

PO-CH/N4/0154 PTA

Park A.

Begins: 19/3/86.

Ends: 19/1/87.



PO -CH /NL/0154



PART A

Chancellor's (Lawson) Papers:

NATIONAL AND LOCAL
GOVERNMENT OFFICERS
ASSOCIATION REPORT ON
SEX EQUALITY IN PENSION
SCHEMES

NL/0154

PO -CH

PART A

Disposal Directions: 25 Years

Phillips

31/8/95



ON BF

With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

Diagne,
Sorry this should have been
enclosed. Please return as it
Treasury Chambers,
Parliament Street,
SW1P 3AG

is only copy.
Janet.

Sex Equality in Pension Schemes

RESPONDING TO SOCIAL CHANGE

**Report of a meeting in the
Grand Committee Room, House of Commons,
19 March 1986**

National and Local Government Officers Association

Introduction

For several years now NALGO has been campaigning for sex equality in pension schemes. It is a campaign that powerfully combines the union's original purpose, pensions, and an issue that has been put high on the agenda in recent years, equality for women.

The meeting held in the Grand Committee Room, House of Commons, on 19 March 1986 brought together representatives of some 40 statutory, professional, political and voluntary organisations. Its aim was to help achieve closer understanding and links between the many organisations and individuals concerned with this issue. It is NALGO's view that there is a need not only to increase awareness and concern about the problems that pensions inequalities cause, but also to step up the pressure for reform. We gave as a theme to the meeting 'Responding to Social Change'. With the Social Security Bill before Parliament and the European Court of Justice ruling on the Marshall case on retirement age recently announced, the meeting had special topicality.

Although linked to NALGO's campaign, the meeting was designed primarily to be informative and exploratory. NALGO's own priorities were made abundantly clear, but the speakers were chosen to represent other views as well, including the political and actuarial 'realisms'. Brenda Hancock, Principal Officer of the Equal Opportunities Commission, and Norman Braithwaite of actuaries Duncan C Fraser & Co were the main speakers. Malcolm Thornton MP and Michael Stern MP explained Government policy and presented their personal views. Charles Kennedy MP (Social Democratic Party) and Jo Richardson MP (Labour) discussed priorities and ways of achieving the reforms NALGO is seeking. The meeting was sponsored by Norman Hogg MP, to whom NALGO expresses its warm thanks.

This report on the meeting, in addition to the edited transcript, includes some background notes on NALGO's policy and campaign aims and some notes prepared for the meeting by Norman Braithwaite.

We in NALGO believe that the arguments for speeding up the reforms identified in this report are clear enough and that the actuarial evidence should be used not to block the path of progress, but to clear it. As Brenda Hancock put it, the financial and economic adjustments needed 'might well be regarded by an enlightened society as being an expression of elementary justice'. As Jo Richardson and Charles Kennedy emphasised, the public is clearly looking for change, and it will accept that it has to be phased, but Government must take the lead, especially on the lowering of the State pension age for men. As Sheila Smith, for NALGO, put it: 'We are looking for progress at a good speed'.

John D Daly
General Secretary.

Where NALGO stands

Pressing for changes in schemes and the law

NALGO policy

NALGO regards the unequal treatment of men and women in occupational pension schemes as one of the greatest injustices in our society. Alongside other organisations it is campaigning to end this injustice – by pressing for changes in the individual pension schemes negotiated for its members, and by calling for changes in the law.

Since NALGO established its Equal Opportunities Committee in 1977 and stepped up its broad-based campaign for sex equality, no issue has prompted more correspondence or attracted more women to meetings than that of pensions discrimination. Of all the conditions of employment of NALGO members (more than half of whom are women) pension schemes probably contain the greatest overt sex discrimination.

Present policy was defined in a motion carried at the 1983 annual conference. In essence it called for:

- (1) a pension payable to the dependants of women who die in service
- (2) equal pension rights for male and female employees in respect of surviving spouse, children, common-law spouse and dependent relative
- (3) the right of part-timers to join the pension scheme if they choose.

More specifically NALGO is campaigning for five basic changes:

- the right of part-time workers (mostly women) to join in pension schemes
- the right of single people to nominate a dependant for benefits
- automatic right for women to make provision for dependent children
- automatic pensions for widowers on the same basis as for widows
- reduction of the State pension age for men from 65 to 60.

One of the aims has now been achieved for local government, whose part-time staff (working 15–30 hours a week for at least 35 weeks) under new regulations will be able to join the Local Government Pensions Scheme.

NALGO's campaign

To direct its campaign NALGO's National Executive Council established a working party of members of its law & parliamentary, publicity and equal opportunities committees. The priorities identified, while recognising that all the objectives of the campaign were of equal importance, were:

- (1) to obtain entry for part-timers to the local government scheme
- (2) to achieve pensions for surviving spouses of both sexes in all schemes
- (3) to achieve a common retirement age for both sexes in all schemes (and eventually in the State scheme)
- (4) to achieve all the other identified aims.

It was recognised that the first priority for NALGO was to increase awareness of the issue among members, and that has been the main thrust of the campaign in 1984 and 1985. It has been on the agenda of branch annual general meetings and the subject of special workplace and joint union meetings. Support has also been encouraged by a petition, signed by over 200,000 people, and public debate in the press and media.

The problem

The main argument used to reject the case for sex equality in pension schemes has been that it would be costly. That is because women tend to live longer than men. But it is a poor reason for not changing arrangements that are fundamentally unfair – and increasingly so, as the roles of the sexes change and personal and domestic relationships become more varied.

The basis of actuarial calculations within traditional patterns is a problem in itself. The starting point has tended to be what the employer considers can be afforded for the 'average' man or woman employed. Discrimination is built into that approach.

As the Occupational Pensions Board said in a 1976 report: 'The test of equal status between men and women should start from the premise of equal benefits – that is, identical treatment for men and women in identical circumstances'.

A central problem is that the evolution of occupational pension schemes has been slow, whereas social change in recent years has been fast.

Although schemes vary, and some are much more flexible than others, in general they belong to the age of traditional Happy Families, with a breadwinner husband and a domesticated wife, one income and a single mortgage, when the only dependants were wife and children.

Pension age

A major obstacle to the removal of discrimination in pension provision is the State pension age of 65 for men and 60 for women. If this anomaly could be removed, it would immediately become easier to press for the removal of this form of discrimination in occupational schemes.

NALGO's main objective is to lower the State pension age for men from 65 to 60, but successive Governments have been unwilling to accept the estimated £2.5 billion cost. A 1982 report by the House of Commons Social Services Committee recommended a flexible pension age based on a national common pension age of 63. One would be able to retire at any time between 60 and 65, but would receive a lower pension if one retired early rather than late.

NALGO (like the TUC) is opposed to any plan that would reduce the pensions currently payable to women from the age of 60.

Retirement age

Obviously a pension must be payable at retirement age. It is quite wrong, however, to force women to retire at an earlier age than men. Therefore, as a short-term objective, NALGO is pressing for the right of women not to be compulsorily retired at an earlier age than men. The recent ruling of the European Court of Justice in the Marshall case is therefore regarded as an important step forward.

The priorities

In general it can be said that there is a deplorable lack of provision for the dependants of women in the schemes with which NALGO is concerned. The biggest problem is to get the public service schemes changed, firstly because that is where the majority of NALGO's members are, and secondly because other schemes tend to follow the lead set by the public service schemes.

We shall not get all that we want at once, but the areas of most promise are unrestricted widowers' pensions and pensions for the surviving children of married women (already available in the NHS scheme, but not in the local government scheme).

Pensions for the dependants of single people involve legal arguments about the definition of dependency, but NALGO's attitude is that all single people should be able to make provision for one adult dependant without giving up any of their own pension.

The difficulty in the public service is that, irrespective of the attitude of the various employers, central government has to give its sanction, and it will not do this for one scheme unless it is prepared to cede it to all public service schemes. In local government we have reason to believe that the employers are sympathetic towards unrestricted widowers' pensions and also towards pensions for the surviving children of married women.

Part-timers in local government

A central plank of NALGO's campaign has been that all part-timers should have the right to join an occupational pension scheme set up for their full-time colleagues. In local government part-time staff have been waiting for 12 years to be admitted to their scheme – not as a privilege, but as a right. The immediate objective has been to gain admission for part-timers working 15 hours a week or more. This is broadly the position with part-time teachers, civil servants and NHS staff.

The exclusion of part-timers has been a form of sex discrimination because most part-timers in local government are women.

Before 1 April 1974 local authorities were able to admit part-timers to the superannuation scheme on whatever terms they chose, but this led to a wide variety of practices and was not satisfactory for many reasons. During a comprehensive review of the scheme in 1972 it was decided to introduce a standard provision for all part-time staff and to repeal the then existing discretionary legislation.

The intentions were good, but there was then a long delay. NALGO made repeated representations about the delay and in 1978 led a deputation from the TUC to the Secretary of State (Peter Shore – Labour) seeking immediate action. Mr Shore expressed deep concern and promised action.

By August 1980 regulations were ready for signature, but by then there had been a change of Government, there was a new squeeze on local government spending, and the whole question of pensions was in the melting-pot. NALGO's struggle continued – to get the regulations signed.

Success came at last in January 1985, when Secretary of State Patrick Jenkin acknowledged the commitment to make the regulations and said they would be signed, although that would not be before April 1986. Meanwhile, local authorities which wish to admit employees in advance of the regulations have been authorised to do so.

Advice to NALGO members

NALGO issued to part-time staff in local government interim guidance last July, to help them decide whether to exercise their right to be admitted to the pension scheme. It drew attention to the Government's plans to introduce personal pensions but warned that, for local government part-time workers now given the chance to join the local government scheme, a personal pension would by comparison be a very poor bargain.

