



David Hone  
Automatic Enrolment Policy  
1<sup>st</sup> Floor, Caxton House,  
6-12 Tothill Street  
London  
SW1H 9NA

Direct Line: 0151 242-1390

Please ask for: Yvonne Caddock

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## TECHNICAL CHANGES TO AUTOMATIC ENROLMENT CONSULTATION

Dear Mr. Hone

*Wirral Council is responsible for the administration of the Merseyside Pension Fund (MPF) which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 130 other employers on Merseyside and elsewhere throughout the UK.*

*The Fund has over 46,000 active contributing members, 43,500 pensioners and 31,500 deferred pensioners. It is responsible for the investment and accounting for a pension fund of £5.6 billion.*

I refer to the public consultation on 'Technical Changes to Automatic Enrolment' launched on 25 March 2013. MPF as a pension scheme administrator would like to pass comment on the specific questions **23, 24 & 25** in regard the possible easement for employers providing a good pension scheme.

The LGPS is a public sector, defined benefit pension scheme, regulated in statute by the Secretary of State for Communities & Local Government and exceeds the minimum standards for a qualifying scheme in regard Automatic Enrolment legislation.

Employers participate in the LGPS by either statutory obligation or by a formal admission process where guarantees in regards the 'pension promise' are assured and employer duties clearly defined and agreed. Consequently, in regard to the consultation, employers who offer the LGPS (to workers with a contract of employment) are:

- offering a pension arrangement regardless of age and earnings of the worker;
- contractually enrolling workers;
- contributing towards the cost of pension provision along with the worker;
- allowing workers who have previously 'opted out' to rejoin at any time;
- providing the facility for workers to make additional voluntary contributions;
- allowing workers to transfer in previous pensions savings.

**Q23 – Would it be a good idea to allow employers contractually enrolling all workers into an automatic enrolment qualifying scheme to be certified or to self-certify that they are meeting the policy objectives and therefore are exempt from the explicit employer duties?**

MPF would consequently support the suggestion posed by **Question 23** of the consultation that the LGPS could be certified as meeting the policy objectives and is therefore exempt from the explicit employer duties.

As the Pensions Regulator already recognises the LGPS as a ‘good quality, contracted-out pension arrangement’, MPF asserts that the national scheme should be certified for exemption of specific employer duties under the auto-enrolment legislation; thus removing the administrative burden of employers continually monitoring the ‘age and earnings’ of employees who have actively chosen not to be a member of the LGPS.

Specifically, the arrangements for certification could be two fold:

- employers with a statutory obligation to participate to the LGPS could rely on a national scheme certification process;
- admitted employer bodies would be required to individually complete an exemption certificate in respect of the employees covered under the admission agreement. This certificate could be subject to review at agreed intervals to confirm that the terms of the agreement have not been altered in relation to the employees’ access to the LGPS.

**Q24 – Is there anything employers might need to demonstrate, beyond contractual enrolment of all workers into an automatic enrolment qualifying scheme, in order to be certified or allowed to self-certify?**

In regard to **Question 24** and the need for additional demonstration of employer actions, beyond contractual enrolment of all workers into a qualifying scheme - MPF would suggest that it would be beneficial if the certification process considers the requirement to periodically re-enrol eligible jobholders, who have not exercised an ‘opt-out’ notice within the 12 months of the specified date.

To promote the employers responsibility to encourage workers to save for retirement both non-eligible jobholders and entitled workers should also be made aware of the value of pension saving and their right to join the qualifying scheme on the employers re-enrolment date.

This requirement would ensure that all existing workers are regularly offered membership of occupational pension saving and would complete the remaining policy objective of ‘Workforce Pensions Reform’ in regard to those employers in the LGPS who have yet to meet their staging date.

**Q25 – For the purpose of automatic enrolment, is a quality requirement needed for DB schemes at all?**

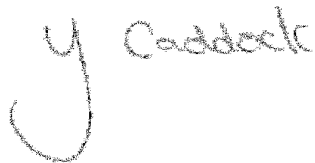
The consultation also seeks comments on appropriate measures to demonstrate how defined benefit schemes could continue to meet the quality standard post abolition of National Insurance contracting out from 2016.

The statutory nature of the LGPS as a public service pension scheme, with changes undertaken by Government following consultation along with the process of Equality Impact Assessments to identify any inequalities should provide assurance of its status as a qualifying scheme.

**Conclusion**

The LGPS is a mature public sector pension scheme and has for decades provided excellent pensions for millions of workers. An easing of explicit employer duties under automatic enrolment would be welcomed for practical reasons, but also the cost of administering those duties with taxpayer money.

Yours sincerely

A handwritten signature in black ink that reads "Yvonne Caddock". The signature is written in a cursive style, with the first letter 'Y' being particularly large and stylized.

Yvonne Caddock

Principal Pensions Officer