

Statistical bulletin

# Occupational Pensions Schemes Survey, UK: 2016

Occupational pension provision in the UK, providing summary data on membership of schemes and contributions paid.



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## Table of contents

1. [Main points](#)
2. [Things you need to know about this release](#)
3. [What are the different categories of occupational pension scheme membership?](#)
4. [Active membership increases in 2016](#)
5. [Rise in active membership of private sector schemes in 2016](#)
6. [How many pensioner members were in receipt of occupational pensions in 2016?](#)
7. [Increase in preserved pension entitlements \(deferred members\) in 2016](#)
8. [Contribution rates in private sector occupational pension schemes](#)
9. [Quality and methodology](#)

# 1 . Main points

- Total membership of occupational pension schemes in the UK was 39.2 million in 2016, the highest level recorded by the survey, representing an increase of 17.1% compared with 2015 (33.5 million).
- Active membership of occupational pension schemes was 13.5 million in 2016, split between the private (7.7 million) and public sector (5.7 million).
- Total number of preserved pension entitlements increased from 11.8 million in 2015 to 15.4 million in 2016.
- Active membership of private sector defined contribution schemes was 6.4 million in 2016, representing an increase of 62.5% on 2015 levels (3.9 million).
- In 2016, for private sector defined contribution schemes, the average total (member plus employer) contribution rate was 4.2%, broadly comparable with 2015.

## 2 . Things you need to know about this release

The Occupational Pension Schemes Survey (OPSS) covers both private and public sector occupational pension schemes registered in the UK. Results from the OPSS provide a detailed view of the nature of occupational pension provision in the UK.

The survey collects information about scheme membership, benefits and contributions from a sample of occupational (trust-based) pension schemes (consisting of two or more members). It also includes those that are winding-up.

OPSS does not cover state pensions or personal pensions, the latter being based on individuals entering into a contract with a pension provider.

OPSS does not cover group personal pension (GPP) arrangements, such as stakeholder and self-invested personal pensions, where the contract is facilitated by the employer(s). As part of the 2015 and 2016 OPSS, experimental data from GPP providers were collected but these are not yet of an appropriate quality to form part of this [National Statistics](#) release. Due to wider ongoing developments in pension statistics at Office for National Statistics (ONS), the collection of GPP data has been temporarily suspended and will be revisited in due course.

Membership and contribution rates reported in this bulletin are likely to have been influenced by recent [workplace pension reforms](#) introduced by the Department for Work and Pensions (DWP). The reforms are being introduced in stages over the period 2012 to 2018 based on the size of the employer's Pay As You Earn (PAYE) scheme (as of 1 April 2012). Minimum contribution levels have also been introduced. It should be noted that the reforms are not taking place in isolation and other social and economic factors (for example, employment, disposable household income levels, attitudes to saving for retirement) would also affect membership and contribution rates. In December 2016, the DWP published an [automatic enrolment evaluation](#) report on the reforms, which references various sources.

We are always seeking to refine the OPSS questionnaires to improve the estimates and capture data that reflects the changing pensions landscape. Some of the time series presented are, therefore, not directly comparable over time. If this is the case, caveats are included in the footnotes associated with the relevant chart or table.

Further information is available in the associated [OPSS datasets](#) or on request. To assist your understanding of these data, pension definitions are published in a [supporting information article](#) with further detail in this [Pension Trends glossary](#).

### 3 . What are the different categories of occupational pension scheme membership?

Total membership of occupational pension schemes consists of:

- [active](#) members (current employees who would normally contribute)
- [pensioner](#) members (those receiving pension payments)
- members with [preserved](#) pension entitlements (members who are no longer actively contributing into the scheme but have accrued rights that will come into payment at some point in the future)

Please note that individuals may have more than one of these types of membership. For example, an individual may be in receipt of a pension from a former employer but still working and contributing to a pension. This person would appear in both the pensioner and active member categories. Similarly, an individual might be working and contributing to a scheme while being entitled to a preserved pension from a previous employer's scheme. This person would appear in both the active and preserved member categories. As such, the estimates of membership are not counts of individuals.

