

Active members of occupational pensions: employer contribution rates and characteristics by pension benefit structure, 2014

Coverage: **UK**

Date: **11 December 2015**

Geographical Area: **Theme specific**

Theme: **Economy**

Main points

- In 2014, there were 10.2 million active members of occupational pension schemes in the UK, of which 5.4 million were in the public sector and 4.9 million in the private sector.
- The private sector has seen an increase in active members from 2011 (2.9 million) to 2014 (4.9 million). Automatic enrolment is likely to have contributed to this increase.
- In 2014, 53% of total active membership was in the public sector and 47% in the private sector. In 2011, these figures were 65% and 35%, respectively. Automatic enrolment is thought to be the explanation for the changing proportions.
- In 2014, 82% of active members of occupational Defined Contribution (DC) pensions were in schemes with 10,000 or more members, an increase from the 2011 proportion of 50%. Automatic enrolment started with the largest employers in 2012, which has mainly been delivered through large pension schemes.
- The proportion of active members of occupational Defined Contribution (DC) pensions with employer contribution rates of “Under 4%” increased from 22% in 2013 to almost 69% in 2014,

explained by the increase in active members joining through automatic enrolment and the associated minimum contribution rates.

- In 2014 in the private sector, 1% of active members of occupational DC schemes had employer contribution rates of “15% and over”, whilst for occupational Defined Benefit (DB) the figure was 57%.

Introduction

This story looks at the numbers and distribution of active¹ members of occupational pension schemes in the UK by employer contribution rates and by benefit structure. It also looks briefly at accrual rates of active members of Defined Benefit (DB) schemes. The Occupational Pension Schemes Survey (OPSS) is the source of data contained in this report. The analysis presents updated tables that were previously published in Pension Trends [Chapter 6](#) and [Chapter 8](#).

The analysis in this story complements more comprehensive analysis published in the [Occupational Pension Schemes Survey, 2014](#) report, which could be used together to monitor and inform private pension policies in the UK. Information on quality of the data and the methodology used for data collection and processing can be found in the OPSS [quality and methodology information report \(381.7 Kb Pdf\)](#).

Notes for introduction:

1. Active members of an occupational pension scheme are those who are contributing to the scheme, or having contributions made on their behalf. They are usually current employees of the sponsoring employer.