It said: 'There is nothing new about personal pensions. They were in widespread use until about 20 years ago, but they have been mostly superseded because of the inadequate benefits they provide and the total lack of protection against inflation'.

NALGO's comments on the pensions plans

Summary of NALGO's comments on the Government's legislative proposals for changes in provision for retirement

Personal pensions

NALGO is concerned about the practical arrangements for offering the choice of a personal pension under the Government's plans. Employees already in occupational schemes when personal pensions are introduced will remain in them unless they make a decision to change. That is relatively straightforward. NALGO's worry is about new employees who may have to make a choice which, if they get it wrong, will seriously diminish their pension prospects.

From long experience NALGO is aware that employees generally do not become seriously concerned about their pension position until within 20 years of retirement. NALGO is concerned about the vast number of people who either are uninterested in pensions and will take no action to protect their interests or, because of lack of experience, will simply choose the cheapest way out.

Retirement age

The Green Paper concept of a 'decade of retirement' is good. NALGO had been advocating something similar, although with the age range 55–65 rather than 60–70. In practice the concept will only be workable if the

employee is given an adequate pension on which to retire.

There has never been a greater need to encourage earlier retirement. The irresistible advance of technology at an ever increasing pace means that full employment will be achieved only by reducing the length of both the working week and the working life. Sooner or later both Government and employees will have to come to terms with this.

NALGO has been advocating a decade of retirement on the basis of a full State pension for men and women at 60. This would achieve genuine flexibility by providing a pension standard at 60 which many employees would find sufficiently attractive to use. The lower-paid will certainly not be tempted into an earlier retirement if it means greater poverty than they now suffer in later age.

SERPS

The Government has concluded that the retention of the State Earnings Related Pension Scheme (SERPS) in its present form would create unacceptable burdens for future generations. What is now proposed, however, will condemn a growing number of people in future to a retirement in poverty.

NALGO's view is that, if it is true that SERPS is not being adequately financed, the answer is not to weaken it but to establish it as a properly funded scheme with contributions appropriate to its needs. The proposed changes to SERPS will be condemned by future retiring generations, who are now to be offered a choice they will not fully understand.

To suggest that personal pensions are a better proposition than SERPS for that half of the working population not in occupational schemes is quite unrealistic. SERPS in its present form is a very acceptable alternative to occupational schemes, and the only reason why the Government now plans to reduce and replace it by private insurance schemes is that it has decided it costs too much.

The great value of SERPS is not only that it has established a standard level of pension which has to be matched by all contracted-out schemes, but also that it ensures that pensions paid retain their purchasing power. SERPS is the sheet anchor of index-linking arrangements, and if it is discontinued, even on the basis of being gradually phased out, the whole of the index-linking arrangements are in jeopardy.

Index-linking

Since 1920 successive Governments have introduced occasional legislation to raise civil and other public service pensions to take account of inflation. Since the Pensions (Increase) Act 1971 increases have been on a regular and systematic basis.

In 1981 the independent inquiry set up by Mrs Thatcher, and chaired by Sir Bernard Scott, reported:

'It is a highly desirable social objective that the standard of living of those in retirement should be protected. This is clearly recognised by countries like France and West Germany, where the benefits enjoyed by pensioners are superior to those of this country and the benefits of index-linking are extended alike to both public and private sectors. In the United Kingdom, however, the full cost of protecting pensioners has yet to be recognised and fully shouldered during working life.'

Privatisation

NALGO is concerned not only about the underlying threat to the index-linking of occupational pensions in any shift away from SERPS to personal pension schemes; it is also concerned about public-sector employees who are forced out of good occupational schemes when their industry or service is privatised.

One of the primary objectives of the Government's privatisation programme is cost-cutting, and one method is the removal of entitlements to index-linked pensions. In local government, the National Health Service and the civil service thousands of employees have lost their index-linked pensions when their jobs have been privatised. The same is now happening, or there is a risk of it happening, in whole industries: bus transport, gas, water etc.

Looking after the elderly

There has always been a marked insensitivity towards the needs of the elderly, who have no industrial muscle with which to support their claims (although it should not be overlooked that they have equal voting rights). Any retirement scheme which fails to make adequate provision for the inevitability of inflation is a misnomer; it purports to provide a means of financial support during retirement, and it is incapable of doing any such thing *unless it is structured and financed with this objective.*

The conference report

NORMAN HOGG MP (Labour)

Widening the debate

My job is to welcome you here, because through the agency of NALGO I have sponsored this meeting.

NALGO has a very long history in pensions. In fact, it was founded in order to achieve pensions. The idea was that, once it had achieved a pension scheme for its members, NALGO would be disbanded, its task accomplished. Well, it took them a long time to get their pension schemes, and by that time they had become committed to much wider issues. So NALGO was not disbanded. It grew. And today improvement of pensions remains a central objective of the union.

Through today's meeting we are trying to develop closer links between the organisations concerned with this particular issue. We are hoping to prepare the ground for change, by widening the debate and widening the political interest in it.

A large number of organisations are represented here. I notice that some of the employers who administer NALGO members' schemes are represented. I notice that my own regional council, Strathclyde, which administers the largest pension scheme in the country, is represented, and Councillor Sanderson was very anxious for me to point out to you that they actually have trade union representation on the administration of the scheme.

We have deliberately organised this meeting on an all-party basis, because we want the widest possible support for this issue. We also want to get back to the position where there is a political consensus about pensions – a consensus on what pensions are for and how they are organised and how we shall fund old age, among other things. This meeting is useful as a start towards that end, and with that in view I welcome you to the House of Commons this afternoon.

SHEILA SMITH, NALGO President Elect

What is right and fair

I wish to welcome you on behalf of NALGO to this meeting and, as Chair of that union's Equal Opportunities Committee, to say a few words about NALGO.

NALGO sees itself as a campaigning union and has found there are many matters on which it needs to campaign, beyond the narrow bread-and-butter issues commonly associated with trade union activity. Sex equality in pensions is an issue to which we attach very great importance, because it combines our traditional concern with the material welfare of our members and their families with our more recent recognition that much more must be done to achieve true equality between the sexes.

NALGO has over three quarters of a million members, and more than half of them at the last count were women. We work in a range of local services and public-sector industries – local government, the NHS,

the electricity, gas and water industries, universities and public transport. About two-thirds of our members are in local government.

Our present campaign on sex equality in pensions has been gaining momentum since 1983, when a NALGO conference motion clearly defined our aims. Our concern and efforts on this front did not begin then; in fact, a lot of solid work had been done before that. But the Conference decision gave the issue a fresh impetus.

Since then we have worked hard to get the subject more widely understood and to increase interest among NALGO members. We have strong evidence, from meetings at all levels within the union, that this is an issue on which many members feel strongly and on which they are looking for rapid progress to be made.

We have worked closely with our friends at the Equal Opportunities Commission in organising this meeting and are very appreciative of the help they have given – and also for the continuous, solid work they have put into this and related questions. We are grateful to Brenda Hancock for agreeing to contribute to today's meeting. We are also very grateful to Norman Hogg MP for agreeing to sponsor this meeting; to Malcolm Thornton MP for chairing it; to Norman Braithwaite for agreeing to give us the actuarial facts; and to Charles Kennedy MP and Jo Richardson MP, who will comment on the political priorities and practicalities.

As far as NALGO is concerned, we think that the starting point should be defining what is right and fair. The task then is to agree not only how that can be achieved, but also how quickly it can be achieved. We know that complex questions cannot be resolved overnight, and we recognise that some aspects of today's meeting are complicated. But we must not accept excuses for delay. Practical reasons, yes; but excuses, no.

We hope that the outcome of our meeting today in that sense will be both realistic and positive. We are looking for progress at a good speed.

MALCOLM THORNTON MP (Conservative)

Where we are now

I am here to chair today's meeting and also to set the scene from the Government's point of view. To help me do this I have asked my colleague Michael Stern to put some flesh on the bare bones of what I have to say.

Occupational pensions were excluded from the Sex Discrimination Act 1975 because the then Government considered this was a complex area needing further study. Accordingly they asked the Occupational Pensions Board, an independent statutory authority, to look into the whole question of discrimination between men and women in occupational pension schemes. The board's report *Equal Status for Men and Women in Occupational Pension Schemes* was published, as many of you will know, in August 1976.

The board concluded that, as a general principle, equal status between men and women should be on the basis of equal benefits – that is, identical treatment in identical circumstances – rather than on the basis of

equality of costs to the employer.

Having arrived at this general principle, however, the board concluded that there must be two major exceptions. It considered that, while there were different pension ages and differences between survivors' benefits in the State scheme, occupational pension schemes ought not to be required to introduce equality in those areas.

The European Commission has issued proposals concerning the equal treatment of men and women in occupational pension schemes, in the form of a draft directive. Discussions on the detail of the directive are proceeding at an official level in Brussels. In their present form the proposals would not require occupational pension schemes to provide equal survivors' benefits in advance of the State scheme doing so. However, there is nothing to stop those responsible for occupational pension schemes from providing equal survivor benefits.

But it must be remembered that all occupational pension schemes are set up voluntarily by employers. Therefore, the employer must decide whether such arrangements can be introduced, bearing in mind all the considerations, including possible additional expenditure.

While the Government does support the principle of equal treatment for men and women in occupational pension schemes, it has so far felt that it is more appropriate to pursue this objective by voluntary action rather than legislation. One important consideration here is, as mentioned before, that the State scheme itself differentiates between men and women in this area, and normally that would be costly to remove.

