



Alison Evans  
Department for Work and Pensions  
Automatic Enrolment Programme  
1<sup>st</sup> Floor  
Caxton House  
London  
SW1H 9NA

9 January 2015

Dear Alison,

### **Technical Changes to Automatic Enrolment**

Thank you for the Department's consultation document inviting comments on technical changes to automatic enrolment.

I am responding on behalf of the Local Government Association (LGA) and the Local Government Pensions Committee (LGPC) to the consultation document.

The LGA is a politically-led, cross-party membership organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. In total, 415 local authorities are presently members of the LGA. The Local Government Pensions Committee (LGPC) is a committee of councillors constituted by the Local Government Association (LGA), the Welsh Local Government Association (WLGA) and the Convention of Scottish Local Authorities (COSLA). The LGPC considers policy and technical matters affecting the Local Government Pension Scheme (LGPS) in the UK, a scheme which has over 5 million members.

Our responses to the questions posed in the consultation document upon which we wish to comment are as follows:

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**Q10:** Does revoking regulation 17 and amending regulation 21 reduce the practical burden of information requirements for employers?

Yes, but see answer to Q11 below.

**Q11:** Will these amendments enable the employer to combine the information to employees within a single communication and remove the need to assess on a continuous basis?

Yes:

- a) for employers who will not have reached their staging date before the changes come into effect, and
- b) for employers who have reached their staging date before the changes come into effect and who take on new employees thereafter.

However, when the legislation comes into force could it also provide that employers who reached their staging date before the changes came into effect will be able to send a single notification to existing non-eligible jobholders and entitled workers who are not members of the pension scheme in order to remove the need to assess, on a continuous basis thereafter, whether an entitled worker first becomes a non-eligible jobholder (or vice versa)?

**Q12:** Will employees receive the information that they need at the right time?

Yes.

**Q13:** Does amending these regulations reduce the practical burden of information requirements for employers?

Yes.

**Q14:** Will employees receive the information that they need at the right time?

Yes.

**Q15:** Would the removal of the notice under regulation 33 reduce the practical burden of information requirements for employers?

Yes.

**Q16:** Is it agreed that the notice under regulation 33 serves little purpose and can be removed without any risk to employees?

Yes.

**Q21:** Does amending these paragraphs of schedule 2 reduce the practical burden of information requirements for employers?

Yes.

**Q22:** Is the new consolidated paragraph 18 clear enough to both types of employee (jobholder and worker) who will need to distinguish whether they fit into paragraph 18(a) or 18(b)?

Yes.

**Q23:** If the actual figure for qualifying earnings under section 13(1)(a) PA 2008 is not provided in the statement in paragraph 18, is there a risk that employees will not understand the requirements and may stay out of pension saving?

Yes, there is a potential risk. Perhaps the statements sent out should direct workers to a web page if they wish to know what the current lower qualify earnings figure is.

**Q24:** Does the removal of this paragraph strike the right balance between reducing the load on employers and placing the onus on the employee to find out more information about pension saving?

Yes.

**Q36:** Do you think this exception will help to simplify the automatic enrolment process for employers, particularly small and micro employers?

Yes, but see the answers to Q38 and Q39.

**Q37:** Do you agree that applying this exception to all people who have left a qualifying scheme (as opposed to just contract joiners) will simplify the process for employers?

Yes, but see the answers to Q38 and Q39.

**Q38:** Can you foresee any negative consequences for employers or employees?

Yes. New regulation 5C makes automatic enrolment and automatic re-enrolment optional for employers if the eligible jobholder had opted out of membership of a qualifying scheme within the period of 12 months preceding the automatic enrolment or automatic re-enrolment date. This is helpful in avoiding the difficult situations where an eligible jobholder would otherwise be automatically enrolled even though they had only opted out of contractual enrolment in, say, the previous pay period.

However, regulation 5C does have some drawbacks. After an employer has passed its staging date, the employer will have to continue to monitor its

workers to determine when an existing optant out first becomes an eligible jobholder. If the employer wishes to utilise the exception allowed by regulation 5C the employer will have to check its records / check with the pension scheme administrators to determine whether or not the member had opted out within the previous 12 months. This is an extra administrative process and so, in that sense, the exception would add an additional administrative burden on any employer wishing to utilise the exception. We believe there is a better solution, which we explain in the answer to Q39 below.

**Q39:** Do you think that 12 months is a suitable timeframe for restricting the exception?

Yes, but only in relation to enrolments that would otherwise have occurred at the employer's staging date and the re-enrolment date i.e. the exception should only apply at the employer's staging date and at the re-enrolment date to any worker who is an eligible jobholder at the relevant date who had opted out within the period of 12 months preceding the relevant date.

However, for workers who commence after the employer's staging date and before the automatic re-enrolment date who opt out after contractual enrolment, the employer will still be required to continually monitor them to see if they subsequently become an eligible jobholder for the first time. If they do, the employer will have to automatically enrol them unless their opt out from contractual enrolment had occurred in the preceding 12 months. This means there is an ongoing monitoring burden. It would be far simpler if, for workers who commence after the employer's staging date and before the automatic re-enrolment date who opt out after contractual enrolment, the employer only had to assess them again at the next automatic re-enrolment date and automatically re-enrol them then (if they are an eligible jobholder at that time and had not opted out within the preceding 12 months). This would mean that a worker who is contractually enrolled, say, 14 months after the employer's staging date and opts out would not have to be monitored and the next assessment the employer would make would be at the automatic re-enrolment date, some 22 months later. This would markedly simplify processes for employers as, for all optants out, the employer would only have to reassess them at each automatic re-enrolment date, rather than having to continually monitor them. We do not believe the re-assessment of a worker taking place after a period of more than 12 months would be a problem from a policy perspective (22 months in the above example) as it appears to us that the concept has already been accepted – take, for example, an eligible jobholder who had opted out of contractual enrolment the month before an employer's staging date. That person would not have to be assessed again for a period of 3 years i.e. until the re-enrolment date.

**Q40:** How many employers do you think will take advantage of this exception?

If the simplification suggested in the answer to Q39 is accepted then we believe most employers would welcome and apply it.

**Q41:** Can this exception be communicated to employees within existing material?

Amendments to existing letters used by employers will need to be made.

**Q42:** Do the benefits of this exception outweigh the risks of people being left out of pension savings for up to 3 years?

Yes.

Yours sincerely

A handwritten signature in blue ink that reads "TBE Edwards". The signature is written in a cursive style with a large, looped 'E' at the end.

Senior Pensions Adviser