



Department
for Education

Teachers' pension scheme (TPS) member contribution structure from April 2015

Equality analysis

April 2014

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Introduction

1. In light of the Government's decision to reform public service pension schemes, the Department for Education (DfE) has been working with stakeholders to design a proposed contribution structure for members of the Teachers' Pension Scheme (TPS) for April 2015 to March 2019. Discussions have been held through the TPS discussion Forum and union General Secretaries meetings since September 2013 and following the consideration of responses from those meetings, a six tier structure for employee contributions has been proposed for wider consultation in April 2014.
2. This equality analysis has been undertaken to inform the Department's proposals to implement further changes to employee contributions for members of the TPS from April 2015 to March 2019.
3. The overarching responsibility for setting the average member contribution rates (i.e. 9.6% for the TPS) rests with Her Majesty's Treasury (HMT).
4. Following the implementation of tiered contributions in 2012-13, equality analysis has continued to be undertaken on an on-going basis as an integral part of the policy making process for developing and implementing the Department's proposals. This equality analysis reflects comments received during discussions with unions and employers throughout the design process.
5. In addition to ongoing discussions, the Department intends to publish a formal consultation in April 2014 to invite wider views on its proposals for implementing a new contribution structure from April 2015. This analysis accompanies that consultation.
6. All views raised to date have been carefully considered as part of the policy making process and reflected in this assessment.

Background

7. Providing good quality pensions is becoming more challenging given increasing life expectancy. That is why the Government set up the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton to make recommendations on how such pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the tax payer.
8. The IPSPC produced a final report which set out the case for reform. In his foreword, Lord Hutton stated that he believes “it is possible for public service employees to continue to have access for the foreseeable future, to good quality, sustainable and fairer defined benefit pension schemes. For this to happen there will need to be comprehensive reform – reforms that can balance the legitimate concerns of taxpayers about the present and future cost of pension commitments in the public sector as well as the wider need to ensure decent levels of retirement income for millions of people who have devoted their working lives in the service of the public.” The full report can be viewed at: <https://www.gov.uk/government/publications/independent-public-service-pensions-commission-final-report-by-lord-hutton>
9. The IPSPC Final Report state:

Employee contribution rates across public service pensions schemes vary considerably, both in level and structure, as the result of historic developments and negotiations over a number of years at scheme-specific level. Contribution rates should be set so that members appreciate the value of their pensions but not so high that they lead to scheme members, especially at lower income levels, opting out of the pension scheme. Any transition to a more uniform structure for employee contribution rates will be complex and must be considered in the context of overall remuneration.

Higher earning individuals are better positioned than lower earners to bear some of the risks associated with pension provision. In addition, higher earners are likely to live longer than lower earners and so will derive more benefit from their scheme for the same level of pension. It is desirable for the design of public service pension schemes to recognise this.

However, the introduction of a cap on pensionable earnings or hybrid schemes (schemes which have both defined benefit and defined contribution features) does not seem attractive due to the complexity this introduces to the system, the significant transitional issue of the cash flow loss to government revenue and the Commission’s view that there are advantages to having senior management and their staff in the same scheme. However, there is a case for tiered contribution rates to reflect the different characteristics of higher earners.

In reviewing contribution rates the Commission considered four key questions:

- what factors should influence the appropriate split of contributions between employer and employee?
- should contribution rates vary by member?
- what is the impact on opt-out rates? And
- should contribution rates be more uniform across public service and if so, what factors should be considered during transition?

They concluded that:

- Contribution rates should be set so that members appreciate the value of their pension (so schemes should be contributory). Care needs to be taken so that contributions are not so high that they lead to scheme members, especially at lower income levels, opting out of the pension scheme.
- There is therefore a case for different treatment of higher and lower earners to encourage greater participation amongst low-paid and part-time workers. It could be argued that contributions should be weighted so that those who earn more pay the most. Lower contribution rates for the lower paid encourages participation in pension schemes, contributing to higher provision in retirement and less reliance on state benefits.
- Given the current range of rates and structures any transition to a more uniform structure for employee contribution rates will be complex. Employee contribution rates fit into an overall remuneration package. In some schemes low rates may be matched by lower pay. At the extreme, the armed forces pay no contributions but an allowance for this is recognised when considering overall remuneration. Arguably, adjustments could be made to salaries to remove such effects across schemes without impacting on take-home pay to the employees, or to the cost of employment. However in order to do this, an assessment would be needed of how much of the difference in contribution rates between schemes is as a result of pay effects. The implications for total remuneration extend beyond the scope of this report and may require separate consideration.
- Any increase in contribution rates is likely to result in some increase in opt-out rates. Even if met by an increase in salary, the extra cash available from opting out may entice employees out of the scheme. Managing the risk of opt out would be key to transitioning to a more uniform approach. At the very least, changes should be phased in over a specified period. Increasing education and awareness of the value and importance of pensions should also discourage opting out.

It is up to the Government to decide on changes to the structure and level of employee contributions. Since effective benefit levels vary considerably between different schemes, particularly between pre and post reform schemes, then changes to employee contributions could be made to reflect this.

Their final recommendations were:

- A single benefit design should apply across the whole income range.
- The differing characteristics of higher and lower earners should be addressed through tiered contribution rates.
- The Government should consider the trade off between affordability and the impact of opt outs on adequacy when setting member contribution levels.

10. The Government accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, trades unions and others in March 2011. These have informed the discussions with key stakeholders that led to the scheme design embodied in the Proposed Final Agreement of 9 March 2012. It was decided in July 2012 to proceed with the published PFA following a detailed equality analysis.
11. Treasury advised that contributions for members of the public service pension schemes must see a 3.2% increase in average contribution rate by 2015. This increase has been introduced by schemes incrementally over three years starting in April 2012, on a 40%: 80%: 100% basis. Post 2015 contribution rates must continue to meet this increased average, which for the TPS is 9.6%.
12. The new rates continue to provide protection for those earning under £35,000 by ensuring that they continue to pay contributions at a rate lower than 9.6%. The proposed move from rates based on full time equivalent salaries (FTE) to actual salaries will also provide further protection and a reduction in rates to part time members with only minimal increases for full time members as a result.

Description of the Policy

Current Policy

13. The change in pension contributions for the TPS to an average of 9.6% from 2015 reflects the Government's decision to increase employee contribution rates in line with Lord Hutton's recommendations. In making a decision to change pension contributions, the Government considered carefully the impact on the lower paid, and wider affordability, which is why the core design parameters include protection for the low paid and a progressive approach, so that contribution rates are based on salary tiers.
14. The Department conducted equality analysis covering the implementation arrangements for the contribution increases for the financial years: 2012-13, 2013-14 and 2014-15. That analysis concluded that the implementation arrangements do not give rise to any significant equality issues. The increases in TPS member contributions are based on salary bands and the main way in which the Department will mitigate any potential negative impact on protected characteristics is through use of a tiered structure, as it is anticipated that pay levels will increase with age, career progression and subsequent movement through the pay structure.
15. The TPS is operated in line with the Teachers' Pensions Regulations 2010 (SI 2010/990) (TPR 2010) which were amended by the Teachers' Pensions (Amendment) Regulations (TPR) 2014 (SI 2014/424) to introduce new employee contributions rates for the financial year 2014–15.
16. Following the implementation of year 3 tiered contributions in April 2014, the member contribution rate ranges between 6.4% and 12.4%, depending on a member's Full Time Equivalent salary.
17. The existing policy was developed following a consultation process involving Trade Unions, employers and other interested parties.

Contribution rates for 2014-15

18. Following a consultation in December 2013, the Department is currently implementing a system of tiered contributions from April 2014 to March 2015, as set out below:

Table 1

Lower Salary	Higher Salary	Contribution Rate in 2012-13	Increase (against 6.4%)	Membership	% of membership
£0	£14,999	6.4%	0%	727	0.1%
£15,000	£25,999	7.2%	0.2%	88,352	13.7%
£26,000	£31,999	8.3%	0.4%	114,604	17.7%
£32,000	£39,999	9.5%	0.7%	233,021	36.1%
£40,000	£44,999	9.9%	0.7%	91,201	14.1%
£45,000	£74,999	11.0%	0.9%	111,621	17.3%
£75,000	£99,999	11.6%	1.0%	4,887	0.8%
£100,000		12.4%	1.2%	1,657	0.3%

This is the equivalent to an average contribution increase from March 2012 of 3.2%.

19. In developing the structure for 2014-15, the Department worked closely with other public service schemes and HM Treasury to ensure that the tiering structure for the contribution increases reflected the circumstances of the TPS membership. In line with its obligation under the public sector equality duty DfE considered the potential impact on the membership by reference to members' shared protected characteristics¹. The tiering structure and distribution approach also reflects the core design principles set out by Government to protect the lowest earners and encourage maximum participation within the scheme, with those earning the most paying the highest percentage point increase.

Proposed Policy Changes

Contribution structure from 2015

20. Following the implementation of tiered contributions in April 2012, the Department has been monitoring opt-out rates amongst teachers. To date there has been no discernable increase in opt-out rates, from which the Department has concluded that the tiering structure is achieving the Government's aims.
21. The Department's starting point for designing the contribution increases from April 2015 has been to achieve an average of 9.6% over the period 2015-19 whilst protecting the lower paid.
22. Officials have engaged with union General Secretaries and the TPS discussion forum to discuss different options for the contribution structure that will apply from April 2015 to March 2019.
23. These discussions focused on three main questions and a summary of responses against each question is shown below.
24. How many tiers should there be? During the TPS Discussion Forum differing opinions on the potential structure were voiced, with some preferring a 6/8 tier approach, whilst others favoured 2/3 tier approach. Where the preference was for fewer tiers, the general opinion was the fewer the better, while those who favoured more tiers stated a preference to continue the current 8 tier structure. Employers advised that a change may have a cost impact as systems are already in place for the current structure. They also felt that minimal changes would be beneficial to members due to all other recent changes.
25. What should be the cut-off point between tiers? It was suggested that the cut-off points between tiers should be developed to try to reduce the potential for a "cliff-edge" effect i.e. where a person is financially in a worse position as a result of a pay increase. It should further consider where the threshold for a lower paid member rests and the potential impact of the higher rate tax band.
26. What should the differential be between the highest and lowest tiers? No strong views were expressed during the Discussion Forum. Members discussed providing a contributions structure that protected the low paid and was equitable across the entire membership as a priority.

¹ The relevant "protected characteristics" are found in 149(7) of the Equality Act 2010 and are: age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

27. Additional discussion took place on moving from FTE salary for the purpose of determining the employee contribution rate to actual salary, and the general consensus was that this was a positive idea.
28. The Department is therefore proposing to implement the following tiering structure that will apply from April 2015 to March 2019:

Table 2

Lower Salary	Higher Salary	Contribution Rate for Post 2015	% Increase (against 2014-15)	Membership	% of membership
£0	£25,999	7.4%	1.0/(0.2)	196,805	14.6
£26,000	£34,999	8.6%	0.3/(0.9)	144,280	27.6
£35,000	£41,499	9.6%	0.1/(0.3)	146,867	31.2
£41,500	£54,999	10.2%	0.3/(0.8)	121,505	20.7
£55,000	£74,999	11.3%	(0.3)	30,019	4.8
£75,000		11.7%	0.1/(0.7)	6,419	1.0

There is no further increase in the average contribution rate relative to the pre-2015 position, but the changes reflect the plan to continue to deliver the 9.6% between April 2015 and March 2019.

29. Table 2 confirms that the proposed tiering structure will support lower paid teachers, particularly those new to the profession and classroom teachers.
30. The structure above is based on rates being allocated on actual salaries. Basing contribution rates on actual salary will move a significant number of teachers into lower bands and whilst this will benefit them, it will result in a small corresponding increase in contribution rates for those in the middle and higher tiers. Nevertheless, the Department considers that a move to using actual salary is justified in a CARE environment.

