



# GAD

Government Actuary's Department  
[www.gad.gov.uk](http://www.gad.gov.uk)

## NEWS RELEASE

**7<sup>th</sup> April 2003** **Eleventh survey of occupational pension schemes**

**NR 2003/01** **Today sees the publication of full results from the Government Actuary's eleventh survey of occupational pension schemes, giving details for schemes in 2000.**

Some key results are given on pages 3 and 4 of this news release.

Fuller details of these results can be found in the document "Occupational pension schemes 2000 – eleventh survey by the Government Actuary." published at 12:00 today on GAD's website:

[www.gad.gov.uk/Pensions/Pension\\_scheme\\_survey\\_results\\_for\\_2000](http://www.gad.gov.uk/Pensions/Pension_scheme_survey_results_for_2000)

This document includes some comparison with results in earlier surveys by the Government Actuary and in other data sources, details of the methodology of the survey, and a glossary of terms. It follows on from the publication of preliminary results for private sector schemes in August 2002, and preliminary results for public sector schemes in February this year.

Chris Daykin, Government Actuary, welcomed the publication: "With the current extensive media coverage of pensions, it can sometimes be hard to obtain an accurate picture of occupational pension provision. This is why we at GAD have published a series of surveys of occupational pension schemes since the mid-1950s. This latest survey presents data as at mid-2000. I hope that it will be useful to all those with an interest in occupational pensions, and help to inform the current debate on pensions."

### **About the survey**

Over 550 private sector schemes, from a random sample drawn from the Occupational Pensions Regulatory Authority (Opra) Pension Schemes Registry database, and over 100 public sector schemes responded to the survey. These schemes covered a wide range of sizes, and included frozen schemes where benefits no longer accrued and schemes that were in the process of winding up, as well as those that were open to new members.



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The questions asked were chosen following consultation with other government departments and public bodies, and on the basis of helpful comments from the pensions industry. Schemes were asked to provide financial and membership data from their audited annual reports and accounts as at their scheme year-ends falling in the calendar year 2000. These reports and accounts were not generally available until the latter half of 2001, when the fieldwork for the survey began.

At a later stage it is hoped to produce a facility whereby researchers with specific queries can interrogate the database of survey responses via the GAD website (with protection of the confidentiality of data on individual schemes).

This survey of occupational pension schemes is the eleventh in a series conducted by the Government Actuary since the mid-1950s. The previous survey was as at 1995. This earlier survey is available from The Stationery Office (ISBN 0 11 560083 3), with some summary results available from the GAD website.

### **Review of the survey**

Following the publication of the results of this survey, a review of the GAD occupational pension schemes surveys will be carried out. A consultation exercise with users and potential users of the survey will be carried out starting on 8<sup>th</sup> April 2003. From that date a consultation document will be available from the GAD website at:

[www.gad.gov.uk/Pensions/Review\\_of\\_pension\\_scheme\\_surveys.htm](http://www.gad.gov.uk/Pensions/Review_of_pension_scheme_surveys.htm)

### **More details**

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### **Key results from the 2000 GAD survey of occupational pension schemes**

#### **Active members of schemes and their benefits (chapter 3 of full results document)**

- as at mid-2000 there are estimated to have been 5.7 million active employee members of private sector occupational pension schemes and 4.5 million active employee members of public sector occupational pension schemes, a total of 10.1 million (after rounding);
- the total number of active employee members is slightly up in public sector schemes and down in private sector schemes compared to 1995, and this is reflected in the numbers of new entrants and leavers in scheme years ending nearest to mid-2000;
- automatic membership of schemes (with the possibility of opting out), seemed to increase the proportion of eligible employees who were scheme members;
- in the private sector, most active members had a normal retirement age of 65, though for a substantial minority it was 60 (this was more common for those accruing defined-benefit pensions);
- for those in private sector schemes accruing benefits on a defined-benefit basis, the most common accrual rate was 1/60ths;
- most active members in private sector schemes were in schemes that would pay a dependant's pension to an unmarried partner (of the same or opposite sex) after their death – the payment of such pensions in public sector schemes was generally restricted to a legal spouse.

