University of Exeter

Final Report

State Pension Integration: Expectations and Equality

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Contents

Executive Summary

This report explores the practice of state pension integration in the post 1974 Midland Section of the HSBC Bank (UK) Pension Scheme (referred to throughout this report as the 'post 1974 Midland Section'). Through a review of documentation, interviews with members and a survey of members it explores communications around state pension integration and whether the practice has unequal results on particular groups.

The term state pension integration can be used to describe the practice of adjusting a defined benefit occupational pension scheme to take account of the state pension. Adjustment to take account of the state pension can take various forms, for example a pension scheme may change what counts as pensionable salary, or change the calculation of the pension itself, which can be done using a variety of different methods. Where the pension calculation is adjusted, this can result in a reduction to a pension in payment if a member starts to receive their occupational pension before the state pension. This method of state pension integration has the potential to cause significant concern to members and is the focus of our research. Although it can refer to different methods, we typically use the term state pension integration in this report to refer to this particular practice of adjusting an occupational pension, unless the context requires a wider interpretation. A rationale of all types of state pension integration was to reduce the increased burden of contribution to an occupational pension and the national insurance scheme (when this was introduced in 1948) while still ensuring that employees received a pension sufficient to meet their needs once they retired. The social, political and economic context has significantly changed since 1948, but the ability to apply state pension integration has not. It is therefore a legitimate question for policymakers to consider whether the legal framework surrounding state pension integration is adequate. This report focuses upon the method of state pension integration used in the post 1974 Midland Section, it identifies issues that have arisen through the communications to members, and identifies potential inequality that may arise from the method used.

The issue of communication

In relation to the communication, we reviewed all publicly available documents and those sent to us (which ranged from 1974 to 2018) and found that communications from the bank and trustees consistently mentioned state pension integration and this was discussed in almost identical ways in the documents. These words met the relevant legal rules that have existed since 1986 (when communication requirements were introduced). However, from the interviews, it is clear that participants had very little awareness of state pension integration as a feature of their pension (with the majority only becoming aware of state pension integration in 2017/18). It is also clear from the interviews that members had very little understanding of state pension integration (in particular what it is, how it works and why it exists). Given that the relevant legal rules around communication were met, but members still lacked awareness and understanding of state pension integration we have recommended improvements in this area which are summarised below.

The issue of inequality

In relation to inequality, through the survey we explored the relationship between the proportion of the amount deducted due to state pension integration in comparison to the pension amount against three protected characteristics under the Equality Act 2010 (sex, race and disability). We found that only sex had a significant effect on the proportion of the amount deducted due to state pension integration compared to the pension amount. The fact that pensions (as pay) are dealt with differently in relation to sex in the Equality Act 2010 (through the equal pay provisions rather than through direct and indirect discrimination provisions) means that the practice of deductions made due to state pension integration cannot be challenged under the Equality Act 2010. This conclusion would be different if another protected characteristic was at issue, where indirect discrimination could be argued. Although the sex inequality produced by state pension integration deductions cannot be challenged under the Equality Act 2010, the interviews illustrate the effect of compounding inequality on many of the female participants. We have recommended improvements in this area which are summarised below.

Recommendations

Recommendations for policymakers

Policymakers should consider the appropriateness of legislation that permits the various methods of state pension integration, in particular, whether it should still be permitted and whether there is sufficient guidance for pension schemes on how it should be conducted. At this stage we are not recommending specific changes to the legal framework that permits the various methods of state pension integration. This is because a singular rule for all schemes could have a disproportionate impact on some employers due to the different natures of pension schemes, e.g. differences in size and strength of the sponsoring employer, the pension scheme benefit structure and funding position. Further work into the impact beyond the post 1974 Midland Section would inform potential change in this area.

Policymakers should amend the legislation on communication and develop guidance to require specific details of state pension integration to be communicated to scheme members. In particular regarding the method used in the post 1974 Midland Section, as members who engaged with our study are clearly confused, and it is likely that members in other schemes are equally confused or not even aware of this issue.

Policymakers should require sponsoring employers and trustees to review their use of this practice, and if necessary, inform and consult with affected members and provide mitigation for detrimental impact, this is discussed further under the heading below. This would ideally take the form of amending relevant legislation and developing guidance to ensure any such consultation is structured and effective and that any mitigation is adequate and appropriate in the circumstances. This is discussed further below as we would urge sponsoring employers and trustees to voluntarily undertake such reviews.

Policymakers should consider the suitability of the equal pay provisions which have not been available to members of the post 1974 Midland Section, despite evidence of disproportionate impact upon women. Particular attention should be paid to whether the equal pay provisions are still fulfilling their purpose and whether the direct and indirect discrimination provisions should be made available instead of, or in addition to, the equal pay provisions.

Recommendations for sponsoring employers and trustees responsible for occupational pension schemes

Sponsoring employers and trustees of occupational pension schemes that use any form of state pension integration should conduct a thorough review of this practice to see if it is appropriate going forward. This review should include a consideration of how it has been communicated to scheme members and whether it is still appropriate for the pension scheme, based on factors such as the current benefit structure and funding position which may have changed over time. This should primarily be an employer led activity but should involve trustees, particularly where amendments to the scheme governing documentation requires both employer and trustee approval.

Where the review of a pension scheme identifies any potential for confusion (such as through reduction to pensions in payment, as is the subject of this study in the post 1974 Midland Section), unexpected detriment (such as due to how it has been communicated) or unfair disadvantage for any group of scheme member (such as due to how any adjustment is calculated), employers *should inform and consult* with affected members and *consider appropriate mitigation* for those impacted and whether the scheme should discontinue or adjust this practice. Significant impact can result from changes to the pension expectations of members, particularly, where issues only come to the attention of members when they have already started to draw their pension.

Appropriate action arising from any such review will depend upon scheme specific features such as the funding position and size of the scheme and how this feature has been communicated to members. Sponsoring employers and trustees should explore whether anything could be done to offer more support to affected members (depending upon the profile of affected members and available resources, the type and level of support could be adjusted proportionately to the level of impact), either through an adjustment to the scheme or through alternative means from the employer directly such as providing financial support and access to free financial advice. This should be a decision that is determined by sponsoring employers and trustees in a meaningful and fully informed consultation with those affected (or their representatives).

Recommendations for HSBC

We have directed our recommendations to HSBC as the current sponsoring employer who we understand has the power to change the approach to state pension integration under the scheme rules. Where any decisions require trustee and sponsoring employer agreement, we would direct our recommendations to both the sponsoring employer and the trustees.

Although the sex inequality produced by state pension integration cannot be challenged under the Equality Act 2010, the interviews illustrate the effect of compounding inequality on many of the female participants. **We recommend that HSBC meets with affected members or their representatives and particularly considers the position of lower earning pensioners and members to explore whether anything could be done to offer them more support**, either through an adjustment to the scheme or through alternative means from the employer directly such as providing financial support and access to free financial advice. This is in line with our recommendation for those responsible for all occupational pension schemes, adjusted to reflect the fact that HSBC has already taken steps to inform members of this issue.

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Introduction

What is State Pension Integration?

State pension integration is used to describe the practice of adjusting an occupational pension to take account of the receipt of the state pension. Methods of adjusting occupational pensions to take account of the state pension can vary. They may involve an adjustment to what is considered as pensionable salary, or an adjustment to the occupational pension itself. The methods used to adjust the pension amount may also vary. Where a member retires before state pension age, it can involve a 'bridging pension' to increase the occupational pension until the state pension is payable. Alternatively, it can involve a reduction to an occupational pension to take account of the state pension. It is this method of state pension integration that is the focus of this report as it has the potential to cause significant concern to members, particularly where a member takes their occupational pension before reaching state pension age. In this scenario, the occupational pension in payment is reduced once a member reaches state pension age to take account of the receipt of the state pension.[1]

Following the introduction of the state national insurance scheme and universal state pension in July 1948 some occupational pension schemes started to adopt methods of state pension integration. For many employees the state pension was considered unnecessary as their private pension was sufficient and yet the employer (and employees that contributed to their pensions) faced the increased burden of having to contribute to the national insurance scheme alongside the occupational

[1] HC Deb 26 Mar 2012, vol 542, col 100WS.

pension scheme. **State pension integration was intended to reduce the increased burden of contribution to an occupational pension and the national insurance scheme while still ensuring employees received a pension sufficient to their needs once they retired**.[2] Occupational pension schemes operate within a complex legal framework of laws passed to address issues such as taxation, equality, labour relations and pension scheme governance. Within this framework schemes have developed various methods of state pension integration. The practice has been utilised in both public and private schemes but over time its use has declined as it has either been abolished completely by some schemes or modified so that its effect is increasingly insignificant.[3] There have been campaigns that have argued for its abolishment (for example by the financial services union BIFU and by the Trade Unions Congress) and it has been debated in parliament on a number of occasions.[4] As yet it has not been abolished. The modern-day situation is now different from 1948, and the level of state pension provided in the UK is reported to be lower than most advanced economies when compared with average earnings.[5] The government has been so concerned with the adequacy of occupational pension savings that automatic enrolment was introduced in October 2012 and phased in over several years to drastically increase the number of people that have access to an occupational pension when they retire. **The social and political environment has significantly changed since 1948, but the ability to apply state pension integration in a pension scheme has not.**

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[2] Pensions and Lifetime Savings Association, 'Integration of occupational schemes with the state pension' (PLSA 2001).
[3] Djuna Thurley, *Pension integration (or 'clawback')* (HC Library Briefing Paper, CBP-01121, 19 February 2020) 7-8.
[4] Djuna Thurley, *Pension integration (or 'clawback')* (HC Library Briefing Paper, CBP-01121, 19 February 2020) 9, 13-15.
[5] Rachel Harker, *Pensions: International Comparisons* (HC Library Research Briefing paper, CBP 0290, 11 March 2022, 4.