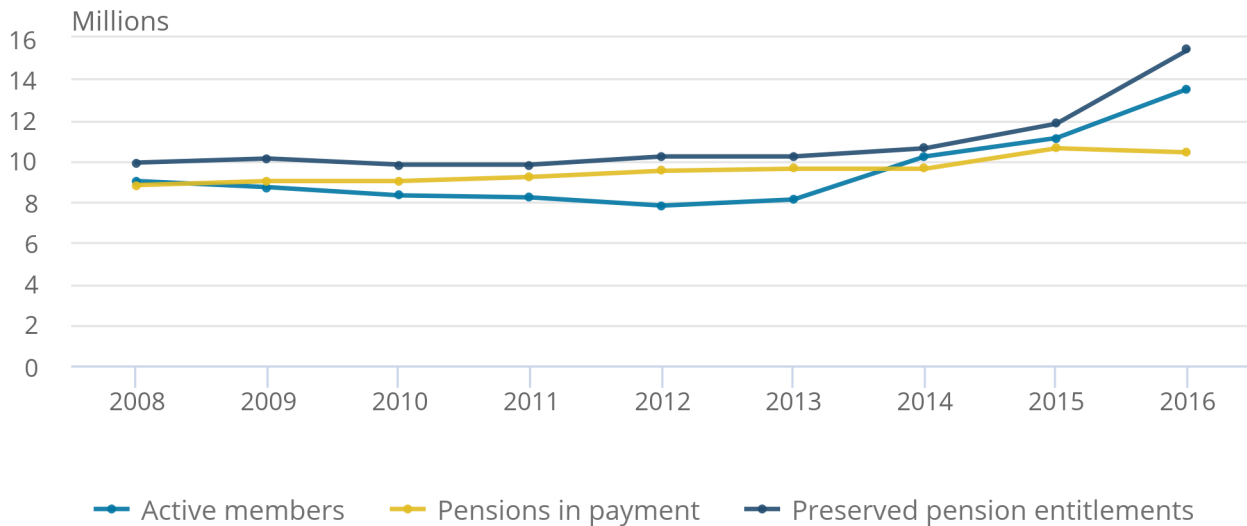
Overall estimated membership in 2016 was 39.2 million (Figure 1). Between 2015 and 2016, active (employee) members increased from 11.1 million to 13.5 million; members with preserved pension entitlements increased from 11.8 million to 15.4 million and pensioner members decreased from 10.6 million to 10.4 million.

## Figure 1: Membership of occupational pension schemes by membership type

UK, 2008 to 2016

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UK, 2008 to 2016



Source: Office for National Statistics

## 4 . Active membership increases in 2016

The active members of an occupational pension scheme are those who are contributing to the scheme, or having contributions made on their behalf. They are usually current employees of the sponsoring employer. This release includes breakdowns of active membership by sector ([public](#) or [private](#)), benefit structure ([defined benefit](#) or [defined contribution](#)) and [status](#) (for example, open or closed).

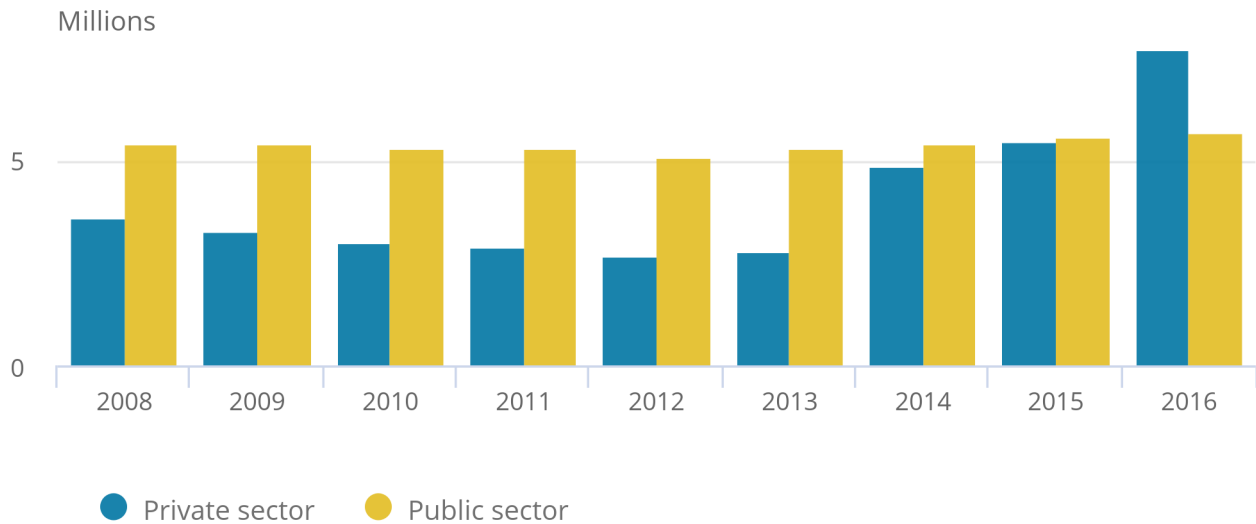
Active membership increased from 11.1 million in 2015 to 13.5 million in 2016 (Figure 2). The increase, almost entirely in the private sector, is likely to be due to the establishment of automatic enrolment. Active membership in the private sector increased from 5.5 million to 7.7 million between 2015 and 2016.