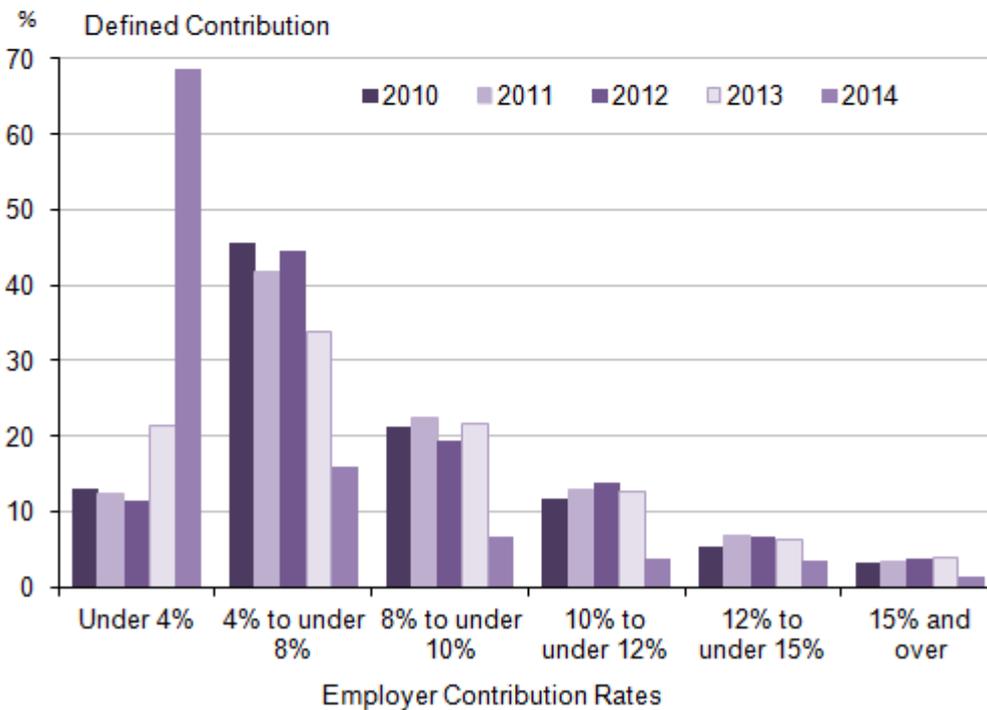
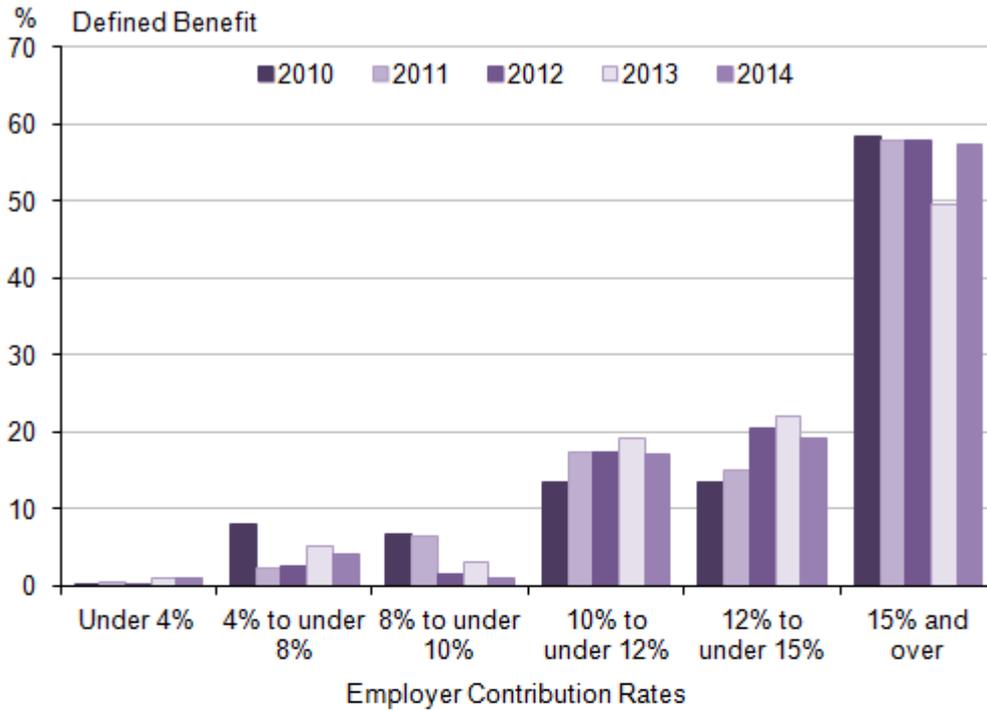
Employer contribution rates in the private sector

The distribution¹ of active membership by level of employer contributions is shown in Figure 1. In 2014, 57% of active members of private sector Defined Benefit (DB) schemes had employer contributions of 15% of salary or more. The proportion with employer contribution rates of “15% and over” broadly stayed the same from 2010 to 2014.

In 2014, most active members of Defined Contribution (DC) schemes were in the “15% and over” employer contribution rate bands up to 10%, with 1% in the “15% and over” band. The proportion of DC active members with employer contribution rates of “Under 4%” increased from around 22% in 2013 to almost 69% in 2014. This increase may reflect an increase in the number of employees starting new pensions on the minimum contribution rates required under automatic enrolment.

Figure 1: Distribution of active membership of private sector occupational pension schemes: by type of scheme and employer contribution rate, 2010 to 2014

UK



Source: Occupational Pension Scheme Survey (OPSS) - Office for National Statistics

Notes:

1. Excludes schemes with fewer than 12 members.

2. Excludes non-contributory arrangements and contributions paid as fixed amounts only.
3. Percentages are calculated excluding non-response.

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(190.5 Kb)

Notes for Employer contribution rates in the private sector

1. For proportions and numbers of active members in Defined Benefit and Defined Contribution schemes, see Figure 3.

Contracting out

The [Pensions Act 2007](#) abolished the option for DC pensions to be contracted out of the additional state pension, from April 2012. Contracting out for Defined Benefit (DB) schemes will also end with the planned introduction of the single-tier pension in April 2016.

In 2014, 1.3 million members, around 80% of all active members of private sector DB schemes, belonged to contracted out schemes (Table 1), with nearly all belonging to schemes with contributions of 8% of salary or more. In not contracted out DC schemes almost 75% of active members belonged to schemes of contributions of less than 8% of salary.

