

Statistical bulletin

Funded occupational pension schemes in the UK: October to December 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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Release date:
24 June 2021

Next release:
23 September 2021

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1 . Main points

- 68% of private sector defined benefit and hybrid (DBH) employers' pension contributions in Quarter 4 (Oct to Dec) 2020 were deficit reduction contributions.
- Gross assets excluding derivatives reached £2.6 trillion, and market value of pension funds was £2.4 trillion at the end of 2020.
- Gross liabilities other than pension liabilities, excluding derivatives has fallen by 8%; gross non-pension liabilities predominantly consist of repurchase agreements (repos).
- Derivatives contracts with a positive and negative value fell by 5% and 7% respectively.

From Quarter 4 2020, a new sample has been introduced, which will run for six quarters. Hence, there is a period when the data are more likely to be subject to further revisions. New information received can improve our estimates for earlier periods, while newly selected schemes improve their understanding of the questionnaire and can then report in line with our requirements.

2 . Membership

There has not been a significant change in the membership data reported in the Financial Survey of Pension Schemes (FSPS) in Quarter 4 (Oct to Dec) 2020.

To track the trend in membership data, these can be found in the [FSPS dataset](#):

- the breakdown of membership of UK-funded occupational pension schemes
- the breakdown of membership of public sector defined benefit and hybrid (DBH) schemes by membership type
- the breakdown of membership of private sector DBH schemes by membership

3 . Contributions

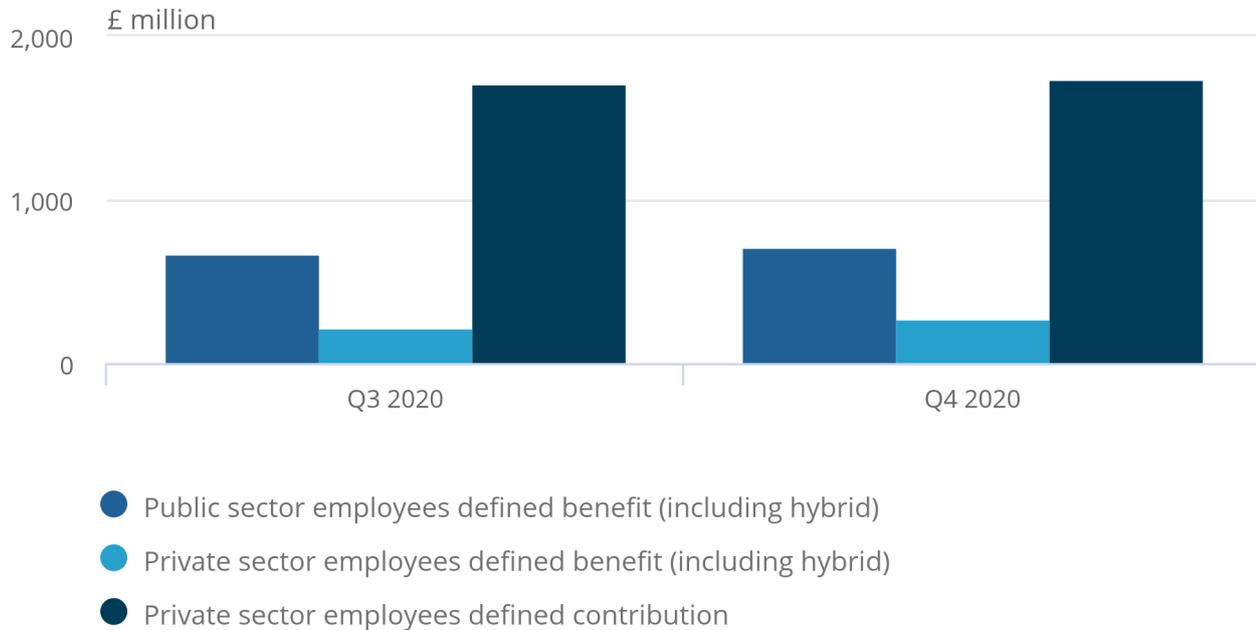
Figures 1 and 2 show changes in employee and employer normal contributions between Quarter 3 (July to Sept) and Quarter 4 (Oct to Dec) 2020, split by contribution to public or private sector defined benefit and hybrid (DBH) schemes or private sector defined contribution (DC) schemes.

