



INVESTORS
FOR PURPOSE



Making pensions exciting: closing the diversity pension gap in the LGPS

COMMISSIONED BY



HYMANS#
ROBERTSON

City of Westminster
PENSION FUND

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Board

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At a glance

One interviewee told us, “we need to make pensions exciting.” This statement resonated throughout our research and became the inspiration for the title of this paper.

Commissioned by the *Local Government Pension Scheme Advisory Board (LGPS SAB)*, the *City of Westminster Pension Fund (COWPF)* and *Hymans Robertson, Investors for Purpose* carried out an extensive examination combining pension scheme data and workforce profile analysis, and interviews with employees from an LGPS fund to:



Identify the scale of gender and ethnicity gaps within an LGPS fund, with a focus on active members.



Understand the intersectionality between gender and ethnicity in impacting pension outcomes.



Understand the core drivers contributing to the diversity pension gap.



We conducted 30 one-to-one interviews with scheme employees, each lasting between 30 and 45 minutes. This resulted in over 15 hours of interview material. The sample of 30 scheme employees represented a diverse mix of gender, ethnicity, socioeconomic background and disability. We applied the same structured questionnaire across all interviews to:

- » Understand members' attitudes to pension saving.
- » Identify practical actions and strategies to close the diversity pension gap.
- » Identify strategies to improve pensions communication and engagement across the LGPS.

Disclaimer: This research was co-sponsored by the *City of Westminster Pension Fund (COWPF)*. *Westminster City Council*, in its capacity as a COWPF scheme employer, provided and enabled the qualitative and quantitative data that was analysed and presented in this report. Throughout this report, this data is referred to as the 'case study'.

The data analysis was conducted in accordance with privacy by design principles, with robust measures in place to protect the confidentiality and privacy of individuals. All information used in the analysis was anonymised, and the handling and security of the data were subject to appropriate oversight and monitoring by *Westminster City Council's* information security teams.

Statistics - Case study data, as of March 2025



The gender pension gap remains, but our case study performs better than the wider LGPS. Across the LGPS, women received £0.65 in pension income for every £1 received by men in 2023. In our case study, the gap was narrower, with women receiving £0.81 for every £1 received by men in 2025.

However, the gender pension gap is not experienced uniformly across ethnic groups. Asian women have accrued approximately 12.7% more in pension benefits than Asian men, while Black women have accrued around 3.8% more than Black men. By contrast, White women have accrued 23.8% less pension than White men.

Differences in membership length may help to explain the gap between women and men. White women had an average of 8.9 years of service, compared with 10.5 years for White men. However, in the case of Black and Asian women, our interview findings suggest that immigrant women demonstrated particularly strong engagement with long-term financial planning, which may have contributed to their positive pension outcomes compared to their male counterparts.



The largest disparities emerge at the intersection of gender and ethnicity.

Men from ethnically diverse backgrounds accrued 46% less pension than White men, while women from ethnically diverse backgrounds accrued 30.2% less pension than White women. Overall, women from ethnically diverse backgrounds had the lowest pension outcomes across all groups.

In our case study, these differences can be broadly explained by the increasing diversity of the workforce since the introduction of the CARE scheme. The proportion of ethnically diverse individuals increased from 31% in 2013-14 to 47% in 2025-26. While this represents a positive shift towards a more diverse workforce, it also means that many ethnically diverse employees may have had less time to accrue pension benefits.



Pension outcomes were broadly comparable between disabled and non-disabled members, with disabled members accruing slightly higher pension benefits overall (0.4%). This indicates a high level of parity between the two groups.



Younger employees are least engaged with pension saving. Generation Z had the lowest participation rates, with Generation Z men recording the lowest participation level of any demographic group (74%).

Introduction

A consistent gender pension gap exists between men and women, meaning that women often retire with lower income than men. Some of the reasons are well known:

- » The gender pension gap reflects the gender pay gap. **Throughout their careers, women are paid lower salaries than men, which in turn impacts their pensions.**
- » **Caregiving responsibilities and motherhood often lead women to work part-time or have career breaks,** which either pauses or decreases their pension contributions.

Throughout the interviews we conducted for this research, we were able to uncover other, less obvious reasons:

- » **Some women mentioned lacking confidence to negotiate salary increases and apply for promotions,** mainly in the early years of their careers.
- » **Women, especially mothers, have stricter criteria when applying for jobs, and high salaries are not always their priority.** Job location and flexibility, especially when they have young children, are their main concerns.
- » **The mental load single mothers experience can lead them to overlook finances.** Women who raised children on their own, as the

sole financial provider, sometimes mentioned exhaustion and overwhelm, leading them “not to have the mental space to think and learn about pensions.”

- » **Single mothers in low-income contexts are the most financially vulnerable group.** Low salaries and high caregiving responsibilities mean that “every penny counts,” leading some of them to opt out of their pensions for years.



Regarding the ethnicity pension gap, several factors beyond differences in pay and earnings levels may contribute to disparities in retirement outcomes, including:

- » **A lack of trust in pensions¹**, particularly among ethnic minority groups. However, this mistrust appears to be more pronounced in individuals working in the private sector. As the participants in our research all work in the public sector, this was not a theme that emerged from our interviews.
- » We concluded that **some individuals from ethnic minority backgrounds usually invest in more diversified sources of income for retirement other than their workplace pensions**. This is different from their White counterparts, who usually rely solely on their pensions. It was common for financially disciplined interviewees from ethnic minorities to have rental properties and investments.
- » **Stronger financial ties and a greater sense of collective responsibility are more pronounced among ethnic minority families**. For many individuals, financial resources are viewed as part of a wider family support system. Participants often described the wish to provide emotional and financial support to parents and extended family members as they grow older.



18%

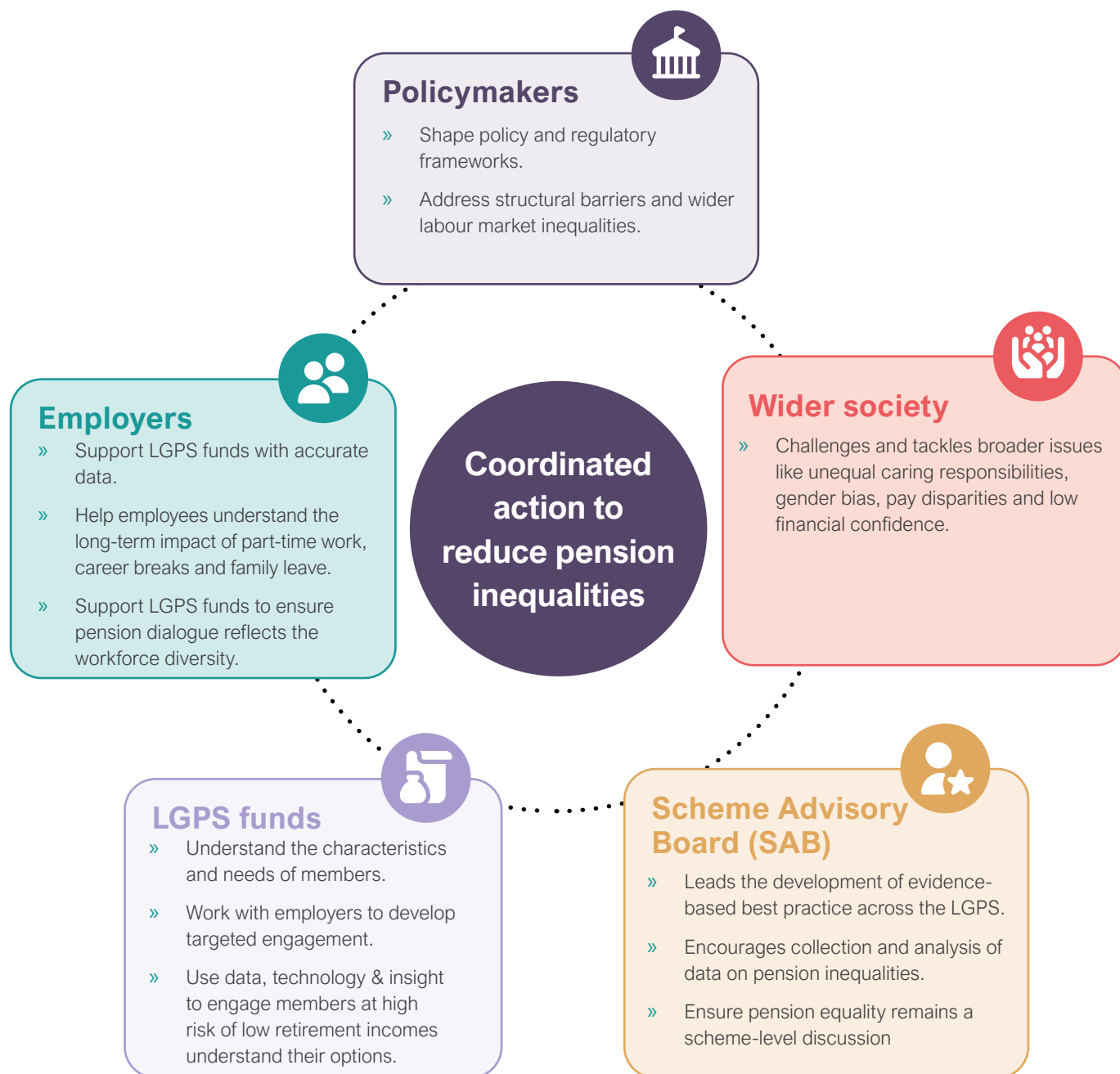
of UK pensioners are affected by retirement poverty, with women and people from ethnic minority communities facing disproportionately high levels of financial insecurity in later life.

