COMMITTEE:	DATE:	CLASSIFICATION:	REPORT NO.
Pensions Committee	**14November2013**	**Unrestricted**	

REPORT OF:	TITLE:
Acting Corporate Director of Resources ORIGINATING OFFICER(S): **Simon Kilbey** **Service Head – Human Resources & Workforce Development**	**Workforce Pension Reform: Automatic Enrolment Update** Ward(s) affected: **N/A**

1. SUMMARY

1.1. The Government has introduced workplace pension reforms in order to encourage people into pension saving through the process of auto-enrolment.

1.2. This report updates the Committee on the progress of the Council's Automatic Enrolment experience following the implementation on 1 June 2013.

2. DECISIONS REQUIRED

2.1 Members are recommended to note the report.

3. REASONS FOR DECISIONS

3.1 The report is for information.

4. ALTERNATIVE OPTIONS

4.1 The report is for information.

5. BACKGROUND

5.1 The Government was concerned that too many people were not making any retirement provisions beyond relying on the State pension. Legislation was introduced to encourage people to start paying into a pension scheme. The new legislative requirements were reported to this Committee in November 2012.

5.2 The Council's staging date was 1 June 2013.

5.3 This report provides an update on the Council's automatic enrolment experience.

6. COUNCIL'S AUTOMATIC ENROLMENT EXPERIENCE

6.1 There are two schemes involved, the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS).

6.2 The table below provides an overview of the membership just before and immediately after the staging date of 1 June 2013. The figure for active membership includes employees who joined the authority since this date and hence were enrolled into the LGPS, although not part of the automatic enrolment exercise. These figures are provisional totals and are based on the following eligibility criteria:

- Employee earning over £787.00 per month in each job,
- Employee must be 22 years of age and over, and have not yet reached state pension age

LGPS	Total numbers in scheme at end of month	Totals opted out
May	5304	N/A
June	6533	1402
July	6595	14
August	6611	4
September	6795	41

6.3 From the available information for the month of June 2013 the opt-out rate for the authority was 53%.There was an increase of 1229 members from the month of May to June. Some analysis is being undertaken regarding the 53% opted out staff.

6.4 The table below similarly provides an overview of the membership details for the Teachers' Pension Scheme.

TP	Total numbers in scheme at end of month	Totals opted out
May	2536	N/A
June	2734	169
July	2773	25
August	2991	5
September	3026	34

6.5 The opt-out rate was 46%.There was an increase of 198 members from the month of May to June. Some analysis is being undertaken regarding the 46% opted out staff.

6.6 For automatic enrolment purposes it is necessary to assess the workforce by each job held by an employee as the rules applies for each individual contract. Our payroll workforce data indicates that there are 3484 total jobs not currently within a pension scheme. All of these job holders have already however taken the decision to opt out of the scheme.

6.7 These staff nevertheless, will continue to be monitored on a monthly basis for automatic enrolment purposes and the whole automatic enrolment exercise will need to be repeated again every three years.

6.8 The increase in the membership of the scheme through our range of communication processes including, SMT briefing, headteacher, manager, and team briefing, intranet articles, posters, individual letters to employees and a setup of pensions helpline together with a set of FAQs, is to be welcomed as it maximises contribution income which will aid the long term sustainability of the Scheme.

6.9 For those staff access to the benefits available through membership of the scheme will go some way to providing financial security in the future and will contribute to their well-being.

6.10 Therefore, by this measure, the exercise has been successful.

6.11 Building on from the automatic enrolment exercise and the introduction of the new LGPS 2014 on the 1 April 2014. The aim of the plan is to further strengthen our membership of the scheme through a range of communication processes to be achieved by working in partnership with the Trade Unions in the run up to April 2014.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

7.1 As the report points out, the fact of auto-enrolment will increase the cash flow of the Pension Fund in a positive direction (income will increase and initially expenditure will not), which will increase the short term liquidity of the Fund. It will also increase the assets available for investment in the Fund over time which provided other assumed economic and financial factors in the Funding Strategy are borne out, should match the increase in long term liabilities.

7.2 A provision of £1.2m was set aside in the 2013/14 budget to mitigate the financial impact of auto-enrolment. This was based on a forecast opt-out rate of 80%, but the observed opt-out rate is currently 53%. Whilst the lower opt-out rate is beneficial to the Pension Fund in a number of ways including improving liquidity in the Fund, the additional employer contributions required to fund new scheme members that have opted to remain in the fund after being auto-enrolled creates added pressure for the General Fund.

7.3 Given that it appears that membership numbers seem to have stabilised following the sharp fall in numbers between May and June 2013, a review of current provision is necessary to ensure that the financial implication of auto-enrolment is fully reflected in the Council's medium term financial plans. In order to better understand the outcome of auto-enrolment, it would be useful if a more detailed review is undertaken.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

8.1 Section 3 of the Pensions Act 2008 requires the Council, as an employer, to make arrangements by which each specified jobholder becomes an active member of an automatic enrolment scheme with effect from the automatic enrolment date. The relevant date for automatic enrolment was varied by reference to staging dates specified for each employer (generally by reference to the employer's size).

8.2 A jobholder within the meaning of the Pensions Act 2008 is a worker –

- who is working or ordinarily works in Great Britain;
- who is aged at least 22 and under 75; and
- to whom qualifying earnings are paid.

8.3 The automatic enrolment obligation applies in respect of a jobholder who –

- who is aged at least 22,
- who has not reached pensionable age, and
- to whom earnings of more than £9,440 are payable by the employer in the relevant pay reference period.

8.4 Section 8 of the Pensions Act 2008 provides that a jobholder may give notice to opt out from an automatic enrolment scheme.

The local government pension scheme (LGPS) is a qualifying scheme within the meaning of the Pensions Act 2008 and is thus also an automatic enrolment scheme within the meaning of that Act. As the Pensions Committee carries out functions in relation to pensions matters and related investments, which particularly relate to the LGPS, it is reasonable for the Committee to consider information about the progress of the Council's automatic enrolment arrangements.

9. ONE TOWER HAMLETS CONSIDERATIONS

9.1 The Pension Fund Accounts demonstrate the financial stewardship of the scheme members and employers assets. A financially viable and stable pension fund is a valuable recruitment and retention incentive.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

11. RISK MANAGEMENT IMPLICATIONS

11.1 Accounts provide an effective mechanism to safeguard the Council's assets and assess the risks associated with its activities.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 There are no any Crime and Disorder Reduction implications arising from this report.

13. EFFICIENCY STATEMENT

13.1 The monitoring arrangement for the Pension Fund and the work of the Pension Fund Investment Panel should ensure that the Fund optimises the use of its resources in achieving the best returns for members of the Fund.

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"	***Name and telephone number of holder And address where open to inspection***
None	*Simon Kilbey Service Head – HR & WD* *Tel: 020 7364 4922*