Stakeholder Engagement

31. In developing the proposals for 2015-19, officials have engaged with union General Secretaries and the TPS discussion forum from September 2013 onwards to discuss alternative options to rolling forward the existing structure and distribution approach. Unions raised the following concerns:
 - Impact on the low paid and classroom teachers who are predominantly female and part time teachers;
 - Impact on BME teachers, who are more likely than white British teachers to be on the lower salary scales;
 - Impact on middle and upper earners, who tend to be men; and
 - General affordability issues and consequent increases in opt-outs.
32. As part of the equality analysis for the contribution increases between April 2012 and March 2015, officials considered the impact on: the low paid; female teachers and BME teachers, and concluded that the implementation arrangements did not give rise to any significant equality issues.
33. Affordability to pay increased pension contributions depends on a wide range of factors, but we recognise that the lowest paid, including female part time teachers are potentially most likely to opt out of the scheme as a result of an increase. That is why the proposed tiering structure and distribution approach for post 2015 includes protection for the lowest paid and classroom teachers by ensuring that it is they who pay less than the 9.6% average contributions rate.
34. On 28 April 2014, the Department launched a formal twelve week public consultation inviting views on the Department's proposed amendments to the TPS regulations including changes to the contribution structure from April 2015. This equality impact assessment has been published as part of the consultation and will also be updated as part of the formal response.

Equality Analysis

General

35. In accordance with the public sector equality duty (section 149 of the Equality Act 2010) a public authority must, in the exercise of its functions, have due regard to the need to:
- (i) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - (ii) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (iii) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
36. Equality analysis conducted as part of the development of the contributions increase proposals for April 2012- March 2015 led officials to conclude that there was no disproportionate impact on members by reference to certain protected characteristics, such as age, gender, working pattern, and where data was available, ethnicity and disability.
37. Consequently, the proposals for post 2015 build on the existing structure by providing protection for the lower paid, part time members who are disproportionately female and newly qualified teachers.
38. The following analysis is provided with regard to age, gender, and where data is available, ethnicity and disability. The Department's position with reference to other protected characteristics is detailed separately.
39. The data used to develop the proposals, and analysis in the following paragraphs in respect of "Age, Gender and Working Pattern" has been carried out using the most recent TPS membership data available, provided by the scheme administrator (Capita Teachers' Pensions). The data set is dated 31st March 2012, and covers the entirety of membership across England and Wales. Ethnicity and Disability analysis has been undertaken using data provided by the School Workforce Census (November 2012), covering England and the General Teaching Council for Wales' Annual Statistical Digest (March 2012). The term 'teacher' has been used throughout the analysis and includes all teaching staff who fall within the scope of the TPS.
40. In last year's assessment the Department highlighted areas where insufficient data was available with regards to other protected characteristics such as disability; ethnicity; sexual orientation; gender reassignment; and religion or belief. In July 2012 Teachers' Pensions commenced a voluntary customer survey programme in order to obtain more detailed information about the active membership of the TPS, and assess the impact more fully on individual groups. The scope of the programme was to obtain member views on the TPS provisions and the administration services provided. The surveys also incorporate questions on members' other protected characteristics such as disability; ethnicity; sexual orientation; gender reassignment;

and religion or belief. A mixture of telephone, postal and online surveys was used. The surveys were conducted via a sample size of approximately 1,000 members per month. This data has been included in this assessment, however it should be noted that due to responses being voluntary, there was a low participation rate.

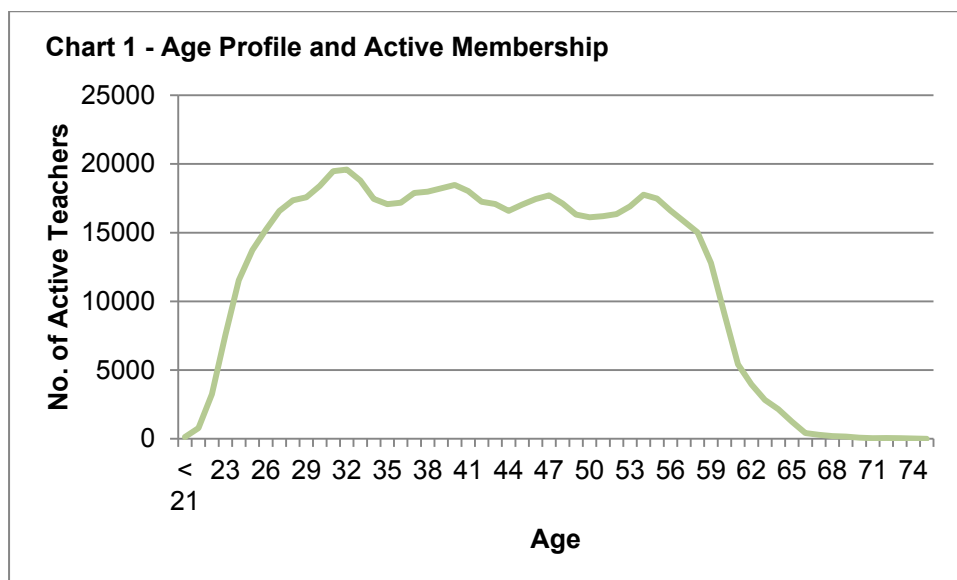
41. The Department is committed to reducing the risk of members opting out of the TPS. Opt-out data has been obtained on a monthly basis from the Teachers' Pensions administrator Capita, showing the total number of members electing to opt out each month from April 2010. The opt-out analysis has been used to inform the design structure and distribution approach for the proposed contribution changes for post 2015 and is reflected within this assessment.

What the Evidence Shows – Key Facts

42. The active TPS membership data “as at 31 March 2012” shows that there are **645,921** active members. Further membership data split by age, gender and working pattern is included at Annex A.
43. The following section will consider each of the protected characteristics beginning with age. The analysis will show the split in TPS membership as of 31 March 2012 and demonstrate the relationship between full and part-time working patterns, gender and age.
44. Whilst an individual’s working pattern is not a protected characteristic for the purposes of the public sector equality duty, we consider the average full-time equivalent salary (FTE) across the entire membership, then the relationship between male and female members, working pattern and salary. As the majority of part-time members are female this assists in evaluating any potential impact of changes in the contribution structure on women. This characteristic is also especially relevant in this equality analysis due to the proposed move to basing contributions on actual salary, allowing the identification of any particular groups that may be disproportionately affected by this change.

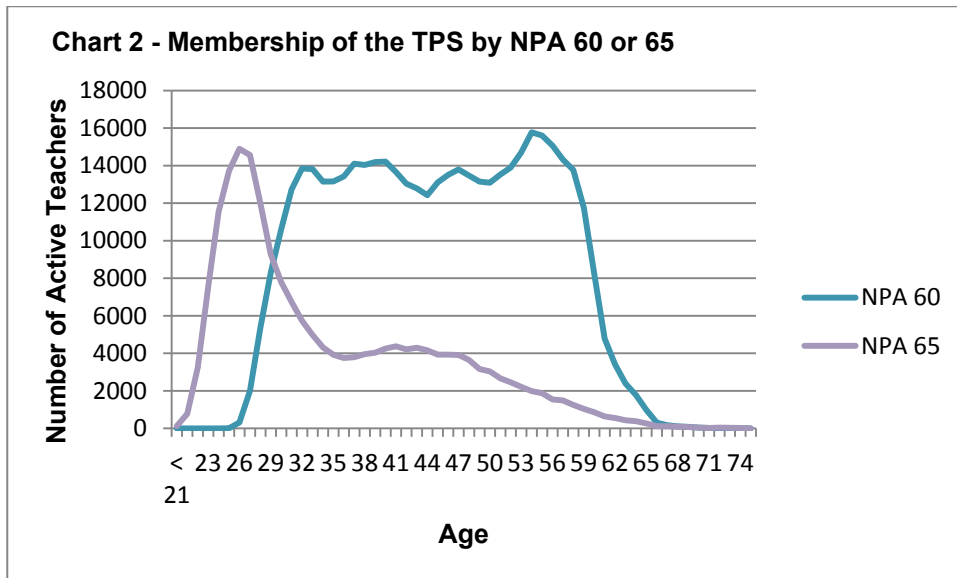
Age Analysis

45. **Chart 1** shows information on the number of active members by age.



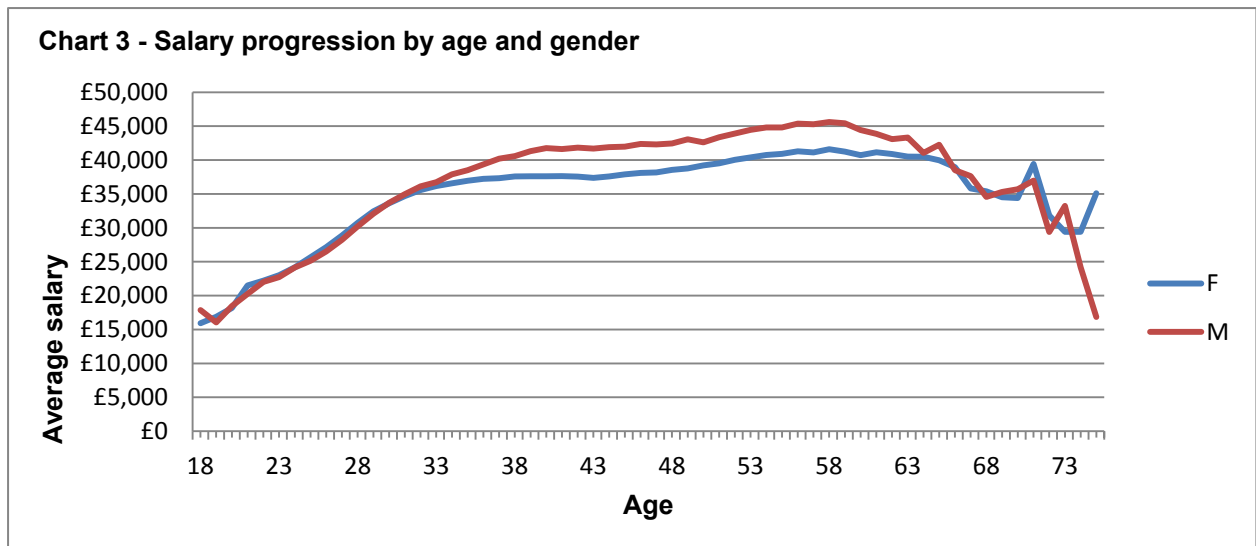
Source – Teachers’ Pension Scheme (31/03/12)

46. The pattern of teachers’ ages shows that the majority of TPS membership falls within the 30 to 55 years age bracket. Of these, 446,078 (69%) were in the Normal Pension Age (NPA) 60 scheme and 199,843 (31%) were in the NPA 65 scheme (**Chart 2**).

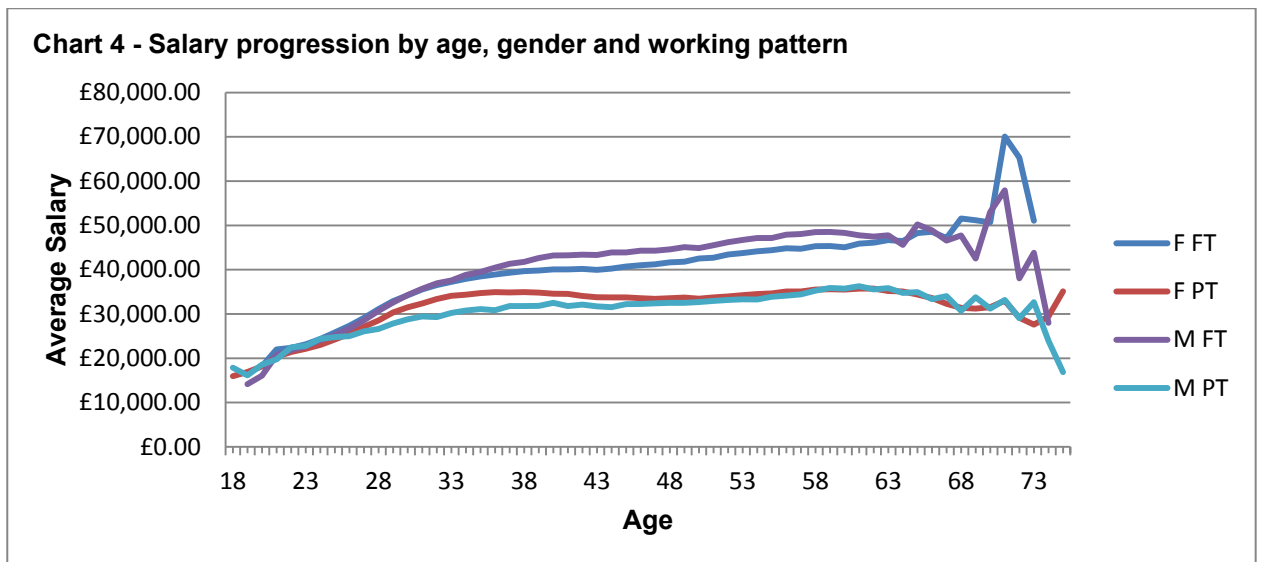


Source – Teachers’ Pension Scheme (31/03/12)

47. **Chart 3** and **4** below show information on the average salaries earned by scheme members in relation to their age, split by gender and working pattern.
48. **Chart 3** demonstrates a progressive increase in salary associated with age, which would naturally be expected. Younger teachers are generally on lower salaries with the majority of teachers under 30 years old receiving a FTE salary of between £15,941 and £32,091. The chart also indicates that teachers’ salaries increase most steeply over the ages 30 to 35.



