

Statistical bulletin

# Funded occupational pension schemes in the UK: October 2019 to June 2020

Quarterly estimates of membership, income and expenditure, transactions, assets and liabilities of UK-funded occupational pension schemes from the Financial Survey of Pension Schemes (FSPS). Forms part of the UK National Accounts and Balance of Payments.

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# 1 . Main points

- Growth in membership of defined contribution (DC) occupational pension schemes slowed in Quarter 2 (Apr to June) 2020; membership reached just over 23 million.
- Employee and employer contributions to DC schemes fell by 11% and 5% between Quarter 1 (Jan to Mar) and Quarter 2 2020 respectively.
- Total pension payments and income withdrawal from funded occupational pension schemes fell by 4% in Quarter 2 2020 compared with Quarter 4 (Oct to Dec) 2019, but there was a 5% increase in lump sum benefits paid by pension schemes, during the same period.
- Gross assets of DC pension schemes, excluding derivatives, fell by 12% in Quarter 1 2020 as stock markets fell in February and March 2020 but recovered to their end-2019 levels by the end of June 2020.
- Private sector defined benefit and hybrid (DBH) pension schemes' investments were less affected by the stock market fall; the value of their gross assets, excluding derivatives, increased by 2% in Quarter 1 2020 and 6% in Quarter 2 2020, driven by investments in long-term debt securities and structured products.
- Quarter 1 2020 saw a rise in derivative balances including strong increases in the value of forward foreign currency contracts, which are used to manage foreign currency risk.

## 2 . Membership

The Financial Survey of Pension Schemes (FSPS), like the former MQ5 Pension Fund Survey (PFS), is principally designed to report on financial flows and balances of pension schemes. In addition to the kind of data collected previously by the PFS, the FSPS collects data on membership. The inclusion of membership in the FSPS data collection allowed the Office for National Statistics (ONS) to take the [decision to cease the Occupational Pension Scheme Survey \(OPSS\)](#) after 35 years of data collection. Membership data remains indispensable for pensions policy analysis.

An initial set of results from the survey was published in the article [UK pension surveys: redevelopment and 2019 results](#). The ONS has now analysed the results for the first half of 2020 and we are publishing this, our first FSPS statistical bulletin, presenting results for Quarter 4 (Oct to Dec) 2019, Quarter 1 (Jan to Mar) 2020 and Quarter 2 (Apr to June) 2020.

There are three types of membership - active, deferred and pensioner (see [Glossary](#)) - and it is possible for people to have more than one membership type. Defined contribution (DC) schemes have mainly active and deferred membership (very few pensioner members). However, it is not possible to report membership types separately for DC schemes from the FSPS. This is because while some schemes distinguish between types of membership, others only count total membership.

### Defined contribution pension schemes

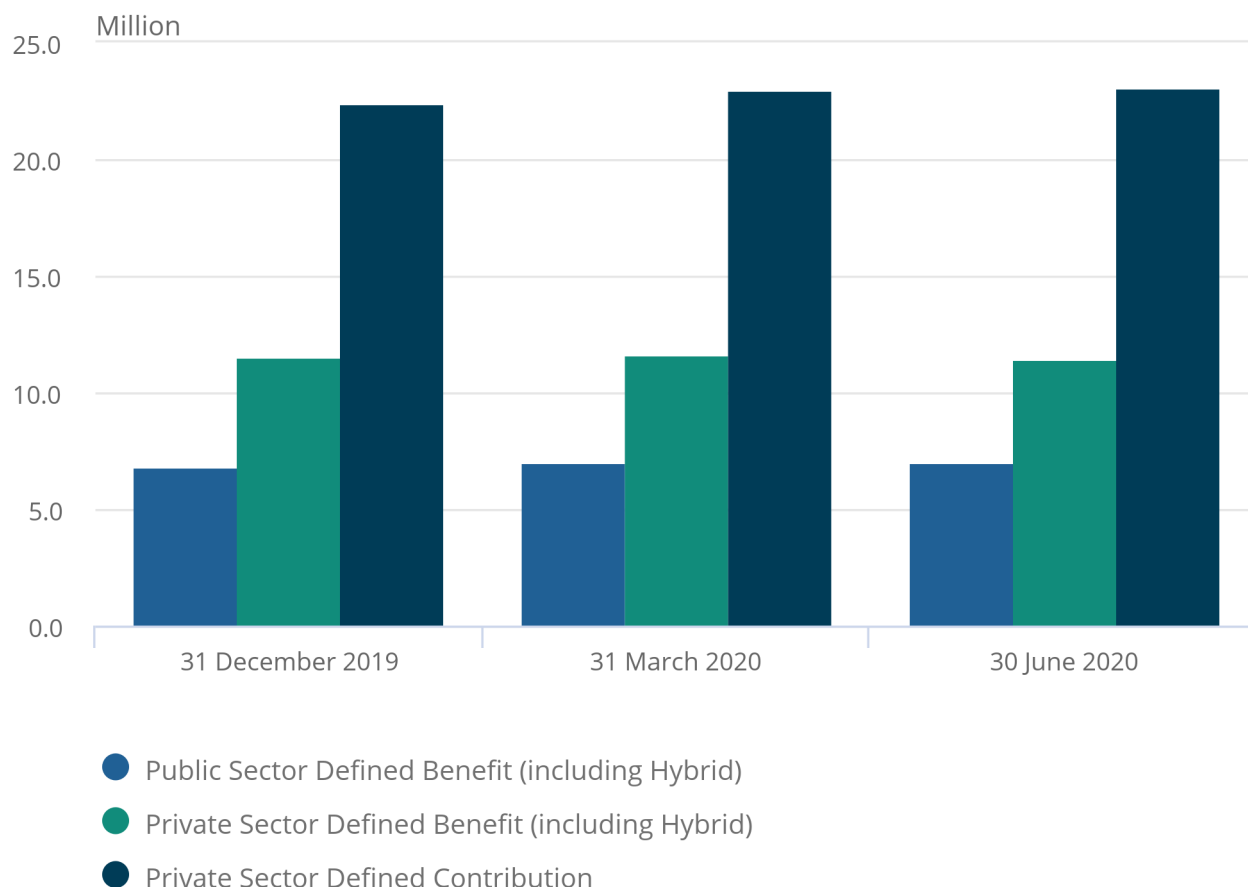
Membership of DC occupational pension schemes has grown rapidly in the past few years as a result of automatic enrolment (see [Glossary](#)). Figure 1 shows that membership reached 23 million at the end of March 2020, compared with 22.4 million members at the end of 2019 and [21.7 million at the end of September 2019](#). It then stabilised at just over 23 million at the end of June 2020. This may be because of the impact of the coronavirus (COVID-19) pandemic on the labour market, but caution is advised in interpreting these results.

## Figure 1: Defined contribution and defined benefit and hybrid pension scheme membership rose slightly in the first half of 2020

Membership of UK-funded occupational pension schemes, UK, 31 December 2019 to 30 June 2020

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Membership of UK-funded occupational pension schemes, UK, 31 December 2019 to 30 June 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes:

1. Estimates have been rounded to the nearest 0.1 million.
2. Components may not sum to totals because of rounding.

### Defined benefit and hybrid pension schemes

During the first half of 2020, total defined benefit and hybrid (DBH) occupational pension scheme membership rose from 18.3 million at the end of 2019, to 18.4 million in June 2020. While there was a fall in membership of private sector DBH schemes from 11.5 million to 11.4 million between 31 December 2019 and 30 June 2020, membership of public sector DBH schemes rose by 3% over this period.