Figure 1: Employee contributions to private sector defined contribution schemes continue to make up two-thirds of all employee contributions

Employee pension contributions, UK, Quarter 3 (July to Sept) 2020 to Quarter 4 (Oct to Dec) 2020

Figure 1: Employee contributions to private sector defined contribution schemes continue to make up two-thirds of all employee contributions

Employee pension contributions, UK, Quarter 3 (July to Sept) 2020 to Quarter 4 (Oct to Dec) 2020



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes:

1. Q3 equals July to September; Q4 equals October to December.
2. Employee contributions to 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.

DC employees' pension contributions continued to constitute two-thirds of all employee contributions in Quarter 4 2020, indicating that most active membership is within DC schemes. From Quarter 3 to Quarter 4 2020, employee pension contributions rose in all scheme types:

- 8% for public sector DBH
- 24% for private sector DBH
- 1% for private sector DC

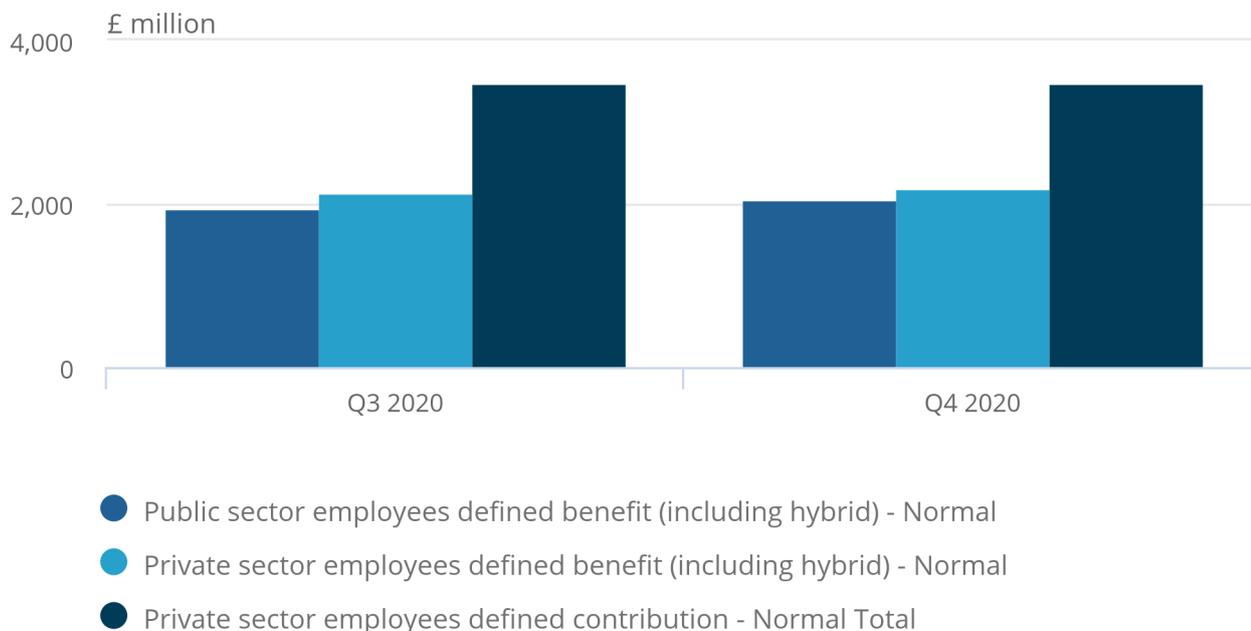
While private DBH employee contributions have seen a significant increase, this is likely to have been caused by sample variability.

Figure 2: Employer normal contributions remained relatively unchanged between Quarter 3 2020 and Quarter 4 2020

Employer normal pension contributions, UK, Quarter 3 (July to Sept) 2020 to Quarter 4 (Oct to Dec) 2020

Figure 2: Employer normal contributions remained relatively unchanged between Quarter 3 2020 and Quarter 4 2020

Employer normal pension contributions, UK, Quarter 3 (July to Sept) 2020 to Quarter 4 (Oct to Dec) 2020



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes:

1. Q3 equals July to September; Q4 equals October to December.

Figure 2 shows employers' normal contributions remained relatively unchanged for all three scheme types from Quarter 3 to Quarter 4 2020. Public sector DBH schemes saw an increase by 5%, while private sector DBH rose by 2% and private sector DC fell by less than 1%.

