



250 CLUB

The JLT 250 CLUB

Providing meaningful employee
benefits research for major employers

July 2011

The results from the first survey of the 'JLT 250 Club', a consumer group of around 250 leading companies who have agreed in advance to complete short YouGov surveys on topical pension issues, are now in. The first survey was concerned with the prospective workplace pension reforms ('auto-enrolment'), and a summary of the findings and our initial reaction to them is provided here.

Composition of the 250 Club

All organisations in the 250 Club have at least 500 full-time employees and 59% of members employ more than 3001 such staff. Also, nearly 100% are in the private sector (limited company or plc). In terms of the individual respondents, 75% are middle managers and above.

This makes the survey findings directly relevant to medium and large employers in the UK private sector.

Results from the survey on Auto-Enrolment

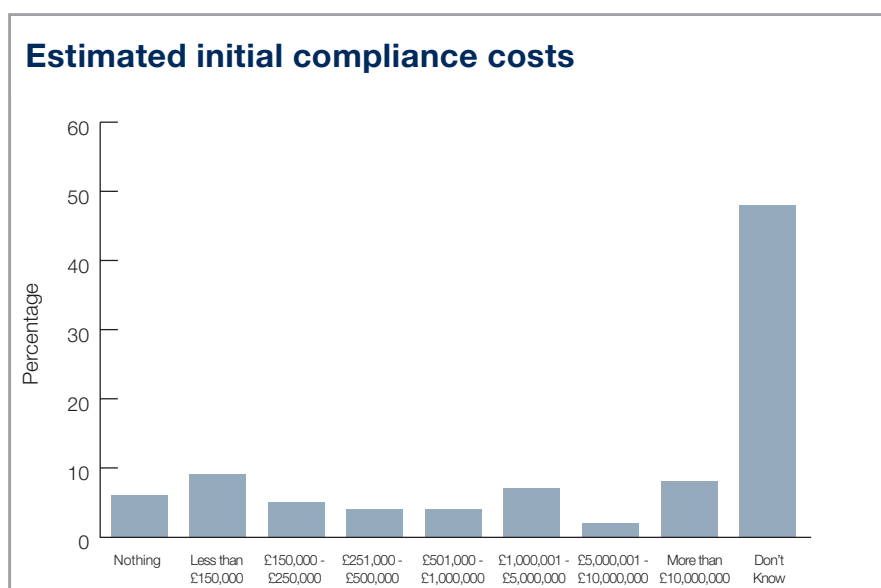
1. The first question related to the direct and indirect cost of meeting the workplace pension reforms. We asked:

"How much do you estimate initial compliance with the auto-enrolment requirements will cost your organisation? Please think of contributions and administration costs for the first twelve months."

Answers ranged from 'nothing' to more than £10m, but the most instructive finding was that **49% of all 250 Club members still 'don't know' how much auto-enrolment will cost them.** Given that some members will need to comply from the date the reforms start – less than 18 months away (October 2012), this is an important discovery and, given the potential amount of work involved, a cause for some concern.

Within the main results, there are some interesting breakdowns:

- The 'don't know' level in the south of England is 64% but only 36% in Wales
- In organisations with between 2,001 and 2,500 employees, the 'don't know' response was 100%.
- For companies with more than 3,001 employees (59% of the 250 Club membership), 13% believe that compliance costs will exceed £10,000,000.



2. The next question was concerned with members' views on 'opt-outs' (i.e. how many employees will ask to leave the pension scheme immediately or soon after they are auto-enrolled). The question asked was:

“What proportion of employees are you expecting to ‘opt out’ of the pension scheme after being automatically enrolled?”