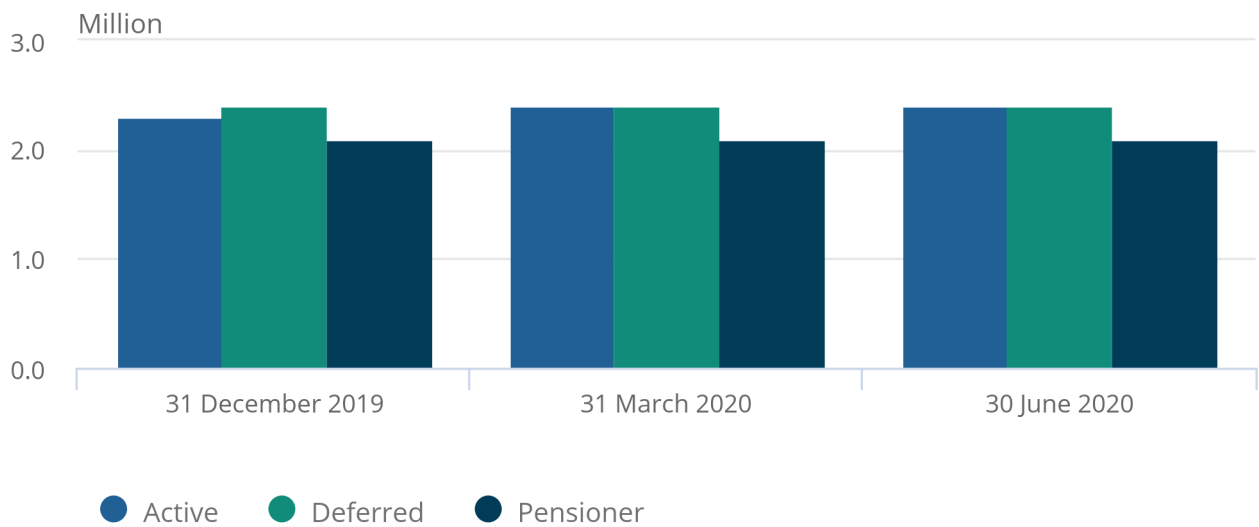
For DBH occupational pension schemes, membership types can be reported separately. As Figure 2 shows, there was a slight increase in active membership of public sector DBH schemes between the end of 2019 and the end of June 2020, while deferred and pensioner membership remained constant at 2.4 million and 2.1 million respectively.

**Figure 2: Active membership of public sector defined benefit and hybrid schemes experienced a slight increase in the first half of 2020**

Membership of private sector defined benefit (and hybrid) schemes by membership type, UK, 31 December 2019 to 30 June 2020

Figure 2: Active membership of public sector defined benefit and hybrid schemes experienced a slight increase in the first half of 2020

Membership of private sector defined benefit (and hybrid) schemes by membership type, UK, 31 December 2019 to 30 June 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

Notes:

- 1. Estimates have been rounded to the nearest 0.1 million.
- 2. Components may not sum to totals because of rounding.
- 3. For definitions of active, deferred and pensioner members, please [see Glossary](#).

Between the end of 2019 and 30 June 2020, membership of private sector DBH schemes were mainly in the deferred and pensioner categories, with deferred membership constituting 50% of total membership (Figure 3). This reflects the closure of many private sector DBH schemes to future accruals since the early 2000s. As members with existing entitlements grow older and are not replaced by new generations of active members, such schemes are “ageing”.

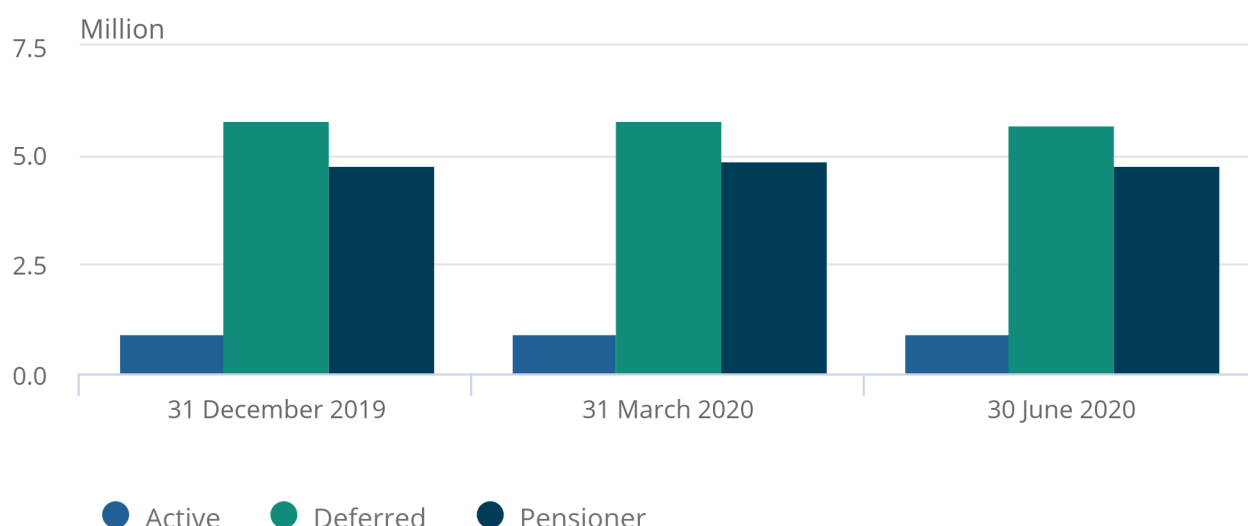
Figure 3 also indicates that active membership of private sector DBH schemes remained constant at 0.9 million during this period, while deferred membership fell from 5.8 million at the end of 2019 to 5.7 million at the end of June 2020.

### Figure 3: Half of all membership of private sector defined benefit and hybrid schemes is deferred membership

Membership of private sector defined benefit (and hybrid) schemes by membership type, UK, 31 December 2019 to 30 June 2020

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Membership of private sector defined benefit (and hybrid) schemes by membership type, UK, 31 December 2019 to 30 June 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes:

1. Estimates have been rounded to the nearest 0.1 million.
2. Components may not sum to totals because of rounding.

## 3 . Contributions

With the rollout of [automatic enrolment](#) between October 2012 and February 2018, minimum contribution rates were established and introduced in stages. As a result of the coronavirus (COVID-19) pandemic, in Quarter 1 (Jan to Mar) 2020 the government put in place measures affecting businesses but, as outlined by [The Pensions Regulator](#), employer and employee obligations under automatic enrolment continued to apply in Quarter 1 and Quarter 2 (Apr to June) 2020. These obligations include paying contributions, re-enrolment of employees and re-declaration of compliance. The rules apply to employees who are still working, those who are furloughed as per the Coronavirus Job Retention Scheme, and those who have placements with government funding under the Kickstart scheme. Pension contributions due are calculated on the total pay that the employee has been paid.

Figures 4 and 5 show changes in employee and employer pension contributions between Quarter 4 (Oct to Dec) 2019 and Quarter 2 2020, according to whether they were contributions to public or private sector defined benefit and hybrid (DBH) schemes or private sector defined contribution (DC) schemes. Please note that there are different scales on the Y axes for Figures 4 and 5.

Figure 4 shows that the largest category by value for employees' pension contributions was DC schemes, reflecting the fact that most active membership is in DC schemes. In Quarter 2 2020, DC employee contributions were £1.6 billion, 11% lower than in Quarter 1 2020 (£1.8 billion).