Given the range of possible methods of state pension integration and the changed environment since 1948, we recommend that:

- **Policymakers should consider the appropriateness of legislation that permits the various methods of state pension integration. In particular, whether it should still be permitted and whether there is sufficient guidance for pension schemes on how it should be conducted.** At this stage we are not recommending specific changes to the legal framework that permits state pension integration. This is because a singular rule for all schemes could have a disproportionate impact on some employers due to the different natures of pension schemes, e.g. differences in size and strength of the sponsoring employer, the pension scheme benefit structure and funding position. Further work into the impact beyond the post 1974 Midland Section would inform potential change in this area.

- **Policymakers should require sponsoring employers and trustees to review their use of state pension integration, and if necessary, inform and consult with affected members and provide mitigation for detrimental impact**, this is discussed further under the heading below. This would ideally take the form of amending relevant legislation for example through an amendment to the Consultation Regulations[6] that currently address consultation requirements for specific 'listed changes'. This would therefore be seen as an employer duty, but support from and engagement with the trustees would also be needed, particularly where any amendment to the scheme requires employer and trustee approval. Supporting guidance should be developed to ensure any such consultation is structured and effective and that any mitigation is adequate and appropriate in the

[6] Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 (SI2006/349)

circumstances. This is discussed further below as we would urge sponsoring employers and trustees to voluntarily undertake such reviews

- **Sponsoring employers of occupational pension schemes that still use any method of state pension integration should conduct a thorough review of the appropriateness of the continued use of this practice.** This review should include a consideration of how it has been communicated to scheme members and whether it is still appropriate for the pension scheme, based on factors such as the current benefit structure and funding position which may have changed over time. Where there is any possibility of confusion for scheme members, such as with any form of adjustment to pensions, schemes should inform and consult with affected members (or their representatives) to consider either removing the practice from the scheme design, or putting appropriate mitigation in place to alleviate the impact for those affected. This would require looking at the affordability of removing the practice in the first instance and also considering other mitigation to support those affected by state pension integration. Such mitigation may come from within the scheme or may most appropriately come directly from the employer outside of the resources of the scheme, such as financial assistance and access to free financial advice. Any form of mitigation must be appropriate for the specific scheme. We recommend that employers and trustees look to the range of impacts upon scheme members. It may be appropriate, depending upon available resources, to direct support that is proportionate to the level of impact upon the member as our research shows that some members are significantly more affected by state pension integration that others. Relevant factors would include their level of pension, access to other income and age.

We acknowledge that there are many forms of state pension integration, which in some cases may have been clearly communicated parts of the scheme design. However, there is a need to review the suitability of these arrangements. This is due to the way that the practice has evolved, which question the suitability of state pension integration in modern day pensions provision. Additionally, this is also due to the potential for the range of different methods used to cause confusion and distress to members, which significantly affects their expectation for their pension and creates insecurity in retirement.

The Post 1974 Midland Section

This report focuses on the state pension integration feature of the post 1974 Midland Section of the HSBC Bank (UK) Pension Scheme. State pension integration applies broadly to members who joined the post 1974 Midland Section on or after 1 January 1975 and before 1 July 1996. The scheme was originally run by Midland Bank and was taken over by HSBC following their acquisition of Midland Bank in 1992.

The pension benefit is broadly calculated using the following equation:
1/60th x pensionable salary x pensionable service up to 30 June 2015 (up to a maximum of 40 years)

State pension integration then calculates an amount to be deducted from the pension benefit once a member reaches state retirement age. The scheme closed to future accrual on 30 June 2015 so it is not possible to build up benefits after this date.[7] The adjustment for state pension integration is defined in pension scheme booklets as a 'State Deduction' and is calculated as:

1/80th x basic state pension (at date of leaving) x pensionable service up to 30 June 2009.

We have not reviewed the governing documentation of the pension scheme but have been informed that there is no discretion for the Trustee to adopt a different approach as this is an employer decision. Additionally, the figure for the basic state pension (at date of leaving) is the annual state pension for a single person in the 52 weeks prior to the earlier of the date of ceasing active membership or 30 June 2015. We have also been informed that scheme members who had worked part-time had their pensionable service calculated using the full-time equivalent.

From 1 July 2009 member contributions were introduced and pensionable service from this date is not used in the calculation of the state deduction.

The Midland Clawback Campaign started in 2017 in order to challenge the continued practice of state pension integration in the post 1974 Midland Section. The campaign has sought to have state pension integration abolished through the lobbying of MPs, working with an All-Party Parliamentary Group on Pension Clawback and ensuring consistent media coverage. The Campaign has also protested outside HSBC's AGM each year and gained coverage in each AGM (by using shareholder power to table a resolution at the HSBC and to ask questions of HSBC).

[7] Letter from Ian Stuart (Chief Executive of HSBC UK) to members of the post 1974 Midland Section of the HSBC Bank (UK) Pension Scheme (13 December 2017).

HSBC maintain that state pension integration as a feature of the post 1974 Midland Section 'has been clearly and consistently communicated to members' and do not accept 'that the deduction is unfair or discriminatory or the allegation that its features have not been clearly communicated'.[8] The bank has also refused to make any changes to the scheme as this could be seen as unfairly preferring one group of members over members in other schemes.[9] HSBC estimate that it would cost £400m-£500m to remove state pension integration from pensions going forward.[10]

Aims and Objectives

The investigation had two central aims:

1. To explore the communication around state pension integration.

2. To explore possible unequal effects of state pension integration.

Terms of Reference

We were contacted by Midland Clawback Campaign to complete an independent study of the communication around state pension integration in relation to the post 1974 Midland Section and the possible unequal effects of this practice. There were additional issues that arose during the investigation (for example concerns around other bank practices or concerns in relation to individual cases). State pension

[8] Letter from Ian Stuart (Chief Executive of HSBC UK) to members of the post 1974 Midland Section of the HSBC Bank (UK) Pension Scheme (13 December 2017).
[9] Rupert Jones, 'Former HSBC employees fight clawback of pension income' *The Guardian* (London, 28 October 2017) <https://www.theguardian.com/money/2017/oct/28/hsbc-pension-income-clawback> accessed 16 February 2023.
[10] HSBC, 'Your Questions Answered' (HSBC 2018) 6.

integration in some form is also a feature that is present in occupational pension schemes in other organisations. However, this investigation and report are focused on state pension integration and the post 1974 Midland Section (albeit some of the wider issues will be referred to and the recommendations will have wider utility).

It should be noted that many different terms have been used to refer to state pension integration (such as state deduction or clawback). This terminology is ideologically driven and represents a particular position that is resisted by other parties. For example, HSBC refer to the practice as state deduction but (as will be seen later) the Midland Clawback Campaign and its members criticise this as misleading as it suggests the practice is something that is undertaken by the state. Conversely, many of the members refer to the practice by HSBC as clawback but HSBC would resist this phrasing as nothing is being clawed back from members. They would claim this feature of the pension scheme has always existed and members were consistently informed of this so nothing is being taken away. In an effort to avoid these loaded terms we refer to this practice by the neutral term of state pension integration throughout the report. As mentioned above it is important to note from a technical terminology perspective, that an adjustment for the state pension can be achieved by various methods. This study focuses upon a particular method that reduces the pension, as this is what is used in the post 1974 Midland Section. The terms clawback and state deduction will only be used in the report when we are quoting members or the bank.

Finally, it should be noted that representatives of the trustee directors of HSBC Bank Pension Trust (UK) Limited, the current trustee company of the HSBC Scheme (the 'Trustee') and representatives from HSBC as the current sponsoring employer were invited to participate in the investigation and declined to do so. We are however grateful for the responses that we have received to our communications on this issue from them. References to the bank or trustees in this report should be read as the trustees or sponsoring employer at the time. We have not sought comment from previous trustees or personnel from Midland Bank. We have also not sought comment from the current or previous pension scheme administrators within the scope of this work. This report presents our research findings for a specific piece of academic research and does not constitute legal advice.

Methodology

Three different methods were utilised in order to meet the aims:

1. Review of Documents

We collected publicly available documents relating to the post 1974 Midland Section and also invited members of the Midland Clawback Campaign and interview participants to send us any documents that they wished. These were then examined to see (i) if they referred to state pension integration in the post 1974 Midland Section and; if they did, (ii) to explore how state pension integration was discussed. A key limitation is that we could only review documentation to which we had access, so there may be relevant documentation that contains contradictory information that we could not access.

2. A Survey

A survey was set up that gathered data on specific members (including how long they worked at Midland/HSBC, their final salary, the amount of their pension from the bank, the amount of any deductions due to state pension integration and questions about diversity). The survey was open from mid-December 2022 to the end of January 2023. It was promoted to both members of the Midland Campaign Group and through Horizons (the association for former HSBC employees) to ensure as wide a range of members completed the survey as possible. In total, 2007 people completed the survey. A regression analysis was undertaken to determine the effect of three protected characteristics (sex, race and disability) on the proportion of state pension integration relative to the pension amount. A key limitation of the survey was that we were reliant on individuals knowing their pension details and inputting these correctly. To ensure the data was as strong as possible checks were done on the data (the pension and state deduction amounts were calculated for each participant based on the information provided). Some records were excluded where they were incomplete or did not make sense.

