

## AGENDA ITEM No:



City of Westminster

# Superannuation Committee

<b>Date:</b>	<b>28<sup>th</sup> November 2012</b>
<b>Classification:</b>	<b>For Publication</b>
<b>Title:</b>	<b>LGPS Auto Enrolment</b>
<b>Report of:</b>	<b>Acting Director of Human Resources</b>
<b>Wards Involved:</b>	<b>Not Applicable</b>
<b>Policy Context:</b>	<b>LGPS Pension membership engagement.</b>
<b>Financial Summary:</b>	<b>There are some financial implications arising from this report in that if employees remain in the scheme when auto enrolled, there will be additional costs to the authority of employers contributions to the LGPS.</b>
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## 1. Summary

- 1.1 On a sequential basis from October 2012, employers are required by Government to enrol their employees into a workplace pension. There is provision for employees to subsequently decide to opt out if they choose to do so.
- 1.2 When an employer is scheduled to enrol depends on the size of the organisation. Very large employers are enrolling in late 2012 and early 2013; other smaller employers will follow; these employers have some discretion over the exact date.
- 1.3 This report outlines the proposed WCC strategy and the dates for enrolment implementation along with the outline rationale for these proposals.

## 2. Background

- 2.1 Auto enrolment legislation has been designed to encourage a retirement savings culture in the UK. This new legislation requires all employers to automatically enrol some or all members of their workforce (depending on age

and salary level) into a pension scheme that meets certain minimum standards.

- 2.2 Auto enrolment will be phased over 5 ½ years with the largest employers leading the way with the first staging date on 1 October 2012. Staging dates are staggered depending on the size of the employers PAYE. The Pensions Regulator has confirmed that the Westminster City Council staging date is 1<sup>st</sup> July 2013.
- 2.3 From July 2013 Westminster City Council has to:-
  - Enrol all new (non teacher) employees into the LGPS.
  - Enrol all (non teacher) employees who are not a member of the scheme but reach the age of 22
  - Enrol all (non teacher) employees who earn more than the rate of salary of £8105 per annum for the first time.
  - Enrol previous employees who declined joining the pension scheme.
  - Enrol teachers into the (Teachers Pensions Authority) TPA.
- 2.4 It is a requirement of the legislation that when employers auto enrol any employee they must not mention any option of how to opt out of the scheme. The Pensions Regulator has stated that this could be seen as an inducement not to join the scheme and would leave the employer vulnerable to a fine.
- 2.5 Under the Regulations the auto enrolment process must be repeated every three years.
- 2.6 Admitted bodies and Academies have the choice of what staging date they wish to use for auto enrolment.
- 2.7 The summer of 2013 is also when WCC will be carrying out parallel payroll runs with the new Managed Services HR and Payroll provider, and simultaneously it is pension fund valuation
- 2.8 There is a contingency within the legislation to delay auto enrolment if the pension scheme meets certain criteria (which the LGPS does), however if WCC applies for this dispensation the earliest it could then introduce auto enrolment would be 2017. The regulations do not allow a date to be selected before 2017 if 2013 is not met.
- 2.9 There is also no contingency within teachers' pensions; auto enrolment has to be in July 2013

### **3. Recommendation**

- 3.1 Despite the complexity of implementing auto enrolment simultaneously with the new payroll and the pension fund valuation it is recommended that Westminster City Council should implement auto enrolment in 2013.

### **4. Rationale and conditions**

- 4.1 The potential loss of income to the pension fund of not auto enrolling employees into schemes between 2013 and 2017 makes the delaying of auto enrolment a less attractive option.
- 4.2 July 2013 is also when the Pensions Administration contract expires. However to change providers simultaneously with the introduction of auto enrolment, the implementation of the new Managed Services payroll provider and pension fund valuation, it is considered would create an unacceptable level of risk to sound financial management and place a high level of strain on business resources.

Primarily for these reasons an extension to the current Pensions Administration contract for a period of one year is being explored.

## **5. Costs of auto enrolment**

- 5.1 The oracle payroll system has to be changed to incorporate Auto Enrolment and this along with publicity costs is provisionally estimated at £7000.