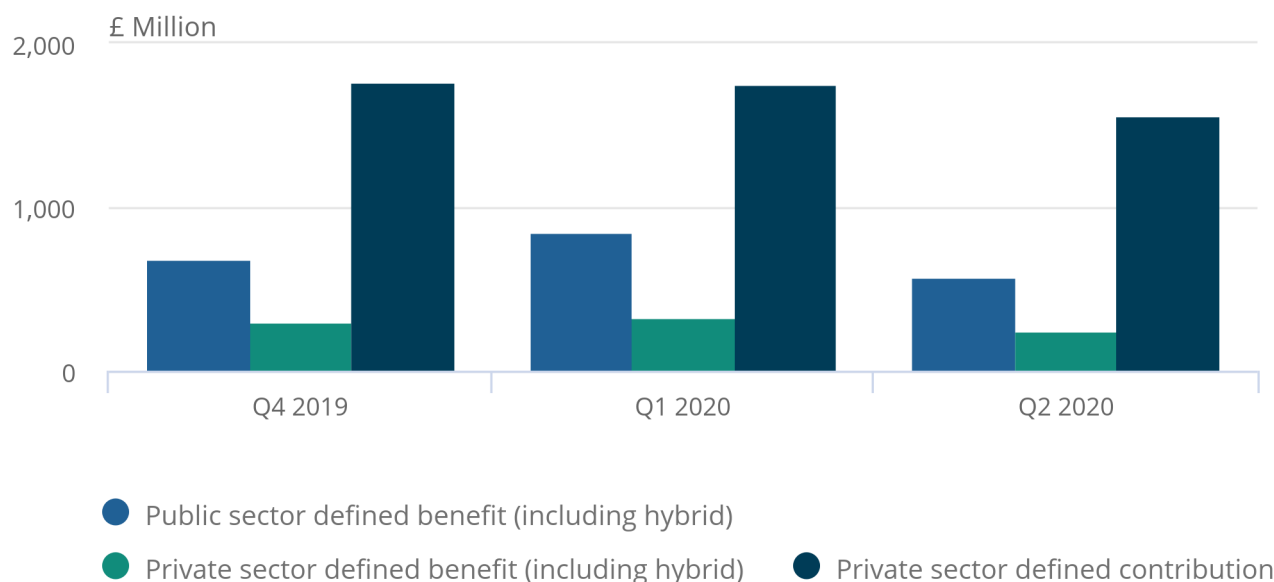
The pattern of employee contributions to DBH schemes is affected by seasonality<sup>1</sup>, so comparisons between Quarter 2 2020 and the previous quarter may be misleading. Private sector DBH schemes saw an 18% decline in employee contributions to £0.2 billion in Quarter 2 2020, from £0.3 billion in Quarter 4 2019. Public sector DBH schemes saw a similar decline (17%).

#### Figure 4: Employee contributions to private sector defined contribution schemes fell by 11% between Quarter 1 2020 and Quarter 2 2020

Employees' pension contributions, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020

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Employees' pension contributions, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes:

1. Employee contributions to defined contribution (DC) schemes include tax relief at source, that is, amounts claimed by the scheme from HM Revenue and Customs in respect of tax relief on members' pension contributions.
2. Q1 equals January to March; Q2 equals April to June; Q3 equals July to September; Q4 equals October to December.

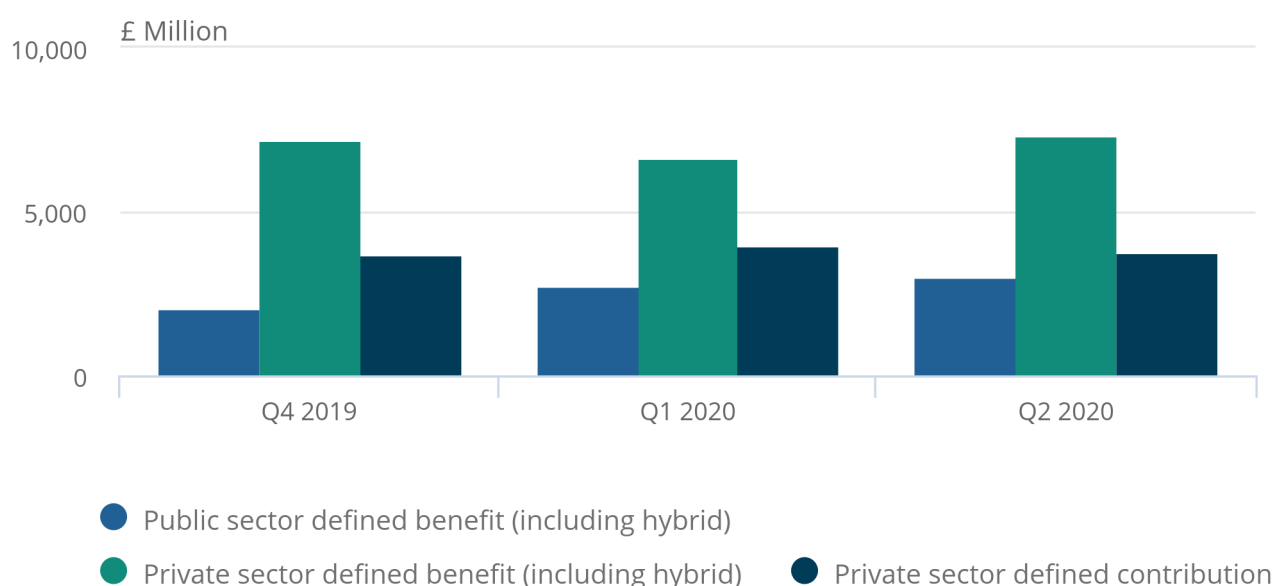
Around half of employer pension contributions are to private sector DBH schemes (Figure 5), but private sector DBH employer contributions rose by less than 2% in the first half of 2020. Employer contributions to DC schemes accounted for 27% of employer pension contributions in Quarter 2 2020. They increased by 7% from £3.7 billion in Quarter 4 2019 to £3.9 billion in Quarter 1 2020 and then fell by 5% to £3.7 billion in Quarter 2 2020. There appears to be an accompanying seasonal pattern for reporting public sector DBH employer contributions.

**Figure 5: Nearly half of employers' contributions in Quarter 2 2020 were to private sector defined benefit and hybrid schemes**

Employers' pension contributions, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020

Figure 5: Nearly half of employers' contributions in Quarter 2 2020 were to private sector defined benefit and hybrid schemes

Employers' pension contributions, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

**Notes:**

1. Employee contributions to defined contribution (DC) schemes include tax relief at source, that is, amounts claimed by the scheme from HM Revenue and Customs in respect of tax relief on members' pension contributions.
2. Q1 equals January to March; Q2 equals April to June; Q3 equals July to September; Q4 equals October to December.

The changes in employer contributions to private sector DBH schemes in the first half of 2020, with a 7% reduction in Quarter 1 2020 followed by a 10% increase in Quarter 2 2020, was driven by the requirement for sponsors to make deficit reduction contributions to address deficits built up over the lifetime of the schemes. Figure 6 shows that 64% of private sector DBH employer contributions in Quarter 2 2020 were deficit reduction contributions. Employer normal contributions to private sector DBH schemes rose by 8% in Quarter 1 2020 (to 36% of the total), before falling by 10% in Quarter 2 2020.

