

Title: Legislative requirement to extend civil partnerships to opposite-sex couples IA No: CO2016 RPC Reference No: N/A Lead department or agency: Government Equalities Office (GEO), Cabinet Office Other departments or agencies: N/A	Impact Assessment (IA)			
	Date: 09/07/2019			
	Stage: Consultation stage			
	Source of intervention: Domestic			
	Type of measure: Secondary legislation			
	Contact for enquiries: Garreth Brown, Email: garreth.brown@geo.gov.uk			
Summary: Intervention and Options				
RPC Opinion: Not Applicable				

Cost of Preferred (or more likely) Option (in 2016 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
£-0.4m	£-8.5m	£1.0m	Not a regulatory provision

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

There is an inequality between same and opposite-sex couples in accessing civil partnerships. Following the introduction of same-sex marriage in 2014, same-sex couples have been able to choose between a civil partnership and a marriage in order to formalise their relationships, however opposite-sex couples can only have a marriage. The Civil Partnerships, Marriages and Deaths (Registration etc.) Act 2019 (CPMDA 2019) requires the government to end this inequality by changing the law to enable opposite-sex couples to form civil partnerships by 31st December 2019.

What are the policy objectives and the intended effects?

We will introduce regulations through an affirmative statutory instrument to change the law so that opposite-sex couples may form a civil partnership. This will mean that both same-sex and opposite-sex couples will be able to form either a civil partnership or a marriage if they choose; this will require some consequential changes to the Civil Partnership Act 2004 and to other pieces of legislation, including on pensions, parental rights and responsibility, religious protections, and the ability to convert from a civil partnership to a marriage and vice versa.

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

The CPMDA 2019 requires the Secretary of State to exercise a power to extend civil partnerships to opposite-sex couples by regulations, and to bring such regulations into effect by 31st December 2019. We have therefore not considered alternatives to regulations as this would mean government would be in breach of the law. When considering how to remove the inequality of access to civil partnerships, government considered a range of options, which we outlined in a Command Paper in May 2018.

The Supreme Court found the existing inequality to be incompatible with the European Convention on Human Rights; failing to make the relevant changes through legislation would be likely to result in further legal challenge.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: N/A

Does implementation go beyond minimum EU requirements?		Yes			
Is this measure likely to impact on trade and investment?		No			
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: Baroness Williams of Trafford Date: 4th July 2019

Summary: Analysis & Evidence

Policy Option 2

Description: Extending civil partnerships to opposite-sex couples is likely to lead to couples who would not get married, legally formalising their relationship through an opposite-sex civil partnership. These individuals will automatically gain survivor rights to a partners' Defined Benefit (DB) pension when doing so.

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -5.2	High: -19.8	Best Estimate: -10.0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.4	0.6	5.2
High	0.4	2.3	19.8
Best Estimate	0.4	1.2	10.0

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

The key monetised annual recurring cost is from survivors' benefits to a partner's private sector DB occupational pension scheme, for couples aged 65+ who would not get married but would form an opposite-sex civil partnership (OSCP). As such, the reform impacts on businesses with DB pensions schemes only. Familiarisation costs for pension schemes to implement the new legislation have also been estimated.

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

Costs for updating pensions scheme computer systems has not been calculated, as these are expected to be negligible, given the fact civil partnerships have been a legal form of union since 2006. These reforms will also have costs to the public sector from DB public sector pension schemes, and from other tax impacts (e.g. married tax allowance). The GEO are currently working with HMT, DWP and other departments to assess the overall impact of OSCP on public expenditure.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	0.6	4.8
High	0.0	2.3	19.4
Best Estimate	0.0	1.2	9.6

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

The key monetised benefit is the income from survivors' benefits to individuals whose partners were enrolled in a private sector DB pension but have died. This is a transfer from businesses to individuals. It has not been possible to monetise other benefits from the introduction of opposite-sex civil partnerships, due to a lack of evidence in this area.

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

It is difficult to identify benefits from this measure which can be monetised, but non-monetised benefits include giving people in society the who want to formalise their relationship, but do not wish to get married, a legal route to do so. This closes an inequality in the existing law.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
Estimated take-up of OSCP and the number of individuals with survivor rights to DB pensions that will form an OSCP are key sensitivities in our analysis. 68% of opposite-sex unmarried couples are already assumed to have survivor right to DB pensions. The chairperson of each private sector DB pension scheme is assumed to need 2 hours to familiarise themselves with the new regulatory requirements of this measure.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: -1.2	Benefits: 0.0	Net:-1.2	
			N/A

Evidence Base

Problem under consideration

Civil partnerships were created in 2004 for same-sex couples only, to enable them to formalise their relationships at a time when marriage was not available to them. Following the introduction of same-sex marriage in 2014, civil partnerships remained available only to same-sex couples. Opposite-sex couples are currently prohibited by law from forming a civil partnership under the Civil Partnership Act 2004. This has resulted in a situation where same-sex couples are able to choose between a civil partnership or a marriage when formalising their relationship, whereas opposite-sex couples are denied this choice, and are only able to marry.

In June 2018 the Supreme Court ruled that this approach was incompatible with the European Convention on Human Rights. The government committed in October 2018 to end this inequality of access to civil partnership between same and opposite-sex couples by extending civil partnerships to opposite-sex couples.

In extending civil partnerships to opposite-sex couples, our policy aim has been to match, as far as possible, the rights of same-sex civil partners or, where appropriate, opposite-sex married couples. The rights conferred on opposite-sex civil partners and married couples are largely equivalent, however slight differences will exist, e.g. pension rights.

Opposite-sex civil partners' pension entitlements for occupational pensions will be matched to those of opposite-sex married couples. State Pension benefits will however confer the same rights on OSCPs as are currently available for same-sex civil partners. Transitional rules of State Pension rights¹ require that a marriage or civil partnership took place before 6 April 2016; as such no new 'additional' rights to state pension benefits are expected from the formation of new OSCPs.

Rationale for intervention

Whilst many people continue to choose a marriage to formalise their relationship, for others this is not an option they feel is suitable for them². We know that many of these opposite-sex couples would like to form a civil partnership but are prevented from doing so by the law.

There are currently over 3 million cohabiting families in the UK³ and extending civil partnerships to opposite-sex couples will give them an opportunity to formalise their relationships, creating greater stability and security for them and their children.

The alternative route to creating equality of access to civil partnerships between same and opposite-sex couples was to close down the existing right to form a civil partnership; this would have taken away a mechanism which continues to be used by same-sex couples to formalise their relationships.

These changes would only apply to England and Wales as the powers are devolved to Scotland and Northern Ireland. Scotland has recently announced its intention to introduce OSCPs. The continuing absence of devolved government in Northern Ireland means these proposals cannot be fully considered or implemented for the people of Northern Ireland at this stage.

¹ This is discussed further in chapter 6 of the accompanying command paper published alongside this impact assessment

² A YouGov poll commissioned by GEO found that over 50% of opposite-sex couples in serious relationships were unlikely to marry

³ ONS, 2017. *Families and Households: 2017*. (available [here](#))

Policy Objective

In order to make it possible for opposite-sex couples to form a civil partnership, we are required to change the law. The Civil Partnership Act 2004 defines a civil partnership as being between a couples of the same sex, therefore explicitly prohibiting opposite-sex couples from forming a civil partnership. As well as making the necessary changes to the CPA 2004, we will also need to make consequential changes to a range of other legislation, including on parenthood, religious protections, pensions and gender recognition. Consideration of the impact from these consequential legislative changes will be included in the validation stage IA for OSCP, following our consultation results.

