University of Reading Employees' Pension Fund
Benefit Changes from 1 August 2011
Equality Impact Assessment

The University of Reading will be implementing changes to the benefit structure of the University of Reading Employees' Pension Fund with effect from 1 August 2011. The details of the changes that were proposed are set out in the following Appendix.

As a result of the consultation exercise between 18 March and 3 June 2011, some slight changes were made to the proposals. However, these changes did not fundamentally affect the broad scope of the benefit changes.

Prior to the announcement of the proposed changes, the University carried out an Equality Impact Assessment (EIA). The aim of this Assessment was to measure the impact of the proposed changes on University staff in relation to age, gender, race and disability equality. The conclusions of the EIA were not challenged by any affected party.

Therefore, given that the benefit changes will be implemented broadly as originally proposed, and that any analysis based on more recent data would yield broadly similar conclusions, the University has decided that it is not necessary to update the EIA at this stage.

The enclosed Appendix contains the EIA produced by the University in March 2011.

University of Reading
1 August 2011

Appendix – March 2011 Equality Impact Assessment

Proposed Reforms to the University of Reading Employees' Pension Fund Equality Impact Assessment

1. Background

Proposals were made by the University to the Strategy and Finance Committee in November 2010 in relation to changes to the UREPF to address the increasing costs of providing the scheme. The changes proposed are expected to save the University £2-£3 million per year, once the changes have bedded in. Both Strategy and Finance Committee and University Council have agreed that, following discussion with the Trustees, formal consultation should begin with members and their representatives on changes, proposed to take effect from the 1 August 2011. Consultation will start on the 18th March and will run until the 3rd June. It is intended that responses to the consultation and final proposals for change are to UREPF rules will be presented to the Trustees at the 27th June meeting. Final confirmation from the University of changes will be made at the meeting of Council on the 11th July.

This Equality Impact Assessment (EIA) has been carried out by the University of Reading to measure the impact of the proposals on staff at their institution in relation to age, gender, race and disability equality.

2. University of Reading's Proposals

The University believes that reform of UREPF is necessary in order to safeguard the future of the scheme. This is in light of the pressures of increased life expectancy of members and volatile investment returns on the Fund's assets, as well as external pressures on University funding.

The aim is to maintain UREPF as a scheme that continues to offer a defined level of pension benefits for existing members and is viable for employers and attractive for members. New members will be invited to join the Defined Contribution section of UREPF.

The specific proposals are:

1	Existing members will stop building up benefits on a final salary basis from the 31 July 2011 (the pension accrued up until this date will increase from 31 July 2011 until retirement in line with the Consumer Prices Index subject to a maximum of 5% p.a.). From 1 August 2011, existing members will build up pensions using their average salary each year (commonly known as CARE).
2	The measure of inflation and cap used to increase pensions in payment will change from increasing in line with the Retail Price Index up to a maximum of 6% each year to increasing in line with inflation by using the Consumer Price Index, up to a maximum of 5%. This will apply to CARE pension accrued by existing members from 1 August 2011.
3	A flexible retirement option will be introduced from the age of 55, allowing members to draw part of their pension early and continue working. [Note: This option has not yet been finalised as part of 1 August 2011 changes. It is thought that the flexible retirement option will be available with effect from 1 August 2012.]
4	New joiners of UREPF from 1 August 2011 will be invited to join the new Defined Contribution (DC) section of the Fund.

3. Staff affected by the proposals

As of 31 July 2010, the University employs 3,952 staff of which 683 are currently members of UREPF, and a further 836 staff are eligible for membership. Of the rest of the University's workforce, the majority are members of the University Superannuation Scheme (available to staff at Grade 6 and above).

The table below sets out University staff who are currently UREPF members by race, gender, disability status and age. It also identifies by the same characteristics those staff that are not currently UREPF members but are eligible to join.

UREPF Members

	Total	Male	Female	BME	White	Not known	Disabled	Non-disabled	Not known
Under age 35	105 (15%)	41 (39%)	64 (61%)	17 (16%)	85 (81%)	3 (3%)	3 (3%)	95 (90%)	7 (7%)
Age 35-54	363 (54%)	103 (28%)	260 (72%)	83 (23%)	277 (76%)	3 (1%)	4 (1%)	344 (95%)	15 (4%)
Age 55 or over	215 (31%)	64 (30%)	151 (70%)	32 (15%)	178 (83%)	5 (2%)	1 (0%)	212 (99%)	2 (1%)
Total	683	208 (30%)	475 (70%)	132 (19%)	540 (79%)	11 (2%)	8 (1%)	651 (95%)	24 (4%)

Non-members eligible for UREPF membership

	Total	Male	Female	BME	White	Not known	Disabled	Non-disabled	Not known
Under age 35	452 (54%)	187 (41%)	265 (59%)	130 (29%)	295 (65%)	27 (6%)	2 (0%)	418 (93%)	32 (7%)
Age 35-54	263 (31%)	82 (31%)	181 (69%)	94 (36%)	158 (60%)	11 (4%)	4 (2%)	241 (91%)	18 (7%)
Age 55 or over	121 (15%)	36 (30%)	85 (70%)	10 (8%)	106 (88%)	5 (4%)	2 (2%)	111 (92%)	8 (6%)
Total	836	305 (36%)	531 (64%)	234 (28%)	559 (67%)	43 (5%)	8 (1%)	770 (92%)	58 (7%)

The table demonstrates existing members of the Fund are predominantly female (70%) and the most common age band is 35-54 (54%). Amongst non-members of the Fund there is a slightly lower proportion of women (64%) and a higher proportion of Black and Minority Ethnic (BME) staff (28%).

