

Pensions Newsletter No 11

Occupational Pensions Scheme Survey 2006

The Office of National Statistics (ONS) on Tuesday 10 July published a 'first release' of the results of the Occupational Pensions Scheme Survey 2006, available at <http://www.statistics.gov.uk/pdfdir/opss0707.pdf>.

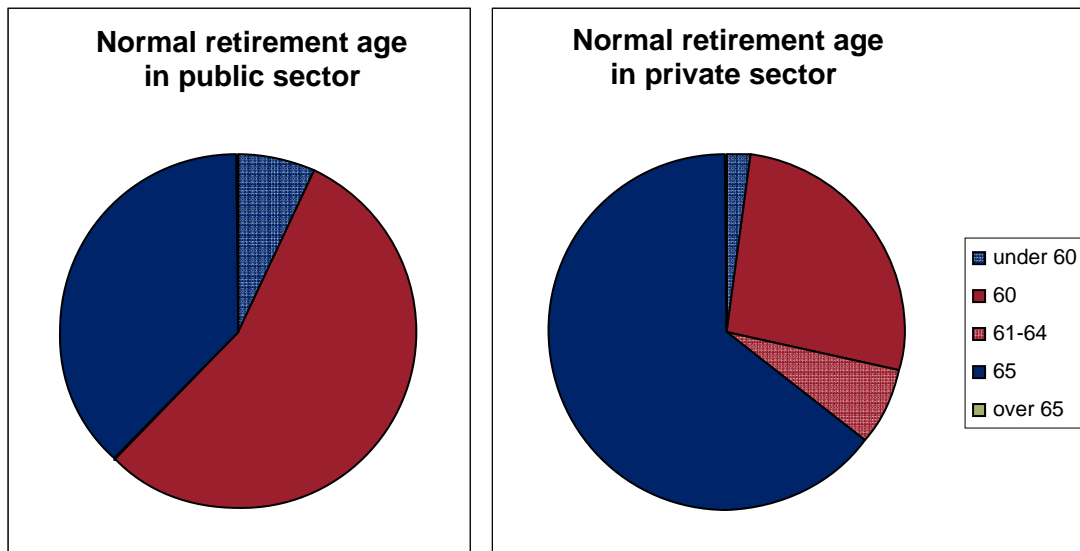
The survey provides a key range of pension statistics. It complements the general expansion of the information on pension scheme activity and practice collated by the Pensions Regulator and the Pension Protection Fund. The 2006 survey covers scheme membership of both private sector and public sector schemes and also benefit design and contribution rates. It is comparable with the 2004 GAD survey. (The 2005 survey focused on different areas and so excluded public sector schemes.)

Active membership of occupational pension schemes (millions)		
	2004	2006
Public sector	5.0	5.1
Private sector	4.8	4.4
Total	9.8	9.6

The number of active members of occupational schemes (both defined benefit and defined contribution) has fallen from 9.8 million to 9.6 million since the 2004 survey. These headline figures mask a fall of 0.4 million in private sector pension scheme membership and a rise of 0.1 million in public sector pension scheme membership. Numbers of members in private sector defined benefit schemes have reduced from 3.59 million in 2004 to 3.35 million in 2006. The closure of defined benefit schemes to new members is affecting an increasing number of private sector workers. Usually, existing members can continue to accrue pension rights in a closed defined benefit scheme but new members cannot join. 2006 was the first year in which there were more active members of closed private sector defined benefit schemes than of private sector defined benefit schemes still open to new members.

The statistics on benefit structures for defined benefit schemes show marked differences between the public and private sector. These should reduce as the scheme reviews of the public service schemes take effect. Around 65 per cent of private sector employees in defined benefit schemes have a normal pension age of 65, compared with around 38 per cent of public sector employees. For both the public and private sector the proportion of members with normal pension age 65 has increased since the 2004 survey. This is most significant for the public sector. The survey recognises the steps to remove the rule of 85 for future service in the Local Government Pension Scheme, a rule that allowed longer serving employees to retire up to five years earlier on an unreduced pension.

Accrual rates for defined benefit pensions continue to differentiate in the public and private sectors. Around 60 per cent of active members in private sector schemes have an accrual rate of 60ths while only 3.5 per cent of active members of public sector schemes have this structure. 93 per cent of the active members in the public sector have an accrual rate of 80ths, usually with an additional lump sum.



The survey finds that defined benefit schemes have much higher contributions on average than defined contribution schemes, from both employers and employees. There is also some evidence of an increase in contribution rates for defined benefit schemes between 2004 and 2006. For open private sector defined benefit schemes the average contribution rate rose from 16.8 per cent in 2004 to 19.2 per cent in 2006. Surprisingly, contribution rates for closed defined benefit schemes fell from 21 per cent in 2004 to 19.5 per cent in 2006. While contributions to defined benefit schemes are generally increasing, overall average contributions to open defined contribution schemes fell slightly from 9.1 per cent in 2004 to 8.9 per cent in 2006, so the average amount paid to defined contribution schemes is falling further behind.

More detailed information on the 2006 Occupational Pension Schemes Survey will appear in the Occupation Pension Schemes Annual Report which will be available on the National Statistics website later in 2007.

This is the first survey since responsibility for producing it moved from GAD to ONS. We are pleased to see that ONS has been able to use its statutory powers to increase the response rate.