The government supported the Civil Partnerships, Marriages and Deaths (Registration etc.) Act, a Private Member's Bill which received Royal Assent on 26th March 2019. The Act enables the government to make the necessary changes to the law to create equality of access to civil partnerships between same and opposite-sex couples, and requires them to do so by 31st December 2019 at the latest. We will do this through secondary legislation in the form of an affirmative Statutory Instrument, to be considered by Parliament in the autumn.

Keeping civil partnerships between same-sex couples only was not deemed tenable, as it would knowingly maintain an inequality on the grounds of sexual orientation. This approach would also expose the government to increased public pressure to end this inequality, particularly in line with the Supreme Court ruling, and would also undermine the government's commitment to equality. Furthermore, we are required by law (CPMDA 2019) to change the law to bring about equality between same-sex and opposite-sex couples in relation to their access to civil partnerships by 31st December 2019. **This option does however form the counterfactual basis for our cost estimates in this impact assessment.**

Other options considered

In ending the inequality between same and opposite-sex couples in their access to civil partnerships, we considered the following options:

- i. **Option 1 (Do Nothing):** Maintaining the status quo, so that same-sex couples only would be able to form civil partnerships.
- ii. **Option 2 (preferred):** Extend civil partnerships to opposite-sex couples

Evidence on take up of Opposite-Sex Civil Partnerships (OSCPs)

There is uncertainty over the estimated take up of OSCP in England and Wales, due to the complex personal and social reasons for entering into a formalised union with a partner. OSCP will be a new type of formalised relationship for opposite-sex couples, where only marriage has been available previously and we do not know how couples will react.

Given this uncertainty, this impact assessment will look at the introduction of OSCP under a number of 'take up' scenarios. The estimates will utilise international evidence and the results of a representative survey of UK demand for OSCP (the OSCP survey), commissioned by the Government Equalities Office (GEO) in 2018⁴.

⁴ YouGov, 2018. *Civil Partnerships Survey, fieldwork 10-18 September 2018*

International experiences of opposite-sex civil unions

As the rights and responsibilities of civil union-type arrangements vary from jurisdiction to jurisdiction, and are frequently amended or challenged through legal processes, it is difficult to set out a definitive list of countries where civil unions are available to opposite-sex couples. However, civil partnership-like arrangements appear to be currently available in the following countries and dependencies around the world. These include:

1. Andorra; Argentina (state-by-state arrangements); Belgium; Brazil; Canada (state-by-state arrangements); Cyprus; Ecuador; Estonia; France; Gibraltar; Greece; Isle of Man; Luxembourg; Malta; Netherlands; New Zealand; Portugal; South Africa; Uruguay; and USA (state-by-stage arrangements)

The above list is not exhaustive, as a number of other countries may have more limited recognition of cohabiting couples which may or may not equate to certain definitions of 'civil union'.

Case study – Netherlands (relatively high take up, increasing over time)

In order to identify international case studies to inform potential take-up of civil partnerships among opposite-sex couples in England and Wales, an assessment was made of what official data was available on the number of opposite-sex civil unions performed (in comparison to marriage) in those jurisdictions that offered them.

Official data with a sufficient level of detail was only available for a small number of the countries listed above. We considered the Netherlands, New Zealand and Greece as potential scenarios for the take-up of OSCPs in England and Wales.

The Netherlands' experience of OSCPs is one of low initial take-up, increasing strongly over time, with OSCPs a growing proportion of opposite-sex unions (marriage plus OSCPs). This compares to New Zealand, which was rejected as a likely scenario given take-up of OSCPs is incredibly low and remains flat. The OSCPs survey results suggest England and Wales is unlikely to follow this experience.

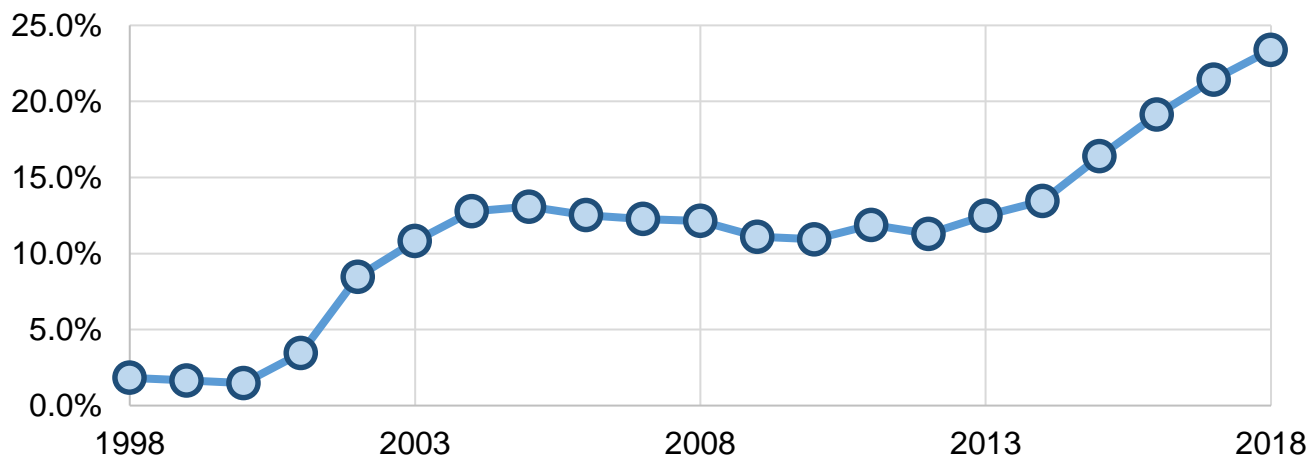
Civil Unions were introduced in Greece in 2008 for opposite-sex couples. Take-up was initially low, but has been increasing over time. In 2015, civil unions were extended to same sex couples (same-sex marriage is not currently legal in Greece), but the data does not disaggregate same-sex and opposite-sex unions. It is therefore not possible to say whether the trend in opposite-sex couples increasingly opting for civil unions has continued. For this reason, and as the Netherlands and England and Wales are more socially and culturally comparable than Greece, the Netherlands was picked over Greece as the likely low estimate for OSCP take-up in England and Wales.

We have carried forward the Netherlands' scenario as a basis for our low estimate in this impact assessment. This is because opposite-sex civil unions have been in place for a relatively long period in the Netherlands (since 1998), providing a longer time-series of data points for estimation. In our low take-up estimate, we assume that demand for OSCPs in the UK follows the same trajectory as the Netherlands over time.

Netherlands opposite-sex registered partnerships data

Registered partnerships were first introduced in the Netherlands in 1998, and were available to both same-sex and opposite-sex couples. Same-sex marriage was introduced not long after, in 2001. Since their introduction in 1998, registered partnerships have grown in popularity among opposite-sex couples, from 2% of all opposite-sex unions (registered partnerships plus marriages) in the late 90s, to around 12% in the 2000s, and rising to 23% in 2018 (Figure 1).

