

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 31 MAY 2013

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER

SUBJECT: AUTO-ENROLMENT



SUMMARY OF ISSUE:

Starting from 1 October 2012, the Pensions Act 2008 requires all employers to automatically enrol employees classed as *eligible jobholders* into a pension scheme. Employers can either enrol eligible jobholders into their own qualifying pension scheme or the National Employment Savings Trust (NEST) scheme set up by the Government. Public sector employers are however only able to enrol employees into their occupational pension schemes.

Auto-enrolment will be introduced gradually over a period of four years with each employer being given a “staging date” to auto-enrol their employees. The larger the employer the earlier the staging date.

The County Council counts as the pension fund’s largest employer type and its staging date was 1 April 2013. This report informs the board of the results of the County Council’s auto-enrolment experience.

RECOMMENDATIONS:

It is recommended that:

1. The Board consider the implications of pension auto-enrolment outlined in this report and note that scheme membership has increased as a result.

REASON FOR RECOMMENDATIONS:

N/A.

DETAILS:

Background

- 1 The previous Government was concerned that too many individuals were not making any retirement provision beyond relying on the State pension. Legislation was introduced through the Pensions Act 2008 to encourage individuals to start paying into a pension scheme.

- 2 The Pensions Act has made all employers responsible for ensuring that their *eligible jobholders* are auto-enrolled into a pension scheme if they are not already a member of their occupational pension scheme. If an employer does not have its own pension scheme into which eligible employees can be auto-enrolled, they must be auto-enrolled into a scheme created by the Government, called the National Employment Savings Trust (NEST).
- 3 An *eligible jobholder* is an employee who:
- is at least 22 years old;
 - is under State pension age; and
 - earns more than £9,440 pa.
- 4 Once an *eligible jobholder* has been auto-enrolled, it does not mean that he or she must remain in the scheme: they can choose to opt out.
- 5 Each employer has been given its own auto-enrolment date, known as a staging date. An employer's staging date is dependent on its number of employees as at 1 April 2012. The greater the number of employees, the earlier the staging date.
- 6 Employers are permitted a one-off opportunity to defer auto-enrolling its *eligible jobholders* until 1 October 2017. Employers who choose to use this transitional delay option will still however have to auto-enrol all new employees who are *eligible jobholders* after their staging date and any of their current non-eligible job holders who may later become *eligible jobholders* because of age or pay changes.
- 7 The auto-enrolment process has to be repeated every three years with *eligible jobholders* who have previously opted out of the scheme being auto-enrolled again.
- 8 The County Council, being the largest of the pensions fund's employers, had the first staging date on 1 April 2013. It did not choose to use the transitional delay option. The other 120 fund employers will have their own staging dates according to the number of employees they employ spanning from now until October 2017.

The County Council's Auto-Enrolment Experience

- 9 The County Council had 1,652 *eligible jobholder* employees that were auto-enrolled on 1 April 2013. The following table details how many of these employees have since opted out.

	Number In Scheme at Beginning of Month	Opted Out	Remain In Scheme
April	1,652	377	1,275
May	1,275	53	1,222

- 10 Prior to auto-enrolment the County Council had a total of 19,743 of their employees in the LGPS. As things stand at present, the additional 1,222 members represent an increase in its overall scheme membership of 6.2%.
- 11 The County Council had approximately 25% of its employees not in the LGPS, which is a fairly typical proportion amongst other County Councils and London Boroughs. This is predominantly because a lot of employees working for the county are part-time employees who are lower paid and who have historically tended not to join the scheme. This workforce profile is not replicated amongst the majority of other fund employers who consequently have a larger proportion of their workforce in the LGPS.
- 12 Therefore, taking account that other fund employers have a larger proportion of their employees already in the LGPS, and that some will no doubt defer their auto-enrolment under the transitional delay option (see para 6), it is not anticipated that a similar proportional increase in membership to that of the county is likely to be replicated across the majority of other fund employers.

CONSULTATION:

13. The Chairman elect of the Pension Fund Board has been consulted on the outcome.

RISK MANAGEMENT AND IMPLICATIONS:

14. There are no risk related issues contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

15. Any increase in the membership of the fund is to be welcomed as it maximises contribution income which aids the long term sustainability of the pension fund.

CHIEF FINANCE OFFICER COMMENTARY

16. The Chief Finance Officer is satisfied that all material, financial and business issues and possibility of risks have been considered. Budgetary implications for the county council arising from the additional costs of the pension fund membership increase have been taken account in the medium and long term financial plans and any variation between forecast membership and the actual will be reflected in the budgetary monitoring process.

LEGAL IMPLICATIONS – MONITORING OFFICER

17. There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

18. An equality analysis is not required, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

19. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT:

20. The following next steps are planned:

- Further changes in scheme membership as a result of auto-enrolment will be monitored and any material changes will be reported back to the board.

Contact Officer:

Paul Baker, Pensions Manager, Business Services

Consulted:

Pension Fund Board Chairman

Annexes:

None

Sources/background papers:

None
