

**COST MANAGEMENT, BENEFIT DESIGN  
AND ADMINISTRATION COMMITTEE**  
**24 May 2018**

**Item 4 Paper B : 50/50 Awareness  
Programme**

**Background**

1.0. As part of the internal cost management process, the Scheme Advisory Board tasked the LGPC Secretariat to produce an online survey to ascertain the reason for the low take up of the scheme's 50/50 section. Administering authorities in England and Wales were asked to make their members aware of the survey and encourage them to complete it, where applicable.

1.1. The survey was live on the homepage of [www.lgpsmember.org](http://www.lgpsmember.org) between 6<sup>th</sup> April and 29<sup>th</sup> July 2017 during which 8,716 responses were submitted.

1.3. Amongst other things, the survey confirmed the anecdotal evidence that the number of scheme members choosing to opt into the 50/50 section is far less than the Treasury's assumption when the new scheme was designed that 10% of scheme members earning less than £21k would opt into the 50/50 section. The cost of future service of 19.5% was partially based on that assumption. The low take up rate was further evidenced by the choice made by some fund actuaries at the 2016 valuation to assume a zero level of optants into the 50/50 section.

1.4 The survey indicated that the low take up rate could be attributed to poor communication of the 50/50 option. Improving the level of awareness amongst the scheme's membership, in particular, optants out and those considering opting out of the scheme should result in an increase in the take up rate and in turn, the prospect of the scheme savings assumed from the Treasury's assumption on take up being realised.

1.5. It is important to note that the current assumption on take up rate of 10% relates only to those members earning less than £21k whereas the data on actual take up rates covers the scheme as a whole. The Board's actuarial adviser has suggested that the same cost savings would accrue from either a take up rate of just 4%-5% across the scheme or a 10% take up rate amongst those members earning less than £21k

1.6 At its meeting on the 16<sup>th</sup> November 2017, the Board agreed that the Secretariat should prepare a paper setting out options for improving the level of awareness of the 50/50 section through better communication. The paper is attached at Annex A.

1.7 The paper was agreed by the committee on the 29<sup>th</sup> January 2018 with the recommendation that it should be presented to the Board meeting on the 26<sup>th</sup> February 2018.

1.8 The Board agreed on the 26<sup>th</sup> February 2018 that the committee should prepare a detailed paper setting out proposals for a 50/50 awareness programme for consideration by the Board when it meets on the 27<sup>th</sup> June 2018.

## **Proposal**

2.0 The proposal for the committee to consider as a recommendation to the Board includes a follow up survey of administering authorities to establish their communication policies and procedures on the 50/50 option (see section 3 below).

2.1 Subject to the outcome and findings of the proposed survey, the awareness programme could be extended to include :-

- A standard information pack on 50/50 to be given to all new joiners, those seeking to opt out of the scheme and others enquiring about joining the 50/50 element of the scheme;
- A recommendation to MHCLG that by regulation or statutory guidance, annual benefit statements sent to deferred members who opted out of the scheme should include reference to the proposed information pack, and
- A recommendation to MHCLG that Regulation 61 (Statements of policy concerning communications with members and scheme members) is extended at Regulation 61(2) to include the administering authority's policy on communicating the 50 50 section of the scheme to scheme members and employers.

## **Follow up survey**

3.0 There is anecdotal evidence to suggest that information issued to scheme members and would-be scheme members about the 50/50 section of the scheme by administering authorities varies significantly and that in some cases, administering authorities have taken the decision not to publicise the option in any way on the grounds that they are acting in their members' best interest to keep them in the main scheme earning full benefits.

3.1 Although the very low take up rate of the 50/50 option is supported by evidence from last year's survey and data from the Government Actuary's Department, there is less clarity about the underlying cause. It is often suggested that poor communication has been a major factor in the lower than expected take up rate but there is very little evidence to substantiate this claim. It is proposed therefore that all administering authorities in England and Wales should be asked to complete and return a simple survey to determine the extent and quality of communication on the 50/50 option.

3.2 The survey could include the following questions :-

- Do you issue an information pack to all new joiners?

- If so, does this include reference to
  - the 50/50 option?
  - a contact point for further information?
- How often in the past 12 months have you issued a communication to scheme members about the 50/50 option?
- Does the scheme members' section of your web site
  - give details of the 50/50 option?
  - A contact point for further information?
- Is there an application form for scheme members to apply to join the 50/50 section of the scheme?
- Are you able to identify those deferred members who opted out of the scheme?
- Do you engage in any communication with those scheme members in the 50/50 section of the scheme?
- Would you find a standard information pack on the 50/50 section of the scheme helpful?

3.3 It is proposed that the survey would be conducted via email with administering authorities given 6 weeks to complete and return the survey. Administering authorities would also be invited to include any general comments about the operation of the 50/50 section of the scheme in their fund and to submit a copy of their communication pack.

## **Conclusion**

4.0 Deferring any consideration of the proposals summarised at section 2.1 until the outcome of the proposed survey is known will ensure that the time and effort involved is only spent if the evidence from the survey substantiates the claim that poor and ineffective communication is the key factor behind the low take up rate.