Source: *Department for Work and Pensions & HM Treasury, 2025.*

Roles for key LGPS stakeholders

Addressing pension inequalities requires coordinated action across the entire LGPS ecosystem. While individuals ultimately make decisions about their retirement planning, the barriers we identified through this research are often structural rather than personal.

Employers, local government pension scheme (LGPS) funds, the Scheme Advisory Board (SAB), policymakers and wider society all have a role to play in improving retirement outcomes for groups at greater risk of retirement poverty.



About this report

All quotes included in this report have been paraphrased from discussions held during the interview phase, drawing from either individual interviews or recurring similar quotes across multiple conversations.

At no point during the interview process or data analysis did *Investors for Purpose* have access to any personally identifiable information about participants, such as names, addresses or contact information.

We would like to thank all the interviewees who volunteered to collaborate on this project and shared their stories with us.

We would also like to thank *Westminster City Council* for supporting this important initiative by providing valuable data and serving as a case study for the research. Their collaboration has been instrumental in helping us uncover the drivers behind the diversity pension gap. Their commitment to addressing this industry-wide challenge is essential to driving change across the pensions sector.

Why did we conduct this research?

Nearly seven million people participate in the LGPS. These are the people delivering vital public services in every locality throughout England and Wales, and they represent the rich diversity of those nations. The mission of the Scheme is to ensure that our members have some dignity and financial security in later life. The Board has put a great deal of focus recently on looking at how well the Scheme is delivering on that mission and whether it does so equitably for different groups of members. In doing so, we are shining a new light on the

Scheme rules, the employment practices of local councils and the wider society in which we operate. The Board's function is to make recommendations for how the scheme can be improved, and we are very grateful to the researchers and our co-sponsors for this project, which will help enrich our understanding of how we can best do that.

- **LGPS SAB**

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The *City of Westminster Pension Fund* is committed to helping all members achieve greater financial security in later life through participation in the LGPS. As part of that commitment, the Fund was pleased to commission this research in partnership with the *LGPS Scheme Advisory Board* and *Hymans Robertson* to better understand the factors that influence pension outcomes across different groups of members. As a Scheme employer within the Fund, *Westminster City Council* was proud to support this work by providing employer data and insight. The findings will help strengthen our understanding of where pension gaps exist, what drives them and how employers, funds and other stakeholders can work together to improve engagement, inform policy development and ensure more people can fully benefit from the valuable retirement security offered by the LGPS.

- *Westminster*



Diversity pension gaps in the LGPS are real. But it's not simply a pensions problem. They are part of a wider gap in financial security and wealth.

The gap we see at retirement reflects patterns built up over an entire working life. Pay plays a role, but it is only part of the picture. Working patterns, career breaks, caring responsibilities and levels of financial confidence all shape outcomes over time. If we want to close the pensions gap, we need to address the wider diversity finance gap, recognising the wider financial circumstances that shape people's ability to save, invest and plan for the future.

Closing the diversity pensions gap is not about talking more about pensions. It is about understanding what drives the gap, and responding in a way that feels relevant to people's lives - which is exactly what this research has brought to light.

This research has a focus on member behaviour, engagement and confidence, and the opportunity now is to build on this with more targeted, more personalised and more practical support.

If we do that well, we will not just reduce a gap. We will help more members make better financial decisions throughout their lives.

- *Hymans Robertson*



We need to talk about pensions

“Pensions are not exciting and full of jargon.”

SCHEME MEMBER

“I don’t want to think about pensions because this is for old people.”

SCHEME MEMBER

The perceived complexity of pensions and the feeling that retirement is too far away pulls many of us away from this conversation. We are not thinking about or planning for retirement as much as we should.

We need to talk about pensions and this is why:



1. Retirement poverty is more common than you think. Approximately 18% of UK pensioners live in relative poverty². This is a figure that may worsen over the years, considering that almost half of working-age adults in the UK are not saving at all for retirement (45%)³.



2. People have an idea of the lifestyle they want at retirement, but are not saving enough for that. Individuals want to reduce their working hours gradually and be able to retire earlier than their parents did. Most also want a comfortable lifestyle at retirement, which includes holidays abroad, plenty of time for new hobbies and eating out. However, only 9% of people in the UK are expected to achieve a ‘comfortable’ life standard at retirement, with most (82%) only achieving a minimum standard (£13,900/year)⁴.



3. Women are in an even more vulnerable position. There is a gender pension gap in place, which means that women in the UK retire with significantly lower pensions than men. Estimates vary between 37-48%, meaning that women retire with nearly half of the income than men do⁵.



4. Retirement is closer than you think, and the earlier you start contributing to your pension, the better. We asked individuals in their late forties or fifties if there was anything they wish they had learned earlier in their career. They told us:

“I wish I had started saving earlier.”

“I wish I had learned more about pensions at an earlier age.”

“I wish I had contributed more earlier in my career. Even small early contributions would have made a significant difference over time.”

It was common for people nearing retirement to tell us they wished they had engaged with their pension earlier, and they were now looking to buy extra pension to improve their retirement income.

» “Join pensions as early as possible” is the advice one of them gave to the younger generations. **Time is a critical advantage, which younger generations can use in their favour.**

1.1

What is the diversity pension gap and why does it matter?

Women are participating in the workforce more than ever before. They make up the majority of the population across England and Wales (51%)⁶, and the female employment rate has increased consistently over the decades, reaching 72.4%, compared with 77.6% for men. Despite this progress, women continue to retire with less wealth than men.

Previous publications⁷ showed that, although women represented 74% of active local government pension scheme (LGPS) members, **there was a 41% pension gap among active members.** While women accounted for 62% of pension recipients, their payment was almost half of that received by men.

These figures reflect the position across the LGPS nationally, rather than being specific to our case study.

This is not a challenge unique to the UK. The number of women over 55 facing homelessness in Australia has doubled in only a decade⁸, due to the difference in asset accumulation throughout their lives when compared to men.

Across all 38 Organisation for Economic Co-operation and Development (OECD) countries, women receive, on average, 23% lower pensions than men. The good news is that this figure was 28% in 2007, and it is projected to continue to fall. Some countries, like Slovenia, Czechia, Estonia, Slovakia and Iceland, have been able to shrink this gap to 10%⁹.

Solutions that have been successful in addressing this issue include childcare-related pension credits to cushion the impact of employment breaks, pension bonuses for parents, and protection of survivors' standards of living following their partner's death, since women account for over 80% of recipients. However, the most efficient measure to reduce the gender pension gap is to address employment differences, mainly the gender pay gap, which is as high as 35% in OECD countries, as well as the unequal sharing of unpaid care.

Looking at ethnicity, over 80% of the UK population comes from White ethnic groups, which includes White British and White 'Other'. However, there has been an overall increase in the proportion of population from Asian backgrounds, Black backgrounds and mixed backgrounds over the last decade in the UK, which means that scheme members from ethnic minority backgrounds will also increase over the next years.



For this research, we are considering as an 'ethnic minority' the different groups that together account for 18.3% of the remaining population¹⁰. They include:

- » Asian ethnic groups, accounting for 9.3%, the majority being Indian and Pakistani.
- » Black ethnic groups, accounting for 4% of the entire population, mainly Black African and Black Caribbean.
- » Mixed ethnic groups, accounting for 2.9%.
- » Other ethnic groups, accounting for 2.1%.



