

Gwynedd Pension Fund

Gender pensions gap analysis

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Use the menu bar above to navigate to each section.

Contents

In this report:

	Page
Background	3
Gender pensions gap & the LGPS	5
Fund-level analysis	7
Causes of the gap	10
Conclusions	13
Next steps	15
Reliances & limitations	17

Background

What is the Gender Pensions Gap?

In recent years there has been increasing focus on ensuring equality at work. Most companies must now publish statistics on their Gender Pay Gap (the difference in average pay between males and females).

Following on from this, research has been conducted to better understand the Gender Pensions Gap (GPeG). A [report¹](#) published for the Commons Library highlights that the GPeG can be measured in different ways; to some it is the difference between the retirement income of men and women (which would include private and state pensions), whilst for others it is the difference in wealth in retirement (which would suggest the inclusion of other assets, such as property). The Government [introduced²](#) a measurement in June 2023 for private sector pensions.

A publication by [NOW:Pensions³](#), in conjunction with the Pensions Policy Institute, highlighted that, on average, women retire with pension savings of £69,000, whilst men at a similar age have a pensions wealth of £205,000. In addition, it also states that 67% of pensioners in poverty are women and that women would need to work full time for an extra 19 years to retire with the same pension as men.

¹<https://researchbriefings.files.parliament.uk/documents/CBP-9517/CBP-9517.pdf>

²<https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions/the-gender-pensions-gap-in-private-pensions#main-stories>

³www.nowpensions.com/about-us/fairpensionsforall/gender-pensions-gap



Gender pensions gap & the LGPS

Is the Gender Pensions Gap an issue in the LGPS?

As one of the largest pension schemes in the UK (with around 6.3 million members), the LGPS provides a valuable benefit to many people.

Around 74% of these members are female (the figure is around 73% in your fund). With such a large proportion of members being female, and the public sector nature of participating employers, people may expect the gender pensions gap to be less of an issue in the LGPS.

However, a [report](#) issued by GAD analysing LGPS data in England and Wales identified a substantial difference between the benefits currently being built up by male and female members. The difference is roughly 35% for benefits in the CARE scheme, and roughly 46% for benefits in the final salary scheme.

It is difficult to pinpoint the exact causes of the gap, but the main factors seem to be:



Gender pay gap (pension is linked to earnings)



Part-time vs. full-time working (pension is linked to service)



Career breaks (again, this affects service)

To better understand the issue, analysis is required. As agreed with the fund, we have used the fund's membership data provided as at 31 March 2024 and investigated the difference in the average annual pension amount between gender across 5-year age bands.

Note we are using pension amount instead of pension wealth. Wealth reflects differences in life expectancy and would be more appropriate if measuring the difference between defined contribution retirement pots. However, the LGPS is a defined benefit scheme and the benefit granted is independent of gender and expected life expectancy. Therefore, for this scheme, pension amount is a more appropriate measure for analysing the Gender Pensions Gap.

The results of our analysis are set out on the next four pages.

