

Item 13: Pension Scheme

Meeting: Full Council on 25 September 2025

Motion: To agree on the council's pension provider and level of employer contributions.

Author: Clerk to the Council

Summary

The Government requires employers to automatically enrol eligible employees into a workplace pension scheme and make contributions. One employee has now earned above the enrolment threshold and does not intend to opt out, so the council must set up a pension scheme without delay.

Declaration of Interest

The author of this report is also the employee who is eligible for automatic enrolment.

Automatic enrolment duties

All employers have automatic enrolment duties. Earnings for automatic enrolment are assessed every pay period. If employees are paid monthly, they trigger the earnings limit for automatic enrolment if they are paid more than £833 in a month (£10,000 divided by 12). This is the case even if they earn less than £10,000 in the whole year.

Employers can defer automatic enrolment for three months but can only do this once per employee. The employee recently exceeded the earnings threshold for a second time.

Options

Local Government Pension Scheme (LGPS):

The LGPS is a defined benefit pension scheme where members build up a pension each year based on a fraction of their salary (currently 1/49th) for that year. Joining involves high employer rates (currently 21% for parish and town councils in Warwickshire Pension Fund) and possible actuarial costs when joining or leaving the scheme. So it is not usually chosen by parish councils unless they are already members.

Master Trust Schemes

To support automatic enrolment, the Government and pension providers developed 'Master Trust' schemes, which offer low-cost pension arrangements for many employers within a single structure. Master Trusts are defined contribution schemes, often called money purchase schemes. They include:

- **NEST** (National Employment Savings Trust) was set up by the Government to provide a simple, low-cost, compliant pension for employers, especially small or new businesses.
- **Smart Pension, The People's Pension**, and similar schemes are commercial providers offering simple, flexible, and auto-enrolment-compliant schemes for employers.

NEST tends to be the default option for small employers because it has no set-up costs or ongoing fees for the employer, although support is limited and the online platform is clunky.

Comparison: <https://getpenfold.com/employer-tools/best-uk-workplace-pension-providers>

Contribution levels

The legal total minimum pension contribution is 8% of 'qualifying earnings' of which the employer must pay at least 3%.

While the legal minimum ensures statutory compliance, contributions at this level are unlikely to provide a comfortable retirement. Some councils choose to pay above the minimum in order to help staff build a more secure retirement, which may support staff recruitment and retention, and reflects good employment practice.

The [Pension Quality Mark](#) sets contributions benchmarks which are:

- 12% of pensionable pay for PQM with at least 6% from the employer,
- 15% of pensionable pay for PQM Plus with at least 10% from the employer.

Pensionable pay must be clearly defined. The two most common methods are 'qualifying earnings' and total earnings. Qualifying earnings (the legal minimum) is based on the portion of an employee's total earnings that fall within a specific band, currently £6,240 to £50,270 per year before tax. Total earnings includes all employee payments - including basic salary, overtime and statutory payments - except expenses.

Financial implications:

Illustration of employer cost per month for an employee earning £833 per month.

Basis of Contribution	3% Employer	6% Employer
Qualifying earnings	£ 9.39	£ 18.78
Total earnings	£ 24.99	£ 49.98

At 3% of qualifying earnings, the annual employer cost would be around £113; at 6% of total earnings, around £600. The budget can accommodate either of these levels.

Further advice

Guidance on whether to seek professional advice is mixed. NALC recommends that councils obtain professional advice which makes sense if the council is contemplating joining the LGPS, due to potential actuarial costs, employer liabilities, and complex rules. The Society of Local Council Clerks (SLCC), however, does not consider that advice is necessary, which makes sense in the context of low-cost, low-risk Master Trust schemes. Councillors should weigh the potential value of advice against its likely cost when deciding how to proceed.

Useful links:

[NALC Advice Note](#) (formerly Legal Topic Note 79) – requires log in

[Workplace pensions- what your employer can and cannot do](#)

[The Pensions Regulator](#)

Recommendation:

That the council decides on a pension scheme provider and the employer's contribution level OR resolves to seek further advice.