

Statistical bulletin

# Funded occupational pension schemes in the UK: January to March 2021

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

- For the first time, the value of overseas direct investments in corporate and central government bonds is published; at end-March 2021, overseas holdings formed 46% of corporate bonds and 6% of central government bonds.
- The market value of pension funds was £2.4 trillion at end-March 2021.
- Forward foreign currency contracts grew by 15% for positive value derivative contracts, and 19% for negative value derivative contracts between end-December 2020 and end-March 2021; this may be because of hedging against currency risks, in the context of economic shocks.
- Employee and employer contributions to private sector defined contribution schemes grew by 6% and 10% respectively, from Quarter 4 (Oct to Dec) 2020 to Quarter 1 (Jan to Mar) 2021.

## 2 . Membership

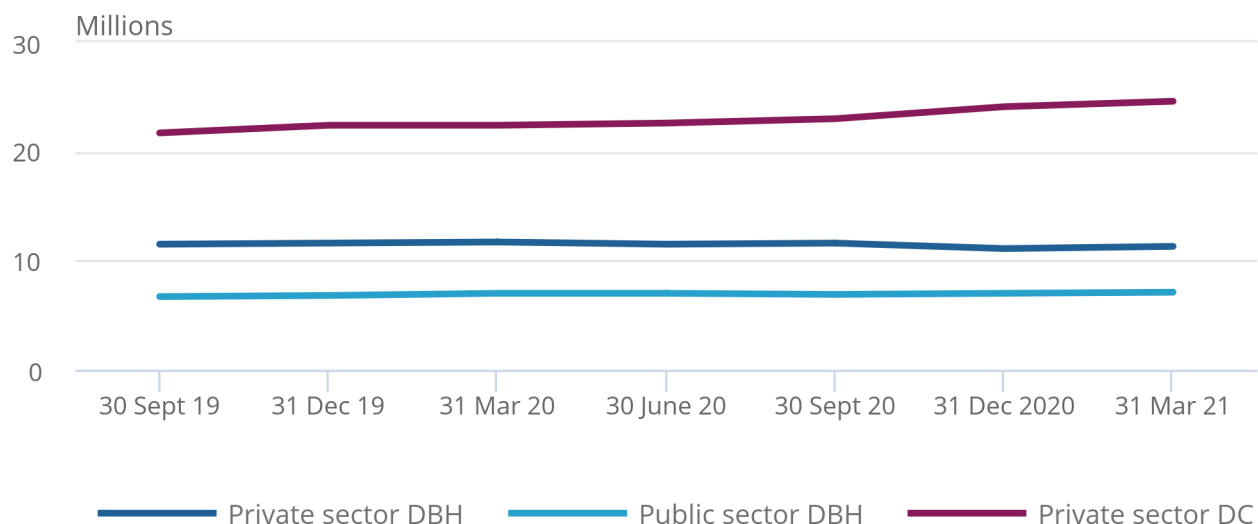
Figure 1 shows total membership for UK-funded occupational pension schemes, as at end-September 2019 to end-March 2021. For private and public sector defined benefit and hybrid (DBH) schemes, membership split by type (active, deferred and pensioner) can be found in the accompanying [dataset](#). However, we are unable to provide a split for membership types for private defined contribution (DC) schemes using the Financial Survey of Pension Schemes (FSPS) survey data: while some schemes distinguish between types of membership, others only count total membership.

**Figure 1: Total private defined contribution membership had experienced a quarterly increase of 2% and an increase of 10% at end-Quarter 1 2021, compared with end-Quarter 1 2020**

Total membership of funded occupational pension schemes, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021

Figure 1: Total private defined contribution membership had experienced a quarterly increase of 2% and an increase of 10% at end-Quarter 1 2021, compared with end-Quarter 1 2020

Total membership of funded occupational pension schemes, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021



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

Notes:

1. DBH = defined benefit and hybrid, DC = defined contribution.
2. Components may not sum to totals because of rounding.

While total membership remained stable for private and public sector DBH schemes at end-Quarter 1 (Jan to Mar) 2021, total private DC membership experienced a quarterly increase of 2%, and an increase of 13% when compared with end-Quarter 3 (July to Sept) 2019 (Figure 1).

### 3 . Contributions

Figure 2 presents estimates for total employee and employer contributions for all scheme types, with an employer normal and deficit reduction contribution (DRC) split.