**Figure 2: Active membership of occupational pension schemes by sector**

UK, 2008 to 2016

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UK, 2008 to 2016



Source: Office for National Statistics

Workplace pensions consist of [occupational](#) and [group personal pensions](#). According to the [Annual Survey of Hours and Earnings \(ASHE\) pensions release](#), membership of occupational schemes accounted for around 70% of workplace pension membership in 2016.

Between 1991 and 2012, there was a slow but generally steady decrease in active membership. Some of this can be accounted for by the growth in the number of employees contributing to group personal pensions. The ASHE release estimates that less than 1% of employees had a group personal pension in 1997. By 2016, this had risen to around 19%.

## 5 . Rise in active membership of private sector schemes in 2016

Active membership of private sector defined contribution (DC) schemes, which has remained around 1.0 million since 2008 (Figure 3), rose to 3.2 million in 2014 and has subsequently increased to 6.4 million in 2016. This was caused by the rise in membership of open schemes (those that admitted new members – see Figure 4).

The rise in DC membership over recent years is likely to be due to the workplace pension reforms – DC arrangements (including group personal pensions), were seen as the most likely route for employers to meet their new obligations under automatic enrolment. This is because, in defined benefit (DB) schemes, the employer bears the investment risk and must pay out pensions at an agreed rate, regardless of the returns made on the invested contributions. In contrast, for DC schemes, members bear the risks as there is no promised level of pension payment. DB schemes are, therefore, potentially less attractive to employers than providing a DC occupational or group personal pension.

Active membership of private sector defined benefit schemes fell to 1.3 million in 2016, from 1.6 million in 2015. The fall in active membership of DB schemes in recent years is linked to the rising costs of providing these pensions. Partly due to DB schemes' approach to dealing with risk and partly due to increased life expectancy, a growing number of private sector employers have sought to “de-risk” pension provision by closing DB schemes and replacing them with DC schemes.

Active membership of open private sector DB schemes fell to 0.5 million in 2016, from 1.4 million in 2006.

While employers could use DB schemes for automatic enrolment, the minimum requirements for a qualifying scheme focused on DC provision. If employers elected to meet their obligations through provision of a DB (rather than a DC) scheme, their “staging date” (the date by which time they needed to be compliant with the new legislation) could be delayed.

Since automatic enrolment began, various master trust arrangements have become players in the pensions market, with provision typically on a DC basis. Master trusts involve a single provider managing a pension scheme for multiple employers under a single trust arrangement. One example of a master trust is the [National Employment Savings Trust \(NEST\)](#). NEST is a qualifying pension scheme, established under the [Pensions Act 2008](#), to support the introduction of automatic enrolment.