In 2017, the average pensioner from an ethnic minority group had a pension income which was 24% lower than that of their White counterpart¹¹. As the UK becomes increasingly ethnically diverse, understanding the drivers of this ethnicity pension gap is essential. Without targeted action, the pension system risks perpetuating and exacerbating existing socioeconomic inequalities, rather than mitigating them.

In addition, studies examining the intersection of gender and ethnic pension inequalities remain limited. This publication seeks to address this gap by investigating how these dimensions interact to shape retirement outcomes and imbalances.

1.2

Why do women retire with less money than men?

Social factors influence one's ability to prepare financially for the long-term and, during the interviews we conducted, we understood how gender can play a role in retirement outcomes.

Motherhood and caregiving responsibilities have a direct impact on women's careers and finances. Many women choose to take career breaks or work reduced hours while their children are young, which can affect their salaries and pension contributions. Those who return to work after maternity leave cite childcare costs, particularly nursery fees, as a significant financial commitment.

We also heard stories of women who had to postpone qualifications due to unplanned pregnancy, which also meant waiting for longer until they earned higher salaries.

Concerns about job security after giving birth also influence women's decisions. **Across different employment contexts, mothers reported a fear of being replaced during maternity leave** which either led them to return earlier than planned from maternity leave or discouraged them from opting for part-time arrangements once back to work. Maternity leave may also postpone promotion and salary increase, according to some interviewees. These experiences highlight broader concerns surrounding career continuity following maternity leave, rather than being specific to the case study organisation.

Women also frequently take on a substantial amount of unpaid work. Even women with no children report dedicating considerable time each week to caregiving responsibilities

by looking after elderly parents and members of their wider family, which also led some of them to reduce their working hours. However, part-time employment does not necessarily mean fewer hours of work for women, as caregiving responsibilities often add significantly to their daily workload.

In addition to these structural challenges, some female interviewees reported a lack of confidence in negotiating salary increases or applying for promotions. Such experiences are not unique to the case study organisation and reflect wider challenges women may face across different employment contexts, with potential implications for earnings and, consequently, pension outcomes.

Who is opting out of pensions?

Childcare costs are a special challenge for single mothers. Across all 30 interviews, it was rare for participants to report opting out of pension contributions for extended periods. However, in the few cases where this did occur, they were typically single mothers who paused their pension contributions while their children were younger because, **“when income is already low and childcare costs are high, every penny counts.”**

“My early career decisions, having kids, were driven by survival and stability, and providing for my children. I had limited capacity to focus on my long-term career strategy. I had to cover the basic needs first.”

- SCHEME MEMBER

Some women described a **mental workload** arising from the cumulative demands of caregiving responsibilities, financial commitments and professional life. Interviews suggest that women increasingly shoulder not only the emotional and caregiving labour traditionally associated with family life, but also a growing share of financial responsibility. This extends beyond supporting their own children to providing financial assistance for members of their extended family, such as ageing parents and wider family members. In this way, **many women are becoming both the emotional and financial providers within their families.**

One participant characterised her life with her former husband, while their children were young, as a “married but single mother” experience. Although she was partnered, she felt solely responsible for the emotional care of the household and its financial management

“When I no longer needed to pay for nursery, I started saving for the first time.”

- SCHEME MEMBER

More broadly, single mothers expressed the feeling that their “money was not their own,” since a combination of low salaries and constant financial obligation to prioritise day-to-day living costs left little opportunity to prioritise long-term financial security.

One interviewee noted that, after attending a workshop for women where she learned **negotiation techniques**, she felt more confident and empowered to negotiate her salary when an opportunity for promotion arose.

Employers can promote workshops and training programmes that address topics such as imposter syndrome, which is a persistent feeling of self-doubt that can prevent women from recognising their achievements.

If women feel more confident in applying for promotions and presenting themselves assertively in the workplace, they are more likely to increase their earnings and, ultimately, their pension contributions and retirement outcomes.

However, relying solely on initiatives that build women’s confidence risks placing responsibility on women themselves to overcome structural inequalities. Employers should also implement organisational measures that ensure fair employment practices, including:

- » Transparent pay structures.
- » Regular monitoring of pay, promotion and progression outcomes by gender.
- » Reviews of promotion decisions for potential bias.
- » Clear, objective and consistently applied criteria for advancement.

Combining **individual support with systemic action** is likely to be more effective in addressing gender inequalities in earnings and improving women’s long-term pension outcomes.

How much is the diversity pension gap?

The Local Government Pension Scheme (LGPS) as a whole currently has 6.9 million members across England and Wales. Of these members, 2.2 million are actively contributing to the scheme ('active members'), and a further 2.2 million are currently receiving a pension. Such scale makes discussions on the diversity pension gap even more essential, as they can directly affect the financial resilience of millions of people.

While previous research has explored the gender pension gap, the *LGPS SAB* has joined forces with *Investors for Purpose*, the *City of Westminster Pension Fund (COWPF)* and *Hymans Robertson* to take a more ambitious approach. We launched this initiative to explore diversity-related pension gaps holistically, by combining pensions data analysis with interviews conducted with volunteers.

By bringing together quantitative analysis and people insights, the research provides a richer picture of pension inequality and enables us to gain a deeper understanding of the factors driving pension outcomes. It also helps to address an evidence gap in relation to other forms of pension inequality that have received less attention, like the ethnicity pension gap and the disability pension gap.

In this section, we present the quantitative findings from our analysis, using *Westminster*

City Council, in its capacity as a COWPF scheme employer, as a case study, to explore issues that may be reflected more widely across the scheme. These findings are then complemented by evidence from interviews, which are explored throughout the next chapters.

2.1

The gender pension gap

Across the LGPS as a whole, women make up 74% of scheme members, including both active members and pensioners. Our case study had a more balanced membership profile, with women accounting for 60% of active members.

The gender pension gap in our case study was considerably lower than that observed across the LGPS as a whole.

Looking specifically at the average pension accrued under the Career Average Revalued Earnings (CARE) scheme, which has been in place since 2014 and is based on pensionable pay earned each year rather than final salary, a 2023 analysis found that, **across the LGPS, women received £0.65 in pension income for every £1 received by men.** In our case study, the gap was notably narrower, but still existent. Data from 2025 shows that women received £0.81 for every £1 received by men.

Our analysis replicated the measures used to report the gender pensions gap in the [Fund's Actuarial Report 2025](#). These included mean values for gender representation, average age, earnings (FTE and actual), benefits accrued under different scheme sections (CARE and final salary), and the total value of benefits. We also added measures to assess differences in length of membership in the LGPS and average pension accrued each year relative to total accrued benefits.

Under the previous final salary pension system, the gender pension gap across the LGPS was more pronounced, with women receiving almost half the pension received by men. The introduction of the CARE scheme has contributed to a reduction in this disparity, with the gender pension gap across the LGPS falling by almost 12 percentage points, to 34.7%.

Our case study presented a different picture. While the gender pension gap remained substantially lower than the LGPS average under both pension arrangements, the pension gap was larger under the CARE scheme than it was under the previous final salary scheme.

The analysis presented in Table 1 compares the gender pension gap across the LGPS and the case study, under both the final salary and CARE arrangements.

Table 1: Gender pension gap: LGPS versus the case study

	LGPS	Case study
Mean CARE pension – female	£1,656	£5,567
Mean CARE pension – male	£2,536	£6,848
CARE pension gap	34.7%	18.7%
Mean final salary pension – female	£1,542	£9,073
Mean final salary pension – male	£2,879	£9,834
Final salary pension gap	46.4%	7.7%

Source: *Government Actuary’s Department (GAD; 2023)* as of July 2023. Case study data provided by the Fund, as of March 2025.

A closer examination of the case study data helps to shed light on some of the factors which contribute to the gender pension gap.

Pay gaps associated with flexible working arrangements

Differences in pay are one of the most discussed drivers of the gender pension gap. When women earn less than men throughout their careers, they are also likely to accumulate lower pension benefits, resulting in lower retirement income.

In 2023, across the LGPS, women earned, on average, 31.7% less than men. In the case study, the gender pay gap, based on actual pay received by active members, is almost three-times lower than the LGPS average, currently at 9.1%. This narrower pay gap is likely to contribute to the case study’s comparatively smaller gender pension gap.