Source – Teachers’ Pension Scheme (31/03/12)

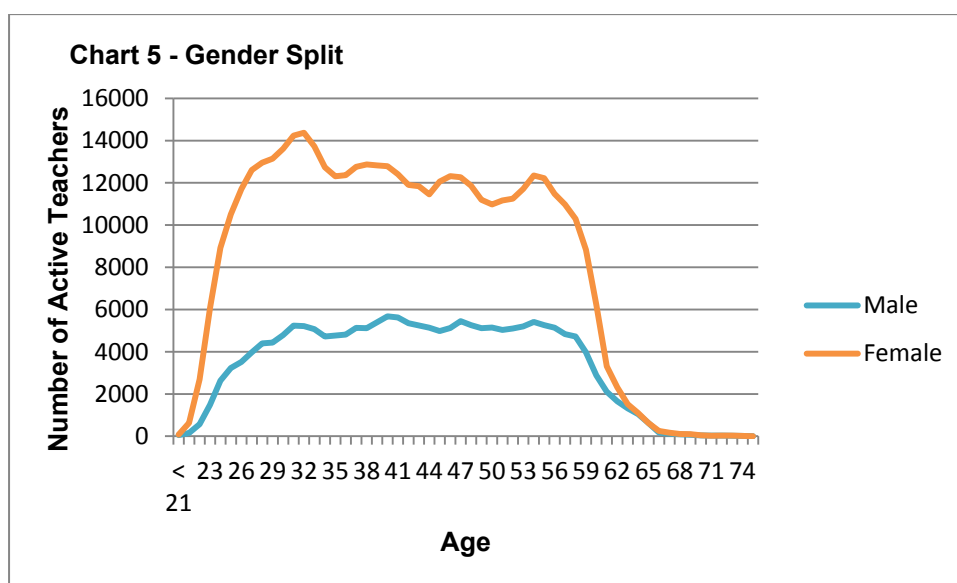


Source – Teachers’ Pension Scheme (31/03/12)

49. **Chart 4** demonstrates that salaries increase with age. There are a number of sometimes conflicting reasons why members of different ages opt-out or do or do not choose to make use of the option to make additional contributions. For example, it could be argued that older people are more likely to be able to afford to pay the additional contributions as they are less likely to have the other demands on their income that many younger members have, such as student loan repayments and the cost of young families. In addition, as younger members get older, and their circumstances change, it is reasonable to expect that their salaries will increase as their outgoings decrease. Similarly, it could also be argued that older teachers may not find additional contributions affordable due to health care of elderly relatives or funding the further education of their children.
50. The Department recognises that there is a challenge to make all scheme members of all ages aware of the impact of the proposed changes as well as the various benefits of the scheme, so that individuals can make an informed decision on whether to remain in the scheme. How to achieve improvements of members’ understanding of the scheme will be considered further within the context of wider discussions between the Department and the TPS administrator on better member and employer engagement.

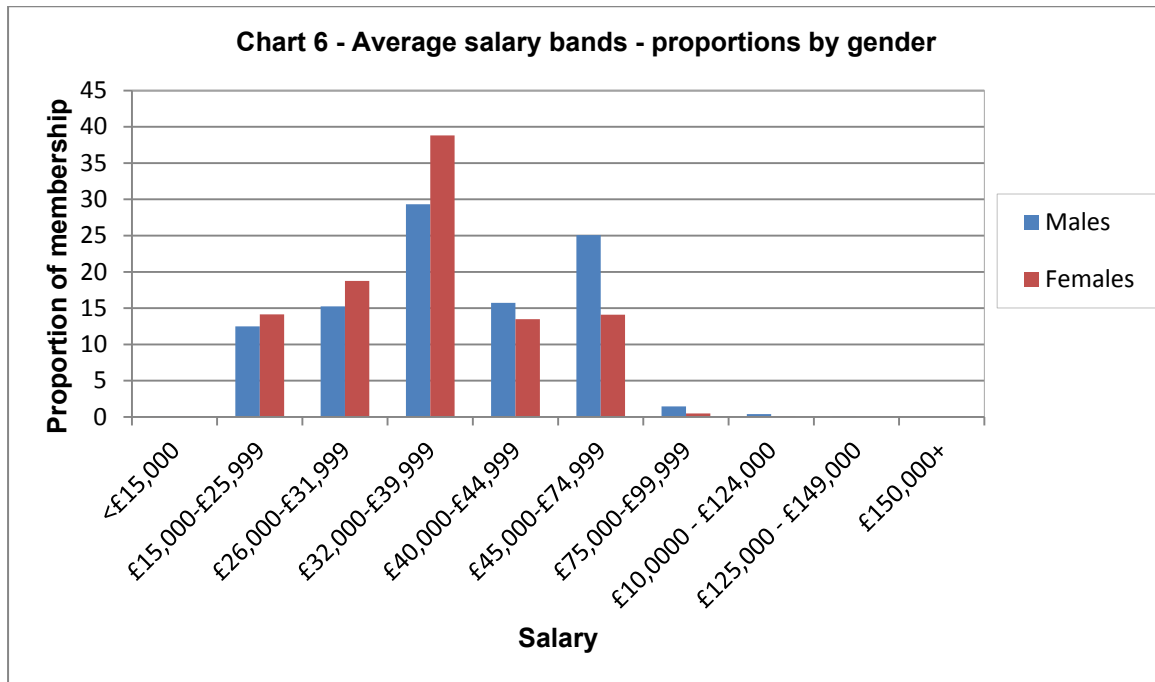
Gender Analysis

51. The IPSPC's analysis across the public sector found that men have stronger salary progression than women, and in this context, are more likely to be most affected by the biggest proposed contributions, as these occur at the higher end of the pay scales in order to better protect the lower paid. This is also the position for teachers, as demonstrated in **Charts 1 - 4** above, which shows that salary progression for men is quicker than that of women.
52. The data shows that the profile for men and women is broadly consistent across the age ranges. **Chart 5** below shows the volume of active teachers split by gender and age. Approximately 70% (458,254) are females and 30% (187,667) are males, and as mentioned above, the majority of the TPS membership falls within the 30 to 55 years age bracket.
53. The group also falls within the mid-salary ranges of £32,000 to £45,000.



Source – Teachers' Pension Scheme (31/03/12)

54. **Chart 6** below shows that a larger proportion of men reach higher salary bands than that of women.

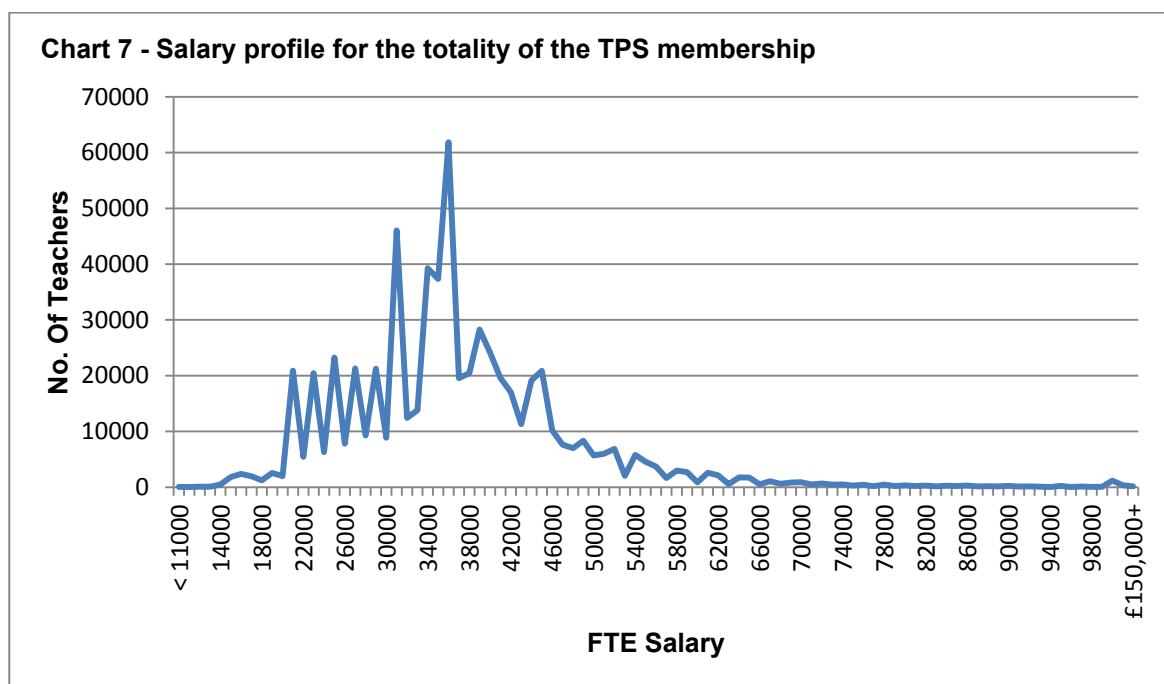


Source – Teachers’ Pension Scheme (31/03/12)

55. Some stakeholders argued that the proposed change in contribution structure impacts predominantly on women. This is to be expected, however, given that the teaching workforce is predominantly female. Nonetheless, the revised tiering structure is the fairest way of making changes to the scheme given increased longevity and imbalance between employer and employee contributions as part of the fundamental redesign of the scheme, whilst protecting the lower paid. As the majority of part time workers are women, the move to contributions based on actual salary will, however, have a more beneficial impact on this group.

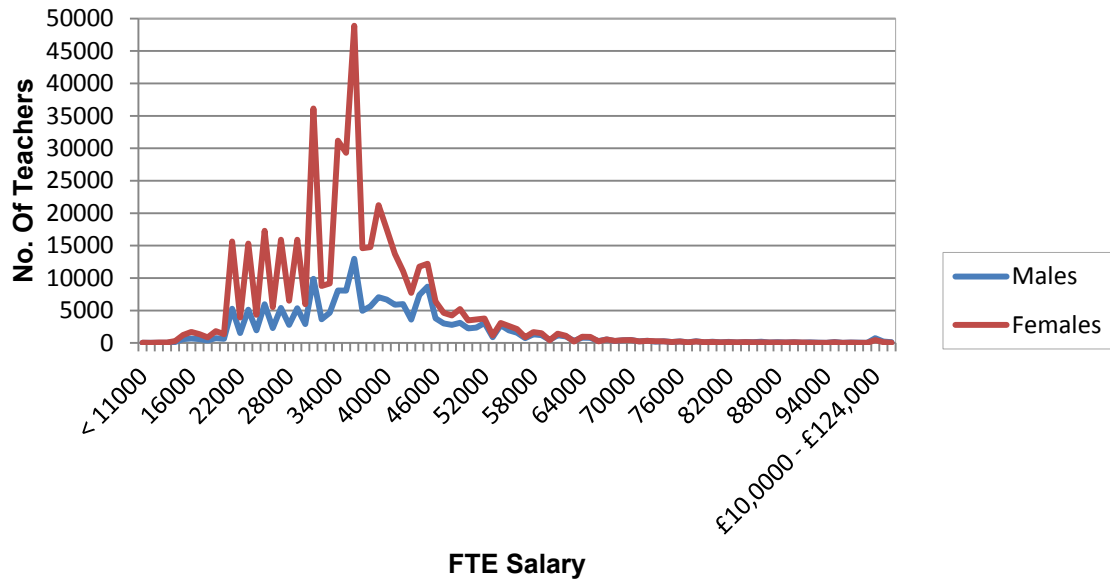
Working Pattern

56. The information below sets out the working pattern and salary ranges for teachers in the TPS as of 31 March 2012.
57. Of the 645,921 active members, 29.0 % (187,327) work part-time. Male members with part-time work patterns are 4.7% (30,669) of the active membership and female part-time membership is 24.3% (156,658).
58. Whilst an individual's working pattern is not a protected characteristic for the purposes of the public sector equality duty we consider the average full-time equivalent salary (FTE) across the entire membership, then the relationship between male and female members, working pattern and salary. As the numbers indicate, a significant proportion of teachers work part-time 29.0 %, of which 83.6% are female. So where changes to the contribution structure impact differently between part-time and full-time members, it is likely to have a greater impact on females as opposed to men.
59. **Chart 7 to 10** below shows the salary profile for the total TPS membership, split by gender and working pattern and salary.