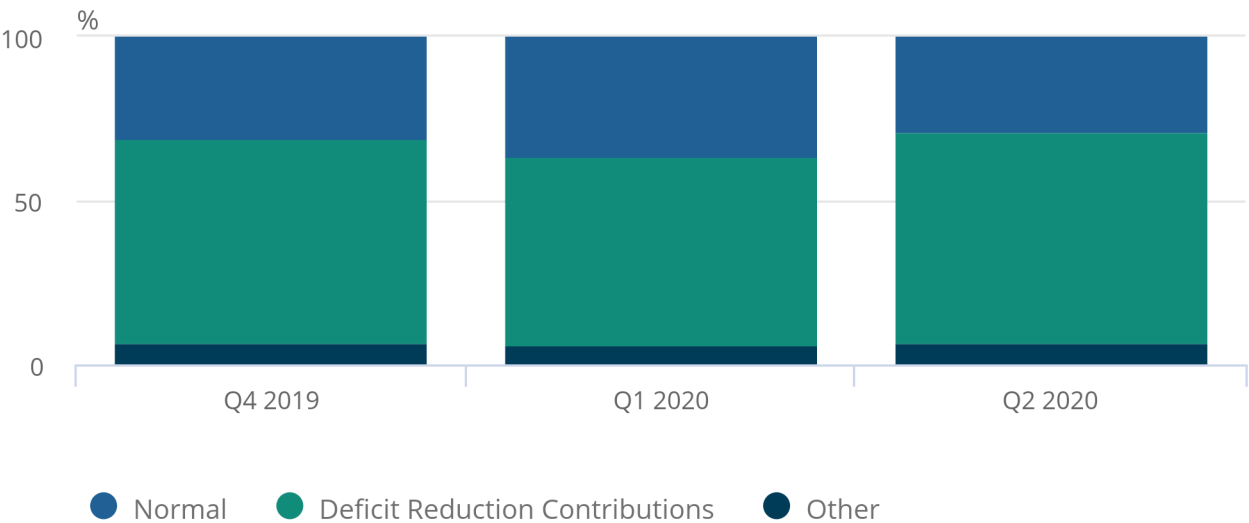
The Financial Survey of Pension Schemes (FSPS) suggests that employer deficit reduction contributions to private sector DBH schemes were not affected by the coronavirus (COVID-19) pandemic in Quarter 2 2020 (any impact would not have been noticeable before then). However, this question cannot be answered in full by the survey: it would be necessary to compare the pattern of payments made (from the survey) with the payments that had been planned before the pandemic.

**Figure 6: Nearly two-thirds of private sector defined benefit and hybrid employer contributions in Quarter 2 2020 were deficit reduction contributions**

Type of contribution, as a percentage of private sector DBH employer contribution, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020

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Type of contribution, as a percentage of private sector DBH employer contribution, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

Notes:

- 1. Components may not sum to 100%, because of rounding.
- 2. DBH equals defined benefit and hybrid.
- 3. Q1 equals January to March; Q2 equals April to June; Q3 equals July to September; Q4 equals October to December.

Note for: Contributions

- 1. In previous years, seasonal patterns have been observed for contributions to DBH schemes, with decreases in Quarter 2 (Apr to June) compared with Quarter 1 (Jan to Mar), possibly associated with the end of the financial year for individuals and for many schemes on 31 March.



## 4 . Benefits

Benefit payments have been sustained at similar levels from Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020, despite the coronavirus (COVID-19) pandemic. This is because benefits must be paid in accordance with the scheme rules, and sponsors and administrators have made every effort to meet these commitments.

Figures 7 and 8 provide the breakdown of benefits paid by whether they were from public or private sector defined benefit and hybrid (DBH) schemes or from defined contribution (DC) schemes. The results are split by type of benefit: on the one hand pension payments and income withdrawals and, on the other hand, lump sums including lump sum death benefits. Most benefits are paid by DBH schemes. Benefits paid by DC schemes are mainly in the form of lump sums.

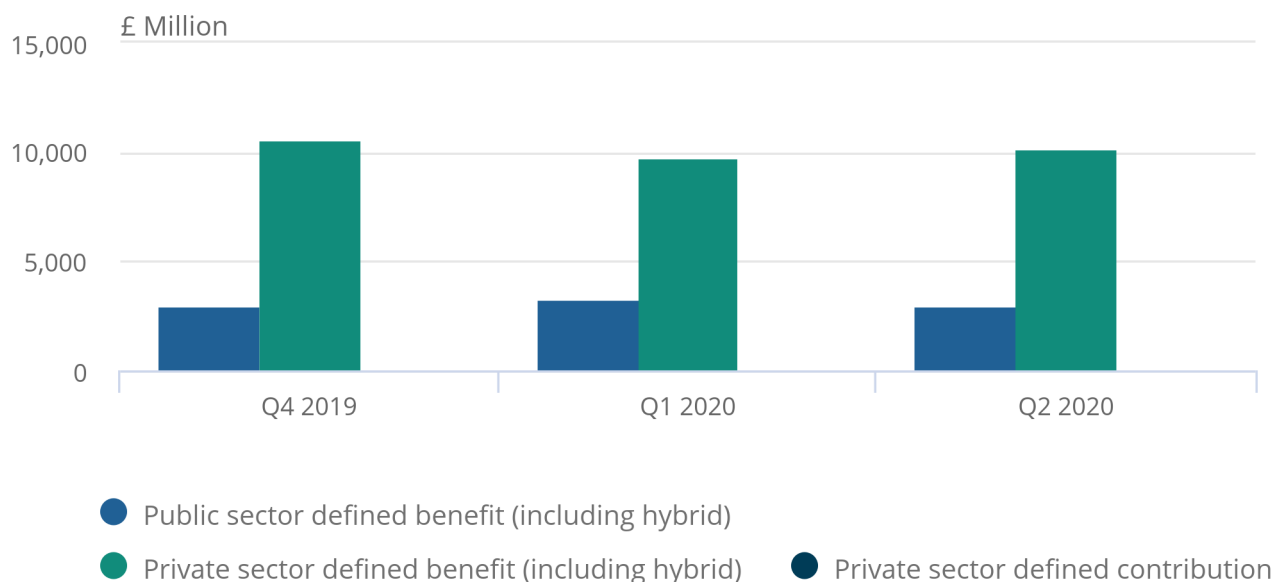
Total pension payments and income withdrawal from funded occupational pension schemes were £13.2 billion in Quarter 2 2020, a 4% decline since Quarter 4 2019 (Figure 7). There was also a 5% increase from Quarter 4 2019, in total lump sums (including death benefits) from pension schemes, to £2.7 billion in Quarter 2 2020. Around two-thirds of lump sum benefit payments during this period were from private sector DBH schemes (Figure 8).

**Figure 7: Total pension payments and income withdrawal from pension schemes fell slightly in the first half of 2020**

Pension payments and income withdrawals, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020

## Figure 7: Total pension payments and income withdrawal from pension schemes fell slightly in the first half of 2020

Pension payments and income withdrawals, UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

**Notes:**

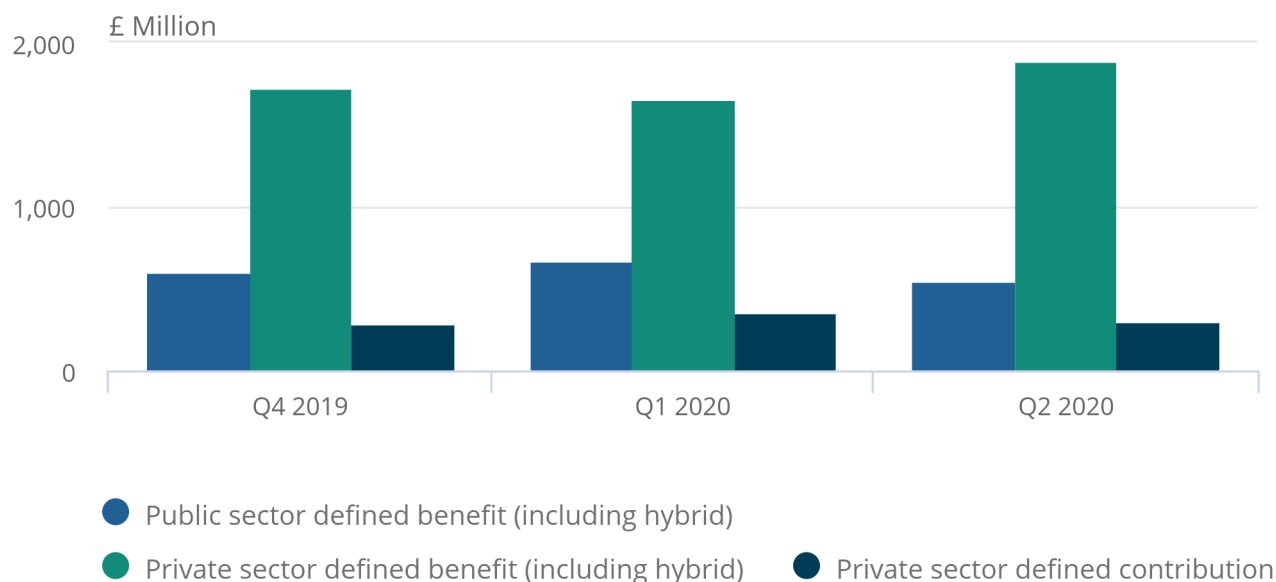
1. Q1 equals January to March; Q2 equals April to June; Q3 equals July to September; Q4 equals October to December.

