

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEETING**

**27 November 2012**

**Joint Report of the Director of HR and Director of Finance**

**AUTO ENROLMENT INTO THE PENSION SCHEME**

**(Finance and Management)**

**1. Purpose of the Report**

To approve arrangements for the introduction of auto-enrolment of Council employees into an appropriate Pension Scheme effective from 1 April 2013.

**2. Information and Analysis**

The Pensions Act 2008 requires employers to comply with new pension duties which are being introduced in stages from 1 October 2012. All employers have been allocated a “staging date” from which the duties will first apply to the employer. For the County Council, the staging date is due to be 1 February 2013.

From this date, the Council will be required to automatically enrol employees who meet a set of defined criteria into a relevant pension scheme. For the purposes of the Council this is:

- The Local Government Pension Scheme (LGPS),
- The Teachers’ Pension Scheme or
- The National Health Pension Scheme.

The new duties mean that certain employees (known as eligible jobholders) will be automatically enrolled into the appropriate Pension scheme with the right to opt out. The process is repeated every three years whereby eligible employees who are not contributing to the scheme are auto-enrolled. An eligible jobholder is a worker:

- \* Who is working in Great Britain.
- \* Who is aged at least 22 and below State Pension Age.
- \* Who has annual gross pay in excess of £8,105 in any pay reference period.

If an employee has two or more jobs with the Council then the earnings from each are treated separately, rather than aggregated, for the purposes of determining the category of worker.

### **Staging Date**

Whilst the Council's staging date is 1 February 2013, there is provision to postpone auto-enrolment for a period of up to three months. For the Council it is considered appropriate to postpone the introduction until 1 April 2013 for the following reasons:-

- It is administratively sensible for the introduction not to cross financial years – refunding contributions relating to previous financial year complicates the 'year-end' process, eg tax and NI.
- The SAP system is being re-configured by SAP to comply with the new regulations. Going live on 1 April provides an additional two months for the Council's system to be thoroughly tested and allows more time to communicate with affected employees.

### **Transitional Delay**

In addition, the Council can choose to apply a "Transitional Delay" period in order to delay automatic enrolment for existing "eligible jobholders" who are not currently pension scheme members until 1 October 2017. These employees will previously have had the opportunity to join a scheme and have pro-actively chosen not to join. The Council will nevertheless have to write to them providing the option for them to join.

The benefits of applying the "Transitional Delay" period are that any increase in employer's contributions as a result of auto-enrolment will be deferred and administratively there will be a time and resource saving in not auto enrolling in the region of 1,700 existing employees. It has been estimated that as a worst case scenario, an additional £3 million would be required in the event of all eligible employees being auto-enrolled and not then withdrawing.

For these reasons it is recommended that the Council applies the transitional delay period for existing eligible jobholders until 1 October 2017.

## **Variable Earnings**

The regulations present a challenge for employers in respect of employees who have variable pay (casual and relief employees) in that it is difficult to ascertain an accurate level of earnings within the first month's employment.

However, the Council can postpone auto-enrolment for a period of up to 3 months following appointment of any employee who, due to their earnings in any pay reference period, appears to meet the eligible jobholder (EJH) criteria. This will reduce the number of times that the Council will be required to write to individuals who have variable pay and who may activate the eligible job holder "trigger". It is proposed that the Council will auto enrol employees where the preceding three months' salary indicates that they will be likely to exceed the £8,105 threshold commencing April 2013.

## **3. Financial Considerations**

It is not possible to quantify the level of any increase in employer's contributions to the pension fund as a result of auto-enrolment as this is entirely dependent upon the level of participation. Scrutiny of the SAP system indicates that there are in the region of 1,700 employees who are eligible to join a pension scheme but have chosen not to do so.

## **4. HR Considerations**

The trade unions will be consulted on these proposals via the Corporate Joint Committee. The report to Cabinet dated 24 July 2012 which approved a revised structure of the Pensions Section within Corporate Finance reflected the increased workload as a result of a number of issues including auto-enrolment.

## **5. Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

## **4. Key Decision**

No

## **5. Call-in**

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

## **6. Officers' Recommendation**

That Cabinet approves:-

- (a) The postponement of auto enrolment following the Council's staging date until 1 April 2013.
- (b) The application of a transitional delay period for existing eligible jobholders until 1 October 2017.
- (c) That auto-enrolment for casual and relief employees is based on their level of earnings on a rolling three month average commencing April 2013.

**Toni Compai**  
**Director of HR**

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**Director of Finance**