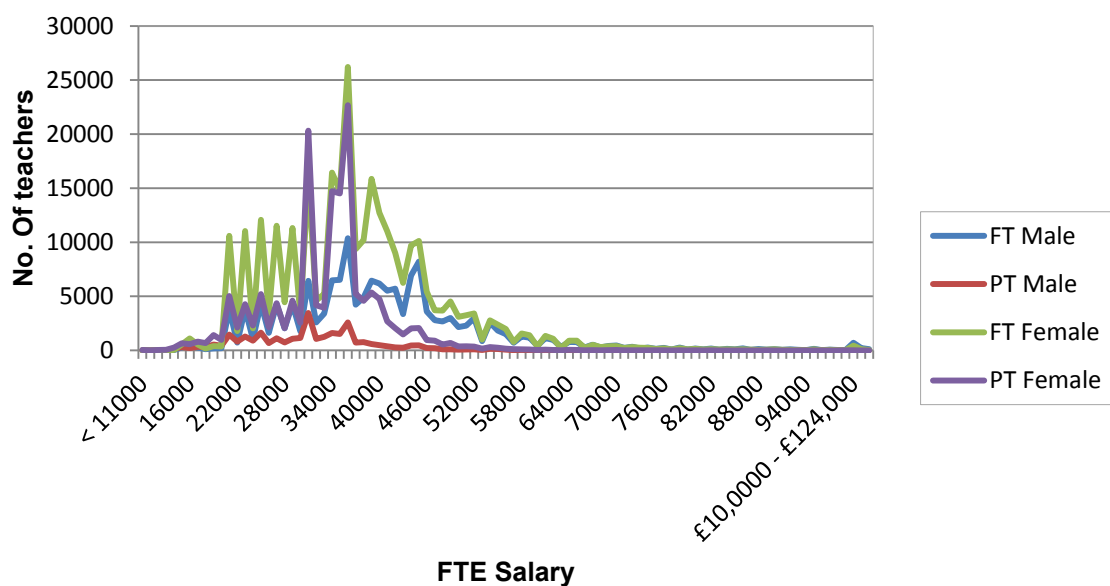
Source – Teachers' Pension Scheme (31/03/12)

Chart 8 - Salary profile for the TPS membership by gender

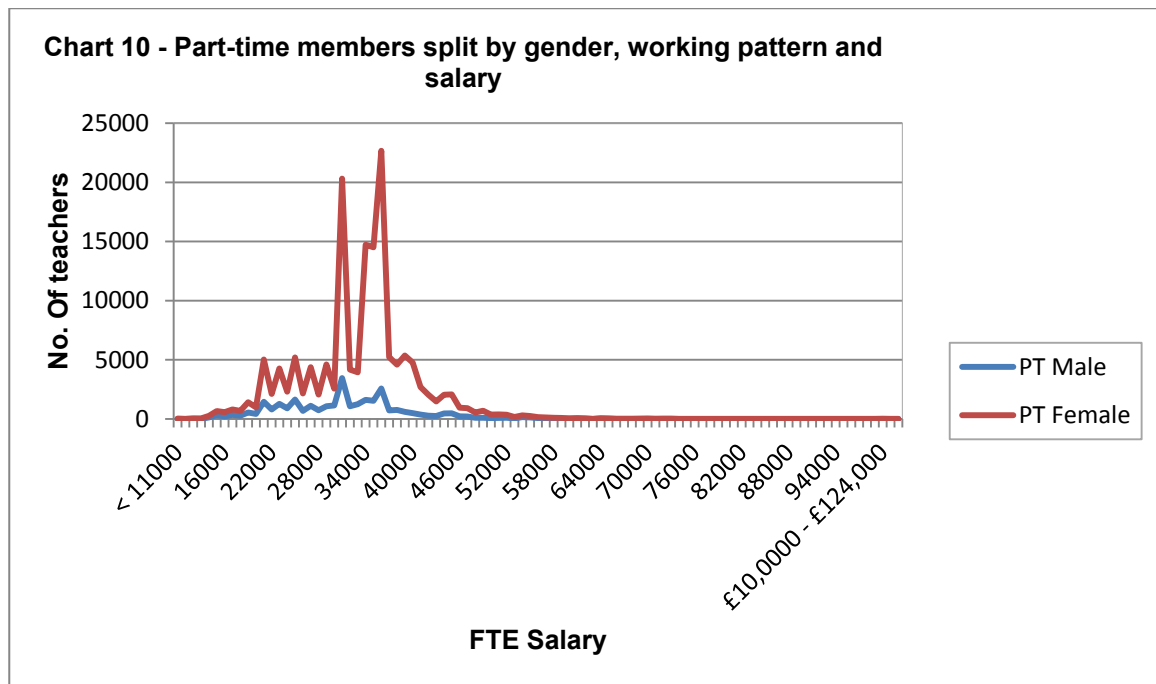


Source – Teachers’ Pension Scheme (31/03/12)

Chart 9 - Salary profile by gender and working pattern



Source – Teachers’ Pension Scheme (31/03/12)

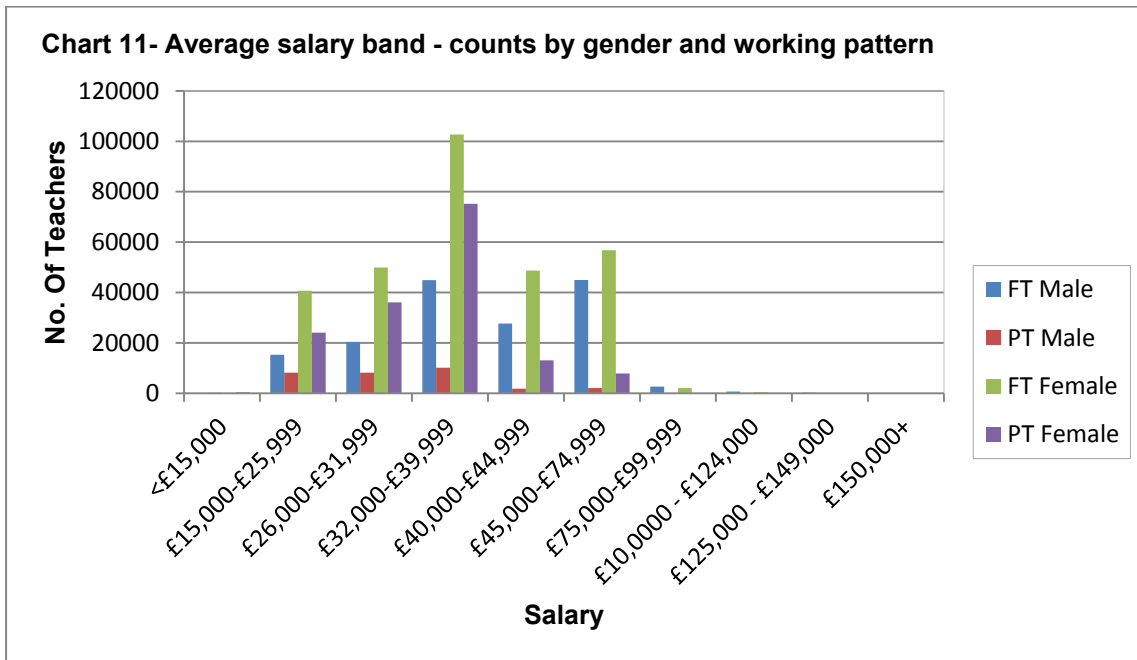


Source – Teachers' Pension Scheme (31/03/12)

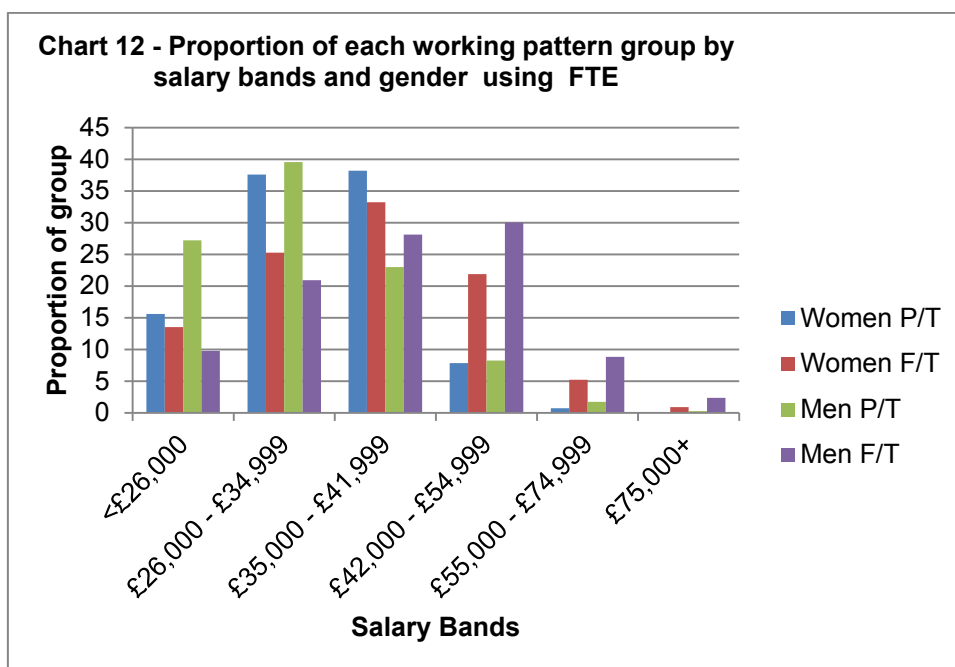
60. **Charts 7-10** above shows that approximately 44.6% of the active membership has a FTE salary between £30K and £40K. Of these, approximately 76.4% (220,016) are female members of whom approximately 44.6% (98,091) work part time.
61. The above charts also shows that there are a disproportionately higher number of active male members within the senior management posts and it is acknowledged that the proposals result in higher contributions on average for male members as opposed to female members.
62. It is important to also note that underlying factors such as more senior positions being viewed by employers as possibly being inappropriate for part-timers or job shares may have an impact on promotion opportunities (and therefore higher pay) for those who work part time.
63. **Charts 11 and 12** below show a further analysis by gender, working pattern and salary. This shows that, amongst female teachers who work part-time, the vast majority are in the lower and mid-point salary bands when FTE is used, with fewest in the higher salary band.
64. The salary progression of part-time teachers is flatter than those who work full-time. Amongst the female members who work part-time, the vast majority are in the lower to middle salary bands when FTE is used. **Chart 13** shows the effect of moving to actual salaries, which moves the vast majority of part-time female members into lower salary bands. Therefore, women will benefit to a greater degree from the protection for lower earners and the move to actuals as their contributions will be proportionately lower than those higher up the pay scale, with the majority seeing a reduction in contributions from 2014-15.
65. The number of male teachers working part-time is significantly less than female teachers and their number is more evenly spread across the salary bands. However, **Chart 12** shows that a greater proportion of part-time male teachers fall in the lower

pay band than is the case for part-time female teachers. In this respect, the move to actuals will greatly benefit male part-time members as can be seen in **Chart 13**, where the vast majority of members are in the lower tiers.