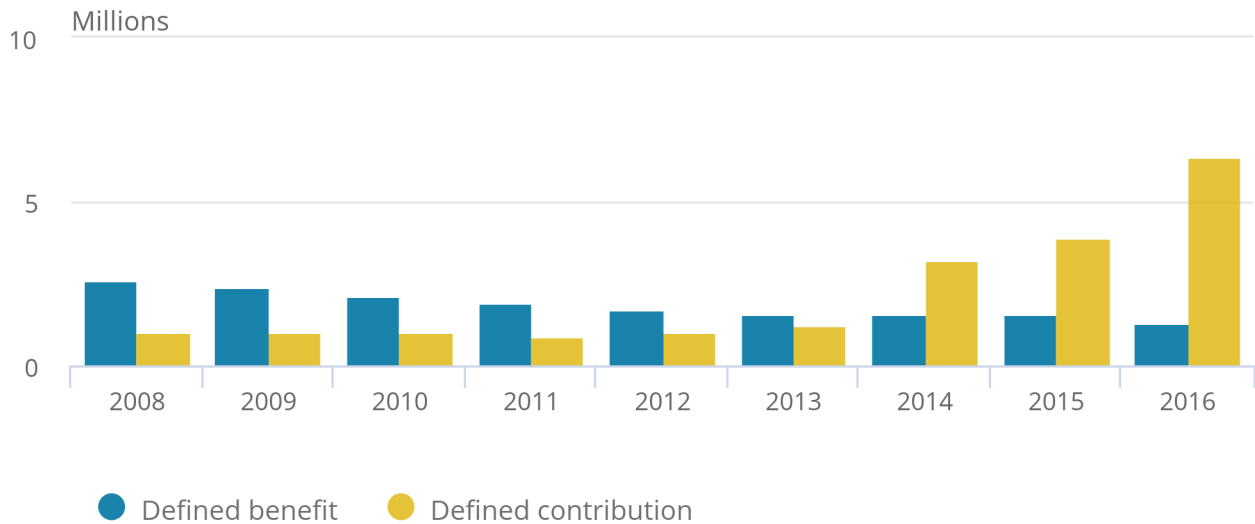
One reason why DC membership was expected to rise was the creation of [NEST](#) as a DC scheme. In support of this assumption and according to the latest [annual accounts for NEST](#), 1.6 million new members joined the scheme in the financial year ending 2017, bringing total membership to 4.5 million.

### Figure 3: Active membership of private sector occupational pension scheme by benefit structure

UK, 2008 to 2016

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UK, 2008 to 2016



Source: Office for National Statistics

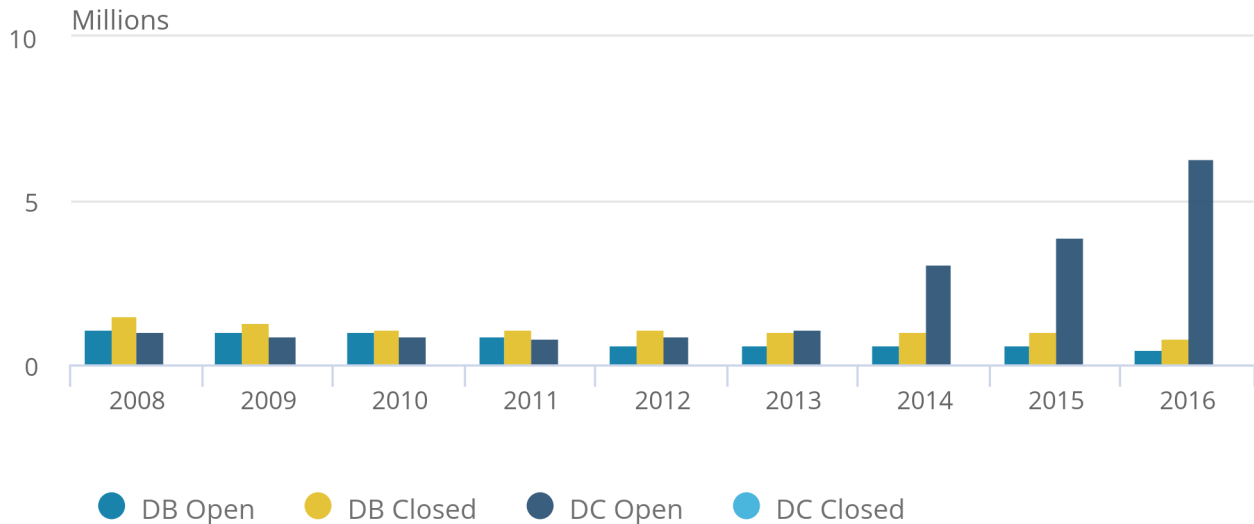
Some schemes have more than one section; offering benefits on a different basis to different groups of [members](#). In the private sector, only 42% of DB members were in sections of schemes that were open to new members compared with 99% of DC members (Figure 4).