Nonetheless, the Social Security Bill now before Parliament proposes an important step toward equal treatment. Salary-related contracted-out occupational pension schemes would be required to provide members' widowers with half the members' guaranteed minimum pension, where a member died after retirement. This is the same statutory protection currently offered to the widows of members of such schemes.

The Bill also proposes that, where a woman dies before retirement, her husband will get benefits from the scheme corresponding as closely as possible to those which a widow in the same position would receive. So, for example, widowers with children or over 45 would qualify for a guaranteed minimum pension in exactly the same way as widows, and these proposals would probably come into effect where the spouse dies on or after 6 April 1989.

MICHAEL STERN MP (Conservative)

Current changes

Malcolm Thornton has described how we have arrived where we are now. I shall look at the likely impact of current changes – not just changes in legislation, but also changes in the pattern of work and employment, as they affect pension schemes. In particular, we must take account of the growing sense of a need and desire for greater opportunities for equality for women employees.

In one of its leaflets NALGO has listed five basic changes that it is looking for, and what I find interesting is that in one piece of proposed legislation – the Social Security Bill – in some measure four of those five changes will be achieved.

Under that legislation part-time workers who are paying national insurance will have a right to enter a pension scheme; all workers will have a right to nominate a dependant to benefit under a pension scheme; all women will have a right to make pension provision for dependent children; and all women will have a right to nominate widowers as dependants under a pension scheme.

I would regard the thrust of NALGO's campaign now as being to make sure that the market developing in pension schemes is adequate for what the union sees as the desires of its members. Here there are a number of more difficult changes, some of which are beneficial to the campaign, some of which are going to militate against it, as they have always done.

For example, the growing number of women seeking employment as a natural part of life is creating fresh opportunities in the pensions field. Women taking up full-time employment, whether married, single or cohabiting, are automatically being advised to make pension arrangements independently for themselves at the earliest possible date. This is a part of the pensions market that is clearly going to grow.

I should like to make two other general comments. First, the difficulty with equal benefits is that they have to be paid for. Ultimately, however things are arranged, the fact is that if a woman is to pay the same contributions for what is in fact a longer period of drawing benefit, someone has got to pay the extra cost. And, if the woman does not pay the extra cost, it will have to be borne by the only other sex available.

Now, I am not saying that this is necessarily wrong. All I am saying is that it is a fact we have to bear in mind; and we may actually have to do some persuasion of that other sex to persuade them to pick up the tab.

My second observation does not concern NALGO specifically, but it should be of concern to the trade union movement in general. I am referring to the role of the trade unions in looking after pension interests of past members. This is particularly a problem in private industry, and ways should be found of giving former employees stronger representation through the unions on matters relating to their occupational pensions.

BRENDA HANCOCK, Principal Officer, EOC

How discrimination occurs

I am very pleased to have the opportunity to speak here today about the sex discrimination which still commonly does occur in pension schemes – and indeed I should like to congratulate NALGO for keeping up the momentum in demanding equal treatment, which may be beginning to bring results.

We all thought 1985 was going to be the year of the pension – and so, for better or worse, it was (among other things); but 1986 is likely to be no less so. After several years of consensus, the whole subject of pensions is now back in the political arena. While many people regret this, it does at least provide us with a new opportunity to press for genuine and thorough-going equalisation while reform is in the air.

Unequal treatment of men and women members, for whatever reason or motive, was of course part and parcel of most occupational schemes when they were set up – and new schemes may even be set up on the same lines today, so great is the force of habit and precedent.

Almost all final-salary occupational pension schemes

by not giving women and men equal primary pension entitlements, however, in terms of the formula used to relate pensions to years of service. There lies women's first great handicap, for not only do most women not have an unbroken employment record over 35 or 40 years, but it is also still common for them to be expected to retire at 60, while men are usually, though not always, expected to work on for five years more.

Furious complaints

No one likes this discrepancy, which is linked, of course, to the different State pension ages. We have received at the Equal Opportunities Commission, and continue to receive almost daily, furious complaints from men about the injustice of having to wait till they are 65 for a State pension, and also for all the trimmings, or 'passport' benefits, such as free prescriptions, bus fares, etc., when women can usually benefit from these from the age of 60.

Second in number only to such complaints about the pension age for men, however, have been complaints from women about having to retire sooner than men, whether they want to or not. This was, of course, the basis of the now famous case brought by Miss Marshall against her employers, Southampton Area Health Authority.

The Commission is very pleased that the European Court of Justice has upheld the right of an employee in the public sector not to be retired against her will, on the ground that she has reached State pensionable age, before the men's retirement age of 65.

Although the European Court said that this judgment was only immediately and directly applicable in the courts to the public sector (on the ground that a member State should not, as an employer, be able to benefit from its own failure to bring its domestic legislation into line with a directive), and although technically it only deals with retirement as distinct from pension ages, it is bound to exert renewed moral and practical pressure on the Government to grapple with the whole question of equalising the State pension arrangements.

This topic was only quite cursorily dealt with in last year's Green and White Papers on the reform of social security, yet the EOC and the National Association of Pension Funds – who do not necessarily always agree about everything – have been at one ever since 1976 in emphasising the absolute need for equalisation of the State pensionable ages for men and women.

Draft directive

When considering the topic of equal treatment in pension schemes, it is sensible to bear in mind the existence since 1983 of a draft European Commission directive on equal treatment in occupational social security schemes (which would cover our occupational pension schemes), even though this has been stalled now for over two years awaiting the approval of the Council of Ministers in Brussels. Yet even this draft directive would have excluded specifically the question of equal State pensionable ages and also surviving spouses' pensions.

The European Commission took this line because it was not thought to be reasonable to require by law that the private sector in pensions should put through a reform which had not yet been carried through in national pension schemes. So one can only hope that Miss Marshall's case will have the desirable effect of inducing the Government now voluntarily to make a commitment to implementing equal State pension ages,

even if this is only achieved by stages. Occupational pension schemes could reasonably then be required to follow suit.

As I am sure the next speaker, Norman Braithwaite, will make plain, the equalisation of pension ages at 60 would in fact be far and away the most expensive item of equalisation affecting occupational (or for that matter State) pension schemes. This rather seriously undermines the argument we sometimes hear that other inequalities affecting women members of pension schemes are merely a fair *quid pro quo* for the unequal pension ages.

The fact is that the cost of the remaining adjustments that would extend equal treatment to women in no way compares with the cost of lowering the pension age for men, so that the trade-off is hardly valid.

Survivors' benefits

After the endemic complaints received by the Commission about the different pension ages and all the many related problems, the next most frequent focus of complaint about pensions concerns survivors' benefits, and particularly surviving spouses' benefits, in occupational schemes. Part of the title or theme of this meeting is 'Responding to Social Change'. Just as the current trend towards early retirement for men makes them understandably resentful when they have to wait longer than women for pensions and pensions-related benefits, women members of pension schemes, most of whom pay exactly the same contributions as their male colleagues, now resent it very much if their payments do not attract the same benefits for their families as the men's do.

A marked feature of the current scene is the number of wives who have in recent years suddenly found themselves being family bread-winners – because their husbands have been made redundant, or have taken early retirement. In these circumstances the fact that their contributions very often do not attract a surviving spouse's pension in the event of their death becomes a source of deep concern to them. This is something on which we must keep up the pressure.

Actuaries can show that women may usually be relied upon to outlive their husbands, so that provision of a widower's pension on the same automatic terms as a widow's pension is not a particularly costly proposition, at least for big schemes. In the report Norman Braithwaite prepared for the EOC, *Model of Equality*, published in March last year, he saw the costs of introducing half pensions (in respect of future service) on an equal basis for surviving spouses of both sexes in two fairly typical hypothetical schemes as ranging between 0.1 and 0.5% of pensionable salaries.

Even to apply this retrospectively to include past service, there would not be a very great additional cost – at worst, something of the order of an additional 0.7% transitionally until the new arrangements were established.

That, as I understand it, referred to the cost of equalising surviving spouses' benefits on the basis of 50% of the *total* pension due to a scheme member. The current Social Security Bill will require pensions to be provided for spouses of both sexes in both occupational and personal pension schemes, but on the basis of 50% of GMP (Guaranteed Minimum Pension) only.

There is, however, at present a growing trend in occupational schemes towards more provision of equal surviving spouses' pensions (in response to persistent demand), so that we certainly hope that equal treatment here will go on being achieved on the basis of

the rate now paid to widows (ie usually 50% of the full pension) as assumed by Norman in his costings, rather than at the level of the bare minimum legal requirement laid down in the Bill.

Needless to say, payment of widower's pensions at the lower level and widow's at the higher would hardly be equal, and would be unlikely to satisfy anyone for long.

Surviving children

Another focus of complaint about occupational schemes can be their rules (if any) governing benefits for surviving dependent children. These also are often still not equal.

The EOC supported in 1983 a case which was brought by a woman's executor (the bursar of the school at which she worked as a nurse), because he discovered that the death-in-service benefit for her children was almost non-existent. They were to get the return of her contributions plus 3%, ie £434, while the children of a man who had paid the same contributions would have received a sizeable sum (2½ times his annual salary, or about £15,000).

The case did not reach a judgment, because it was filed late and the judge declined to extend the deadline. The company concerned eventually offered the woman's children half what they would have paid a man – which was better than nothing, but hardly equal treatment.

In this case, the mother was bringing up four children on her own and died at the age of 41 – but whenever a man's contributions secure a certain level of benefit for his surviving children, equal treatment should require *the same* benefit on the same terms for the surviving children of any scheme member, regardless of the member's sex.