Table 1: Active members of private sector occupational pension schemes: by employer contribution rate, type of scheme and contracting out status, 2014

UK

| | Millions | | |
|-------------------------------------|-----------------|--------------------|----------------------|
| | Defined Benefit | | Defined Contribution |
| | Contracted out | Not contracted out | Not contracted out |
| Contributions as % of salary | | | |
| Under 8% | 0.0 | 0.1 | 2.4 |
| 8% to under 12% | 0.2 | 0.0 | 0.3 |
| 12% to under 15% | 0.2 | 0.1 | 0.1 |
| 15% and over | 0.7 | 0.1 | 0.0 |
| Non-contributory or other basis | 0.0 | 0.0 | 0.1 |
| Total | 1.3 | 0.3 | 3.2 |

Table source: Office for National Statistics

Table notes:

1. Excludes schemes with fewer than 12 members and non respondents.
2. "Other basis" means contributions made other than as a percentage of salary. It includes members of defined benefit schemes with normal contributions paid as fixed amounts only; if contributions were made both as a percentage of earnings and as fixed amount payments, membership is included in the percentage contribution rows.
3. Pensions Act 2007 changes meant that from April 2012, the option to contract out of the additional state pension for defined contribution pensions was abolished.
4. Total row includes non response to the contributions questions.

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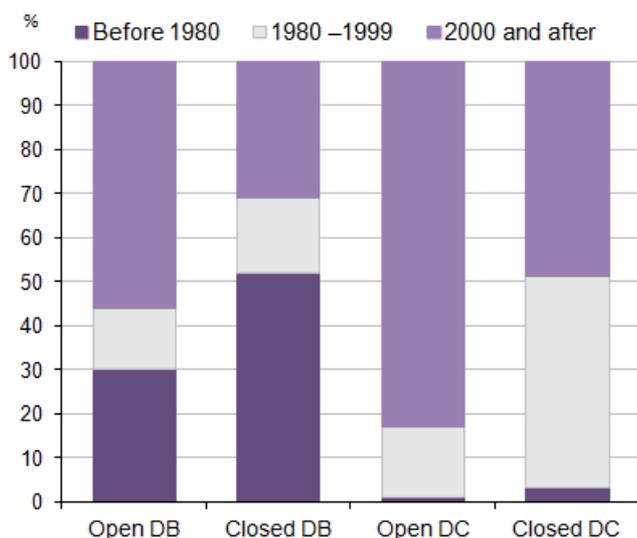
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Benefit structure

Figure 2 shows active membership of private sector DB and DC occupational schemes by their scheme foundation dates. Most (99%) active members of open¹ DC schemes in 2014 were in schemes founded in 1980 or later and 83% were in schemes founded in 2000 or later. By contrast, 30% of active members of open DB schemes in 2014 were in schemes founded before 1980 and 56% were in schemes that were founded in 2000 or later. Furthermore, half of active members in closed DB schemes were in schemes founded before 1980.

Figure 2: Proportion of active members of private sector occupational pension schemes: by scheme's foundation date, status and benefit structure, 2014

UK



Source: Occupational Pension Scheme Survey (OPSS) - Office for National Statistics

Notes:

1. Excludes schemes with fewer than 12 members.
2. Proportions are calculated excluding non-response.

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Notes for Benefit structure

1. An open scheme admits new members. A closed scheme does not admit new members but may continue to receive contributions from or on behalf of existing members who continue to accrue pension rights.

Defined Benefit and Defined Contribution in public and private sector pensions

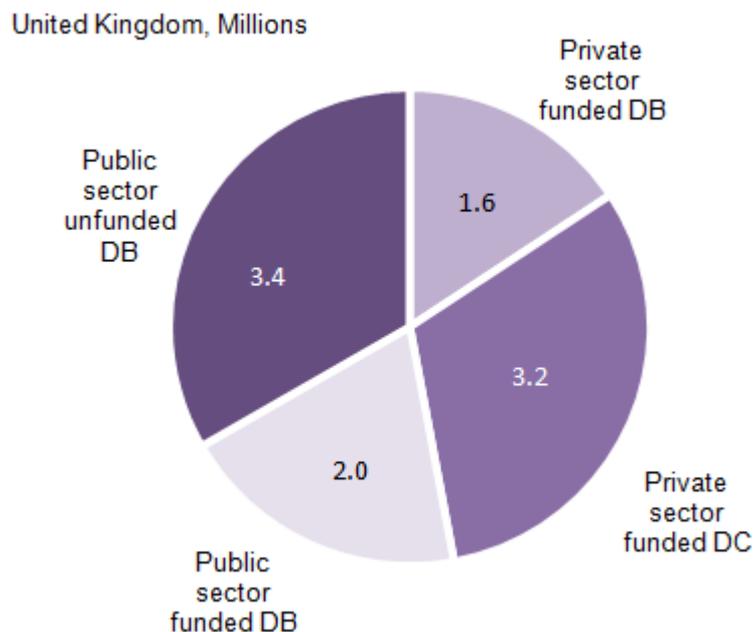
Figure 3 shows the proportion of active members of occupational pension schemes in the UK (employees currently contributing) by sector (public or private), funding status¹ (funded or unfunded) and benefit structure (Defined Benefit (DB) or Defined Contribution (DC)).