**Figure 8: Around two-thirds of lump sum benefits between Quarter 4 2019 and Quarter 2 2020 were paid by private sector defined benefit and hybrid schemes**

Lump sum benefits (including death benefits), UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020

**Figure 8: Around two-thirds of lump sum benefits between Quarter 4 2019 and Quarter 2 2020 were paid by private sector defined benefit and hybrid schemes**

Lump sum benefits (including death benefits), UK, Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

Notes:

1. Q1 equals January to March; Q2 equals April to June; Q3 equals July to September; Q4 equals October to December.

## 5 . Balances

This section presents the trends in UK-funded occupational pension schemes' assets and liabilities, and the nature of their investments. The results shown here build on the previous survey (the MQ5 Pension Fund Survey (PFS)) and the [initial results](#) from the Financial Survey of Pension Schemes (FSPS) and are for the first half of 2020. At the end of June 2020, UK-funded occupational pension schemes had assets of between £2.3 trillion and £2.9 trillion depending on the measure used (Table 1). The FSPS is designed to produce estimates of assets separately for public sector and private sector employee pension schemes, and by whether the [type of pension](#) is defined benefit and hybrid (DBH) or defined contribution (DC).

## Total assets and liabilities

The FSPS collects information on assets and liabilities of UK-funded occupational pension schemes by asking for information on a gross basis, reporting on both sides of a position – assets and liabilities. This is used to produce the measures shown in Table 1, some of which are on a gross basis while others are net. The market value of pension funds is a net measure, created by subtracting gross liabilities (other than pension liabilities) from gross assets.

Despite the decline in the stock market in Quarter 1 (Jan to Mar) 2020, when stock markets fell by 26%<sup>1</sup>, and the beginning of the nationwide “lockdown” on 23 March 2020, occupational pension schemes’ gross assets excluding derivatives fell by less than 1%. This is because most of the decline asset values linked to equities were offset by increases in other asset values. In Quarter 2 (Apr to June) 2020, gross assets, excluding derivatives, increased by 7% from £2.4 trillion at the end of March 2020, to £2.6 trillion at the end of June 2020. A similar pattern can be seen in the market value of pension funds.

The value of gross non-pension liabilities (which are predominantly Repurchase Agreements or “Repos”) increased by 19% to £227 billion in June 2020, from £191 billion in December 2019. Positive and negative value derivatives contracts each rose by 9% and 10% respectively during this period.

Table 1: Assets and liabilities of UK-funded occupational pension schemes  
UK, 31 December 2019 to 30 June 2020

£ billion

	as at the end of		
	December 2019	March 2020	June 2020
Gross assets excluding derivatives	2,409	2,392	2,569
Gross liabilities other than pension liabilities, excluding derivatives	191	227	227
Derivatives contracts with a positive (asset) value	303	346	329
Derivatives contracts with a negative (liability) value	291	346	319
Net assets excluding derivatives or 'market value of pension funds'	2,218	2,165	2,342
Gross assets including derivatives contracts with a positive (asset) value	2,712	2,738	2,899

Source: Office for National Statistics – Financial Survey of Pension Schemes

### Notes

1. Although respondents are asked to report the value of derivatives contracts gross a small proportion reported net; this probably produces slight overestimates of positive balances and slight underestimates of negative balances.

## Pension scheme investments

Table 2 shows results for the main categories of assets collected in the FSPS – pooled investment vehicles, direct investments and insurance policies – with breakdowns by whether the scheme was for public sector or private sector employees and by DBH and DC type pensions.

The [FSPS definitions](#) of these categories are as follows:

- pooled investment vehicles are defined as funds in which there is more than one investor in the fund or underlying fund(s); they exclude any funds that are created for a single investor
- direct investments are all investment assets that the scheme holds directly rather than through a pooled investment vehicle; this includes assets that are held in a fund structure created for a single investor such as a Qualifying Investor Fund (QIF)
- insurance policies are annuity and deferred annuity contracts relating to buy-ins and longevity swaps; they are assets held with insurance companies enabling the trustees of an occupational pension scheme to meet all or part of their pension liabilities

The value of gross assets excluding derivatives of private sector DC schemes<sup>2</sup> fell by 12% to £128 billion at the end of March 2020 from £146 billion on 31 December 2019 (Table 2). This reflects the fact that DC schemes invest largely through pooled investment vehicles, which were affected by the stock market fall in February and March 2020. In the same period, the value of gross assets of public sector DBH schemes fell by 7%; over half of gross assets of public sector DBH schemes are invested in pooled investment vehicles.

However, private sector DBH schemes, which have around two-fifths of their portfolios in pooled investment vehicles and the other three-fifths in direct investments and insurance policies, saw a 2% increase in asset values from the end of 2019 to 31 March 2020, and then a further 6% increase in Quarter 2 2020. The value of their gross assets excluding derivatives reached £2 trillion at the end of June 2020. In April to June 2020, the gross assets excluding derivatives of private sector DC schemes rose by 14%, returning to the end of 2019 levels (£146 billion), while those of public sector DBH schemes rose by 12%, reaching £420 billion.

The proportion of investments in the main asset categories remained relatively constant across the different sectors in the first half of 2020. On 30 June 2020, 57% of private sector DBH schemes' investments were direct investments, while 38% were via pooled investment vehicles and 6% were in the form of insurance policies.

By contrast, 56% of public sector DBH schemes' investments were via pooled investment vehicles, 44% were direct investments and less than 1% were in the form of insurance policies. DC schemes invested almost entirely (96%) via pooled investment vehicles.

Table 2: Gross assets excluding derivatives by main investment category (£ billion)  
UK, 31 December 2019 to 30 June 2020

£ billion

	as at the end of								
	December 2019			March 2020			June 2020		
	Private sector DC	Private sector DBH	Public sector DBH	Private sector DC	Private sector DBH	Public sector DBH	Private sector DC	Private sector DBH	Public sector DBH
Gross assets excluding derivatives	146	1,859	404	128	1,889	376	146	2,004	420
Of which:									
Pooled investment vehicles	142	730	228	123	695	206	140	756	233
Direct investments	4	1,022	174	4	1,087	169	5	1,134	185
Insurance policies	-	108	2	-	107	2	1	113	2

Source: Office for National Statistics – Financial Survey of Pension Schemes

## Notes

1. DBH equals defined benefit and hybrid; DC equals defined contribution.
2. Long-term debt securities include structured products.
3. Components may not sum to total, because of rounding.

## Direct investments

Direct investments of public sector schemes fell slightly in Quarter 1 2020 but increased overall in the first half of 2020, from £174 billion at the end of 2019 to £185 billion in June 2020 (Table 3). Direct investments of private sector employee schemes increased by 11%, from £1,026 billion at the end of 2019 to £1,139 billion in June 2020, showing their strongest growth in Quarter 1 2020 (up 6%).