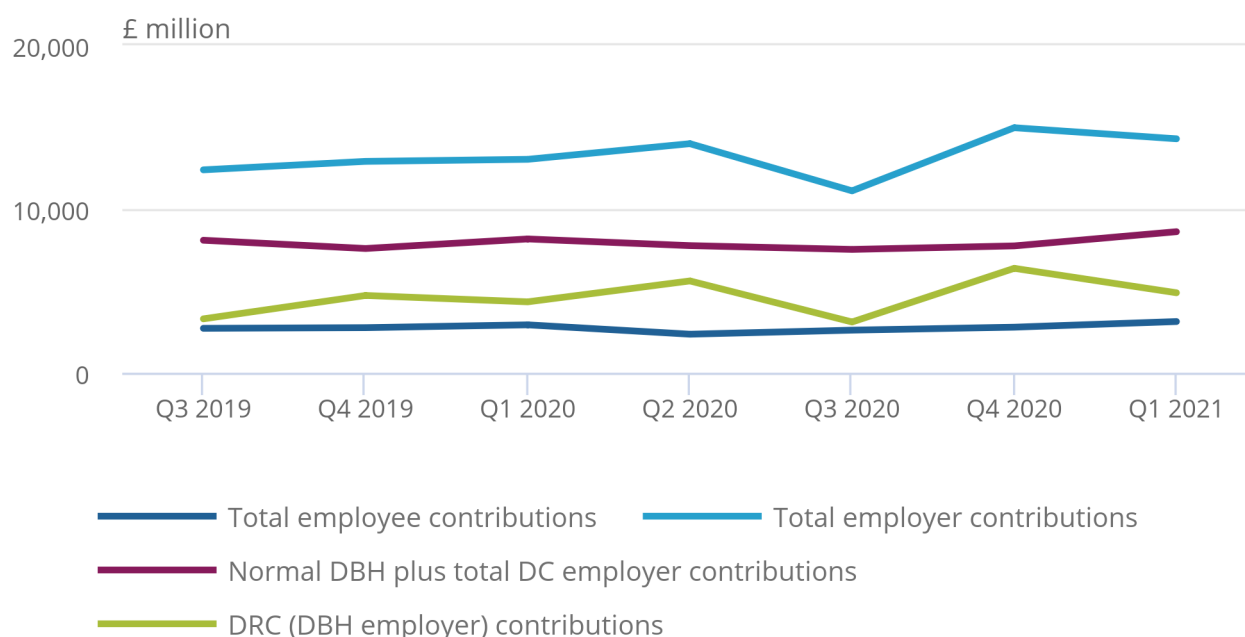
Between Quarter 4 (Oct to Dec) 2020 and Quarter 1 (Jan to Mar) 2021, total employee contributions experienced an increase of 12%; the total of normal defined benefit and hybrid (DBH) and defined contribution (DC) employer contributions grew by 11%, while total employer contributions fell by 5%. This fall in employer contributions is driven by a fall in private sector DBH employer DRCs, from £6.2 billion to £4.6 billion (27%). Given the nature of DRC payments, its volatility can be seen in Figure 2, relative to total normal employer contributions, which are regular payments made.

**Figure 2: Total employer contributions fell by 5% from Quarter 4 2020 to Quarter 1 2021, driven by a fall in deficit reduction contributions**

Total employee and employer (with normal and deficit reduction contribution split) pension contributions, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021

Figure 2: Total employer contributions fell by 5% from Quarter 4 2020 to Quarter 1 2021, driven by a fall in deficit reduction contributions

Total employee and employer (with normal and deficit reduction contribution split) pension contributions, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021



