

Title: The Equality Act (Age exceptions for pension schemes) (Amendment) Order 2019 IA No: DWP-004-2019 RPC Reference No: RPC-4345(1)-DWP Lead department or agency: DWP Other departments or agencies: n/a	Impact Assessment (IA)		
	Date: 25/02/19		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
	Contact for enquiries: luke.montgomery@dwp.gsi.gov.uk		
Summary: Intervention and Options			RPC Opinion: Green

Cost of Preferred (or more likely) Option (in 2016 prices, 2017 present value)			
Total Net Present Social Value	Business Net Present Value	Net direct cost to business per year	Business Impact Target Status
£0.0m	£54.3m	-£6.3m	Qualifying provision

What is the problem under consideration? Why is government intervention necessary?

Some Defined Benefit (DB) pension schemes currently pay one rate of pension when a member reaches the pensionable age under the scheme; and a reduced rate when the member reaches State Pension age. This process is known as “integration”. It is intended to give pension scheme members a consistent income in retirement, and is calculated actuarially to top up income in the years before State Pension is paid.

Under the Equality Act 2010, schemes are required to comply with non-discrimination rules. The Equality Act (Age Exceptions for Pension Schemes) Order 2010 (“2010 Order”) provides an exemption in relation to age related equality obligations.

The 2010 Order currently allows these pension schemes to reduce the amount of occupational pension they pay the member by an amount up to the new State Pension provided the reduction commences between the member’s 60th and 65th birthdays. As the State Pension age is increasing incrementally from 65 to 68 from 5 December 2018, the 2010 Order needs to be revised to allow the deduction to be applied between age 60 and the new State Pension age after 6 December 2018.

Without the amendment to the 2010 Order, pension schemes will incur additional costs because they cannot make the deduction where the member has a State Pension age later than age 65; or will risk breaching their equality requirements related to age if they were to make the deduction.

Alternatively, if they decided to apply the deduction at the latest permitted time – the member’s 65th birthday, then members would lose out through receiving a reduced occupational pension earlier, and until their State Pension came into payment, which could be anything from 3 months to 3 years.

The only other option would be for pension schemes to change their rules to smooth out the payment of occupational pensions through re-calculation, which would remove the consistent payment over the period of payment.

What are the policy objectives and the intended effects?

This is a permissive measure. The policy objective is to ensure that these pension schemes can continue to operate “integration”, as provided for within their scheme rules.

The intended effect is that these pension schemes will not have to face additional costs through not being able to make these deductions in order to remain compliant with their equality obligations relating to age.

More generally, the changes will ensure these pension schemes remain financially sustainable. The change to legislation also means schemes do not have to reduce their occupational pension at the last opportunity (age 65) causing the member to suffer a shortfall in their retirement income until they reach their State Pension age. The amendments to legislation will maintain the status quo for these schemes, and thus reduce future costs that would arise from meeting their legal obligations.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

A legislative option is necessary, as we can only change legislation through legislation. Without these changes schemes will either cause members to suffer hardship by applying deductions at the current latest permissible age of 65; suffer losses themselves as a result of not being allowed to apply the relevant deduction at the member's State Pension age; or change their rules to alter the method of calculation, with the concomitant administrative costs.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: n/a		Non-traded: n/a	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Date: 27/02/2019