3. Interviews

Interviews were undertaken with 67 individuals who were or would be subject to state pension integration. The interviews explored the work life histories of participants, their awareness and understanding of the pension scheme, communication at Midland Bank/HSBC, awareness and understanding of state pension integration and impacts of state pension integration. These were analysed thematically.

1. Communication

This section explores the communication of state pension integration to members. In particular, it discusses the extent state pension integration was discussed in documentation, the consistency with which state pension integration was explained, the extent that communication met the legal requirements, the effectiveness of the communication (through the exploration of the awareness and understanding of state pension integration by members), and later interactions between the bank and members over state pension integration.

To what extent was state pension integration discussed in documentation?

Appendix 1 lists all 61 documents that were surveyed during this investigation. These were split into four categories (outlined in Appendix 2):

(1) Documents that refer to state pension integration;

(2) Documents that do not refer to state pension integration but make reference to other documents that expand on the content (where state pension integration is discussed)[11] or documents where state pension integration is implicitly discussed;

(3) Documents that do not refer to state pension integration (or refer to other documents) where it would be expected that state pension integration would be mentioned;

[11] The documents referred to fall under category 1.

(4) Documents that are not relevant to the communication of state pension integration (because they are not from the bank or the trustees or because the context of the document means a reference to state pension integration would not be expected).

The majority of documents fell into category 4 (consisting of 41 documents). Of the documents in categories 1-3, the vast majority made reference to state pension integration. There were thirteen documents in category 1 (scheme booklets, scheme letters, statements of benefits, leavers' letters, guides and letters from the trustees and HSBC). The first of these is from 1974 and the last is from 2018 (with the other documents spread out between this period). All thirteen documents make reference to state pension integration.

There were four documents in category 2. Of these, three documents (a head office circular, a starting letter and service agreement and a hybrid scheme booklet) did not refer to state pension integration but made reference to documents in category 1 that did refer to state pension integration. Given the need for precise and consistent communication, on balance, it is reasonable that these documents did not refer to state pension integration given that they were intended to provide a concise overview of key information and that reference was made to more detailed documents that contained information that explained state pension integration. The final document in category 2 was a pension statement which listed deductions but did not explain the nature of these deductions. Ideally, the fact that this was due to state pension integration would have been made explicit, but given the consistent reference to state pension integration in the general documentation (category 1), it is reasonable for the trustees to presume that members would be aware of why money was being deducted and thus not specify the precise nature of the deduction.

Finally, there were three documents in category 3 (individual correspondence about a member combining two separate pensions (one pre-1975 and one post-1975), a pre-1975 pension booklet given to a new starter in 1986 and an individual final reward statement from 2004) that did not mention state pension integration. In relation to the individual correspondence, there is a letter that outlines the pension amount but does not mention state deduction. However, given the amount of the pension, it appears that this relates to the pre-1975 pension and thus would not refer to state pension integration (as state pension integration was not a feature for members joining before 1 January 1975). In relation to the booklet, this was a mistake, which while unfortunate and potentially misleading for the individual, does not appear to be a widespread practice (there is no evidence that this outdated booklet was provided to all new starters in 1986) and does not take away from the consistent communication of state pension integration in the category 1 documents. In relation to the individual final reward statement, this outlined all the benefits the individual member of staff had received, it mentioned pension scheme funding within a broad scope and thus it is reasonable that state pension integration was not mentioned (it was likely that there were other constraints on benefits which were also not mentioned).

On the basis of these documents, it is clear that state pension integration consistently featured in the documentation from Midland Bank/HSBC and the trustees (or the pension administrator). The only exceptions (category 3 documents), concerned individual situations which were either misunderstandings or mistakes and which, while unfortunate, do not take away from the consistent communication in the general documentation.

To what extent has the discussion of state pension integration in the documentation been consistent?

Category 1 documents (i.e. those that mentioned state pension integration) were then surveyed to understand how state pension integration was discussed. All the references to state pension integration from these documents can be found in Appendix 3. Across these documents (from 1974 to 2018) state pension integration has been consistently defined (as 1/80th for each year (maximum 40) of pensionable service of the basic state pension paid to a single person in the 52 weeks before retirement). The documents do not vary in a significant way from this definition. The more recent documentation has introduced new methods of communication (for example the 2009 booklet provides an example to illustrate how state pension integration works and the 2017 letter from Ian Stuart, the CEO of HSBC UK, explains why state pension integration was introduced). Utilising additional methods of communication earlier (such as providing examples and explaining the rationale of state pension integration) may have helped with improving the understanding of members. However, looking across all the documents, **the communications around state pension integration have been consistent from its introduction in 1975 to the present day.**

Have the communications met the relevant legal requirements at the time they were issued?

Appendix 4 sets out the legal requirements around communication requirements for trustees from 1975 to the present day and how they have evolved. There were no obligations to notify members of what their benefits were from 1975 to 30 October 1986. From 1 November 1986 there have been communication requirements. These required that new members had to be given basic information about the scheme (particularly what benefits are payable under the scheme and how they are calculated) and information also had to be provided to members on request (subject to limitations on the number of times such information can be requested). From 6 April 1997 new rules came into effect which required additional information to be provided but nothing that requires additional information to be provided about state pension integration beyond that required previously. The communication requirements changed again from 6 April 2014 but as with the previous changes nothing has materially changed since the 1986 rules. These latest requirements can be found in section 41 of the Pensions Act 1995 and the Occupational Pension Schemes (Disclosure of Information) Regulations 2013 (the '2013 Disclosure Regulations'). These current communication requirements obligate trustees to provide basic information to members and further information on request. Employers must provide more limited information regarding pension entitlements[12], which typically direct employees towards the pension scheme booklets. Employers must also consult with scheme members on specific 'listed changes' which include fundamental changes to the benefit structure such as closing a scheme to new members[13]. **Looking at the communications that appear in the category 1 documents these would appear to meet the rules that have existed since 1986 as calculations are provided both for the pension itself and for the state pension integration element, which meets the requirement to let members know the benefits payable under the scheme and how these are calculated.**

[12] Section 1 of the Employment Rights Act 1996

[13] Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 (SI2006/349)

To what extent have members engaged with and understood communications around state pension integration?

The next issue to be explored is, regardless of any legal requirements, the effectiveness of the communications. This can be seen through the interviews. This section focuses on two overarching issues: the extent members were aware of state pension integration and the extent members understood state pension integration and how it would work in the post 1974 Midland Section.

Awareness

Only a small minority of the interviewees were aware of state pension integration from the outset of the scheme. These interviewees tended to work in parts of the bank where they were likely to be more aware of employment terms and conditions (e.g. management or human resources). Awareness of state pension integration for the rest of the interviewees increased slowly over time. For example, one became aware of it when she received a pension statement in 1986, another when she received a pension statement in 1994 and another when information was provided about the scheme changes in 2009.

The vast majority of participants only became aware of state pension integration in 2017. This was either through specific information sent out by the bank (for example the letter by Ian Stuart, the CEO of HSBC UK) or through the work of the Midland Clawback Campaign. For many this knowledge came too late and gave members little opportunity to account for state pension integration in their retirement planning (e.g. interviewee 24). Some participants described that they would have acted differently if they had known about state pension integration earlier, for example, changed jobs (interviewee 13) or saved more (interviewee 17).

> 'given the time – I was only a couple of years away from my retirement – I'm not in a position to really do much about influencing any pension decisions I may have made over the previous 10 years' (interviewee 24)

There thus seems a disconnect between the information the bank provided about state pension integration and awareness of this feature of the pension scheme by members. From the interviews, it appears that information was initially provided through circulars (which staff had to initial as evidence that they had read the information contained within them). Booklets were sent to managers who were responsible for distributing these to staff. We were told of one situation where these would be left next to the sign in book and staff told to take a copy. Managers should also have retained a copy to keep in a staff library. Subsequent advances in technology meant that documentation and information was eventually provided electronically. These procedures would appear sufficient and appropriate to share information with staff at the time. However, what we do not know, and what it would be impossible to know given the significant lapse of time since these events occurred, is to what extent these procedures were followed in practice. Some of the interviewees suggest that their managers did not follow these procedures, but we cannot know the extent of non-compliance with these procedures.

Two areas where there does seem to be gaps in the communication of information is in relation to non-branch staff and part-time staff. The procedures we were told about related to branch staff, but a few of the interviewees did not work in branches. One participant (interviewee 55), who worked in delivery, did not have a clear base, and thus these procedures would not have been effective. He outlined that he was not given any documentation but received key messages by word of mouth, which is concerning as information can be lost or miscommunicated. In relation to part-time workers, discussed in more depth in the next section, they did not originally receive pensions, but were eventually given pensions that were backdated. However, they had missed out on the information provided in the backdated period and none of the interviewees who had worked part-time appear to have been given information about their new terms and conditions when they began to be provided with a pension. Thus, it does appear that **for some groups of members communication in the bank would not have been effective.**

Finally, it is important to outline, that alongside these formal procedures for communicating important information there appears to have been informal mechanisms utilised by managers that acted to undermine the formal information provided. Many of the participants outlined how the pension was repeatedly explained to them by managers and utilised to justify conditions at the bank. One participant (interviewee 15) outlines how the pension was used to persuade her from changing employers. Others outline how it was utilised as a justification for lower pay compared to other comparable occupations (e.g. interviewee 41). Further, some interviewees describe how the pension was utilised to require the working of long hours and providing significant amounts of unpaid overtime (e.g. interviewee 51). In none of the scenarios was state pension integration mentioned:

> 'for about 10 or 15 years we got less than an inflationary pay rise and every time would be told well you have to look at the whole package…You have a 2/3 final salary pension scheme…It didn't say you have a 2/3 final salary pension scheme, but when you get to state pension age that pension will be reduced…if they'd have said that I would have understood and actually looking back, I perhaps would have moved to another bank or another job. But I never had that opportunity and by the time I knew about this I'd already retired so it was too late' (Interviewee 41)

It is impossible to measure the frequency or influence of these informal statements by managers. Although, it does appear that these statements were made with sufficient frequency to have resonance in the memories of participants. Whether it would be reasonable to expect managers to explain all the features of the pension verbally in these informal statements can be questioned. Yet, **there does seem to be a disconnect between these informal statements and the official documentation, with these statements potentially undermining communication in the official documentation.**

Understanding

The second issue is once members were aware of state pension integration to what extent did they understand it as a feature of the pension scheme? **It is clear that the vast majority of interviewees struggle to understand state pension integration.** This is true even for those participants who were aware of state pension integration fairly early (for example, interviewee 2 who had sought information about it in 2009 and was still struggling to understand it). In particular, participants were struggling to understand exactly how the amount is calculated and deducted. For example, interviewee 36 outlined how the literature 'doesn't say how much will be deducted, it doesn't say whether or not it will deducted at source or it will be deducted net so there's no clear guidelines of how they're going to do it'.

