

Article

Contracting out of Private Sector Defined Benefit Pension Schemes: 2013

The latest information on membership and contributions, by contracted out status, is presented for private sector defined benefit occupational schemes. The story focuses on 2013, but also provides active membership details for 2008 to 2013 inclusive.



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1. Overview

[Headline results](#) from the 2013 Occupational Pension Schemes Survey (OPSS) were released in September 2014. This article looks at membership and contribution rates for private sector defined benefit (DB) schemes which are contracted out of the additional state pension. Public sector schemes are not included as they are almost all contracted out. Defined contribution (DC) schemes are excluded as contracting out for DC schemes ended in April 2012.

If an occupational scheme is contracted out, it means that there is a statutory arrangement under which, if it meets certain conditions, it is permitted to not participate in the additional state pension (the State Second Pension or S2P, formerly known as the State Earnings Related Pension Scheme). Members' and employers' National Insurance contributions are then reduced or partially rebated. Members of a contracted out pension scheme obtain rights in the pension scheme in place of additional, earnings-related benefits under the state scheme.

Under the [Pensions Act 2014](#), contracting out will end for DB schemes from April 2016. DB schemes have been able to contract out since 1978. DC schemes had been able to contract out since 1988, but this ended in April 2012.

Historic data, including information for defined contribution schemes, can be found in the 2011 [OPSS Annual Report](#) and the [previous edition](#) of this story. In addition to the data underlying the charts and tables shown in this article, the [reference tables \(116.5 Kb Excel sheet\)](#) for this release also include estimates for the number of schemes, preserved members and pensioner members by contracted out status.

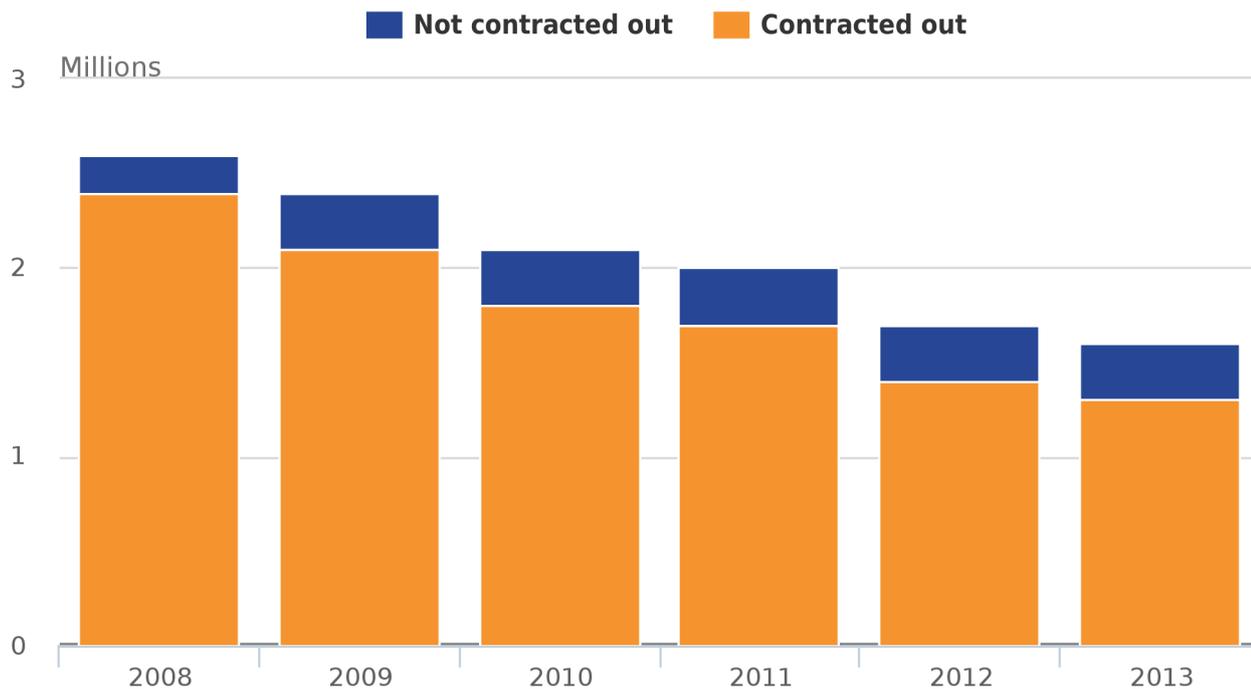
A [glossary \(198.9 Kb Pdf\)](#) explaining some of the key pension terms is available on the ONS website.

2. Active membership and contracting out

Figure 1 shows the number of active members in private sector defined benefit occupational schemes by contracted out status. Active (employee) members are those currently contributing, or having contributions made on their behalf.

In 2008, 91% of active members of private sector defined benefit (DB) schemes were in contracted out schemes, falling to 80% in 2013. Over the same period, the number of contracted out active members in private sector DB schemes fell from 2.4 million to 1.3 million.

Figure 1. Active membership of private sector defined benefit occupational pension schemes: by contracted out status, 2008 to 2013 (UK, millions)



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

Notes:

1. Schemes with 2 or more members where contracted out status is known
2. Active membership refers to those currently contributing or having contributions made on their behalf
3. The underlying figures for this chart, along with estimates for the proportion of active members contracted out, are available in the chart download
4. The reference tables for this release (see 'Data in this release') also include estimates for preserved and pensioner membership

Table 1 shows the numbers and proportions of active members in contracted out schemes by scheme size band. Size refers to the total membership of the scheme (active plus preserved plus pensioner members). As active membership in the largest schemes is a high proportion of total membership, the percentage contracted out of the largest private sector defined benefit schemes (80%) is the same as that for the whole population.

