

Future Guernsey – Priority Policy Area update (June 2019):

Future Guernsey Theme:	Our Economy
Future Guernsey Outcome:	Sustainable Public Finances
Priority Policy Area:	Social Welfare – to become ‘Secondary Pensions’
Political Governance:	Committee for Employment & Social Security Policy & Resources Committee

Overview
<p>The secondary pensions project will introduce an auto-enrolment 2nd pillar pension scheme. This means that occupational pensions will have to be provided to the vast majority of employed people. The default position will be for people to be enrolled into an occupational pension; individuals who do not want to take part will have to actively opt-out. The UK has had a similar scheme in place for a number of years and has seen a significant increase in pension provision, particularly for those with a lower income. The desired outcome is to improve the availability and use of pensions in order to reduce pensioner poverty and reliance on means-tested benefits in later life. This is particularly important given the island’s aging population. In the short to medium term there is expected to be a negative effect on the States’ budget and to a lesser extent, the economy. Over a long-term horizon we expect that the project will lead to significant benefits. It will make it more achievable and sustainable for a diminishing younger population to support a growing older population.</p> <p>The success of the project in the short-term will be determined by whether there is a meaningful increase in the number of individuals making regular contributions to a pension. In the long-term the project’s success will be judged against whether there is a reduction in pensioner poverty and reduction in means-tested benefit expenditure relative to projections.</p> <p>Phase 1 of the project has been completed. This included commissioning an economic impact assessment as well as preparing to tender for services. The project is currently in phase 2 which consists of two work packages, detailed design of auto-enrolment rules and procurement. Phase 3 will include two further work packages, legislative drafting and engagement & implementation.</p>

Work stream 1 – detailed design of Auto-Enrolment Rules
<p>Brief overview:</p> <p>The States have agreed in principle to the establishment of a secondary pension policy. This would require employers to automatically enrol most of their staff into a suitable pension scheme. While the basic principles have been agreed, there are exceptions to rules and special cases which must be considered. A policy letter must be produced, which not only provides some certainty for the States, but also provides enough detailed information that employers and pension providers can start to prepare for the introduction of the scheme.</p>
<p>Resourcing:</p> <p>At present there is one dedicated Project Manager who is working full time on the project. A Project Support Officer is being provided on a 0.2 FTE basis. A Policy Officer is provided by the P&RC in a project assurance role on a 0.2 FTE basis. Additional support is provided on an as-needs basis from other States of Guernsey staff and from several industry experts who have kindly volunteered their time.</p>

Barriers to progress:	A change in Project Manager alongside other factors has resulted in a delay to project delivery. Some areas of the project rely on policy advice from individuals with specialist knowledge. Progress is dependent on the continuing access to this advice.
Next steps:	<ol style="list-style-type: none"> 1. To refine the definition of a pension scheme which will be a 'qualifying scheme' for the purpose of an employer's secondary pensions duty. 2. To refine proposals regarding the circumstances in which a person would not be automatically enrolled into a pension scheme. 3. To refine and accurately present the full costs of the policy to the States, individuals and the economy. 4. To develop suitable proposals for regulation and compliance. 5. To consult with industry and other stakeholders, such as the States of Alderney Policy & Finance Committee, regarding the detailed proposals. 6. To finalise a draft policy letter.
Needs/requirements that have not been supplied/resolved:	The introduction of this policy will come with a direct cost to the States and a significant reduction in revenue through tax allowances. The States will have to approve the release of the necessary funds to progress to the next stage.
Any other comments:	This policy letter is now expected to be delivered in the latter half of 2019.

Work stream 2 - procurement	
Brief overview:	In order to ensure that there is an affordable qualifying pension scheme available to all employers, the States will need to facilitate the establishment of a pension scheme. This scheme will be called Your Island Pension. The project board have tendered for the provision of services related to the operation of the scheme. The project board are currently in the process of selecting suppliers. Once the selection process is complete ESS will need to present this package to the States alongside a funding proposal for the establishment and initial period of operation.
Resourcing:	At present there is a dedicated project manager who is working full time on the project. A Project Support Officer is being provided on a 0.2 FTE basis. A Policy Officer is provided by P&RC in a project assurance role on a 0.2 FTE basis. A Procurement Manager is overseeing the tender process as part of his wider responsibilities. A solicitor from St James Chambers is providing legal advice in relation to procurement and contractual matters. Additional support is provided on an as-needs basis from other States of Guernsey staff and from several industry experts who have kindly volunteered their time. An external consultant was hired to assist with the drafting of the tender document and evaluation of the bid.
Barriers to progress:	The selection process has taken longer than expected; this is because there has been extensive follow-up work with shortlisted providers during the evaluation stage. There has also been time spent adapting the proposed services to better suit the desired policy outcome.
Next steps:	<ol style="list-style-type: none"> 1. To finalise the selection of providers. 2. To undergo any final negotiation. 3. To present the proposals to the States as part of the policy letter mentioned in work package 1. 4. To assist the service providers to establish the scheme.

Needs/requirements that have not been supplied/resolved:	A budget will need to be approved to fund the establishment of Your Island Pension.
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Work stream 3 – legislative drafting	
Brief overview:	The launch of the secondary pension scheme, both in relation to auto-enrolment responsibilities, and the establishment of Your Island Pension will require the creation of a new Law as well as secondary and tertiary legislation. Although the policy letter will be drafted to be as informative and detailed as reasonably possible, there will be matters to be addressed and determined during the drafting stage. Once drafting begins, we expect a period of 18 months or more until the legislation is in place and the scheme is ready to launch.
Resourcing:	At present there is no legislative drafting resource dedicated to the project. It is expected that the Project Manager will work with St James Chambers to help produce the necessary legislation.
Barriers to progress:	Legislative drafting cannot begin until the States have approved the Propositions.
Next steps:	<ol style="list-style-type: none"> 1. Receive States approval of the Propositions. 2. Draft a Projet de Loi and progress it through the approval process. 3. Draft an Ordinance and Statutory Instruments and progress them through the approval process. 4. Once all legislation has been registered with the Royal Court, commencing legislation will implement the legislation from an appropriate date.
Needs/requirements that have not been supplied/resolved:	A legislative drafting resource.
Any other comments:	This work package will be progressed simultaneously with work stream 4.

Work stream 4 – engagement & implementation	
Brief overview:	Once the policy has been agreed, work will need to begin preparing individuals, employers, the pension industry and associated professionals for the introduction of the auto-enrolment obligations.
Resourcing:	It is expected that the Project Manager will continue to work on the project during this stage, but no other resource has been specifically allocated at present.
Next steps:	<ol style="list-style-type: none"> 1. Provide online and hard copy resources for the various stakeholder groups. 2. Publish FAQ documents. 3. Explore other methods to engage with individuals such as public presentations, social media, videos, direct mailing etc. 4. Establish compliance and regulation procedures.

Needs/requirements that have not been supplied/resolved:	It is likely that the States will need to approve additional funding for the compliance and regulation procedures. The assistance of the Corporate Communications team may be required, but they have not been approached about resourcing concerns at this point.
Any other comments:	This work package will be progressed simultaneously with work stream 3.