

## **Pension Fund Administration Sub-Committee**

Meeting to be held on 13 June 2012

Electoral Division affected: All
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### **Membership of the Local Government Pension Scheme and Auto-enrolment** (Appendix 'A' refers)

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#### **Executive Summary**

At its meeting on 5 July 2011, the Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme (LGPS) by County Council employees. An analysis of eligible employees within the County Council revealed that 25% of employees eligible to join the LGPS were not in the scheme.

The Sub-Committee considered the possible options to encourage a greater take up of the LGPS by County Council employees and, taking into account the uncertainty around the future of LGPS and the expected introduction of Government's new auto-enrolment requirements during 2012/13, the Sub-Committee agreed that officers should explore the reasons for the relatively low take up of the Scheme and consider measures to improve communications with employees about the future operation of and changes to the Local Government Pension Scheme.

This reports sets out progress to date and recommends that the Sub-Committee approves the Communications Strategy, as set out at Appendix A, to coincide with the County Councils staging date for auto-enrolment, of January 2013.

#### **Recommendation**

The Sub-Committee is asked to approve the Communications Strategy, as set out at Appendix 'A', to coincide with the County Councils staging date for auto-enrolment, of January 2013.

#### **Background and Advice**

##### **Funding**

The level of take up of membership of the Local Government Pension Scheme represents a significant issue for the Administering Authority, and the Fund as a whole, as the level of membership within the Fund has a significant impact on the

long term viability of the Fund. The greater the number of contributing members the longer the Fund is likely to remain cash flow positive.

### Public Sector Pensions Reform

Take up of the Scheme also represents a significant issue for individuals who, without the benefit of saving for retirement, face the uncertainty of having to work for longer or not being able to support themselves or their families during old age or in the event of ill-health.

The uncertainty around the future benefit structure of the LGPS, and the perception that public sector pension provision is worsening, could serve to have a negative impact on Scheme membership and opt-out rates at a time when saving for retirement becomes more pertinent than ever as life expectancy increases and the population continues to age.

### Auto-enrolment

Between 2012 and 2016, the Government will implement changes to workplace pensions. This will impact all employers, including the County Council. The main change will require employers to automatically enrol their workforce into a pension scheme and make employer contributions, albeit the employee will have the right to opt out of the pension scheme.

These changes aim to encourage people to save more for their retirement as current pension savings level decrease against a backdrop of increased life expectancy and an increase in the percentage of the adult population over 65.

These changes will be phased in (largest employers first) over the next few years. Each employer will be given a date from which they must be compliant with the new laws, known as their 'staging date'. For Lancashire County Council the staging date has been confirmed as January 2013.

Any existing employees who are not current scheme members but who have been, and continue to be eligible to join the scheme will be auto-enrolled. This would appear, therefore, to present an opportunity at this point to encourage staff to stay in the Scheme rather than exert their right to opt out.

### Summary

Against this background, at their meeting of 5 July 2011, the Pensions Administration Sub-Committee considered a report on the relatively low take up of the Local Government Pension Scheme by County Council employees. An analysis of eligible employees within the County Council revealed that 25% of employees eligible to join the LGPS were not in the scheme.

The Sub-Committee considered the possible options to encourage a greater take up of the LGPS by County Council employees and, taking into account the uncertainty around the future LGPS and the expected introduction of Government's new auto-enrolment requirements during 2012/13, the Sub-Committee agreed that officers

should explore the reasons for the relatively low take up of the Scheme and consider measures to improve communications with employees about the future operation of and changes to the Local Government Pension Scheme.

Progress to date

A survey was sent to 8,000 employees on 1 May 2012. A 10% response rate revealed the following initial headline results: -

- **33%** of respondents said **can't afford it/don't earn enough** was the main reason for opting out of the Scheme;
- **17%** of respondents said **not working enough hours/being part time** was the main reason for opting out of the Scheme;
- **28%** of respondents said that **more money** would encourage them to opt in to the Scheme;
- **11%** of respondents said that **working more hours / being full time** would encourage them to opt in to the Scheme;

The full results of this survey will be used to determine the marketing, design and media of a 2012/13 internal communications campaign to coincide with the County Councils start date for auto-enrolment. A proposed Communications Strategy is set out in full at Appendix 'A'.

The exercise will be carried out by the Administering authority with the agreement of LCC as the employing authority and in particular with the support of LCC's Corporate Communications Service. The cost of the campaign can be met within existing budget constraints.

The Sub-Committee is asked to approve the Communications Strategy to coincide with the County Councils staging date for auto-enrolment, of January 2013.

### **Consultations**

As set out in the report.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

As set out in the report.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

N/A