Figure 1: Netherlands opposite-sex civil-partnerships as % of all unions, 1998-2018



Source: Statistics Netherlands⁵

⁵ Statistics Netherlands, 2019. *Marriage and Partnerships Registrations*. (available [here](#))

YouGov OSCPS Survey results

To gauge current appetite for civil partnerships among opposite-sex couples, the GEO commissioned YouGov to produce a survey of likely demand. The survey was conducted between 10th and 18th September 2018 through YouGov's online platform and with their panel⁶. Survey results were weighted to be representative of all GB adults (aged 18+). A standalone publication has been produced alongside this impact assessment exploring the survey approach and findings in more detail⁷.

The initial unweighted total sample size was 14,809 adults (aged 18+), respondents were asked to confirm they were in a serious relationship with someone of the opposite-sex which resulted in an unweighted sample of 2,390 of 'unmarried adults in a serious opposite-sex relationship'.

Table 1: Summary of YouGov Survey Data for OSCPS

	Adult population (aged 18+) in England and Wales		Unmarried adults in serious opposite-sex relationship	
Population statistics	% of adults (aged 18+)	Number of adults (aged 18+)	% of adults in serious relationship (but not married)	Number scaled to England and Wales population
England and Wales	100%	46.2m	17%	7.9m
YouGov Survey sample	Initial unweighted YouGov sample size (GB adults 18+)		Weighted YouGov sample size (GB unmarried adults in serious opposite-sex relationship)	
	14809		2378*	
Adults in serious opposite-sex relationship likelihood of marrying:	Survey responses**	% of survey respondents	Rescaled to Population - 'unmarried adults in serious opposite-sex relationship'	Rescaled to count of 'unmarried couples in serious opposite-sex relationships'
Likely to marry	965	41%	3.2m	1.6m
Unlikely to marry	1050	44%	3.5m	1.8m
Don't know likelihood to marry	364	15%	1.2m	0.6m
% of sample 'unlikely to marry', and 'very interested in a Civil Partnership', (average of responses 'within next year' and '1-2 years from now'),	2%		154,645	77,323

Source: GEO OSCPS survey by YouGov 2018, ONS population statistics

* This is the weighted value, **Number may not add to 2378 due to rounding from reweighted values

⁶ The YouGov panel is made up of over 1 million British adults, with active sampling of members for a given survey to be representative of British adults in terms of age, gender, social class and education. Further information can be found [here](#)

⁷ Please see annex 'Exploring the Potential Uptake of Opposite-Sex Civil Partnership', which has been published alongside this impact assessment

For the purposes of this impact assessment we are only including those that are 'unlikely to marry' but are 'very interested' in an OSCP within the '**additional**' unions take-up calculation. It is not possible to estimate what proportion of those that have stated 'fairly interested' or 'very interested' in an OSCP will actually form an OSCP once they become available. We do not expect all of those who have said they are 'very interested' in an OSCP to actually take-up the option – international evidence supports this view – although this is the assumption we have used for our 'high' estimate in this impact assessment.

The proportion of those that are 'unlikely to marry' and 'very interested' in forming an OSCP 'within the next year' (averaged over 'next year', and 'between 1-2 years from now') is 57% of total estimated demand for OSCPs. This proportion is carried forward in our 'additional' OSCPs take-up calculations. This value is used in all three scenarios to estimate what proportion of OSCPs take-up will be 'additional'.

Low, Best and High take-up of 'additional' OSCP

The results of the GEO's OSCPs survey suggest there is robust demand for opposite-sex civil partnerships in the UK. Our estimates for OSCP take-up are as follows, guided by the evidence currently available:

- **Low estimate** – The number of OSCPs is estimated using UK marriage and population rates alongside take up rates from the Netherlands. Of these OSCPs, 57% each year are assumed to be 'additional'.
 - Follows % of opposite-sex civil partnerships as % of total opposite-sex unions (marriages plus OSCPs) from Netherlands data 1998-2007,
 - Estimates re-scaled to forecast UK marriages from 2020-2029 ([Table 3](#)).
- **Best Estimate** – We assume that, in addition to the above, there is an initial surge in interest that tapers off over time in line with UK data on same sex civil partnerships (see Figure 2). In line with the results of the GEO commissioned OSCPs survey, we assume this additional interest is 50% of the level indicated by the survey.
 - Initial high level of demand from those waiting to formalise relationships. Baseline numbers increasing over time following Netherlands data 1998-2007
 - Estimates re-scaled to forecast UK marriages from 2020-2029 ([Table 3](#)).
- **High Estimate** – This estimate takes the OSCPs survey results at face value, using them as the base for this estimate, with an initial surge similar to same sex civil partnerships (see Figure 2). We also assume that OSCPs increase over time - from year 4 onwards due to dissipation after initial take-up - in line with the historical data from the Netherlands (See [Table 2](#))
 - Estimates re-scaled to forecast UK marriages from 2020-2029 ([Table 3](#)).

Summary of the steps in take-up calculations for best estimate are as follows:

- 1) From all survey respondents take those in a serious relationship,
- 2) Take % of (1) 'very interested' in a CP and 'unlikely to marry' (to get 'additional' OSCPs),
- 3) Take % of (2) that will form an OSCP 'within the next year' (to produce an annual estimate of 'additional' OSCPs):
 - We have averaged those 'in the next year', and those 'in 1-2 years' time to take into consideration time taken to plan a formal union ceremony,

- 4) For 'best' estimate we have added 50% of these additional OSCPs to Netherlands data
For 'high' scenario, we have carried forward 100% of these additional OSCPs
- 5) Apply a 10 year profile of historical OSCP data from the Netherlands
 - this gives us the 'additional' CP demand for each year from 2020-29
- 6) Then reduce take-up estimate to just those aged over 55⁸ (x 57% of 'additional' OSCPs⁹)
 - From our OSCPs survey, we take the 55+ age grouping, along with the age profile for new marriages, to estimate the proportions of 'additional' OSCPs that are likely to be taken up by those aged 65+ (retirement age)
- 7) Then discount for those not already eligible for survivors' benefits to private sector DB pensions

Table 2: Netherlands data on Marriage and Civil Partnership formation as % of opposite-sex unions

Year	Opposite-sex couples - % marriage	Opposite-sex couples - % civil unions	Percentage Point Change year-on-year
1998	98.2%	1.8%	-
1999	98.4%	1.6%	-0.2%
2000	98.5%	1.5%	-0.2%
2001	96.6%	3.4%	2.0%
2002	91.5%	8.5%	5.0%
2003	89.2%	10.8%	2.3%
2004	87.2%	12.8%	1.9%
2005	86.9%	13.1%	0.3%
2006	87.5%	12.5%	-0.6%
2007	87.7%	12.3%	-0.2%
2008	87.9%	12.1%	-0.1%
2009	88.9%	11.1%	-1.0%
2010	89.1%	10.9%	-0.2%
2011	88.1%	11.9%	0.9%
2012	88.7%	11.3%	-0.6%
2013	87.5%	12.5%	1.2%
2014	86.5%	13.5%	1.0%
2015	83.6%	16.4%	2.9%
2016	80.9%	19.1%	2.7%
2017	78.6%	21.4%	2.3%
2018	76.6%	23.4%	2.0%
		Average percentage point change year-on-year (used in take-up calculations)	1.1ppts

