

# **An estimate of the increase in pension scheme liabilities of equalising survivor benefits for civil partners and same-sex married couples in contracted-in Defined Benefit pension schemes**

July 2013

# Background

As the Marriage (Same Sex Couples) Bill passes through Parliament, interest has arisen in the Department's estimate of the cost to employers sponsoring private sector contracted-in Defined Benefit pension schemes of equalising survivor's benefits for civil partners and same sex marriages – that is, making it compulsory for these schemes to provide Civil Partners and same-sex married couples with the same survivor's rights as opposite sex married couples.

This ad hoc analysis is being released following a Parliamentary Question (number 162262) on this subject that was tabled in June 2013. The relevant link to Hansard can be found at <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130701/text/130701w0002.htm#13070139000023>.

## Results and methodology

The Department estimates that the increase in pension scheme liabilities of equalising survivor benefits for civil partners and same-sex married couples in private sector contracted-in Defined Benefit pension schemes is in the region of £18 million. This increase in pension liabilities would need to be funded by the sponsoring employers of affected schemes.

In calculating the estimate of £18 million, the Department has used data from the ONS and 2009 Employers Pension Provision Survey to estimate the proportion of contracted-in Defined Benefit members that may have a civil partner. This proportion is then applied to total contracted-in Defined Benefit pension liabilities to estimate the liabilities accrued in respect of these members.

The additional cost of providing survivor benefits where none was previously provided for same sex couples is estimated to be the percentage difference in the value of an annuity purchased at age 65 with and without survivor benefits. This percentage is then applied to the estimated liabilities accrued in respect of those members with a civil partnership, to provide the estimated increase in liabilities associated with paying additional survivor benefits. This also takes into account that one-third of schemes (data from the 2009 Employers Pension Provision Survey) already do provide full survivor benefits for those members in a civil partnership.

### Notes:

1. This estimate is rounded to the nearest £1 million.

## Contact Details:

Imran Razvi  
Private Pensions Policy and Analysis  
Department for Work and Pensions  
E-mail: [Imran.Razvi@dwp.gsi.gov.uk](mailto:Imran.Razvi@dwp.gsi.gov.uk)

Press enquiries should be directed to the Department for Work and Pensions  
Press Office:  
Media Enquiries: 020 3267 5144  
Out of hours (journalists only): 07659 108 883  
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