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

**Notes:**

1. DRC equals deficit reduction contributions.

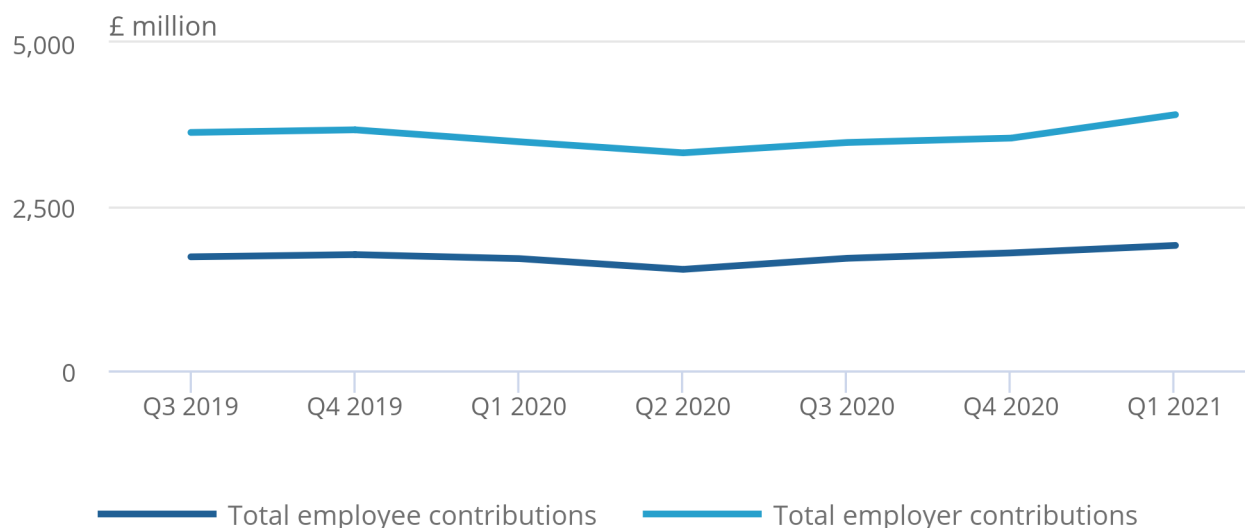
Figure 3 shows employee and employer contributions to private sector DC schemes, between Quarter 3 (July to Sept) 2019 and Quarter 1 2021.

**Figure 3: Employee and employer contributions to defined contribution schemes grew by 6% and 10% respectively between Quarter 4 2020 and Quarter 1 2021**

Contributions, private sector defined contribution, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021

**Figure 3: Employee and employer contributions to defined contribution schemes grew by 6% and 10% respectively between Quarter 4 2020 and Quarter 1 2021**

Contributions, private sector defined contribution, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021



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.

For DC schemes in Quarter 1 2021, employee contributions increased by 12%, and employer contributions also increased by 12%, in comparison with Quarter 1 2020.

During Quarter 1 2021, jobs [on furlough](#) fell from 4.9 million to 4.3 million. It is not known whether these employees returned to work from furlough, however, secondary analysis conducted by HM Revenue and Customs in October 2020 indicated that [90% of employees who left the Coronavirus Job Retention Scheme between April and July 2020 were still on their original payroll in August](#), suggesting they remained working for their original employer. Furthermore, from Quarter 4 2020 to Quarter 1 2021 [the seasonally adjusted unemployment rate has fallen from 5.2% to 4.9%](#). Workers returning to work after being on furlough may lead to an increase in pension contributions.

## 4 . Benefits

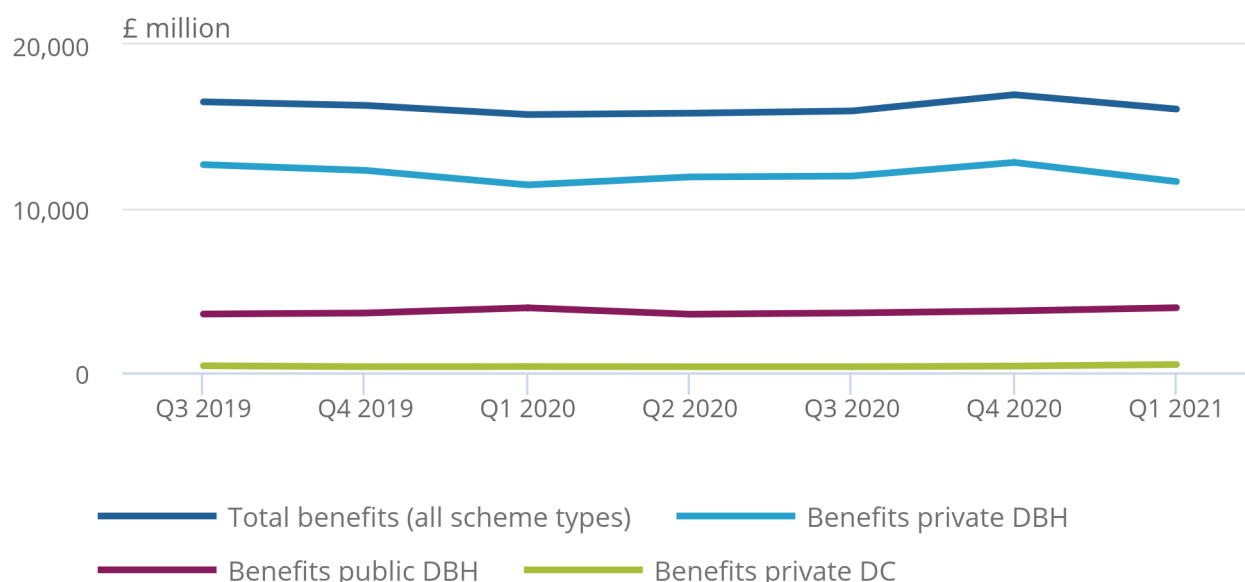
Figure 4 provides a breakdown for total benefits, by scheme type, between Quarter 3 (July to Sept) 2019 and Quarter 1 (Jan to Mar) 2021. Benefits comprise pension payments and income withdrawals, plus lump sums including death benefits. For a further breakdown of benefits by income withdrawal and lump sum payments, please see the accompanying [dataset](#).