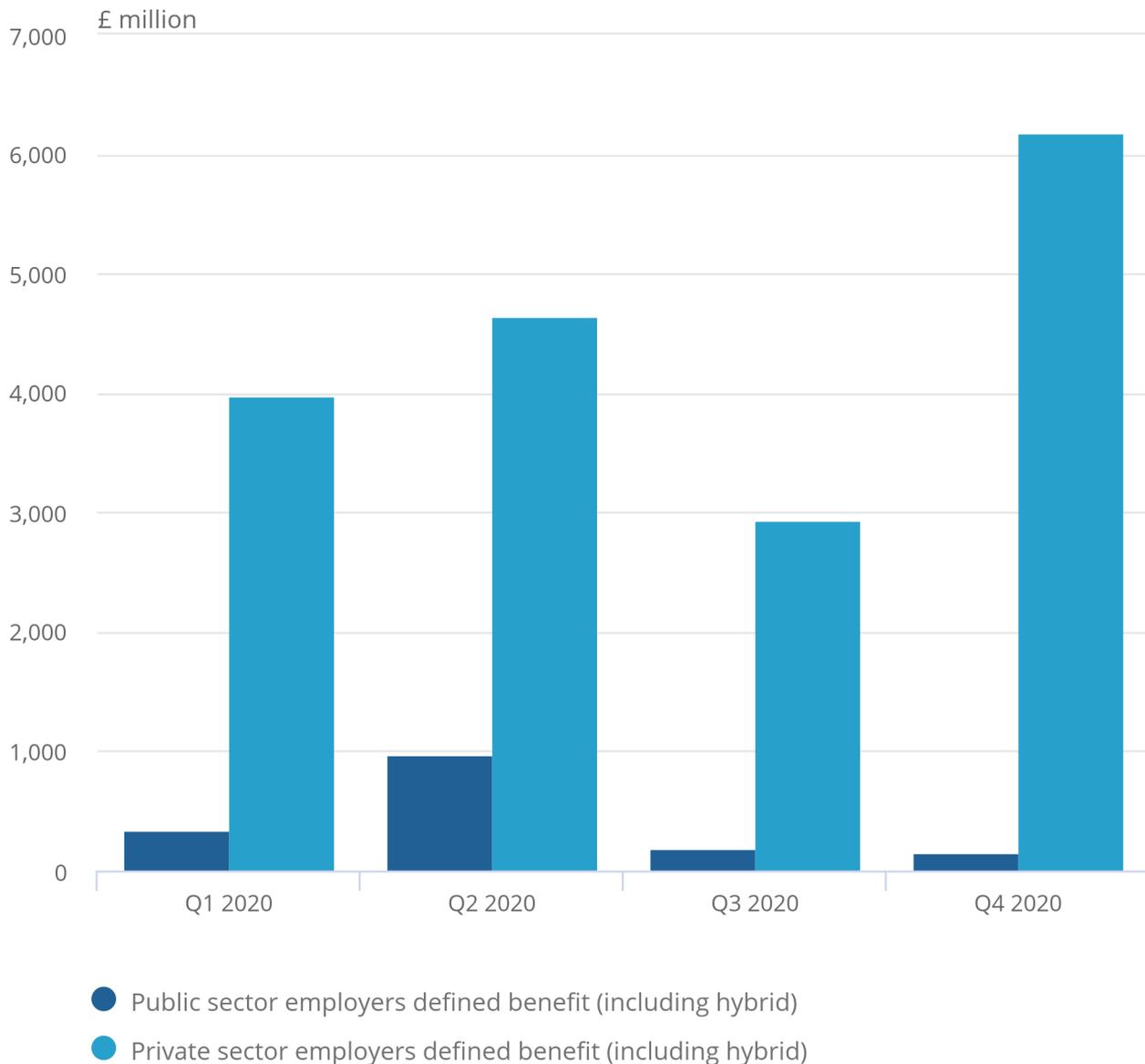
While normal contributions are regular ongoing contributions made by both employees and employers, deficit reduction contributions (DRCs) are extra payments made by the employer to reduce the shortfall of funding, specifically in a DBH pension scheme. Private sector DRCs rose from £2.9 billion to £6.2 billion from Quarter 3 to Quarter 4 2020, shown in Figure 3. Public sector DRCs continued to remain low in Quarter 4 2020, at £162 million.