Table 2: Gender pay gap: LGPS versus the case study

	LGPS	Case study
Female employees	74%	60%
Male employees	26%	40%
Mean actual pay – female	£18,807	£46,352
Mean actual pay – male	£27,537	£50,970
Gender pay gap	31.7%	9.1%

Source: *Government Actuary’s Department (GAD; 2023)*. Case study data provided by the Fund, as of March 2025.

However, comparing the mean actual pay gap with the mean full-time equivalent (FTE) pay gap reveals an important difference. Actual pay reflects what employees earn in practice, regardless of the number of hours they work, while the FTE pay adjusts part-time salaries to show what employees would earn if they worked full-time.

Based on actual pay, the gender pay gap in our case study was 9.1%. However, when earnings were adjusted to a FTE basis, the gap fell to 3.8%. The same happened in the whole LGPS – the gender pay gap fell from 31.7% to 16.8% when adjusted to a FTE basis, suggesting that a substantial proportion of the overall pay gap is driven not by differences in pay rates, but by differences in working patterns, with women more likely than men to work part-time

Table 3: Mean actual pay versus mean FTE pay: LGPS versus our case study

Gender	LGPS		Case study	
	Mean actual pay	Mean FTE pay	Mean actual pay	Mean FTE pay
Female	£18,807	£24,018	£46,352	£52,563
Male	£27,532	£28,874	£50,970	£54,627
Pay gap	31.7%	16.8%	9.1%	3.8%

Source: Government Actuary’s Department. Case study data provided by the Fund, as of March 2025.

Length of LGPS membership

In the case, of our case study, female employees had, on average, slightly fewer years of pensionable service than their male counterparts (7.9 versus 8.6). Although the difference is relatively small, fewer years in employment and pension scheme membership can directly affect the amount of pension accumulated over a working lifetime.

The 50/50 section, introduced in 2014, is a flexible option within the LGPS that allows members to pay half of their standard pension contributions while remaining in the scheme. Pension benefits accrue at half the normal

rate, but members retain valuable protections, such as life assurance and ill-health cover. This option can provide a safety net for employees facing financial pressures, helping them to continue saving for retirement, rather than opting out of the pension scheme altogether.

The case study data indicates that women are **slightly more likely than men to make use of this arrangement. Out of the 3.67% of employees enrolled in the 50/50 section, 64% were women.**

2.2

The ethnicity pension gap

The analysis presented below covers 84% of our case study’s active members, reflecting those for whom an ethnicity data breakdown was available.

For the first part of this analysis, we presented a high-level comparison between White members and members from ethnically diverse backgrounds. We then examined the findings in greater detail using the more granular ethnicity categories available within the dataset, restricting analysis to categories with sufficiently large sample sizes to ensure robust estimates. Our sample sizes were sufficiently large for the Asian, Black, Mixed, and White ethnic groups, which together accounted for 88.4% of the available data.

At present, there is no official scheme-wide measure of the ethnicity pension gap within the LGPS. As a result, it was not possible to compare our case study’s results against a broader benchmark. Nevertheless, we hope that the findings from our case study contribute to a growing evidence base on ethnicity and pensions, supporting a better understanding of inequalities in pension outcomes across different ethnic groups.

Looking at the overall composition of active members, there was a relatively balanced distribution between White and ethnically diverse groups in the case study. Members identifying as White accounted for 49.2% of active members, while those from ethnically diverse backgrounds represented 44.3% (while 6.5% was classified as ‘unknown’).

In our case study, the ethnicity pension gap was larger than the gender pension gap across both pension arrangements. Looking at benefits accrued under the CARE scheme, members from ethnically diverse backgrounds received, on average, 30.3% less pension than their White counterparts. Under the final salary scheme, the gap was smaller, but remained substantial at 26.8%.

Table 4 – Ethnicity pension gap

	LGPS	Case study
Mean CARE pension - ethnically diverse groups	N/A	£4,999
Mean CARE pension – White	N/A	£7,175
CARE pension gap	N/A	30.3%
Mean final salary pension - ethnically diverse groups	N/A	£7,668
Mean final salary pension – White	N/A	£10,481
Final salary pension gap	N/A	26.8%

Source: Data provided by the Fund, as of March 2025.

As with the gender pension gap, we explored the factors that may be driving the ethnicity pension gap. The ethnicity pay gap in our case study was at 10.7%, slightly above the gender pay gap. This suggests that differences in earnings may contribute to the ethnicity pension gap, as lower average pay can lead to lower pension accumulation over time.

Table 5: Ethnicity pay gap

	LGPS	Case study
Ethnically diverse members	N/A	44.3%
White members	N/A	49.2%
Mean actual pay - ethnically diverse employees	N/A	£45,689
Mean actual pay - White employees	N/A	£51,143
Ethnicity pay gap	N/A	10.7%

6.5% was classified as ‘unknown.’

Source: Data provided by the Fund, as of March 2025.

We then analysed the difference between mean actual pay and mean FTE pay to assess whether the ethnicity pension gap, like the gender pension gap, could be partly explained by differences in working patterns and the prevalence of part-time work. However, **unlike the gender pay gap, the ethnicity pay gap changes very little when earnings are adjusted to fit a FTE basis.** The gap narrows by just over one percentage point, indicating that differences in working hours explain only a small proportion of the overall disparity.

Table 6: Mean actual pay versus mean FTE pay

	Mean actual pay	Mean FTE pay
Ethnically diverse employees	£45,689	£50,984
White employees	£51,143	£56,321
Pay gap	10.7%	9.5%

Source: Data provided by the Fund, as of March 2025.

2.3

Intersection of gender and ethnicity

Table 7 provides a breakdown of pension accrual across different pension arrangements.

Examining ethnicity in isolation revealed a significant disparity between White members and members from ethnically diverse backgrounds.

Both White women and White men have accrued substantially higher pension benefits than women and men from ethnically diverse backgrounds. There was even a negative pension gap when comparing White women with men from ethnically diverse backgrounds, with White women having accrued higher pension benefits on average.

When looking at gender within ethnically diverse groups, the difference in pension accrual between women and men from ethnically diverse backgrounds was relatively small. By contrast, there was a pronounced gender gap among White members, where White women have accrued 23.7% less pension than White men.

It was interesting to note the substantial ethnic gap of 46% between ethnically diverse men versus White men. Similarly, the gap between White women and women from ethnically diverse backgrounds was important (30.2%), but not as pronounced as between men.

Still, across all groups, women from ethnically diverse backgrounds have accrued the lowest levels of pension benefits, slightly behind men from ethnically diverse backgrounds. It shows that looking at gender or ethnicity separately can mask

the compounded disadvantages experienced by individuals who belong to multiple underrepresented groups.

The larger gaps in accrued pension benefits were accompanied by significant differences in the length of LGPS membership. For example, women from ethnic minority backgrounds had accrued 30.2% less pension than White women, who had, on average, 2.1 years more of LGPS membership. This equates to 23.3% more service. Similarly, men from ethnic minority backgrounds had accrued 46% less pension than White men, who had, on average, 4.1 years more LGPS membership. This equates to 39% more service. White women had also accrued 23.7% less pension than White men, who had, on average, 1.5 years more LGPS membership, equivalent to 14.3% more service.

Table 7: Mean total pension accrued: ethnicity and gender gap

Ethnicity	Female	Male	Gender gap
Ethnically diverse	£6,402	£6,488	1.3%
White	£9,168	£12,009	23.7%
Ethnicity gap	30.2%	46.0%	

Source: Data provided by the Fund, as of March 2025.

In terms of pay, White men received the highest average salary across all groups. More broadly, individuals from White and Asian backgrounds had the highest average earnings among both women and men. At the other end of the spectrum, Black women had the lowest average salary.

A gender pay gap was evident across most ethnic groups. The only exception was the Mixed ethnicities category, where there was a negative gender pay gap of 3.39%, meaning that women earned slightly more, on average, than men within this group.

Table 8: Mean actual pay: ethnicity and gender gap

Ethnic Group	Female	Male	Gap
Asian	£47,947	£51,354	6.63%
Black	£43,408	£45,435	4.46%
Mixed ethnicities	£45,937	£44,429	-3.39%
White	£48,741	£54,413	10.42%

Source: Data provided by the Fund, as of March 2025.