Source: Statistics Netherlands¹⁰

Note: percentages may not add due to rounding

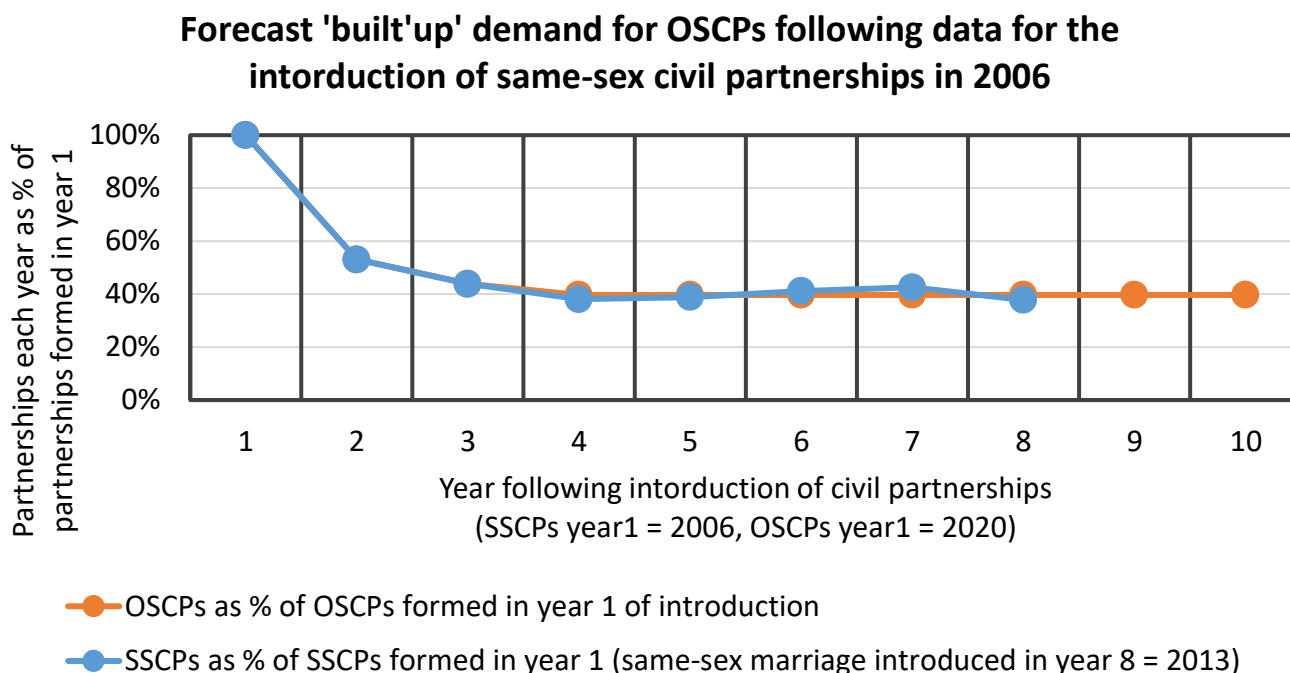
⁸ The GEO commissioned survey only has a 55+ age group, this percentage is taken forward and estimated across those that are aged 65+ using ONS marriage data in [table 10](#)

⁹ Note: this 57% relates to the proportion of 'additional' OSCPs estimated to be formed by those aged 55+ specifically from our survey data. A further 57% is used above to estimate the proportion of total OSCPs (across all age groups) that will be 'additional' overall.

¹⁰ Statistics Netherlands, 2019. *Marriage and Partnerships Registrations*. (available [here](#))

For both the best and high take-up estimates we have assumed an initial higher level of OSCP demand in year 1, dissipating to year 3 and following a steady increase from year 4 to year 10. This is because we anticipate there will be an initial stock of unmet demand of OSCPs in the first years they are available, with overall demand dissipating and then increasing again over time once OSCPs are embedded. This initial peak in demand follows the pattern of take-up of same-sex civil partnerships when they were introduced in 2006 (before the introduction of same-sex marriage in 2014). The proportion of OSCPs relative to all opposite-sex legal unions is estimated to increase over time.

Figure 2: Estimated forecast of 'built up' demand following introduction of OSCPs¹¹ in best and high estimates



Source: Internal calculations and ONS data

¹¹ ONS, 2018. *Civil partnerships in England and Wales*. (available [here](#)). Estimates for OSCPs 2023-2029 are the average for SSCPs 2009-13

Estimation of OSCP's take-up over the next 10 years

All estimates of OSCP's take-up in this IA are calculated as a percentage of total opposite-sex unions. To enable this calculation we have forecast the total number of opposite-sex marriages in England and Wales between 2020-29, using estimated population projections, and the marriage rate of 4.3 marriages per 1,000 inhabitants per year¹² (the average UK marriage rate from 2010-16). This forecast is summarised in [Table 3](#) below.

Table 3: Forecast Marriages in the UK 2020-2029

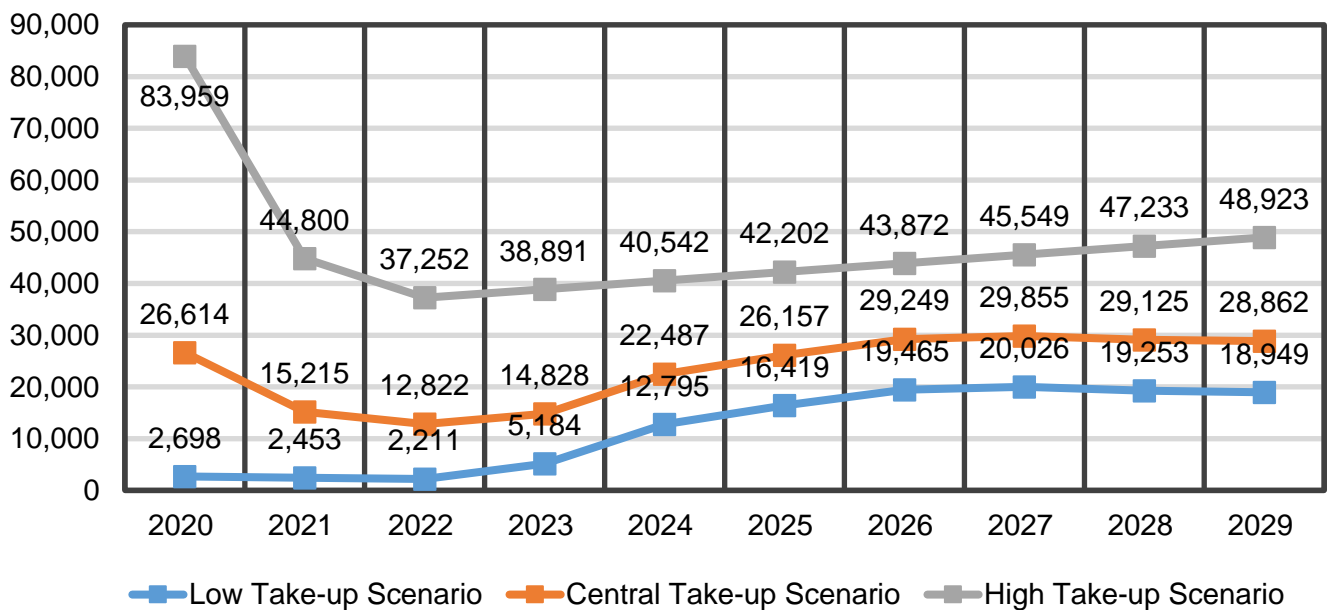
Year	Average marriage rate per 1,000 inhabitants 2010-2016 ¹³	Forecast England and Wales population 2020-2029 ¹⁴	Forecast Marriages England and Wales 2020-2029
2020	4.3	59,867,664	259,569
2021		60,203,687	261,026
2022		60,525,709	262,422
2023		60,832,310	263,752
2024		61,133,625	265,058
2025		61,428,619	266,337
2026		61,716,433	267,585
2027		61,996,181	268,798
2028		62,267,199	269,973
2029		62,529,401	271,110

Source: ONS

Figure 3 presents our low, best and high estimates for 'additional' OSCP's from 2020-29. Those that would have got married, but choose to form an OSCP instead have not been estimated as they are outside the scope of this impact assessment. In our counterfactual scenario (option 1) these individuals would be entitled to survivors' benefits from their partner's DB private sector pension anyway, and so would not place any additional burden on pension schemes in future.