Figure 3: Private sector defined benefit and hybrid employer deficit reduction contributions rose by £3.3 billion between Quarter 3 2020 and Quarter 4 2020

Employer deficit reduction contributions, UK, Quarter 1 (Jan to Mar) 2020 to Quarter 4 (Oct to Dec) 2020

Figure 3: Private sector defined benefit and hybrid employer deficit reduction contributions rose by £3.3 billion between Quarter 3 2020 and Quarter 4 2020

Employer deficit reduction contributions, UK, Quarter 1 (Jan to Mar) 2020 to Quarter 4 (Oct to Dec) 2020



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes:

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

4 . Benefits

Figure 4 shows the total benefits for public and private defined benefit and hybrid (DBH) as well as defined contribution (DC) schemes. For a further breakdown of benefits by income withdrawal and lump sum payments, please see the [dataset](#).

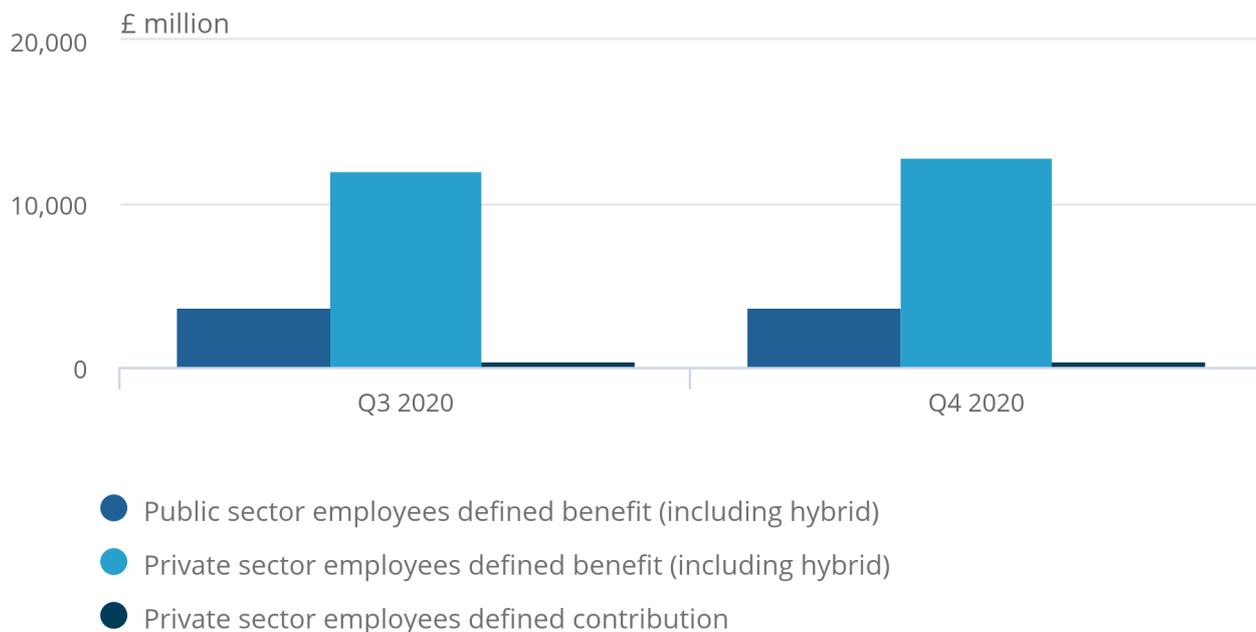
Private DBH schemes continued to constitute approximately three-quarters of all benefits paid to members by scheme type in Quarter 4 (Oct to Dec) 2020. Public DBH scheme total benefits increased by 3% from Quarter 3 (July to Sept) to Quarter 4 2020, while private DBH and DC both rose by 7% and 10% respectively.