Fund-level analysis

Analysis of your data: current pensioners

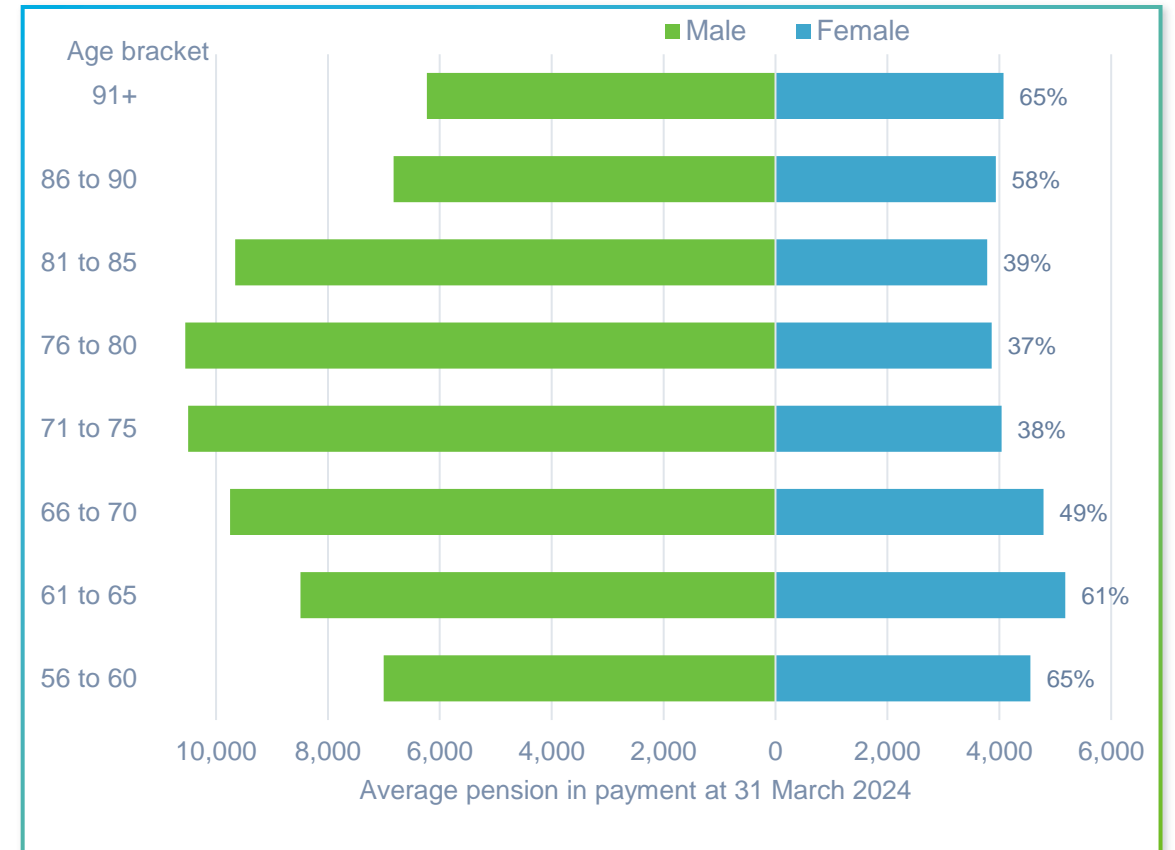
Using the 2024 data provided, we have calculated the average pension for 5-year age brackets and split by gender.

The chart shows that, on average, for every £1 of pension paid to males, females are receiving around **52p** (noted by the percentages). This is clear evidence of a Gender Pensions Gap.

For older members, as considered here, this difference may not be surprising when considering the societal structures in place as these benefits were being accrued. However, the trend is still evident at younger ages, e.g. 61 to 65, when changes to these structures were taking place.

To understand if the Gender Pensions Gap is a timing issue, we have carried out the same analysis for active members.

Note that the figures for age 56 to 60 may be skewed or subject to some bias. For example, pensioners in this age bracket are likely to have retired early due to affluence or a long service history. Therefore, some of the factors that cause the pensions gap are not relevant for this group. Similarly at age 90+, the dynamic of dependant pensions is likely to skew the analysis.