Forecast 'additional' OSCP's

Figure 3: Low, best and high estimate of 'additional' Civil Partnerships 2020-2029



¹² ONS, 2019. Marriages in England and Wales, 2016, table 8. (available [here](#)). Calculated by dividing 'persons marrying per 1,000 population of all ages' by 2 to estimate number of marriages

¹³ ONS, 2018. *Marriages in England and Wales: 2016 Table 8*. (available [here](#)). Marriage rate average 2010-16, divided by 2 to estimate total marriages.

¹⁴ ONS, 2017. *National Population Projections: 2016-based statistical bulletin, table A1-3*. (available [here](#))

Examination of Costs

Cost for option 1: do nothing

There is a net zero cost as this is a continuation of the current situation

Summary of in-scope costs to business for option 2

The introduction of OSCP's will increase costs to the public sector through increased survivor benefits from public sector Defined Benefit (DB) pension schemes, and from potential survivor benefits for the new State Pension. HM Treasury (HMT) and The Department for Work and Pensions (DWP) have responsibility over public sector pensions and the State Pension respectively. The GEO are currently working with HMT, DWP and other departments to assess the overall impact of OSCP's on public expenditure. A full assessment of these public sector costs will be included in the subsequent validation stage impact assessment, following our consultation responses and detailed analysis with other government departments.

The primary identified additional costs to business arise from the expansion of survivor benefits for private sector DB pension schemes to previously unmarried couples, where these couples would not have got married but would form an OSCP. In this event, the surviving civil partner will be entitled to survivor benefits from their partner's DB pension scheme. These costs are considered transfers in terms of Net Present Social Value (NPSV) to those who will be in receipt of survivors' benefits, however they still represent a cost to business.

Defined Contribution (DC) schemes are out of scope of this impact assessment, as the vast majority of DC schemes allow for the nomination of any individual to receive the pension's benefits in the event of the pension holder's death. Unlike DB pensions – where a specified amount of income in retirement is guaranteed by an employer, and any shortfall in funding is met by the employer – DC pensions transfer this 'investment risk' to individuals, where a pot of money is built up over a working life, and any shortfall in funding falls to the individual. As such, no additional liability will be placed on employers from the creation of 'additional' OSCP's where individuals are members of DC pension schemes.

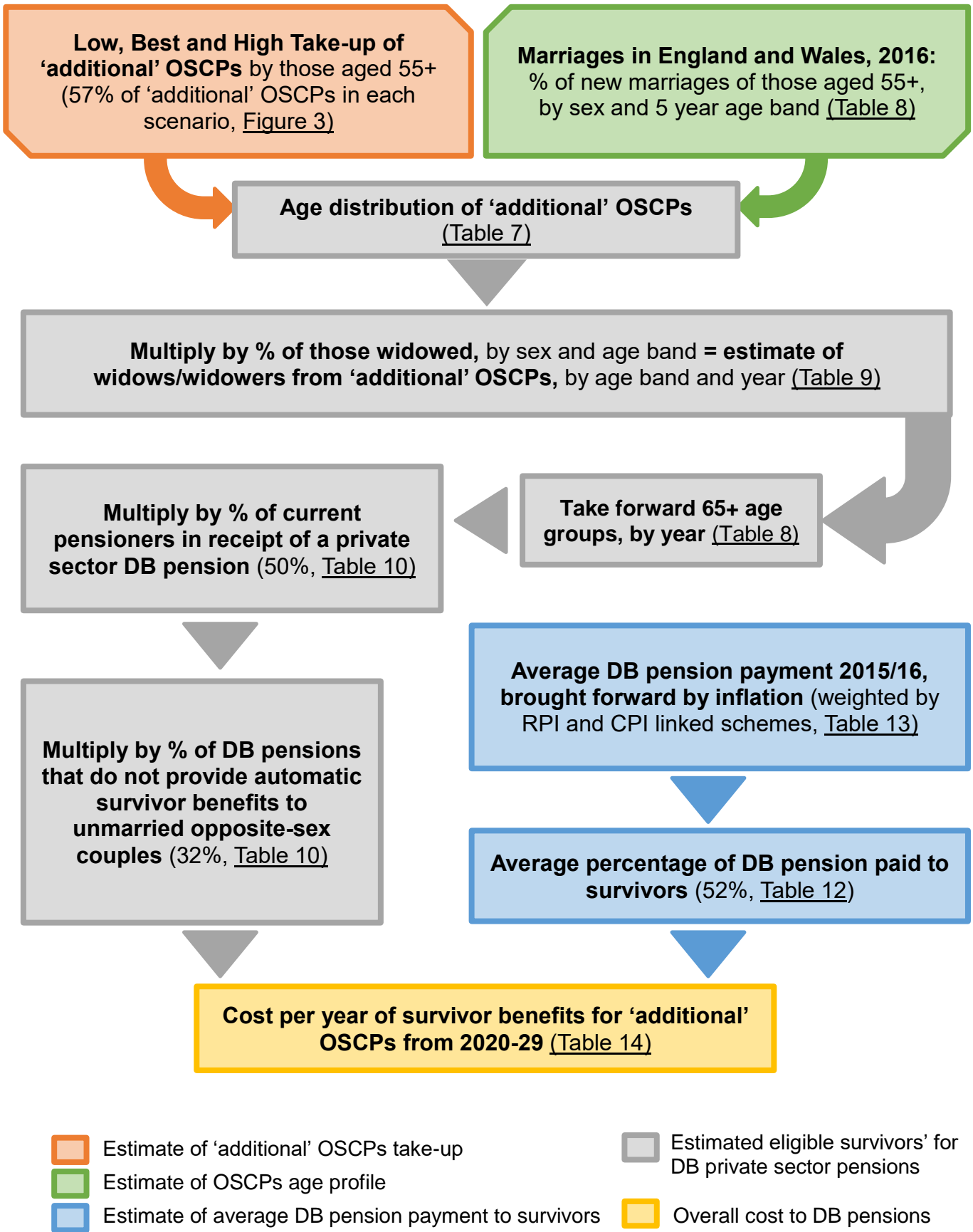
The second cost to business covers familiarisation with the new requirements placed on them in legislation. This is assumed to be a one-off cost in year 1 (2020) of OSCP's introduction. These costs are summarised in the table below.

