



Committee report

COMMITTEE	ISLE OF WIGHT PENSION BOARD
DATE	24 APRIL 2019
TITLE	AUTOMATIC RE-ENROLMENT
REPORT OF	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report provides information about the council's programme for automatic re-enrolment of eligible employees into the Local Government Pension Scheme (LGPS) at 1 May 2019.
2. Members are also asked to note the automatic re-enrolment process.

BACKGROUND

3. To help people save for their retirement the Government requires all employers in the UK to automatically enrol their workers into a workplace pension if they meet certain requirements. This is known as automatic enrolment and already happens in the LGPS, with most new employees automatically joining the Scheme when they commence employment. Scheme members are able to opt-out of the LGPS at any time if they want to.
4. Qualifying employees are defined as those who:
 - have a contract of employment of three months or more;
 - earn over £10,000 a year (or pro-rata pay period);
 - are age 22 or over; and
 - are under State Pension age.
5. The Isle of Wight Council will be carrying out its third mass automatic re-enrolment exercise on 1 May 2019, as this marks the third anniversary of the previous re-enrolment held on 1 May 2016.
6. This means that qualifying employees of the council, including maintained schools, who are not currently members of the Local Government Pension Scheme (LGPS) will be automatically enrolled into the scheme on 1 May 2019. This includes all qualifying employees who may have previously opted out of the scheme, unless they have opted out within the last 12 months.

7. Employees who do not wish to remain in the pension scheme will have the ability to opt-out. An opt-out form will be provided for those who wish to opt-out of the scheme; this will be made available during May 2019.
8. LGPS Regulations require that one month's pension contributions must be deducted from all qualifying employees' salary; this will be taken in the payroll run for May 2019. This will be reimbursed in the following month, on receipt of a completed opt out form.
9. A declaration of compliance with automatic re-enrolment is required to be submitted to the Pensions Regulator by 30 September 2019. Failure to comply with the requirements of automatic re-enrolment could result in a fine being imposed.
10. It is intended that a report will be provided to the board at its November 2019 meeting, showing the number of members automatically enrolled into the scheme on 1 May 2019, and those who subsequently opted out. It is hoped that an analysis of the opt-out reasons will be available at this time.
11. Other employers within the Isle of Wight Pension Fund, including academies and voluntary aided schools, will have their own re-enrolment staging date, and are responsible for their own compliance with the regulations governing automatic re-enrolment.

COMMUNICATIONS

12. The pension administration team are communicating with impacted employers, payroll providers, schools and employees making them aware of automatic enrolment and their responsibilities.
13. Articles have been published in the council's internal newsletter, The Vine, on 22 March 2019 and 5 April 2019 notifying staff of the council's duty to automatically re-enrol qualifying employees into the pension scheme and providing information about the opting out process.
14. Information about automatic re-enrolment is also included on the fund's website www.isleofwightpensionfund.org.
15. Further communications are planned during April 2019, including another Vine article and an article in the council's Managers Brief. In May 2019 the opt-out forms will be made available and communicated through further Vine and Managers Brief articles.

STRATEGIC CONTEXT

16. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employers to meet the costs of future benefits accruing.

17. This activity contributes to the achievement of the recently agreed governance and administration objectives of the fund, specifically to *ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.*

FINANCIAL / BUDGET IMPLICATIONS

18. There is no direct cost implication to the fund for automatically re-enrolling qualifying employees into the Local Government Pension Scheme (LGPS), as this is an employer function (payroll).

LEGAL IMPLICATIONS

19. The Pensions Act 2008 sets out the requirement for employers to automatically enrol an eligible jobholder into a qualifying scheme and pay a minimum contribution. The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 set out the processes and timings for automatic enrolment, opt out, automatic re-enrolment, voluntary opt in, the provision of certain information and the minimum quality standards for certain schemes. These regulations are enforced by the Pensions Regulator.

EQUALITY AND DIVERSITY

20. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
21. The council recently published its gender pay gap report for 2017-2018, which indicated that 80 per cent of part time workers are occupying roles that are graded at below a full time equivalent (FTE) salary level of £22,000; and that 79 percent of part time roles are occupied by females. Accordingly, automatic re-enrolment into the pension fund, with the associated deduction of pension contributions for one month (albeit refunded the following month on receipt of an opt out form) could have an unintended negative impact on lower paid females.
22. As the council has a statutory obligation to comply with automatic re-enrolment into the pension scheme, there is little that can be done to avoid this potential negative impact. A communications plan is in operation to advise all staff of the automatic re-enrolment exercise, which should enable staff to plan for the financial implications.
23. Other than as outlined above, the automatic re-enrolment of eligible employees into the pension fund will have no impact on any of the protected characteristics.

RISK MANAGEMENT

24. Failure to comply with the requirements of automatic re-enrolment could result in a fine being imposed by the Pensions Regulator on the employer (Isle of Wight Council) rather than on the pension fund.

RECOMMENDATION

25. To note the requirements for automatic re-enrolment, and the process being followed.

BACKGROUND PAPERS

26. Isle of Wight Council Gender Pay Gap Report 2017-2018
<https://www.iwight.com/documentlibrary/download/gender-pay-gap-report-2017-2018>

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