



Report

Report to: **Executive Committee**
 Date of Meeting: **29 January 2020**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Pension Scheme Membership**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update on pension scheme membership and the 2019 pension scheme automatic re-enrolment exercise

2. Recommendation(s)

2.1. The Executive Committee is asked to approve the following recommendation(s):-

- (1) that the contents of the report be noted.

3. Background

- 3.1. All new employees, with contracts of 3 months or longer, joining the Council are automatically entered into the pension scheme when they take up their new post (known as contractual enrolment). However, employees can then opt out at any time if they choose.
- 3.2. From 1 March 2013, in order to actively encourage people to save for their retirement and not to rely solely on their state pension, the Pensions Act was introduced. This required all employers to provide an appropriate occupational pension scheme and to automatically enrol employees into the scheme if they have previously opted out, and if they meet the required age and earnings criteria outlined by the Pensions Regulator. Employees meeting the criteria shown below, are known as “eligible job holders” and:-
- ◆ are between age 22 and State Pension Age;
 - ◆ have qualifying earnings of over £10,000 per year (£769 every 4 weeks);
 - ◆ are currently not paying into a workplace pension scheme.
- 3.3. The legislation also required employers to automatically re-enrol “eligible” employees into an occupational pension scheme every 3 years. The purpose of the re-enrolment cycle is to actively encourage these employees to re-start their pension contributions. Employees must then submit an opt-out form if they still do not wish to be a scheme member.
- 3.4. In addition to this requirement, employers must also monitor their workforce every pay period and automatically enrol employees into the occupational pension scheme if they meet the “eligible job holder” age and earnings criteria within that pay period.

4. Re-enrolment cycle 2019

- 4.1. In November 2018, the Pensions Regulator confirmed that the Council's 3-year re-enrolment exercise should take place between 22 January 2019 and 21 July 2019. On this basis, the Council identified 17 May 2019, as the re-enrolment date and employees who had previously opted out and who met the eligible job holder criteria on this date were re-enrolled into the pension scheme.
- 4.2. South Lanarkshire Leisure and Culture's re-enrolment date was identified as 4 October 2019 and similarly employees meeting the eligible job holder criteria were re-enrolled into the scheme.
- 4.3. All employees who were re-enrolled, received a letter to their home address confirming their enrolment into the scheme, providing information on the benefits of scheme membership and the options available to them.
- 4.4. As detailed in Appendix 1 (Table 1), 1,044 Council employees (992 local government employees and 52 teachers) and 78 South Lanarkshire Leisure and Culture employees were automatically re-enrolled into the relevant pension scheme on the appropriate re-enrolment date.
- 4.5. 1,125 council employees and 936 South Lanarkshire Leisure and Culture employees were not re-enrolled into the pension scheme as they did not meet the "eligible job holder" age and earnings criteria.
- 4.6. Of the Council employees who were re-enrolled, a total of 692 employees chose to stay in the scheme and begin saving for their retirement (666 Local Government and 26 Teachers). 352 employees chose to opt out of the scheme (326 local government employees and 26 teachers) equating to an opt-out rate of 34%.
- 4.7. Of the South Lanarkshire Leisure and Culture employees who were re-enrolled, 57 employees chose to remain in the scheme and 21 employees opted out; equating to an opt-out rate of 37%.
- 4.8. There are a number of reasons why employees choose to opt out of re-enrolment. 69 employees (20%) of the employees who opted out were over the age of 60 and had already accessed their pension benefits through flexible retirement or were likely to have other financial arrangements in place. Other than the life cover, there is limited benefit of pension scheme membership for this employee group.
- 4.9. 24 employees who opted out (7%) were employed on temporary contracts and would therefore receive a refund of their contributions at the end of their contract rather than a deferred pension; pension cover is therefore also of limited benefit to this group of employees.
- 4.10. The highest proportion of opt outs were from Grade 1 employees as detailed in Appendix 1 (Table 2). Opt out forms were received predominantly from employees within Facilities, School Support and Home Care. Within South Lanarkshire Leisure and Culture the highest proportion of opt outs related to Recreation Assistants. A number of employees in these groups traditionally work relatively few hours per week and therefore do not see pension scheme membership as a priority; others feel unable to afford the cost of regular pension contributions being deducted from their pay and therefore choose to opt out.
- 4.11. Many of the employees in this group would benefit from scheme membership, not only to ensure that they receive more than the basic state pension on retirement, but

to provide the assurance of ill health and life cover which they and their family members would benefit from.