Table 4: Summary of costs to business from the introduction of OSCPS [2019-20 prices]:

	Option 2
One-off familiarisation cost to business in low, best and high estimate (£m)	£0.4m
10 year total net present annual cost to business in best estimate, excluding familiarisation cost (£m)	£9.6m

Costs for Option 2: extending civil partnerships to opposite-sex couples

Figure 4: Summary of survivors' benefit cost calculation following 'additional' OSCP take-up estimation:



Familiarisation costs

It is assumed there will be familiarisation costs for the chairs of DB private sector pension funds' board of trustees. DC pension schemes are considered out of scope of this impact assessment as explained above.

This is assumed to be a one-off cost when new legislation or burdens on businesses are introduced. There are currently 5,524 private sector DB funds in the UK¹⁵. Two hours is assumed to be needed for pension fund managers to consider the impact of the introduction of OSCP's on a DB pension fund. There is uncertainty around this figure, but it is likely the time taken for familiarisation will be lower than estimated. We have assumed 'financial manager or director' as the closest Standard Occupation Classification (SOC) code to the director of a pension scheme.

The hourly median wage for a financial manager or director has been taken from the Annual Survey of Hours and Earnings (ASHE) 2018 release as £31.09. Non-wage costs for 'Financial and Insurance activities' are taken from the Eurostat Labour Cost Survey 2016. Wage and salary costs are estimated at 81.1%¹⁶ of labour costs in the UK finance and Insurance sector. The inverse of this figure minus 1, $((100/81.1) - 1) = 23.3\%$, provides the uplift rate required to calculate total hourly labour costs in the sector. It is not expected that any specific training will be required as a result of this legislation.

Table 5: One-off familiarisation costs [2019-20 prices] are calculated as follows:

Total DB private sector pension funds in the UK ¹⁷	Median hourly rate for 'financial managers and directors' (2020 prices) ¹⁸	Non-wage costs uplift rate ¹⁹	Time – taken	Total estimated familiarisation cost
5,524	£32.48	23.3%	2 hours	£0.4m

Source: Pension Protection Fund, ONS, Eurostat

Estimated costs for provision of survivors' benefits in private sector DB pension schemes

Summary of primary costs to business from introduction of OSCP's

The main monetised cost to businesses from the introduction of opposite-sex civil partnerships comes from survivors' benefits from a partner's private sector DB occupational pension scheme, for 'additional' OSCP's (those that would not have got married but would form an OSCP). The calculation follows these steps:

1. Estimate 'additional' take up of OSCP's (per year) – Figure 3
2. % of (1) that age 55+: from OSCP's survey data
3. % of (2) that age 65+: from England and Wales marriage data²⁰ - Table 8

¹⁵ Pension Protection Fund, 2018. *The Purple Book: DB Pensions Universe Risk Profile*. (available [here](#))

¹⁶ Eurostat, 2016. *Structure of labour cost by NACE Rev. 2 activity - % of total cost, LCS surveys 2008, 2012 and 2016*. (available [here](#)). Note: Labour cost structure: wages and salaries (excl. apprentices); NACE Rev.2: Financial and insurance activities; Number of employees: 10 employees or more

¹⁷ Pension Protection Fund, 2018. *The Purple Book: DB Pensions Universe Risk Profile*. (available [here](#))

¹⁸ ONS, 2018. *Annual Survey of Hours and Earnings: Table 14.6*. (available [here](#)) Note: using SOC code 1131

¹⁹ Eurostat, 2016. *Structure of labour cost by NACE Rev. 2 activity - % of total cost, LCS surveys 2008, 2012 and 2016*. (available [here](#))

²⁰ ONS, 2018. *Marriages in England and Wales: 2016 Table 8*. (available [here](#)) Note: Marriage rate average 2010-16, divided by 2 to estimate total marriages.

4. % of (3) that widowed: marital status by age group, ONS²¹ - [Table 9](#)
5. % of (4) that were likely to have had partners in receipt of DB pension²² - [Table 10](#)
6. % of (5) likely to have been attached to a scheme which does not already provide benefits to unmarried OS couples²³ - [Table 10](#)
7. average DB pension payment²⁴ - [Table 13](#)
8. (7) multiplied by proportion of partner's pension payment individual is likely to receive – [Table 12](#)
9. Cost per person (8) multiplied by numbers (6)

For simplicity, **lump-sum benefits** from death in service have not been calculated, as current HMRC rules²⁵ define an individual who was not married or in a civil partnership with the pension member as a dependant if they were:

1. financially reliant on the member, or
2. had a mutually dependant financial relationship with the member, or
3. The person was dependant on the member because of physical or mental impairment

As such we would expect a sizeable proportion of these benefits to be non-additional, i.e. they would be paid out in the counterfactual where OSCP's are not extended to opposite-sex couples.

To estimate the cost associated with survivors' benefits from private sector DB pensions schemes, and the burden this places on business, we first need to estimate the number of widows and widowers in England and Wales from 2020-29. After calculating these figures we estimate the proportion of pensioners that are currently in receipt of a private sector DB pension (50% in 2017²⁶).

This value is then discounted by the proportion of unmarried opposite-sex couples that **would not** be automatically entitled to survivor benefits from DB pensions (32%²⁷). We take these figures forward – along with the GEO OSCP's survey - to estimate the number of 'additional' OSCP's that are likely to be formed by those aged 55+²⁸. These figures are then estimated across age groups, and figures for those aged 65+ are carried forward for each year from 2020-29, as this is the assumed age at which DB survivors' benefits are activated.

We finally estimate the value of the average private sector DB payment per year, the proportion that are index linked to either RPI or CPI, and the percentage of this pay-out that a likely survivor would receive to arrive at our low, best and high estimates for the total costs to private sector DB pension schemes.

²¹ ONS, 2018. *Population estimates by marital status and living arrangements, England and Wales: 2002 to 2017*. (available [here](#))

²² ONS, 2018. *Occupational Pensions Schemes Survey, UK: 2017, table 3*. (available [here](#))

²³ DWP, 2014. *Provision of survivors' benefits in private sector Defined Benefit occupational pension Schemes, Figure 3.4 - Provision of survivors' benefits to unmarried survivors in an opposite-sex relationship*. (available [here](#))

²⁴ DWP, 2018. *Protecting Defined Benefit Pension Schemes*. (available [here](#))

²⁵ HMRC, 2019. *Pensions Tax Manual: 2019 update*. (available [here](#))

²⁶ ONS, 2018. *Occupational Pensions Schemes Survey, UK: 2017, table 3*. (available [here](#))

²⁷ DWP, 2014. *Provision of survivors' benefits in private sector Defined Benefit occupational pension Schemes, Figure 3.4 - Provision of survivors' benefits to unmarried survivors in an opposite-sex relationship*. (available [here](#))

²⁸ The GEO commissioned OSCP's survey only has a 55+ age group, this percentage is taken forward and estimated across those that are aged 65+ using ONS marriage data in [table 8](#)

Aged 65+ 'additional' OSCPs

The GEO OSCPs survey estimates that around 57% of OSCPs formed between couples that would be 'unlikely to marry' but are 'very interested' in an OSCP, will be among those aged 55 and over. The survey results are from individuals, and so there is no way of knowing the age of their partner, however for simplicity, these figures are applied to the estimated number of 'additional' OSCPs in each estimate. These are presented in [Table 6](#) below.

