid allowance

Equality Impact Assessment

Is this a new or existing policy?	NEW		
1. Briefly describe the aims, objectives and purpose of the policy?	To ensure TBC fulfils its aims for statutory automatic enrolment. To ensure all eligible workers are automatically entered into the LGPS pension scheme.		
2. Are there any associated policy/ procedure/ practice which should be considered whilst carrying out this equality impact assessment?	LGPS pension regulations TBC policies associated with pension regulations.		
3. Who is intended to benefit from this policy and in what way?	All eligible employees will have a right to be in our pension scheme		
4. What are the desired outcomes from this policy?	That all employees have access to a pension for when they retire		
5. What factors/ forces could contribute/ detract from the outcomes?	Cost of deductions to individuals on limited incomes Complexity of administering the scheme Failure to include all eligible employees		
6. Who are the main stakeholders in relation to the policy?	Employees, trade unions, DWP, LGPS		
7. Which individuals/ groups have been/ will be consulted with on this policy?	Trade unions and LGPS		
8. Are there concerns that the policy <u>could</u> have a differential impact on racial groups?		N	Please explain
9. Are there concerns that the policy/ procedure/ practice <u>could</u> have a differential impact due to gender?	Y		Higher proportion of female staff are part time and take work breaks (associated with maternity) which could have an adverse effect on their pension.
10. Are there concerns that the policy <u>could</u> have a differential impact due to them being transgender or transsexual?		N	Please explain
11. Are there concerns that the policy <u>could</u> have a differential impact due to disability?	Y		Staff with disability may require ill-health retirement or work less hours due to their disability which will bring them below the threshold
12. Are there concerns that the policy <u>could</u> have a differential impact due to sexual orientation?		N	Please explain
13. Are there concerns that the policy <u>could</u> have a differential impact due to age?	Y		Eligible employees must be between 22years old up to state pension age
14. Are there concerns that the policy <u>could</u> have a differential impact due to religious belief?		N	Please explain
15. Are there concerns that the policy <u>could</u> have a differential impact on Gypsies/ Travellers?		N	Please explain
16. Are there concerns that the policy <u>could</u> have a differential	Y		As 9 above and 20 as below

impact due to dependant/caring responsibilities?			
17. Are there concerns that the policy <u>could</u> have a differential impact due to them having an offending past?		N	Please explain
18. Are there concerns that the policy could have an impact on children or vulnerable adults?	Y		Stress related to having to opt-out of the pension fund at frequent intervals
19. Does any of the differential impact identified cut across the equality strands (e.g. elder BME groups)?		N	Please explain
20. Could the differential impact identified in 8 – 19 amount to there being the potential for adverse impact in this policy/ procedure/ practice?		N	Part time workers could be disadvantaged from accessing benefits due to multiple contracts rather than aggregated roles. Policy has recommended aggregation to overcome.
21. Can this adverse impact be justified: <ul style="list-style-type: none"> • on the grounds of promoting equality of opportunity for one group? • For any other reason? 	Y		Application of Statutory guidance
22. As a result of carrying out the equality impact assessment is there a requirement for further consultation?	Y		Please explain
23. As a result of this EIA should this policy be recommended for implementation in it's current state?	Y	N	Please explain

PLEASE COMPLETE THE FOLLOWING ACTION PLAN FOR ALL IMPACT ASSESSMENTS
Equality Impact Assessment Action Plan

Complete the action plan demonstrating the changes required in order to meet TBC's commitment to equality and diversity. The action plan must contain monitoring arrangements, the publishing of results and the review period required for this policy.

ACTION/ ACTIVITY	RESPONSIBILITY	TARGET	PROGRESS
Monitoring arrangements:		Data collected quarterly	
Publication:			
Review Period:		Reviewed 12 monthly unless otherwise stated	

End of Document