I know NALGO goes further and has drawn attention to the injustice of depriving single people, who almost always nowadays make the same percentage contributions as married colleagues, of any right to nominate dependents for a survivor's benefit. As the EOC sees it, the needs of dependent children, for instance, cannot be assumed to differ according to the sex or marital status of the parent they have lost.

Another important way in which some schemes discriminate, on the grounds of sex, this time indirectly, is by refusing to let part-time employees join. The vast majority of part-time workers (some 89%) are women, so they are disproportionately hit by such a rule. Partly as a result, only about 21% of retired women now have an occupational pension, compared with 60% of men over 65.

There has been some progress here also. For example, the civil service scheme agreed last year to let in part-timers who work 15 hours or more per week – it used to be 18 hours – so that large scheme is helping its women members in this respect (though I should add that the Treasury and civil service unions are only now negotiating for the provision of equal widows' and widowers' pensions.)

Nearer home for NALGO, part-timers are to be admitted to the local government pension scheme from April this year, which no doubt reflects some persistent negotiation by the union in response to members' wishes. However, Ann McGoldrick, in her review *Equal Treatment in Occupational Pension Schemes* carried out for the EOC, and which was published at the end of 1984, found that 62% of the schemes in her study excluded *all* part-time employees from membership. In a further 15%, as in the civil service scheme, part-time employees who worked a stated number of hours a week

were included – this could range from 16 to 24 hours. Ann McGoldrick found the full-time threshold most commonly defined at 30 hours or more per week, therefore quite low. The exclusions of part-timers was more typically a feature of small schemes than of the large, public-sector schemes. (There is a good deal of more detailed information about the position in such schemes given in the McGoldrick report, copies of which are available free from the EOC).

Last, but by no means least, I must refer to the current practice of charging women more than men for the same benefits in the context of added years of pension, bought by making additional voluntary contributions (AVCs). All personal pensions arrangements over and above the minimal provision bought with the still modest rate proposed for compulsory contributions will be dealt with on the same unequal basis – making personal pensions, which should be an attractive and beneficial proposition for people with broken career patterns, in reality a poor option for women.

Life expectancy

The justification for charging women more than men in these contexts is the evidence of their relatively greater average life expectancy than men's – at least up to the present time. The Occupational Pensions Board in its 1976 report *Equal Status for Men and Women in Occupational Pension Schemes* made the following statement, however:

'In the light of changing social attitudes and new legislative provisions, we do not believe that it is appropriate to make assumptions about the respective needs of men and women based on characteristics which are felt to apply to men and women as separate groups. Our view applies not only to the assumption that men have greater needs for income maintenance in retirement or for their survivors on death but also the notion that – because women on average live longer than men – it is justifiable to pay a lower pension or provide less death cover for an individual woman.'

That puts it well, and it is a matter of some surprise that the Occupational Pensions Board should have drawn back at that time from applying its own logic also to AVCs. For if it is overwhelmingly women who take time off work to bring up children and to look after adult dependents in the home – all the time losing ground in their careers, as well as years of pensionable service – it must be obvious that they, *more* than most, need the opportunity to offset their losses partially or wholly by buying added years when they are in work.

If the evidence of separate mortality tables according to sex shows that offering added years or annuities to men and women on an equal or 'unisex' basis would be likely to involve some element of cross-subsidy between men as a whole and women as a whole, then so be it. We are all human beings. Both occupational pensions and annuities are already based on the principle of cross-subsidy between good and bad risks.

In view of the current pattern of expected sex roles in our society and most women's contribution in the home, such a generalised cross-subsidy between the sexes might well be regarded by an enlightened society as being an expression of elementary justice. For if they live longer than men, women have no fewer needs. Indeed, financial needs tend to increase with increasing age.

At present, most women must either depend in their old age on the residual part of a man's pension – a

hazardous prospect when divorce is so common – or face the prospect of many years of retirement on lower pensions than men's, based on lower average salaries during a working career almost invariably broken once, if not twice, by their caring role in the home.

Equal treatment in the provision of compensatory added years of pension, or in the whole of a personal pension, would at least be a gesture of recognition for the social and economic realities of most women's lives.

If this prospect is a stumbling-block in the way of the British Government's agreement to the draft European Commission directive on equal treatment in occupational pensions, as one supposes it probably is, perhaps the whole question should be appraised from a rather bolder and more radical viewpoint, which attaches less importance to established actuarial custom and practice than to the demands of social justice and what, with goodwill, could certainly be achieved.

In ending, may I emphasise that equal treatment is always a matter not of averages and sex-related assumptions which may or may not fit the experience of any individual, but of individual human rights. This was very clearly and admirably argued by the US Supreme Court in the landmark case in the United States (*Los Angeles Department of Water and Power v Manhart*), in which the court ruled in favour of equal treatment in employers' pension schemes.

From the standpoint of a hypothetical 85-year-old woman living next-door to a hypothetical 85-year-old man, one may ask what comfort it is to her to know that the reason why her neighbour is a good deal better off than she is, even though (if this does not overstrain the probabilities) their lifetime's pension contributions were the same, is because no one expected *him* to live so long?

NORMAN BRAITHWAITE, Actuary

Counting the cost

Brenda Hancock and I have discussed the whole concept of equality many times. We are unlikely to reach agreement, because we start from such different positions. Brenda starts from a moral viewpoint. I am an actuary, and, as is well known, actuaries have no morals.

I am not here as a supporter of equal rights, or as an opponent. I am here as a number-cruncher, to look at some of the ideas being pursued by NALGO and the EOC and to try to put costs to you in very broad terms.

I shall avoid the moral debate about whether men and women should be entitled to benefits equal in amount. I shall also avoid the debate about the degree of priority which employers and trustees might assign to this particular form of benefit improvement compared with the various other ways in which any surplus in pension schemes might be spent.

You will have heard in the press of pension schemes having big surpluses, and we learned in yesterday's Budget speech that the Chancellor of the Exchequer wants to get his hands on them. Well, some schemes do have surpluses, but some do not. Investment performance may vary, and recent earnings history may vary. The profit made on early leavers in recent years varies hugely, depending on how many of them there have been and on how generously they have been

treated. Some schemes may have spent their surplus as it arose, whereas others may have saved it up. Changes in the actuarial assumptions can create, or eliminate, a surplus.

So my comments must be taken as general and cannot be related to particular schemes.

Some academics recently suggested that total surpluses in pension schemes amounted to £50 billion or so. Frankly I think that is unlikely. My views are closer to those of the Association of Consulting Actuaries – that the surplus on a continuing basis is more likely to be of the order £10 billion.

Total pension fund money is of the order of £150 to £200 billion, so the surplus is rather less than 10% of pension fund assets.

If we translate it into a reduction in the percentage contribution rate, it might be up to 3% of earnings on average.

But it varies enormously. Some funds are not in surplus, whereas a few are so much in surplus that both member and employer contributions could be cancelled for present members.

Local government schemes are in a slightly unusual position, because the contribution rate is reassessed every five years at each actuarial valuation. This means that their surpluses tend to be less and that there are fewer extreme cases. They have also seen fewer drastic cuts in the workforce than some private-sector schemes, and have made smaller profits on those who have left.

My point in giving you these figures is simply to provide a benchmark against which the ranges I shall quote later can be measured. What I propose to do is to convert the cost of the various changes in benefit into an increase in the combined percentage contribution rate. Thus, if I say 1%, I do not mean a capital cost. I mean a continuing annual cost of 1% of earnings each year. I have summarised these costs in the notes to be published with the text of this talk.

I have been asked by NALGO to concentrate on the types of scheme and areas of discrimination in which they have a particular interest, to the exclusion of some other areas. The schemes of most interest are, as you would expect, the local government schemes. But NALGO members are also in the National Health Service, university non-academic schemes, gas board, electricity board and several others.

Equality for spouses

When I reported to the Equal Opportunities Commission a year ago, I produced a range of contribution rates for providing equal benefits for widowers which could be as low as 0.1% or as high as 1.5%, depending on the balance between men and women, on the level of widows' pensions provided, on the extent to which dependent widowers' pensions are already paid, and on whether or not the change is retroactive. The scheme's attitude to pension increases is also relevant, as is the degree of caution in the actuarial assumptions.

In a typical local government scheme I would expect the cost of equal widower's benefits to fall in the range 0.25% to 0.5% of salaries, assuming the changes are made retroactive. Perhaps half that if they are not. In addition, there will be a future cost to general revenue of increasing the widower's pensions, which is what already happens to widow's pensions.

In the Universities Superannuation Scheme the cost of moving retroactively from pensions for dependent widowers to automatic widowers' pensions in all cases has been estimated as 0.25% of salaries.

So, as Brenda Hancock suggested, taking an overview the cost of providing widowers' pensions is not actually very great, although I would take issue with her suggestion that the size of scheme is of critical importance.

Cohabitees

NALGO has asked me to go one stage further than the conventional view of equality and to recognise what they see as a change in society's attitudes and to extend the concept of a survivor's pension beyond a spouse to any dependent relative and to any other dependant or cohabitee, whether of the opposite sex or not.

In practice this poses a slight technical problem, because while marriage can be clearly established by the existence of a marriage certificate, other relationships cannot. An actuary faced with this question would be likely to assume that a dependant's pension would be paid in virtually all circumstances; that someone would come along and claim a pension whenever someone died. Even so, the cost of moving from widowers' pensions to virtually automatic dependants' pensions would be relatively modest and very unlikely to be more than 0.5% of payroll, on top of the figures already quoted.

Children

NALGO has also asked me to consider the implications of extending children's benefits to children of female members on the same terms as to children of male members and in each case to be paid whether or not there is a surviving spouse. I would expect this cost in most cases to be well below a 0.25% contribution rate.