Figure 4: Private sector defined benefit and hybrid schemes continue to make up three-quarters of total benefits paid in Quarter 4 2020

Total benefits paid, UK, Quarter 3 (July to Sept) to Quarter 4 (Oct to Dec) 2020

Figure 4: Private sector defined benefit and hybrid schemes continue to make up three-quarters of total benefits paid in Quarter 4 2020

Total benefits paid, UK, Quarter 3 (July to Sept) to Quarter 4 (Oct to Dec) 2020



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes:

1. DBH equals defined benefit and hybrid; DC equals defined contribution.
2. Q3 equals July to September; Q4 equals October to December.

There has been an increase to benefits for all scheme types in Quarter 4 2020 (Figure 4). This can be explained by sample variability as well as seasonality, so comparisons between Quarter 4 2020 and the previous quarter may be misleading.

5 . Balances

This section presents the trends in UK-funded occupational pension schemes' assets and liabilities, and the nature of their investments. At end-December 2020, UK-funded occupational pension schemes had assets of between £2.4 trillion and £2.9 trillion depending on the measure used (Table 1).

Total assets and liabilities

The results indicated that the "market value of pension funds" and total assets and liabilities remain relatively unchanged compared with previous quarter results. Gross liabilities other than pension liabilities, excluding derivatives, have fallen by 8%. Gross non-pension liabilities predominantly consist of repurchase agreements (repos). Over this period, derivatives contracts with a positive and negative value also fell by 5% and 7% respectively.

Table 1: Assets and liabilities of UK pension schemes (£ billion)
UK, 30 September 2020 and 31 December 2020

	As at the end of 30 September 2020 (£ billion)	As at the end of 31 December 2020 (£ billion)
Gross assets excluding derivatives	2,582	2,610
Gross liabilities other than pension liabilities, excluding derivatives	232	214
Derivatives contracts with a positive (asset) value	319	304
Derivatives contracts with a negative (liability) value	313	291
Net assets excluding derivatives or 'market value of pension funds'	2,350	2,396
Gross assets including derivatives contracts with a positive (asset) value	2,901	2,914

Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

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 Financial Survey of Pension Schemes (FSPS): pooled investment vehicles, direct investments and insurance policies.

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

	As at the end of 30 September 2020			As at the end of 31 December 2020		
	Private sector DBH	Private sector DC	Public sector DBH	Private sector DBH	Private sector DC	Public sector DBH
Gross assets excluding derivatives	2003	156	422	1974	190	446
Of which:						
Pooled investment vehicles	760	145	234	765	176	257
Direct investments	1124	11	186	1088	13	187
Insurance policies	119	0	2	120	1	2

Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes

1. DBH = defined benefit or hybrid; DC = defined contribution.
2. Components may not sum to total because of rounding.

The value of gross assets, excluding derivatives of private sector defined benefit and hybrid (DBH) schemes, fell by 1% between Quarter 3 (July to Sept) 2020 and Quarter 4 (Oct to Dec) 2020, however, public sector DBH and private sector defined contribution (DC) schemes experienced growth during this period, of 6% and 22% respectively.

Pooled investment vehicles (PIV)

Because of disclosure controls, a full breakdown of PIV asset holdings cannot be provided. All three scheme types experienced a growth in PIV assets. DC PIV experienced the largest increase in value, from £145 billion at the end of September 2020 to £176 billion at the end of December 2020 (Table 2). However, please note that the new sample in Quarter 4 2020 has impacted these results. We will review these when we have the results for Quarter 1 (Jan to Mar) 2021 and this may lead to adjustments in some results for DC schemes in Quarter 4 2020 and/or previous quarters.