Table 3 shows the breakdown of direct investments of public sector and private sector employee schemes by asset class. At the end of June 2020, less than one-quarter of public sector employee schemes' direct investments were in long-term debt securities including structured products, while equities accounted for 39% of the total and unquoted private equity and alternatives accounted for 20%.

By contrast, at the end of June 2020, most of private sector employee schemes' direct investments were in long-term debt securities including structured products (70%), while 9% were in equities and 6% in unquoted private equity and alternatives (Figure 9). The main types of investment held within long-term debt securities were central government bonds, including UK Government Gilts and corporate bonds, which made up 53% and 14% of total direct investment respectively. The value of these schemes' central government bond holdings rose by 10% in Quarter 1 2020 and 4% in Quarter 2 2020.

Table 3: Direct investments of private and public sector employee schemes by asset class (£ billion)  
UK, 31 December 2019 to 30 June 2020

**£ billion**

	<b>as at the end of</b>					
	<b>December 2019</b>		<b>March 2020</b>		<b>June 2020</b>	
	<b>Private sector</b>	<b>Public sector</b>	<b>Private sector</b>	<b>Public sector</b>	<b>Private sector</b>	<b>Public sector</b>
Direct investments	1,026	174	1,091	169	1,139	185
of which:						
Cash and cash equivalents	75	11	92	13	90	14
Short-term debt securities	12	3	13	2	13	3
Long-term debt securities	705	41	758	40	801	44
of which:						
Central Government bonds (including UK Government Gilts)	529	26	581	26	606	28
Corporate bonds	150	12	152	11	164	13
Equities	107	71	87	61	98	72
Property	31	14	31	14	30	13
Unquoted private equity and alternatives	63	32	64	36	63	37
Other investment balances (receivables)	7	1	20	1	13	1
Any other assets	25	1	25	1	31	1

Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes

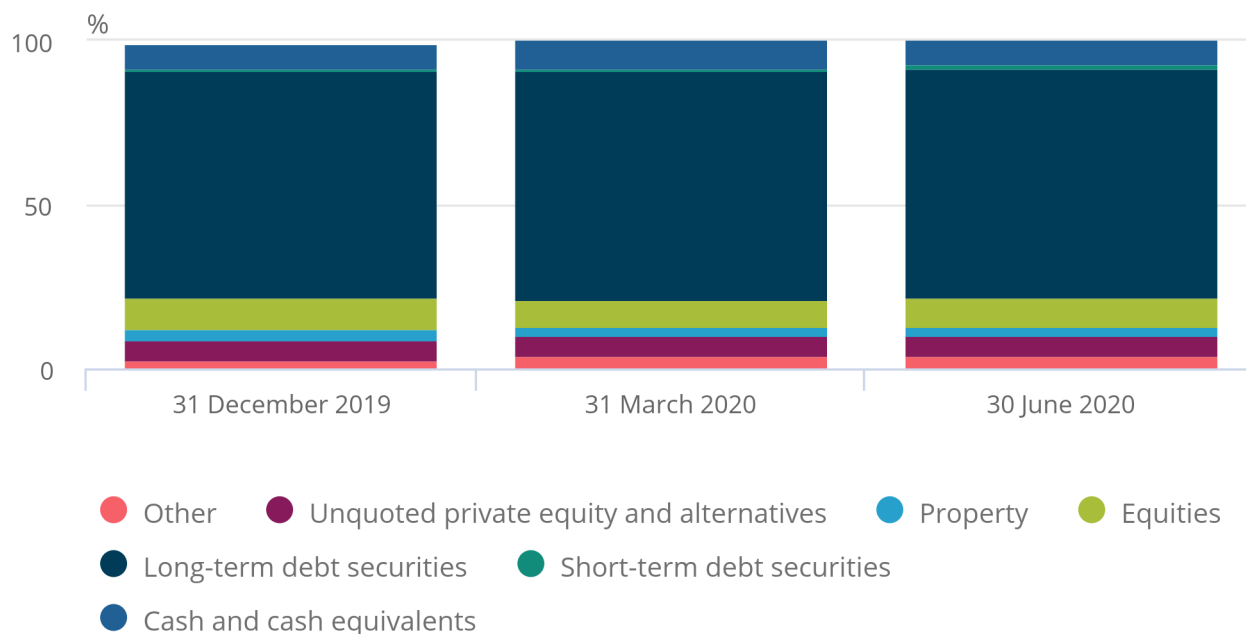
1. Long-term debt securities include structured products.
2. Direct investments: Investment assets that the scheme holds directly rather than through a pooled investment vehicle. This includes assets that are held in a fund structure created for a single investor such as a Qualifying Investor Fund (QIF).

## Figure 9: Private sector defined benefit and hybrid and defined contribution employee schemes' direct investments focus on long-term debt securities

Composition of direct investments of private sector employee schemes, UK, 31 December 2019 to 30 June 2020

### Figure 9: Private sector defined benefit and hybrid and defined contribution employee schemes' direct investments focus on long-term debt securities

Composition of direct investments of private sector employee schemes, UK, 31 December 2019 to 30 June 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes:

1. Long-term debt securities include structured products.
2. Components may not sum to 100%, because of rounding.

## Pooled investment vehicles

The value of UK-funded occupational pension scheme investments via pooled investment vehicles fell by 7% in Quarter 1 2020 and rose by 10% in Quarter 2 2020. The change was most marked for DC pension schemes, which experienced a fall of 13% in Quarter 1 2020 followed by an increase of 14% in Quarter 2 2020.

Figure 10 shows the three largest components of DC pooled vehicle holdings by value, which together accounted for 76% of total investments in June 2020:

- equities (36%)
- mixed assets (29%)
- fixed interest (11%)



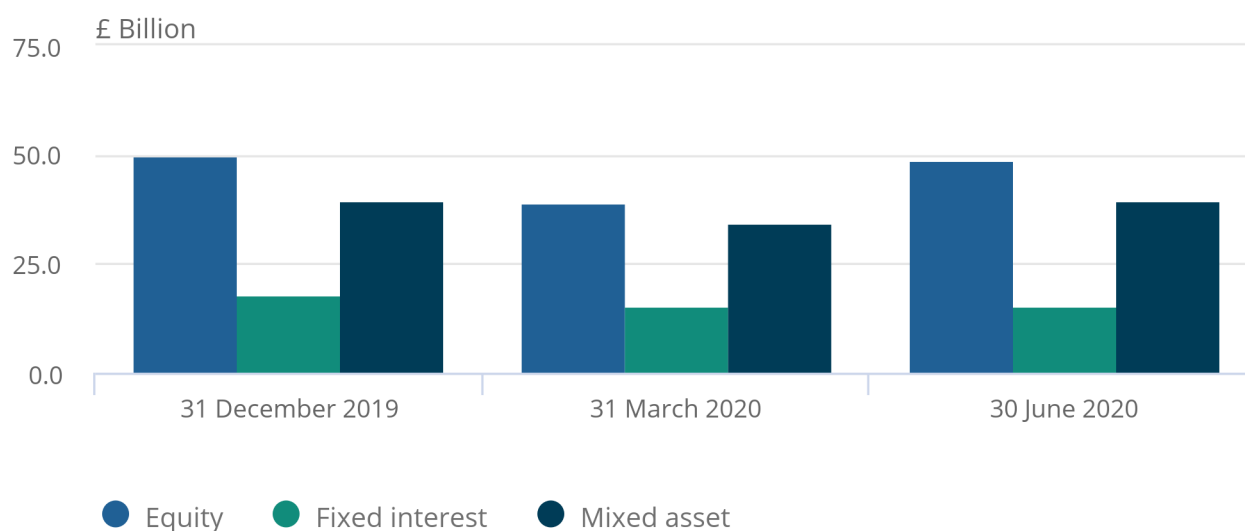
The value of DC schemes' equities held in pooled investment vehicles fell by 22% in Quarter 1 2020 before recovering by the end of June 2020. A similar pattern can be observed for mixed assets, but fixed income holdings continued to decline in Quarter 2 2020.