Summary: Analysis & Evidence

Policy Option 0

Description: Do nothing

FULL ECONOMIC ASSESSMENT

Price Base Year 2018	PV Base Year 2019	Time Period 10 Years	Net Benefit (Present Value (PV)) (£m)			
			Low: N/A	High: N/A	Best Estimate: N/A	
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low	N/A		N/A		N/A	
High	N/A		N/A		N/A	
Best Estimate	N/A		N/A		N/A	
Description and scale of key monetised costs by 'main affected groups'						
N/A						
Other key non-monetised costs by 'main affected groups'						
N/A						
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)	
Low	N/A		N/A		N/A	
High	N/A		N/A		N/A	
Best Estimate	N/A		N/A		N/A	
Description and scale of key monetised benefits by 'main affected groups'						
N/A						
Other key non-monetised benefits by 'main affected groups'						
N/A						
Key assumptions/sensitivities/risks					Discount rate (%)	3.5
<u>Key assumptions – counterfactual:</u>						
<p>This change (set out in policy option 1 below) is designed to maintain the status quo, so integrated pension schemes can continue to make deductions at State Pension age. If this change were not made, then employers applying integration at State Pension age (as it increases from age 65 to 68) would no longer be able to rely on the exception under the 2010 Order and be at risk of a challenge under the Equality Act 2010. It is unclear what decision employers would take in the counterfactual. However, for the purposes of this impact assessment, we assume that in the event of doing nothing, some employers would not make any deductions at all and would absorb the cost of integration themselves – see section 6.1 of this impact assessment for detail on the counterfactual.</p> <p>The analysis in this impact assessment is expressed relative to the do nothing counterfactual and as such the cost to business and members of the do nothing option is zero. However, the potential savings to business and potential costs to members in order to maintain the status quo relative to this counterfactual are outlined below.</p>						
<u>Key assumptions – scale</u>						
Only firms which apply integration and have indicated there is an issue with the Equality Act exemption are included.						

BUSINESS ASSESSMENT (Option 0)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: N/A	Benefits: N/A	Net: N/A	

Summary: Analysis & Evidence

Policy Option 1

Description: Legislate to amend the 2010 Order

FULL ECONOMIC ASSESSMENT

Price Base 2018	PV Base 2019	Time Period 10 Years	Net Benefit (Present Value (PV)) (£m)		
			Low: 0.0	High: 0.0	Best Estimate: 0.0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.0	0.0	0.0
High	0.0	335.8	2,745.8
Best Estimate	0.0	7.4	60.2

Description and scale of key monetised costs by 'main affected groups'

Scheme providers – familiarisation costs:

We do not envisage there to be any familiarisation costs for business. This is a permissive measure in response to scheme requests to consider the issue. The legislative change proposed would simply change the Equality Act (Age exception for Pension Schemes) Order 2010 so that schemes could continue to apply integration up to a member's State Pension Age (as opposed to a fixed age of 65). Therefore, firms that are wishing to apply this would already be aware and are already considering their courses of action and actively want this change made.

Scheme members – ongoing costs:

Relative to the central baseline that schemes would otherwise not make any deductions at all, there would be a cost to scheme members, in the form of lower pensions received, as a result of schemes being able to apply "integration" deductions in line with scheme rules.

As pension payments are a transfer between scheme and members, the costs to members would equal the benefits to business as set out below.

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	0.0	0.0
High	0.0	335.8	2,745.8
Best Estimate	0.0	7.4	60.2

Description and scale of key monetised benefits by 'main affected groups'

Scheme providers

Relative to the central baseline that schemes would otherwise not make any deductions at all, there would be significant benefits to business equal to the amount of deductions they would apply to integrated pensions. Over the ten year period this is estimated to be a potential saving of approximately £60.2m in total.

Other key non-monetised benefits by ‘main affected groups’

Scheme providers

Reduced administrative and legal costs from uncertainty caused by the Equality Act 2010 exception no longer covering integration at State Pension Age. However, this is disproportionate to quantify.

Scheme members

Under the central baseline that schemes would not make any deductions at all, then there would be no direct benefits to members. However, under the central baseline, schemes would incur additional and unforeseen costs which could impact their sustainability. Therefore, there is a potential second order offsetting benefit to members if this measure improved the sustainability of underlying schemes and reduced the probability of a scheme entering the Pension Protection Fund (PPF). Given the uncertainty around the potential second order impacts this benefit is not deemed proportionate to monetise.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Key assumptions – counterfactual:

This change (set out in policy option 1 below) is designed to maintain the status quo, so integrated pension schemes can continue to make deductions at the relevant member’s State Pension age. If this change were not made, then employers continuing to apply integration at State Pension age would no longer be able to rely on the exception under the 2010 Order and be at risk of challenge under the Equality Act 2010. It is unclear what decision employers would take in the counterfactual. However, for the purposes of this impact assessment, we assume that in the event of doing nothing, some employers would not make any deductions at all and would absorb the cost of integration themselves – see section 6.1 of this impact assessment for detail on the counterfactual.