The considerably younger age profile of the non-members (54% aged under 35) reflects the inclusion of students in the figures, many of whom hold part-time or seasonal roles. Of the 836 non-members of the Fund, 192 (23% of the population) are under the age of 22 compared to just four (less than 1%) of the Fund members, which indicates a much larger concentration of student employees in the non-member population. Student employees are arguably much less likely to be interested in accruing a pension and therefore less likely to be impacted by the proposed changes. However, in the interest of fairness, we have included them in the bulk of our analysis.

The table below shows headline figures for the University's broader workforce of 3,952 employees, compared to the two populations detailed above. The final column shows the headline figures for eligible staff but excluding those under the age of 22 (which can be taken to represent the removal of students from the figures):

	University workforce	UREPF members	Non-members eligible for UREPF membership	Non-members eligible for UREPF membership (excluding those under age 22)
% Female	56%	70%	64%	65%
% BME	12%	19%	28%	36%
% Disabled	1%	1%	1%	1%
% aged under 35	23%	15%	54%	40%
% aged 35-54	52%	54%	31%	41%
% aged 55 or over	25%	31%	15%	19%

The table above shows that

- the Fund's membership has a significantly higher proportion of female employees than the University workforce as a whole;
- the population of non-members who are eligible for UREPF membership have the highest proportion of BME staff;
- all populations have a broadly similar distribution of disabled staff;
- the UREPF membership has a slightly older age profile than the University workforce as a whole. The population of eligible members has a much younger age profile (mainly due to the inclusion of students in those figures); and
- the removal of the 192 staff under the age of 22 from the eligible non-member population results in a broadly similar distribution of female, BME and disabled staff. Whilst the age profile for non-members does increase when the under 22's are removed, the population still has an overall younger age profile than the University workforce as a whole.

Proposed reform: For existing members, to cease accrual of pension on a final salary basis and replace with CARE accrual, with effect from 1 August 2011.

Anticipated impact on existing UREPF members			
	Positive	**Negative**	**Neutral**
Age		Potentially	
Gender			Yes
Race			Yes
Disability		Potentially	

- Existing members will lose their link to final salary on their pension accrued up to 31 July 2011. If salaries increase by more than CPI, then this will have a negative impact on members. The impact would be greater on young members who are a long way from retirement, although the UREPF membership has a generally older age profile compared to the rest of the University's workforce.
- The move to CARE pension accrual from 1 August 2011 also has a greater effect on members who are further from retirement. If salaries for these members increase faster than the revaluation of CARE benefits, younger members are likely to receive less than they would have done under the final salary arrangements.
- The move to CARE and the loss of final salary link could potentially have a positive effect on members who are close to retirement and whose salary increases over the next few years are less than increases in the CPI. In these circumstances, the CARE revaluation and revaluation on pre 31 July 2011 benefits would be higher than the increase in salary and so the pension earned would be higher on a CARE basis than on a final salary benefit basis.
- The age profile of members is broadly similar when comparing male against female members and BME against non-BME members, so there is no reason to believe this proposal would impact one of these groups more than any other.
- This proposal will have the greatest impact on members who receive salary increases well above CPI over the period to retirement. Arguably, females are more likely to take career breaks to care for children which would suppress their salary increases over that period. Therefore, it could be argued that the proposals are fairer for female members.

Anticipated impact on staff who are eligible to join UREPF			
	Positive	**Negative**	**Neutral**
Age			Yes
Gender			Yes
Race			Yes

Disability			Yes

- The change to the existing UREPF pension does not affect non-members of UREPF.

Proposed reform: For existing members, pension accrued from 1 August 2011 will be increased in payment in line with the Consumer Price Index with a cap of 5%, rather than Retail Price Index with a cap of 6% at present.

Anticipated impact on existing UREPF members			
	Positive	**Negative**	**Neutral**
Age		Yes	
Gender		Yes	
Race		Yes	
Disability		Yes	

- The proposal will affect all members of UREPF negatively if, as assumed, the Consumer Price Index increases at a slower rate than the Retail Price Index. However, the change impacts all members equally, regardless of age or social grouping.

Anticipated impact on staff who are eligible to join UREPF			
	Positive	**Negative**	**Neutral**
Age			Yes
Gender			Yes
Race			Yes
Disability			Yes

- The change to the accrual basis for existing members will not affect staff who are not currently members of UREPF.

Proposed reform: A flexible retirement option will be introduced from the age of 55, allowing members to draw part of their pension early and continue working.

