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## **AUTO ENROLMENT UPDATE**

**Report by Chief Financial Officer**

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## **PENSIONS FUND COMMITTEE**

**4 December 2013**

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### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides the Pension Fund Committee with an update on the implementation of the Auto Enrolment legislation for all Scheduled and Active Admitted Bodies.**
- 1.2 Although Scottish Borders Council, the largest employer within the Fund, opted for the transitional arrangements, there has been an increase in membership of the Fund as a direct result of communicating with all employees of the Council.
- 1.3 Final decisions on the route to be taken by other Scheduled and Active Admitted Bodies are still to be conveyed to the Fund.

### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Pension Fund Committee:-**
  - (a) Notes the positive impact communication with employees of Scottish Borders Council has had on membership of the Fund.**
  - (b) Notes further updates will be provided to Committee as and when further information becomes available from the other Scheduled and Active Admitted Bodies.**

### **3 BACKGROUND**

- 3.1 The Pensions Act 2011 introduced new Employer pension responsibilities effective from 1 October 2012. The legislation requires employers to automatically enrol certain employees into an eligible pension scheme and to contribute to that scheme.
- 3.2 The Local Government Pension Scheme (LGPS), administered by the Scottish Borders Council Pension Fund, is an eligible pension scheme.
- 3.3 Within the legislation, an employer can choose to apply the transitional period, thereby, allowing the employer to delay automatic enrolment, for existing employees at the staging date, until 30 September 2017. This option is only available where the employer provides a Defined Benefit pension scheme. The LGPS is a qualifying scheme for the transitional arrangements.
- 3.4 In addition to the transitional arrangements, an employer can use the postponement of automatic enrolment, sometimes referred to as a waiting period. Essentially, this postpones the requirement to assess the eligibility of the worker for a period of three months.
- 3.5 Communication with all employees is a key element to the auto enrolment legislation, in that "the duty is on the employer to provide the right information to the right individual, at the right time". The legislation requires that employees receive communications at various points, outlining how they are affected as individuals.

### **4 UPDATE**

- 4.1 Communications issued to all employees of Scottish Borders Council, following the Council's decision to use the transitional arrangements delaying auto Enrolment for existing employees to September 2017, has led to an increase in membership of the LGPS, through employees opting-in.
- 4.2 There have been 58 opting-in requests received from employees of Scottish Borders Council since the communications were issued. However, only 23 of those opting-in hold a post with contractual hours, the remaining 35 hold posts for Casual/Relief cover.

As a result of this there has been an increase in contributions being collected and remitted to the Fund. For the 23 with contractual hours the increased contributions for a full year are as follows: -

|                       |            |
|-----------------------|------------|
| Employee Contribution | £15,299.49 |
| Employer Contribution | £49,156.89 |
| Total Contribution    | £64,456.38 |

- 4.3 Representatives from the Pensions Administration Team met with Borders College colleagues, during August 2013, to discuss the implications of Auto Enrolment and provide them with initial advice. This has been followed up with the provision of additional advice, specifically on the transitional arrangements. We are waiting on confirmation from Borders College on the route that they are taking.
- 4.4 Contact will be made with the remaining employers over the coming months to offer advice and determine the options that they are taking with regard to Auto Enrolment. They have staging dates up to and including November 2014.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no direct financial implications of this report. However, it should be noted that there is an increase in contributions being passed to the Fund as detailed at 4.2 above, with the increased costs being met by Scottish Borders Council as the employer body.

### **5.2 Risk and Mitigations**

The impact of Auto Enrolment on scheme membership is a key consideration within the Pension Fund Risk Register, in terms of the make up of membership of the scheme. The impact of this legislation for all Scheduled and Active Admitted Bodies will be monitored over the coming months and included in progress reports to Committee on the Risk Register in accordance with the review timetable.

### **5.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report. It should also be recognised that an independent Equality Impact Assessment of the scheme has been carried out.

### **5.4 Acting Sustainably**

There are no significant effects on the economy, community or environment.

### **5.5 Carbon Management**

No effect on carbon emissions are anticipated from the recommendation of this report.

### **5.6 Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

### **5.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

- 6.1 The Head of Corporate Governance, the Head of Shared Services, the Head of Audit and Risk, HR Manager and the Clerk to the Council have been consulted and any comments have been incorporated into the report.

### Approved by

Chief Financial Officer

Signature

### Author(s)

| Name      | Designation and Contact Number          |
|-----------|---|
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**Background Papers:** Scottish Borders Pension Fund Risk Register

**Previous Minute Reference:** Scottish Borders Council 25 April 2013  
Pension Fund Committee 18 June 2013

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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