The analysis in this impact assessment is expressed relative to the do nothing counterfactual rather than the status quo. Here we have quantified the potential benefits (savings) to business of maintaining the status quo, relative to the counterfactual.

Key assumptions – scale

Only firms which apply integration and have indicated there is an issue with the Equality Act exemption are included.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0.0	Benefits: 7.0	Net: -7.0	
			-31.5

Evidence Base (for summary sheets)

1. Problem under consideration

Some DB pension schemes¹ currently pay one (higher) rate of pension when a member reaches the pensionable age under the scheme; and a reduced rate when the member reaches State Pension age. This permits schemes to take account of the State Pension the member receives when they reach State Pension age. This process is known as “integration”.

It means that a member’s pension is actuarially enhanced between scheme retirement date and State Pension age; and actuarially reduced thereafter. The practical effect is that the member’s income is smoothed out so there are no sudden changes.

Under the Equality Act 2010, schemes are required to comply with non-discrimination rules when carrying out their administrative duties under the scheme rules unless a Minister of State, by order, provides that a particular rule or practice is not in contravention of a non-discrimination rule. The Equality Act (Age Exceptions for Pension Schemes) Order 2010 (“2010 Order”) provides an exemption in relation to age related equality obligations.

The 2010 Order currently only allows integrated pension schemes to reduce the amount of occupational pension they pay the member by amounts up to the new State Pension where they apply the deduction between the member’s 60th and 65th birthdays. Schemes would not be able to rely on the exception if they commenced applying the reduction where the member has a State Pension age greater than age 65. As the State Pension age is increasing incrementally from age 65 to 68 from 5 December 2018, this means that schemes would either be required to carry out any reductions at age 65 or continue to pay a higher rate of pension benefit.

The equalisation in state pension age means the exception for discrimination on the basis of sex isn’t needed any more – men and women’s pensions will now both be reduced at the same age. However, reducing the scheme pension when the member reaches state pension age – at 65, or 66 or whenever, could be considered a breach of the non-discrimination rule based on age and so needs to be allowed for by the 2010 Order to provide an exception for it not to be in breach of the non-discrimination rule.

2. Rationale for intervention

The rationale for intervention is that without changes to the relevant legislation, integrated pension schemes will either incur additional costs as a result of not being able to take into account State Pension payable to the member, where the member has a State Pension age greater than age 65; scheme members may suffer a reduction in their benefits as pension schemes would be required to continue to make the reduction at age 65; or pension schemes would have to change their rules to smooth out payments.

3. Policy objective

The policy objective is to ensure that these pension schemes can continue to operate “integration”, as provided for within their scheme rules, and reduce the amount of occupational pension they pay members by an amount related to the new State Pension, where the member has a State Pension age between 65 and 68, without breaching their equality obligations relating to age.

The intended effect is that these pension schemes will not have to face additional costs through not being able to make these deductions in order to maintain compliance with their equality obligations relating to age. More generally, the changes will ensure these pension schemes remain financially sustainable.

¹ There is limited information available on integration, with the most recent published evidence from the Pensions and Lifetime Savings Association (PLSA) being from 2005 – see *section 6.2.2 for more detail*.

The change to legislation also avoids the need for schemes to reduce the pension payable at the last opportunity (age 65) causing the member to suffer a shortfall in their retirement income until they reach their State Pension age.

The amendments to legislation will maintain the status quo for these schemes.

4. Description of options considered

Option 0: Do nothing

This option would not deliver the policy objective that integrated pension schemes should continue to be able to take into account the State Pension when calculating occupational pension payable where the member has a State Pension age greater than age 65. The schemes would not be able to rely on the current exception under the 2010 Order and potentially be in breach of their equality obligations relating to age.

To ensure they did not breach their equality obligations, schemes could decide not to apply pension deductions at all, thereby incurring significant additional costs. Schemes might also consider applying the deduction at the last possible opportunity (the member's 65th birthday), but this would result in the member suffering losses until their State Pension became payable.

