

Cost Management, Benefit Design and Administration Committee

Meeting of the 12th September 2022

Item 8 Paper D

Gender Pensions Gap

Issue – To consider and agree the approach to developing a Gender Pensions Gap Report for LGPS

Background

1. The Equality Act 2010 Part 1, section 1 states “An authority must, when making decisions of a strategic nature about how to exercise its functions, have due regard to the desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage.” This Act was amended by the 2017 Gender Pay Gap Information Regulations which put a requirement on employers with more than 250 employees to publish differences in pay between men and women with the purpose to identify instances where inequalities exist.
2. Following a recommendation from the previous CMBDA meeting on 16 May, the Scheme Advisory Board took the following action:
“The Board ... agreed that the committee Secretariat should scope work to analyse the gender pensions/pay gap in the scheme.”

Consideration

3. There is a clear and obvious link between pension and pay equality. Analysis by the LGA in 2018 across local government indicates that there was a mean gender pay gap of 6.8% and a median gap of 5%. This compares favourably to the economy as a whole, where the mean gap is 12% and the median is 9.7%.
4. However, we do not expect that to be a complete explanation of different pension incomes at retirement. For example, there are likely to be other variables which impact on pension benefit accrual, such as:
 - The cumulative effect of lower than expected pay;
 - Career breaks and their effect on career progression (very important in relation to final salary benefits);
 - Possibly different approaches between men and women as to making up of lost contributions, or making extra payments (use of AVCs);

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- Opt out rates and 50/50 for men and women may be different due to the different impact of life events (e.g. maternity leave, career breaks, going part-time, divorce); and
 - Extent to which Pension Credits are awarded on divorce.¹
5. Concerning opt out rates, data only exist for those who have vested benefits in the scheme. That will include some of those who have opted out, but the data does not distinguish members who are still in local government service but have opted out, and deferred members who have left local government service altogether. Although analysis could be conducted with the current data, that data would need to be supplemented by further data from employers, or would need to be qualified in that any difference in opt out rates between genders may also be explained by differences in those leaving scheme employment.
 6. There are further complicating factors linked to gender and equality which the committee might wish to consider in its analysis which will also impact on pension outcomes including:
 - Life expectancy, which is longer for women,
 - Care needs and rates of disability, which are greater for women compared to men in old age; and
 - The impact of socio-economic health inequalities on life expectancy.
 7. In addition to gender, recent analysis by the Public Policy Institute indicates that those from Pakistani, Bangladeshi, black and other minority ethnic groups also suffer poorer retirement outcomes than the majority of white savers. The PPI indicate that there are insufficient disaggregated data available to allow for greater breakdown analysis. They also flag a number of characteristics and experiences which would be useful to survey to better understand how employment and pensions decisions are made by different groups.
 8. The Committee is invited to consider how it can review opt out rates. With extra scrutiny and interest in this due to the current cost of living crisis, it is important that the Committee has an evidence-based approach to any recommendations on how to protect members through this time. It is recommended that the Secretariat bring a paper to the next Committee meeting on this.

¹ Analysing this data specifically from the perspective of the LGPS is likely to be challenging given that data on the the number of pension sharing orders which are issued to divorcees who hold an LGPS pension is a very specific measure which is unlikely to be available. This may be substituted for a less accurate variable of divorce with respect to gender and how this impacts on pension outcome.

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Recommendations

9. Commission GAD to provide a cost estimate to produce the relevant data set based on the most recent valuation for further analysis including:
 - Average values of CARE pots for male and female LGPS members,
 - Pensions in payment for men and women; and
 - Survivor benefits for men and women.
10. Commission GAD to provide a cost estimate to undertake regression analysis on the LGPS data which would indicate the degree to which pension income and total pension pot size is impacted by gender.
11. Decide whether there are other factors that ought to be included in the scope of the GAD data and analysis commission, including:
 - Career breaks and their effect on career progression in the LGPS;
 - Differences in AVC's between men and women;
 - The impact of divorce on pension outcomes; and
 - The impact of life expectancy in the LGPS on pension income and total pension size.
12. Begin to scope, as a secondary project not to start until 2023-24, how we could start collection and analysis of other protected characteristics by scheme employers. If the SAB agrees, the Secretariat could bring this into the 2023/24 workplan. That is likely to require extra funding (for GAD costs) and potentially additional resourcing also, and hence potentially a commensurate levy uplift. The Secretariat could potentially limit those costs by aligning or partnering with the PPI. In exchange for sharing the dataset from GAD, they might be willing to jointly conduct surveys for analysis of pension inequalities between different groups within the Scheme.
13. If, once this work has been done, the Committee feels that it has proved valuable, then it could also explore whether it is feasible for funds to do their own equality gap analysis as a part of their annual or valuation reports.
14. That the Secretariat bring a paper to the next Committee meeting on how to better monitor and analyse opt outs in the Scheme in a timely manner.

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