

# Cost Management, Benefit Design and Administration Committee (CMBDA)

**MEETING OF 1<sup>st</sup> July 2024**

## **ITEM 6 – PAPER C**

### **OPT OUT SURVEY**

#### **Background**

1. At the last Committee meeting it was agreed that the Secretariat would develop an opt-out survey to be issued to Local Authority employers via the Local Government Association's contacts list. It was acknowledged that this would not capture all the participating LGPS employers (approx 17% of employers but 64% of active membership\*) but there was no practical way of extending it further.
2. To obtain a range of data, it was proposed that the scope of the survey include questions on whether opt out forms should ask members their reason for opting out and questions around promotion of the LGPS. Annex A gives the survey questions.

#### **Report**

3. At Annex B is a summary and analysis of the responses received.

#### **Next steps**

4. The Committee is asked to agree that:
  - a) the Secretariat follow up with those respondents interested in discussing further and whether they hold data on the characteristics of the individuals opting out (to see if opt out rates vary across certain groups);
  - b) the Secretariat engage with LGA pensions colleagues to review the opt out template documents, including with a view to suggesting that employers collect reasons for opting out (maybe with a short list of common reasons and a plain text field);
  - c) the Secretariat engage with LGA pensions colleagues and the National Communications Working Group to help produce promotional materials, as supported by employers in the survey response.

\*LG Finance Statistical release LGPS Funds England and Wales 2022/23

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## Annex A

### Background

Cost of living pressures have forced many people to review their outgoings. There is some evidence of an increase in staff opting out of other public service pension schemes. Through this survey, the Local Government Association (LGA) asked member councils about their experience of staff opting out and the value placed on being able to offer a high-quality defined benefit pension scheme like the LGPS in recruitment and retention.

### Method

A survey (Appendix 1) was devised by the SAB team to explore the data held by employers and understand their perceived importance of being part of the LGPS. We do not generally have access to contact details for LGPS employers, however the LGA does maintain contact lists of local authorities in England and it was decided to focus on this section of the membership.

A contact list for local authority employers in England was obtained from the LGA Workforce team and, from this, 'second level' contacts (broadly equivalent to Head of Service level) were used. Where they were not available generic email addresses were used for employers.

The survey was advertised in the May 2024 LGA Workforce bulletin and emailed directly to 325 local government contacts. 53 councils responded to the survey, a response rate of 16.3%.

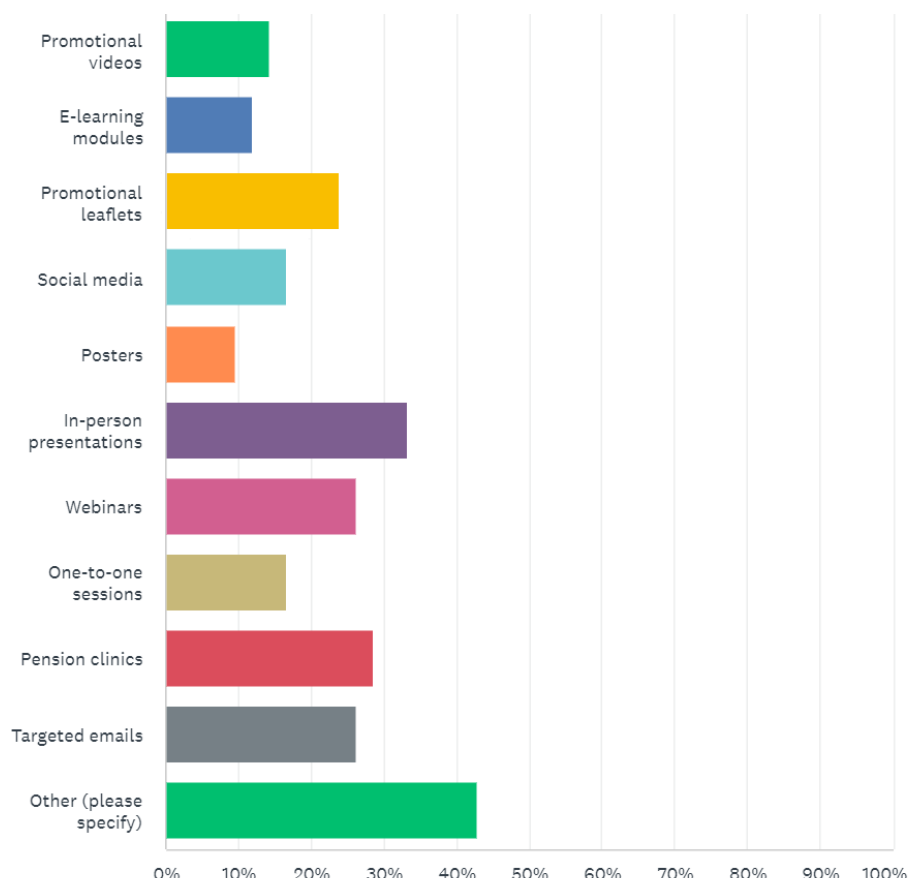
Authority Type	Percentage of Respondents
District Council	36%
County Council	17%
Unitary Authority	15%
Metropolitan	15%
Unknown	11%
London Borough	6%

### Results

All respondents said the LGPS was important to staff recruitment and retention within their organisation. 48% said it was extremely important, 41% answered very important and 12% said somewhat important.

