Date: **05 May 2022**

Title: **Report Item 11 – Workplace Pension**

By: **K Larkin (Parish Clerk)**

Purpose: **To provide an update on the council's obligations**

Recommendations: **a) To note the report**
b) To resolve that two named officers are eligible for a workplace pension and that the council should make provision through the National Employment Savings Trust

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The council's obligations

1. All employers have a statutory duty to provide a pension scheme for staff who meet certain criteria set by the Pensions Regulator, and to automatically enrol them with the Pensions Regulator. Automatic enrolment is a continuous responsibility. Every three years the employer must carry out re-enrolment, and must even include any qualifying staff previously enrolled who have left the scheme (though they may choose to opt out again). EDFPC's next re-enrolment deadline is 23 September 2022. Staff must be enrolled if they are aged between 22 and state pension age, and they earn over £10,000 per year, or £833 per month. The council's Admin Officer entered this bracket from 1 April 2022 onwards. The parish clerk does not qualify for automatic enrolment. However, staff can ask to be enrolled if they are aged between 16 and 74 and earn at least £520 per month, and on this basis the parish clerk could ask to be provided with a pension. **The council is therefore obliged to provide a workplace pension for at least one member of staff from 1 April 2022 onwards.**

2. Any staff can choose to leave a workplace pension scheme after being put into one. If they do ask to leave within one month of being put into a scheme, this is known as opting out. If any of your staff opt out, you need to stop taking money out of their pay and arrange a full refund of what has been paid to date. This must happen within one month of their request.

East Sussex Pension Fund

3. The parish council has previously expressed an interest in joining the East Sussex Pension Fund. This Fund has been awarded the 2021 Local Government Pension Scheme (LGPS) Fund of the Year (assets over £2.5 billion) in the Local Authorities Pension Fund Investments Awards. The Fund was also highly commended for 'Best climate change strategy' reflecting the work they have done in this area. However, it is relatively expensive and perhaps unfeasibly so for a small parish.

4. The Pensions Regulator specifies that employee contributions must be at least 5% of salary, and employer contributions must be at least 3% of salary, but these are minimum contributions. The

actual amount the council and its staff members pay into a pension scheme will vary depending on which pension scheme and type of scheme is chosen. As East Sussex Pension Fund is a defined benefit pension scheme providing defined benefits, it needs to meet a statutory funding objective, which assesses the required levels of funding for a scheme (including employer contribution rates). More information on how East Sussex Pension Fund and Local Government Pension Scheme is run may be found here: https://www.lgpsmember.org/about-the-lgps/how-the-lgps-is-run/

5. The ESPF actually requires employees to pay 5.5% and the employer to pay 22.1%. In simple terms, as the employer contribution rate for parish councils is currently 22.1%, if a member earns £10,000 per year, then East Dean and Friston Parish Council as the employer would contribute £2,210 per year towards that member's pension. The member themselves would also contribute 5.5%, £550 per year. There are said to be no additional costs such as fees. Nevertheless, the scheme is considerable more costly than the minimum required by the Pensions Regulator.

National Employment Savings Trust

10. This is an alternative scheme the council may wish to consider. It was set up by the government to provide a compliant scheme for small employers. The joining criteria are the standard ones set out in paragraph 1 above. The minimum contribution required is 8% of qualifying earnings, shared between the employer and the employee. In the example given at https://www.nestpensions.org.uk/schemeweb/nest/my-nest-pension/contributions-and-fees.html , the employer pays 3%, the employee pays 4% and tax relief accounts for the other 1%. On this basis, the cost of employer contributions for the Admin Officer would be £303pa and the cost of contributions payable for the parish clerk would be £366pa. If both officers join the scheme, the total employer contributions could therefore be approx. £670pa for which there is no budget in the 2022/23 financial year.

11. Fees are payable to NEST. These charges are made up of two parts: (i) a contribution charge of 1.8% on each new contribution into your pot; and (ii) an annual management charge (AMC) of 0.3% on the total value of your pot each year. So if you paid £1,000 into your pot over the year, your contribution charge would be £18. If your pot was then worth £10,000, you'd pay an AMC of £30. The total charge would come to £48. That's just under 0.5% of the total value of their retirement pot.

Budgetary Implications

12. The council has no budget set aside for pension contributions in 2022/23. At the time the budget was set, there was no obligation to do so. However, it has since 1 April 2022 become mandatory for the council to offer a scheme to at least one employee, and the other would then wish to participate. The cost to the council of £670pa would therefore need to be paid from reserves in the first year.