When we turned to pension accrual (Table 9), a more nuanced picture emerged. **Despite lower average salaries, Black and Asian women have accrued higher levels of pension than their male counterparts.**

One factor that may help explain this finding is differences in length of service. Asian women had an average of 7.2 years of service, compared with 5.9 years for men. Black women had an average of 7.3 years of service, compared with 6.4 years for Black

men. Longer periods of pension scheme membership provide more opportunities to accrue pension benefits and may offset the impact of lower earnings.

By contrast, we observed the largest gender pension gap among White women and White men. Differences in pensionable service may again explain part of this disparity. White women had an average of 8.9 years of service, compared with 10.5 years for White men.

Table 9: Mean total pension accrued

Ethnic group	% of active members	Female	Male	Gender gap
Asian	12%	£7,044	£6,250	-12.7%
Black	22%	£6,703	£6,456	-3.8%
Mixed ethnicities	6%	£5,222	£6,784	23.0%
White	49%	£9,155	£12,011	23.8%

Source: Data provided by the Fund, as of March 2025.

2.4

Disability gap

In contrast to the other diversity groups examined, disability was the only characteristic associated with a negative pension gap under the CARE scheme. Across the entire workforce analysed in the case study, 14.9% of members identify as disabled.

Table 10: Disability pension gap

	LGPS	Case study
Mean CARE pension - disabled	N/A	£6,092
Mean CARE pension - non-disabled*	N/A	£6,070
CARE pension gap	N/A	-0.4%
Mean final salary pension - disabled	N/A	£8,369
Mean final salary pension - non-disabled	N/A	£9,578
Final salary pension gap	N/A	12.6%

*Non-disabled includes 'prefer not to say' and no data provided, as these could not be separated.

Source: Data provided by the Fund, as of March 2025.

In line with the findings from Table 10, Table 11 shows that the pay gap between disabled and non-disabled members across actual pay and FTE pay were also the lowest across all groups analysed for this report.

Table 11: Disability pay gap

	Mean actual pay	Mean FTE pay
Disabled	£47,059	£51,647
Non-disabled	£48,374	£53,681
Pay gap	2.7%	3.8%

2.5

Participation rates across different groups

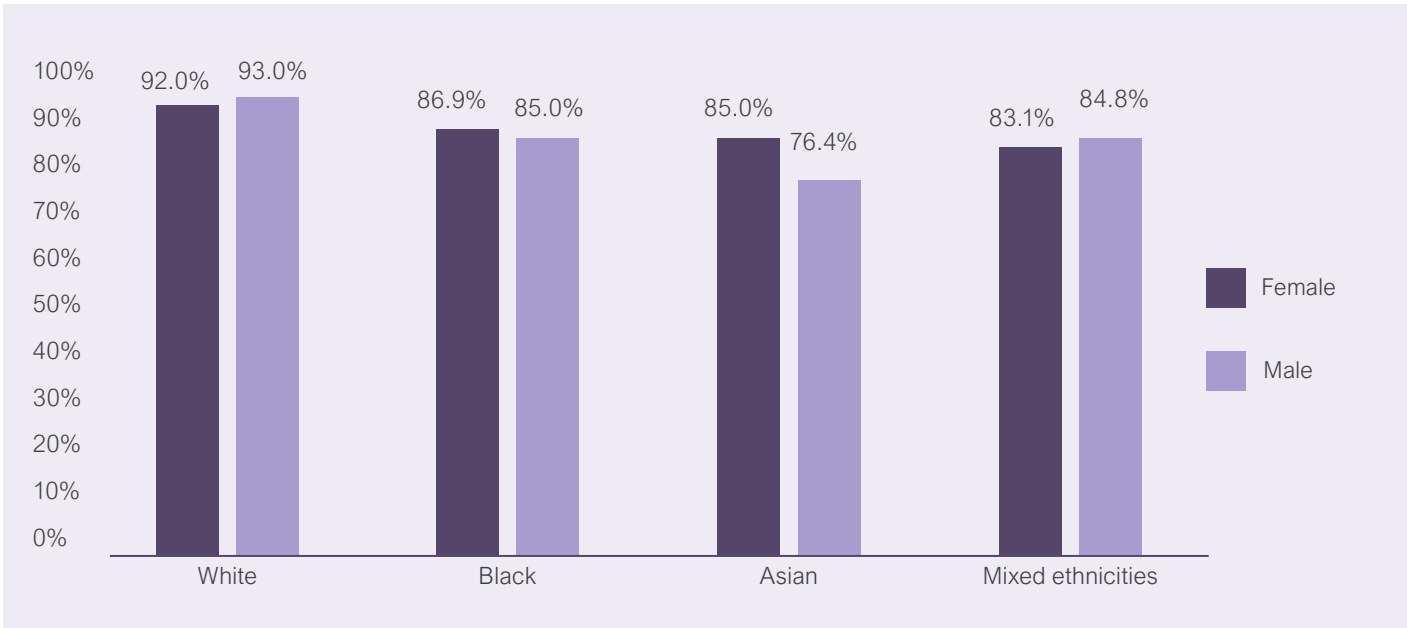
At the beginning of this report, we highlighted some concerning statistics on retirement poverty and the currently low levels of workforce participation across the UK. We would like to conclude this chapter by examining participation rates - the proportion of eligible employees who are actually participating in the scheme and have not opted out.

In the case study, overall scheme participation stands at 88.2% of the workforce. Participation rates are broadly balanced between men and women, with 88.4% of women and 88.1% of men enrolled in the scheme. Therefore, when looking solely at gender, there is no evidence to suggest that women are opting out at higher rates than men.

Looking at ethnicity, participation rates varied more noticeably. **Asian men had the lowest participation rate at 76.4%**, while the White ethnic group recorded the highest level

of participation among men and women, suggesting that ethnicity may have a greater influence on participation patterns than gender within the case study workforce.

Fig 1: Participation rate per gender and ethnicity



Source: Data provided by the Fund, as of March 2025.

Participation among women from ethnically diverse backgrounds was, on average, 6.5 percentage points lower than among White female employees. We observed a similar pattern among men – although the gap was more pronounced – with participation among men from ethnically diverse backgrounds 9.9 percentage points lower than that of White male employees. In contrast, there was virtually no difference in participation levels between White women and White men, indicating that ethnicity, rather than gender alone, was a more significant factor in explaining variations in scheme participation.

Across generations, we also identified a trend. Individuals from older generations – Baby Boomers and Generation X – had higher participation levels than younger

generations. Generation Z had the lowest participation levels, with male employees from this generation having the lowest participation levels overall. This could be partially explained by the competing priorities they mentioned during the interviews, which we explore in the following chapters.

Table 12: Participation rate per generation

Generation	Female	Male
Baby Boomer	93%	91%
Generation X	92%	93%
Millennial	86%	87%
Generation Z	81%	74%

Source: Data provided by the Fund, as of March 2025.

The spectrum of financial education

During our conversations, we explored individuals' familiarity with broader financial concepts, their aspirations for retirement, their attitudes towards long-term financial planning and, most importantly, we sought to understand how their socioeconomic background and life experiences impacted the way they approach money.



3.1

Where are people learning about finance?

There was one consensus across all interviewees: **the lack of financial education in schools prevented them from entering adulthood with a basic understanding of credit, pensions and savings.** For this reason, all of the financial knowledge individuals acquired came from one of the following sources:

Advice from family or friends

Family was the main source of financial knowledge and behaviours for interviewees. However, this learning typically occurred through observing parents' or guardians' financial habits and behaviours, rather than through open conversations about finances.

Interviewees mentioned some common pieces of advice given by parents, including: “live within your means”, “do not opt out of your pension” and “save for rainy days,” but conversations did not explore tools on “how to do that.” Consequently, many interviewees reported growing up with some financial discipline but no financial literacy.

“I received some financial education from my mother, who worked in the financial sector. However, this influence was more focused on living within my own means, rather than investing and long-term wealth building, which I started to learn self-motivated later in life.”

- SCHEME MEMBER

“Growing up, my father was extremely frugal and disciplined, careful with every expense. Money was allocated in cash envelopes or categories like bills, rent and leisure. This discipline has paid off and my father is now enjoying a comfortable retirement.”

- SCHEME MEMBER

Watching their parents save appeared to influence some interviewees to adopt similar financial behaviours. This is similar with regard to pensions: some of the interviewees’ parents also worked for a local government and used to mention “how good the pension was,” leading them to contribute when they joined the local government pension scheme (LGPS).