Part-timers

The next area in which NALGO and the EOC are interested is part-timers. You may wonder why this is regarded as a question of equality. The reason why discrimination against part-timers is seen as discrimination against women is that the majority of part-timers tend to be women, and so any discrimination against part-timers by excluding them from a pension scheme is excluding women from pension schemes.

From April this year part-timers are allowed into local government schemes. The position varies in other public-sector schemes, but it is relatively rare in the private sector for part-timers to be admitted at present. That may change.

If part-timers were allowed to join pension schemes on terms equal to full-timers, then the additional cost to the employer would effectively be the employer contribution on the earnings of the part-time employees who choose to join, assuming it's voluntary. Clearly this will depend on the number who take up the option, which is likely to depend on how many there are in the organisation, on their average age, on the balance between males and females, and on their income levels.

Within my experience the take-up by part-timers tends to be relatively low. But it can vary quite dramatically with the average age of part-time staff, because the older ones tend to be more interested in pensions than younger ones. It also varies with the average hours worked, because that is correlated to income, and the greater the income the greater the likelihood that some of it will be set aside for pensions.

So I am sorry to say that I cannot really give any sensible estimate of the cost of bringing in part-timers. To hazard a guess, in a typical case the part-time payroll

might be 10% of the full-time payroll, and 10% of part-timers will take up the option, and those who do take up the option will be a little older than the average pension scheme member. If we then assume that there will be no back service credits granted, the typical cost could be of the order of 10% of the earnings of the part-timers who take up the option, or 1% of the total part-time payroll, or 0.1% of the total payroll in the group. So in practice I don't think it will be very expensive.

Equal pension ages

Now let me turn to pension ages. The European Commission has been considering equality in pensions for some time and has recognised that it would be difficult for Governments to require occupational schemes to have equal pension ages while not providing equality in the State scheme.

Local government schemes already provide equality in retirement age. By this I mean that the rules of the local government scheme for retirement are more or less the same for the two sexes, namely that you can retire at age 60 after 25 years' service. But such equality is by no means universal in the public sector and is very rare in the private sector. And even local government schemes are still affected by the Government's rules about payment of Guaranteed Minimum Pensions, which are geared to the Government pension ages of 65 and 60.

The cost of providing equal pension ages depends on where you start, on the balance between men and women in your scheme, and on where you finish.

However, as an example, if you had a scheme with benefit formulae similar to a local government scheme – a $\frac{1}{80}$ pension and $\frac{3}{80}$ lump sum – but with pension ages of 65 and 60, then I would expect the cost of moving from there to the local government terms of 60 after 25 years' service to be of the order of 0.5% of salaries, assuming that the change applies to past service as well as future service. This assumes that the female pensionable payroll is of the order of one-third of the total, and it could easily be out by a factor of 2 either way if the proportion of women in the scheme was dramatically different.

If you took this hypothetical scheme and went on to the next stage of providing automatic retirement at 60 for all members, then the cost could be of the order of 1 or 2% of salaries.

And if we add the two figures together, we find that the cost of going from State pension ages of 60 and 65 to to age 60 for both sexes could be up to 2.5% of payroll.

In a private-sector scheme the cost could be rather more, because many private-sector schemes accumulate reserves for pension increases, whereas in local government these are met out of the revenue. The cost in a private-sector scheme could easily be 3% of salaries or more.

As Brenda Hancock has said, equalisation of pension ages, if that means age 60 for both sexes, is expensive – the most expensive item on the shopping-list. But a move from ages 65 and 60 to something between the two need not cost anything at all. If you choose the right age, it could balance out at a nil cost.

The right to work

I have already discussed the implications of bringing the two pension ages together. The question of allowing women to remain in service accruing extra pension is a much easier one for pension schemes, because it can actually save costs rather than increase them. In

practically it is much more of a problem for personnel managers than pension managers.

The recent judgment in Europe has caused a stir. My firm has just issued a note on the judgment, and this will be reproduced with the text of this talk. It points out that the judgment applies to the right to work rather than the right to draw pension.

However, in practice we must recognise that the judgment could force the Government to act more quickly on the unification of pension ages than would otherwise have been the case. We shall have to wait and see.

Additional voluntary contributions

The final topic I have been asked to discuss is that of additional voluntary contributions (AVCs). You will recall that the Social Security Bill, if enacted, would require all pension schemes to offer an additional voluntary contribution facility to members.

In the private sector this is often already done by setting up a money-purchase arrangement. Assets are accumulated on equal terms for males and females, in what is in effect a tax-free piggy bank, and at the appropriate time are spent in the market on purchasing additional benefits for individual members. Currently the market rates are different, so males and females get benefits which are equal in average value but different in amount.

So the inequality does not arise within the pension scheme. It arises in the insurance market. In order to alter the situation to provide equality of amount rather than value, the Government would have to be persuaded to address itself to insurance company legislation as well as pension legislation.

In the public sector the availability of additional voluntary contributions is also common practice, but it comes in a slightly different form. The member pays an additional percentage contribution to the scheme and buys added years of service. So the public sector also already complies with the proposed requirement to provide an additional voluntary contribution facility.

However, in the public sector the tables for converting extra contributions to added years reflect the differences between the sexes, including mortality. If we are to have equality in the public-sector schemes, we would have to use identical tables for identical benefits.

This poses another problem for actuaries. We worry that, if the terms are averaged, then in general men will get poorer terms and women better than the present tables, which take account of differences between the sexes. There would then be a risk of what the specialists call 'selection against the fund'. This means lots of women seizing on their new better terms, which represent more than fair or true value for money, and buying masses of added years, which would then cost the fund money.

I think in practice this won't happen, because I do not think the average member is able accurately to analyse the true value of the added-years tables or is sufficiently interested to be influenced by what in reality is a relatively modest advantage. Further, in practice, in most cases few members take up added years and so, taking an overview of schemes, I do not think it would be a serious problem.

However, in cases where the take-up is high, it could be quite a significant problem, and because of this I would expect actuaries, being cautious beasts, to err on the side of caution and tend to level down the tables

rather than up, at least initially until they had seen how the members responded.

This would mean that, in general, AVC terms for women remained unchanged and those for men would be made worse. So, in effect, the scheme would tend to benefit at the expense of the male members who take out the new AVCs. No cost to the scheme, though. The effective cost to male members could be up to 5% of their AVCs.

Conclusion

Clearly, against the background of substantial surpluses, many schemes could go a long way towards equal treatment without an increase in contribution rate. But it is not as simple as that.

In the private sector and to a lesser extent in the public sector there are other competing pressures – for benefit improvements (such as those being pressed for by other unions less interested in equality than NALGO), the costs imposed by the constant flow of new legislation, the cost of pension increases where they are met from the scheme, and the cost of saving for future increases.

And there are other pressures on the employer which might make a contribution reduction, contribution holiday or even a refund of surplus seem much more important and attractive.

Summary of costs

The following is a summary of costs quoted in Norman Braithwaite's talk:

In any particular case the actual cost will depend on many factors: the level of present and proposed benefits, the balance of male and female members, the overall benefit structure, the degree of caution in the actuarial assumptions, and the history of the scheme.

The figures quoted below should not therefore be taken as applicable to any particular scheme. They should not be used to challenge figures quoted by an actuary in a specific case!

Likely cost, expressed as an increase in the combined contribution rate in respect of all members

<i>Equal benefit for spouses</i>	
<i>Local government</i>	Up to 0.5% (excluding pension increases)
<i>Others</i>	Up to 1.5%
<i>Automatic dependants' benefits</i>	Up to 0.5% (in addition to the above)
<i>Children's benefits in all cases</i>	Well under 0.25% (in addition to the normal cost of children's benefit)
<i>Including part-timers</i>	Very variable.
<i>Equal pension age of 60</i>	
<i>Local government</i>	Up to 2.5%
<i>Others</i>	Usually up to 3% (but could be more)

<i>Equal pension age between 60 and 65</i>	Could be a cost or a saving, depending on circumstances.
<i>The right for women to work beyond 60</i>	This need not cost the scheme anything.
<i>Equal terms for AVCs</i>	
<i>Public sector</i>	Need not cost the scheme anything, but it could cost male members perhaps 5% of their AVCs.
<i>Private sector</i>	Money accumulates within the scheme on equal terms. The inequality arises when a pension is bought from an insurance company.

Recent ruling by the European Court of Justice on 'retirement' ages for women

Introduction

Recent publicity has been given in the media to the European Court's ruling in a case in which a female employee sued her employer for wrongful dismissal when dismissed on the grounds that she was over State pension age. The purpose of this note is to set out the position regarding equal treatment of the sexes in occupational pension schemes and to explain why this ruling, contrary to the impression given by some of the media, has little initial effect for pension schemes.

The European Court's ruling

The court ruled in connection with Article 5(1) of Directive No. 76/207 that:

1. A general policy involving the dismissal of a woman solely because she had attained or passed the qualifying age of a State pension, which age was different for men and women, constituted discrimination on the ground of sex contrary to that directive.
2. The Article could be used to prevent a State authority, in its capacity as employer, from applying any national provision which did not conform to the Article. This part of the ruling is not relevant to private-sector occupational schemes.

The first part of the ruling cannot strictly be interpreted as meaning that men and women have to be given equal pension ages in State or occupational pension schemes, which was the implication of several newspaper headlines at the time of the court case. All the ruling states is that an *unequal* qualifying age for pension benefits cannot be used as grounds for dismissal. The European Court therefore maintained a distinction in respect of equal treatment between 'retiring age' (*ie* the age at which employees *must* retire) and 'pension age' (*ie* the normal age at which members of a pension scheme commence to receive pensions). Therefore, the ruling has initially more relevance to contracts of employment than to pension schemes.

