

CIPFA Pensions Network



Auto - Enrolment

- Pete Riedel
- 28 & 29 February 2012

Some questions

What is auto-enrolment?

How well prepared do you really think you are for auto-enrolment?

How much do you think LGPS employers know about auto-enrolment?

What impact might auto-enrolment have day-to-day?

Do you have a training plan in place?

Have you established a working group of key stakeholders to consider auto-enrolment?

What help do employers need to comply with auto-enrolment?

What about a communications plan?

Where will employers go for help?

Have you considered system changes?

Do you know how much auto-enrolment will cost you yet?

How will your processes change?

Have you thought about extra workload?

What is auto-enrolment?

- Employer Duties
- Starting from the 1st October 2012 all eligible employees must be auto enrolled by their employer into a **qualifying workplace pension** scheme.



Employer Defined
Benefit Scheme



National
Employment
Savings Trust



Employer Defined
Contribution Scheme

Costs

- Contributions
 - Increase in employer contributions
- Set up
 - Reviewing processes
 - Systems
 - Contracts and other general communications
 - Newsletters/announcements

Do you have the budget?

What auto-enrolment vehicle is available to LGPS employers?

- PART 1 Scheduled Bodies (Councils, FE Colleges, Academies etc)
LGPS is the qualifying scheme (for non teaching staff)
- PART 2 Scheduled Bodies (Town and Parish Councils etc)
LGPS available if 'designated'
Otherwise need to provide an alternative qualifying scheme or extend designation to include all employees
- Admitted Bodies (Community and Transferee)
If 'open' – LGPS is available
If 'closed' - need to provide an alternative qualifying scheme or extend designation to include all employees

What currently happens in the LGPS?

Stage in employment	Contractual terms	Action
New Joiner	Contract for 3 months plus	Automatic Scheme member
		Can opt out any time (including before employment commences)
New Joiner	Contract for less than 3 months	Cannot opt in (until contract reaches or exceeds 3 months)
Optant out	Contract for 3 months plus	Can opt in at any time
Admission bodies	Designated employee	Can opt in at any time

Proposed changes to the LGPS = qualifying pension scheme

- Simple as possible
- Broad brush approach
- Bring everybody in from day one
- Including admission bodies
- Opt out after joining
- Compliance issue?
 - Those with contracts of < 3 months

So lets check out the impact on the LGPS?

Stage in employment	Contractual terms	Action
Current scheme member at staging date / New joiner	Contract for 3 months plus	Automatic scheme member
	Contract less than 3 months	Postponement, but automatic scheme member when contract hits 3 months
Optants out	Contract for 3 months plus	Can opt to rejoin
3 year anniversary of staging date	Earnings £7,475 + Optant out over 12 months	Re-enrol all non joiners / optants out
Admission bodies	As above	As above

Seems simple, but there are administrative headaches

Those administrative headaches

- Staging dates
- Processes
- Managing opt outs
- Re-enrolment
- Record Keeping
- Communication

Beware – there are potential fines for non compliance

Staging dates – size does matter

- Auto enrolment to be introduced over a number of years
- Based on size of employer (PAYE) as at 1 April 2012
- Different dates for employers in the Fund
- Employers may bring their staging date forward (it cannot be later)

When is your staging date?

PAYE Scheme size	Staging date
120,000 or more	1 October 2012
50,000 to 119,999	1 November 2012
30,000 to 49,999	1 January 2013
20,000 to 29,999	1 February 2013
10,000 to 19,999	1 March 2013
6,000 to 9,999	1 April 2013
4,100 to 5,999	1 May 2013
4,000 to 4,099	1 June 2013
3,000 to 3,999	1 July 2013
250 to 2,999	1 August 2013 to 1 February 2014
< 250	Between April 2014 and April 2017

Upon automatic enrolment

- Deduction of scheme contributions starts with immediate effect
- 1 month to complete administration and communication (must be direct and personal)
- Must NOT give staff information on how to opt out

Need to know your workers

Workers

- Individual who:
 - Works under a contract of employment
 - Has a contract to perform work / services & is not undertaking work as part of own business
 - May include agency workers (who pays?)
 - Normally includes zero hours contracts and casuals
 - Normally excludes volunteers

But, there's more....