A particular area that members struggled to understand was the rationale for state pension integration:

> 'I understood how much was going to be taken off, but I can't say I really understood what the reason was for this. I always understood the pension was deferred pay…the bank were always talking about the pension as part of the complete pay package and then they come out with we're going to take some of it off you. That's my money not yours. I didn't understand how suddenly they were allowed to put their hand in my pension pot. It didn't seem right to me.' (Interviewee 57)

The combination of the late awareness of state pension integration and the lack of understanding by a majority of participants has allowed alternative narratives and discourses around state pension integration to emerge and prevail. In particular, the discourses and narratives advanced by the Midland Clawback Campaign seem to have prevailed over those provided by the bank:

> 'I found the booklet that says HSBC Bank (UK) Pension Scheme refers and explains the calculation, but it doesn't explain why, it explains numerically how it's worked out, but it doesn't tell you what it really was…it was word of mouth and through the Clawback Campaign that I actually understood it' (Interviewee 54)

Once participants became aware of state pension integration and understood how it would operate strong feelings emerged. Participants described feeling enraged (e.g. interviewee 17), horrified (e.g. interviewee 23), frustrated (e.g. interviewee 37) and that the bank had undermined their loyalty (e.g. interviewee 33). These feelings were particularly strong, as virtually all of the participants, had spent the majority, if not their entire, career at the bank.

> 'I gave 40 years of loyal service to the bank. I don't think I had a day off sick in the last 10 years. I've worked all through, brought up 2 children and this is the thanks we get…40 years is a long time to work for a company. And I was extremely proud to say I worked for HSBC. And this is how they treat their pensioners' (interviewee 37)

An area that has led to particular misunderstanding is use of the term 'state deduction' which, as described earlier, is used by the bank to refer to state pension integration. **Many of the interviewees interpreted 'state deduction' to mean a deduction taken by the state rather than by the pension scheme:**

> 'I remember it being called state deduction and it was never explained what that was and I made the assumption that it was some form of tax that went to the state. And I was thinking in my mind that's typical, I get a good pension and then they're going to take a bit of it in tax because I haven't contributed…And while I wasn't happy about that I did think well it's going towards the NHS or what have you, so be it' (interviewee 43)

Interviewees found the reference to the state to be a 'deception', which contributed to the strength of feeling against it by participants:

> 'to me it should always have been called bank deduction or pension deduction. Why use the word state, the state had nothing to do with it apart from the fact that they clobber you with it at state pension age when you need it the most. So it puts you in a state basically' (interviewee 6).

There were also further issues that were outlined by interviewees. Interviewee 2 described how 'trying to obtain information had been extremely hard at times' with a member of staff at the former pension administrator informing him 'you keep asking all these questions, we haven't really got time to deal with it'. Other participants (who were recruiters and financial planning managers) felt guilty because they had recruited and advised staff and yet had no knowledge or awareness of state pension integration and so had not advised other staff about it (e.g. interviewee 21). Finally, there were specific cases where mistakes appeared to have been made in relation to state pension integration.

For example, we were told about situations where two pensions (one that started pre-1975 which was not subject to state pension integration and one post-1974 that was subject to state pension integration) were amalgamated resulting in the whole amalgamated pension being subject to state pension integration and this consequence of the amalgamation was not highlighted to the members when amalgamation was suggested by the pension scheme administrators (e.g. interviewees 13 and 16). Additionally, it was reported to us that there were situations (e.g. interviewee 60) where an error had been made and state pension integration had not originally been deducted, and when this was discovered years later the member was suddenly expected to reimburse the (large) amount paid in error.

It seems clear that the majority of members in our interview sample have not understood state pension integration or how it works. HSBC's subsequent attempts to explain and clarify state pension integration appear largely ineffective and this has meant that alternative narratives and discourses (largely from the Midland Clawback Campaign) have come to be dominant in the minds of participants. **Given the importance of pensions, and that the communications of the bank meet the legal requirements, the fact that members have struggled to understand these communications suggests that the current legal requirements are inadequate and need to be enhanced.**

Later interactions between members and the Bank

The final theme around communication that can be observed in the interviews is the attempt by members to discuss state pension integration with the bank. For some of the interviewees, the issue was not one that they had taken up for themselves but one they have pursued out of a sense of solidarity for those colleagues (particularly women) who were low paid, where state pension integration would constitute a much bigger proportion of their pension:

> 'behind the counter of a lot of banks you will have ladies, who in many cases have worked for the bank very loyally for a long time and many were on very low salaries, their pension will be that much lower, and yet they're going to get clawback of £2,500. And for them I feel that is a very bad thing, I think that's very underhand. I think the bank didn't realise the value at times of some of those staff…but in my experience they always really helped the work of the bank and for them to be suddenly finding they're losing quite a chunk of their pension is unethical and totally unacceptable.' (interviewee 2)

The main frustration of the participants was the bank's failure to engage with members, many wished the bank was 'more open to communication' and would meet with members (interviewee 4). One of the biggest frustrations was the lack of opportunity to ask questions of the bank (interviewee 5). Interviewee 22 outlined how the bank had set up a town hall meeting in London to meet with members but there was a disconnect between the bank personnel who wanted to present justifications and members who wanted to be able to ask questions and have their concerns engaged with. Finally, there was a frustration that the assumptions and reasoning behind the bank's claims were never shared so participants could not evaluate those claims.

> ‘they sent us this communication in 2018 saying it could cost 500 million to put everything right. So that will be their worst case position. They never shared the breakdown of how they got there though. They’ve just basically thrown a number out there. For us, we can’t challenge that. We can’t say that number’s right or wrong.’ (interviewee 26)

Since the majority of interviewees have become aware of state pension integration in 2017/18, they perceive that the bank has sought to justify and defend the practice rather than honestly and openly engage with the concerns of the members. **A lot of the negative feelings around state pension integration from members stem from the frustration of feeling that they had not had their concerns adequately listened to by their employer.**

Conclusions on communication

Based on the documentation that we obtained it is clear that state pension integration was consistently discussed in the documentation. The language used to discuss state pension integration in the documentation (from 1974 to 2018) was consistent and met the legal requirements that existed at the time.

Yet, the interviews showed that initial awareness of state pension integration by members was very low, with the majority of interviewees only becoming aware of state pension integration in 2017 (as a result of a 2017 letter from Ian Stuart to members and/or the actions of the Midland Clawback Campaign).

Procedures for the dissemination of information in the bank seem appropriate for the time but it is unclear to what extent these were always followed and we have identified situations where these procedures would have been ineffective (such as for staff who did not work in branches and for part-time employees). There were also informal communications around pensions by managers that could potentially have undermined awareness of state pension integration by making it less likely that staff would engage with official documentation.

Additionally, the vast majority of participants still do not fully understand state pension integration (in particular what it is, how it works, why it exists). Attempts to clarify state pension integration by the bank in 2018 appear to have been largely unsuccessful and have allowed the clearer, more emotive discourses of the Midland Clawback Campaign to prevail. A particularly strong area of confusion is the term used by the bank and trustees to describe state pension integration (state deduction) which many participants concluded was a deduction made by the state rather than by the pension scheme. We also heard of individual issues where it appears that the actions of the former pension scheme administrator added to the misunderstanding. Given the extent of the lack of understanding, but that the pension scheme has met the legal requirements around communication, this suggests that the current legal requirements are inadequate and need to be enhanced if communications around pensions are to be effective. Finally, later interactions between members and the bank have led to feelings of frustration as members feel that they have not had their concerns adequately listened to by their employer.