However, in the long term, it is sound benefit planning that the age at which the scale benefits from a pension scheme become payable should be the age at which most of the members retire. If, in the long term, the ruling affects the average age at which females retire, *ie* this becomes above age 60, this should have an effect on the benefits provided by State and occupational schemes.

The position regarding equal treatment in occupational pension schemes

The present position regarding equal treatment of the sexes in occupational pension schemes is as follows:

- a) The equal access requirements of the Social Security Pensions Act 1975 require that membership of an occupational pension scheme is open to men and women on terms which are the same as to the age and length of service needed for becoming a member and as to whether membership is voluntary or obligatory.
- b) The Social Security Bill now before Parliament contains provision for the use of 'unisex' annuity rates in respect of benefits purchased by contracting-out rebates applied towards personal pension plans or 'money-purchase occupational pension schemes'. The Bill also provides for a widower's pension entitlement in respect of GMP rights accruing after 5 April 1988.
- c) A *draft* EEC directive exists regarding equal treatment in occupational social security schemes (including pension schemes). If passed into EEC law, this would require member States to amend their own legislation to ensure that males and females:
 - (i) have the same terms of admission;
 - (ii) receive the same level of benefit on retirement (whether at the specified pension age, before or after that pension age, or in the event of permanent incapacity), death and withdrawal;
 - (iii) pay the same rate of contribution, if any;
 - (iv) are not to be prohibited on grounds of sex from receiving subsidiary benefits which the trustees and/or the employer have discretionary power to grant;
 - (v) earn the same level of benefit for a spouse, whether male or female, whether death occurs before or after retirement and whether the benefit is in the form of a pension or lump sum;
 - (vi) have the same retirement age.

Criteria (v) and (vi) (*ie* surviving spouse's pension and retirement age) are not, however, immediate requirements. Article 9 gives member States the right to defer compulsory application of these principles in occupational pension schemes until the corresponding provisions have been implemented in that State's statutory social security scheme. Compulsory implementation of criteria (v) and (vi) may not be deferred beyond the date on which such equality is achieved in State schemes. The EEC directive on equal treatment in State social security schemes does not require (v) and (vi) to apply to State schemes. The Government has not yet come to any firm decision on the equalisation of State pension ages. Norman Fowler's Green Paper suggested a decade of flexible retirement ages as a first step. However, the White Paper concluded that this option should be examined again.

Nevertheless, a member State is not precluded from securing equal treatment (including criteria (v) and (vi)) for occupational pension schemes prior to the introduction of equal treatment in its State scheme.

The priorities

I have been asked to talk about what the priorities should be for change, and I would have thought there is a fair degree of agreement between us on this. Let me begin with the question of pensions for part-time workers.

We have heard many times the Government view expressed about the difficulties of including part-timers in pension schemes, although from April 1986 part-timers in local government will be able to join their pension schemes – a welcome and healthy step in the right direction.

I certainly disagree with the general thrust of the argument coming from the Department of Health and Social Security on this matter. If you look at the general state of the economy in this country, there are clearly many positive reasons, as well as frankly some negative reasons, for encouraging part-time work in the future, to a greater extent even than we have now.

If we wish to encourage part-time work, for national economic reasons, it does not make sense to take away a key incentive by withholding pension benefits. It is also inconsistent with policies designed to eliminate discrimination against women.

Setting an example

The Government, as the largest single employer, has considerable power to set an example in the public sector and in the nationalised industries – those nationalised industries that are still nationalised. Government-initiated early retirement, job-sharing and part-time work schemes should therefore be reviewed to eliminate sex discrimination. For example, the MSC's job-release scheme is not available to most part-time workers, most of whom are women.

The last set of figures at which I looked showed that of about 4½ million part-time workers in Britain – and representing about 20% of the workforce – over 80% are women, and nearly 80% of those are married women. So we are not talking about a marginal section of the workforce. Yet that appears to be the assumption underlying present policy. This is unhealthy in terms of political principles on equality, but it also does not make much economic sense.

The European Community's draft Directive on the equalising of the status of part-time work is one thing I would very much like to see fully implemented in this country. Indeed, the Government would do well to take this on board now, in a positive way, rather than falling foul of European legislation at a later date. It could begin by eliminating or reducing some of the inherent sexual discrimination that exists within Government departments.

Also, I don't agree that it would cost too much. It would encourage employers to economise by taking on fewer full-time employees and taking on part-timers instead. The service sector, which is expanding, needs part-time workers for flexibility and can afford to extend existing pension provisions.

It would present difficulties for small businesses, of course, and it would make sense to set a ceiling – to relax the requirement, say, for firms employing fewer than 200 people. The change could be phased in over a period of three years, to give employers time to come to terms with the new law.

There is a certain obsession in this country with changing entire structures, be it the organisation of schools or the health service, at the stroke of midnight on an appointed day. But that is not always appropriate, especially with something so important for the small business sector, which is suffering to a considerable extent because of the economic climate generally. Phased change is highly desirable in this instance.

Now a word about another of NALGO's campaign priorities – reduction of the State pension age. On this I do not see eye to eye, strictly speaking, with NALGO.

'Flexible decade of retirement'

As a member of the House of Commons Select Committee on Social Services, and in line with SDP policy, I go along with the recommendations of the Select Committee on the 'flexible decade of retirement', moving towards a common pension age. But I think we have to be honest and recognise that the costs involved, for both the country and employers, could be massive, and the implications quite horrendous if we were to try to move too far too fast. I do feel that the Select Committee's recommendations are probably as much as is manageable for this country between now and the end of this century.

The evidence, however, is very clear that people want equalisation of the pension age and greater flexibility over retirement, so that they can choose within a band of years at what age to retire. NALGO's position, like that of the TUC in general, is one we respect, but in practical political terms there is great difficulty at this stage in going beyond the proposals of the Select Committee.

Having said that, however, if public opinion continues to run strongly on the issue, as the EOC survey in 1983 suggested it might (80% of those questioned wanted equalisation, and most wanted it at 60 and were prepared to pay higher contributions for it), at the end of the day the Government will have to respond. It will depend on the amount of pressure on the political parties.

A lead from Government

On the issue of entitlement to benefits, the biggest problem surely is changing the public service schemes, because in many respects the other schemes would follow the lead given. The difficulty here, of course, is that central government will not sanction changes to one scheme unless it is prepared to do the same for all schemes.

That brings us back to the basic issue. We can wait for public pressure to push Government; we can wait for the European Community to push Government; we can hope to encourage pension schemes to change their provisions; but at the end of the day I think it is for the Government itself to establish the principles and to follow through with legislation.

We have seen the present Government very willing to do so, with its wide-ranging reform of social security and the State Earnings Related Pension scheme. There is no reason why it should not address itself to other matters of important concern, which could provide a lead and do much to alleviate some of the present injustices.

On the actuarial considerations relating to the life expectancy of men and women, the SDP policy position is that pension schemes should be legally obliged to justify considerations of that type, in order to demonstrate that there is no discrimination. NALGO

objects even more strongly, saying that the starting point has tended to be what the employer considers can be afforded by the average man or woman employed, and clearly discrimination is built into that approach.

Practical and political

The Occupational Pensions Board in its 1976 report said that the test of equal status between men and women should be the premise of equal benefits. That means identical treatment for men and women in identical situations. That to me is both a practical starting point towards the solution as well as an important political principle for the institution of government.

It is important to stress the role of the Government. How should the Government be performing its role? Should it be reacting to pressure at the eleventh hour, or should it be taking the initiative – taking steps in a direction that may not command absolute agreement, but would at least command a fair body of support, as being the right way in which to proceed?

I come down firmly on the view that the Government should be taking the initiative. Not enough is being done in this respect. Pension provision has become a subject for considerable debate, but the issue is not being addressed as rigorously as it should.

JO RICHARDSON MP (Labour)

What can we do about it?

I think that many people shy away from even thinking about pensions provision. It is the sort of thing that, when you are young, you decide you can think about very much later. But, having said that, because of the greater awareness of equality issues and problems of discrimination, more younger women – married and unmarried – are now beginning to adopt a different view.

There also seems to be a greater interest generally in the subject of pensions, so perhaps the Fowler Review and the Social Security Bill and the Government's plans for the State Earnings Related Pension scheme have at least aroused some public concern.

All the indicators support the view that the equalisation of State pension age is really the most important factor in this whole issue, and all today's speakers have referred to it. Charles Kennedy mentioned the EOC research, which found that 60 years is the most favoured common age, and the TUC supports this, of course. However, there is also significant support for greater flexibility and the right to continue working.

Flexibility and equality

Flexibility and equality were the guiding principles, adopted by the House of Commons Select Committee on Social Services, in its inquiry on the age of retirement. That report, which was very heavily criticised by the TUC, proposed the establishment of a notional age of common retirement at 63. I remember feeling the hackles rise, when that announcement was made by the Select Committee.

The Select Committee proposed abated rights from the age of 60 and increments for those who wanted to work beyond that time. The Labour members of that committee at that time put forward alternative

recommendations for a scheme which ultimately offered individuals the freedom to retire between the ages of 55 and 70.

There has been no general direct commitment from the present Government on equality or flexibility or the lowering of the pension age, although now we have the Marshall judgment the Government will have to give fresh thought to the question of pensionable age. The basic issues of inequality and discrimination have not been tackled by the Fowler Review at all – except, of course, to increase indirect discrimination with the proposed abolition of the '20 best years' rule in respect of State Earnings Related Pensions.

As far as occupational schemes are concerned, I think it has to be accepted that we shall not achieve the equality we are talking about today until the State scheme is tackled from the root.