Table 1: Active membership of private sector defined benefit occupational pension schemes: by size and contracted out status, 2013 (UK)

Scheme size	Number of active members (millions)			Percentage of active members in contracted out schemes (%)
	Contracted out	Not contracted out	Total	
10,000 +	1	0.2	1.2	80
5,000 to 9,999	0.1	0	0.1	89
1,000 to 4,999	0.2	0.1	0.2	74
100 to 999	0.1	0	0.1	89
12 to 99	0	0	0	87
Total	1.3	0.3	1.6	80

Source: Office for National Statistics

Notes:

1. Percentages are based on unrounded numbers and calculated as a proportion of members where contracting out status is known.
2. Size refers to the total membership of the scheme (active plus preserved plus pensioner membership).
3. Schemes with 12 or more members.
4. The reference tables for this release also include estimates for preserved and pensioner membership.

3. Contribution rates

Tables 2 and 3 show the numbers and percentages of active members of private sector defined benefit (DB) occupational schemes, by contribution rate bands and contracted out status. Table 2 shows employee contribution rates; Table 3, employer contribution rates.

In general, as would be expected given the design of the system (see Overview), those contracted out were more likely to be contributing higher amounts. The weighted average contribution rate (employee + employer) for contracted out schemes was 22% compared with 15% for non-contracted out schemes.

Table 2: Active membership of private sector defined benefit occupational pension schemes: by employee contribution rate and contracted out status, 2013 (UK)

	Number of active members (millions)			Percentage of active members in contracted out schemes (%)
	Contracted out	Not contracted out	Total	
Contributory	1.1	0.2	1.3	83
Less than 3%	0	0	0	54
3% to under 4%	0	0.1	0.1	25
4% to under 5%	0	0	0.1	58
5% to under 6%	0.3	0	0.4	96
6% to under 7%	0.2	0	0.2	83
7% and over	0.5	0.1	0.6	88
Non contributory or fixed amount	0.1	0.1	0.2	62
Total	1.3	0.3	1.6	80

Source: Office for National Statistics

Notes:

1. Totals include members in schemes where the contribution rates are unknown.
2. Percentages are based on unrounded numbers and calculated as a proportion of the total excluding members in schemes where the contribution rates are unknown.
3. Size refers to the total membership of the scheme (active plus preserved plus pensioner membership).
4. Schemes with 12 or more members.
5. Active membership refers to those currently contributing or having contributions made on their behalf.

Table 3: Active membership of private sector defined benefit occupational pension schemes: by employer contribution rate and contracted out status, 2013 (UK)

	Number of active members (millions)			Percentage of active members in contracted out schemes (%)
	Contracted out	Not contracted out	Total	
Contributory	1.2	0.3	1.5	81
Under 10%	0.1	0.1	0.1	41
10% to under 12%	0.3	0	0.3	94
12% to under 15%	0.2	0.1	0.3	59
15% to under 20%	0.3	0	0.4	93
20% and over	0.3	0	0.4	91
Non contributory or fixed amount	0.1	0	0.1	72
Total	1.3	0.3	1.6	80

Source: Office for National Statistics

Notes:

1. Totals include members in schemes where the contribution rates are unknown.
2. Percentages are based on unrounded numbers and calculated as a proportion of the total excluding members in schemes where the contribution rates are unknown.
3. Size refers to the total membership of the scheme (active plus preserved plus pensioner membership).
4. Schemes with 12 or more members.
5. Active membership refers to those currently contributing or having contributions made on their behalf.

4. Background notes

1. ONS conducts the Occupational Pension Schemes Survey (OPSS) from a sample of public and private sector occupational schemes registered in the UK. The survey presents a range of statistics, including membership of occupational pension schemes, contributions made by employees and employers and benefits provided by schemes. Estimates of membership include breakdowns by type of member and type of scheme.

The survey does not cover state pensions or personal pensions, the latter being where individuals enter into a contract with a pension provider (usually an insurance company). This exclusion extends to group personal pensions (GPPs) including group stakeholder and group self-invested personal pensions ([see Glossary \(198.9 Kb Pdf\)](#)).

ONS is currently exploring options for collecting data on GPPs and would welcome [your views](#).

The schemes in the survey are selected at random, within membership size bands, from the pension schemes register. The register is a list of all occupational pension schemes in the UK with two or more members and is maintained by The Pensions Regulator.

2. The ONS Data Explorer and [Open API](#) are tools that enable users to access, use and customise ONS data more effectively. The Data Explorer makes it easier for users to find, view and download data. The Open Application Programming Interface (Open API) allows data to be used directly by other applications. This enables ONS to meet the Government's Open Data and Transparency policy.

The OPSS team has published its most recent data using these new online tools. We provide links below to view the dataset using the Dataset Explorer. Only the key series have been uploaded so far. We would be interested in your views - please [email us](#).

[OPSS Membership Dataset](#)

[OPSS Contribution Rates Dataset](#)

To learn more about how to access data via the API then please visit the dedicated web pages for the [OpenAPI \(Beta\)](#).

3. Headline results were released in September 2014 for the [2013 Occupational Pension Schemes Survey](#). An [annual report](#) was produced in previous years; the last was produced in 2011. This article forms one of a series of [short stories](#) that have replaced the annual report. We would be interested in your views on possible topics for future stories - please [email us](#).
4. A [Quality and Methodology Information \(QMI\)](#) report is available for OPSS. The aims of the QMI reports are to provide users with a greater understanding of our statistics, their quality and the methods that are used to create them.
5. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.