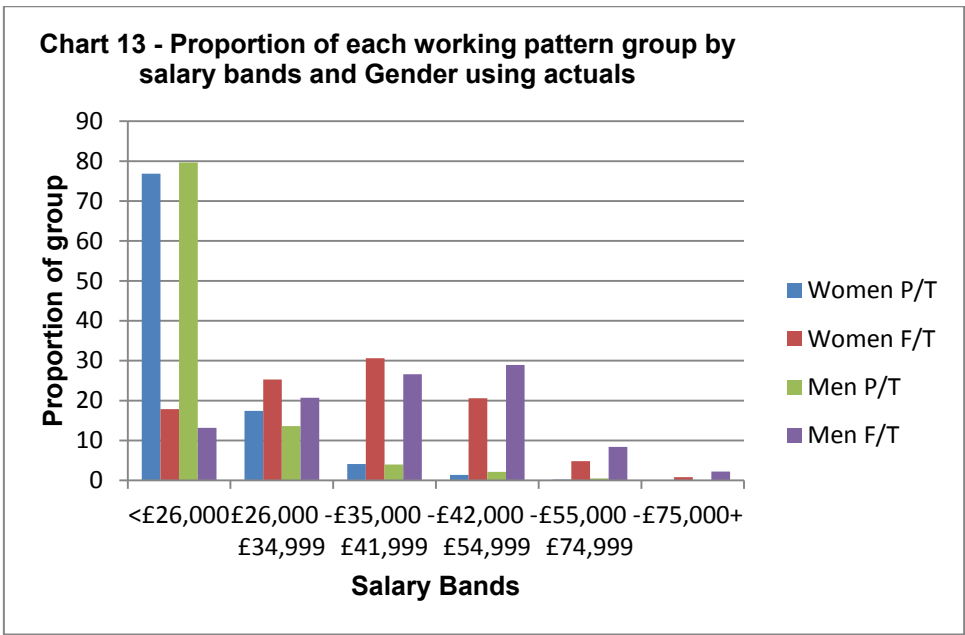
66. In **Chart 12 and 13**, the numbers are represented as proportions of each working pattern group within salary bands which roughly correspond to the proposed tiering structure. **Chart 12** indicates that there are no part-time teachers who have a FTE salary of £75,000 +. This is a presentational issue which is a consequence of the process of averaging the available data i.e. the numbers of part-time female and male teachers translate to negligible percentages in the higher pay bands.



Source – Teachers’ Pension Scheme (31/03/12)

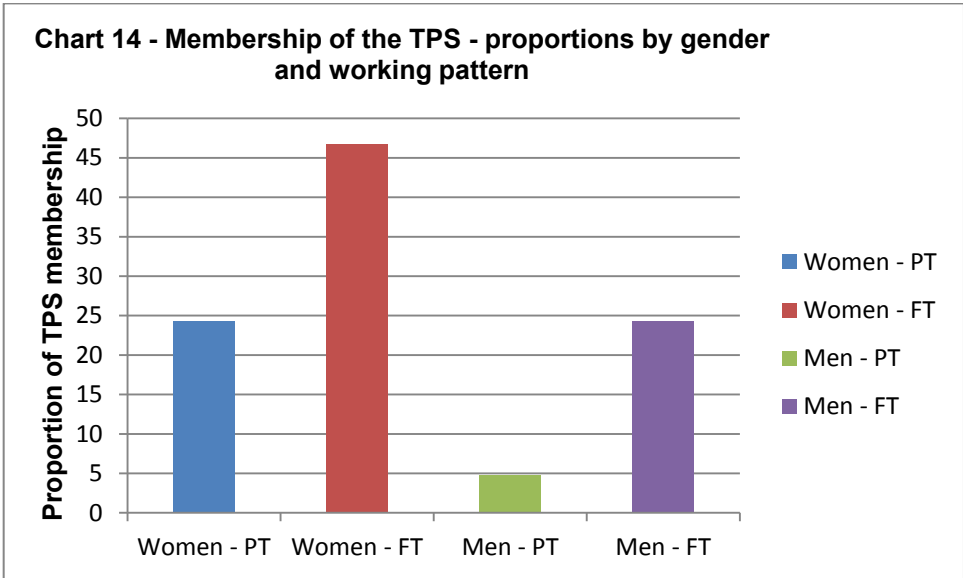


Source – Teachers’ Pension Scheme (31/03/12)



Source – Teachers’ Pension Scheme (31/03/12)

- 67. **Chart 14** presents that the vast majority (46.7%) of the membership is made up of women working full-time, although a significant proportion (24.3%) is made up of female part-time teachers who are likely to be on lower pay.
- 68. The proportion of female part-time teachers is almost the same proportion as male teachers who work full-time. Male part-time teachers make up the smallest proportion of scheme membership and, of this group, a greater percentage fall in the lowest pay band.



Source – Teachers’ Pension Scheme (31/03/12)

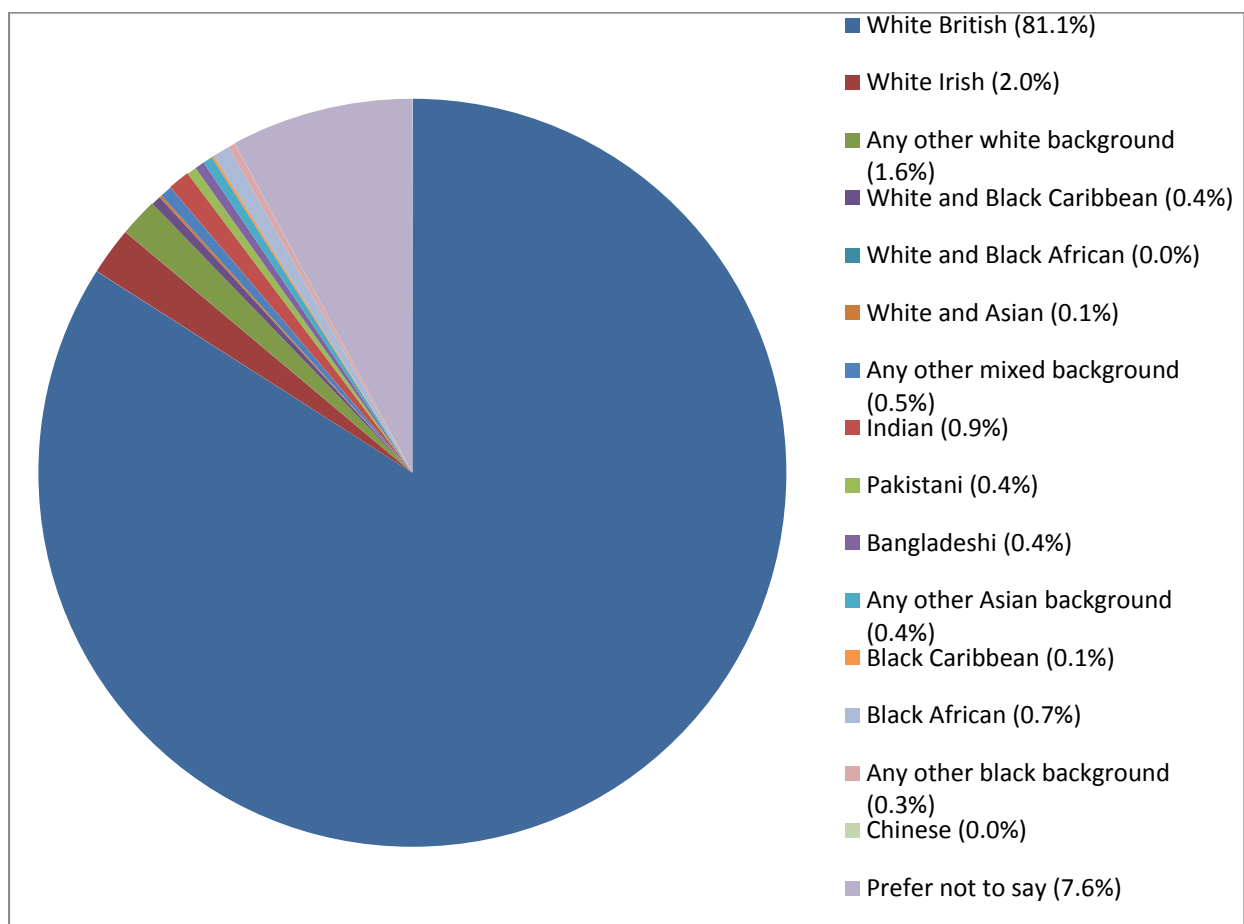
- 69. The proposed tiering structure and distribution approach was designed following full engagement with unions and other key stakeholder groups. During the consultation, some consultees argued that part-time members are disadvantaged because to date tiering designs have been based on an individual’s FTE salary, as opposed to actual salary.

70. The Department has considered this issue in some detail, by undertaking modelling to assess the impact of tiering based on actual salaries, rather than FTE, and concluded that it is reasonable and proportionate change the approach and base the proposed tiering structure on actuals. Basing contribution rates on actual salary will result in a significant increase in the number of teachers benefiting from the 'low paid protection'.

Ethnicity Analysis

71. The following data (**Chart 15**) obtained from the Teachers' Pensions member survey programme, provides an overview of the ethnic origin of the TPS membership.

Chart 15 - Ethnic origin of the TPS membership



Source – Teachers' Pensions member survey programme – November 2012

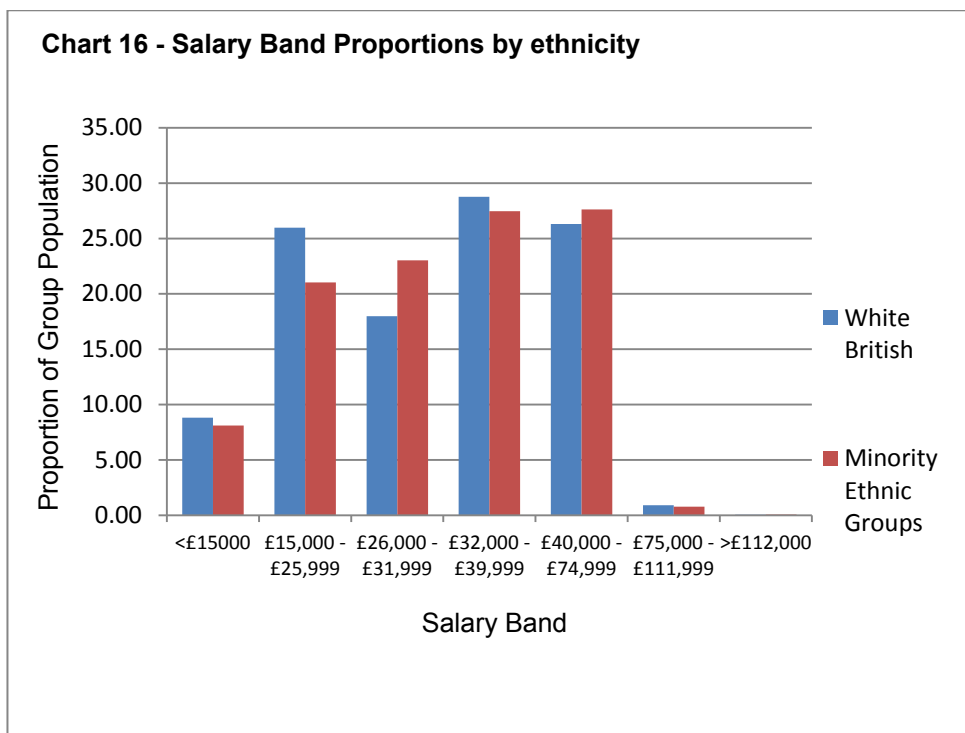
72. As the TPS data on ethnicity is limited, more detailed information regarding the ethnic origin of Teachers in England has been obtained from the School Workforce Census (November 2012). This data does not include TPS members from Wales or those not within the publically funded schools sector. Further analysis of the Census data shows the following:

73. Of the Heads and Deputy/Assistants, the percentage of "White-British" origin is 94.4% and 92.5% respectively, with the second highest group being "White-Irish"

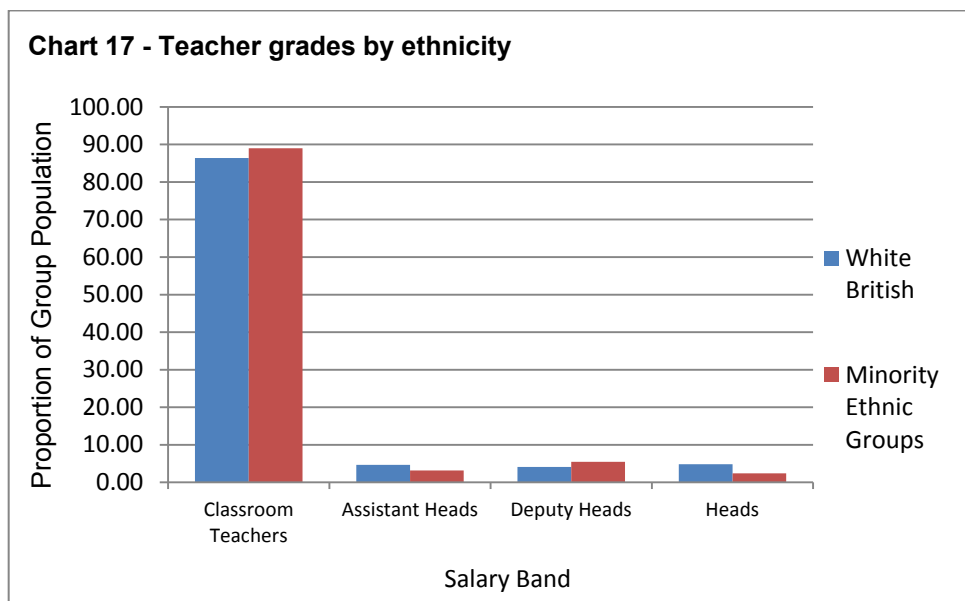
(1.8% & 1.7%). The most significant other groups are “Any other white background” (1.3% & 1.8%) and “Indian” (0.6% & 1.1%).