My job this afternoon is basically to say what we should all be doing when we go away from this committee room this afternoon and how we should develop our campaigning. But let us first consider how to achieve change by legislation. All schemes could be required to be non-discriminatory as a condition of contracting out of SERPS or receiving Inland Revenue approval. That would work for all aspects except pension age. And because pension age in occupational schemes is very closely related to the State scheme, we have got to equalise that first.

Against women and men

A lot has been said this afternoon about how much it would cost. What I have to say is that it is discrimination both ways: women have been discriminated against in terms of the value of their benefits, men have been discriminated against because they have had to work longer. Both sexes have contributed a great deal to Government; it is about time Government took the whole issue by the throat and decided to give something back to both sexes, by tackling the problem properly.

The Social Security Bill now before Parliament makes small but totally inadequate gestures towards equality. The Bill proposes that, as from April 1989, men who are widowed will get a widower's pension of half the Graduate Minimum Pension (GMP) and based on service only from 1988. That means that a full widower's pension, of only half the GMP, cannot be achieved until the year 2028. Those schemes whose custodians are not willing to do more than this required minimum can simply carry on discriminating. That is the long and short of it.

The Bill does practically nothing in any other respect to help women and to make any strides towards equality. Michael Stern said that under the Bill four of NALGO's campaign objectives would be achieved in some measure. But he didn't point out that he was talking about money-purchase schemes, with all the disadvantages they hold, not final-salary schemes.

The Bill will not introduce an enforceable right of part-timers to join any established occupational pension scheme which still chooses to exclude them. That ought to be changed. The right, included in the Bill, to nominate dependants and provide for surviving children – again, that is only in money-purchase schemes.

We really must not let the Government give the impression that these proposals cover the whole of the pensions field. The Social Security Bill does not require all occupational schemes to make benefits for surviving

dependents available irrespective of the sex and marital status of the member. All the Bill does is introduce widowers' pensions from 1988. That is the long and short of it.

If Secretary of State Norman Fowler had really been in the business of radical reform, this would have been a golden opportunity to revolutionise the whole pensions field, and I am sorry the Government has not taken that opportunity after such a long consultation period.

Negotiation

So, given that we are not to have legislation that will help, the trade unions obviously will have to depend for the time being on negotiation. That is only possible for schemes whose rules are not subject to direct Government control. It is possible that most of NALGO's objectives could be achieved by negotiation, except for the ever present problem of equalising the pension age in occupational schemes.

If full occupational scheme benefits are to be made available to men at 60, that will be costly. But this is clearly a problem Government will have to tackle. It will have to be done on a phased basis, but I think that would be acceptable to people. If the Government announced it was going to reduce the pension age of men from 65 to 60 year by year, that would at least show a real commitment.

Now what can we do about it? First of all, we have to set about exposing the inconsistency of the Government's attitudes towards discrimination. The Government's proposed repeal of the protective legislation on women's working hours and times of work is a notable example. That will make it possible for employers to force night shift work upon women workers, and it is being presented as an equal

opportunities reform under the Sex Discrimination Amendment Bill. The Labour Party is opposing it, because it would actually remove a protection women now have.

Working together

We must also work together in our campaigning for the reforms we are seeking. Today's meeting is a good example of one of the ways in which this can be done – by bringing together different types of organisation to identify their common ground on a particular issue. The way different organisations – the Child Poverty Action Group, Age Concern and the unions, for example – have worked to increase public awareness of what's planned under the Social Security Bill is another example.

Finally, as the Labour Party's spokesperson on women's rights I have learnt that, although there are theoretically Ministers of the Government in each department who as part of their responsibility are concerned with discrimination against women, it is very much a hit-and-miss affair. For that reason we have been examining how this problem is tackled in some other countries – in Australia, New Zealand and to a certain extent in France – and are now looking at the idea of establishing a Ministry for Women's Affairs.

We have come to the conclusion that the only way to seriously tackle discrimination against women, across the board, is through a powerful Ministry that has the obligation to monitor what has been done in every other Government department. Improvements in occupational pension schemes are the sort of thing that could be pressed more vigorously through such a Ministry. The Labour Party has produced a discussion document on this, and your comments on it would be welcomed.

Attendance list

Organisations and individuals represented at or attended the meeting included the following:

Members of Parliament, Peers, MEPs

Barbara Castle (MEP – represented)
Harry Cohen
John Corrie
Norman Hogg
Charles Kennedy
David Lambie
Baroness Lockwood
John Marshall (MEP – represented)
Jo Richardson
Michael Stern
Malcolm Thornton
Sir Patrick Wall

Trade unions

Association of Professional, Executive, Clerical and Computer Staff (APEX)
Association of University Teachers
Engineers and Managers Association
General, Municipal, Boilermakers and Allied Trades Union
Inland Revenue Staff Federation
National and Local Government Officers Association
National Union of Public Employees
Transport and General Workers Union
Union of Shop, Distributive and Allied Workers

Employers and employers' organisations

Association of District Councils
Association of Metropolitan Authorities
Kent County Council

Lothian Regional Council
Strathclyde Regional Council
UK Steering Committee on Local Government Superannuation
Universities Superannuation Scheme
Water Authorities Superannuation Fund

Other organisations

Equal Opportunities Commission
European Network of Women
Fawcett Society
Duncan C Fraser & Co
Gingerbread
Industrial Society
Institute of Actuaries
Institute of Chartered Accountants
Institute of Personnel Management
Labour Party
Medical Women's Federation
National Association of Pension Funds
National Association of Women's Clubs
National Council for One Parent Families
National Union of Townswomen's Guilds
Rights of Women
Scottish Convention of Women
Scottish Office
R Watson & Sons
Women in Europe
Women's Liberal Federation
Working Mothers' Association

Other publications

The following publications were provided as background reading to those attending the meeting. Copies are available, free, from the individual publishers.

Sex Discrimination in Pension Schemes (leaflet): NALGO, 1 Mabledon Place, London WC1H 9AJ.

Women and Pensions (leaflet), published jointly with the EOC: Age Concern England, Bernard Sunley House, 60 Pitcairn Road, Mitcham, Surrey CR4 3LL.

Equal Treatment in Occupational Pension Schemes by Ann McGoldrick (booklet): Equal Opportunities Commission, Overseas House, Quay Street, Manchester M3 3HN.

Model of Equality (booklet): Equal Opportunities Commission.

^c
shall I acknowledge
and then ask
officials to deal?

nalgo

Don't ask Miss Grant to deal with this - just reply.

NATIONAL AND LOCAL GOVERNMENT OFFICERS ASSOCIATION

General Secretary:
JOHN D DALY

Rt Hon Nigel Lawson, MP
House of Commons
Westminster
London SW1A 0AA

1 Mabledon Place
London WC1H 9AJ

01-388 2366

LEGAL DEPARTMENT PENELOPE GRANT, LLB, SOLICITOR
Legal Officer

If replying, please quote our reference number

Your ref:

When telephoning, please ask for: Miss Grant ext.459

Our ref: PG/1/646/S

28 November 1986

Dear *Mr. Lawson,*

SEX EQUALITY IN PENSION SCHEMES

As you will probably recall, NALGO invited you earlier this year to a meeting in the Grand Committee Room in the House of Commons on 19 March, to consider the current problems of sex discrimination in pension schemes and the need to respond to social change by abolishing from schemes, discrimination on the grounds of sex or marital status. I enclose a report of that meeting, which I hope will be of interest to you.

Although some small progress has been made towards some of our objectives, most of the pension schemes covering our members still discriminate on the grounds of sex or marital status (or both!) and there is much still to be done in our campaign for equal treatment in occupational pension schemes, irrespective of the sex or marital status of the scheme member.

The position at present appears to be "one step forward and two steps back". For example, the long-awaited EEC Directive on equal treatment in occupational schemes was finally brought into existence during the summer, but it allows continuing discrimination in the two crucial areas of pension age and survivors' benefits. This lamentable position was, we understand, the result of intransigence on the part of the United Kingdom Government.

The Social Security Act 1986 is now on the statute-book. Its minimal requirement for widowers' pensions in occupational schemes is a nod towards the irrefutable claim for sex equality in survivors' benefits, but the introduction of "personal pensions" and the requirement that all occupational schemes must become optional, as well as the savage cutbacks in SERPS are so dangerous generally for employees that the Act is a sorry landmark indeed for pensions provision in this country.

We are now working on the development of our campaign, and in this connection it would be most helpful if you could read the enclosed report and then let me know what your own views are about the objectives we are seeking. In particular, I should be most interested to know whether you support the main objectives of our campaign and if you do, what action you suggest for attainment of them at the earliest possible time.

Yours sincerely,

Penney Grant

P. Grant
Legal Officer

Encs:

UNCLASSIFIED

BF 19/11



FROM: MRS D C LESTER
DATE: 6 January 1987

MISS NOBLE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Miss Peirson

SEX EQUALITY IN PENSION SCHEMES: NALGO

I attach a copy of a letter which the Chancellor has received from the National and Local Government Officers Association about sex discrimination in pension schemes. The Chancellor would be grateful if you could draft a reply for his signature, please.

Debbie Lester

MRS D C LESTER
Diary Secretary

NATIONAL AND LOCAL GOVERNMENT OFFICERS ASSOCIATION

General Secretary:
JOHN D DALY

Rt Hon Nigel Lawson, MP
House of Commons
Westminster
London SW1A 0AA

1 Mabledon Place
London WC1H 9AJ
01-388 2366

LEGAL DEPARTMENT PENELOPE GRANT, LLB, SOLICITOR
Legal Officer

If replying, please quote our reference number

Your ref:

When telephoning, please ask for: Miss Grant ext.459

Our ref: PG/1/646/S

28 November 1986

Dear Mr. Lawson,

SEX EQUALITY IN PENSION SCHEMES

As you will probably recall, NALGO invited you earlier this year to a meeting in the Grand Committee Room in the House of Commons on 19 March, to consider the current problems of sex discrimination in pension schemes and the need to respond to social change by abolishing from schemes, discrimination on the grounds of sex or marital status. I enclose a report of that meeting, which I hope will be of interest to you.