**Recommendation – That the committee considers the proposal summarised in sections 2 and 3 above and agrees to present this to the Board meeting on the 27<sup>th</sup> June 2018.**

**Annex A**

## **COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE 29<sup>th</sup> January 2018**

### **Item 5 Paper C : 50/50 Awareness Programme**

#### **Background**

1.0. As part of the internal cost management process, the Scheme Advisory Board tasked the LGPC Secretariat to produce an online survey to ascertain the reason for the low take up of the scheme's 50/50 section. Administering authorities in England and Wales were asked to make their members aware of the survey and encourage them to complete it, where applicable.

1.1. The survey was live on the homepage of [www.lgpsmember.org](http://www.lgpsmember.org) between 6<sup>th</sup> April and 29<sup>th</sup> July 2017 during which 8,716 responses were submitted.

1.3. Amongst other things, the survey confirmed the anecdotal evidence that the number of scheme members choosing to opt into the 50/50 section is far less than the Treasury's assumption when the new scheme was designed that 10% of scheme members earning less than £21k would opt into the 50/50 section. The cost of future service of 19.5% was partially based on that assumption. The low take up rate was further evidenced by the choice made by some fund actuaries at the 2016 valuation to assume a zero level of optants into the 50/50 section.

1.4 The survey indicated that the low take up rate could be attributed to poor communication of the 50/50 option. Improving the level of awareness amongst the scheme's membership, in particular, optants out and those considering opting out of the scheme should result in an increase in the take up rate and in turn, the prospect of the scheme savings assumed from the Treasury's assumption on take up being realised.

1.5. It is important to note that the current assumption on take up rate of 10% relates only to those members earning less than £21k whereas the data on actual take up rates covers the scheme as a whole. The Board's actuarial adviser has suggested that the same cost savings would accrue from either a take up rate of just 4%-5% across the scheme or a 10% take up rate amongst those members earning less than £21k

1.6 At its meeting on the 16<sup>th</sup> November 2017, the Board agreed that the Secretariat should prepare a paper setting out options for improving the level of awareness of the 50/50 section through better communication.

## **Consideration**

2.0. Although it can be inferred from the Board's survey that poor communication and awareness are the main factors responsible for the lower than assumed take up rate, there is no reliable evidence that would allow the Board to assess either the extent of the problem at local level or how individual administering authorities both communicate the 50/50 option to participating employers and their scheme members and process applications.

2.1. The committee is therefore invited to consider whether the Board should be recommended to undertake a follow-up survey of administering authorities practices and procedures. The survey could ask administering authorities for details of the way in which they currently communicate the 50/50 section and whether this is included as part of their new joiners pack. The survey could also ask how often in the past

communications on 50/50 have been circulated to members and also for details of how scheme members can apply to join the 50/50 section. It would also be useful to ask for data on the number of deferred members who have opted out of the scheme given that this is the main target audience for the 50/50 section. The results of the survey would enable the Board to consider a more focussed and targeted approach to resolving the communication and awareness issues.

2.2. It is unlikely that all 88 administering authorities employ the same communication package or application process. On that basis, the committee may also wish to recommend to the Board that a standard template for both communication and for members wishing to apply for 50/50 should be prepared by the Secretariat for further consideration. To avoid any inference that we are encouraging members or optants out to join an inferior scheme, any standard communication package issued to administering authorities should go under the banner of “contribution flexibility” rather than “saving money”.

2.3. To increase the awareness of 50/50 in the main target audience, steps could be taken, either by way of guidance or by regulation, to ensure that a reference to the arrangement is included in deferred members’ annual benefit statement if they have opted out of the scheme. An alternative would be to ensure that administering authorities undertake an annual mailing for those who have opted out of the scheme to remind them that they can opt back into the scheme and only pay 50% of contributions if they wish.

2.4. The committee may also wish to consider whether any such provision ought to be extended to include active scheme members, but bearing in mind that a balance needs to be struck between raising awareness and not actively encouraging active members to leave the 100/100 section of the scheme. One option might be to include in new joiners packs wording to the effect that scheme members should contact their administering authority if they are thinking of opting out of the scheme.

2.5 Steps could also be taken to ensure that all administering authorities include information about 50/50 and an application form as part of their new joiners pack.

2.6. A secondary issue for the committee to consider is whether access to the 50/50 section should be restricted to scheme members earning less £21k to ensure that cost savings accruing from the take up rate is commensurate with the assumption adopted under the SAB cost management mechanism.

## **Conclusion**

3.0. The options set out in section 2 of this paper represents a fair and proportionate approach to resolving the communication and awareness issues identified in last year’s survey. However, the main issue for the committee is whether tangible results can be achieved through guidance alone or whether this would need to be supplemented by changes in the scheme’s regulations to ensure compliance and consistency across all 88 administering authorities.

**Recommendation – That the committee considers the options summarised in section 2 above and agrees a proposal to present to the Board meeting on the 26<sup>th</sup> February 2018.**