Table 6: Age distribution of 'additional' OSCPs – those unlikely to get married but very interested in an OSCP

	Total	18-24	25-34	35-44	45-54	55+
Base: All GB unmarried adults in an opposite-sex serious relationship, unlikely to get married:	100%	2%	6%	14%	20%	59%
- those in a serious relationship, unlikely to get married and very interested in an OSCP	100%	1%	6%	19%	17%	57%

Source: GEO OSCPs survey by YouGov 2018

Applying this to total estimated 'additional' OSCPs produces an estimate of 'additional' OSCP for those aged 55+ for 2020-29 in each scenario:

Table 7: Estimated Take up of 'additional' OSCPs by those aged 55+

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Low estimate	1,544	1,404	1,265	2,967	7,324	9,398	11,142	11,463	11,021	10,847
Best estimate	15,234	8,709	7,339	8,487	12,872	14,972	16,742	17,089	16,671	16,521
High estimate	48,059	25,644	21,323	22,262	23,206	24,157	25,112	26,072	27,036	28,004

Source: GEO OSCPs survey by YouGov 2018, 'additional' OSCPs take-up calculations

To estimate the proportion of these 'additional' OSCPs (aged 55+) that will be formed amongst those aged 65+ in each year, we use ONS marriages estimates for England and Wales, by age and sex, and rescale 55+ 'additional' OSCPs accordingly:

Table 8: Marriages of men and women aged 55+, estimated proportion by age band

Marriages in England and Wales, 2016	Men		Women		Estimated proportion of over 55 marriages by age band	
	Married aged 55+	% of Men getting married aged 55+	Married aged 55+	% of Women getting married aged 55+	Men	Women
55-59	10,305	41.4%	7,928	46.8%	41.4%	46.8%
60-64	10,743	43.1%	6,967	41.1%	21.6%	20.6%
65-69					21.6%	20.6%
70-74	3,185	12.8%	1,844	10.9%	6.4%	5.4%
75-79					6.4%	5.4%
80-84	664	2.7%	209	1.2%	1.3%	0.6%
85+					1.3%	0.6%

Source: ONS, Marriages in England and Wales 2016

This provides us with the profile of OSCPs that will be formed by the 65 and over age groups each year from 2020-29.

Proportion of widows and widowers in England and Wales, 2017

'Additional' OSCPs in the 65+ age group are then combined with the marital status of individuals by age and gender, to enable us to estimate the number of 'additional' widows and widowers in each year from 2020-29 in England and Wales.

This is a simple calculation which will likely overestimate the number of 'additional' widows when OSCPs are introduced, as we do not expect many new opposite-sex civil partners being widowed the same year OSCPs commence. As such, this estimate should be viewed as an upper bound for all three scenarios. This calculation method does however allow us to estimate the number of widows/widowers that will continue to receive survivor benefits each year. For example, an 'additional' OSCP individual widowed in 2023, may still be receiving survivor benefits in 2027, with our calculation capturing this.

Table 9: Marital status in England and Wales, by age and gender 2017²⁹

	Widowed % age group	
	men	women
65-69	5.3%	13.6%
70-74	8.3%	21.6%
75-79	14.4%	36.5%
80-84	24.2%	51.4%
85+	35.9%	76.5%

Source: ONS marital status by age

Type of pension by current pensioners in the UK, 2017

Table 10 below summaries the distribution of non-state pensions in payment to current pensioners. It is estimated that around 50% of pensioners are currently in receipt of payments from private sector DB occupational pensions. A 2014 review of survivors' benefits from DB private sector occupational pensions, estimated that around 68% of these schemes provide some level of survivor benefits to opposite-sex couples who are unmarried³⁰. As a result, the additional burden on business of OSCPs would only impact the 32% of schemes who do not currently provide survivors' benefits to unmarried opposite-sex couples, where these couples enter into an OSCP in future.

Table 10: UK pensioners by type of pensions, 2017

Pensions in payment	2017
Defined Benefit	10.1m
- Private sector	5.1m
- Public sector	5.0m
Defined Contribution	0.1m
- Private sector	0.1m
% pensioners with DB private pension	50%
% DB pension funds that DO NOT provide survivor benefits to unmarried opposite-sex couples	32%

Source: ONS, DWP

Combining the figures in Table 10, together with the forecast population of England and Wales

²⁹ ONS, 2018. *Population estimates by marital status and living arrangements, England and Wales: 2002 to 2017*. (available [here](#))

³⁰ DWP, 2014. *Provision of survivors' benefits in private sector Defined Benefit occupational pension Schemes, Figure 3.4 - Provision of survivors' benefits to unmarried survivors in an opposite-sex relationship*. (available [here](#))

from 2020-29, and estimates for the proportion of widows and widowers in 2017, we can estimate the number of individuals who **would not** be automatically eligible to claim survivors' benefits from their partner's private sector DB occupational pension. These figures are summarised in Table 11.

Table 11: Forecast number of 'additional' widows and widowers who DO NOT currently have survivors' benefit rights to their partner's private sector DB pension scheme, England and Wales 2020-29 by age

Low Estimate	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
65-69	10	9	8	19	46	59	70	72	70	68
70-74	4	4	3	8	20	26	30	31	30	30
75-79	7	7	6	14	34	44	52	53	51	50
80-84	2	1	1	3	8	10	11	12	11	11
85+	2	2	2	5	11	14	17	17	17	16
Best Estimate	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
65-69	96	55	46	54	81	94	106	108	105	104
70-74	42	24	20	23	35	41	46	47	45	45
75-79	71	41	34	39	60	70	78	79	78	77
80-84	16	9	8	9	13	15	17	18	17	17
85+	23	13	11	13	20	23	25	26	25	25
High Estimate	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
65-69	303	162	134	140	146	152	158	164	171	177
70-74	131	70	58	61	63	66	68	71	74	76
75-79	224	119	99	104	108	112	117	121	126	130
80-84	49	26	22	23	24	25	26	27	28	29
85+	73	39	32	34	35	37	38	40	41	43

Source: 'Additional' OSCP's calculation, DWP, ONS

Estimated percentage of DB private sector pension payments to survivors

Each private sector DB pension scheme has its own level of survivor benefit for surviving partners (or other dependants). The percentage of a partner's private sector DB pension paid to survivors is estimated in a 2014 review by DWP, summarised in [Table 12](#). The weighted average of estimates suggest around 52% of an individual's annual private sector DB pension payment is transferred to their partner on their death.

Table 12: Provision of survivors' benefits in private sector DB occupational pension schemes³¹

Percentage of member's pension paid to survivor	% Distribution of schemes	rebased to equal 100% (removing 'other % paid')	Weighted average sum of Percentage of member's pension paid to survivor
66%	11%	12%	52%
60%	4%	4%	
50%	79%	84%	
Other % paid	5%		

Source: DWP

Estimated average payment per year for pensioners currently receiving a private sector DB occupational pension

A 2015/16 DWP report³² estimated that the average pay-out per year for recipients of DB private sector occupational pensions was £8,000. It is estimated that 27% of these pension funds are linked to CPI inflation, while 73% remain linked to RPI inflation³³. As such a weighted value for these pensions has been calculated below. To forecast the future value of these pay-outs per year, OBR forecasts for both CPI and RPI have been used³⁴

Table 13: Forecast value of average DB pension by year, weighted by CPI or RPI:

