



<b>Meeting:</b>	Pension Board
<b>Date:</b>	03/03/2020
<b>Title:</b>	Communicating with new and young members - update
<b>Purpose:</b>	For information only.
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## Introduction

At a recent Board meeting members expressed concerns that young members opt out of the pension scheme and questioned how the Fund engage with its members to try and encourage them to remain in this scheme.

This report follows on from the discussion that took place at the last Board meeting on the 10<sup>th</sup> December 2019.

## Who can join?

To be able to join the Local Government Pension Scheme (LGPS) an individual needs to be under age 75 and work for an employer that offers membership of the scheme.

If an individual starts a job in which they are eligible for membership of the LGPS they will be brought into the scheme, if their contract of employment is for 3 months or more. If it is for less than 3 months they can opt to join by completing an application form.

## What is sent to members when they join the scheme?

We must provide new and prospective members with basic information about the scheme, such as how benefits are worked out, how member and employer contributions are calculated etc. as soon as possible, but in any event, with one month of the date the employer informs us of a new starter or within two months of the date the individual became a member of the scheme.

In order to comply with the regulations a starter pack (**Please see Appendix A**) is issued to each new member. This pack includes a copy of the scheme booklet (**Please see Appendix B**) that explains all the benefits of the scheme, a death grant expression of wish form, a transfer of benefits form and information on how to register for the Member Self Service website.

This pack is sent as soon as possible once a record has been set up on our system. As most employers now use i-Connect, this pack is sent out once the member appears for the first time on an i-Connect file.

Most employers hold induction sessions for new staff members. The benefits of the pension scheme are also covered at these sessions.

## **Opting Out**

While most members stay in the LGPS, a small number decide to opt out of the scheme. If a member opts out of the LGPS before completing 3 months' membership they will be treated as never having been a member and the employer will refund any pension contributions made through their pay. If the member opts out of the LGPS when they have been a member for 3 months or more but have not completed the 2 year qualifying period (known as the vesting period) – they can take a refund of their contributions (less any statutory deductions) or transfer their pension to another qualifying pension scheme. If the member has more than 2 years membership their benefits are deferred in the scheme until retirement.

## **Why do members opt out of the scheme?**

In talking to members, the main reasons for opting out are:

- Lack of affordability
- Contributing to a private pension
- Older members feel that the relative short time they would spend in the scheme would only yield a small pension.
- Too young to start paying a pension
- Student loan to pay
- More financially attractive alternatives to a pension e.g. ISA or investing in property
- High childcare costs

From the above list the main reason for opting out is the lack of affordability.

## **What is sent to members when they opt out?**

In order to opt out the member has to contact the Pension section to request an opt out form. Along with this opt-out form we send a letter (**Please see Appendix C**) to the member a letter which states the benefits of being a member of the scheme. These benefits include:

- A guaranteed pension, which increases annually, payable for life, and is based on pay.
- An option for a tax-free lump sum on retirement.
- Lump-sum death grant of three times pay if a member dies in service, paid to the people they have nominated.
- Pension for the members' husband, wife, civil partner or their eligible cohabiting partner.
- Pension if the member become too ill to work.

- Early retirement if the member is aged 55 or over and made redundant.
- Tax relief on contributions.
- Options to help get more benefits by paying extra.
- Contributions from the employer.

As an alternative to opting out there is also a 50/50 section of the scheme. Under this section the member elects to pay half their normal contribution rate and build up half their normal pension whilst retaining full life and ill-health cover. This section is designed to help members stay in the scheme, building up valuable pensions benefits, during times of financial hardship. Information on this section and an application form is also sent to members when an opt out form is sent out to members.

By sending information on the benefits of the scheme and information on the 50/50 section we hope that we can encourage members not to opt out of the scheme. We also try to mention the benefits of the scheme and the 50/50 section of the scheme if we receive phone calls from members who opt out.

### **How do other funds communicate with members?**

Most funds follow a similar process in respect of sending information to new members of the scheme, with a scheme booklet, death grant expression of wish form and pension transfer form being provided.

These starter packs are either provided by the employer upon commencement or are sent from the pension fund after a record has been set up via i-Connect.

A number of funds now provide these documents electronically via a link to a page on their website rather than paper copies.

A meeting has been arranged on the 4<sup>th</sup> March 2020 with representatives from the Welsh pension fund to discuss member communication issues. This meeting will discuss best practices and explore options for the funds to work together to improve the information provided to members.