

Cost Management, Benefit Design and Administration Committee (CMBDA)

MEETING OF 30TH OCTOBER 2023

ITEM 9 – PAPER F

OPT-OUTS AND MOVEMENT TO 50/50 IN THE LGPS

Summary

1. As members will be aware, the Secretariat asked LGPS funds in a survey in late 2022 whether there had been an increase in the number of members opting out of the scheme, or opting into the 50/50 section, and whether there was any evidence that any increase could be linked to increases in the cost of living.
2. The results of this survey proved inconclusive, primarily because it was not possible to draw conclusions from the time series data on the rate of opt outs, due to the confounding effects of auto re-enrolment¹. In addition, the number of eligible employees is constantly moving, due to changes in the status of the employers because of mergers or outsourcing/insourcing.
3. The Secretariat has engaged in discussions with the software providers to identify or isolate data which would enable us to examine time series data on opt outs. This has proved challenging due to the different ways in which data is stored in administrative systems and there may be a cost to reconfigure those systems in a way that would allow consistent reporting. Funds may also be required to change some internal processes around recording of optants out.

Alternative Methodologies and Recommendations

4. One possible solution which the Secretariat is exploring is to compare the total membership of the LGPS with the total number of employees who are eligible to join. Although this will not be the same as the number of people choosing to opt out, we believe it will offer a reasonably reliable estimation of the proportion of the workforce who have chosen to opt out.
5. Employers are required to submit a declaration of compliance to the Pension Regulator (TPR) annually to report on how they have met their Auto Enrolment duties. Within this report employers are required to declare pension membership. We have submitted a Freedom Of Information request and have received a reply with some data, we have not yet been able to obtain the figures requested. A further request has been made to TPR specifically asking for the data submitted by employers quoting the Pension Scheme Registry number

¹ Members who have opted out are automatically re-enrolled in the scheme every 3 years, if they are eligible. As a consequence, there are peaks at different stages every three years when eligible members who wish to continue to opt out do so after being automatically re-enrolled into the scheme. The pattern at fund level is not regular as the dates when auto re-enrolment occurs are different for each employer.

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10051249 relating to the LGPS to the question “*The total number of staff employed on your duties start date or staging date*” This is data that is submitted by employers with their [declaration of compliance](#).

6. Should this prove unsuccessful the Secretariat proposes to conduct a survey of all local authorities (i.e. not just administering authorities) using Local Government Association (LGA) workforce contacts to ask if they hold and request data on the number of their employees who are eligible for the LGPS, compared to the total number of employees who have chosen to join.
7. Of course, such a survey will not include those employers which are not local authorities (approximately 20% of the scheme by membership). Depending on the composition of that non-local authority segment of the membership, it would not capture a full representative picture of the experience of all LGPS eligible employees (e.g. it may exclude some lower paid workers engaged on outsourced service contracts). However, a survey could facilitate a range of more qualitative questions concerning the experience of outsourcing to employers and their interaction with employees related to this topic. This could include questions such as the employers’ understanding of why employees are choosing to opt out and publication of scheme benefits in employment documentation and during induction and other events.

Comments from the Committee

8. We welcome comments and suggestions from the Committee on our work to date and our next proposed approach.