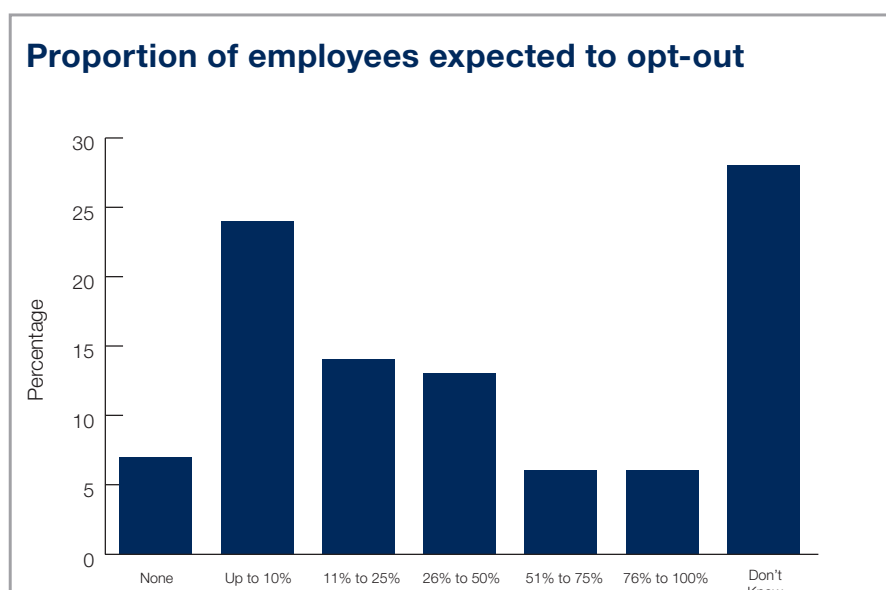
Responses were varied but, 28% ‘don’t know’ aside, **the most popular answer (24% of respondents) was up to 10%.**

This is another interesting finding, as the government’s working assumption is that between one-quarter and one-third of those auto-enrolled will subsequently opt-out within a month of becoming a pension scheme member.

Again, there are regional differences, with around a quarter of respondents in London and the North of England expecting between 26% and 50% to opt-out, but only 9% of those in the South of England agreeing with them.

There were variations based on employer size too:

- In organisations with between 500 and 999 employees, 17% of the organisations believe that only up to 10% of those auto-enrolled will opt-out
- In organisations with between 1,000 and 1,500 employees the percentage is 24%
- For those with between 1,501 and 2,000 employees, it is 33%
- For organisations with between 2,501 and 3,000, it jumps to 60%
- In large organisations with more than 3,001 employees, the percentage drops again (23%).



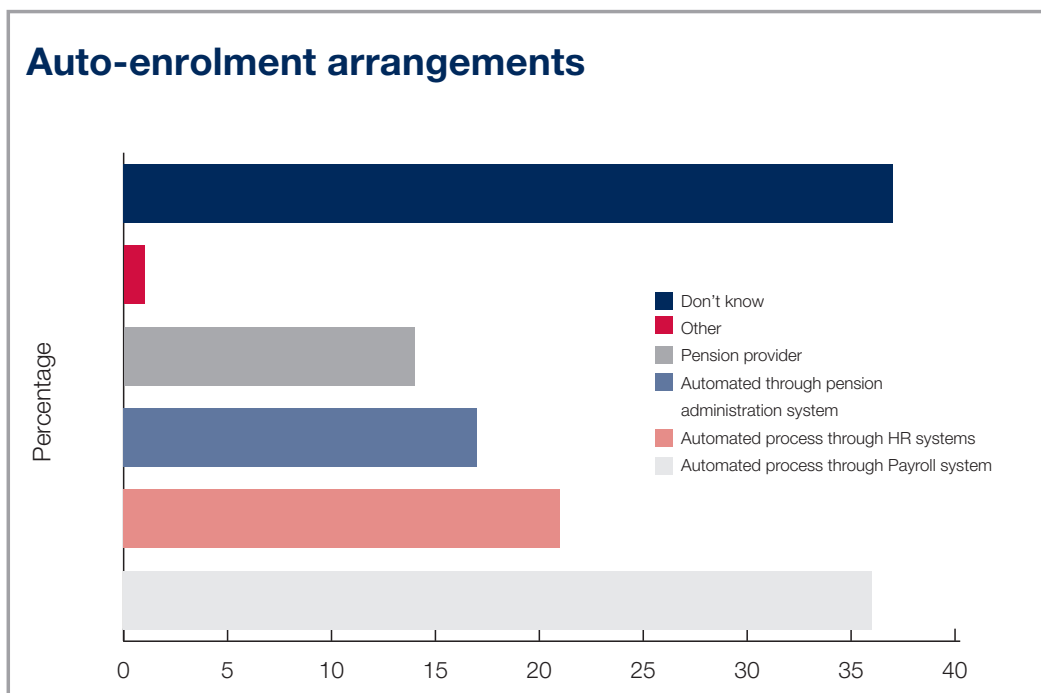
3. The third question on auto-enrolment was concerned with systems and processes that would be used to ensure compliance. The question was:

“Which of the following methods do you plan to use to determine auto-enrolment eligibility, process new members and process employees ‘opting-out’ of the scheme?”