**Figure 4: Total benefits have fallen by 5%, driven by a 9% fall in private sector defined benefit and hybrid benefits, from Quarter 4 2020 to Quarter 1 2021**

Total benefits of funded occupational pension schemes, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021

Figure 4: Total benefits have fallen by 5%, driven by a 9% fall in private sector defined benefit and hybrid benefits, from Quarter 4 2020 to Quarter 1 2021

Total benefits of funded occupational pension schemes, UK, Quarter 3 (July to Sept) 2019 to Quarter 1 (Jan to Mar) 2021



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

Notes:

1. DBH = defined benefit and hybrid, DC = defined contribution.
2. Components may not sum to totals because of rounding.

Figure 4 shows that most benefits in UK-funded occupational pension schemes are from private sector defined benefit and hybrid (DBH) schemes. Here, benefits have fallen by 9% quarterly, driven by a decrease in pension payments and income withdrawals.

## 5 . Balances

At the end of March 2021, UK-funded occupational pension schemes had assets of between £2.4 trillion and £2.9 trillion, depending on the measure used (Table 1). This section looks at the nature of investments of UK-funded occupational pension schemes' assets and gross liabilities other than pension liabilities.

## Total assets and liabilities

The "market value of pension funds" and total assets and liabilities remain relatively unchanged compared with the previous quarter results. Table 1 shows that gross liabilities other than pension liabilities, excluding derivatives, grew by 1% between end-December 2020 and end-March 2021. During this period, derivatives contracts with a negative value also grew, by 3%, whilst positive value contracts fell by 2%.

Table 1: Assets and liabilities of UK pension schemes  
UK, 31 December 2020 to 31 March 2021

	<b>as at the end of</b>	
	<b>31 December 2020</b>	<b>31 March 2021</b>
<b>Gross assets excluding derivatives</b>	2,603	2,582
<b>Gross liabilities other than pension liabilities, excluding derivatives</b>	217	220
<b>Derivatives contracts with a positive (asset) value</b>	305	299
<b>Derivatives contracts with a negative (liability) value</b>	291	300
<b>Net assets excluding derivatives or 'market value of pension funds'</b>	2,386	2,362
<b>Gross assets including derivatives contracts with a positive (asset) value</b>	2,908	2,881

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

### Notes:

1. A small proportion reported net; this probably produces slight overestimates of positive balances and slight underestimates of negative balances.

## Pension scheme investments

The value of gross assets excluding derivatives of private sector defined benefit and hybrid (DBH) schemes fell by 2% between the end of Quarter 4 (Oct to Dec) 2020 and the end of Quarter 1 (Jan to Mar) 2021, as can be seen in the [dataset](#). However, private sector defined contribution (DC) and public sector DBH schemes experienced growths of 9% and 2% respectively. Figures 5, 6 and 7 show the main categories of assets collected in the Financial Survey of Pension Schemes (FSPS): pooled investment vehicles (PIV), direct investments, and insurance policies<sup>1</sup>.

