

AGENDA ITEM NO:

CONTROLLED

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER MEETING

COUNCIL SERVICES

2 November 2015

Report of the Strategic Director of Corporate Resources

Auto-Enrolment of Employees into Pension Scheme

1 Purpose of the Report

To ask the Cabinet Member to approve an adjustment to the Council's policy for the auto-enrolment of employees into the appropriate pension scheme and agree a date for the first automatic re-enrolment exercise.

2 Information and Analysis

The Council's application of Auto Enrolment

The Council's auto-enrolment duties emerged from the Pensions Act 2008 which requires employers to automatically enrol employees who meet a defined set of criteria into their relevant pension scheme. Council employees are eligible for the Local Government Pension Scheme, Teachers' Pension Scheme or NHS Pension Scheme dependent on their role. Employers were allocated a "staging date" from when their auto-enrolment duties commenced.

At its meeting on 27 November 2012 Cabinet approved a plan for meeting the Council's duties as an employer for the implementation of auto-enrolment from its allocated "go live" staging date of 1 February 2013.

Cabinet gave approval to:

- i. postpone the application of the Council's auto-enrolment duties until 1 April 2013.
- ii. apply a transitional delay period for existing eligible jobholders until 1 October 2017.
- iii. base auto-enrolment for casual and relief employees on their level of earnings on a rolling three month average from April 2013.

The transitional delay option enabled the Council to delay its auto enrolment duties for employees who met the criteria as an eligible jobholder at the staging date.

At present an employee is an eligible jobholder if they;

- Work in the UK.
- Are aged between 22 and their State Pension Age.
- Earn £10,000 + per year.

Where an employee has more than one post with the Council, the earnings from each are considered separately, rather than aggregated, for the purpose of determining if they are an eligible jobholder in each post.

This group of employees were all written to and provided with the opportunity at the time, and retain the right at any time, to join their eligible pension scheme. The Council is not required to auto-enrol these employees into the pension scheme until 1 October 2017 if they meet eligible jobholder criteria, or the first date thereafter on which they do.

Casual and Relief Employees

Since the commencement of its auto-enrolment duties in 2013, casual and relief employees have been considered for eligible jobholder status noting their level of earnings on a rolling three month average.

This was deemed a fair and reasonable test to determine if the employee's earnings were consistent over a 3 month period. However, The Pensions Regulator allows the employer to postpone its auto-enrolment duties for up to 3 months from the date on which the employee meets the criteria for an "eligible jobholder". If they still meet the "eligible jobholder" criteria on the last day of the postponement period they have to be auto-enrolled immediately. A further postponement cannot be applied at that point.

Whilst this makes no material difference, the Cabinet Member is nevertheless asked to approve a minor change to the Council's application of auto-enrolment to meet the conditions set by the Regulator.

It is proposed that the three month rolling average condition for casual and relief employees is replaced with a formal postponement of auto-enrolment for 3 months and that the employee is entered into the pension scheme on the first occasion they meet the criteria of an eligible jobholder after the last day of the postponement period.

Automatic Re-enrolment

Employers are required to repeat auto-enrolment for the workforce on the third anniversary of the staging date. However, the option exists to adjust the re-enrolment date for up to three months either side of the anniversary date. As the Council's staging date was 1 February 2013, the re-enrolment date can be in the 6 month period from 1 November 2015 to 30 April 2016.

Employees to whom the transitional delay was applied at the staging date will not be re-enrolled into the pension scheme on this occasion as the period of transitional delay does not cease until 1 October 2017. This will, therefore, reduce the number of employees who will be auto-enrolled at the first re-enrolment date to those who meet the eligible jobholder criteria at that date and;

- were in post on the staging date, but not classed as eligible jobholders at that time
- have started in post since the staging date and are not in the pension scheme

Employees retain the right to opt-out of the pension scheme if they have been auto-enrolled. Pension scheme rules allow that employees who opt-out within 3 months of being auto-enrolled are entitled to a refund of any pension contributions they have paid since being entered into the scheme.

To avoid the re-enrolment exercise coinciding with other end of financial year requirements, including the SAP system change freeze, preparation for new financial year legislative changes and end of year closure tasks, it is proposed that the Cabinet Member approves the first auto re-enrolment date as 1 February 2016. Employees will be advised in writing in advance of their auto-enrolment.

3 Financial Considerations

Casual/Relief Employees' Auto-Enrolment

An assessment of data from the casual/relief employees' pay in May, June and July found that there were 52 cases which met the auto-enrolment criteria over the present 3 months rolling average. Reviewing the same data, this figure increased to 59 when considering the proposed method of formal postponement for 3 months.

The impact on employer costs cannot be confirmed as it will be dependent on levels of pay after auto-enrolment and whether employees decide to opt-out of the pension scheme.

The first automatic re-enrolment date

An assessment of contracted employees who would be auto-enrolled on the first re-enrolment date has found that, based on present data, approximately 163 employees would be automatically entered into their pension scheme.

This does not include employees for whom auto-enrolment was “transitionally delayed” until 1st October 2017, nor employees who have opted-out within 12 months of the Council’s automatic re-enrolment date.

It is estimated that the overall cost in employer contributions to the relevant pension scheme if all 163 employees remain in the scheme would be approximately £280,000 per year, based upon an average salary of £17,500 and contract of 18.5 hours/week. However, it is anticipated that some will decide to opt-out upon being auto-enrolled.

Since the Council’s staging date in February 2013, a total of 611 elections to opt-out of the pension schemes have been processed, however, it should be noted that this total will include

- employees who have made multiple elections because they hold more than one post
- employees who have been contractually enrolled into the pension scheme, but are not classed as eligible jobholders due to their low earnings levels (note – this will include a large proportion of part-time and supply teachers, and other TPS eligible workers who are all contractually enrolled upon commencement)
- employees who have since left the Council’s employment

4 HR Considerations

The Trade Unions will be notified of the proposed changes through the Corporate Joint Committee and the relevant Workstream.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality of opportunity; and legal, financial, environmental, health, respect for human rights, transport and property considerations.

6 Background Papers

Files held by the Director of HR.

7 Key Decisions

No

8 Call-In

Is it required that call-in be waived in respect of the decisions proposed in the report? No

8 Officer's Recommendation

That the Cabinet Member approves;

- i. That the three month rolling average condition for auto-enrolment is replaced for casual and relief employees and that they should have their auto-enrolment formally postponed for three months at the date they initially become an eligible jobholder, and be auto-enrolled into the pension scheme on the first occasion they are classed as an eligible jobholder after the end of the postponement period.
- ii. That the first auto re-enrolment date will be 1 February 2016.

**JUDITH GREENHALGH
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