**Figure 4: Active membership of private sector occupational pension schemes by status and benefit structure**

UK, 2008 to 2016

Figure 4: Active membership of private sector occupational pension schemes by status and benefit structure

UK, 2008 to 2016



Source: Office for National Statistics

Notes:

1. DB - Defined Benefit.
2. DC - Defined Contribution.

## 6 . How many pensioner members were in receipt of occupational pensions in 2016?

Pensioner members are those who are in receipt of pension payments. This section estimates the number of pensions in payment from UK occupational pension schemes in 2016. It includes [pensions in payment to dependants](#), [pension credit members](#) and those who are still working for the same employer (for example, where they are partially retired).

These estimates do not represent the total number of pensioners in the UK receiving benefits from occupational pension schemes because an individual pensioner may be in receipt of more than one pension. The estimates do not include annuities (or other retirement products), purchased by members of defined contribution (DC) occupational pension schemes upon retirement.



While it is not a direct comparison (for reasons mentioned previously and, for example, that people move between sectors, change employers), the increase in active membership in the 1950s and 1960s (Table 2 in the [datasets](#)) should be broadly reflected in the current pensions in payment figures (Figure 5), as that cohort of employees reaches retirement age. While changes to methodology mean that comparisons over time should be treated with caution, the total number of occupational pensions in payment has risen, from 0.9 million in 1953 to 10.4 million in 2016. Estimates of pensions in payment in both the public and private sectors have risen since 1953, reaching 4.8 million and 5.6 million respectively in 2016.

**Figure 5: Number of pensions in payment for occupational pension schemes by sector**

UK, 1953 to 2016

Figure 5: Number of pensions in payment for occupational pension schemes by sector

UK, 1953 to 2016



Source: Office for National Statistics

Notes:

1. This is not a continuous time series.
2. Due to changes in the definition of the private and public sectors, estimates for 2000 and onwards differ from earlier years. From 2000, organisations such as the Post Office and the BBC were reclassified from the public to the private sector.
3. The 2005 survey did not cover the public sector and is therefore not included.
4. Changes to methodology for 2006 onwards mean that comparisons with earlier years should be treated with caution.
5. Changes to the part of the questionnaire used to estimate pensions in payment in 2008 mean that comparisons with 2007 and earlier should be treated with caution.

## 7 . Increase in preserved pension entitlements (deferred members) in 2016

When active employee members cease working for the scheme's sponsoring employer, they usually have a choice of what to do with the benefits accrued in the scheme. The default position for members is generally <sup>1</sup> a preserved pension entitlement, where the rights remain in the scheme and a pension comes into payment at normal pension age. These estimates do not represent the number of individuals with preserved pension entitlements but show the number of preserved pensions. The estimates also include [dependants](#) and [pension credit members](#) who have a [preserved pension entitlement](#) and those still working for the employer (this may occur when an employer stops provision or changes to a different type).

The total number of preserved pension entitlements increased from 11.8 million in 2015 to 15.4 million in 2016 (Figure 6). The increase occurred mainly in the private sector (from 7.8 million to 11.2 million) with a smaller increase in the public sector (from 4.0 million to 4.2 million).