### Figure 10: Equity, the largest component of defined contribution schemes' pooled vehicle holdings, fell by 22% in Quarter 1 2020

Changes in composition of the highest value asset classes held in pooled vehicles by defined contribution schemes, UK, 31 December 2019 to 30 June 2020

### Figure 10: Equity, the largest component of defined contribution schemes' pooled vehicle holdings, fell by 22% in Quarter 1 2020

Changes in composition of the highest value asset classes held in pooled vehicles by defined contribution schemes, UK, 31 December 2019 to 30 June 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

## Derivatives

The value of derivative contracts rose in Quarter 1 2020 (by 14% for derivative contracts with a positive value and 19% for those with a negative value) and they fell back somewhat in Quarter 2 2020.

Table 4 shows derivatives balances of private sector and public sector employee pension schemes. While public sector employee schemes accounted for 16% of gross assets excluding derivatives (Table 2) in June 2020, they had a lower proportion of total derivatives balances (11%). This is because while many private sector DBH schemes use derivatives, particularly swaps, as part of Liability Driven Investment (LDI) strategies, the use of LDI strategies (and swaps) is rare for public sector employee schemes. LDI is an approach to investing pension scheme assets that is designed to match the scheme's pension liabilities, including managing uncertainty relating to interest rate and inflation risk.

Table 4: Derivatives balances of private and public sector employee schemes (£ billion)  
UK, 31 December 2019 to 30 June 2020

£ billion

	as at the end of								
	December 2019			March 2020			June 2020		
	Private sector	Public sector	Total	Private sector	Public sector	Total	Private sector	Public sector	Total
Derivatives contracts with a positive (asset) value	271	32	303	304	42	346	293	36	329
Derivatives contracts with a negative (liability) value	260	31	291	303	43	346	282	36	319

Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes

1. Although respondents are asked to report the value of derivatives contracts gross a small proportion reported net; this probably produces slight overestimates of positive balances and slight underestimates of negative balances.
2. Components may not sum to total, because of rounding.

Figures 11a and 11b show the breakdown by type of derivatives for all schemes. The main types of derivatives used by pension schemes are swaps and forward foreign currency contracts.

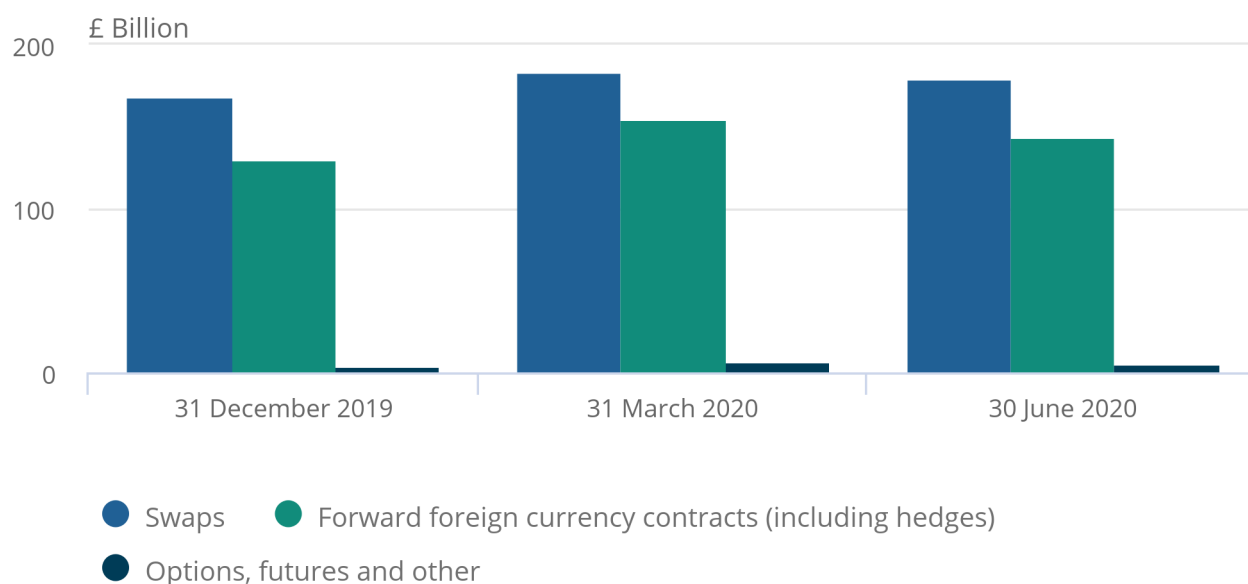
Quarter 1 (Jan to Mar) 2020 saw strong growth in both positive and negative values of forward foreign currency contracts (including hedges), which are used to manage foreign currency risk. This may have been related, at least in part, to schemes' efforts to manage risks relating to political developments such as the UK's departure from the European Union. The value of these contracts fell somewhat in Quarter 2 2020, but at the end of June 2020 they remained 11% (positive value contracts) and 19% (negative value contracts) higher than in December 2019.

## Figure 11a: Positive value forward foreign currency contracts rose by 19% in Quarter 1 2020

Derivatives contracts with a positive (asset) value by type of derivative, UK, 31 December 2019 to 30 June 2020

### Figure 11a: Positive value forward foreign currency contracts rose by 19% in Quarter 1 2020

Derivatives contracts with a positive (asset) value by type of derivative, UK, 31 December 2019 to 30 June 2020



Source: Office for National Statistics – Financial Survey of Pension Schemes

#### Notes:

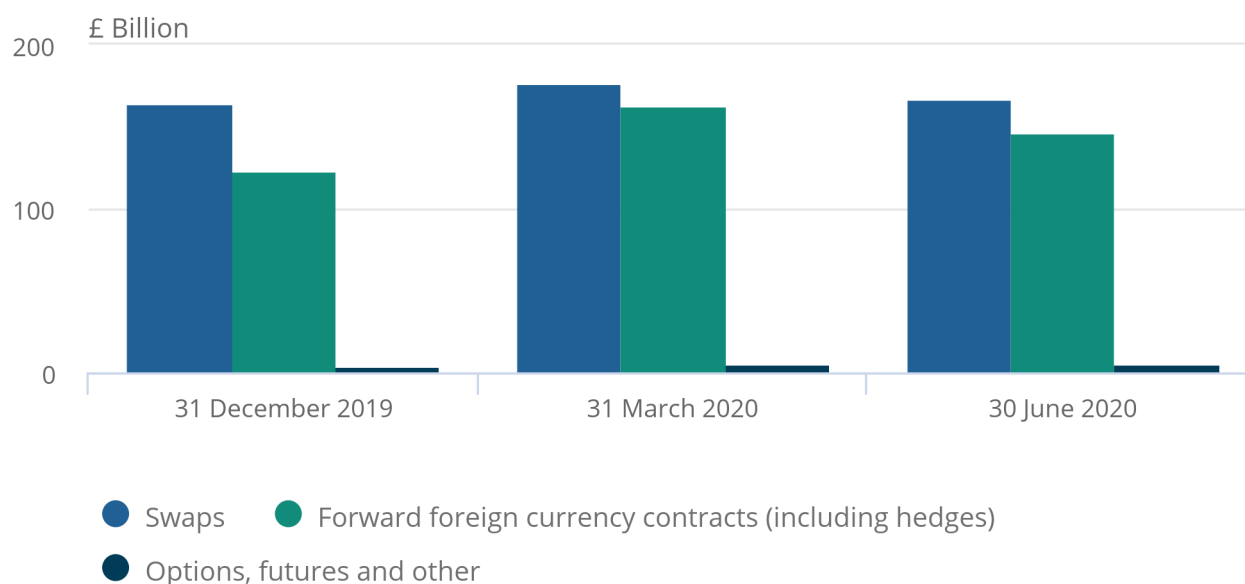
1. Although respondents are asked to report the value of derivatives contracts gross, a small proportion reported net; this probably produces slight overestimates of positive balances and slight underestimates of negative balances.