Financial Year	Past and forecast inflation		Average DB pension amount using forecast RPI and CPI		DB private sector schemes		Weighted average DB pension pay-out	52% survivor benefit from DB pension schemes
	CPI %	RPI %	CPI	RPI	CPI linked	RPI linked		
2015/16	0.1%	1.1%	£8,000	£8,000	27%	73%	£8,000	£4,184
2016/17	1.1%	2.1%	£8,008	£8,086			£8,065	£4,218
2017/18	2.8%	3.7%	£8,097	£8,259			£8,216	£4,297
2018/19	2.3%	3.1%	£8,326	£8,568			£8,503	£4,447
2019/20	2.0%	2.9%	£8,516	£8,835			£8,749	£4,576
2020/21	1.9%	2.8%	£8,688	£9,096			£8,986	£4,699
2021/22	2.0%	3.1%	£8,853	£9,353			£9,218	£4,821
2022/23	2.0%	3.1%	£9,030	£9,638			£9,474	£4,955
2023/24	2.0%	3.1%	£9,210	£9,934			£9,739	£5,093
2024/25	2.0%	3.1%	£9,394	£10,239			£10,011	£5,235
2025/26	2.0%	3.1%	£9,582	£10,553			£10,291	£5,382
2026/27	2.0%	3.1%	£9,774	£10,877			£10,579	£5,533
2027/28	2.0%	3.1%	£9,969	£11,210			£10,875	£5,688
2028/29	2.0%	3.1%	£10,169	£11,554			£11,180	£5,847
2029/30	2.0%	3.1%	£10,372	£11,909			£11,494	£6,011

Source: OBR, DWP

³¹ DWP, 2014. *Provision of survivors' benefits in private sector Defined Benefit occupational pension Schemes, Figure 3.9 - Provision of survivors' benefits to unmarried survivors in an opposite-sex relationship.* (available [here](#))

³² DWP, 2018. *Protecting Defined Benefit Pension Schemes.* (available [here](#))

³³ DWP, 2018. *Protecting Defined Benefit Pension Schemes.* (available [here](#)) Note: 73% RPI linked, 27% CPI Linked

³⁴ OBR, 2019. *The economy forecast: inflation.* (available [here](#))

Overall Estimate of cost to business from increase pension burden following the introduction of OSCP

Taking the calculations from [Table 11](#) and [Table 13](#) together the total net present value of survivors' benefits in DB private sector pensions, for 'additional' widows as a result of the introduction of OSCP, is summarised for each estimate below:

Table 14: Total net present value [2019/20 prices] of provision of survivors' benefits in private sector DB occupational pension schemes from 'additional' OSCP unions

Year	Low estimate	Best estimate	High Estimate
2020/21	£0.5m	£1.6m	£4.0m
2021/22	£0.1m	£0.6m	£1.9m
2022/23	£0.1m	£0.5m	£1.5m
2023/24	£0.2m	£0.6m	£1.6m
2024/25	£0.5m	£0.9m	£1.7m
2025/26	£0.7m	£1.1m	£1.7m
2026/27	£0.8m	£1.2m	£1.8m
2027/28	£0.8m	£1.2m	£1.8m
2028/29	£0.8m	£1.2m	£1.9m
2029/30	£0.8m	£1.1m	£1.9m
Total NPV	£5.2m	£10.0m	£19.8m

Small and Micro Business Assessment

Of 22.4m employees in the private sector³⁵ in the UK, around 18.6% and 18.2% are employed by micro and small businesses respectively³⁶. Given the low number of expected 'additional' survivors' benefits from DB private sector pension schemes following the introduction of OSCP, it is unlikely that small and micro businesses will have a disproportionate burden placed on them with the introduction of OSCP. Where this is the case, the average value of additional costs is estimated at between £4,699 and £6,011 per year, and is considered relatively minor when compared to overall scheme liabilities, or the value of a pension they may have been required to pay out where a scheme member had survived.

³⁵ Excluding sole proprietorships and partnerships with self-employed owner-managers

³⁶ BEIS, 2018. *Business Population Statistics, Table A.* (available [here](#))

Sensitivity Analysis

The sensitivity of our analysis to uncertainty surrounding our underlying assumptions is summarised below:

Table 15: Sensitivity of analysis to variable uncertainty

Variable	Risk/Uncertainty	Impact
1) 'additional' take-up of OSCP's	Medium: There is uncertainty around take-up of OSCP's and this is an underlying variable of our calculation. We do think however that the estimates in the high scenario represent a realistic upper limit of 'additional' OSCP's in the coming 10 years	Medium: If these estimates are higher/lower the total NPV of the introduction of OSCP's will also be higher/lower.
2) Age profile of Marriages in England and Wales, 2016	Low: We expect those aged 55+ and 'very interested' in forming an OSCP to do so at a similar ages to those aged 55+ and getting married.	Low: Unlikely to be large variations in these figures over next 10 years
3) % of 'additional' take-up from 55+ age group	Low: There is some uncertainty around these figures, and how many 55+ year olds will actually form an OSCP, however it is from a representative national survey, and so is the best estimate we could source	Low: As the 55+ age group is taken from the estimated 'additional' OSCP's in (1), there is low impact on total NPV if this value is higher/lower than estimated
4) Estimate of widows/widowers from 'additional' OSCP's	Low: It is likely that these figures are overestimated, as our calculation includes a cautious estimate for this value	Medium: A large variation in this value would have a relatively large impact on total NPV, as it would increase the likelihood of more/less couples being likely to receive survivor benefits from DB pension schemes
5) Current Pensioners on DB private sector pension schemes	Low: Used a cautious estimate, at 50% of the population. This value is likely to fall in the near future, as few DB private sector pensions remain open to new members	Low: This value is unlikely to increase or decrease by a large magnitude in the coming decade

6) % DB pension funds that DO NOT provide survivor benefits to unmarried opposite-sex couples	Low: this value is sourced from a DWP led review of survivors benefits in private sector DB pension schemes ³⁷	Low: This value is unlikely to significantly higher or lower than estimated
7) Estimated percentage of DB private sector pension payments to survivors	Low: this value is sourced from a DWP led review of survivors benefits in private sector DB pension schemes ³⁸	Low: even if this is 100% of all payments, this takes the total NPV over the next 10 years in the best scenario to £16m
8) Average current DB pension payment	Low: This is sourced from several strong sources, and is unlikely to be much higher or lower in real terms in the coming years	Medium: This is the main monetary cost in this impact assessment. As such any variability in this figure would vary the total NPV linearly

Risks

There is the potential for more couples to enter ‘additional’ opposite-sex unions than has been calculated, however we are convinced the high estimate calculated as part of this impact assessment covers this risk.

Administrative Burdens

The only identified additional burden from the introduction of OSCP on government is from additional dissolutions for those that enter an OSCP, but then get it dissolved in future. The current court fee for dissolution of a civil partnership is £550 (an ‘enhanced fee’), and this will be extended to OSCP as well. We would expect dissolution rates for OSCP to be similar to current divorce rates (currently 8.4 divorces of opposite-sex couples per 1,000 married men and women³⁹). A full justice impact test has been produced for the introduction of OSCP.

³⁷ DWP, 2014. *Provision of survivors’ benefits in private sector Defined Benefit occupational pension Schemes, Figure 3.4 - Provision of survivors’ benefits to unmarried survivors in an opposite-sex relationship.* (available [here](#))

³⁸ ONS, 2018. *Occupational Pensions Schemes Survey, UK: 2017, table 3.* (available [here](#))

³⁹ ONS, 2018. *Divorces in England and Wales: 2017.* (available [here](#))