74. Within the classroom teacher and other non-leadership posts the ethnic make-up is slightly more diverse. “White-British” origin represents around 88.1% of the workforce, with “Any other white background” representing around 3.3%. “Indian” origin teachers represent around 1.7% and white Irish 1.6% of the non-leadership posts. It should be noted that of the un-qualified teachers 1.7% are of “Black-Caribbean” origin, 1.0% are of “Black-African” origin and 1.8% are of “Indian” origin. Within this area 80.1% are of White-British Origin. Whilst this is significantly lower than all other areas of the teaching workforce, it is still the most dominantly represented group.

75. The impact on ethnic groups shows similar patterns to those associated with the analysis on gender. **Charts 16 and 17** below show that minority ethnic groups generally feature more heavily in lower paid teaching roles and experience less rapid career progression as compared with white scheme members. This suggests that members of ethnic minorities will be impacted less by the proposed increases.

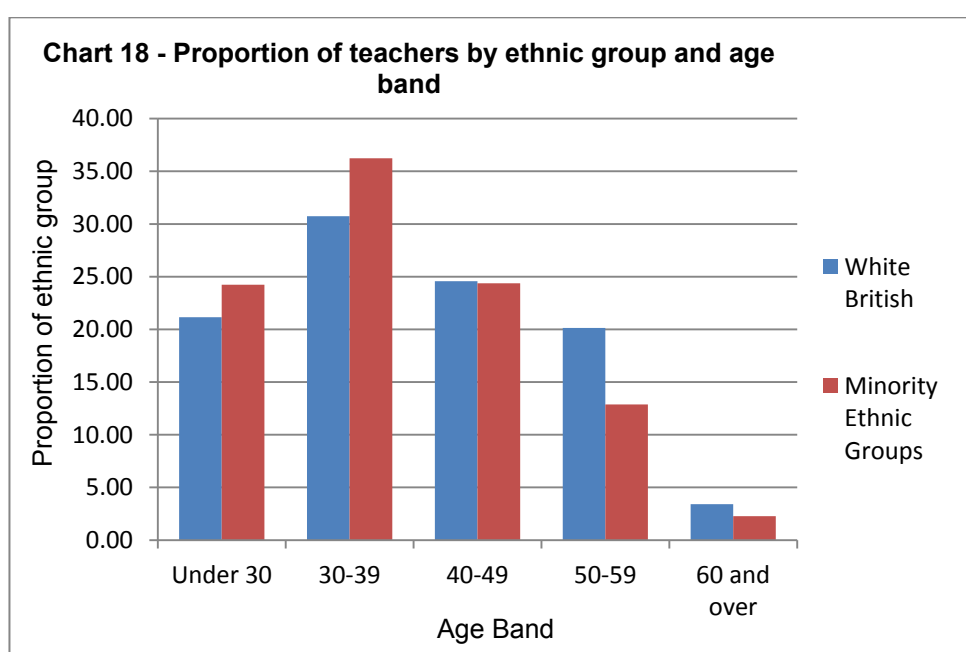


Source: School Workforce Census, November 2012



Source: School Workforce Census, November 2012

76. As with the gender analysis, teachers from minority ethnic backgrounds will benefit from the protection for lower earners to a greater degree as they will be paying proportionately less contributions compared those on higher salaries which are predominantly white British teachers.
77. Whilst the Department recognises that minority ethnic groups do, on average, earn less and do not progress in their careers to the extent that white British scheme members do, the Department does not believe that the changes in the contribution structure offers an opportunity to address the issue.
78. **Chart 18** provides analysis of teachers according to ethnic group and by age bands. The analysis shows that the majority of teachers from minority ethnic backgrounds are in the younger age bands, particularly in their thirties.



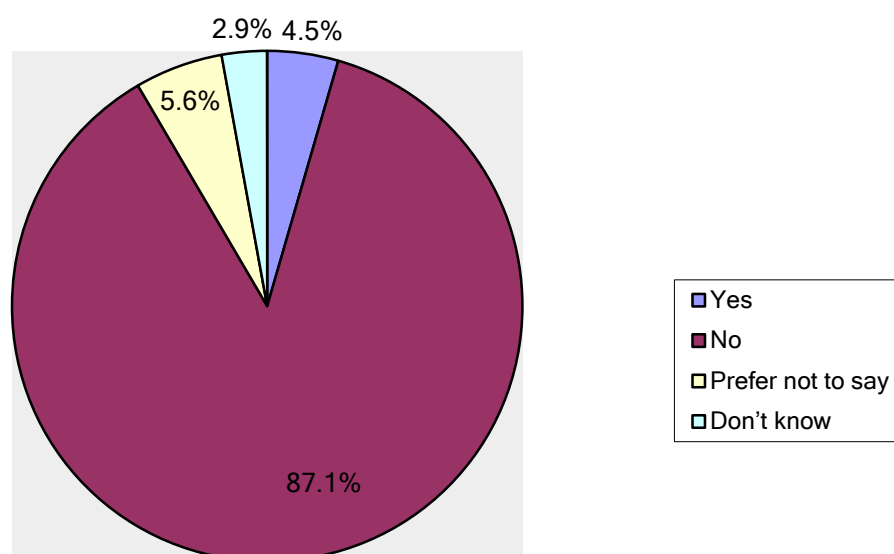
Source: School Workforce Census, November 2012

79. The analysis indicates that minority ethnic groups are less proportionally represented in the older age groups and are therefore more likely to earn less.
80. However, the protection of the lower paid and classroom teachers, mitigates the impact of the change to the contribution structure on younger members and those with slower career progression.
81. Whilst the more detailed information is limited to the publically funded schools sector in England, it is assumed to be broadly representative of the position for the whole TPS membership.

Disability Analysis

82. Data obtained from the “School Workforce Census (November 2012)” and the “General Teaching Council for Wales Annual Statistical Digest (March 2012)” shows that of the 524k teaching population across the two statistical surveys, 56% responded with no disability, less than 1% declared a disability and approximately 43% did not provide a response.
83. Notwithstanding the low proportion of teachers declaring a disability, and the partial coverage of the statistical surveys, the Department has considered the potential equality impact of the proposed change to the contribution structure with reference to this characteristic, in terms of the elimination of discriminatory conduct, the advancement of equality of opportunity, and the fostering of good relations.
84. In comparison, data obtained as part of the Teachers’ Pensions member survey programme showed that 87.1% responded with no disability, 4.5% declared a disability and 8.5 preferred not to respond or did not know of any impairment **(Chart 19)**.

Chart 19 - TPS Disability Data



Source – Teachers’ Pensions member survey programme – November 2012

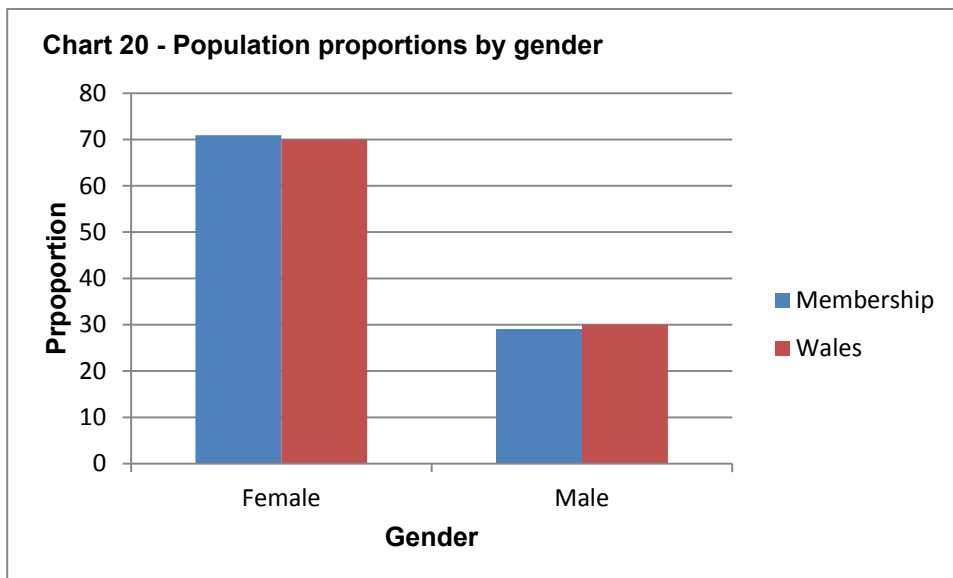
85. The Department has concluded that the proposed change to the member contribution structure does not discriminate against this particular group, and nor does it offer the opportunity to advance equality of opportunity and foster good relations. The main basis for this conclusion is that the changes apply irrespective of whether an individual has that particular protected characteristic.
86. The Department has also considered whether there are potential scenarios specific to this group which merit further consideration, specifically with regards to the potential possibility of teachers with a disability being more likely to work part time. Data derived from the School Workforce Census indicates that 71% of those teachers who made a declaration regarding a disability work full time. It could be

argued that those with a disability are impacted in a broadly similar way to women teachers (of whom 76.9% work full time) meaning that whilst they will be impacted by the changes it is likely to be at a smaller scale and those working part time will benefit from the move to actuals. As a very low proportion of teachers have indicated a disability, it is not considered that impacts on this group will be discriminatory.

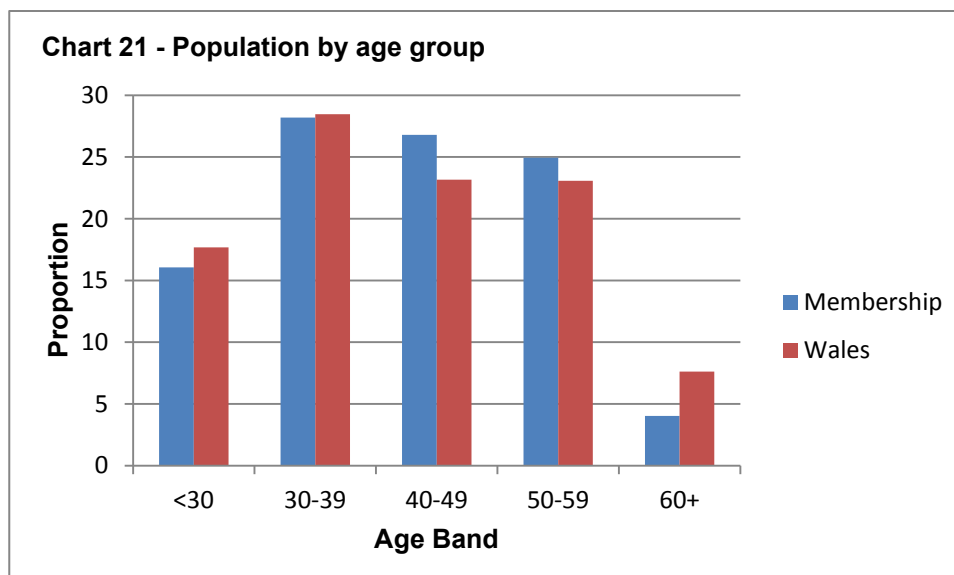
87. The Department does not dispute that, as people live longer, the greater the likelihood that they will be affected by disability and may need to adjust their working hours or leave teaching earlier than planned. It is also recognised, however, that not all disabilities result in an individual being unable to teach.

