

POLICY BRIEFING NOTE:

Pensions adequacy: the Gender Pensions Gap in the LGPS



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Awareness and discussion of the Gender Pensions Gap (GPG) in the LGPS space has been picking up at pace. With the Access and Fairness Consultation being followed by the UK Government announcing a new Pensions Commission to improve future pension outcomes, GPG and pensions adequacy are now rightly receiving the attention they deserve.

Using analysis we've recently carried out for a number of funds, this note explores the GPG in the LGPS, and our thoughts on how the LGPS can increase focus on ensuring adequacy for members.

Defining the Gender Pensions Gap (GPG)

The GPG is the difference in the amount of pension built up by male and female members. There are a number of ways in which the GPG can be calculated. For the purposes of our analysis we have used the average pension for members in the defined membership group and calculated the gap as

$$1 - \frac{\text{Value for females}}{\text{Value for males}}$$

Is there a GPG in the LGPS?

Based on analysis of over 500,000 LGPS active and pensioner members, our analysis shows that:

- In the pensioner member population, the GPG is 49%. This means **for every £1 of pension in payment to males, females receive 51p**.
- In the active member population, the GPG ranges from 16% at younger ages to 33% at older. **Interestingly, the gap starts to widen when the active members hit age 31 onwards.**

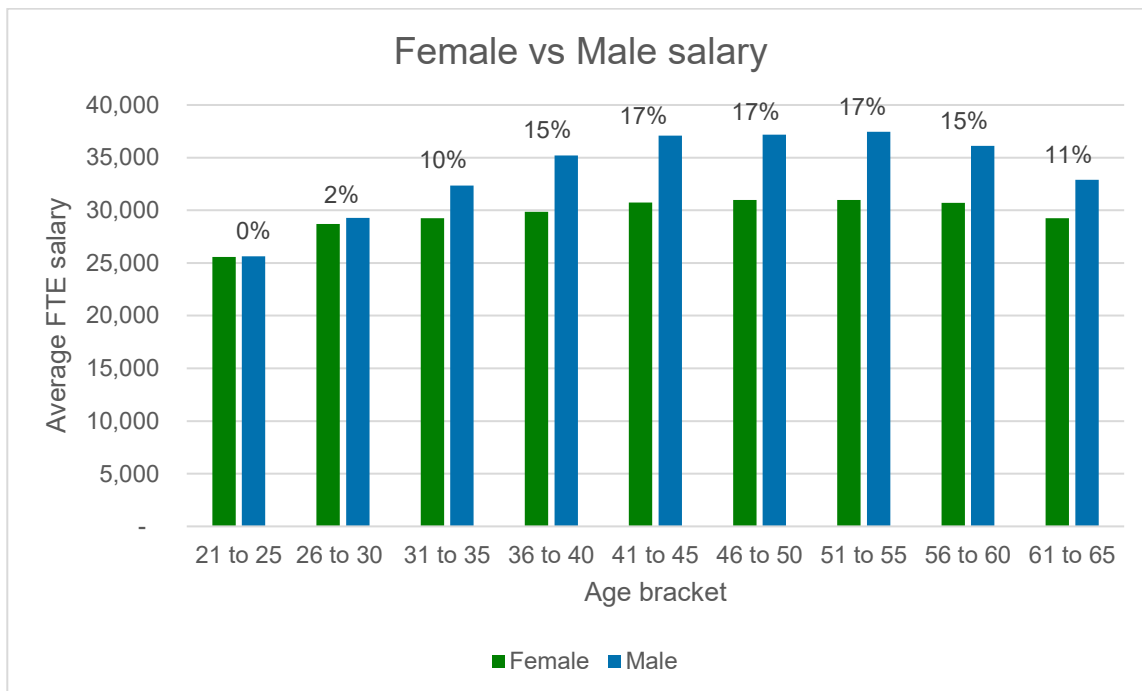
Potential causes of the GPG

Delving into the analysis, it is clear that there seem to be two main causes of the GPG; differences in [salary](#) and [service](#).

Salary

The size of LGPS benefits are directly linked to salary. Therefore, any difference in salary between the genders will cause a difference in pension. The chart below, based on our analysis, shows the average full-time equivalent (FTE) salary of active members in 5-year age brackets, split between male and female. The percentages are the salary gap calculated as

$$1 - \frac{\text{Value for females}}{\text{Value for males}}$$



The chart highlights that, on average, FTE salaries for females are lower than males within the same age bracket (note this doesn't allow for differences in roles etc.). Overall, for all members the difference is 11%. This compares with the average gender pay gap for the UK which sits at around 7%¹.