Based on these conclusions the following recommendations are made:

- **Policymakers should review and increase the legal requirements around communication of state pension integration** so that as well as focusing on providing sufficient information, they also ensure that this information is of sufficient quality (i.e. in that it can be easily and clearly understood by members). This is an example of a technical feature of a pension scheme, as such it appears it has been assumed that members will not want / need to know the detail of its application. Some technical elements of occupational pensions do not need to be explained to members as a matter of course. There is always a balance to make when setting any rules on how much information should be provided, however, given the evidence of wide-spread confusion and significant impact for scheme members, more information should be provided on this issue as a matter of course. This would ideally be achieved through a change to the 2013 Disclosure Regulations, which should require more detailed information on state pension integration to be provided, supported by guidance, and more pro-active action on the part of the sponsoring employer and pension trustees to ensure that members are aware of, and understand, this feature of their pension. The Pensions Regulator is preparing a new single code of practice for governing bodies of pension schemes, the draft text issued with their consultation expects pension scheme trustees to 'ensure that all communications sent to members are accurate, clear, concise, relevant and in plain English'.[14] It is hoped that this code will help address the current inadequacies in the communication rules, although this is an issue that requires attention from employers as well as trustees of pension schemes. As mentioned above there are

[14] The Pensions Regulator, Annex 1 Full Draft of the new code of practice, March 2021, at p114

information requirements for trustees, and also to a lesser extent employers, with consultation on specific issues being led by employers. We suggest additional requirements for communication should apply to both trustees and employers. With state pension integration being addressed in basic information from trustees, and employers leading information and consultation exercises where they are deemed necessary.

- **Communication should be considered as part of the review (mentioned in the Introduction section) by sponsoring employers and trustees of occupational pension schemes that use any form of state pension integration to see if it is appropriate going forward**.

2. Inequality

A second major concern of members is that the way state pension integration is calculated is unfair on groups which possess certain protected characteristics under the Equality Act 2010 (particularly sex, disability and race). This is premised on the fact that state pension integration will constitute a larger proportion of a smaller pension than it will of a larger pension. Midland Clawback Campaign give the example of a senior manager retiring on £100,000 a year, whilst a junior member of staff retires on £10,000 a year. Both are subject to state pension integration of £2,500. This constitutes 2.5% of the senior manager's pension but 25% of the junior staff member's pension. As women, people with disabilities and people of colour are more likely to be in lower paid positions the argument is that these groups are more likely to be affected by state pension integration and thus that it is (indirectly) discriminatory (the relevant legal provisions are outlined in Appendix 5). Using the survey and the interviews, this section explores whether such inequality does exist.

The survey captured pension amounts (combining lump sum and monthly payment amounts), state pension integration amounts and demographic information (particularly the sex of participants, their disability status and their ethnic group). Using this information, it was possible to explore the effects of sex, disability and race on the proportion of state pension integration in relation to pension amount. This had mixed results (these can be seen in Appendix 6). There was a highly significant effect of sex on the proportion of state pension integration[15] relative to the pension amount (i.e. state pension integration is significantly more likely to make up a larger proportion of a person's pension if they are a woman

[15] Highly significant means that we can be 99.9% certain that this impact is not due to chance.

compared to if they are a man). On average, state pension integration constitutes 14.042% of a man's pension compared to 19.577% of a woman's pension. In relation to race, the sample size was too small to explore the effect of race on state pension integration as a proportion of the pension (1.5% identified as an ethnicity other than white). It is likely that this reflects the situation of the population at the time (in the 1970s) when there was far less diversity in society and the vast majority of staff in the banking sector would have been white. Finally, in relation to disability, while state pension integration constitutes on average a larger proportion of the pension of an individual with a disability compared to an individual with no disability (18.029% compared to 17.879%), disability was found not to have a statistically significant effect on the proportion of state pension integration in relation to the amount of pension overall. Thus, on the basis of the survey results, **of the three protected characteristics, only sex was found to have a significant effect on the proportion of state pension integration in relation to the pension amount.**

If this conclusion related to any other protected characteristic, this would suggest that the calculation used for state pension integration is indirectly discriminatory and consideration would then move to whether it can be objectively justified. However, as a pension is classified as pay, it is not possible to use the indirect discrimination provisions of the Equality Act 2010 in relation to sex.[16] Instead, the equal pay provisions of the Equality Act 2010 must be used. In order to succeed, the Equality Act 2010 requires that a man in the same situation would be treated differently (i.e. would have a lower proportion of state pension integration relative to his pension). However, a man in an identical

[16] Under s 71 of the Equality Act 2010 it is possible to use the direct discrimination provision in limited circumstances where the equal pay provisions would have no effect (such as where there is no comparator) but there is no similar provision that permits indirect discrimination to be used instead of the equal pay provisions.

situation (with the same pensionable salary, pensionable service, that left on the same day and had the same working pattern) would be treated identically. Thus, **how state pension integration works in the post 1974 Midland Section does not infringe the Equality Act 2010 in relation to sex.**

Although it is not possible to challenge the practice of state pension integration in relation to sex, the interviews illustrate some of the inequality that is experienced by women and it is important that this is conveyed in the report. **Much of this inequality is the result of compounding inequality that has occurred over time through practices that took place at Midland Bank coupled with wider inequalities in society.** For example, we were told by someone with direct knowledge (interviewee 65) that the bank pension schemes were originally designed to exclude the majority of women (with employees only being included in a pension scheme once they had met a minimum age, by which time it was expected that the majority of women would have left the bank to have children). The bank's practice of giving marriage gratuities, which was where a woman was given a month's wages on getting married, also contributed to significant inequality because it was not explained that this wiped-out pension contributions up to this point (for example, interviewee 34, lost 8 years of her pension in this way). Finally, part-time workers (predominantly women) were initially not allowed to join the occupational pension scheme and not included until the European Court of Justice concluded in 2000[17] that they should be included and that their membership could be backdated to the 9 April 1976.[18] Some interviewees then described the challenges of being required to prove their employment by the bank between 1976 and 2000 (e.g. interviewee 12).

[17] Case 78/98 *Fletcher* v *Midland Bank Plc* [2001] 2 AC 415; *Fletcher* v *Midland Bank Plc (No. 2)* [2001] 2 AC 455 (HL).
[18] The day after the European Court of Justice's decision is Case 43/75 *Defrenne* v *SA Belge de Navigation Aerienne (SABENA)* [1981] 1 All ER 122.

These practices sit alongside wider societal inequalities that presumed women would care for children (there was very little childcare provision), which meant women were more likely to work part-time. All of these factors lead to state pension integration being significantly more likely to constitute a bigger proportion of the pension for a woman than a man.

State pension integration has had significant impacts on women with smaller pensions. Some women have had to work longer than they would have liked (e.g. interviewee 62) and others have had to go back to work (interviewee 10).

> 'I've gone back to work, so I can bridge that gap, because what might be a small amount each month to somebody else on a better pension than me is a big chunk…I'd love to have my retirement back you know so I'm hoping I won't have to keep working but we'll just have to see you know once I get my state pension how it all pans out.' (interviewee 10)

Some interviewees outlined their concerns that as they get older, the money deducted due to state pension integration would have paid for their food and energy bills and they would be concerned about their ability to pay these bills once this money was deducted (e.g. interviewee 25). Others were concerned that it would impact their ability to visit and spend time with children and grandchildren (e.g. interviewees 45 and 60). An additional form of inequality that results from state pension integration, is that it means women have less independence and are more reliant on their husbands to support them.

> 'because my husband is retired too, and we have his pension then it doesn't have any serious impact on

> me at the moment other than I resent it. But I think if anything happened to my husband, then it would seriously impact me, particularly with the cost of living rising the way it is at the moment, I can see a time when it would seriously impact me. Certainly my home would have to go, I wouldn't be able to afford to keep my home on just my pension.' (interviewee 40)

There were also wider gender inequalities with a male with a smaller pension (interviewee 39) describing how his wife was having to work longer in another organisation: 'my wife works and she would quite like to retire…She still enjoys her job and I said to her as long as you keep enjoying your job keep working because the money is very, very handy. Because without it, I don't think we would be able to have the life we currently have…It's a difficult thing because she is working and we have got that money, it is currently making us think right, can you work a bit longer'.

Conclusions on inequality

The analysis of the survey and interviews shows that there is clear inequality in relation to sex in how state pension integration is calculated. Much of this is compounded by previous practices of the bank and leaves many women in precarious positions. However, this is not illegal due to the particular provisions of the Equality Act 2010 that cover differences in pay (which include pensions) for women (the equal pay provisions). An equal pay case would only succeed if there was a man in an identical situation that would have a better pension (i.e. a larger pension and/or a smaller amount of state pension integration). Yet, a man in an identical situation would be in exactly the same position as a woman.

It seems unsatisfactory that if such levels of inequality were present in relation to other protected characteristics they could be potentially challenged as indirectly discriminatory but it is not possible to make such claims in relation to the protected characteristic of sex because of the existence of the equal pay provisions. Given that the introduction of equal pay was intended to equalise the economic position of women, it seems counterintuitive that equal pay provisions can now act to prevent such claims.

On this basis the following recommendations are made:

- The Government/the Women and Equalities Select Committee/the Equality and Human Rights Commission should consider whether the equal pay provisions of the Equality Act 2010 are still fulfilling their purpose and **whether the direct and indirect discrimination provisions should be made available instead of, or in addition to, the equal pay provisions.**
- Given the issues identified in relation to particular groups (such as part-time workers, who are disproportionately more likely to be women, being less likely to receive key information about their pension at the appropriate time, and women being disproportionately impacted by state pension integration) **we would also encourage HSBC and the Trustee to consider the position of lower earning pensioners and explore, in consultation with members, whether anything could be done to aid those most affected by state pension integration.**

Conclusions and Recommendations

Conclusions on state pension integration

- State pension integration was originally permitted to reduce the increased burden of contributing to both an occupational pension and the national insurance scheme (when this was introduced in 1948) while still ensuring employees received a pension sufficient to their needs once they retired.
- The social, political and economic environment has significantly changed since 1948 but the ability to apply state pension integration has not. It is therefore a legitimate question for policymakers to consider whether the legal framework surrounding state pension integration is adequate.

