

Corporate Policy and Strategy Committee

10.00am, Tuesday, 10 June 2014

Pension auto-enrolment update

Item number 7.7
Report number
Executive/routine
Wards

Executive summary

A report to the Corporate Policy and Strategy Committee on 22 January 2013 outlined legislative changes relating to pensions. To address these changes the Council implemented pension auto enrolment for all staff on 1 April 2013. To comply with the legislation the Council was required to upgrade the Council's HR/Payroll system, update employee terms and conditions of employment and review the HR & Payroll Service Centre business processes.

As a result of implementing the legislation, 112 employees have been auto-enrolled into one of our occupational pension schemes.

The financial cost to the Council in the financial year 2013/14 was £378,845. Provision of £270,000 was included in the Long-Term Financial Plan, with the additional cost contained within overall employee cost budgets.

Links

Coalition pledges P27
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Single Outcome Agreement

Pension auto-enrolment update

Recommendations

- 1.1 It is recommended that the Corporate Policy and Strategy Committee notes:
 - 1.1.1 the successful implementation of the pension legislative changes;
 - 1.1.2 112 Council employees were auto-enrolled in a Council occupational pension scheme in 2013/4; and
 - 1.1.3 initial costs associated with auto enrolment have been contained with budgets.

Background

- 2.1 The UK Government is concerned that many people will have insufficient income to support their retirement. Pension auto-enrolment is intended to encourage more people to save into a pension scheme to provide for their retirement.
- 2.2 Changes in legislation made it a requirement for employers to enrol all eligible staff in to a workplace pension. Eligibility depends on an individual's age and earnings in a pay period. Failure to comply would lead to significant fines being applied to the Council.
- 2.3 A report was submitted to the Corporate Policy and Strategy Committee on 22 January 2013 which noted the required actions for the Council to implement the legislative changes to pensions.
- 2.4 The Council implemented pension auto enrolment for all staff on 1 April 2013. A follow up report was to be provided on the necessary changes to systems, policies and processes and impact on the employer's contributions.

Main report

- 3.1 This report provides an update on the changes implemented by the Council to meet the legislative requirements of pension auto enrolment.
- 3.2 A working group was formed with a project sponsor and governance arrangements were put in place. A project manager and departmental contacts/champions were identified, and a communication plan was developed to progress pension auto enrolment.

System Developments

- 3.3 To implement pension auto enrolment, development work was required on the HR/Payroll system. Our third party supplier, MidlandHR, provided an updated solution to meet the legislation requirements. The upgrade was tested and applied prior to the implementation.

Policies and processes

- 3.4 A requirement of pension auto enrolment was to update employee terms and conditions of employment to reflect the pension changes. This has been delivered and covers all groups of staff, including casual workers.
- 3.5 The HR and Payroll Service Centre have reviewed and updated their internal business processes to ensure the Council is fully compliant with the new legislation.
- 3.6 As part of the process the Council adopted the use of the transitional period. This recognised the right of employees who had already opted out of the pension scheme to remain opted out and deferred automatic enrolment until 2017. These staff are excluded from the process but were written to explaining their rights, with the option to rejoin a pension scheme at any time.
- 3.7 The project was implemented as scheduled.

Measures of success

- 4.1 All staff were written to in April 2013 informing them about pension auto-enrolment, how this affected them and their rights going forward.
- 4.2 The Council registered with The Pension Regulator as an enrolled employer within the required 3 months from our implementation date.
- 4.3 The Council has fulfilled its legal obligation in implementing pension auto enrolment and ensured ongoing compliance.

Financial impact

- 5.1 The cost of implementing pension auto-enrolment excluding software costs was £28,642. This included staff costs and printing and postage charges.
- 5.2 The software cost of system changes included developments required for submitting submissions to HMRC known as Real Time Information (RTI). The costs cannot be broken down between pension auto-enrolment and RTI. The combined software costs were a one-off payment of £32,668 and ongoing costs of £17,647 per annum.
- 5.3 112 employees have been auto-enrolled into one of our occupational pension schemes in the financial year 2013/14. As a result, the additional employer contributions (pension less reduced NI contributions) were £279,558.

- 5.4 Annual staff costs of £20,300 will be incurred to administer the scheme requirements going forward.

Cost Overview

Costs:	One-off costs	Annual costs (ongoing)	Total
Implementation	£28,642		£28,642
Software costs	£32,668	£17,647	£50,315
Staff costs		£20,300	£20,300
Employer Contributions		£279,588	£279,588
Total Cost (up to 31 March 2014)	£61,310	£317,535	£378,845

The Long-Term Financial Plan (LTFP) initially included provision of £1.175million in 2013/14 in recognition of the estimated additional employer contribution. However, as the adoption of the transitional period will limit the liability in the medium-term, a lower provision of £0.27 million was retained in 2013/14, with the remainder deferred until 2017/18. The additional costs in 2013/14 have been met corporately and projected costs are anticipated to be being contained within future budgets.

Risk, policy, compliance and governance impact

- 6.1 Pension auto enrolment is a legislative requirement that the Council must comply with. Failure would result in significant penalties being imposed on the Council.

Equalities impact

- 7.1 There is no known equalities impact following this report

Sustainability impact

- 8.1 There is no known environmental impact following this report.

Consultation and engagement

9.1 None at this time.

Background reading/external references

[Pensions Auto-Enrolment](#), Corporate Policy and Strategy Committee, 22 January 2013

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Links

Coalition pledges	P27 - Seek to work in full partnership with Council staff and their representatives
Council outcomes	CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives CO27 - The Council supports, invests in and develops our people
Single Outcome Agreement	
Appendices	None