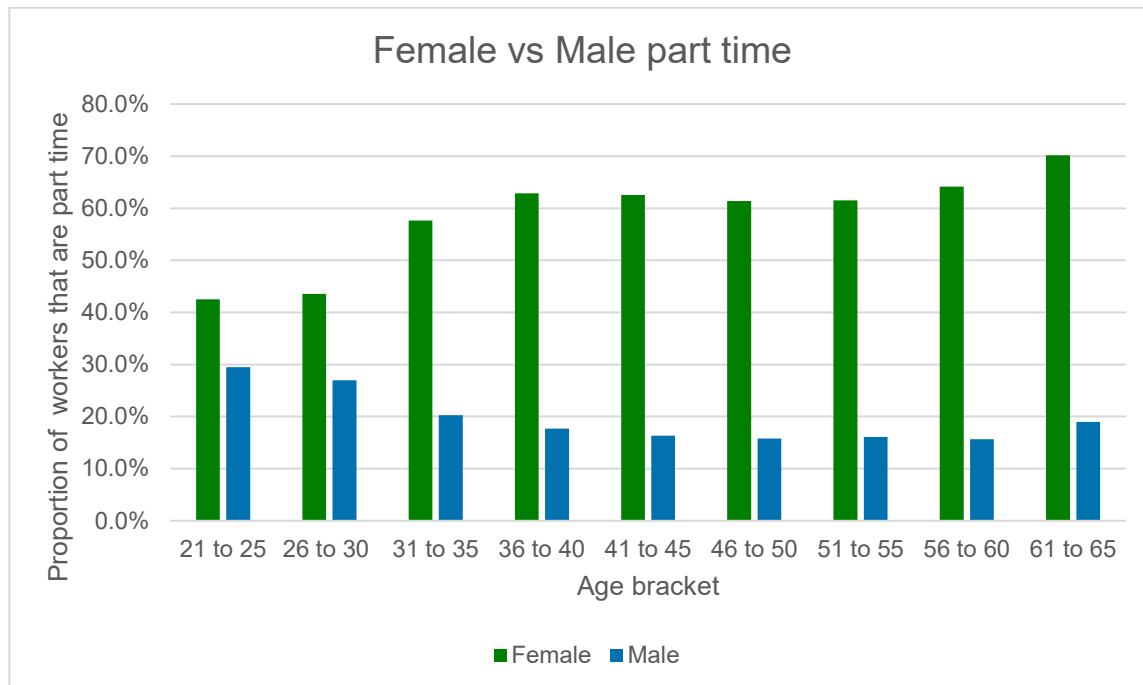
An interesting pattern in the analysis is that there is little difference in FTE pay between genders up to age 30. Thereafter, the gap starts to widen from age 31, similar to what we observed in the GPG analysis, suggesting that differences in salary is a cause of the GPG.

Service

LGPS benefits are also linked to service; a full-time worker will accrue more pension than a part-time worker (ignoring any salary differences). Therefore, any differences in part-time working patterns between male and

¹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2024>

female members will likely cause a difference in accrued pension and contribute to the GPG. The chart below shows the proportion of workers at each age bracket that are part time, split by gender.



The differences are stark between males and females. As part-time workers will accrue less pensionable service and retirement benefit than full-time equivalents, this will be a big driver in the gender pension gap. Again, there appears to be a noticeable jump in the difference between males and females from age 31 onwards.

What can we conclude?

- A gender pensions gap exists in the LGPS. Our analysis shows that this is prevalent at older ages (likely due to societal structures at the time those benefits were earned), but the GPG still exists at younger ages.
- The gender pay gap and differences in working patterns (with females being much more likely to work part-time) are a contributing factor.
- Divergence between genders in pay and working patterns seem to appear from age 31 onwards. We don't have the data to investigate the cause of this trend, but the [Office for National statistics](https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthcharacteristicsinenglandandwales/2022)² states age 30.9 as the average age of mothers who give birth. Does this single event then lead to females being more likely to earn less and work part-time than male equivalents and cause the Gender Pensions Gap?

Narrowing the gap

To fully address the GPG, national level action and changes are required; the Access and Fairness consultation and newly formed pension commission will hopefully lead to positive change. There are also actions that can be taken at local level (usually employer driven) such as policy reviews and education. LGPS funds can support this by raising awareness of the gender pension gap with employers. For example, reporting the GPG at whole

² www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthcharacteristicsinenglandandwales/2022

fund level, or carrying out individual employer analysis, and including it as a topic in the next round of employer communications.

Wider pensions adequacy

The Gender Pensions Gap is one aspect of improving member retirement outcomes. The next step on this journey is to consider the overall adequacy level of members' pensions. One approach to this is to compare expected pension at retirement with [Pension UK's Retirement Living Standards](#).

These standards show what the cost of life in retirement might look like under three different levels – Minimum, Moderate and Comfortable – and help individuals picture what kind of lifestyle they could have in retirement and the costs involved. The standards consider costs such as food, transport, holidays and clothing and by comparing accrued pension with the expected expenditure at each level, you can get a clear view of how many of members are on track for each of a minimum, moderate and comfortable lifestyle.

The next note in this series will consider the results from a LGPS fund that has carried out this adequacy analysis, and how they plan to use the results.

If you are interested in analysing your Gender Pensions Gap, or exploring wider pensions adequacy by understanding the proportion of members on track for a minimum, moderate or comfortable lifestyle in retirement, please [get in touch](#) with your usual Hymans Robertson contact.

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