In 2014, there were 10.2 million active members of occupational pension schemes. Of these, over 68% (7.0 million) belonged to DB schemes and around 32% (3.2 million) to DC schemes. This compares with 88% (7.2 million) and 12% (0.9 million) respectively in 2011. While the majority of public sector schemes were DB, only around one-third of schemes in the private sector were DB schemes in 2014. Unfunded schemes in the public sector made up around 65% of public sector schemes in 2014.

In 2014, 53% of total active membership (5.4 million) was in the public sector and 47% (4.9 million) in the private sector, in 2011 this was 65% and 35%, respectively. Membership in the public sector has remained broadly constant from 2011 (5.3 million) to 2014 (5.4 million). The driver behind the changing proportions between the sectors is the increase in active membership in the private sector, from 2.9 million in 2011, to 4.9 million in 2014. This is most likely due to the roll-out of automatic enrolment since October 2012.

Figure 3: Active members of occupational pension schemes: by sector, funding approach and benefit structure, 2014

UK



Source: Occupational Pension Scheme Survey (OPSS) - Office for National Statistics

Notes:

1. Excluding where funding status is unknown (less than 0.01% of public sector active membership). All private sector schemes are funded.

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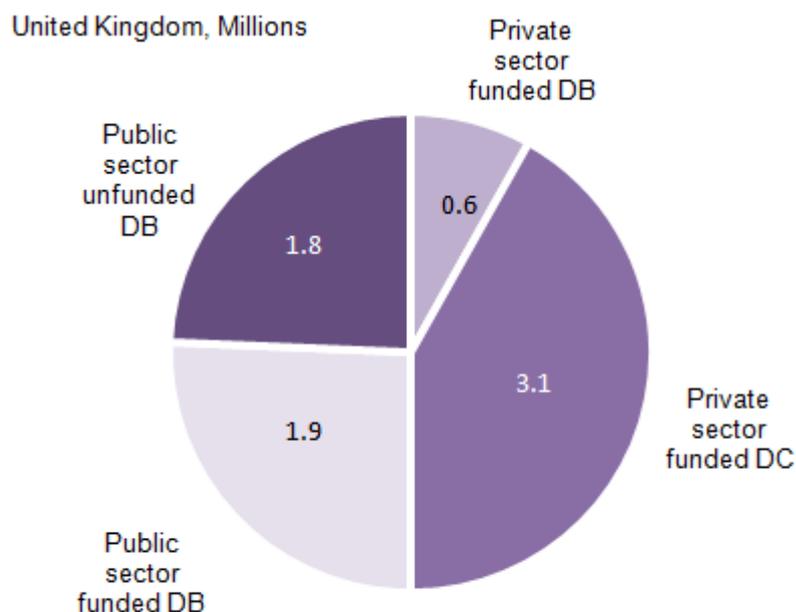
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Of the 10.2 million active members of occupational pension schemes in 2014, 7.4 million were members of open schemes. Figure 4 focuses on open schemes, which accept new members. A comparison of the results with those shown in Figure 3 (which includes active members of closed schemes) shows that in 2014:

- of the 3.4 million active members of public sector unfunded DB schemes, 1.8 million members belonged to open schemes
- most of the 2.0 million active members of public sector funded DB schemes belonged to open schemes
- of the 1.6 million active members of private sector funded DB schemes, 0.6 million members belonged to open schemes
- most of the 3.2 million active members of private sector funded DC schemes belonged to open schemes

Figure 4: Active members of open occupational pension schemes: by sector, funding approach and benefit structure, 2014

UK



Source: Occupational Pension Scheme Survey (OPSS) - Office for National Statistics

Notes:

1. Excluding where funding status is unknown (less than 0.2% of public sector active membership of open schemes).

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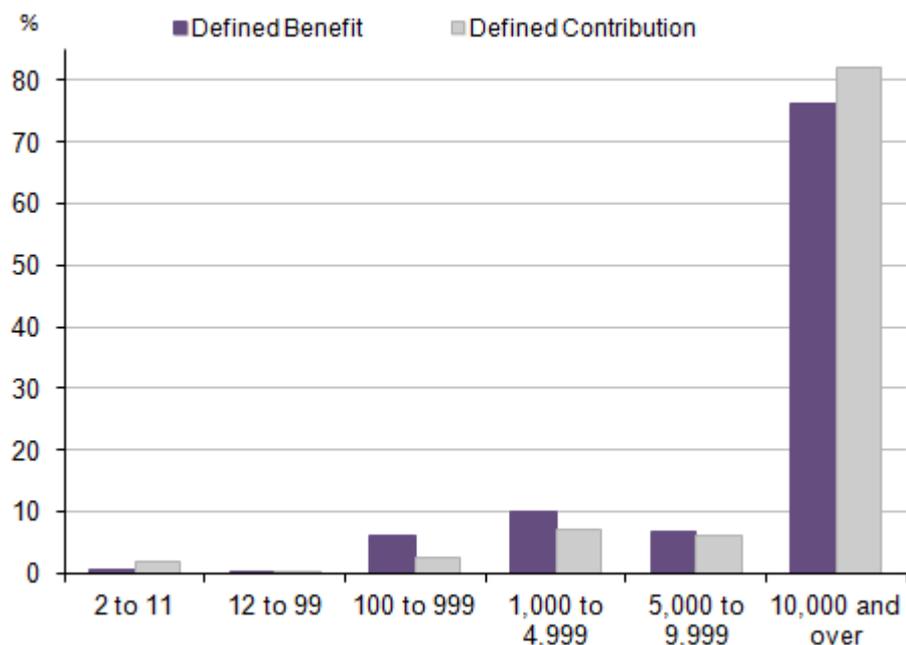
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Figure 5 shows that active membership was concentrated in the larger schemes. In 2014, 82% of active members of DC pensions were in schemes with 10,000 or more members, which increased from the 2011 proportion of 50%. The likely explanation is the increase in active membership after the roll-out of automatic enrolment, commencing with the larger employers, who have mainly delivered the policy through larger pension schemes. Similarly, the equivalent figures for DB schemes show that 76% were in schemes with 10,000 or more members.

In 2014, schemes with 1,000 or more members for DC pensions consisted of 95% of active members whilst for DB pensions, this consisted of 93%.

Figure 5: Distribution of active membership of private sector occupational pension schemes: by scheme size (total membership) and benefit structure, 2014

UK



Source: Occupational Pension Scheme Survey (OPSS) - Office for National Statistics

Notes:

1. Open and closed schemes only.
2. Scheme size bands are based on total membership, i.e. actives plus pensioners plus those with preserved entitlements.

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Notes for Defined Benefit and Defined Contribution in public and private sector pensions

1. Funded schemes are schemes in which benefits are met from a fund built up in advance from contributions and investment income. Unfunded schemes are Defined Benefit schemes, usually in the public sector, in which liabilities are not underpinned by a corresponding fund or funds.

Accrual rates

Table 2 compares the accrual rates¹ of Defined Benefit (DB) schemes in the public and private sectors. In 2014, 66% of public sector and 54% of private sector scheme members were accruing benefits at 60ths or at 80ths plus an additional 3/80ths lump sum (which is seen as comparable with 60ths in terms of benefits). The proportion of scheme members within the public and private sector

who were accruing benefits at a more generous rate (60ths with a lump sum or less than 60ths) was 28% and 23% respectively in 2014. In the private sector, 24% of active scheme members were accruing benefits at less generous rates (between 60ths and 80ths and above), compared with approximately 6% of public sector scheme members.

Table 2: Proportion of active members of defined benefit occupational pension schemes: by accrual rate and sector, 2014

UK

Percentages

| Accrual rates | Private | Public |
|-----------------------------------|---------|--------|
| 50ths or better | 8 | 19 |
| Between 50ths and 60ths | 0 | c |
| 60ths plus an additional lump sum | 15 | 9 |
| 60ths | 31 | 28 |
| 80ths plus 3/80ths lump sum | 23 | 38 |
| Between 60ths and 80ths | 8 | 6 |
| 80ths | 8 | c |
| Less generous than 80ths | 8 | c |

Table source: Office for National Statistics

Table notes:

1. Percentages are calculated excluding non-response.
2. Excludes schemes with fewer than 12 members.
3. "c" indicates cells that have been suppressed to protect confidentiality.

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Notes for Accrual rates

1. The accrual rate is the fraction of salary accrued by the employee for each year of service that will form the basis of the annual pension at retirement. For example, a “final salary” defined benefit scheme might provide a pension based on an annual accrual rate of 1/80th: a person retiring after 40 years’ service would accrue 40 times 1/80th or 40/80ths and, therefore, receive half of their final salary as a pension.

Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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