In some cases, interviewees reported having little interest in finance, but benefitted from the fact that their parents were accountants, lawyers or managers who provided basic guidance and helped them to understand the importance of managing money well. This, in turn, led them to seek support from a financial adviser.

Later pursuing a degree related to finance

A group of interviewees said they did not have access to financial education until they entered university, where they studied for a degree in which finance was part of the syllabus.



Self-motivated learning driven by personal interest

This was especially the case for those whose careers were not related to finance, but who wanted to learn more about the topic to better manage their savings and investments. However, since finance is a topic “full of jargon” and is often seen as complex, as interviewees stated, very few pursued this knowledge due to a lack of self-motivation.

Some interviewees mentioned undertaking independent courses to learn about finances, while others, mainly those in Generation Z, often seek financial knowledge through podcasts.

“It’s a British thing, not speaking about money.”

Broadly speaking, interviewees felt that openly discussing money was often considered inappropriate in British culture. As a result, the lack of financial education in schools was compounded by the fact that these conversations were also not taking place in informal settings with family or friends.

The few exceptions where individuals mentioned having conversations about finance were from those approaching retirement, as well as some members of Generation Z, who speak more openly about money with friends. Still, pensions were not generally discussed in the workplace unless a workshop or similar event was taking place.

The church was mentioned twice as a space where people could more openly discuss finances and receive some guidance.

- » **The Baby Boomer Generation** – born between 1946-1964, are currently between 61 and 80 years old.
- » **Generation X** – born between 1965-1980, are currently between 45 and 60 years old.
- » **Millennials** – born between 1981-1996, are currently between 29 and 44 years old.
- » **Generation Z** – born between 1997–2012, are currently between 13 and 28 years old¹².



3.2

Range of financial knowledge

Individuals had different levels of access to each of the elements above – advice from family, a degree that covers finance or the self-motivation to study it.

Because financial education was not covered in the school curriculum at the time the interviewees were in education, many young people did not have the opportunity to establish a baseline understanding of financial matters. As a result, there is a significant disparity in how well-informed people are about finances. This is further compounded by a general lack of interest in the topic, which is often perceived as ‘too complicated’.

Looking specifically at pensions, **the cases where individuals said they had a very good understanding of how their pension works were rare.**

Since schools did not provide the same starting point to everyone, we concluded that **family, higher education, life experiences and social background play the most defining roles in individuals’ attitudes towards finances.**

3.2.1. How do financially disciplined individuals prepare for retirement?

We consider ‘financially disciplined’ to relate to individuals who are thinking ahead and preparing for their long-term financial future, which can include retirement. They are familiar with financial concepts like inflation, compound interest and investments.

It is important to note that even interviewees who were interested in finances, and were actively investing and saving, did not necessarily have a total understanding of how their pension works.

Still, well-informed individuals recognised the value of pension saving and have remained active members of the LGPS. Some have also chosen to enhance their retirement benefits through additional pension contributions (APCs) or additional voluntary contributions (AVCs).

It is common for financially disciplined interviewees to seek diversified sources of income for retirement. The reasons vary, but they include:

- » Scepticism on where their pensions are invested, including concerns about the level of investment risk and how their investments are performing.
- » Uncertainty about the future.
- » The wish to have more control over their investments.
- » The wish to retire well before the State Pension is available.

In addition to their workplace pension, other common sources include **the income from renting a property, investments in the stock market and contributions to a private pension**. It was interesting to see that individuals commonly decide to contribute to an additional private pension instead of increasing their contributions to their workplace pension.



How can I buy more pension?

In the LGPS, APCs allow you to buy extra pension. You can do it by either paying APCs over the years or by paying a lump sum¹³.

You can also arrange to pay AVCs, which will help you build up a pot of money which is used to provide benefits on top of your LGPS benefits. This is a separate, defined contribution (DC)-style scheme, but AVC contributions can be taken directly from your pay before your tax is worked out, so if you pay tax, you receive tax relief automatically.

All local government pension funds have an arrangement with an AVC provider that you can invest money in: an in-house AVC. The AVC provider is often an insurance company or building society. You have your own personal account and you decide how the money in your pot is invested. You can learn more [here](#).

Generational differences

We interviewed individuals across multiple generations, from Baby Boomers to Generation Z.

Individuals across different generations were well-informed about finances, which shows that age is not a determining factor in engagement with financial planning. However, we identified differences in financial priorities, concerns about retirement and when different generations started to engage with financial planning.

Individuals in their twenties and early thirties have a different priority for their savings. While older generations are saving and investing for their retirement, younger generations are either focused on **paying off their student loans** or saving to **pay the deposit for a house**.

The good news is that Generation Z have started to invest and save much earlier in life when compared to the previous generation. Still, they are **not actively planning for retirement** because, beyond mid-term goals being their priority, they say it is very hard to estimate how much they will require, and hence need to save, for retirement, considering rising inflation and the cost of living.

Generation Z have good financial literacy and speak more openly about money with friends, but pensions still feel “too far ahead.” As one interviewee from that generation said:

“Retirement is a future goal, but still distant. As a result, I have not yet engaged in practical retirement planning, such as calculating how much income I will need, and I do not fully understand how my pension works.”

- SCHEME MEMBER

“Growing up, retirement was discussed at home more as an abstract concept, rather than a concrete financial plan. I observed my parents working very hard, with limited quality family time. Yet there was no clear link between this effort and future financial security.”

- SCHEME MEMBER

Very commonly, it is only in their late forties or early fifties that individuals started to actively seek information about pensions, and to plan for retirement.

“Long-term planning has always been present, but more as a background concern. It became more important as I approached retirement, around 50.”

- SCHEME MEMBER

Generation Z and Millennials are also having children later, which is transforming how they allocate their money. The representatives of Baby Boomers and Generation X we interviewed often already had children in their twenties. This was not the case for most of Generation Z and Millennials we interviewed, who placed strong emphasis on investing in health and wellbeing, which includes gym and hobbies, social commitments and skincare.

As we will discuss later, perspectives and priorities related to work are changing, and there is an increasing emphasis on flexibility, wellbeing and work-life balance, instead of solely salary. This is especially the case for women in their twenties, who have been looking at benefits more broadly when joining an organisation, including pensions and maternity leave.



Ethnic differences:

“I want to set my children up for life.”

Financial concerns also differ slightly among different ethnic groups. There is a general concern around covering the rent or mortgage, paying the bills and leisure. However, scheme members from ethnic minorities very often placed strong value on providing financial security to their families, whether older or younger generations. This reflects an “intergenerational support,” mirroring their own experience of receiving support from their parents with education, a house deposit and financial stability early in life.

3.2.2. Who is financially disciplined?

We identified a pattern among individuals who were financially secure. By this, we do not mean being wealthy, but rather demonstrating behaviours associated with strong saving habits, financial awareness and long-term planning.

Financial discipline was not shaped by a single factor. Instead, our interviews suggest that it emerged through a combination of personal experiences, family influences, socioeconomic background and access to opportunities.

Financial discipline as a response to life experiences

Among those who demonstrated the strongest engagement with long-term finance planning were **immigrant women** who moved to the UK in their early twenties, and built their careers here. Many had high levels of education, strong career aspirations and a clear vision of the income they wanted to achieve in retirement. They were particularly knowledgeable about savings and investing.

“I have been thinking about retirement since I was 18. I observed family members struggling in retirement and wanted to have a different experience.”

— SCHEME MEMBER

“I have always taken advantage of every career and development opportunity. I became financially independent at a young age and continued working across different roles when I moved to the UK in my twenties.”

— SCHEME MEMBER

For many of these women, financial discipline was closely linked to resilience. Their experiences of rebuilding their lives in the UK, including having qualifications that were not recognised, navigating bureaucracy and managing additional costs, reinforced the importance of planning ahead and achieving financial independence.

The role of socioeconomic background

Socioeconomic background also helps to shape financial behaviours. Interviews with participants who grew up in low-income households revealed two distinct pathways.

For some, financial hardship became a driver for developing strong financial habits. Having witnessed financial insecurity, they became motivated to build long-term stability.

For others, particularly those who lacked a stable family environment, financial discipline took longer to develop. Early adulthood was often shaped by more immediate priorities, such as leaving home, establishing independence or starting a family at a young age, which affected their ability to focus on long-term financial planning.

