

HUMAN RESOURCES COMMITTEE: 9 JULY 2012

SUBJECT: PENSION AUTOENROLMENT**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY,
THE FINANCE OFFICER AND PERSONNEL ADVISOR**

1 INTRODUCTION

- 1.1 The auto-enrolment of employees into a pension scheme to which the employer must contribute commences this year. The requirement to automatically enrol eligible employees is being staged over a four-year period, while the minimum level of employer contribution will not be fully effective until October 2017.
- 1.2 This report updates Members of the latest pension scheme from Government. The Chief Fire Officer is considering the most appropriate way to introduce these provisions into the Service based upon the available information.

2 BACKGROUND

- 2.1 Around seven million people are not saving enough for their retirement, according to the Department for Work and Pensions (DWP). The new, rather complex legislative provisions requiring the auto-enrolment by employers of the great majority of employees into a work-based pension scheme of a specified standard are intended to combat that problem, with inertia keeping employees who are auto-enrolled in membership. Additional annual saving of £10 billion is forecast. Many of those automatically enrolled are expected to be joining a scheme for the first time, but anyone will be able to opt out after having first been enrolled.

3 APPLICATION

- 3.1 The new provisions on auto-enrolment apply to all employees working in Great Britain who are at least 22 years of age, but under state pension age, and who are earning more than £5,035 a year in 2006/07 terms (a figure that is expected to be uprated before the provisions are effective, and presumably annually thereafter). Such workers are described as jobholders. Other workers can be automatically enrolled, as now, but there is no requirement to do so. Agency staff will be covered, but the agency will be responsible for implementing the automatic enrolment if it pays the agency workers. Equivalent provisions are being applied in Northern Ireland.
- 3.2 The automatic enrolment provisions apply separately to each employer. So if an employee has earnings below the minimum level from different employers, even though the total is above the threshold, they do not need to be automatically enrolled.

- 3.3 Employers are not required to take any action in respect of existing members of a pension scheme they offer, provided the scheme meets the quality test. If it does not do so, its members must be treated like any non-member and automatically enrolled into a scheme that does meet the standard.
- 3.4 Individuals must be enrolled automatically on becoming eligible, so a mechanism is being developed for identifying when employees turn 22 and when their earnings increase above the threshold.

4 STAGING ARRANGEMENTS

- 5 The start date for auto-enrolment is to be "staged", however all employers will need to commence the process at some point between October 2012, the start date originally proposed, and September 2016 (subject to the possible additional three-month waiting period). The actual start date for the Authority is based upon information held by the regulator at April 2012 on the number of employees and is likely to be September 2013.

6 QUALITY TEST AND MINIMUM CONTRIBUTION LEVELS

- 6.1 Employers will be able to choose into which pension scheme they automatically enrol jobholders. However, the scheme offered must meet a quality test. In our case it is likely to be the Local government Pension Scheme for non-operational staff and the New Firefighters' Pension Scheme for operational staff. The contribution rates as applicable at the time for each scheme will apply.

7 ELIGIBILITY

- 7.1 Employees under the age of 22 and those aged over state pension age but under 75 will be able to choose to opt in to the work-based pension arrangement being offered to others. Those earning below the earnings threshold will also be able to opt in, although the Authority will not be required to make a contribution.
- 7.2 In addition, those who opt out can choose to opt in later, but employers are only required to permit this once a year.
- 7.3 Jobholders have to be enrolled with effect from their "automatic enrolment date", and the Authority has to ensure this happens within a month of the relevant date. The Authority must also ensure automatically enrolled members are provided with specified information within a month and begin deducting any scheme contributions promptly.
- 7.4 Jobholders will be able to opt out of membership having been automatically enrolled. They can only opt out after having been entered into membership; individuals cannot ask not to be enrolled in the first place.
- 7.5 An opt-out can be affected at any time, but if it happens within a month of being enrolled the member and the employer receive a refund of their contributions and the employee is treated as having never been a member. To avoid hassle trying to reclaim contributions from pension providers, contributions deducted before the end of the opt-out period do not have to be paid across to the scheme until the last day of the second month following the month in which automatic enrolment occurs.

- 7.6 Jobholders who opt out of scheme membership must be re-enrolled automatically at regular intervals. The first re-enrolment date must be within one month of the three-year anniversary of the original "staging" date, i.e. by September 2016. Subsequent re-enrolment exercises must be carried out after a further three years within a month either way of the previous exercise.
- 7.7 Jobholders who have opted out in the 12 months prior to the employer's re-enrolment exercise are excluded. But, clearly, they could be automatically enrolled twice in a 13-month period.

8 MONITORING COMPLIANCE

- 8.1 The Pensions Regulator is responsible for monitoring and trying to ensure compliance. The Authority must provide information on how they have complied with the requirements to the Pensions Regulator within two months of the staging date, a process known as registration. That information will need to be updated every three years, following each re-enrolment exercise. Employers will also be required to maintain specified records and to keep them for six years. Other compliance provisions require interest to be added to contributions not paid by the due date, and if not paid within three months the employer may be liable for the member's portion too.
- 8.2 There are also provisions aimed at preventing employers from pressurising or inducing employees to opt out, or from attempting to screen out during the recruitment process those who are likely to remain in membership.

9 RISK MANAGEMENT

- 9.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control; the realisation of efficiencies; the most appropriate use of limited resources; and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place. The complete risk assessment is available on request from the Chief Fire Officer.

10 FINANCIAL IMPLICATIONS

- 10.1 There will be financial implications appertaining to this scheme which are, as yet, unquantified. At the very least there will be an increase in administration and staff process costs initially in 2013 and every three years thereafter when the auto-enrolment system is undertaken. It is envisaged that these costs will be met through existing budgetary headings.

11 EQUALITY AND FAIRNESS IMPLICATIONS

- 11.1 There are no health and safety implications in respect of this report.

12 HEALTH AND SAFETY IMPLICATIONS

- 12.1 There are no health and safety implications in respect of this report.

13 RECOMMENDATIONS

13.1 The Authority is recommended to:

- a) Note the contents of this report;
- b) Endorse the actions taken to date by the Chief Fire Officer ;
- c) Receive further reports as appropriate.

BACKGROUND PAPERS

The undermentioned Background Papers refer to the subject matter of the above report:

- Pensions Act 2008 (as amended)