Analysis of your data: active members

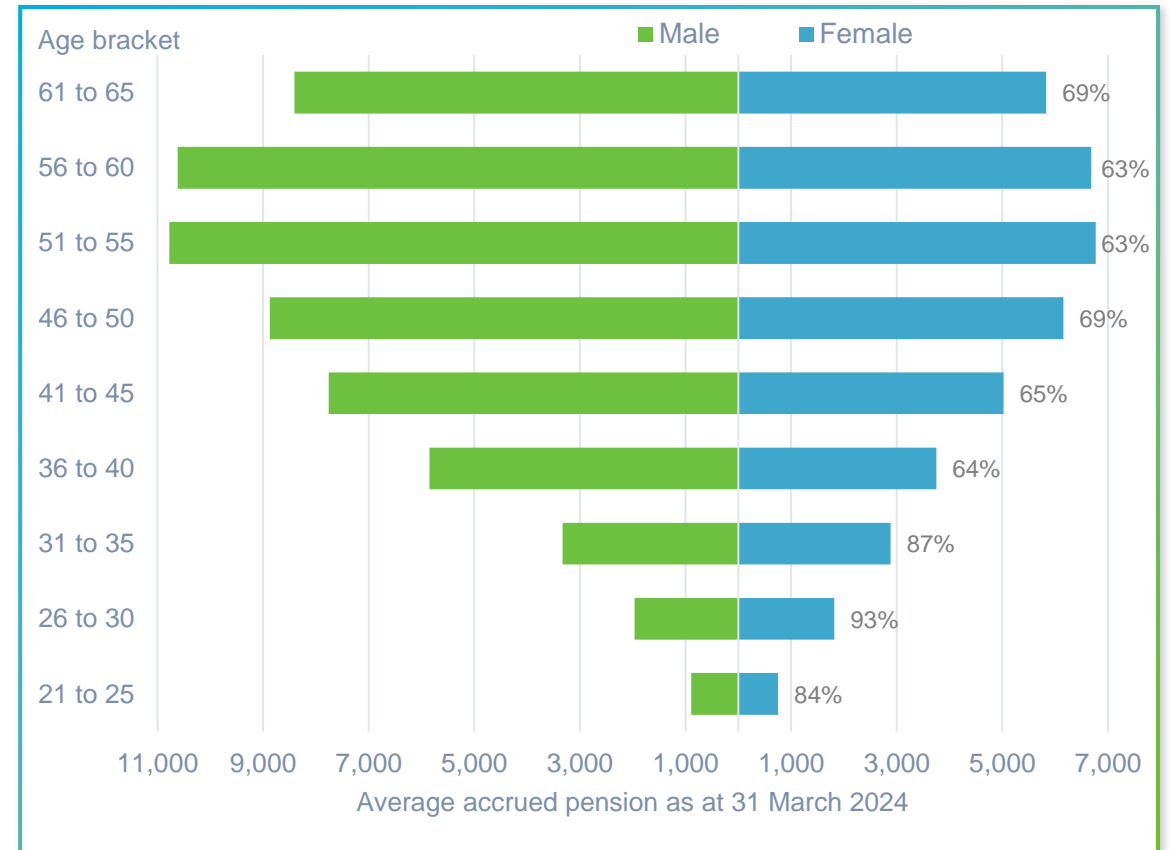
Again, using the 2024 data provided, we have calculated the average accrued pension for active members in 5-year age brackets and split by gender.

The pyramid shape of the chart is to be expected. Younger members will have a shorter service history so have accrued less benefits to date than older members.

The chart shows that even for younger members, despite changes in household working behaviours, a Gender Pensions Gap still exists. The gap is less pronounced at younger ages, a pattern we have seen in other LGPS funds.

This analysis has focussed on the output (pension). To better understand the issue, particularly the potential causes, we have reviewed the inputs – salary and service.

Note that the figures for age 61 to 65 may be skewed or subject to some bias. For example, due to retirement age rules, active members in this age bracket are likely to have similar service and job history so the differences which affect younger age brackets are less present.



Causes of the gap

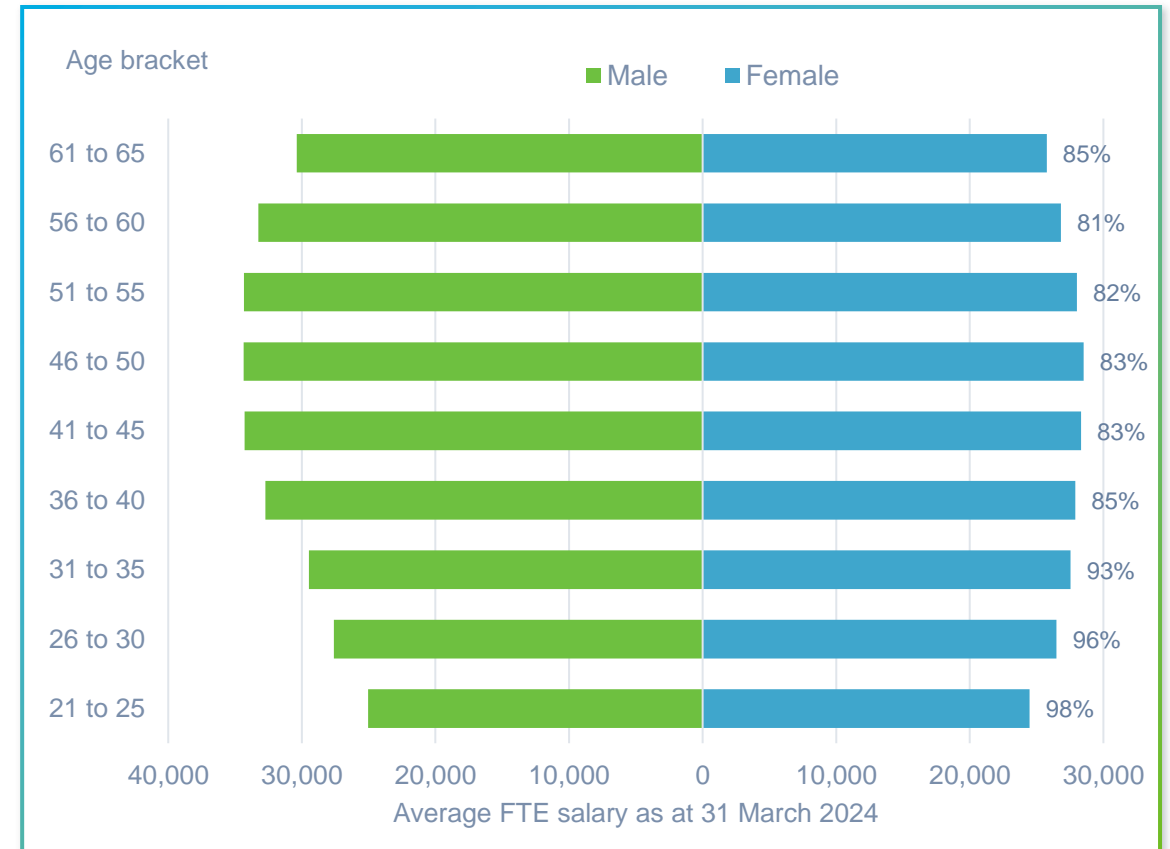
Possible causes of the Gender Pensions Gap: salary