Therefore, doing nothing would incur costs for pensions schemes; or for scheme members.

Option 1: Legislate to amend the 2010 Order

This is the **preferred option** which would amend the 2010 Order so that integrated pension schemes could take into account the State Pension when calculating occupational pension payable where the member has a State Pension age greater than age 65. This option also removes the risk that these schemes might breach their equality obligations relating to age. This option fully achieves the policy objective, and presents savings for pension schemes.

5. Evidence behind the rationale for intervention

Before the State Pension age increased beyond age 65 for men and women (for those reaching age 65 on 6 December 2018) we were alerted by stakeholders that, unless we made changes to the 2010 Order, schemes they represented would be unable in the near future to operate integration when calculating occupational pension for anyone with a State Pension age greater than age 65. Or if they were to continue to operate integration for this group of people, they risked breaching their equality obligations relating to age.

6. Impacts on affected parties (of preferred option)

6.1 Baseline

This change is designed to maintain the status quo, so that integrated pensions schemes can continue to make deductions at state pension age. If this change was not made, then employers continuing to apply integration at state pension age would be at risk of challenge under the Equality Act.

It is unclear what decision employers would take in the baseline (or counterfactual). Potential options include:

- (i) Make deductions at State Pension Age (above a members 65th birthday) and take the risk of not being covered by Equality Act exemption
- (ii) Not making any deductions at all, and absorbing the cost of integration (central scenario)
- (iii) Changing scheme rules to get around the the issue. For example to allow the scheme to make deductions before State Pension Age on member's 65th birthday, and then apply a bridging pension from age 65 until State Pension age to make up the shortfall
- (iv) Make deductions at the last permitted time, i.e. the member's 65th birthday.

Based on preliminary discussions with the sector and consultation feedback^{2,3} it is likely that option (ii) not making any deductions at all would be taken. Option (i) making deductions at state pension age above 65, though possible, it is not appropriate to discuss the merits of legal risk in this impact assessment. As such this option is not considered as a viable baseline. Options (iii) and (iv) changing scheme rules, for example to allow deductions before State Pension Age and then apply a bridging pension to cover the difference have not been mentioned by any providers.

Therefore option (ii) has been chosen as the central baseline scenario, for the schemes who have raised this issue. Consequently, under the preferred policy option (policy option 1), firms will make savings equal to the amount of deductions they would apply to integrated pensions compared to the baseline – see *section 6.2 for more details*.

6.2 Impacts (Costs and Benefits) on Businesses

6.2.1 Costs of complying with the revised legislation - familiarisation and ongoing.

Familiarisation costs

This is a permissive measure in response to scheme requests to consider the issue. The legislation would simply change the The Equality Act (Age Exceptions for Pension Schemes) Order 2010 (“2010 Order”) so that schemes could continue to apply integration up to a member’s State Pension Age (as opposed to a fixed age of 65). For firms wishing to apply they would already be aware of this. Therefore no familiarisation costs involved (as firms who are concerned by this are already considering their courses of action and actively want this change made).

Ongoing costs

This is a permissive measure, therefore there are no direct net costs to businesses. Extending the Equality Act age exemption beyond age 65 neither prevents nor mandates schemes to do anything. However, it does allow them to continue to conduct integration (permissive) without the risk of legal challenge. It also means savings over the alternative of doing nothing; and the assumption is that there would be a high take-up of the option to make those savings.

6.2.2 Benefits to Businesses

Benefits to businesses

Under the central baseline that schemes would otherwise not make any deductions at all, there would be significant benefits to business equal to the amount of deductions they would apply to integrated pensions.

The benefits to business each year would be equal to:

- The number of members with integrated pensions reaching State Pension age since March 2019
- The average value of integration each year

Schemes responding to the consultation have provided some information to us on the scale of this issue, which is set out below. Though more schemes may be affected, we have prudently not extended the analysis in our central scenario as we assume that they either do not operate integration, or the impact of State Pension Age exceeding the Equality Act exemption is not a significant cost concern for them.