#### **Contributions to schemes (chapter 4 of full results document)**

- employee contribution rates to private sector defined-benefit schemes were most commonly between 5% and 7% of earnings – in defined-contribution schemes the most common employee contribution rates were in the range 2% to 4% of earnings;
- employer contributions to private sector schemes varied considerably – in contracted-out defined-benefit schemes the most common rates were between 10% and 15% of earnings, while in defined-contribution schemes most members were in schemes where employers paid less than 8% of earnings;
- around 10% of active employee members of private sector schemes and around 8% in public sector schemes were paying additional voluntary contributions.



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### **Pensioners and members with deferred pensions (chapter 5 of full results document)**

- there were 8.2 million pensions being paid in mid-2000, 5.2 million from private sector schemes and 3.0 million from public sector schemes;
- over the five years from 1996 to 2000 inclusive increases on pensions in payment seemed to keep pace with inflation for most pensioners, though large schemes were on average slightly more generous in terms of increases given than small schemes;
- there were around 6.7 million preserved pension entitlements, 5.2 million in private sector schemes and 1.5 million in public sector schemes, predominantly in the largest schemes;
- as at mid-2000 most members in schemes subject to the minimum funding requirement (MFR) were in schemes which paid individual cash equivalent transfer values worked out on the MFR basis – the legal minimum.

### **Scheme finances (chapter 6 of full results document)**

- private sector defined-contribution schemes had stronger net inwards cashflow than private sector defined-benefit schemes, probably as a result of their lower degree of maturity;
- as at mid-2000, total scheme assets were around £860 billion, including around £100 billion for local authority schemes (which are funded, though in the public sector) and insured schemes.

### **Scheme governance (chapter 7 of full results document)**

- the very largest schemes tended to have investment sub-committees of their trustee boards, but smaller schemes tended not to;
- some defined-benefit schemes (particularly larger ones) engaged in investment practices such as stock lending, investment in derivatives and underwriting new issues of stock, but no defined-contribution schemes responded that they engaged in these practices;
- many schemes had altered their scheme rules since 1995, with common changes being alterations to eligibility for membership in anticipation of requirements to provide stakeholder pensions from April 2001, changes required to implement the pensions sharing on divorce legislation, and either closing the scheme to new entrants or offering new entrants defined-contribution benefits whereas existing active members continued to build up defined-benefit benefits.



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### Notes:

1. The Government Actuary's Department (GAD) was created in 1919. It offers an actuarial consultancy service to clients throughout the UK public sector and to certain private sector and overseas clients.

As well as performing its statutory duties, GAD provides actuarial advice to ministers and government departments, to many public sector bodies and to some overseas governments, covering financial and statistical matters, including pensions, insurance, social security and demography.

We offer our clients the benefits of:

- objective and comprehensive advice, free of conflicting commercial interests
- confidentiality on sensitive political and commercial issues
- wide experience in handling political and policy issues

GAD is staffed by around 100 civil servants, of whom 34 are qualified actuaries.

2. GAD consists of two directorates. One advises public sector clients on occupational pension arrangements. This includes carrying out periodic valuations of assets and liabilities, funding rate advice, general pensions consultancy, bulk transfers, asset/liability studies and privatisation terms. The second directorate provides advice on social security arrangements in the United Kingdom and certain overseas countries, as well as advising on pensions policy and regulation, carrying out pension scheme surveys, and producing the official population projections for the United Kingdom and its constituent countries.

3. Although constituted as a government department, GAD operates as a consultancy firm within the public sector, offering independent actuarial advice to clients and charging fees for its services. GAD is required to charge to recover its costs but does not seek to make a profit.

4. The Government Actuary is Chris Daykin. He joined GAD in 1970 and qualified as a Fellow of the Institute of Actuaries in 1973. He worked in all major areas of GAD before being appointed Government Actuary in 1989.

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