This chart looks at the average full-time equivalent (FTE) salary of active members of the fund as at 31 March 2024. As LGPS benefits are directly linked to the magnitude of salary, any difference in salary between the genders causes a difference in pension.

Looking at the percentages on the chart, we can see that on average females are paid 81-93% of males within the same age bracket (note this doesn't allow for differences in roles etc.) for ages 31 and above, implying a gap range of 7% to 19%. This compares with the average gender pay gap for the UK which sits at around 14%¹.

This difference will be a contributing factor to the Gender Pensions Gap already observed.

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.



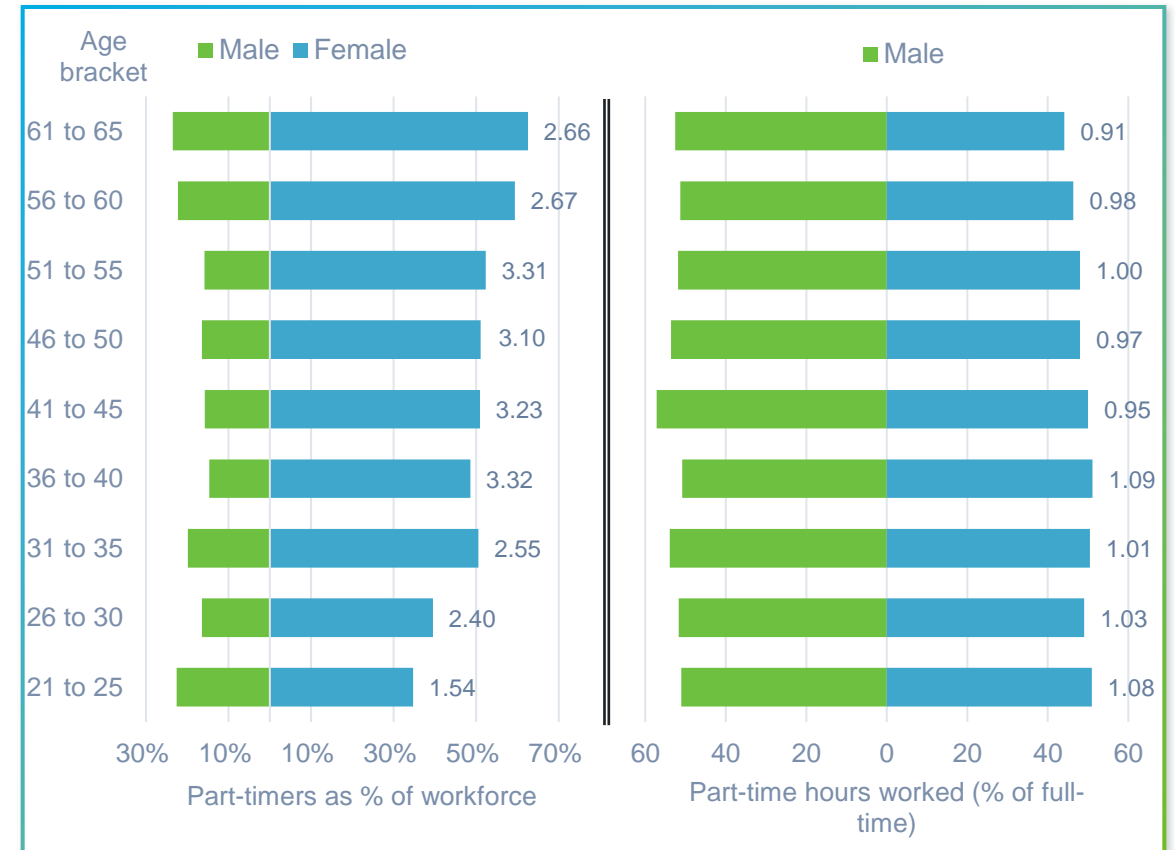
¹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2023>