² The public consultation is available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/771126/consultation-equality-act-age-exceptions-for-pension-schemes-amendment-order-2019.pdf

³ The consultation response document is yet to be published. However, once published it will be available here:

<https://www.gov.uk/government/consultations/the-draft-equality-act-age-exception-for-pension-schemes-amendment-order-2019>

Table 1. Assumptions provided at consultation on impact of not integrating

Assumption	Figure	Source/justification
Number of integrated members per year	1,400	Consultation response (of 700 members in next 6 months, and another 700 in a following 6 month period)
Average value of integration per member per year	£1,000	Average integration (£20 p.w. * 52 weeks)
Cost per year of not integrating	£1,400,000	Derived from above (1,400 * £1,000)

These benefits would increase over time as more members retire each year. The table below sets out the impact over the 10 year timeframe. In addition to the above assumptions, we have also applied a weighted average mortality rate to members by age over the ten year period⁴ as some integrated members will die each year. Following these assumptions, we can see that the estimated cost to businesses as a result of not integrating in year 0 is approximately £1.39m (1,400 * (100% - 0.88%) * £1,000). When applying the standard discount rate of 3.5% from the Green Book⁵ for year 1 onwards, we can see that the total estimated cost to businesses of not integrating over the ten year period to be approximately £60.2m.

Table 2. Discounting cost to businesses of not integrating

Year	Discounted cost of non integration
0	£1.39m
1	£2.67m
2	£3.85m
3	£4.93m
4	£5.92m
5	£6.82m
6	£7.63m
7	£8.37m
8	£9.03m
9	£9.61m
Total	£60.21m

There are potential additional benefits to business from administrative savings of not having to amend scheme rules or take legal advice related to the change. As we have not received any representations of these we have not included these at this stage.

Sensitivity analysis

The above focuses on the information provided by the consultation responses. Though other firms have not made representations about the number of members affected, this could potentially be a broader issue. There is limited information available on integration, with the most recent published evidence from the Pensions and Lifetime Savings Association (PLSA) being from 2005. The following analysis provides the upper estimate of members which could be in scope, assuming levels of integration similar to in 2005. The assumptions used to calculate these benefits are set out below in table 3.

⁴ Source: DWP estimates derived from ONS Population Projections (table PPP). For example, over the ten year period (2019/20 – 2028/29) the weighted average mortality rate is 0.88% for those aged 65, the first year in which businesses would incur additional costs as a result of Order 2010 not being amended, whilst those aged 66 have a weighted average mortality rate of 0.97% over the ten year period.

⁵ HM Treasury. 'The Green Book: Central Government Guidance on Appraisal and Evaluation'. 2018. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

Table 3. Sensitivity - impact of not integrating assuming 26% of DB members in integrated schemes

Assumption	Figure	Source/justification
Number of DB active and deferred members (still to retire)	6,138,600	PPF Purple Book 2018 ⁶
Members in integrated schemes	26%	NAPF (National Association of Pension Funds (now PLSA)) annual survey 2005 ⁷
Retirees each year	4.0%	Broadly based on the proportion of open schemes declining significantly since 2006, indicating a lower proportion of active and deferred members under the age of 40. Assuming that approximately 40% of all current non-pensioner DB members will retire over the next 10 years, using a uniform distribution, we assume there will be 4.0% of retirees each year.
Number of members with integrated pensions retiring each year	64,000	Derived from above assumptions (6,138,600 * 26% * 4.0%)
Average value of integration per member per year	£1,000	Consultation response from provider on average value of integration, of approximately £20 p.w. or £1,000 p.a.
Cost per year of not integrating	£64,000,000	Derived from above (64,000 * £1,000)
Mortality rates per year	Weighted average mortality rate dependent on age	Same mortality rates used as for the previous analysis. These mortality rates are derived using the ONS population projections.

These benefits would increase over time as more members retire each year. Using the mortality assumption as outlined above, in addition to the Green Book discount rate of 3.5%, we can see the upper estimate of potential costs to business as a result of not integrating to total approximately £2.75bn over the ten year period.