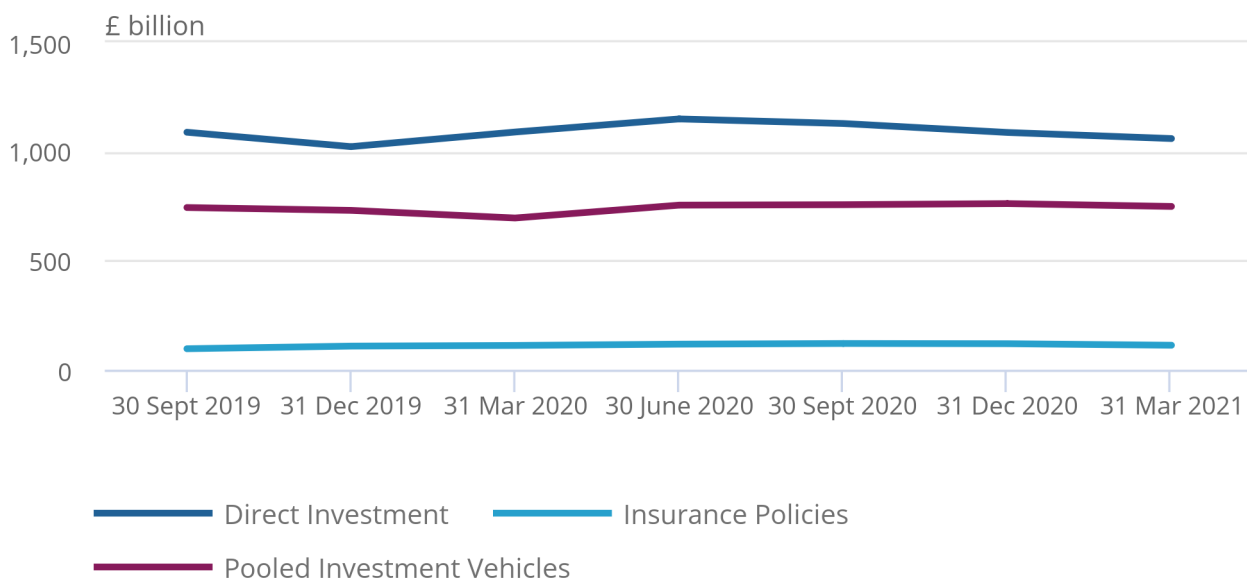
Private sector DBH schemes saw a fall in all three asset classes between Quarter 4 2020 and Quarter 1 2021 (Figure 5). Direct investments fell from £1,087 billion to £1,059 billion (3%) and PIV values fell from £761 billion to £748 billion (2%). Insurance policies, which are used predominantly by private sector DBH schemes, also fell from £119 billion to £112 billion (6%).

**Figure 5: The value of all three asset class types experienced a fall for private sector defined benefit and hybrid schemes, at end-March 2021**

Breakdown of main asset class type, private sector defined benefit and hybrid schemes, UK, 30 September 2019 to 31 March 2021

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Breakdown of main asset class type, private sector defined benefit and hybrid schemes, UK, 30 September 2019 to 31 March 2021



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

Figure 6 shows that for private sector DC schemes, between Quarter 4 2020 and Quarter 1 2021, direct investments grew from £13 billion to £15 billion (15%), while insurance policies remained constant at £1 billion. PIV assets form the largest component of private sector DC investments. While mixed assets form the largest component of PIV holdings for private sector DC schemes (33%), commodity and energy saw the largest increase in growth (16%) between Quarter 4 2020 and Quarter 1 2021<sup>2</sup>.

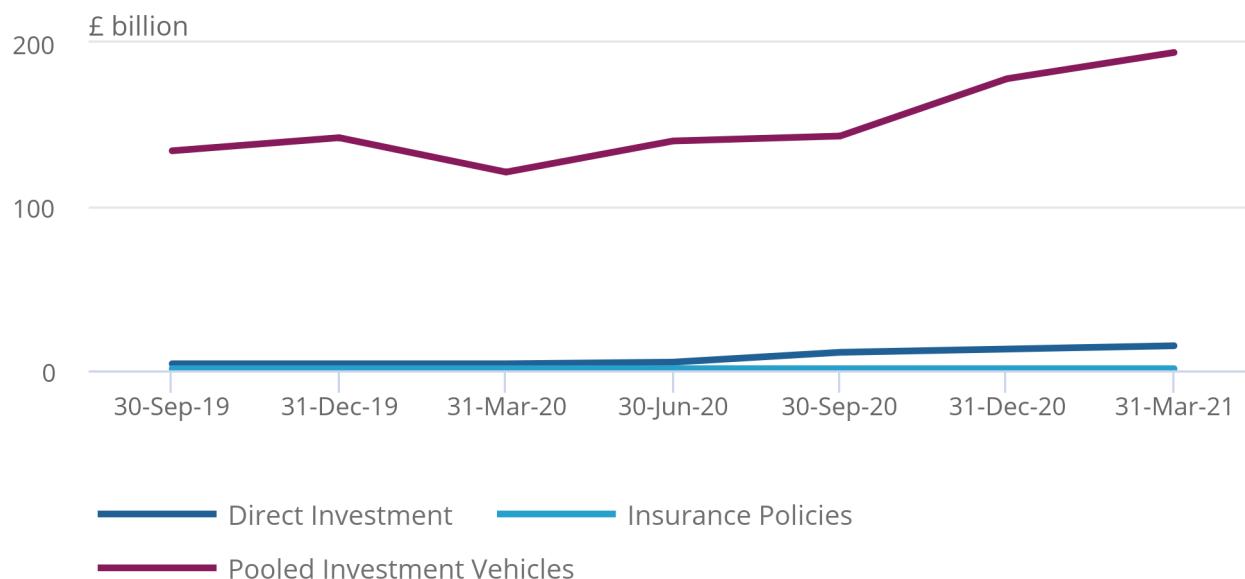


**Figure 6: Pooled investment vehicles formed 93% of private sector defined contribution schemes, at end-March 2021**

Breakdown of main asset class type, private sector defined contribution schemes, UK, 30 September 2019 to 31 March 2021