Types of Workers

Earnings	Age		
	16 - 21	22 - SPA	SPA - 75
Over earnings trigger (c£8,000)	Non-eligible jobholder Can opt in to auto-enrolment	Eligible jobholder Auto enrol	Non-eligible jobholder Can opt in to auto-enrolment
Between LEL and earnings trigger (£5,035 & £7,475)	Non-eligible job holder Can opt in to auto-enrolment		
Less than lower earnings level (LEL)	Entitled worker Right to join a scheme BUT not covered by auto-enrolment		

Types of worker and the LGPS?

Stage in employment	Contractual terms	Action
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So who's a jobholder and who's an entitled worker?

Qualifying earnings

- Includes:
 - Salaries, wages
 - Overtime
 - Bonuses
 - Statutory maternity, paternity, adoption
 - Pensionable and non pensionable elements

Pay reference period of 12 months
Beware pay spikes in any pay period!

Understanding the processes

- Key element of implementation
 - New joiner
 - Opt-out
 - Opt-in
 - Monitoring
 - Contracts
 - Reporting

Don't underestimate the effort here

Example – opt outs

- Opt out period runs for 1 month from later of:
 - Date active membership commences
 - Date enrolment info is received from Employer
 - Apply to administering authority
- Must submit valid opt out notice (prescribed wording) to employer
- Employer must:
 - Check validity – if not valid - member has 2 more weeks to re submit
 - Notify scheme
 - Stop / refund contributions
- Entitlement remains to cease LGPS active membership at any time

But opt out only applies to Jobholders, not entitled workers

Re-enrolment

Earnings	Age		
	16 - 21	22 - SPA	SPA - 75
Over earnings trigger (£7,475)	Non-eligible Jobholder Don't re-enrol	Eligible jobholder Re-enrol	Non-eligible jobholder Don't re-enrol
Between LEL and earnings trigger (£5,035 & £7,475)	Non-eligible job holder Don't re-enrol		
Less than lower earnings level (LEL)	Entitled worker Don't re-enrol not covered by auto-enrolment		

But don't re-enrol where opted out in the last 12 months

Record keeping

➤ Issues for Employers

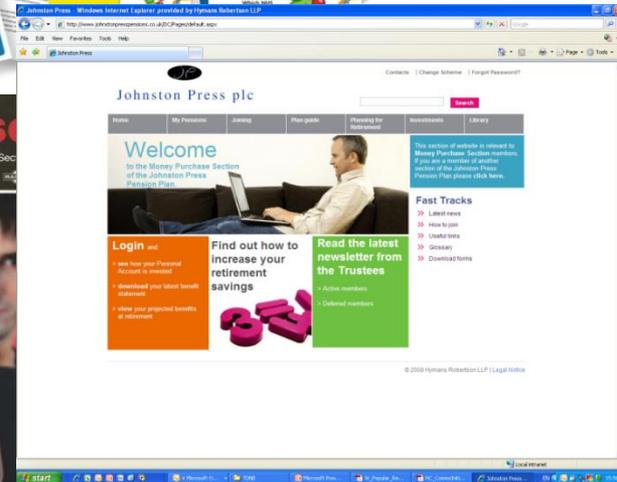
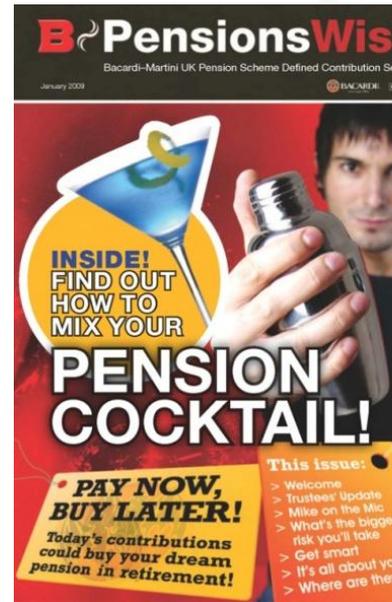
- Know your Jobholders from your Entitled Workers
- Know your eligible Jobholders from your non-eligible Jobholders
- Who's in and who's out
- Payment over of EE and ER contributions