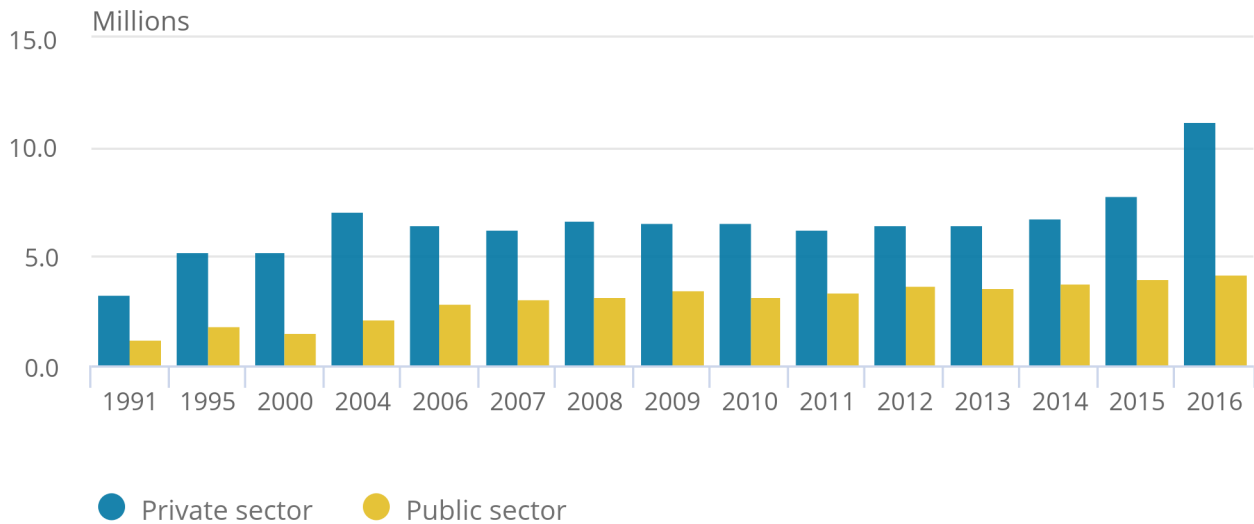
Changes in preserved pension entitlements may be affected by automatic enrolment. For example, if employers close existing schemes and move all their eligible employees to a new scheme based on the automatic enrolment qualifying criteria, these employees will appear in the estimates of both active and preserved members. This may, therefore, have had a bearing on the increase in numbers of preserved pension entitlements.

**Figure 6: Number of preserved pension entitlements in occupational pension schemes by sector**

UK, 1991 to 2016

Figure 6: Number of preserved pension entitlements in occupational pension schemes by sector

UK, 1991 to 2016



Source: Office for National Statistics

Notes:

1. This is not a continuous time series.
2. Private and public sector breakdowns are not available for preserved pension entitlements before 1991.
3. Due to changes in the definition of the private and public sectors, estimates for 2000 and onwards differ from earlier years. From 2000, organisations such as the Post Office and the BBC were reclassified from the public to the private sector.
4. The 2005 survey did not cover the public sector and is therefore not included.
5. Changes to methodology for 2006 onwards mean that comparisons with earlier years should be treated with caution.
6. Changes to the part of the questionnaire used to estimate pensions in payment in 2008 mean that comparisons with 2007 and earlier should be treated with caution.

**Notes for: Increase in preserved pension entitlements (deferred members) in 2016**

1. A “short service refund” may be offered for members with less than two years’ service depending on scheme rules and when membership began. Further information can be found on the [Pension Regulator’s website](#). The OPSS datasets include estimates for entrants and exits to schemes by reason for exit ( [Table 8](#)).

## 8 . Contribution rates in private sector occupational pension schemes

Contribution rate questions are only asked of OPSS survey respondents in the private sector. Information on rates in the public sector is not collected as it is already publicly accessible, for example, from individual scheme resource accounts.

Most member (employee) and employer contributions are made as a percentage of salary, excluding bonuses. However, fixed amount payments can be made as part of the schedule of normal (or regular) contributions. On the other hand, when schemes make “special” cash payments (for example, to address a deficit in a defined benefit (DB) scheme’s liabilities), these payments are not considered normal contributions and information on such payments is not collected by the survey.

Estimates for 2016 broadly show an increase in contribution rates when compared with 2015. The only exception to this being member contribution rates in defined contribution (DC) schemes where the average contribution rate dropped from 1.5% in 2015 to 1.0% in 2016. As in previous years, private sector DB schemes had higher contribution rates than DC schemes in 2016 (Figure 7).

For private DB schemes, the average total contribution rate was 22.7% of pensionable earnings, split between members (5.8%) and employers (16.9%).

For private DC schemes, the average total contribution rate was 4.2% of pensionable earnings, split between members (1.0%) and employers (3.2%).