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Breakdown of main asset class type, private sector defined contribution schemes, UK, 30 September 2019 to 31 March 2021



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

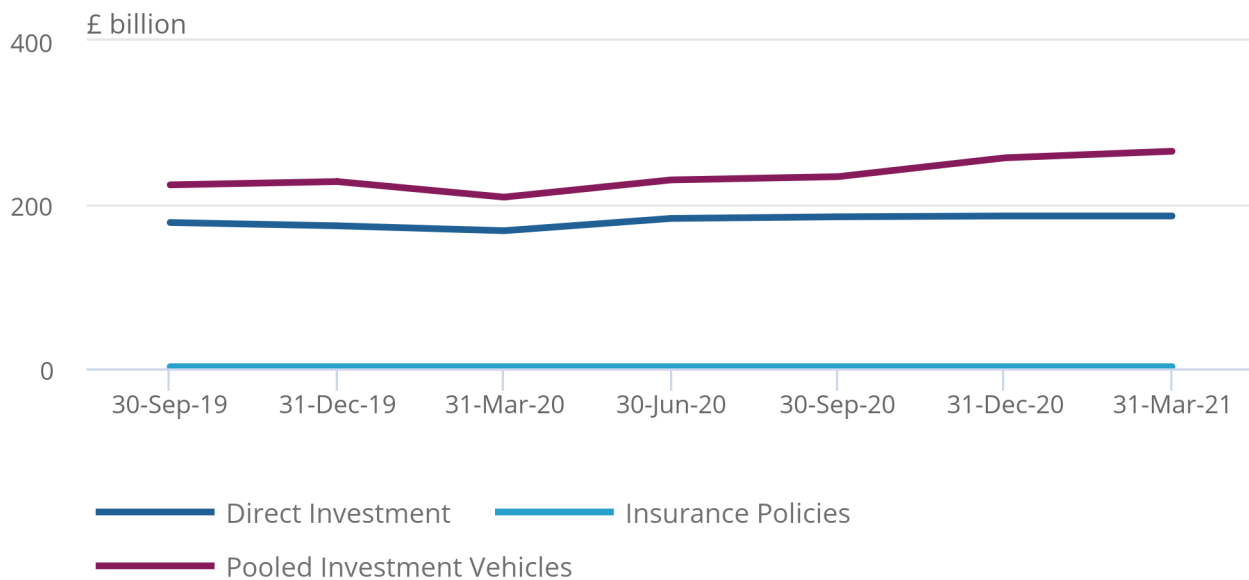
Figure 7 indicates that, for public sector DBH schemes between Quarter 4 2020 and Quarter 1 2021, the values of direct investments and insurance policies remained broadly stable. The [dataset](#) shows that within direct investments, a fall in long-term debt securities (7%), cash and cash equivalents (7%), short-term debt securities (33%) and property (7%) were offset by a growth in equities (1%) and unquoted private equity and alternatives (11%). Also, PIV values for public sector DBH schemes grew from £257 billion to £265 billion (3%).

**Figure 7: Pooled investment vehicles and direct investments constitute almost all of public sector defined benefit and hybrid schemes, at end-March 2021**

Breakdown of main asset class type, public sector defined benefit and hybrid schemes, UK, 30 September 2019 to 31 March 2021

Figure 7: Pooled investment vehicles and direct investments constitute almost all of public sector defined benefit and hybrid schemes, at end-March 2021

Breakdown of main asset class type, public sector defined benefit and hybrid schemes, UK, 30 September 2019 to 31 March 2021