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Only 3 employers (6%) said that they do not promote the LGPS benefits to their employees. Those that do promote the benefits do so in a variety of ways as seen in the graph below.

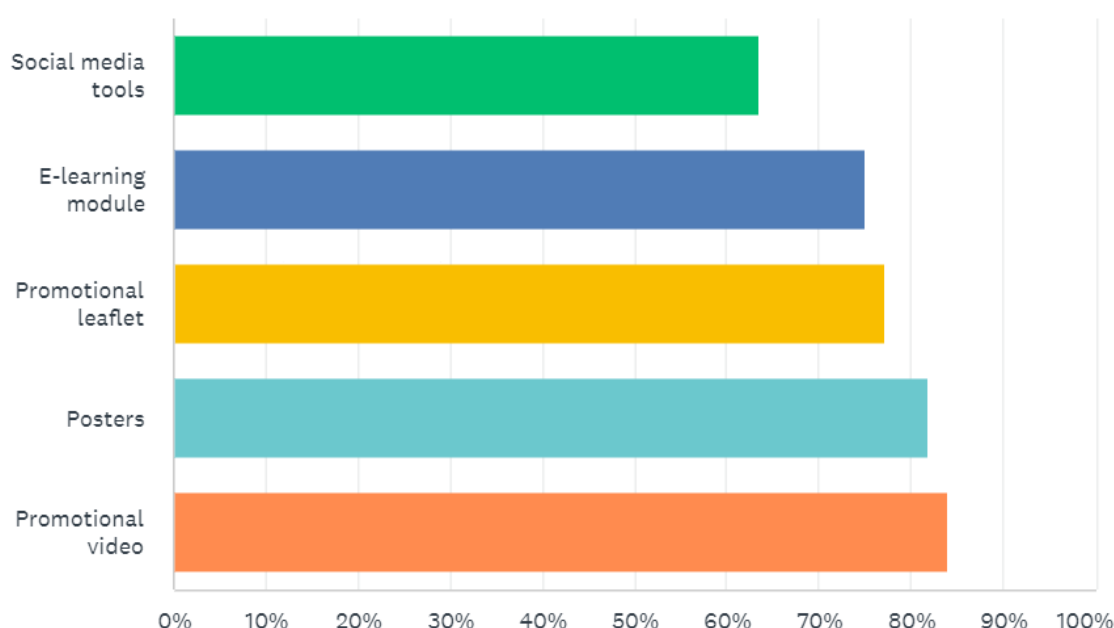


Most commonly, employers promote the benefits of the LGPS to their employees through in-person presentations, pension clinics, targeted emails, and webinars. Those that answered 'other' said that they promote it as part of their recruitment and induction programmes, through employee communication channels such as their intranet, newsletters, and by partnering with third party providers.

Those that do not promote the benefits of the LGPS were asked to expand on why, one employer said that *"all staff automatically enter LGPS at start unless they opt out so there is no need to "sell" it"*. Other employers referred to not enough *"capacity"* within their team to do this and *"lack of standard literature"* about the scheme. Two of the three employers that do not promote the LGPS to their employees were District Councils.

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Respondents were asked if any resources would be useful to them and provided with a list. The graph below shows a high proportion of the respondents would find the materials listed useful. Promotional videos would be most useful to employers, with over 84% of respondents choosing this option.



Respondents were asked to rank in order of priority which employees would you promote the LGPS to, 1 being highest priority and 4 being lowest. Over 85% of respondents ranked new employees as their highest priority, the majority of respondents then ranked employees who have opted out as their second highest priority, followed by employees considering opting out, and existing scheme members as their lowest priority.

Rank	1	2	3	4	Average rank
<b>New employees</b>	85.37%	9.76%	2.44%	2.44%	3.78
<b>Employees who have opted out</b>	7.32%	48.78%	26.83%	17.07%	2.46
<b>Employees considering opting out</b>	7.32%	17.07%	58.54%	17.07%	2.15
<b>Existing scheme members</b>	0.00%	24.39%	12.20%	63.41%	1.61

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Only 35% of respondents currently review the number of employees who are eligible for the LGPS who have chosen not to join, compared to the number of employees who are currently active members of the LGPS. The breakdown of this by authority type can be found below. Only one Unitary Authority out of the six that responded to this survey answered yes.

