

**LOCAL GOVERNMENT PENSION SCHEME (LGPS) AUTO ENROLMENT –
OPTION ON TRANSITIONAL DELAY**

Submitted by: Executive Management Team

Portfolio: Finance and Resources

Purpose of the Report

To obtain the approval to implement 'Transitional Delay' in relation to automatic enrolment of existing employees into the Local Government Pension Scheme.

Recommendation

That the option to implement Transitional Delay on 1 November 2013 be approved.

1. **Background**

1.1 Auto Enrolment is a new law that has been introduced to help people save for their retirement. It requires employers to enrol workers who meet certain criteria into a qualifying workplace pension scheme (including the LGPS). Employers must enrol employees into a workplace pension scheme if they:

- are not already in one;
- earn over £9,440 a year (£787 a month) and
- are age 22 or over.

1.2 The Pension Regulator has scheduled 1 November 2013 as the date Newcastle Borough Council is to commence Auto Enrolment of new employees who meet the above criteria. However, the council is able to delay automatically enrolling *existing* eligible jobholders into the LGPS until October 2017 by applying a 'Transitional Delay' option.

1.3 There are currently around 30 employees (excluding casuals) who will meet the automatic enrolment eligibility criteria but who are not currently contributing LGPS members. If it is decided not to implement the 'Transitional Delay', it will be necessary for these employees to be automatically enrolled into the LGPS on 1 November 2013. They would need to be notified that they can subsequently opt out if they wish but they must be enrolled initially.

1.4 The trade unions were briefed about the Transitional Delay option at a meeting with the Head of HR and the Chair of the Employees Consultative Committee (ECC) on 6 September. The matter was subsequently considered by the ECC on 16 September when the recommendation to implement Transitional Delay was endorsed.

2. **Issues**

2.1 The potential maximum cost in employers' pension contributions that could be incurred by the council for the period November 2013 to October 2017 in the event that all current eligible employees who are not LGPS members (excluding casuals) were automatically enrolled on 1 November 2013 *and none of these employees subsequently opted out*, is around £0.75 million. This amount could be higher as there may also be a number of eligible 'casual' employees who would need to be automatically enrolled on 1 November 2013 and who may then decide to stay in the Scheme.

- 2.2 In practice, the actual cost is likely to be very significantly lower, as the majority of employees who would be automatically enrolled may well choose to immediately opt out again. Although this would significantly reduce potential employer contribution costs, it should be borne in mind also that some admin resource would be need to be devoted to processing the enrolments and the subsequent opt-outs.
- 2.3 It should be noted that in the event that Transitional Delay is implemented, eligible employees will still be able to elect to join the LGPS at any time if they so wish. Whatever decision is made regarding 'Transitional Delay', the legislation requires us to write to all our employees to inform them about how Auto Enrolment (and if appropriate Transitional Delay) will affect them within one month of 1 November 2013.
- 2.4 Staffordshire County Council, who are the Administering Authority for the Staffordshire Local Government Pension Scheme, have already been required to implement Auto Enrolment and have exercised the option on Transitional Delay. It is understood that of the district councils in Staffordshire, three have already decided on implementing or are recommending implementation of Transitional Delay and all others are strongly considering implementing Transitional Delay.

3. **Legal and Statutory Implications**

- 3.1 The council is required by law to implement Auto Enrolment on 1 November 2013 and it is necessary for a decision on Transitional Delay to be made prior to this date and for employees to be notified in writing about whether/how Auto Enrolment/Transitional Delay will affect them and, if so, what options are available to them.

4. **Equality Impact Assessment**

- 4.1 The implementation and application of Auto Enrolment/Transitional Delay is defined by law and it is a requirement that the criteria are applied consistently to all employees.
- 4.2 All existing and all new employees at the Borough Council currently have a contractual right to opt to join the Local Government Pension Scheme at the start of their employment or at any time during their employment. This will not change and so it is considered that implementation of Transitional Delay would have no significant differential impact.

5. **Financial and Resource Implications**

- 5.1 The potential maximum cost to the council in employers' pension contributions of not applying Transitional Delay has been estimated at around £0.75m, although the amount could be higher as there may be a number of casual employees who, if automatically enrolled on 1 November 2013, then decide to stay in the Scheme.
- 5.2 However, the actual cost is likely to be much lower than this and will depend on how many existing employees who were automatically enrolled subsequently decided to 'opt-out' again.
- 5.3 If Transitional Delay is not implemented, there will be a resource demand on Payroll/HR staff in processing the automated enrolment of eligible existing staff and also in processing the subsequent 'opt-outs'.

6. **Major Risks**

- 6.1 None.