Analysis for Wales

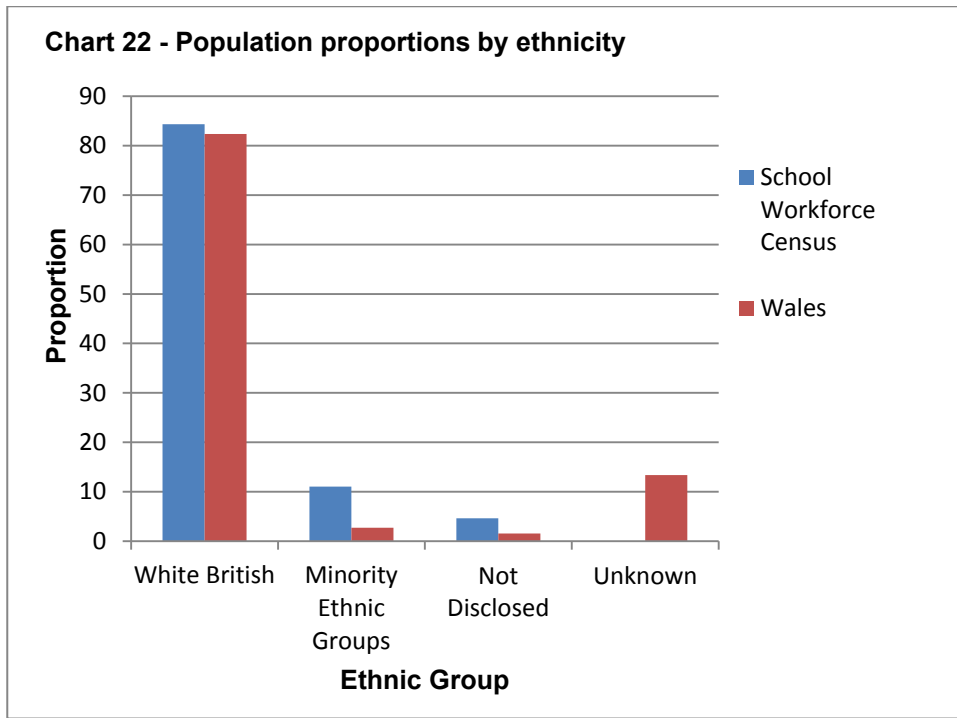
88. **Charts 20 to 22** provide a view of the characteristics of teachers employed in Wales compared to overall membership equivalents. The charts show that, from a gender and age perspective there is generally little variation in the trends. The position is slightly different in respect of ethnicity, where it is apparent (for known minority ethnic groups) there are more ethnically diverse groups in England. A general conclusion though is that the proportions of protected groups in Wales generally reflect proportions in the wider membership and on that basis it is reasonable to consider Wales within the main analysis, rather than separately.



Source – Teachers’ Pension Scheme (March 2012)



Source – Teachers’ Pension Scheme (March 2012) / GTC(W) Statistical Digest (March 12)



Source – School Workforce Census (November 2012) / GTC(W) Statistical Digest (March 12)

Analysis of Other Protected Characteristics

89. The following analysis considers the following characteristics: marriage/civil partnership; sexual orientation, gender reassignment; pregnancy and maternity; and religion or belief.

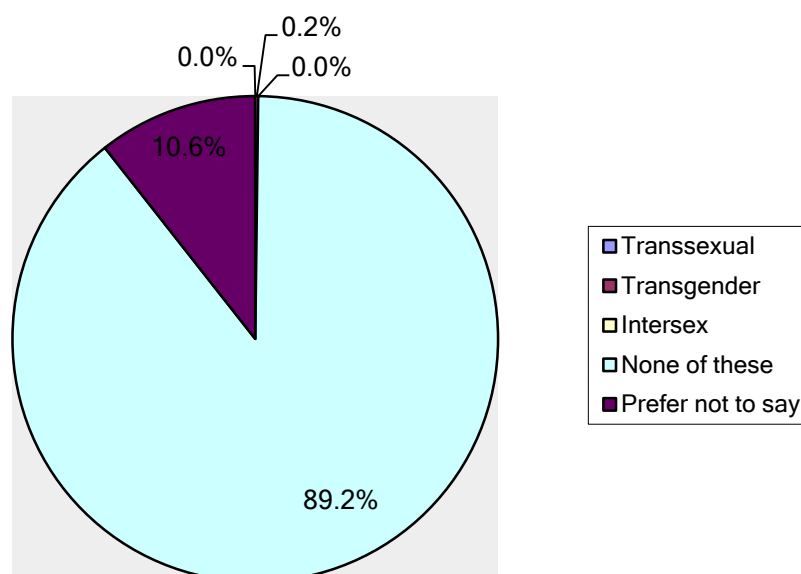
Marriage/Civil Partnership

90. There is no available data on this protected characteristic in relation to the teaching workforce. However, the Department has considered the potential impact of the proposed changes to the contribution structure with regard to this characteristic, specifically in terms of the PSED requirement to eliminate discriminatory conduct. The Department has concluded that the proposals to change member contributions do not discriminate against those who are married or are in a civil partnership, on the basis that the contribution changes apply irrespective of the marital status of the member.

Gender re-assignment (including transgender) and Sexual Orientation

91. The following data (**Chart 23**) obtained from the Teachers' Pension member survey programme, provides an overview of the membership in relation to gender re-assignment (including transgender).
92. The majority of respondents (89.2%) stated none of these applied, 10.6% preferred not to say, 0.2% identified as transgender and none identified as either intersex or transsexual.

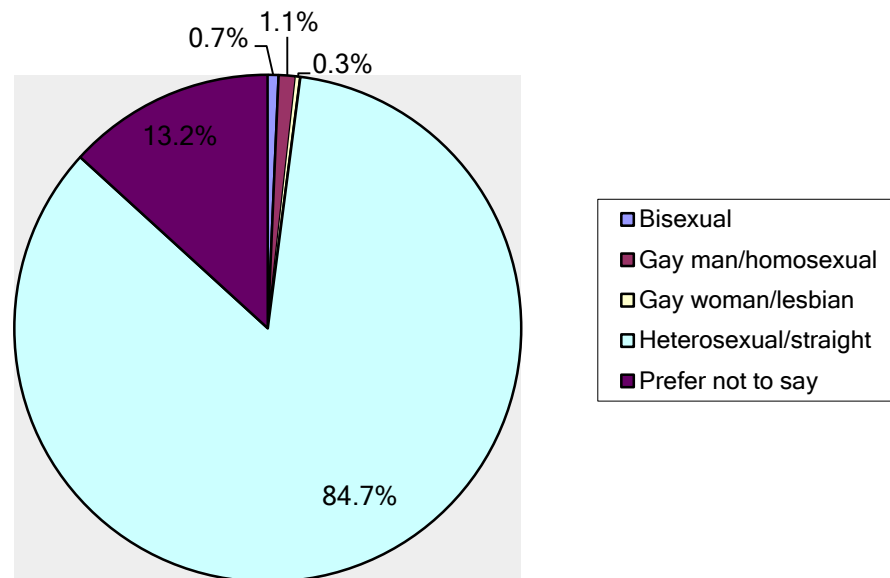
Chart 23 - Gender Re-assignment



Source – Teachers' Pensions member survey programme – November 2012

93. The following data (**Chart 24**) obtained from the Teachers' Pension member survey programme, provides an overview of the membership in relation to sexual orientation.
94. The majority of respondents (84.7%) described their sexual orientation as heterosexual/straight, 1.1% as gay man/homosexual, 0.7% as bisexual and 0.3% as gay woman/lesbian. 13.2% of those asked preferred not to say.

Chart 24 –Sexual Orientation



Source – Teachers' Pensions member survey programme – November 2012

95. The Department has considered the potential equality impact of the contribution changes with regard to these characteristics, in terms of the elimination of discriminatory conduct, the advancement of equality of opportunity, and the fostering of good relations
96. The Department has concluded that the proposals to change member contributions do not discriminate against these particular groups, and nor does it offer the opportunity to advance equality of opportunity and foster good relations. The main basis for this conclusion is that the contribution changes apply irrespective of an individual's sexual orientation or transgender status, so there is no direct impact on these groups. Our analysis has similarly not identified any actual or potential indirect impact.

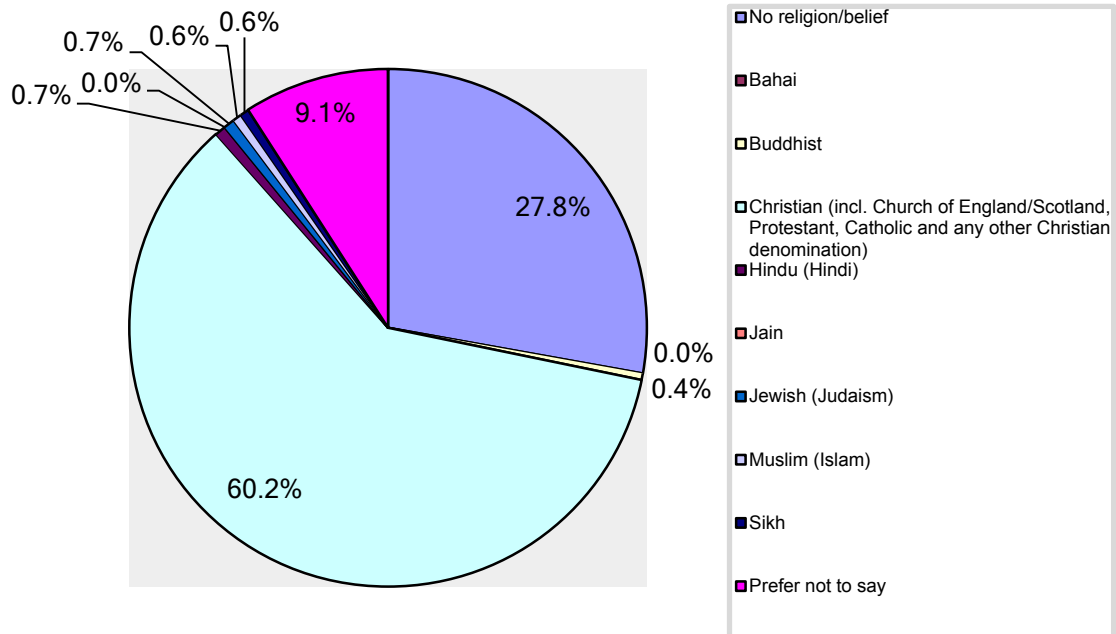
Pregnancy and Maternity

97. There is no available data on this group specifically in relation to the teaching workforce, however, matters that are relevant to this group are considered fully as part of the gender and working pattern assessment. The Department has concluded that the proposals to change member contributions do not discriminate against these particular groups as the proposed protection for lower paid workers and change to actuals will mitigate the impact of the contribution changes.

Religion or Belief

98. The following data (**Chart 25**) has been obtained from the Teachers' Pensions member survey programme.

Chart 25 – TPS Religion or Belief data

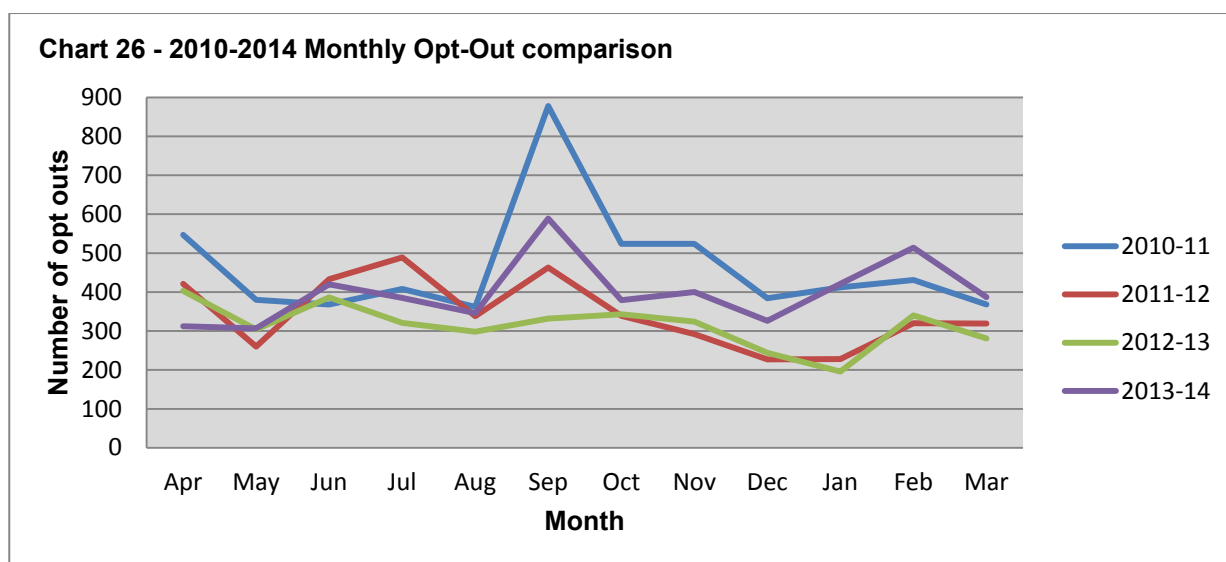


Source – Teachers' Pensions member survey programme – November 2012

99. The Department has considered the potential impact of the proposed contribution changes with regard to this characteristic, in terms of the elimination of discriminatory conduct, the advancement of equality of opportunity, and the fostering of good relations.
100. The Department has concluded that the proposals to change member contributions do not discriminate against these particular groups, and nor does it offer the opportunity to advance equality of opportunity and foster good relations. The main basis for this conclusion is that the proposals to change member contributions apply irrespective of an individual's religion or belief, so there is no direct impact on this group. Our analysis has similarly not identified any actual or potential indirect impact.