Direct investments

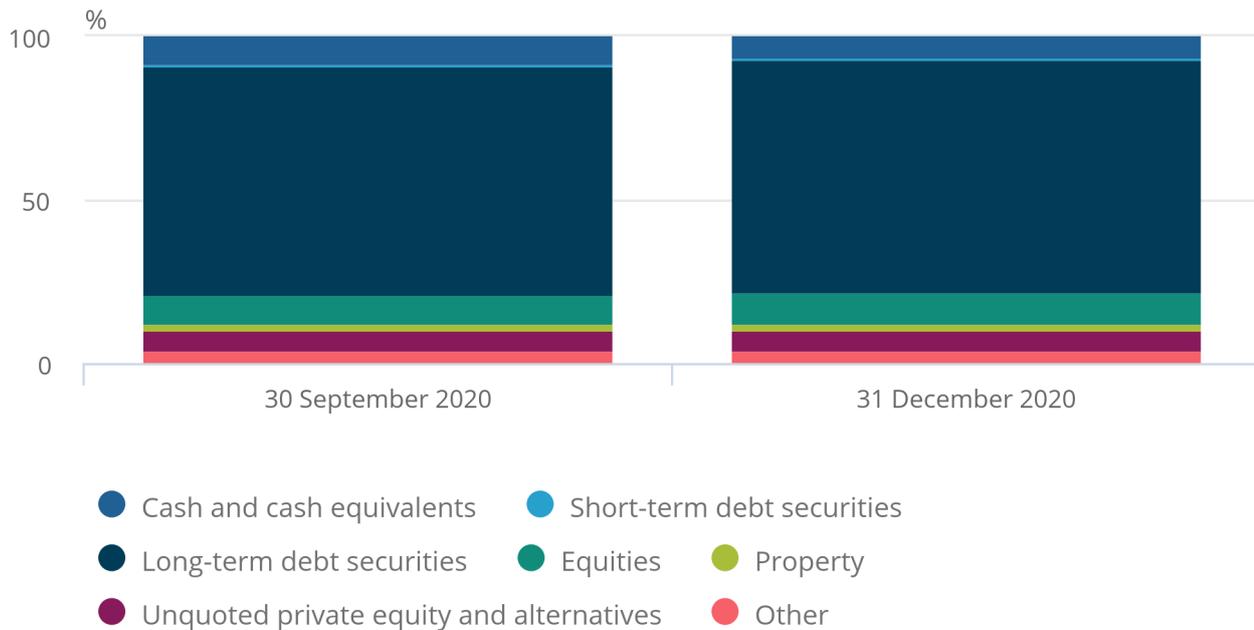
As can be seen in the [dataset](#), at the end of December 2020, private sector direct investments constituted 86% of total direct investments; almost all of this was held in private sector DBH schemes. Figure 5 presents the composition split of private sector scheme direct investments.

Figure 5: Cash and cash equivalents declined by 16% within private sector employee schemes at end-2020

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

Figure 5: Cash and cash equivalents declined by 16% within private sector employee schemes at end-2020

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



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes:

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

Private sector DBH schemes saw direct investments fall by 3%, from £1,124 billion to £1,088 billion (Table 2). This is mainly because of a decline in cash and cash equivalents, from £87 billion at end of September 2020, to £73 billion at end of December 2020 (16%). Long-term debt securities also slightly declined during this period (1%).

Insurance policies

Insurance policies are used predominantly by private sector DBH schemes (Table 2). Whilst this remained relatively constant between end-September 2020 and end-December 2020, insurance policies form a small proportion of gross assets for private sector DBH schemes (around 6%). The use of insurance policies is a mechanism to de-risk DBH assets, via agreements such as longevity swaps and buy-ins.

Liabilities

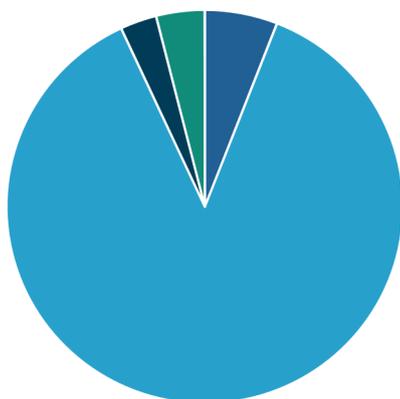
Other (non-pension) gross liabilities of UK-funded occupational pension schemes were estimated at £214 billion at end-2020 (Table 1). They consist mainly of repurchase agreements (repos) (88%), as shown in Figure 6. Schemes also had small amounts of cash and borrowing liabilities such as overdrafts (6%) and payables (3%).