There was considerable overlap between socioeconomic background and ethnicity, as many participants from low-income households belonged to ethnic minority groups. However, our sample also included White British participants from similar socioeconomic backgrounds. This suggests that while ethnicity and socioeconomic status often intersect, these patterns are not exclusive to ethnic minority communities.

How families shape financial behaviours

Family influence positively supported individuals who developed strong financial habits despite growing up with limited resources, as many developed financial awareness by observing everyday behaviours at home.

This included seeing parents separate money for different expenses after receiving their salaries, save regularly, live frugally or openly discuss financial challenges.

“Despite financial challenges, my father played a key role in shaping my mindset. I was taught early on the importance of long-term thinking and planning ahead financially.”

— SCHEME MEMBER

“I cannot rely on my parents for financial support, which has made me financially independent and reinforced the importance of planning for the future. Financial stability is not just a preference for me, it is a necessity, as I do not have a financial safety net.”

— SCHEME MEMBER

“I witnessed my parents struggling financially, which had a lasting impact. As a result, financial stability became a core priority in my life.”

— SCHEME MEMBER

Financially responsible, but not financially engaged

We identified a group of financially responsible individuals who understood the importance of managing money and preparing for retirement, but did not actively engage with financial concepts.

These individuals often recognised the value of pensions, but had limited understanding of how pensions worked. They tended to rely on professional advice or trusted others to guide their financial decisions. This group included people from different ethnic backgrounds, but was more commonly observed among White British interviewees.

For these individuals, family guidance often played an important role in ensuring that they did not overlook their finances.

“I’m not interested in finance, but I understand it enough to avoid debt and manage finances responsibly.”

— SCHEME MEMBER



3.2.3. Who is financially vulnerable?

Financial awareness and financial capacity are different concepts.

Individuals we identified as financially vulnerable very often did not have enough resources (financial capacity) to act upon their awareness. Some recognised the importance of pensions and have always contributed despite financial pressure, but flexible work arrangements, like part-time and term-time positions, or low salaries compounded with high financial commitments, have affected their pension contributions.

In a few exceptional cases, there was a combination of lack of financial awareness and capacity, which led a few of them to opt out for years. In these cases, interviewees mentioned not being fully convinced of the benefits of contributing to pensions.

In the financially vulnerable group, **we often identified single mothers across different ethnicities**. Raising children on their own and being the sole financial provider limited their saving capacity for years.

“Having children significantly shaped my employment choices and financial priorities. I have always prioritised flexibility and proximity to home, working term-time roles to align with my children’s schedules, and I have accepted very low pay in exchange for this flexibility. As a result, my pension contributions were consistently deprioritised and immediate financial needs took precedence over long-term planning.”

- SCHEME MEMBER

“Being a single parent, my focus was on

having a job at all, rather than optimising benefits like pensions. I constantly felt overwhelmed and exhausted, which limited my ability to engage in financial or long-term planning.”

- SCHEME MEMBER

These women also demonstrated strong resilience. Once their children had grown up, many were able to start setting money aside, invest in new qualifications and start building financial stability. However, they remained significantly disadvantaged by the years in which financial constraints limited their ability to save. Unlike other groups, they had less opportunity to benefit from the time advantage associated with early investing and long-term pension accumulation.

They are working hard to break this cycle and have been providing their children with the pieces of advice they wish they had received earlier in life:

“I have encouraged my daughter to start a self-invested pension early and frequently discuss long-term financial planning with my children.”

- SCHEME MEMBER



High aspirations for retirement but no clarity on how to get there



"I want to retire before 67."

- SCHEME MEMBER

"I want to retire comfortably – not just being able to cover basic expenses, but also to be able to maintain a good quality of life that accounts for cost of living and inflation."

- SCHEME MEMBER

Interviewees from different generations mentioned a shift into how they approach work, which has intensified since the COVID-19 pandemic. From individuals in their twenties to those in their early fifties, we heard the same: **"The pandemic prompted reflection on work-life balance, health and wellbeing, and a desire to retire earlier."**

Individuals we interviewed commonly began their careers focused on earning enough to pay the bills and developing the skills needed to progress professionally, rather than seeking higher salaries, recognition or flexible working arrangements. It was common for them to work night shifts, take only short breaks between shifts and, in the case of women, receive only a few weeks of maternity leave. For Generation X and Baby Boomers, greater flexibility and work-life balance typically became priorities later in life, often once they had achieved greater financial stability and their children were older.

While these priorities evolved over time for older generations, younger workers appear to be entering the workforce with a different set of expectations from the outset. Members of Generation Z reported placing greater emphasis on finding purpose in their work, and working for organisations whose values align with their own. For some, these factors are even more important than salary, and they are willing to accept a lower income in exchange for greater job satisfaction. Women from this generation also tend to scrutinise employers' benefits packages more closely before

joining an organisation, assessing how well they support personal goals, such as starting a family, and the level of support they could expect from their employer.

Despite minor differences, flexibility and work-life balance were increasingly important priorities for all participants. Several interviewees reported working condensed hours to create more quality time with their families, improve their mental health and spend time on their personal interests. Some individuals deliberately choose not to progress into more senior roles, as they perceive that, although contractual hours may remain the same, there is an expectation to work longer hours and take on greater responsibilities, making these positions less compatible with caring responsibilities.

We also observed a pattern among individuals in their mid-forties onwards. They do not intend to stop working abruptly once they reach retirement age. Instead, they are going for a phased retirement, by gradually reducing their working hours over years until they reach full retirement. We interviewed individuals in their early forties who have already started this process.

Individuals mentioned several “turning points” which made them reconsider their attitudes towards work life-balance: the pandemic, a health diagnosis and, in some cases, witnessing their parents pass away before they were able to enjoy retirement.

“The pandemic was a turning point in my financial awareness and behaviour. I experienced financial anxiety, particularly due to income uncertainty and changes to working arrangements. I began to actively educate myself about finances. This was a period of reflection, where job stability, work-life balance and long-term financial security became much more important.”

- SCHEME MEMBER

People want more time for personal fulfillment, which means retiring earlier and working less. However, we identified a massive gap between retirement aspirations and actionable planning for retirement. Scheme members know the retirement they want: quality of life, holidays and a comfortable lifestyle. However, only a minority are translating these goals into concrete financial targets.

Most of our interviewees mentioned they will rely completely on their State Pension and their workplace pension as their source of income at retirement, but they do not know how their pensions are calculated and how much they have been able to build up to this moment.

What can employers do?

The next two chapters explore what members think could help make pensions information more accessible and the types of information they need the most.

The major gap we identified is that scheme members do not know how to calculate their pensions and how much they have built up so far. That is aligned with one of the main asks we received from them during the interviews: they would like to receive more personalised information, which would help them to understand how well prepared they are for retirement.

For example, members would benefit from personalised summaries such as:

“You have worked and contributed to the local government pension scheme (LGPS) for X years. Based on your current pensionable service and contributions, you have built up an estimated annual pension of £X. If you continue contributing until your planned retirement age, your projected pension could be around £X per year.”

While existing annual benefit statements provide much of this information, the challenge is in ensuring that members understand and engage with it. Interviewees who told us they actively engaged with pension communications, including accessing online portals, said they found these easy to navigate and felt comfortable with the level of detail provided.

Members also highlighted the value of pension training courses, such as those offered by the *Westminster City Council*, which can help to improve understanding and confidence. However, some felt that training alone was not sufficient and members would also benefit from access to more personalised guidance and advice.

Employers could also consider providing retirement and financial preparation support earlier in employees' careers, rather than focusing this primarily on those approaching retirement.



How could we make pensions information more accessible?

Overall, interviewees reported low levels of engagement with pension communications. Many viewed pensions as complex, full of jargon or too distant to feel relevant to their current circumstances. The findings suggest that improving engagement requires more than simply changing the format or frequency of communications. Members need support to help them to understand how their pension relates to their wider financial priorities, including managing day-to-day finances, building financial resilience, buying a home, supporting family commitments, protecting against financial risks and planning for the future.

Still, the challenge of improving pension engagement extends beyond pension communications alone, and will require a broader and collective effort. As we have seen with our case study, several initiatives are already in place to make pensions more accessible and easier to understand. However, the fundamental challenge remains the limited interest and engagement many people have with the subject – we need to make pensions exciting.

For this reason, we have combined below some answers we received when we asked interviewees, **“What could make pensions information more relevant to you?”**

“Create awareness on the impact of opting out of pensions.”