Conclusions on the communication of state pension integration

- Reference to state pension integration by Midland Bank/HSBC has consistently been made in the documents to which we had access.
- The references to state pension integration in these documents has been consistent, with the definition changing little from 1974 to 2018.
- The communication around state pension integration in the documentation has met the legal requirements that existed at the relevant times.

- However, very few interviewees were aware of state pension integration prior to 2017 (when a letter was sent out by the HSBC UK CEO, Ian Stuart and the Midland Clawback Campaign started to highlight the issue).
- While information dissemination procedures were appropriate for the time, we cannot know to what extent these procedures were always followed and we encountered groups of employees for which these procedures would have been ineffective (those without a set base and part-time employees).
- There was also evidence of informal messaging from managers which could have potentially undermined the messaging around the importance of the documentation.
- Despite the communications by the bank/trustees meeting the legal requirements, it is clear that the vast majority of interviewees have struggled to understand state pension integration (particularly what it is, how it works and why it exists).
- This lack of understanding has led participants to seek further explanation and enabled the clearer and louder discourses and narratives of the Midland Clawback Campaign to prevail over those provided by the bank.
- A particular cause of this lack of understanding is the term 'state deduction' which is used by the bank to refer to state pension integration and which participants have largely interpreted to mean a deduction by the state rather than by the scheme.
- There were many negative feelings around state pension integration from members, of which many stem from the frustration of feeling

that they have not had their concerns adequately listened to by their employer.

Conclusions on the inequality resulting from state pension integration

- The analysis of the survey shows that of the three protected characteristics tested (sex, race and disability) only sex has a significant effect on the proportion of state pension integration compared to pension amount.
- As a pension constitutes pay and there are special provisions in the Equality Act 2010 for equal pay in relation to sex it is not possible to bring an indirect discrimination claim (which would have been available if another protected characteristic had a significant effect).
- An equal pay claim would not succeed as a man in an identical position to a woman would have the same proportion of state pension integration relative to the size of the pension.
- Despite this, the interviews show that compounding inequality (many resulting from bank practices) has had a particularly adverse effect on women in relation to their occupational pension(s).

Recommendations for policymakers

Policymakers should consider the appropriateness of legislation that permits the various methods of state pension integration, in particular, whether it should still be permitted and whether there is sufficient guidance for pension schemes on how it should be conducted. At this stage we are not recommending specific changes to the legal framework that permits the various methods of state pension integration. This is because a singular rule for all schemes could have a disproportionate impact on some employers due to the different natures of pension schemes, e.g. differences in size and strength of the sponsoring employer, the pension scheme benefit structure and funding position. Further work into the impact beyond the post 1974 Midland Section would inform potential change in this area.

Policymakers should amend the legislation on communication and develop guidance to require specific details of state pension integration to be communicated to scheme members. In particular, details regarding the method used in the post 1974 Midland Section should be communicated to members, as members who engaged with our study are clearly confused, and it is likely that members in other schemes are equally confused or not even aware of this issue.

Policymakers should require sponsoring employers and trustees to review their use of this practice, and if necessary, inform and consult with affected members and provide mitigation for detrimental impact. This would ideally take the form of amending relevant legislation and developing guidance to ensure any such consultation is structured and effective and that any mitigation is adequate and appropriate in the circumstances. This is discussed further below as we would urge sponsoring employers and trustees to voluntarily undertake such reviews.

Policymakers should consider the suitability of the equal pay provisions which have not been available to members of the post 1974 Midland Section, despite evidence of disproportionate impact upon women. Particular attention should be paid to whether the equal pay provisions are still fulfilling their purpose and whether the direct and indirect discrimination provisions should be made available instead of, or in addition to, the equal pay provisions.

Recommendations for sponsoring employers and trustees responsible for occupational pension schemes

Sponsoring employers and trustees of occupational pension schemes that use any form of state pension integration should conduct a thorough review of this practice to see if it is appropriate going forward. This review should include a consideration of how it has been communicated to scheme members and whether it is still appropriate for the pension scheme, based on factors such as the current benefit structure and funding position which may have changed over time. This should primarily be an employer led activity but should also involve trustees, particularly where amendments to the scheme governing documentation requires both employer and trustee approval.

Where the review of a pension scheme identifies any potential for confusion (such as through reduction to pensions in payment as is the subject of this study in the post 1974 Midland Section), unexpected detriment (such as due to how it has been communicated) or unfair disadvantage for any group of scheme member (such as due to how any adjustment is calculated), employers *should inform and consult* with affected members and *consider appropriate mitigation* for those impacted and whether the scheme should discontinue or adjust this practice. Significant impact can result from changes to the pension expectations of members, particularly, where issues only come to the attention of members when they have already started to draw their pension.

Appropriate action arising from any such review will depend upon scheme specific features, such as the funding position and size of the scheme and how this feature has been communicated to members. Sponsoring employers and trustees should explore whether anything could be done to offer more support to affected members (depending upon the profile of affected members and available resources, the type and level of support could be adjusted proportionately to the level of impact), either through an adjustment to the scheme or through alternative means from the employer directly such as providing financial support and access to free financial advice. This should be a decision that is determined by sponsoring employers and trustees in a meaningful and fully informed consultation with those affected (or their representatives).

Recommendations for HSBC

We have directed our recommendations to HSBC as the current sponsoring employer who we understand has the power to change the approach to state pension integration under the scheme rules. Where any decisions require trustee and sponsoring employer agreement, we would direct our recommendations to both the sponsoring employer and the trustees.

Although the sex inequality produced by state pension integration cannot be challenged under the Equality Act 2010, the interviews illustrate the effect of compounding inequality on many of the female participants. **We recommend that HSBC meets with affected members or their representatives and particularly considers the position of lower earning pensioners and members to explore whether anything could be done to offer them more support**, either through an adjustment to the scheme or through alternative means from the employer directly, such as providing financial support and access to free financial advice. This is in line with our recommendation for those responsible for all occupational pension schemes, adjusted to reflect the fact that HSBC has already taken steps to inform members of this issue.

Appendices

Appendix 1 – List of Documents Reviewed

(FB) = Midland Clawback Campaign Facebook Documents
(I) = Provided by Interview Participant

Scheme Booklets
1974 - 1975 Booklet: there were two booklets, a detailed one and a summary one. Both mentioned state pension integration (SPI) and explained how the pension would be calculated including a deduction based on state pension.
1978 Post-1975 Scheme Leaflet: includes the same pension calculation as was contained in the 1975 summary booklet.
1979 HFS Pension Booklet: no mention of SPI but the plan started in April 1974
1983 Booklet: uses the same SPI calculation as the 1975 booklet but includes extra explanation that the scheme pension will reflect the fact member is also receiving a state pension.
1986 Booklet: includes the same SPI definition as the 1983 booklet and a pension calculation that notes the state deduction.
1988 Pension Leaflet: defines SPI as above but includes added information stating there is no state deduction for pre-75 joiners and that the deduction isn't applied before state pension age (SPA). Also calculation for pension including SPI.
1994 Booklet: Pension calculation and SPI defined as in 1988 booklet with additional information highlighting the adjustment for key-time staff.
2000 Booklet: Defines SPI with a calculation and that only applies from SPA. SPI included in the pension calculation.
2001 Ex-London Staff Booklet: No mention of SPI but relevant to a different pension scheme (the Hongkong Bank Group London Staff Pension Fund).
2009 DBS Guide: Most comprehensive SPI definition highlighting its application post-74, pension calculated to take into account a state pension, applies when members reach SPA, pension reduced by equivalent amount to state pension, and no application to benefits after 2009. Gives example scenario with figures which includes a calculation for SPI.
2009 Scheme Changes Leaflets: For Charterhouse, Holmwoods, James Capel and Samuel Montagu pensions. No SPI mentioned.
2021 Hybrid Scheme Booklet: Refers members looking for explanation about DB pension calculation to see the relevant member guide.

HSBC Letters and Emails

1974 - Head Office Circular: this was sent to branch managers to explain the changes to the pension scheme. There is no mention of SPI but it does refer to a 1975 manual being sent out containing changes and benefits.
1986 Starting Letter and Service Agreement (I): Contains no explanation of the pension or SPI other than to refer them to the Staff Handbook to find more pension information and a copy of the pension scheme rules are available in the branch.
1997 Leaver's Letter (I): Exact pension calculation with note of the exact amount reduced for a deduction relating to state pension. Notes attached to explain the reduction of money as reflecting the state pension which isn't applied until SPA.
2001 Deed of Variation: Section 11 and 12 edits to post-74 entrants special rules.
2017 Ian Stuart MP Reply (FB): background of SPI, how it's calculated, WTW review, communication, and example figures.
2018 Russel Picot Letter: Detailed response to SPI queries. Applies to 1975-96 members. Suggests it has always been communicated in a transparent manner and that guides defined SPI clearly with some having sample calculations. States SPI is clearly set out in leavers statement sent to members. "The state deduction is consistently described and illustrated in communications to members".
2018 HSBC Email (I): Notifies that the 2018 letter and FAQ booklet are being sent out. States there has been a thorough review of the scheme and no retrospective changes will be made to the scheme T&Cs.
2018 Ian Stuart Letter and FAQ Booklet: comprehensive overview of SPI including why introduced, calculations, who it effects etc.

