

## **LITTLE MILTON PARISH COUNCIL**

### **PROVISION OF PENSIONS TO EMPLOYEES**

#### **Introduction**

Historically, the council has not had to provide a pension for its employees, which, to date, has just been the parish clerk. The current clerk has not sought any pension provision. In the future, the role of parish clerk and editor of the newsletter may be split, at which point the council would have 2 employees.

Auto-enrolment into pension schemes has now been introduced and the council is required to take action. Our so-called staging date from which the new rules apply is 1 April 2017.

#### **Eligibility**

- An employee is entitled to be auto-enrolled in a qualifying pension scheme if their annual earnings are over £10,000 per annum.
- They have the right to opt into a scheme if their annual earnings are £5824 to £10,000.
- They have the right to join a pension scheme if their annual earnings are below £5824.

The latter situation currently applies to employees of Little Milton Parish Council. The government may reduce the thresholds in the future. If such an employee exercises their right to join, the employer must provide a pension scheme for that employee, but is not obliged to make employer contributions.

#### **Qualifying Pension**

Historically parish councils were obliged to offer the Local Government Pension Scheme (LGPS). This scheme is expensive for employers as they are obliged to make employer's contribution in any event. Currently the employee pays about one third of the scheme's cost; the employer pays two thirds. The amount required to be input by the employer varies with investment performance but would currently add about 11% to the employer's costs above salary.

Parish councils are no longer obliged to use the LGPS and can seek another provider of a qualifying pension. The market place is, apparently, full of 'snake oil salesmen' who are keen to get people to sign up businesses to their pension scheme. A safe option would be to go for the state-run NEST (National Employment Savings Trust) which is free for employers to use (although above thresholds employers have to make contributions to an employee's pension, currently a maximum of 3%). NEST can be administered on-line.

#### **Advice to current employee**

Around the staging date, (1 Apr 2017), we will need to write to our employee stating that we are offering a work place pension and that the employee can join if they so wish. NEST provide a template letter to assist with this action.

**Provision for future employees**

We will need to advise any future employees of their rights and their options, and be