Anticipated impact on existing UREPF members			
	Positive	**Negative**	**Neutral**
Age	Yes		
Gender	Yes		
Race	Yes		
Disability	Yes		
▪ This proposal provides greater choice for all members around how and when they take their pension benefits and is generally viewed as a positive way of managing age diversity. We do not anticipate this proposal leading to a negative impact on any equality group.			
Anticipated impact on staff who are eligible to join UREPF			
	Positive	**Negative**	**Neutral**
Age			Yes
Gender			Yes
Race			Yes
Disability			Yes
▪ The flexible retirement option relates to current members of the UREPF and therefore will not affect non-members of the Fund. In any case, if these employees join the newly-formed DC Section then they will be able to choose their retirement age.			

Proposed reform: New members of UREPF from 1 August 2011 will be invited to join the DC Section of UREPF.

Anticipated impact on existing UREPF members			
	Positive	**Negative**	**Neutral**
Age			Yes
Gender			Yes
Race			Yes

Disability			Yes

- The change to benefits offered to new joiners of UREPF will not affect existing members of UREPF.

Anticipated impact on staff who are eligible to join UREPF			
	Positive	**Negative**	**Neutral**
Age		Potentially	
Gender		Potentially	
Race	Potentially		
Disability		Potentially	

This proposal compares the *option* of accruing pension on a defined benefits ("DB") basis against the *option* of accruing pension on a defined contribution ("DC") basis. These impacts do not occur if individuals remain as non-members of the pension.

- As older staff have less time to save until retirement, the move to DC pension is likely to have a greater impact on these members (although there is no way of knowing this with any certainty). Therefore, this proposal may have a negative impact on older employees.
- At the oldest age band shown on page 2 above (age 55 and over), there is a greater proportion of females than in the rest of UREPF-eligible staff (70% of eligible staff aged 55 or over are female vs 64% when considering all age bands). Therefore, the proposal potentially has a greater impact on females if they chose to join the scheme after the 1 August 2011.
- There is a higher concentration of BME employees at younger age bands than at older age bands. Therefore, the proposal potentially has a positive impact on BME staff in that they have a longer period of time to save for their retirement.
  It should be noted that the impacts shown in this section are not known with any certainty and rely on the assumption that a younger staff member is comparatively "less worse off" receiving a DC pension in place of a DB pension than an older staff member.
  A DC pension may be better for employees who leave the Fund after a relatively short period, so there may be a positive impact on short service members.

4. **Could the impacts identified above be minimised or removed or equality be promoted in some other way?**

The EIA has identified that, when comparing the profile of the affected employees to the University workforce as a whole:

- Across both the UREPF's current membership (70% female), and also the eligible non-members of UREPF (64% female), there are a higher proportion of female employees than in the University workforce as a whole (56%). Therefore, a relatively high proportion of females will be affected by the changes. However, the move to CARE may be less detrimental (or perhaps even of benefit) for females as they are more likely to take maternity leave to care for children which would suppress their salary increases over that period; moving to a career average removes this disadvantage.
- Across both the UREPF's current membership (19% BME), and also the eligible non-members of UREPF (28% BME), there are a higher proportion of BME employees than in the University workforce as a whole (12%). Therefore, the changes may have a more adverse affect on these members.
- The current UREPF membership has an older age profile (31% aged 55 or over) than the University workforce as a whole (25%). Therefore, the changes may have a greater impact on older employees. However, on the contrary, the eligible non-members of UREPF have a younger age profile (54% under age 35) compared to the University workforce (23%), so younger employees are also impacted by the changes.
- There is a broadly neutral impact on the University's disabled employees.

Turning to the specific impact from the proposals themselves:

- The move from final salary to CARE accrual for existing members of UREPF could potentially have a negative impact on younger members because of the likelihood that salaries will increase at a greater rate than inflation over time.

- The move from final salary to CARE accrual for existing members of UREPF could potentially have a positive impact on members who are within a few years from retirement because of the likelihood that salaries will increase at very low rates (and less than CPI inflation) over the the period until retirement.

- The introduction of a new DC section of UREPF could potentially have an impact on older staff if they chose to join the scheme. This is because they would have less time before retirement to build up an equivalent level of benefits on the DC section compared to if they were to join the DB section.

However, each of the potential negative impacts noted above are uncertain and are subject to how events develop in the future. In addition, the small amount of data for some groups (e.g. – disabled staff, of which there are only 16 either in UREPF or eligible for UREPF) makes it difficult to draw firm conclusions regarding the impact on these employees.

These potential impacts are balanced against the challenges facing the University with regards to UREPF, such as the increased longevity of members and the Fund's volatile underlying financial position.

In order to meet the review's objectives of safeguarding the future of the Fund, keeping it viable for the University and attractive for members, the University cannot readily identify alternative proposals that would both meet these objectives and minimise the impact on particular groups of staff.

5. How will the revisions to UREPF be monitored in the future and by whom?

The University will review the demographics of the UREPF on a 5-yearly basis and will undertake an equality impact assessment of any future proposed changes.

University of Reading
March 2011