Table 4. Sensitivity - impact of not integrating assuming 26% of DB members in integrated schemes, discounted costs over 10 years

Year	Discounted cost of non integration
0	£63.3m
1	£121.7m
2	£175.4m
3	£224.8m
4	£269.9m
5	£310.9m
6	£348.1m
7	£381.7m
8	£411.7m
9	£438.3m
Total	£2,745.8m

⁶ Pension Protection Fund. *Purple Book 2018*. Available at: https://www.ppf.co.uk/sites/default/files/file-2018-12/the_purple_book_web_dec_18_2.pdf

⁷ NAPF, Annual Survey 2005. The State of Britain's Pensions, Figure 36

6.3 Impacts (Costs and Benefits) to scheme members

6.3.1 Costs to scheme members

Familiarisation costs to scheme members

There will be no familiarisation costs to members because they will not need to take any action. From the member point of view pension integration will continue to operate as expected at the time of them joining the scheme.

Ongoing costs to scheme members

Under the central baseline that business would otherwise not make any deductions at all, then there would be a cost to members from reduced payments associated with the preferred option. As pension payments are a transfer between scheme and members, the costs to members would equal the benefits to business set out above in section 6.2.2.

6.3.2 Benefits to scheme members

Ongoing benefits to scheme members

Under the central baseline that schemes would otherwise not make any deductions at all, then there would be no direct benefits to members from allowing schemes to integrate at State Pension age under the Equality Act exemption.

However, scheme funding will have been based over time on the expectation that integration could be applied. Under the central baseline, schemes would incur additional and unforeseen costs which could impact their sustainability. Therefore there is a potential second order offsetting benefit to members if this measure improved the sustainability of underlying schemes and reduced the probability of a scheme entering the PPF. Given the uncertainty around the potential second order impacts this benefit is not deemed proportionate to monetise.

If, in the counterfactual, some schemes decided to deduct from age 65, then there would be a benefit to members from allowing schemes to integrate at State Pension age (over 65) under the Equality Act exemption. This benefit would be equal to the level of deductions between 65 and state pension age (so on the assumptions in 6.2.2 up to £3,000 per member (£1,000 per year * (68-65))). However, as no schemes have indicated that this is the counterfactual decision they would make, this benefit has not been monetised.

7 Sensitivity analysis.

Amount of integration

- Covered above in section 6.2.2

8 Small and Micro Business Assessment

As this measure is permissive there is no requirement for businesses of any size to change their actions as a result of this measure.

The benefits to business fall predominantly on pension schemes and providers. Small and micro businesses who operate small and micro pension schemes may also benefit. However, assessing the impact of the regulations on this group is difficult, as it is not necessary that small and micro pension schemes correspond to small and micro businesses. For example, many large firms may run Executive Pension Plans with only a few members. Similarly, small employers may enter their staff in larger master trust schemes. For the part of the legislation that applies to pension schemes and providers, as there is currently no robust evidence to link pension scheme size to employer size, it is difficult to accurately assess the impact on small and micro businesses.

However, for completeness, information on small and micro businesses in the DB sphere is provided below.

There is information in the Annual Survey of Hours and Earnings (ASHE) data set on the size of DB sponsoring employers with active members. This will only include those who are contributing to a DB pension so will exclude members who are in schemes closed for future accrual but it helps to provide an indication of the size of DB sponsoring employers. The table below shows the proportion of private sector and not for profit active DB members by employer size.

Table 5: Proportion of active DB members, by employer size^{8,9}

Size of Employers	Proportion of DB members
0	0%
1-9	2%
10-49	10%
50-99	4%
100-499	14%
500-999	9%
1000+	61%
All sizes	100%

The above evidence shows that the majority of active DB members work in businesses with more than 50 employees. Our assumption is therefore that there will not be a disproportionate impact on small and micro employers, and that where such an impact occurs, it will be beneficial.

9 Monitoring / post implementation review.

As this measure aims to restore the existing policy intent of the Equality Act exemption, and allow firms to continue to apply integration in line with their scheme rules, no monitoring is proposed.

⁸ Source: DWP estimates derived from ONS Annual Survey of Hours and Earnings (GB)

⁹ These percentages are rounded to the nearest 1%.