



<b>PENSIONS COMMITTEE</b> 26 March 2013	<b>REPORT</b>
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<b>Subject Heading:</b>	Automatic Enrolment implementation progress
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<b>Policy context:</b>	Pensions Act 2008 and 2011.
<b>Financial summary:</b>	The development of automatic enrolment is a cost to the employing bodies, there are no direct costs to the Pension Fund.  The costs for the employing body are being met from corporate resources.

**The subject matter of this report deals with the following Council Objectives**

- Clean, safe and green borough
- Excellence in education and learning
- Opportunities for all through economic, social and cultural activity
- Value and enhance the life of every individual
- High customer satisfaction and a stable council tax

**SUMMARY**

The report is to provide an update to the Committee of the progress in implementing the new pension reform legislation covering automatic enrolment.

## RECOMMENDATIONS

- 1 Members note the delay in the staging date.

## REPORT DETAIL

### 1 Background

- 1.1 Following the Government's acceptance of the Lord Hutton report on pensions reform, several initiatives have been instigated under Workplace Pensions Reform. The Pensions Regulator together with the Department of Work and Pensions are overseeing the changes to the Pensions Act 2011, which requires all employers to offer a pension scheme to their employees, to automatically enrol those who meet certain criteria on the employers **staging date**, monitor other employees to ascertain when they meet the set down criteria, and to re-enrol those who opt out of the scheme every 3 years.
- 1.2 The implementation date is being staggered across the country with the largest employers having to comply first. This staggering of the implementation is known as the "**staging date**". For Havering the staging date was due to be the 1 March 2013, however, legislation allows the council to postpone automatically enrolling workers who are not in a workplace pension scheme by up to 3 months from the staging date.
- 1.3 Decisions regarding registering with the Pension Regulator, triennial re-enrolment, delay to the staging date, deferring automatic-enrolment for casual workers, and charging for supporting external bodies are a matter for the Council as employer.

### 2 Staging Date Postponement

#### 2.1 System Preparation

- 2.1.1 The Council's Financial system (Oracle) has to be updated with a required legislative system patch to ensure it complies with the complexities of automatic enrolment, in identifying those employees meeting the necessary criteria and reporting accordingly. The patch was applied and tested to ensure the system could deliver the required outcomes. The testing did not provide assurance that the patch was delivering the required expected results, and a decision has been made to delay the **staging date** until 1 May 2013. This will ensure a smooth and efficient process.

## **2.2 Risks**

- 2.2.1 In order to deliver Automatic Enrolment and ensure the payroll system is fully operational the Council is totally reliant on the Oracle functionality. The Council is at significant risk if the Automatic Enrolment patch does not work. Work to date still leaves the risk of the system not working properly as high, which is concerning as the required staging date, 1 March 2013, has already been missed and the new staging date now clashes with the closure of accounts work, Real Time Information (RTI), further new Academies payrolls requiring set up, and period 1 budget monitoring for 2013/14 financial year. This is being closely managed.

## **2.3 Postponement Communications**

- 2.3.1 The legislatively required letter on the enrolment postponement is being issued through the most economically efficient method, using the global email system to reach corporate Council staff and the Pensions Administration employers database to reach school based staff.

## **3 Communications Plan**

- 3.1 The communications plan is in place and notifications to staff have started with items in recent Global news, the display of posters in line with the TV adverts, and an article for "Inside Havering" currently in progress.
- 3.2 Schools continue to be kept informed via emails sent to Head teachers for cascading to their staff. Academy schools, Foundation Schools, other scheduled and admitted bodies are mostly aware of their own staging dates.
- 3.3 The council has offered packages of assistance to all of its separate employers that pay contributions to either the Local Government Pension Scheme (LGPS) or the Teachers' Pension Scheme.
- 3.4 Employee road shows to raise awareness of automatic enrolment have commenced, which are being well attended and also give the opportunity to provide information on the current Local Government pension scheme and the proposed 2014 scheme. Arrangements are also under way to attend schools where requested to deliver this information.