Figure 6: Repurchase agreements accounted for most of pension schemes' non-pension liabilities at end-2020

Gross liabilities other than pension liabilities, excluding derivatives, UK, 31 December 2020

Figure 6: Repurchase agreements accounted for most of pension schemes' non-pension liabilities at end-2020

Gross liabilities other than pension liabilities, excluding derivatives, UK, 31 December 2020



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Derivatives

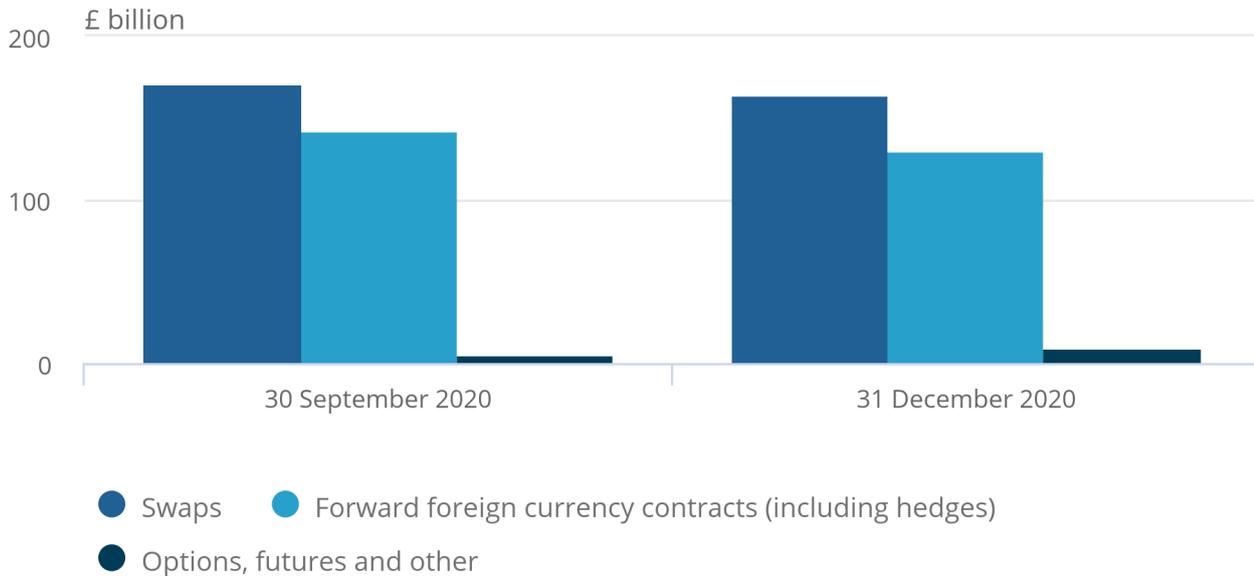
Figures 7a and 7b show the breakdown by type of derivatives for all schemes. There is a fall for derivative contracts with a positive value of 5%, from £319 billion at the end of September 2020, to £304 billion at the end of December 2020 (Figure 7a). There is a similar fall in value for derivative contracts with a negative value of £313 billion at the end of September 2020, to £291 billion at the end of December 2020 (Figure 7b). The main types of derivatives used by pension schemes continue to be swaps and forward foreign currency contracts.

Figure 7a: Of the value of pension schemes with positive derivatives contracts at end-2020, 54% was in swaps

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

Figure 7a: Of the value of pension schemes with positive derivatives contracts at end-2020, 54% was in swaps

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



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

Notes:

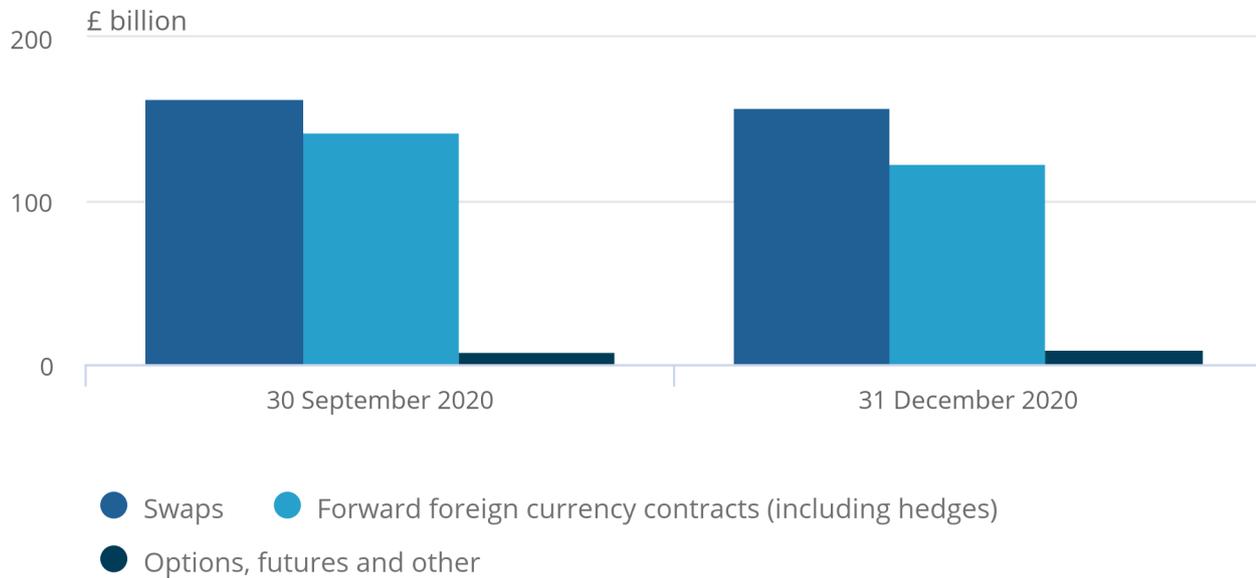
1. Although respondents are asked to report the value of derivatives contracts gross, a small proportion reported net; this probably produces slight overestimates of positive balances and slight underestimates of negative balances.

Figure 7b: Slight decline in swaps and forward foreign currencies at end-2020

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

Figure 7b: Slight decline in swaps and forward foreign currencies at end-2020

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



Source: Office for National Statistics - Financial Survey of Pension Schemes (FSPS)

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.

6 . Funded occupational pension schemes data

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

Dataset | Released 24 June 2021

Provisional data on membership, contributions, benefits, and balances of funded occupational pension schemes in the UK: July 2019 to December 2020.

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 their behalf) into the scheme. Also known as members with preserved pension entitlements.

Defined benefit (DB)

These 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)

These 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.

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

Office for Statistics Regulation (OSR) publishing review

The Office for Statistics Regulation (OSR) is [undertaking a review](#) into whether the 9:30am release time stated in the [Code of Practice for Statistics](#) meets the needs of users. During the pandemic, exemptions were granted to allow the release of market sensitive statistics at 7:00am. The OSR welcomes views about the release time of official statistics by Friday 25 June 2021, please send comments to: regulation@statistics.gov.uk.

Weighting and estimation

Information on the “Sampling” and “Weighting and estimation” methods for the FSPS can be found in Section 5 of [UK pension surveys: redevelopment and 2019 results](#).

Revisions

A [National Accounts Revisions Policy](#) is available to assist users with their understanding of the cycle and frequency of data revisions. You are strongly advised to read this policy before using these data for research or policy-related purposes. Please note that all four quarters of 2019 will not be subject to revisions. Data have been revised, partly because of late survey returns, and partly because of disaggregate data revisions.

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) versus those for public sector employees; and by defined benefit including hybrid pensions versus defined contribution pensions. We use the term “schemes for public sector employees” throughout the bulletin but strictly speaking, these are government managed pension schemes (see [Glossary](#)).

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. See Glossary for the FSPS definitions of these categories.

Response rates

The response rate for Quarter 4 (Oct to Dec) 2020 for the FSPS, at the period of closedown, was 83%. The response rate has been impacted slightly by a small number of respondents having difficulty completing survey returns because of the coronavirus (COVID-19) pandemic and associated lockdowns. Please note that even though the response date has passed, it is possible for there to be revisions to submissions for previous quarter, and for late submissions to be provided.

9 . Related links

[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.

[Occupational Pension Scheme Survey](#)

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.

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

Bulletin | 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](#)

Survey | Updated 22 March 2021

A quarterly survey that gathers information about income and expenditure, transactions, assets and liabilities of UK-funded occupational pension schemes.

[Employee workplace pensions in the UK](#)

Bulletin | Annual

Membership and contributions to workplace pension arrangements for UK employees by type, age, industry, public and private sector, occupation, and size of company. Compiled from the Annual Survey of Hours and Earnings.