5. Membership of the 50/50 pension scheme

- 5.1. The 50/50 pension scheme was introduced in 2015 in order to encourage employees considering opting out due to financial issues, to continue saving towards their pension in a reduced capacity. These members pay 50% of the pension contributions and will receive 50% of the normal pension benefits on retirement. In addition, members of the 50/50 scheme continue to retain full access to other benefits of scheme membership such as access to ill health retirement and death in service.
- 5.2. Sixteen Council employees who were re-enrolled into the pension scheme have subsequently elected to join the 50/50 section of the scheme. Two South Lanarkshire Leisure and Culture employees are also enrolled in the 50/50 scheme.
- 5.3. Information on how to join the 50/50 scheme as an alternative to opting out completely, is available to employees on the intranet. Joining the 50/50 scheme is also promoted as an alternative to full scheme membership in the relevant automatic enrolment letters, and employees calling to enquire about opting out of scheme membership are also encouraged to consider joining the 50/50 scheme as an alternative.

6. Pension Scheme membership

- 6.1. In total, 14,234 Council employees (87% of the workforce) are pension scheme members and this compares very favourably against other councils of a similar size and demographics.
- 6.2. 1,010 South Lanarkshire Leisure and Culture employees are members of the pension scheme and this equates to 76% of the workforce.
- 6.3. Of the 1,302 Council employees who are currently not enrolled in the Local Government Pension Scheme, 904 employees (70%) are employed within lower paid, traditionally female roles such as facilities assistants (cleaning, school crossing patrollers), catering assistants and janitors within Community and Enterprise Resources; domestics, home carers, social work assistants and social workers within Social Work Resources, and school support assistants and early years workers within Education Resources. Employees in these roles tend to opt out of pension scheme membership as they may work only a few hours each week and consequently do not view membership as a priority; alternatively they may feel unable to afford the cost of making regular pension contributions from their pay. Engaging specifically with these employee groups to provide clear information on the benefits of full scheme membership or the 50/50 scheme as an alternative, is planned over the coming year. This will allow this employee group to make an informed decision taking account of their own personal and financial circumstances.

7. Encouraging Membership

- 7.1. In addition to the re-enrolment personal letter, the benefits of pension scheme membership are communicated regularly to all employee groups via Personnel Circulars and Core Briefs. Further employee communication on retirement and pensions is planned over the coming months to increase awareness of the benefits of scheme membership and to provide existing members with more information on their options and the tools available to them on the pension fund website which are designed to help members better understand, plan and prepare for their retirement.

Particular focus will be given to engaging and communicating with the employee groups with the highest opt out rates, noted above.

- 7.2. Personnel Services adopt a proactive approach to encourage pension scheme membership such as attending modern apprentice induction days to explain the benefits of remaining in the pension scheme. Personnel Services have also contributed to specific general information sessions aimed at Waste and Grounds employees in order to answer questions about the pension scheme and to encourage non-members to opt in.
- 7.3. Comprehensive information on the benefits of pension scheme membership are also detailed on the intranet and included in relevant employee communications as appropriate.

8. Employee Implications

- 8.1. There are no implications for employees arising from the information presented in this report.

9. Financial Implications

- 9.1. The Council's current budget includes £1.5 million in respect of the costs of automatically re-enrolling employees to the Local Government Pension Scheme. This was based on an estimated opt out rate of approximately 60%. However, as reported to the Executive Committee during 2019/2020, and detailed in sections 4.6 and 4.7, the number of employees who then opted out of the Scheme was lower than originally anticipated. This has resulted in additional costs to the Council.
- 9.2. The full year cost of auto-enrolment is £2.8 million. This is £1.3 million higher than the original estimate of £1.5 million. This additional budget requirement has been included in the revised 2020/2021 Budget Strategy, as presented to Executive Committee (4 December 2019).

10. Climate Change, Sustainability and Environmental Implications

- 10.1. There are no implications for climate change, sustainability and environmental implications.

11. Other Implications

- 11.1. There are no risks identified in terms of the content of this report.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required
- 12.2. The information on pension scheme membership contained within this report will be shared with the Joint Trade Union Executive.

Paul Manning

Executive Director (Finance and Corporate Resources)

10 December 2019

Link(s) to Connect Values/Ambitions/Objectives

- ◆ Accountable and effective and efficient
- ◆ Fair and open
- ◆ People focused
- ◆ Self aware and improving
- ◆ Excellent employer
- ◆ Working with and respecting others

Previous References

- ◆ None

List of Background Papers

- ◆ None

Contact for Further Information

If you would like further information, please contact:-

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Appendix 1

Table 1 Re-enrolments and opt outs

(These figures include employees with more than one post)

	South Lanarkshire Council	South Lanarkshire Leisure and Culture
*Number of employees in post	16,403	1,321
*Number of Pension Scheme members	14,234	1,005
*Number of employees automatically re-enrolled	1,044 992 (LGPS) 52 (Teachers)	78
*Number of employees not eligible for re-enrolment	1,125	936
**Number of employees who opted out	352 326 (LGE) 26 (Teachers)	21
**Number of employees remaining in the scheme	692 666 (LGE) 26 (Teachers)	57

* At re-enrolment date; ** After re-enrolment exercise

Table 2 Breakdown by Grade (LGPS)

Grade	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Enrolled into Scheme	625	247	111	7	2	992
Remained in Scheme	417	175	68	5	1	666
Opt Out Received	208	72	43	2	1	326