

## Final Regulatory Impact Assessment: Civil Partnership Act 2004

This regulatory impact assessment has been prepared by the Department of Trade and Industry and supports the Civil Partnership Act.

This regulatory impact assessment (RIA) has been prepared on the basis of the Civil Partnership Act 2004 which received Royal Assent on 18 November 2004.

### Executive Summary

The Civil Partnership Act creates an entirely new legal relationship of civil partner, giving same-sex couples in the UK the opportunity of gaining legal recognition for their relationships. Couples who register as civil partners of each other will gain a package of rights and responsibilities.

Overall the costs identified in this RIA are justified by the social policy reasons for introducing a civil partnership scheme for same-sex couples.

There will be costs and substantial benefits for the individuals who chose to form a civil partnership.

The overall impact on business will be low; there will be a minor cost increase for defined-benefit occupational pension providers. It is also expected that there will be a small increase in demand for the hospitality industry.

There will be no direct impact on charities and voluntary organisations other than their own responsibilities as employers.

The greatest impact of the proposals would be on central and local Government. The total annual costs to Government are summarised in Table 1 below, excluding the costs of public service pension schemes, which are summarised in Table 2. In addition to the annual costs of public service pension schemes, for the rights accrued from 1988 (as is the position for widowers in the contracting-out rules) there are additional costs to Government of between £60m and £125m depending on the take up of civil partnership

*Table 1 - Total Annual Costs to Government (£m)*

	<i>Year</i>	<i>State Pension and Bereavement Benefits<sup>1</sup></i>	<i>Public Funding for Dissolution</i>	<i>TOTAL</i>
<b>High Take-Up Scenario</b>	2010	2	1.0	3.0
	2020	6	1.7	7.7
	2030	9	2.4	11.4
	2040	12	2.8	16.8

<sup>1</sup> Costings are based on rights derived from Bereavement Benefits (from lump sum Bereavement Payment and from Bereavement Allowance paid for up to 52 weeks) and Retirement Pension (inherited rights from Additional Pension or State Second Pension). Figures are in 2003/4 prices.

	2050	19	3.2	22.2
<b>Low Take-Up Scenario</b>	2010	1	0.5	1.5
	2020	3	1.0	4.0
	2030	4	1.2	5.2
	2040	6	1.4	7.4
	2050	10	1.6	11.6

**Table 2 – Total Annual Costs To Public Service Employers**

	<b>Annual increase in liabilities as % of pensionable payroll</b>	<b>Annual increase (£m) pa</b>
<b>High take-up</b>	0.016	14.0
<b>Low take-up</b>	0.008	7.0

There will also be a number of one-off administrative costs to Government totaling approximately £20m, Table 3 below summarises these.

**Table 3 – One off Administrative Costs to Government**

<b>Issue</b>	<b>Estimated Cost (£m)</b>
Registration Service Set-up Costs	0.50
Court Service ‘FamilyMan’ IT System	1.00
Administrative changes for the Court Service	0.38
Administrative changes to Public Service Pension Schemes	5.00
Non-IT operational and administrative costs for changes to state pensions and benefits	6.40
IT systems for changes to state pensions and benefits	5.50
Public awareness raising (of legal rights and responsibilities)	0.10
Judicial training	0.79
Inland Revenue IT and Administrative changes	0.10
<b>Total</b>	<b>19.77</b>

### **Costs to Private Sector Employers**

Total annual costs to private sector employers are summarised in Table 4 below. In addition to these annual costs there will be a one-off cost of between £20m and £40 (depending on the take-up rate of civil partnership) to meet the costs of providing survivor benefits on the basis of service from 1988 up to the introduction of civil partnership. These one off costs could be spread over a number of years rather than met in totality when civil partnership is implemented (with costs of between £2m to £4m a year over fifteen years). The estimated one-off administrative costs are around £7m.

**Table 4 - Annual Costs<sup>2</sup> To Private Pension Defined Benefit Schemes of Private Sector Employers (Benefits accrue from date of implementation)**

	<i>Annual cost increase as % of contributions</i>	<i>Annual Increase (£m) pa</i>
<i>High take-up<sup>3</sup></i>	0.016%	2.5
<i>Low take-up</i>	0.008%	1.25

<sup>2</sup> Data from the Government Actuary's Department suggest that usually at trustees' discretion, around ¾ of members of private sector defined benefit schemes are already in schemes which pay survivor benefits to unmarried couples, including those of the same sex.

<sup>3</sup> Under the high take-up scenario, the Government Actuary's Department assumes that, by 2050, 6% of the lesbian, gay and bisexual population aged around 70 who are retired with occupational pensions will be in civil partnerships (the proportions around age 70 being a key driver in determining the cost of benefits to spouses/partners on death). This figure is broadly consistent with the assumption that, overall, around 3.3% of the lesbian, gay and bisexual population aged 16 and over will be in registered civil partnerships, as compared to around 33% of the heterosexual population aged 16 and over who will be married.