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

## Direct investments

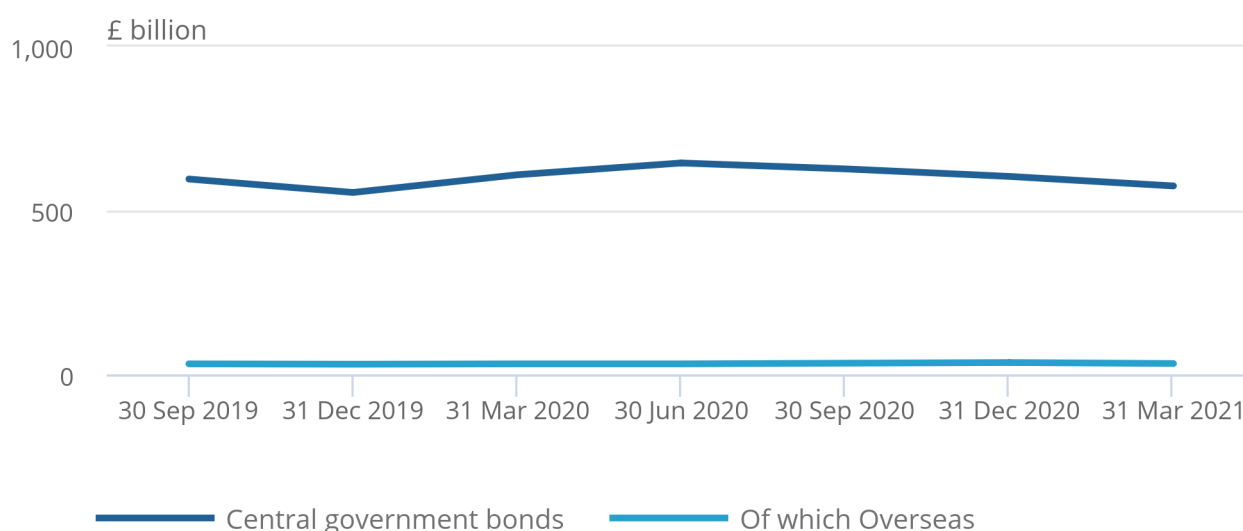
Private sector direct investments constituted 86% of total direct investments at end-March 2021, as can be seen in the [dataset](#); almost all of this was held in private sector DBH schemes. Long-term debt securities form 72% of total private sector direct investments at end-March 2021. Figure 8 shows that for total long-term debt securities, the majority of this was held in central government bonds, within the UK.

**Figure 8: £575 billion of pension scheme direct investments are in central government bonds, at end-March 2021**

Long-term debt securities, of which central government bonds, UK, 30 September 2019 to 31 March 2021

### Figure 8: £575 billion of pension scheme direct investments are in central government bonds, at end-March 2021

Long-term debt securities, of which central government bonds, UK, 30 September 2019 to 31 March 2021



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

#### Notes:

1. Totals may not sum to dataset because of rounding

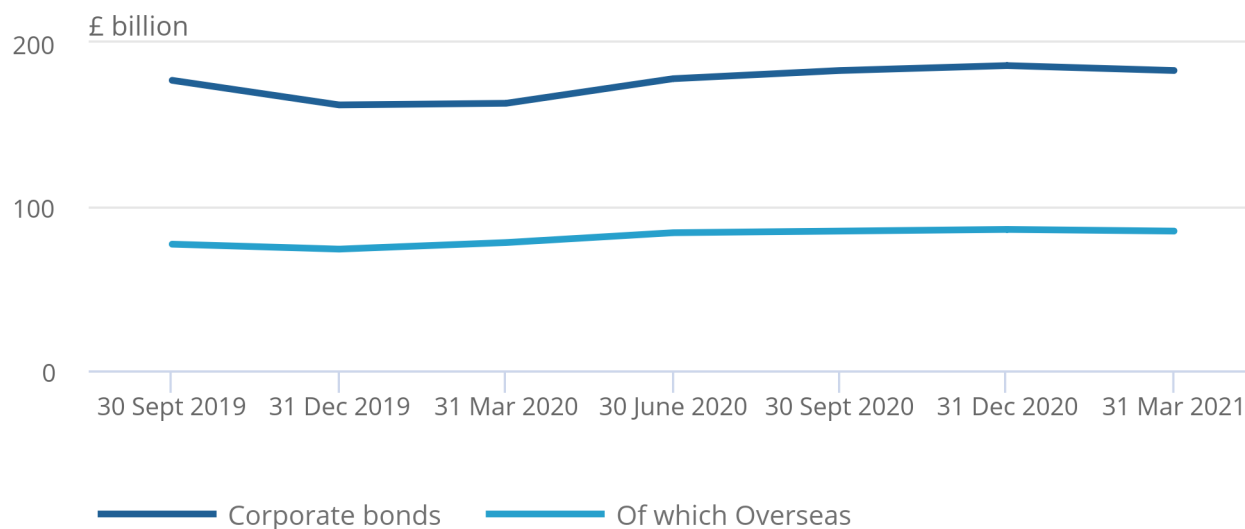
As can be seen in Figures 8 and 9, there was a slight decline for total central government bonds and corporate bonds between end-December 2020 and end-March 2021, by 5% (Figure 8) and 2% (Figure 9) respectively. For long-term debt securities, a greater proportion of corporate bonds were held overseas than central government bonds; for example, at end-March 2021, when overseas holdings formed 46% of corporate bonds, while only 6% for central government bonds.