Those approaching retirement mentioned that they wished someone had told them, at the beginning of their careers, the long-term impact of opting out of pensions. Since there is a lack of financial education in UK schools, it is common for people to join the workforce with no understanding of how pensions work. Without understanding this, people, especially those in financial constraints, can decide to opt out.

Employers could help to build this literacy by covering the topic with focus groups, including junior positions, apprentices and interns, and specific groups, like mothers.

“Pensions don’t look important when you’re so young. In my first job, I opted out of the pension scheme. This decision was influenced by a lack of clear explanation from human resources, and the fact that opting out was presented as a simple or acceptable option. At the time, I lacked the knowledge to fully understand the implications. Looking back, I strongly regret it.”

- SCHEME MEMBER

“Pensions communications would be more effective if they were targeted and personalised, rather than generic.”

Interviewees across different generations mentioned that pension information would be more useful if it was targeted to different stages of life. **Both younger and older generations are looking for different information related to pensions, according to them.**

For example, the research found that younger generations often have financial priorities other than retirement, particularly buying a home and managing rising living costs. Communications should therefore start by engaging with the financial challenges members face today, and helping them to understand how their pension fits alongside these competing priorities. Once this connection has been established, communications can highlight the benefits of remaining in the local government pension scheme (LGPS), including employer contributions, inflation protection and the security of a guaranteed income in retirement.

“Targeted ‘group talks’ for smaller groups to cover the basics.”

Interviewees who were completely unfamiliar with basic financial terms and how pensions work mentioned not feeling integrated when attending workshops or group talks about pensions. Since these events are aimed at a broader audience, instructors usually assume everyone has the same basic understanding about the topic, which makes it inaccessible to some individuals.

They mentioned struggling with the terminology used, which, in turn, made the explanation irrelevant to them. In addition, people with more understanding of finance and pensions tended to dominate the question and answer sessions, and they felt intimidated to raise more basic questions.

Interviewees with no understanding of pensions mentioned the mandatory online cybersecurity courses organisations commonly provide as an example of approach they could follow to increase pensions literacy. They alluded to these courses due to their accessible language and the fact that they start from the very basics, exploring day-to-day examples that are relatable to people.

“Provide access to 1:1 authorised financial advice as part of employment benefits.”

We repeatedly heard requests from individuals with low financial education about the need to have a 1:1 meeting with an authorised financial adviser. Since everyone is unique, and everyone has different financial commitments and needs, in some cases, even small groups would not be enough to address all the questions they have. Employers could implement initiatives focused, for example, on individuals in lower pay bands, as well as those starting their careers.

“Change the format of how we communicate pensions information.”

Interviewees said that, especially for written information, it would be important to opt for short and concise formats, following a summary style. A frequently asked questions-style approach addressing common queries would be helpful.

During the interviews, we also identified a need for employers to diversify the formats in which information is shared. Individuals with dyslexia or who are neurodivergent may find text-heavy information difficult to engage with and may benefit from alternative formats, such as videos.

“Explore the benefits of pensions, as well as the importance of time as people’s best ally.”

For those who are not actively engaged with their pension, it can simply appear as an amount deducted from their payslip each month, which can be frustrating if they do not understand the long-term benefits of their contributions. Communications should emphasise that these contributions are an investment in their future and that this money is helping to provide an income in retirement, rather than simply being taken away.

The importance of time is also not very well understood. Exploring examples with outcome-based scenarios in communications can be an engaging way to explain the benefits of contributing for as long as possible, demonstrating how time is a crucial element when building up retirement.

The research also found that members from ethnic minority backgrounds often approached retirement planning differently from their White British counterparts, with a greater focus on broader family responsibilities and a more diversified approach to retirement provision.

This suggests that **pension communications should avoid assuming all members have the same financial goals, family structures or retirement aspirations.** Using a wider range of case studies, examples and member stories could help make communications to feel more relevant and relatable to diverse audiences.

Participants consistently highlighted the importance of seeing themselves reflected in pension communications. Employers and LGPS funds should therefore consider whether their imagery, language, examples and engagement activities reflect the diversity of their membership, and demonstrate that pensions are relevant to people from all backgrounds and life circumstances.

While core pension information should remain consistent, engagement strategies need to reflect the reality that members face different financial pressures, life events and levels of financial confidence throughout their lives. **Communications that are tailored to key life stages, such as starting a career, taking parental leave, returning to work, progressing through mid-career or approaching retirement, are more likely to resonate because they connect pensions to issues that feel relevant today.** This approach can also help to address barriers to engagement among groups that may have lower financial confidence or face more complex retirement journeys.



Pension communications should be considered as part of a broader conversation about people's overall financial wellbeing. As *Hymans Robertson* highlighted in [this article](#), focusing on pensions alone is often not enough to engage people, particularly when immediate concerns such as the cost of living, housing, debt or childcare take priority. Once people start viewing their pension as an employment benefit and a long-term wealth-building tool, rather than simply a deduction from their payslip that competes with day-to-day financial pressures, they are more likely to engage with and value it.

Communications should therefore connect pensions to members' wider financial goals, and reflect the different challenges and priorities they experience throughout their lives. By making pensions more relevant to people's current circumstances and future aspirations, employers and pension funds can improve engagement, encourage more informed decision-making and support better retirement outcomes.

Best practice example

Throughout the interviews, we heard individuals commonly referring to internal networks, like the Women's Network and the Young Professionals Network that they have in *Westminster City Council*, as playing a key role in helping them to develop knowledge and awareness around pensions and career progression. Organisations could benefit from these already established groups to create more visibility for knowledge-sharing initiatives.



Frequently asked questions about pensions

Through our conversations with members, we identified a number of recurring questions and areas of uncertainty around pensions. These range from straightforward questions about the different types of pension schemes and eligibility for the State Pension to more personal questions that depend on an individual's circumstances, financial position and retirement goals.

The most common questions we heard were:

1. Does having a workplace pension affect my eligibility for the State Pension?
2. How much do I need for retirement?
3. How is my pension calculated?
4. What are the differences between state pension, defined contribution (DC) and defined benefit (DB) pension schemes?
5. Where is my pension invested? How risky is the investment portfolio and what assets does it hold?



Understanding your LGPS pension: [This website](#) has been created to help scheme members understand how the LGPS works and the benefits it provides. It includes explanatory videos and a range of other resources to suit different learning styles. You will also find useful tools and calculators to help you understand how your pension works, how much it costs, your options for taking a lump sum, paying additional contributions and pension tax.



Conclusion

The lack of engagement with pensions is often a reflection of limited engagement with personal finances more generally. Addressing this challenge requires action at multiple levels, from policymakers and regulators to employers, pension schemes and individuals themselves. After all, how often do we discuss pensions outside the workplace? Were conversations about retirement saving and long-term financial planning part of our upbringing? Are we now having those conversations with younger generations?

As a result, pensions are rarely perceived for what they truly are: one of the most powerful tools for long-term wealth building. Instead, they are often viewed as a deduction from pay that competes with more immediate financial priorities.

At the same time, awareness alone is not enough. The findings of this research demonstrate that broader social and economic inequalities can translate directly into pension inequalities. Rising living costs, unequal caring responsibilities, differences in career progression and wider financial pressures can all influence an individual's ability to build retirement savings over time. Pension gaps do not emerge overnight. They are often the cumulative result of inequalities experienced throughout working life.

This research helped to quantify a challenge that has historically received far less attention than the gender pension gap, yet is closely intertwined with it: ethnicity-related pension inequalities. While gender disparities remain

significant, our case study suggests that ethnicity may have an even greater influence on pension outcomes. We observed the largest disparities at the intersection of gender and ethnicity, highlighting that gender alone provides only a partial understanding of pension inequality. Ethnicity, socioeconomic background, age and life circumstances all play a role in shaping retirement outcomes.

Finally, we were able to track emerging trends that warrant continued attention. Lower participation rates among younger employees, particularly Generation Z men, may signal future challenges for pension engagement and adequacy. Understanding how younger generations perceive pensions, and adapting engagement approaches accordingly, will be critical to ensuring that today's inequalities are not carried forward into the future.

We hope this report contributes to a stronger evidence base for understanding pension inequalities, and supports the development of more targeted and effective interventions.

We would like to once again thank *Westminster City Council* for sharing their data and supporting this important initiative. While many across the industry recognise that pension gaps exist, only through greater data disclosure can we fully understand their scale, identify their drivers and develop meaningful solutions to ensure that **all members** can achieve better retirement outcomes.

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