## Figure 11b: Negative value forward foreign currency contracts rose by 33% in Quarter 1 2020

Derivatives contracts with a negative (liability) value by type of derivative, UK, 31 December 2019 to 30 June 2020

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#### Notes:

1. Although respondents are asked to report the value of derivatives contracts gross, a small proportion reported net; this probably produces slight overestimates of positive balances and slight underestimates of negative balances.

#### Notes for: Balances

1. FTSE All-Share Index.
2. The FSPS results for DC schemes are not comparable with The Pension Regulator's assets figures for DC pension schemes published in [DC Trust](#), which exclude hybrid schemes with DC members and DC schemes with fewer than 12 members.

## 6 . Funded occupational pension schemes in the UK data

### [Funded occupational pension schemes in the UK](#)

Dataset | Released 13 January 2021

Provisional data on membership, contributions, benefits and balances of funded occupational pension schemes in the UK. Data are quarterly from the Financial Survey of Pension Schemes (FSPS).

## 7 . Glossary

### Active members

Members of pension schemes who are current employees and are either contributing to the scheme themselves or having contributions made on their behalf (for instance by their employer).

### Auto-enrolment and automatic enrolment

Under reforms brought in by the Pensions Acts 2008 and 2011, employers must enrol all eligible employees into a qualifying private pension. Workers can opt out but will be re-enrolled every three years.

Auto-enrolment was rolled out to employers in stages between 2012 and 2018. Minimum contribution rates were established and were also introduced in stages:

- before 6 April 2018: total contributions (employer plus employee, including tax relief) were 2% of qualifying earnings (the minimum band of earnings on which pension contributions must be made), of which employer contributions 1%
- from 6 April 2018 to 5 April 2019: total contributions were 5% of qualifying earnings, of which employer contributions 2%
- from 6 April 2019 to date: total contributions were 8% of qualifying earnings, of which employer contributions 3%

### Deferred members

Members of pension schemes who have accrued rights to pensions that will come into payment in future but who are no longer actively contributing (or having contributions paid on his or her behalf) into the scheme. Also known as members with preserved pension entitlements.

### Deficit reduction contributions

These are additional payments made by pension scheme trustees, to the sponsoring employer, to reduce the shortfall of funding in a defined benefit and hybrid (DBH) pension scheme. These payments to the pension scheme are additional to the regular ongoing funding contributions.

## Government managed pension schemes

Schemes [classified](#) as having the “pension manager” in the Government sector (S.13) of the national accounts. In such cases, the Government sector (central and local government) is judged to be ultimately responsible for the schemes’ pension obligations (the “pension manager”) even if the Government sector is not responsible for scheme administration (the “pension administrator”).

## Pensioner members

Members of pension schemes who are receiving pensions or income withdrawals; sometimes known as beneficiaries.

A [full glossary](#) of terms is available.

# 8 . Measuring the data

## Survey coverage

The Office for National Statistics (ONS) replaced the MQ5 Pension Funds Survey (PFS) with the Financial Survey of Pension Schemes (FSPS) from Quarter 2 (Apr to June) 2019. The FSPS is a quarterly survey that collects data on membership, income and expenditure, transactions, assets and liabilities of UK-funded occupational pension schemes.

In practice, this means that all occupational schemes for private sector employees are in the survey, but the survey does not include all occupational schemes for public sector employees: funded schemes for public sector employees such as the Local Government Pension Scheme (LGPS) are included, but unfunded schemes such as those for civil servants, teachers and NHS staff are not.

## Breakdowns

We present results for pension schemes for private sector employees (including those covered by the Pension Protection Fund) compared with those for public sector employees (we use the term “schemes for public sector employees” throughout the article – these are government managed pension schemes (see [Glossary](#))). We also present results by defined benefit and hybrid (DBH) pensions compared with defined contribution (DC) pensions.

There are no defined contribution occupational pension schemes for public sector employees, so there are three categories: public sector employee schemes, which are defined benefit and hybrid schemes, and private sector employee schemes, which may be further divided into defined benefit and hybrid and defined contribution schemes.

The [FSPS definitions](#) of these categories are as follows.

Defined benefit (DB) pension schemes are ones in which the rules of the scheme specify the rate of benefits to be paid. The most common DB scheme is a final salary scheme in which the benefits are based on the number of years of pensionable service, the accrual rate and the final salary. An alternative to the final salary scheme is the Career Average Revalued Earnings (CARE) scheme, which is also a DB scheme.

Defined contribution (DC) pension schemes are ones in which the benefits are determined by the contributions paid, the investment return on those contributions (less charges) and the type of annuity purchased upon retirement, if any. It is also known as a money purchase pension.

## **9 . Strengths and limitations**

### **Response rates**

In Quarter 4 (Oct to Dec) 2019, the response rate for the Financial Survey of Pension Schemes (FSPS) was 84%. The response rate fell slightly in Quarter 1 (Jan to Mar) 2020 (82%) and Quarter 2 (Apr to Jun) 2020 (80%). This decline in response rates could be because of a small number of respondents having difficulty completing survey returns because of the coronavirus (COVID-19) pandemic and associated lockdown.

### **End of EU Exit Transition period**

As the transition period ends and the UK enters into a new Trade and Cooperation Agreement with the EU, the UK statistical system will continue to produce and publish our wide range of economic and social statistics and analysis. We are committed to continued alignment with the highest international statistical standards, enabling comparability both over time and internationally, and ensuring the general public, statistical users and decision-makers have the data they need to be informed.

As the shape of the UK's future statistical relationship with the EU becomes clearer over the coming period, the Office for National Statistics (ONS) is making preparations to assume responsibilities that as part of our membership of the EU, and during the transition period, were delegated to the statistical office of the EU, Eurostat. This includes responsibilities relating to international comparability of economic statistics, deciding what international statistical guidance to apply in the UK context and to provide further scrutiny of our statistics and sector classification decisions.

In applying international statistical standards and best practice to UK economic statistics, we will draw on the technical advice of experts in the UK and internationally, and our work will be underpinned by the UK's well-established and robust framework for independent official statistics, set out in the Statistics and Registration Service Act 2007. Further information on our proposals will be made available in early 2021.

## 10 . Related links

### [Occupational Pension Scheme Survey \(OPSS\) in the UK: 2019](#)

Dataset | Released 13 January 2021

The nature of occupational pension provision in the UK providing summary data from the Occupational Pension Schemes Survey on membership of schemes and contributions paid.

### [UK pension surveys: redevelopment and 2019 results](#)

Article | Released 29 June 2020

Results from the new Financial Survey of Pension Schemes, which collects data from occupational pension schemes in the UK from April 2019. Results include employer and employee contributions, benefits, transfers, assets and liabilities.

### [MQ5: Investment by insurance companies, pension funds and trusts: October to December 2018](#)

Bulletin | Released 21 March 2019

Investment choices of financial institutions based on financial transactions (investments and disinvestments), including balance sheet data for short-term assets and liabilities, and income and expenditure data.

### [Financial Survey of Pension Schemes](#)

Web page | Last updated 17 December 2020

Information on how to complete the Financial Survey of Pension Schemes (FSPS) survey.