

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy and Resources
DATE	26 September 2013
ACTING DIRECTOR	Paul Fleming
TITLE OF REPORT	Auto-enrolment – Update Following Implementation
REPORT NUMBER:	CG/13/097

1. PURPOSE OF REPORT

The purpose of this report is to provide Committee with an update on the Auto-enrolment project following implementation at the Council's staging date on 1 April 2013, including information on the latest known costs.

2. RECOMMENDATION(S)

The Committee is requested to:

- a) Note the update on the Auto-enrolment project following implementation, including information on the latest known costs and instruct officers to continue to progress the remaining tasks in relation to auto-enrolment.
- b) Note that the Council is one of the few Scottish Local Authorities to have implemented auto-enrolment on schedule at the appointed staging date, demonstrating its genuine care for the financial wellbeing of its employees in their later years.

3. FINANCIAL IMPLICATIONS

The financial implications were detailed in the report to Committee on 8 March 2012, which were the likely incurrence of extra on-costs in the form of employer pension contributions as a result of more employees and workers being taken in, opting in or choosing to join one of the pension schemes. There were also to be some extra costs associated with implementation and maintenance of auto-enrolment e.g. system changes on Pse.

It was indicated in that report that there would be additional employer contribution costs associated with auto-enrolment, estimated at over £3million per annum if 100% of eligible employees remained in the

scheme following having been auto-enrolled. It mentioned that in preparing for financial year 2013/14, the draft budget to be presented to the Finance and Resources Committee in December 2012 would include a range of assumptions about cost movements, including the costs of auto-enrolment the Council may face, and make budgetary provision for these. It also indicated that in relation to auto-enrolment it had been projected that approximately one third of eligible employees would remain in the schemes and that this would be closely monitored during the year.

Now that auto-enrolment has been implemented at the Council's staging date, the following figures are available to report to Committee:-

- 880 eligible employees were auto-enrolled at the staging date
- 540 have so far decided to remain in one of the pension schemes
- 340 decided to opt out

Currently the actual percentage of employee opt outs of 39% is significantly below the assumed opt out level of 66%, meaning there will be a budget implication for the Council with more money having to be found to meet the extra employer pension contribution costs. The figures above were from information gathered up to July 2013. It is possible that there will be a small amount of opt outs submitted in the months ahead with some other employees deciding that they do not wish to remain in one of the pension schemes. There is also the possibility of some non eligible employees opting in or joining.

Based on the above information, as at July 2013, calculations show that there will be an additional cost in 2013/14 over and above the provision made in the 2013/14 budget. However these additional costs are reflected in service out-turns and will be accommodated within service budgets. The additional cost of auto-enrolment will be considered once again as part of PBB4 as the budgets are prepared for 2014/15 and beyond.

The system changes to Pse were developed in-house without incurring third party costs.

4. OTHER IMPLICATIONS

The need for monitoring and reviewing ongoing compliance with the legislative requirements and putting in place arrangements for re-enrolment every three years.

5. BACKGROUND/MAIN ISSUES

A report was submitted to the Corporate Policy and Performance Committee of 8 March 2012 on auto-enrolment providing background

information on this new statutory requirement concerned with auto-enrolling eligible employees into a 'qualifying' pension scheme. It gave a summary of the legislative requirements and the implications for the Council as well as the various actions that required to be undertaken prior to the staging date on 1 April 2013, to ensure compliance.

A further report was submitted to Committee on 29 November 2012 giving an update on the progress made towards implementation and asking for a decision on the application or otherwise of two provisions in the legislation namely the 'transitional period' and 'postponement', with the decisions having been not to apply the 'transitional period' and to apply 'postponement' as considered necessary.

The purpose of this third report is to provide Committee with a further update on the Auto-enrolment project following implementation at the Council's staging date on 1 April 2013, including information on the latest known costs.

Since the last report the following main tasks have now been carried out:

- Put in place arrangements for assessing the age and earnings of the workforce to determine eligibility for Auto-enrolment and processes for auto-enrolling, opting in and opting out of the pension schemes, with an electronic solution having been developed to achieve this.
- Put in place a solution to attach employees to the appropriate pension scheme and make the correct pension deductions.
- Undertaken appropriate communication with the workforce to meet specific auto-enrolment requirements, with all employees and workers having been issued with an appropriate letter depending on which category they were assessed as, and carried out corporate communications.
- Put in place arrangements to maintain accurate records in accordance with auto-enrolment requirements.
- Registered with The Pension Regulator following the staging date.

The main auto-enrolment arrangements have therefore been successfully implemented with legislative requirements met. Following the undertaking of benchmarking with other Scottish Local Authorities, findings show that the Council is one of the few to have implemented auto-enrolment on schedule at the appointed staging date, rather than applying the transitional arrangement which would have delayed implementation until 2017 for existing employees. This demonstrates the Council's genuine care for the financial wellbeing of its employees in their later years.

The following residual tasks that remain to be carried out include:

- Compilation of a re-enrolment process which will require to be applied every three years.
- To put in place arrangements for monitoring, reviewing and demonstrating ongoing compliance with the auto-enrolment regulations.

The project team will therefore continue to complete the above tasks at which point it will disband. Legislation requires that a re-enrolment exercise be carried out every 3 years with this to be undertaken in 2016. Re-enrolment will be a lesser task than what has been required to implement auto-enrolment but it is likely that there will be a need for a project team to be convened in the run up to 2016 to plan for this exercise.

6. IMPACT

The main potential impact is financial; cost to the Council will go up if more eligible employees remain in the pension schemes than was anticipated (which is the case at present) or if more non eligible employees choose to join. Current calculations, based on information at July 2013, indicate that the additional costs will be accommodated within service budgets.

An Equality and Human Rights Impact Assessment has been compiled in respect of the proposals in this report, with no negative equality implications identified.

7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS

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