1. PURPOSE

1.1 The purpose of the report is to provide members of the Joint Negotiating Committee (JNCT) with an update on the implementation of auto-enrolment under the Pensions Act 2008.

2. BACKGROUND

2.1 The UK Government has introduced legislation to reform pensions and as part of the pensions reform programme auto-enrolment and compulsory employer contributions will be introduced with effect from October 2012.

3. PENSIONS AUTO - ENROLMENT

3.1 As a result of the Pensions Act 2008, the UK Government are introducing pensions auto-enrolment as:

   - The government estimates that approx 7 million people are not saving at all for retirement or not saving enough;
   
   - Life expectancy is increasing – people will live longer in retirement and the size of their pension fund need to be greater to fund this;
   
   - The government may not be able to afford to keep state pensions at their current level in the longer term.

3.2 Auto-enrolment will mean workers being automatically enrolled into their employer’s qualifying pension scheme without any active decision on their part. The Scottish Teachers’ Superannuation Scheme is a qualifying scheme under auto-enrolment.

3.3 Although new duties come in from 1 October 2012, individual employers’ own duties will be introduced gradually over the following years and will be based on the size of the employer, typically by PAYE size. Each employer will be given a date from which the changes will have to be in place.
3.4 All eligible workers will be automatically enrolled throughout the UK by 2018 and the Council requires to auto-enrol its employees by its staging date of 1 April 2013.

3.5 Although the Council’s staging date is 1 April 2013, the Regulations set out Transitional Arrangements which allow an employer to choose to delay automatic enrolment. This is available only to employers who provide a Defined Benefit or hybrid pension scheme and can only be used in respect of eligible jobholders who meet certain conditions. The Transitional Arrangements allow postponement of the staging date until 30 September 2017.

3.6 Workers known as ‘eligible jobholders’ will need to be automatically enrolled into a pension scheme that meets a number of conditions based on the level of contributions paid or the benefits that they receive.

3.7 Eligible jobholders are workers who:
   - earn more than the minimum earnings threshold (£8,105 in 2012/13);
   - are aged between 22 and state pension age; and
   - work in the UK.

3.8 In addition to the eligible jobholder category of worker, the Regulations also define non-eligible jobholders and entitled workers. The defining characteristics of these categories of worker are:-

**Non-eligible jobholder**
- A non-eligible jobholder is someone who is not eligible for automatic enrolment as they do not meet the criteria set out at 4.5 above and is covered by either of the following set of circumstances:-
  - Is aged between 16 and 74
  - Is working or ordinarily works in the United Kingdom under their contract
  - Has qualifying earnings more than £5,564 but less than £8,105 payable by the employer in the relevant pay reference period but below the earnings trigger for automatic enrolment.

  OR

  - Is aged between 16 and 21, or state pensions age and 74
  - Is working or ordinarily works in the United Kingdom under their contract
  - Has qualifying earnings payable by the employer in the relevant pay reference period but below the earnings trigger for automatic enrolment.

Entitled workers are so called because they are entitled to join a pension scheme and who:-
- Are aged between 16 and 74
- Are working or ordinarily work in the United Kingdom under their contract
• Do not have qualifying earnings payable by the employer in the relevant pay reference period

3.9 Employers will also have an ongoing duty to maintain qualifying pension provision for workers who are already members of qualifying schemes or become members of such schemes.

3.10 Eligible jobholders can opt out of auto-enrolment, but they won't benefit from their employer's contribution or from the tax relief. Employees will only be able to opt out after they have automatically become a member. If they want to opt out, they will require to complete an opt-out form.

3.11 Employees currently can, if they so wish, join the Scottish Teachers' Superannuation Scheme which, as a final salary pension scheme, offers employees an excellent pension provision. Employees are encouraged by both the Council and the Trade Unions to join the Scottish Teachers' Superannuation Scheme.

3.12 Auto-enrolment will also affect Local Government Employees, Chief Officers and Craft Operatives and a similar report on auto-enrolment was submitted to the Central Joint Consultative Committee at their meeting on 30 August 2012.

3.13 A report is being submitted to Cabinet at its meeting on 10 October 2012 advising of the implication of auto-enrolment and seeking approval to utilise the provisions of Transitional Arrangements which are available to employers.

4. COMMUNICATIONS

4.1 A communications exercise will take place during the autumn to inform employees of auto-enrolment and that existing pension scheme members are already in a qualifying scheme. Employees will be advised of auto-enrolment via Ewords, Per Circular and messages in payslips.

5. FINANCIAL IMPLICATIONS

5.1 On the basis of the current membership profile of the total Council workforce, the financial implications of auto-enrolment are assessed at around £300,000 per annum. This could of course vary depending on the level of opt out from the Pension Schemes following enrolment.

6. POLICY/LEGAL IMPLICATIONS

6.1 The Council requires to put into place the necessary administrative arrangements to comply with the relevant Pension Regulations.
7. RISK MANAGEMENT IMPLICATIONS

7.1 There are no risk management implications.

8. COMMUNITY PLANNING IMPLICATIONS

8.1 There are no community planning implications

9. RECOMMENDATIONS

9.1 The Joint Negotiating Committee is asked to note the contents of this report.

Alexander McPhee          Graham Short
Executive Director of      Executive Director of Educational
Finance and Corporate Support and Social Services

LIST OF BACKGROUND PAPERS

Nil

Any person wishing further information should contact Martin Rose, Head of Human Resources (Telephone 01563 576092) or Alan Ward Acting Head of Service: Schools (Telephone 01563 576126).