## **4 Pensions Act - Other legislative changes**

- 4.1 To comply with the Pensions Act, effective from July 2012, the joiners form for the LGPS was re-designed to remove the opt out option which was included in the previous version of the form, and an "Opt Out form" was designed and loaded on to the pension website [www.yourpension.org.uk](http://www.yourpension.org.uk). This is to further comply with legislation.

- 4.2 As a consequence of the legislation, packs that are sent out to potential new staff to the authority were also amended to ensure the information given complied with the new legislation.
- 4.3 Finally, the legislation meant that the LGPS regulations had to be amended to allow casual employees the right to join the scheme should they so wish, as the legislation under automatic enrolment states that they WOULD have to be automatically enrolled if earnings in any pay period reached or exceeded £787, which is the earnings trigger.
- 4.4 All schools were alerted to this change in the pension scheme regulations and asked to cascade this to any relevant staff.
- 4.5 Work is progressing in drafting the letters that are required by law to go out to all staff following the delayed **staging date**, and again it is intended that the most efficient and cost effective method is used.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

This area of work is an employer responsibility and cannot be met by the Pension Fund. The project is over and above the services provided by Internal Shared Services and is not funded within ISS budgets. The costs of project managing the delivery of Automatic Enrolment, communications and training will be met from corporate Council budgets, although until the full final suite of letters is finalised these costs cannot be estimated. At all times the most effective and cost efficient methods of distribution will be utilised.

It should be noted that the Pension Regulator fines for non compliance or failure to deliver would be £10,000 per day for the Council. The Pension Regulator ascertains the numbers of people on each PAYE reference with HMRC in order to inform all employers of their staging dates, issues count down letters and has the powers to check on organisations for compliance. The level of fines are determined by the size of the employer.

The estimated level of impact on the Pension Fund if all eligible job holders from the London Borough of Havering remained in the LGPS would be additional contributions of £1.8m. The likely impact on authority and school budgets, on the assumption that 20% of those automatically enrolled remain in the LGPS is £365,000 per annum of additional payments to the fund with liabilities falling due at some future date.

The additional contributions reflect additional costs to the council through additional employer contributions which may not be met from existing budgets, however as services should budget in full for employee costs, this is probably a relatively low risk. The impact of additional employer pension contributions through increased scheme membership will have to be managed within existing budgets.

**Legal implications and risks:**

The Pensions Act 2011 requires employers to register with the Pension Regulator and automatically enrol eligible employees into a qualifying pension scheme where they are not currently a member. This task then needs to be repeated every 3 years. This imposes significant administrative burdens on the London Borough of Havering and has financial implications.

Failure to comply with the automatic enrolment regulations will expose the Council to the risk of fines imposed by the Pension Regulator.

**Human Resources implications and risks:**

There will be an on-going change in processes and procedures to ensure that the required legislation is delivered and built into working practices.

The delivery of Automatic Enrolment is a priority of the Council due to the legislative requirements, with a team of relevant experts ensuring delivery from within ISS and across the Council through the Automatic Enrolment Working Team. The information of who is eligible to be automatically enrolled in the Local Government Pension Scheme (LGPS) is identified from the HR and Payroll system, which will be updated by a system 'patch' to allow the system to deliver the legislative change. Robust system testing of the 'patch' will take place to ensure it delivers the expected outcomes.

**Equalities implications and risks:**

Since the Amendment Regulations, October 2012, all non-teaching employees have the right to join the LGPS. All non-teaching employees with a contract of 3 months or more are already automatically enrolled in the LGPS. All non-teaching employees with contracts of less than 3 months (including casuals) may now elect to join the LGPS.

**BACKGROUND PAPERS**

The Local Government Pension Scheme Regulations (various) and the Guidance notes issued with them.