Clawback Campaign Documents

1999 Saga Magazine Article (FB): general information about SPI, campaign to remove it, how it works, discrimination and surpluses.
2016 Campaign Article (FB): Advertises campaign in Pensioners Today magazine.
2016 Campaign CEO Letter (FB): Written to CEO summarising the campaign's concerns.
2016 RBS Clawback (FB): RBS agreed to recalculate SPI to avoid tribunal.
2016 Pension Advisory Service (FB): Explains SPI generally rather than HSBC specific.
2017 HoC Briefing Paper (FB): Background, criticisms and the debates around SPI.
2017 MP Response Letter (FB): Pension Regulator states it is outside their remit and directs members to the scheme's internal dispute

resolution procedure, the Pensions Advisory Service, and the Pensions Ombudsman.
2017 Guy Opperman Letter (FB): Reply to MP which says it is outside remit of DWP, explains how pension integration and contracting out work.
2018 Lee Rowley Letter (FB): Follow-up to Ian Stuart stating did not receive comprehensive response to the issues he raised and adds additional questions to address.
2018 HoC Briefing Paper (FB): Background, criticisms and the debates around SPI.
2018 Unite Newsletter (FB): Summary of SPI.
2018 Campaign HSBC Response (FB): Campaign's response to HSBC's SPI briefing covering communication, impact and problems with HSBC's representation.
2018 Campaign Info Booklet and Press Release (FB): explains SPI, case studies and quotes. Advertising the campaign.
2018 Figures Table (FB): Demonstrates example pension and SPI figures.
2018 Confrance call with the bank notes (FB): cannot change scheme, legal and no inequalities, clear communication, difficult to compare to other bank's schemes.
2018 AGM Resolution (FB): summarises campaign's main arguments.
2019 Pension Administrator Email (FB): response to query about unequal pension benefits with the law and HSBC's situation.
2019 APPG AGM (FB): APPG activities including contact with HSBC, legal considerations, media use, UNITE involvement, engaging staff impacted.
2020 AGM Resolution (FB): useful overview of the campaign's progress as contains clawback summary, EHRC's involvement, inequality data, drawback to removing, and APPG.
2021 DWP MP Response (FB): explains how integrated pensions work, the Government requirement for clear communication, and the equal treatment rule.
2022 Lloyds Scheme Summary (I): explains how the Lloyds scheme works – SPI if joined after June 74. No explanation of calculation but says that if it applies then will have been notified through the annual pension statement.

<u>Member Emails and Letters</u>
1986 Training Folder (I): Given during 2-week induction but was given a pre-75 booklet. Also contained an Expression of Wish form which wasn't completed at the time as there was no explanation of what it was.

2013 Email to Willis Towers Watson and HSBC (I): concerned a disparity in SPI figures. WTW explained SPI as in booklets with 1/80th calculation for each year of pensionable service.
2016 Member Explanation of Clawback and Contracting Out (FB): explains how both brought in at similar times as a way of money saving.
2017 MP Letter Template (FB): Requesting MP support with SPI and campaign aim explained.
2017 MP Response (FB): Responding to MP's response with summary of SPI issues and asking for further help from Conservative MPs.
2017 Lee Rowley Response (FB): MP supportive, campaign response to points on rationale of SPI, calculations, use of term State Deduction (SD), copies of communication provided.
2017 Email to Guy Opperman MP Replies (FB): Committee addresses the points he includes in his responses to MPs and reiterates campaign's main concerns.
2017 MP Email (FB): MP wrote to HSBC and responded with SPI information received.
2018 Letters to Frank Field (FB): Following his correspondence with Russell Picot. Sets out information believed was left out and clarifies why the issue is important.
2018 Email to Horizons Chair (FB): Horizons briefing on SPI (information defending the scheme which campaign disagree with). Horizons wish to remain neutral.
2018 Member Q&A Document (FB): Sent to HSBC with spoof answers to unanswered questions and letters from other campaign members.
2018 Letter to MP (I): requesting MP's support and explaining the SPI situation.
2018 Ian Stuart Letter (FB): follow-up points from meeting (RBS v Unifi and Equality Act).
2018 Ian Stuart Response Letter (I, FB): collection of letters from members to Ian Stuart responding to the 2018 letter and FAQ booklet. Sets out their feelings around the scheme and the information given in the booklet.
2018 Post-AGM Letter (FB): Nancy Ball letter to John Flint about presenting to Directors, establishing APPG, disproportionate impact on women.
2018 MP Letter (FB): Member thanking MP for contacting Guy Opperman and UNITE and request for communication with Ian Stuart.

Pension Specific Information
1980-2010 Pension Documents (I): collection of documents relating to the fact they have 2 separate HSBC pensions and was denied request to combine the two. No SPI mention in relation to one of the pensions.
1988 Statement of Benefits (I): calculates the specific figure of SPI for that pension.

2004 Final Reward Statement (I): calculates total package value. No reference to any SPI.
2022 Pension Statement (I): sets out the gross pension value, income tax, and other deductions. Photo sent shows no explanation as to what these deductions are.

Appendix 2 – Classification of Documents

Documents can be divided into four categories: (1) documents that refer to SPI; (2) documents that do not refer to SPI but make reference to other documents that expand on the content that may discuss SPI or implicitly discuss SPI; (3) documents that do not refer to SPI (or refer to other documents) where it would be expected that SPI would be mentioned; and (4) documents that are not relevant (because they are not from the bank or trustees or because the context of the document means a reference to SPI would not be expected).

1. Documents that refer to SPI

1974 - 1975 Booklet: there were two booklets, a detailed one and a summary one. Both mentioned state pension integration (SPI) and explained how the pension would be calculated including a deduction based on state pension.
1978 Post-1975 Scheme Leaflet: includes the same pension calculation as was contained in the 1975 summary booklet.
1983 Booklet: uses the same SPI calculation as the 1975 booklet but includes extra explanation that the scheme pension will reflect the fact that the member is also receiving a state pension.
1986 Booklet: includes the same SPI definition as the 1983 booklet and a pension calculation that notes the state deduction.
1988 Pension Leaflet: defines SPI as above but includes added information stating there is no state deduction for pre-75 joiners and that the deduction isn't applied before state pension age (SPA). Also calculation for pension including SPI.
1988 Statement of Benefits (I): calculates the specific figure of SPI for that pension.
1994 Booklet: Pension calculation and SPI defined as in 1988 booklet with additional information highlighting the adjustment for key-time staff.
1997 Leaver's Letter (I): Exact pension calculation with note of the exact amount reduced for a deduction relating to state pension. Notes attached to explain the reduction of money as reflecting the state pension which isn't applied until SPA.
2000 Booklet: Defines SPI with a calculation and that only applies from SPA. SPI included in the pension calculation.
2009 DBS Guide: Most comprehensive SPI definition highlighting its application post-74, pension calculated to take into account a state pension, applies when reach SPA, pension reduced by equivalent amount to state pension, and no application to benefits after 2009. Gives example scenario with figures which includes a SPI calculation.
2017 Ian Stuart MP Reply (FB): background of SPI, how it's calculated, WTW review, communication, and example figures.

2018 Russel Picot Letter: Detailed response to SPI queries. Applies to 1975-96 members. Suggests it has always been communicated in a transparent manner and that guides defined SPI clearly with some having sample calculations. States SPI is clearly set out in leavers statement sent to members. "The state deduction is consistently described and illustrated in communications to members".
2018 Ian Stuart Letter and FAQ Booklet: comprehensive overview of SPI including why introduced, calculations, who it effects etc.

2. Documents that do not refer to SPI but make reference to other documents that expand on the content that may discuss SPI or discuss SPI implicitly

1974 - Head Office Circular: this was sent to branch managers to explain the changes to the pension scheme. There is no mention of SPI but it does refer to a 1975 manual being sent out containing changes and benefits.
1986 Starting Letter and Service Agreement (I): Contains no explanation of the pension or SPI other than to refer them to the Staff Handbook to find more pension information and a copy of the pension scheme rules are available in the branch.
2021 Hybrid Scheme Booklet: Refers members looking for explanation about DB pension calculation to see the relevant member guide.
2022 Pension Statement (I): sets out the gross pension value, income tax, and other deductions. Photo sent shows no explanation as to what these deductions are.

3. Documents that do not refer to SPI (or refer to other documents) where it would be expected that SPI would be mentioned

1980-2010 Pension Documents (I): collection of documents relating to the fact they have 2 separate HSBC pensions and was denied request to combine the two. No SPI mention in relation to one of the pensions.
1986 Training Folder (I): Given during 2-week induction but was given a pre-75 booklet. Also contained an Expression of Wish form which wasn't completed at the time as there was no explanation of what it was.
2004 Final Reward Statement (I): calculates total package value. No reference to any SPI.

4. Documents that are not relevant (because they are not from the bank or trustees or because the context of the document means a reference to SPI would not be expected)

The remaining documents listed in Appendix 1 fall under this category.

Appendix 3 – Mentions of State Pension Integration

Category 1 documents (which mentioned SPI) were then explored further to explore how they discussed SPI.

1974/75 Scheme Booklet – first SPI reference. Two versions were published, a summary explanation (for members) and a detailed explanation (for branch managers). Establishes the calculation that is used (with minor changes) throughout Midland/HSBC's communications.

"The amount will be 1/720th of final salary for each completed month (maximum 480) of pensionable service but such amount will be reduced, as from retirement age, by 1/960th of the basic state pension for each completed month (maximum 430) of the member's pensionable service) … The period between retirement and retirement age will not be taken into account in the calculation of the reduction in respect of basic state pension." (detailed)

"… 1/60th of final salary for each year (maximum 40) of pensionable service, less a deduction starting at normal retirement age. The deduction is 1/80th for each year (maximum 40) of pensionable service, of the basic state pension paid to a single person in the 52 weeks before retirement." (summary)

1978 Scheme Booklet – minor changes to 1974/75 booklet summary explanation.

"The retirement pension is 1/60th of final salary for each year… of pensionable service less a deduction, from normal retirement age, equal to 1/80th of the basic component of a single person's state pension for each year of such service… The basic component of the state pension taken into account for calculating the deduction from normal retirement age is that paid in the 52 weeks before retirement"

1983 Scheme Booklet – same base calculation. Additional summary of the pension being made up of the final salary, pensionable months, and SPI.