## Figure 9: £183 billion of pension scheme direct investments are in corporate bonds at end-March 2021

Long-term debt securities, of which corporate bonds, UK, 30 September 2019 to 31 March 2021

### Figure 9: £183 billion of pension scheme direct investments are in corporate bonds at end-March 2021

Long-term debt securities, of which corporate bonds, UK, 30 September 2019 to 31 March 2021



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

#### Notes:

1. Totals may not sum to dataset because of rounding

## Liabilities

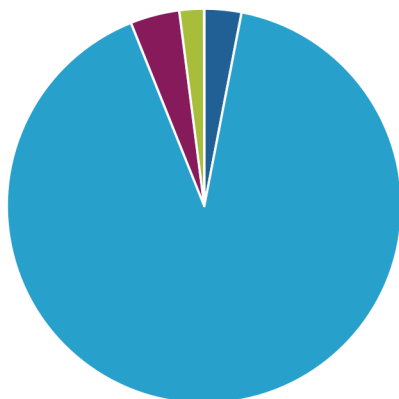
Other (non-pension) gross liabilities of UK-funded occupational pension schemes were estimated at £220 billion at end-March 2021 (Table 1). They consist mainly of repurchase agreements (90%), as can be seen in Figure 10. Schemes also had small amounts of cash and borrowing liabilities such as overdrafts (3%) and payables (4%).

**Figure 10: Repos accounted for most of pension schemes' non-pension liabilities at end-2020**

Gross liabilities other than pension liabilities, excluding derivatives, UK, 31 March 2021

Figure 10: Repos accounted for most of pension schemes' non-pension liabilities at end-2020

Gross liabilities other than pension liabilities, excluding derivatives, UK, 31 March 2021



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

**Notes:**

1. Components may not sum to 100% because of rounding.

## Derivatives

Derivatives contracts with a negative value also grew, by 3%, while positive value contracts fell by 2% (Figure 11). The main types of derivatives used by pension schemes continue to be swaps and forward foreign currency contracts. As can be seen in the [dataset](#), forward foreign currency contracts grew by 15% for positive value derivative contracts, and 19% for negative value derivative contracts. This could potentially be because of hedging against currency risks, in the context of economic shocks.

**Figure 11: Positive value derivative contracts fell by 2% and negative value derivative contracts grew by 3% between Quarter 4 2020 and Quarter 1 2021**

Total value derivative contracts, UK, 31 December 2019 to 31 March 2021

Figure 11: Positive value derivative contracts fell by 2% and negative value derivative contracts grew by 3% between Quarter 4 2020 and Quarter 1 2021

Total value derivative contracts, UK, 31 December 2019 to 31 March 2021



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

### Notes for: Balances

1. For definitions for PIV, direct investments and insurance policies, see full [glossary](#).
2. As explained in the previous [statistical bulletin](#), changes to the sample in Quarter 4 2020 resulted in higher estimates –in light of this, estimates, including in earlier periods, remain provisional, and are in the process of being reviewed.

## 6 . Funded occupational pension schemes data

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

Dataset | Released 23 September 2021

Provisional data on membership, contributions, benefits, and balances of funded occupational pension schemes in the UK: July 2019 to March 2021.

## 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 phases:

- 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. A 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 DB arrangement is the final salary scheme is the Career Average Revalued Earnings (CARE) 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

## Weighting and estimation

Information on the "Sampling" and "Weighting and estimation" methods for the Financial Survey of Pension Schemes (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 now 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 article 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.

Quarter 1 equals January to March; Quarter 2 equals April to June; Quarter 3 equals July to September; Quarter 4 equals October to December.



## Response rates

The response rate for Quarter 1 (Jan to Mar) 2021 for the FSPS, at the period of closedown, was 79%. 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 the previous quarter, and for late submissions to be provided. However, all four quarters of 2019 will not be subject to revisions.

## 9 . Related links

### [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.

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

Survey | Updated 15 September 2021

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

### [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.

### [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 | 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.