In private sector [career average schemes](#) (revalued in line with prices), average employer contribution rates were higher than for DB schemes as a whole. In 2016, the rate for career average schemes was 17.4% compared with 16.9% for all DB schemes. Average member contribution rates in career average schemes were also higher than the average rate for all DB schemes (7.5% and 5.8% respectively).

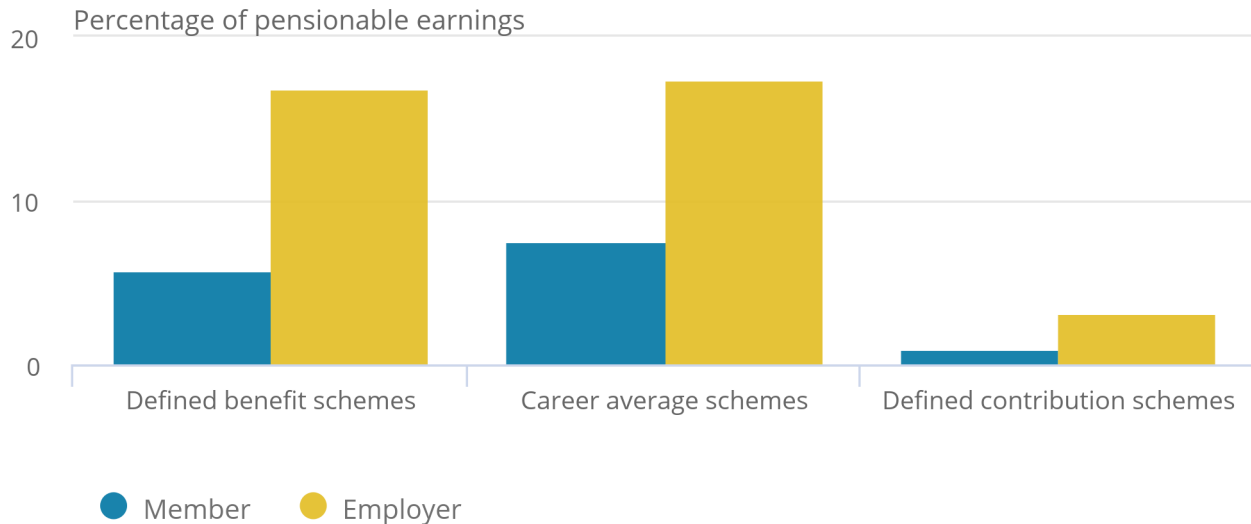
As part of the workplace pension reforms, [minimum levels for employer and employee contributions are being phased in over the period to 2019](#). Between October 2012 and 5 April 2018, DC schemes or personal pensions require a minimum contribution of at least 2%, with at least 1% coming from the employer. The minimum contribution will increase to 5% in the financial year ending 2019 (with employer minimum contribution of 2%) and 8% from 6 April 2019 onwards (with employer minimum contribution of 3%).

**Figure 7: Weighted-average contribution rates to private sector occupational pension schemes by benefit structure and contributor**

UK, 2016

Figure 7: Weighted-average contribution rates to private sector occupational pension schemes by benefit structure and contributor

UK, 2016



Source: Office for National Statistics

Notes:

1. Estimates for Defined benefit schemes include all Career average schemes.
2. Includes schemes where standard contributions were zero.
3. Excludes normal contributions paid as fixed amounts.
4. Includes rates for open, closed and frozen schemes.
5. Excludes schemes with fewer than 12 members.
6. Estimates for Defined benefit schemes include Career average schemes.
7. Career average schemes estimated here refer only to those revalued in line with prices (see [Pension Trends glossary](#)).
8. Weighted-average contribution rates across all schemes were calculated based on the estimates for numbers of active members contributing at each rate. For example, if a scheme had a group of 50 active members contributing at 4 per cent and another group of 100 active members contributing at 6 per cent, then the scheme's weighted-average contribution rate would be 5.3%.

## 9 . Quality and methodology

The [OPSS Quality and Methodology Information report](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

Standard errors for the main membership and contribution rate estimates are available in the associated [datasets](#) , along with response rates.