The top answers were ‘don’t know’ (37%) and ‘automated process through payroll system’ (36%). The next most popular answer was ‘automated process through HR system’ (21%), followed by ‘automated process through benefits/pension administration system’ (17%) and ‘pension provider’ – i.e. data provided to pension provider by HR department (13%).

Answers were fairly consistent across the regions, although 46% of employers in the Midlands expect their solution to be the payroll system and across organisations of different sizes, except those with between 500 and 999 employees (where the percentage is 45%) and those with between 1,501 and 2,000 employees (53%).

It is JLT’s understanding that many payroll software providers do not see it as their role to provide auto-enrolment tools for employers and organisations, so early discussions with payroll, HR and pension administration departments / providers are recommended.



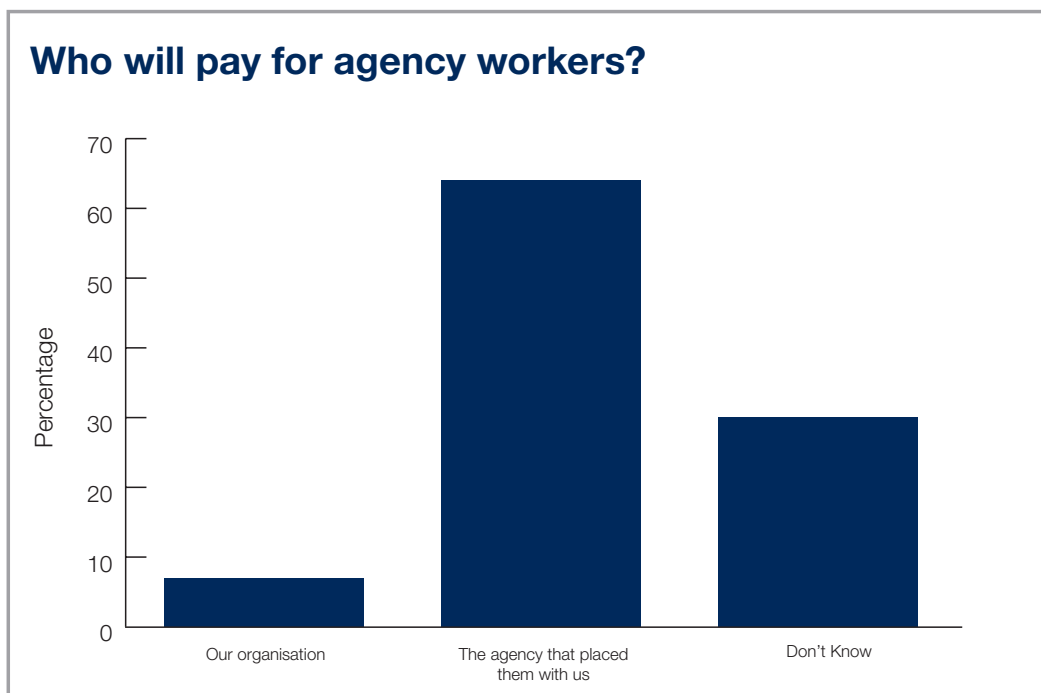
4. The UK is one of the biggest users of agency workers and so question four asked Club members (three-quarters of whom have agency staff) about their views on responsibility for this group; i.e.:

“You said that your organisation currently employs agency staff. Who will be responsible for auto-enrolling eligible agency staff into a qualifying pension scheme when the pension reforms come into force?”

64% of all respondents expect the agency to be responsible for auto-enrolment of agency workers; only 6% believe that it will be their organisation (the end user) and there were 30% ‘don’t knows’.

Drilling down, 17% of organisations in the Midlands believe that they will be responsible whilst 88% of respondents in Scotland believe it will be the agency. There was nothing startling in terms of differences between organisations based on size.