➤ Issues for the Administering authority

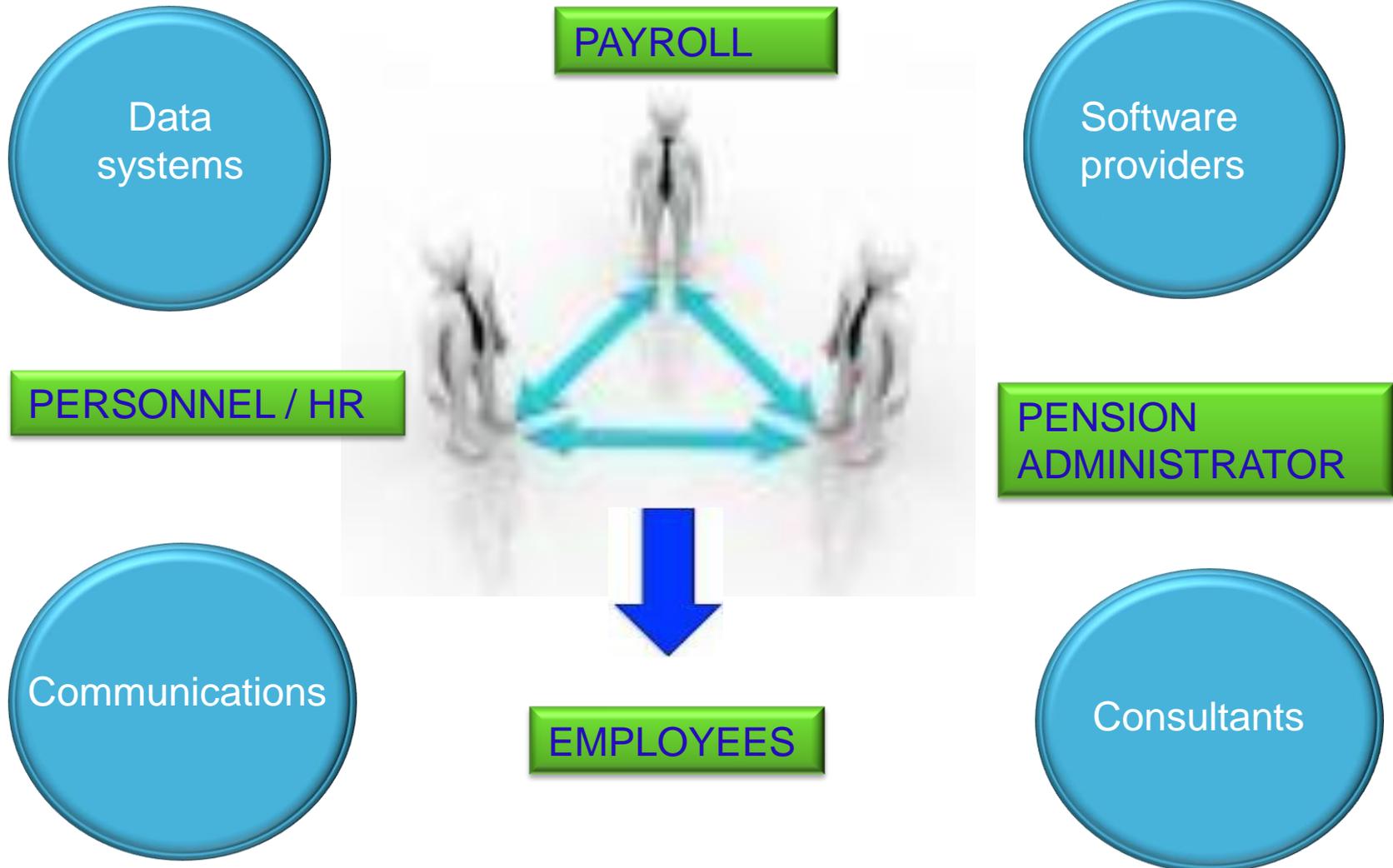
- Specific data requirements
- Receipt of EE and ER contributions

Communication

- Developing a strategy
 - Define success?
 - Approach/theme
 - Design programme
- Deliverables
 - Pre-launch
 - Statutory requirements
 - Ongoing support



Joined up working



Penalties

- Failure to comply
 - Based on size of employer
 - Could be significant
 - Set fine of £400
 - £50 to £2,500 per day – smaller employers
 - £5,000 per day – larger employers

Do employers want to take the risk?

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Thank You



Any questions?