Although some small progress has been made towards some of our objectives, most of the pension schemes covering our members still discriminate on the grounds of sex or marital status (or both!) and there is much still to be done in our campaign for equal treatment in occupational pension schemes, irrespective of the sex or marital status of the scheme member.

The position at present appears to be "one step forward and two steps back". For example, the long-awaited EEC Directive on equal treatment in occupational schemes was finally brought into existence during the summer, but it allows continuing discrimination in the two crucial areas of pension age and survivors' benefits. This lamentable position was, we understand, the result of intransigence on the part of the United Kingdom Government.

The Social Security Act 1986 is now on the statute-book. Its minimal requirement for widowers' pensions in occupational schemes is a nod towards the irrefutable claim for sex equality in survivors' benefits, but the introduction of "personal pensions" and the requirement that all occupational schemes must become optional, as well as the savage cutbacks in SERPS are so dangerous generally for employees that the Act is a sorry landmark indeed for pensions provision in this country.

We are now working on the development of our campaign, and in this connection it would be most helpful if you could read the enclosed report and then let me know what your own views are about the objectives we are seeking. In particular, I should be most interested to know whether you support the main objectives of our campaign and if you do, what action you suggest for attainment of them at the earliest possible time.

Yours sincerely,

P. Grant
Legal Officer

Encs:

Content to leave it to the MST?

FROM: MISS G M NOBLE
DATE: 8 January 1987

MRS D C LESTER

D
9/11

cc PS/CST
PS/FST
PS/EST
PS/MST
Miss Peirson
Mr Newman
Mr Macpherson

Yes

SEX EQUALITY IN PENSION SCHEMES: NALGO

Your asked for a draft reply to the letter from NALGO (your minute of 6 January.)

2. I understand the Minister of State has also been sent a copy of the report by NALGO - as have a number of other ministers in other departments. The report is primarily about equal treatment in public sector schemes, on which a number of positive things that can in fact be said. Superannuation division already have a draft reply in hand for the Minister of State. I think a single reply from the Minister of State is all that is needed, or that NALGO can reasonably expect, and I would not advise the Chancellor to reply separately, despite the fact that the letter asks for a "personal view". The report also touches on one or two wider issues, such as bringing the state pension age down to 60 for men. These can either be covered by a reply from a DHSS Minister, or included in the reply from the Minister of State, but superannuation division are in touch with DHSS on that.

G M Noble

MISS G M NOBLE

UNCLASSIFIED



FROM: MRS D C LESTER
DATE: 12 January 1987

MISS NOBLE

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Miss Peirson
Mr Newman
Mr Macpherson

SEX EQUALITY IN PENSION SCHEMES: NALGO

The Chancellor has seen your minute of 8 January and is content to leave this to the Minister of State to reply.

Debbie Lester

MRS D C LESTER
Diary Secretary

Cathy
Are you interested in seeing this?

FROM: M T NEWMAN

DATE: 19 January 1987

MR DIXON

MCU

cc: PS/Chancellor
Mr Bristow
Miss Noble

Debbie
No! Thanks
cf 20/1
0
20/1

NALGO REPORT: SEX EQUALITY IN PENSION SCHEMES

1. The letter of 28 November from Ms Penny Grant, NALGO's Legal Officer, seeks the Minister of State's views on the objectives set out in the NALGO Report on the conference held at the House of Commons on 9 March on Sex Equality in Pensions Schemes. Ms Grant asks whether the Minister supports the MALGO campaign on this subject and if so what action he would suggest for the earliest attainment of the objectives.

2. This letter is just one of a number in a standard format which have been sent out by NALGO. Other recipients include the Chancellor, and MPs - two of whom have as a result asked Scottish Office and DHSS Ministers for views.

BACKGROUND

3. NALGO's objectives as stated in the Report are:

1. that part-time workers should have the right to join pension schemes;
2. that single people should have the right to nominate a dependant for benefits;
3. that women should have the right to make provision for dependent children;
4. that automatic pensions should be available for widowers on the same basis as those for widows; and
5. the state pension age for men should be reduced from 65 to 60.

4. Although the NALGO conference was campaigning on behalf of ^{Society at large,} NALGO's prime consideration is for Local Government employees. Not all the issues raised are directly a matter of sex inequality eg the rules affecting part-time employees, and the arrangements for the allocation of pension benefits to dependent adults, apply equally to both males and females.

Part-time workers

5. Local Government has been the exception in the public service in excluding all part-timers from the Occupational Superannuation Scheme. In 1980 the DOE was in the process of making regulations to allow part-timers into the Local Government Superannuation Scheme but these did not go ahead due to objections from local government employers on cost grounds. This difficulty has now been resolved and from April 1986 part-timers who work at least 15 hours a week for at least 35 weeks a year are eligible for inclusion in the Scheme. Regulations covering Scotland have already been made. Retrospective regulations for England and Wales are in draft form and NALGO is among those sent copies for comment.

Benefits for adult dependents

6. NALGO wants unmarried local government employees who pay the same contributions to the Scheme as their married colleagues to be able to nominate an adult dependent for a pension on the member's death without giving up any of their own pension. The intention is that co-habitees should be treated in the same way as widows and widowers. At present an adult can be nominated for benefits provided dependency can be proved and the member taken a reduction (known as "allocation") in his own benefit. Allocation of members' benefits is necessary in order to finance the dependents' benefits. Contributions to schemes have been determined on the cost of providing basic benefits, and benefits for widows, dependent widowers and dependent children, on a mutual assurance basis. To extend the benefits to others outside this group therefore requires a balancing deduction. There are clearly many problems which would need to be resolved before this facility could be provided for co-habitees without allocation. There is

the matter of cost which it is unlikely that employers will be willing to take on. There is also the difficulty of determining eligibility for benefits resulting from non-formal relationships. These matters have been considered by a joint Dependency Working Party consisting of representatives of NALGO and the employers the report of which is still being examined by the employers.

Dependent Children

7. NALGO's concern is that the children of a deceased married female member of the Local Government Scheme should be eligible for a pension. At present under the Scheme the dependent children of a female member without a husband are covered but if a woman has a husband it is assumed the children are dependent on him. This matter has been looked at by the joint Dependency Working Group which recommends the NALGO proposal. There is no objection in principle to this but so far no proposals have yet been put to DOE as the employers are still considering the Report and the costs involved.

Widowers' Pensions

8. The norm in public service schemes including the Local Government Scheme is for a widow's pension to be provided automatically, while the provision of a widower's pension depends on the husband being dependent on his wife due to physical or mental incapacity. The Social Security Act 1986 will require contracted-out schemes to provide widowers' pensions at a rate of at least half that of the female participant's guaranteed pension (ie what would be available to her through the State Scheme). For the public services it is accepted in principle that widowers' pensions should be provided at the same rate as applies to widows under their schemes, ie usually higher than the guaranteed minimum. The question remains as to how the costs will be met and this will be looked at during the next few months.

Lowering the State Retirement Age for Men

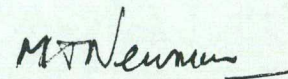
9. This is a matter for the DHSS which has advised that the Treasury response should say the correspondence has been copied

to them. Mr P Chinn at Friars House is the DHSS contact.

ACTION

10. The Government has indicated that the abolition of Sex discrimination in Superannuation is a principle which has its support. However progress has to take into account practicalities such as the funding of the additional costs which changes involve. It is consistent with the Government's policy that objectives should be pursued by voluntary means, so it is appropriate that changes should be negotiated within the normal consultative processes. In these circumstances the response to NALGO need not go into detail on each item but it is justified to indicate that progress is being made.

I attach a draft reply for the Minister of State's Private Secretary which also acknowledges the letter from NALGO to the Chancellor in accordance with Mrs Lester's minute of 12 January.



M T Newman
Superannuation Division

DRAFT LETTER TO:

Ms P Grant Esq
Legal Officer
National and Local Government Officers Association
1 Mabledon Place
LONDON WC1 9AJ

SEX EQUALITY IN PENSION SCHEMES

The Minister of State has asked me to thank you for sending him and the Chancellor of the Exchequer copies of the NALGO Report on Sex Equality in Pension Schemes and to reply to your accompanying letters of 28 November.

In general terms the Government fully supports the principle of sexual equality in superannuation arrangements. It feels, however, that changes should, as far as possible, be the result of voluntary action and that it is more appropriate for changes in schemes to be negotiated within the normal consultation processes rather than be imposed centrally. Some of the changes will also require significant cost considerations.

The Minister of State is particularly concerned with the public service schemes. These include the local government scheme where the pensioning of part-time staff has been an important issue. Regulations have now been made to extend pensionability to part-timers in Scotland and similar regulations are in process of being drafted for England and Wales. Provision for adult dependants and the children of married women has been considered by the Local Government Dependency Working Group and its report is being examined by the employing authorities.

As regards widowers' pensions, the Social Security Act 1986 requires contracted-out superannuation schemes to provide widowers' pensions at the rate of at least half the female members' "guaranteed minimum pension" and the Government is currently considering the effect which this should have on public service schemes generally.

The question of reducing the State retiring age for men from 65 to 60 is a subject for the DHSS to whom I am copying this correspondence.