Authority type	No	Yes
County Council	63%	38%
District Council	53%	47%
London Borough	67%	33%
Metropolitan	67%	33%
Unitary Authority	83%	17%
Unknown	100%	0%

13 employers shared the percentage of their employees eligible for LGPS membership who are not currently active members in the LGPS, these numbers ranged from 3% to 40%, with an average of 13% and median of 10%.

Over 69% of respondents said they have not noticed a change in employees opting out of the LGPS, while 5% (2) said they have noticed an increase in the number of employees deciding to opt out – one County Council and one District Council. The rest of the respondents (26%) said they were not sure or did not know. Those who said they have noticed an increased were asked to provide additional commentary on this, one employer said that *“more employees are opting out or enquiring about a break due to cost. We do try and promote the 50/50 scheme”*.

Only 5% (2) respondents said that they collect and hold the reasons for employees opting out of the LGPS, 95% of employees said they do not. The two employers that do collect and hold this data were asked if they were able to share this data with us, one responded yes and the other responded no.

55% of respondents said that they were interested in working with the LGA to explore this issue further and potentially share non-identifiable data on LGPS membership within their organisation. This 55% consisted of 5 County Councils, 6 District Councils, 2 London Boroughs, 3 Metropolitans, 3 Unitary Authorities, and 1 unknown.

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## **Appendix 1 Opt Out Survey.**

*(Logic was applied in survey software to skip irrelevant questions).*

### **Membership of the Local Government Pension Scheme (LGPS) – how important is it to your organisation and your employees?**

#### **About this survey**

The Local Government Pension Scheme (LGPS) is one of the largest defined benefit schemes in the world. It has more than six million members and around 15,000 employers participate in it. Members mainly work for local authorities but there are also non-teaching staff in academy trusts, staff in some central government funded bodies and some former local authority staff transferred to private contractors.

Cost of living pressures have forced many people to review their outgoings. There is some evidence of an increase in staff opting out of other public service pension schemes. Through this survey, the Local Government Association (LGA) is asking member councils about their experience of staff opting out and the value placed on being able to offer a high-quality defined benefit scheme like the LGPS in recruitment and retention.

The LGA has also been looking at the differences in outcome between men and women in relation to pension savings. So far, we have undertaken studies of the “gender pensions gap” between male and female members of the LGPS, but those likely to be facing the greatest challenges in later life are those who have opted out of the pension scheme offered by their employer.

Your responses will provide data we can use to ensure the LGPS membership is valued by local government employees.

#### **Organisation Name**

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#### **In your opinion, how important is the LGPS to staff recruitment and retention within your organisation?**

Extremely important

Very important

Somewhat important

Not so important

Not at all important

Not sure/don't know

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**Do you promote the LGPS benefits to your employees?**

Yes

No

**How do you do this? Please tick all that apply**

Promotional videos

E-learning modules

Promotional leaflets

Social media

Posters

In-person presentations

Webinars

One-to-one sessions

Pension clinics

Targeted emails

Other (please specify) \_\_\_\_\_

**If you don't promote the LGPS to your employees, why is that?**

\_\_\_\_\_  
\_\_\_\_\_

**The LGA is planning to produce resources to help employers promote the LGPS. Would you use any of the promotional materials listed below? Please tick all that apply**

Promotional video

E-learning module

Promotional leaflet

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Social media tools

Posters

**Which employees would you promote the LGPS to? Please rank in order of priority.**

New employees

Employees who have opted out

Employees considering opting out

Existing scheme members

**Do you review the number of employees who are eligible for the LGPS who have chosen not to join compared to the number of employees who are currently active members of the LGPS?**

Yes

No

**What is the percentage of your employees eligible for LGPS membership who aren't currently active members in the LGPS? If you do not have exact figures, please give a best estimate.**

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**Which of the following statements applies to you?**

We have noticed an increase in the number of employees enquiring about opting out of the LGPS

We have noticed an increase in the number of employees deciding to opt out of the LGPS

We have noticed an increase in both the number of employees enquiring about and deciding to opt out the LGPS



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We have not noticed a change in employees opting out of the LGPS  
Not sure/don't know

**Please can you provide further commentary on this**

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**Do you collect and hold reasons for employees opting out of the LGPS?**

Yes  
No

**If collected, are you able to share this data with us?**

Yes  
No

**Are you interested in working with the LGA to explore this issue further and potentially share non-identifiable data on LGPS membership within your organisation?**

Yes  
No

**Please can you share a contact name and email address so we can get in touch**