Possible causes of the Gender Pensions Gap: service

These charts look at how working patterns, which affect service, and the amount of benefit accrued, vary between genders. The left-hand chart analyses the percentage of the workforce in each bracket that are part-time workers for each gender. The right-hand chart analyses the average number of hours worked (as a percentage of full-time hours) by those part-time workers for each gender.

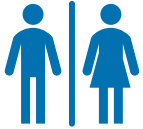
The left-hand chart shows that a much greater percentage of the female workforce are part-time workers than males. The differences are stark. As part-time workers will accrue less pensionable service and retirement benefit than full-time equivalents, this will be a big driver in the gender pension gap. There appears to be a big jump in the trend from age 26+.

The right-hand chart doesn't highlight any significant difference between males and females. This suggests that this factor is unlikely to be a material contributing cause to the Gender Pensions Gap.



Conclusions

Conclusions from the analysis



A Gender Pension Gap does exist in the fund

The analysis shows that the gap is prevalent at older ages but even exists at younger ages



The gender pay gap is a contributing factor

Whilst the pay gap is slightly lower than the national average at some ages, the difference will be a contributing factor to the pensions gap



There is a significant difference in working patterns between genders

Females are more likely to be part-time workers which results in them accruing less pension



The pay and working pattern causes seem to appear from age 26-30 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)¹ 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? If this is the case, what can be done to recognise this and ensure retirement equality?

¹ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthcharacteristicsinenglandandwales/2022>

Next steps

Next steps

The Gender Pensions Gap is not an issue confined solely to the LGPS. Research shows it existing across the whole pension landscape.

To fully address the gap, and some of its contributing factors, it is likely national level action and changes will be required. We believe that the LGPS, as a scheme with around 4 million female members, is in a prime position to be a leader in this debate.

There are also some actions that could be taken at local level, albeit employer driven, such as:

- Reviewing job profiles and pay scales to ensure there is genuine equality across the full spectrum (this would also help address the gender pay gap).
- Checking that back-to-work policies, including flexible working, fully support and encourage people who have taken career breaks back into the workplace.
- Introducing or enhancing shared parental leave policies.

- Educating employees about implications for their pension any time there is a life point change that may have financial consequences (e.g. reducing hours, getting divorced, promotion etc). Employees can then make informed choices about whether to top up their pension or not.
- Letting new joiners and part-time workers know that they can opt-in to the pension scheme, even if they do not meet the qualifying criteria

If you want further information on this topic, particularly around what could be done to reduce the Gender Pensions Gap, please watch the recording of our [webinar¹](https://event.on24.com/wcc/r/3985777/53D88810914A7CB04C07563268193E3A). The guest presenter was Lauren Wilkinson from the Pensions Policy Institute.

¹ <https://event.on24.com/wcc/r/3985777/53D88810914A7CB04C07563268193E3A>

Reliances & limitations

Reliances and limitations

We have been commissioned by Cyngor Gwynedd ('the Administering Authority') to carry out an analysis of the Gwynedd Pension Fund membership data to explore if there is a Gender Pensions Gap.

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the outcomes of our analysis and high-level discussion on the gender pensions gap. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Where we have expressed an opinion on the potential cause of the gender pension gap or possible resolution it should be treated only as that. This is a complex area with various factors and underlying issues.

The analysis is based on the membership data that has been submitted by the fund as at 31 March 2024.

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