"The basic State pension of a single person taken into account for calculating the deduction is the amount which would have been payable in 52 weeks before retirement (or date of leaving if earlier). The amount deducted is 1/80th of the basic State pension for each year of pensionable service."

"Your pension will be based on your final salary and your pensionable service in completed months, less the State deduction."

– simplify the calculation by defining SPI separately from the pension calculation.

SPI definition: "means that at State retirement age your Scheme pension will reflect the fact that you will receive the basic State pension."

1986 Scheme Booklet - same base calculation.

"Your pension is calculated as follows: 1/60th of final salary x pensionable service (40 years maximum) less The State deduction"

"The basic state pension taken into account for calculating the deduction is the amount which would have been payable to a single person in 52 weeks before retirement (or date of leaving if earlier). The amount deducted is 1/80th of the basic State pension for each year of pensionable service."

– simplify the calculation by defining SPI separately from the pension calculation.

SPI definition: "means that at State retirement age your Scheme pension will reflect the fact that you will receive the basic State pension."

1988 Scheme Booklet - changes the SPI definition to remove why SPI is there and adds that the deduction won't apply before SPA.

"An amount equal to 1/80 of the State basic pension which would have been payable to a single person in the 52 weeks before retirement (or date of leaving if earlier) for each year of pensionable service. This deduction is not applied before State pension age (i.e. 65 men, 60 women)."

Normal retirement pension: "1/60 x final salary for each year of pensionable service less the State deduction."

1994 Scheme Booklet - same SPI definition as 1988, just adding in that the years of membership will be adjusted for key-time service.

"...for each year of membership of the Scheme (adjusted, where appropriate, for key-time service)..."

"Your pension is calculated as" 1/60 x final salary for each year of pensionable service, less the State deduction."

1997/2002 Leavers Letter
HSBC Pension Scheme Notes: "The State Pension Deduction. In respect of members who joined the scheme after 1974, the pension payable from State Pension Age (SPA) is reduced to take account of the Basic State Pension. The amount of this reduction, if applicable, is shown in the letter informing you of the amount of your deferred pension. This reduction is not applied while you are under SPA even if your pension is then in payment."

2000 Scheme Booklet – same definition as 1988 but phrased as a deduction from Scheme pension. Adds in pension calculation that SPI starts from GMP date.

Definition of SPI: "deduction from your Scheme pension of an amount equal to 1/80th of the Basic State Pension...for each year of pensionable service... deduction is only applied from SPA"

Pension calculation: "1/60th x final salary x pensionable service less the state deduction from GMP date"

2009 Booklet – SPI stops applying to benefits built up after June 2009. First time example figures are given.

Defines SPI: "If you joined the Midland Section after 1974, your pension will be calculated to take into account a single person's basic state pension. When you reach State Pension age, your pension is reduced by an equivalent amount. The State deduction does not apply to benefits built up after 30 June 2009... a State deduction applies at State Pension age for service before 1 July 2009."

Example scenario with figures of £15,000 a year "(less the State deduction from your State Pension age for pensionable service before 1

July 2009). Assuming the basic state pension in £4,950 a year; then the State deduction would be: 20/80th x £4950 = £1240 a year.)

2013 Willis Towers Watson Letter - similar definition to base calculation from 70s/80s booklets.
"The state deduction is the deduction from your pension, equal to 1/80th of the single persons Basic State Pension for the 52 weeks before you left pensionable service, for each year (and complete month) of pensionable service. This deduction is calculated when you leave pensionable service and is applied in line with the scheme rules."

2018 Ian Stuart letter – most comprehensive explanation. Includes reasons why SPI was introduced, calculations, when it applies, an example pension calculation etc.

"Each members' State Deduction figure is calculated at the date they leave pensionable service, or on 30 June 2015… The State Deduction calculated on that date is fixed for life and is only applied when the member attains State Pension Age."

"Your State Deduction built up at 1/80th"

"Deduction applied to the Scheme pension at SPA, "so that overall the Scheme's target level of income for members in retirement… is broadly maintained"

"… it was found to be a common feature of final salary, non-contributory schemes at that time to include an element of integration with the Basic State Pension."

Appendix 4 – The Key Legal Requirements in relation to Pensions Communications

Time Period	Relevant Legislation	Key Requirements/Additions
1 January 1975- 30 October 1986	No legislation	No requirements
1 November 1986 – 5 April 1997	Occupational Pension Schemes (Disclosure of Information) Regulations 1986 (SI 1986/1046)	Basic Information for new members and prospective members, including - - eligibility - conditions of membership - how member and employer contributions are calculated - what benefits are payable and how they are calculated - conditions on which benefits are paid With certain additional information available on request.
6 April 1997 – 5th April 2014	Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (SI 1996/1655)	Basic information and certain additional information on request.
6th April 2014 – present	Occupational Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734)	Basic information for new joiners and certain additional information on request. Changes made to update the communication regime, including a simplification of some of the basic scheme information requirements.

Appendix 5 – Relevant Provisions of the Equality Act 2010

Section 19 – Indirect Discrimination

(1) A person (A) discriminates against another (B) if A applies to B a provision, criterion or practice which is discriminatory in relation to a relevant protected characteristic of B's.

(2) For the purposes of subsection (1), a provision, criterion or practice is discriminatory in relation to a relevant protected characteristic of B's if—
(a) A applies, or would apply, it to persons with whom B does not share the characteristic,
(b) it puts, or would put, persons with whom B shares the characteristic at a particular disadvantage when compared with persons with whom B does not share it,
(c) it puts, or would put, B at that disadvantage, and
(d) A cannot show it to be a proportionate means of achieving a legitimate aim.

Section 67 – Sex Equality Rule

(1) If an occupational pension scheme does not include a sex equality rule, it is to be treated as including one.

(2) A sex equality rule is a provision that has the following effect—
(a) if a relevant term is less favourable to A than it is to B, the term is modified so as not to be less favourable;

(3) A term is relevant if it is—
(a) a term on which persons become members of the scheme, or
(b) a term on which members of the scheme are treated.

(9) This section, so far as relating to the terms on which persons become members of an occupational pension scheme, does not have effect in relation to pensionable service before 8 April 1976.

(10) This section, so far as relating to the terms on which members of an occupational pension scheme are treated, does not have effect in relation to pensionable service before 17 May 1990.

Section 70 – Exclusion of Sex Discrimination Provisions

(1) The relevant sex discrimination provision has no effect in relation to a term of A's that—
(a) is modified by, or included by virtue of, a sex equality clause or rule,

(3) The relevant sex discrimination provision is, in relation to work of a description given in the first column of the table, the provision referred to in the second column so far as relating to sex.

Description of work	***Provision***
Employment	Section 39(2)
Appointment to a personal office	Section 49(6)
Appointment to a public office	Section 50(6)

The effect of section 70 is that section 67 must be used rather than section 19.

Appendix 6 – Survey Analysis

Methodology

First, the mean and standard deviation of the proportion of state pension integration (proportion between "State Deduction Amount annualised" and "Midland Bank Pension annualised") for men, women, and disabled people was calculated. Then, this was calculated for non-disabled men vs disabled men and for non-disabled women and disabled women.

A linear regression was then run between the proportion of state pension integration (dependent variable) and disability and gender (independent variables).

Results

Mean and standard deviation of state pension integration (SPI):

Mean proportion of SPI for **men**: 14.042
Standard deviation of SPI for **men**: 14.026

Mean proportion of SPI for **women**: 19.577
Standard deviation of SPI for **women**: 12.573

Mean proportion of SPI for **disabled**: 18.029
Standard deviation of SPI for **disabled**: 11.07

Mean proportion of SPI for **non-disabled**: 17.879
Standard deviation of SPI for **non-disabled**: 13.476

Mean proportion of SPI for **disabled men**: 14.715
Standard deviation of SPI for **disabled men**: 17.99

Mean proportion of SPI for **non-disabled men**: 13.995
Standard deviation of SPI for **non-disabled men**: 13.729

Mean proportion of SPI for **disabled women**: 20.448
Standard deviation of SPI for **disabled women**: 12.738

Mean proportion of SPI for **non-disabled women**: 19.509
Standard deviation of SPI for **non-disabled women**: 12.564

Linear Regression:

	Dependent variable
	Proportion of SPI
Disability (1) = disabled	0.017
	(1.196)
Gender (1) = females	5.535***
	(0.759)
Constant	14.041***
	(0.642)
Observations	1,398
R^2	0.037
Adjusted R^2	0.035
Residual Std. Error	13.034 (df = 1395)
F Statistic	26.602*** (df = 2; 1395)
Note:	*p**p***p<0.01

This a linear regression that measures what the effect of gender and disability is on the proportion of state pension integration.

This regression indicates that:

• When the disabled variable goes from 0 (non-disabled) to 1 (disabled) the proportion of state pension integration increases 0.017. However, this coefficient is not significant, as its p-value measures 0.989 and for it to be significant it should be lower than 0.1.

• When the gender variable goes from 0 (male) to 1 (female) the proportion of clawback increases 5.535. This value is highly significant as its p-value (5.06e-13) is much lower than the lowest accepted error level.