Opt-Out Analysis

101. The Department is committed to reduce the risk of members opting out of the TPS. The process of monitoring opt-outs has been used to inform the design structure and distribution approach for the contribution structure changes and it will continue to be an on-going process in order to identify any potential changes in member behaviour for consideration with regards to future contribution changes.
102. Opt-out data is being obtained on a monthly basis from the Teachers' Pensions administrator Capita. **Chart 26** shows the total number of members electing to opt out each month from April 2010 to March 2014. As 2014 progresses the number of opt-outs will be added to this chart to provide a direct comparison of membership behaviour between years.



Source – Teachers' Pension Scheme (31/03/14)

103. The monthly opt-out comparisons for 2013-14 have fluctuated with no discernible pattern. Between April 2013 and March 2014, there have been a total of 4,786 elections to opt out, this is an increase of 1014 (21.2%) compared with the same time last year. The peak month during 2013-14 was September, where a total of 589 members opted out. In contrast, the peak month for 2012-13 was April with 403 opt-outs.
104. The age range of those opting out in 2013-14 is focused on those 25 -34 years old, which is consistent with previous years and from both full time and part time members in the 55 – 59 and 60+ age brackets. This change in behaviour has been seen in all opt-out reports since February 2013 and may be, at least in part, a result of auto enrolment.
105. The opt-out data continues to demonstrate that of the small proportion of members who opt out of the TPS, the majority are members with relatively little service, with most of those having less than 5 years' service. In March 2014, 50% of all members who opted out had less than 5 years' service and 61% had less than 10 years' service.

106. The majority of opt-outs involve members who work in the maintained school sector. The largest number came from female members. However, the actual proportion of members in this group opting out is well below the proportion of active female members within the maintained sector.
107. The monthly opt-in figures to date have followed the same pattern as in previous years, with the majority of members returning to the TPS after originally choosing to opt out after completing less than 1 year of service. The data shows that as the membership age increases the elections to opt out reduce. In March 2014, the age band with the most opt-outs was 26 – 30 and 36 – 40 for opt-ins.
108. The average length of time these members remained opted out of the scheme was 3.46 years. On average full-time male members are showing to have remained opted out longer than the other groups, with an average of 4.64 years, this average was however increased considerably due to two members opting in after 20 and 23 years.
109. The opt-out data demonstrates that opt-out levels are very low, with the highest number of teachers opting out of the scheme having minimal service. These are mainly teachers new to the profession and on the lowest salary scales. The designed tier progression recognises this trend and in line with the government's commitment to support the lowest paid and reduce opt-out rates, protection has been provided for this group of members who will pay a contribution rate lower than the 9.6% average.
110. The Department will continue to monitor opt-out levels in order to identify if there are any behavioural changes as a result of the changes to the contribution structure or wider reforms.

Equality Analysis Conclusion

111. The main equality issues emerging throughout the equality analysis and stakeholder engagement process, and the Department's position are summarised below:

Issue	Department's position
<p>The contribution changes will have a disproportionate impact on the younger, lower paid, disabled, teachers from black and minority ethnic (BME) groups, and part-time teachers, who are more likely to be female. Older teachers and the highest paid are also likely to be disproportionately adversely affected.</p>	<p>Equality analysis has been undertaken for the previous increases in pension contributions and this included careful consideration of the impact on these groups.</p> <p>This analysis informed the design of the structure and distributional approach for post 2015 contributions.</p> <p>This year's analysis indicates that there is no disproportionate impact on members by reference to their protected characteristics.</p> <p>The proposals for post 2015 provide protection for the lowest paid including newly qualified teachers by ensuring that they pay less than the 9.6% average. Part time members will also benefit from this protection and from the move to actuals, which will reduce contribution rates for the majority of this group. Disabled and minority ethnic groups feature more heavily in lower paid teaching roles and therefore also benefit from the protection.</p> <p>Although the highest earners pay the highest contributions under a tiered structure, the move to 6 tiers will benefit higher paid workers.</p> <p>Further equality analysis will be undertaken for any future changes to the contribution structure, prior to final decisions being made. That analysis will be informed by discussions with unions, and monitoring of opt-out rates.</p>
<p>The changes in contribution rates will have a disproportionate impact on those in the workforce who are higher paid, and are predominantly male.</p>	<p>Although the highest earners pay the highest contributions under a tiered structure that recognises that they currently tend to gain more in terms of benefits. In addition, the move to 6 tiers will reduce the impact for higher paid workers, who are predominantly male.</p> <p>Under the proposed structure, higher earners will see a reduction in contribution rates from previous years and a reduction in the differential between the highest and lowest tier.</p>

Conclusion

112. The proposed changes in TPS member contributions are intended to mitigate potential negative impact on groups with protected characteristics, as it is anticipated that pay levels increase with age, career progression and subsequent movement through the tier system.
113. The changes to the contribution rates, especially the move to using actuals, will positively impact on part time workers and the lower paid. This reflects one of the core Government principles of protecting the lowest earners who will continue to pay contributions at a lower rate than the 9.6% average.
114. The changes also provide benefits for some higher earners as a result of the move to 6 tiers, which reflects the desire to move to a flatter structure over time.
115. In having due regard to the public sector equality duty, the Department has considered carefully the impact of the proposals in respect of each of the following protected characteristics: age, gender, working pattern (although this is not a protected characteristic), ethnicity, disability, religion or belief, gender reassignment, pregnancy and maternity, sexual orientation, gender reassignment; and marriage/civil partnership.
116. We have concluded that disproportionate adverse impact on current and future members is unlikely. We have therefore concluded that proposals do not give rise to any significant equality issues and represent a proportionate means of achieving a legitimate aim as set out by the Government.

Further Action

117. The Department recognises its on-going obligation to comply with the public sector Equality Duty. With that in mind, equalities considerations will continue to be taken into account as we take forward the arrangements for implementing the contribution increases from April 2019 and beyond.
118. Following the conclusion of this consultation, the Department will use the responses to further inform this equality analysis.

Member Data - Protected Characteristics

119. Data collected by Teachers' Pensions via the Annual Return is for the purpose of fulfilling pension administration obligations, none of which has relevance to the ethnicity/disability or other protected characteristics of an individual. As such, it would be inappropriate for the Annual Return to be used as a vehicle for collecting such data, and there is a need to be mindful of the increased burdens on employers that a change to the data collection process may cause.
120. However, the Department does recognise the need to continually monitor the ethnic and disability status of scheme members, as well as the other protected characteristics, to inform the on-going development of pension policy.
121. The Department therefore aims to continue to obtain information about the active

membership of the TPS via the Teachers' Pension member survey programme in order to assess the impact of changes in contribution rates on individual groups in 2019 and beyond and to work with TP and member groups to encourage members to participate in the survey.

Opt-outs

122. The Department will continue to analyse monthly trends on opt-out and opt-in levels with each report containing a comparison to the previous month. The opt-out data will be compared directly with membership data to identify changes in member behaviour and potential disproportionate levels of opt-out, and the Teachers' Pensions Employer Relationship Managers will conduct surveys of employers where anomalies in opt-out patterns become apparent and consider any trends with reference to the protected characteristics.
123. Opt-out analysis will continue to be an on-going process in order to identify any potential changes in member behaviour to inform policy on the design structure and distribution approach for changes to contribution rates from April 2019 and beyond.

Improved member and employer communication

124. The Department continues to work with the TPS administrator to deliver improved member and employer communications, so that all teachers are fully aware of and understand the impact of proposed changes and the value of staying in the scheme.

Next Steps

125. Following the conclusion of this consultation, The Department will use the responses to further inform this equality analysis and an updated version will be published with the consultation response.
126. The Department has given a commitment to work closely with trade unions, employers and other key stakeholders in developing the contribution structure for post 2019 and beyond. Following the conclusion of this consultation, the Department will use the responses to further inform this equality analysis.

Annex A

Age Profile of Active Members as at 31 March 2012

Teacher Data as at: 31/03/2012

Age Profile									
	NPA60 Male FT	NPA60 Male PT	NPA60 Female FT	NPA60 Female PT	NPA65 Male FT	NPA65 Male PT	NPA65 Female FT	NPA65 Female PT	TOTAL
< 21	0	0	0	0	2	50	6	67	125
21	0	0	0	0	76	73	438	189	776
22	0	0	0	1	411	154	2237	451	3254
23	0	0	1	0	1180	303	5272	792	7548
24	1	1	1	0	2210	414	7840	1079	11546
25	2	1	4	1	2735	487	9372	1129	13731
26	42	2	240	33	3025	447	10176	1251	15216
27	298	17	1499	193	3145	511	9516	1396	16575
28	938	35	3773	614	2925	501	7228	1337	17351
29	1618	53	5540	1095	2353	408	5283	1223	17573
30	2263	95	6492	1759	1999	431	4155	1211	18405
31	2785	119	7255	2573	1846	484	3192	1215	19469
32	3116	134	7356	3244	1538	423	2600	1175	19586
33	3120	174	6898	3624	1372	402	2053	1153	18796
34	3031	169	6146	3801	1142	379	1722	1068	17458
35	3189	196	5822	3950	1034	351	1475	1062	17079
36	3350	203	5698	4170	906	351	1410	1088	17176
37	3638	256	5751	4457	886	354	1275	1277	17894
38	3662	242	5864	4264	857	355	1361	1380	17985
39	3968	267	5809	4145	785	380	1354	1516	18224
40	4139	362	5706	4008	773	405	1370	1705	18468
41	4026	351	5557	3727	791	456	1416	1708	18032
42	3896	317	5425	3399	709	430	1382	1692	17250
43	3809	335	5407	3235	702	401	1459	1736	17084
44	3660	369	5418	2980	648	461	1345	1707	16588
45	3576	397	5948	3189	582	425	1235	1689	17041
46	3705	400	6225	3180	605	416	1295	1616	17442
47	3952	445	6280	3122	595	454	1178	1683	17709
48	3754	472	6215	3032	570	465	1113	1501	17122
49	3755	421	6078	2899	545	398	930	1291	16317
50	3697	493	6195	2704	496	458	788	1292	16123
51	3753	446	6519	2810	426	411	689	1144	16198
52	3802	490	6692	2913	409	402	550	1091	16349
53	3977	506	7078	3136	341	376	487	1012	16913
54	4196	550	7605	3422	296	368	388	934	17759

55	4025	572	7504	3501	299	364	334	879	17478
56	3968	631	7019	3454	233	306	288	713	16612
57	3655	670	6658	3344	196	318	231	746	15818
58	3498	749	6214	3307	194	283	167	608	15020
59	2850	697	4988	3227	150	278	127	485	12802
60	1878	645	3317	2396	114	244	87	417	9098
61	1298	494	1694	1294	95	221	73	250	5419
62	970	404	1123	915	72	204	29	246	3963
63	775	315	682	625	50	175	19	189	2830
64	575	246	509	440	35	193	15	137	2150
65	271	189	242	274	25	132	9	99	1241
66	52	58	86	106	6	59	3	53	423
67	30	37	37	67	5	50	2	59	287
68	21	31	21	41	0	41	0	44	199
69	10	21	16	40	1	32	0	41	161
70	7	7	7	20	0	20	0	20	81
71	4	5	4	8	0	17	0	11	49
72	1	1	1	10	0	24	1	15	53
73	1	3	2	4	0	15	0	20	45
74	0	3	0	1	1	12	0	10	27
75 +	0	0	0	0	0	1	0	2	3
TOTAL	116607	14096	206621	108754	40391	16573	94975	47904	

For The Record

Name of person(s) who carried out this assessment: Michelle Thompson-Smith
Date Assessment Completed: The assessment was conducted throughout the on-going policy and decision making process, with completion on 14/04/2014. This analysis will be further updated following the completion of the consultation.
Name of responsible Deputy Director Stephen Baker
Date assessment was signed 14/04/2014



Department
for Education

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