Consistent with the survey findings, it is the government’s intention that the agency placing workers with employers should be responsible for auto-enrolment. However, it does depend on contractual and remuneration arrangements. So, the message for employers is that this is another point to be checked with advisers.

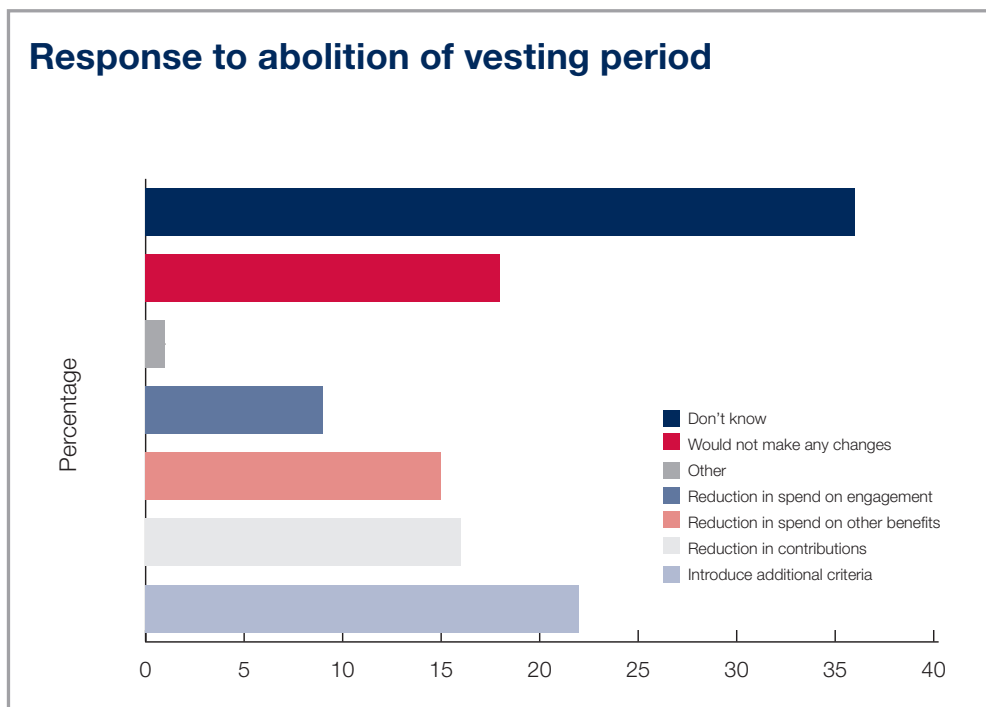


5. The fifth and final question from the inaugural 250 Club survey concerned the very topical issue of refunds of pension contributions for early leavers, on which there has been a recent government consultation. Nearly all Club members (95%) have a workplace pension arrangement and 42% have a scheme that has a vesting period (i.e. a minimum period of pensionable service before a member qualifies for preserved benefits on leaving; before then they will only be entitled to a refund of their contributions, if any). The final question was –

“How would you expect your organisation to respond if ‘vesting’ periods for company pension schemes were abolished by the government?”

Options included:

- We would introduce additional criteria (e.g. service condition) for contributions above statutory minima
- We would consider a reduction in pension scheme contributions
- We would consider a reduction in spend on other employee benefits
- We would consider a reduction in spend on employee communication, education or other engagement, (e.g. online services, pensions clinics, seminars)
- Other
- We would not make any changes
- Don't know



The key finding from this question was that, if vesting periods were abolished (i.e. it was no longer possible to pay refunds for short service early leavers in occupational pension schemes), only 19% of organisations (38% in the East of England) would not make changes to reward in order to mitigate the effects.

The most popular option for those who would make changes was 'introducing additional criteria for contributions' (22%, overall; 36% in the North of England; 33% in Scotland) followed by a 'reduction in contributions' (16%, overall) and 'reduction in spend on other benefits' (15%).

Comment

The results are still being analysed and additional information/commentary will be provided through a series of individual News Releases on the findings from each question.

What is clear, however, is that there is still a lot of work to do for employers to be fully compliant with the auto-enrolment requirements by their 'staging date' which, for JLT 250 Club members will be sometime in the third quarter of 2012 (earlier if they bring forward that date) or 2013.

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