

Statistical bulletin

# Funded occupational pension schemes in the UK: April 2021 to June 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

- Market value of pension funds reached £2.5 trillion at the end of June 2021, while gross assets excluding derivatives was £2.7 trillion.
- At the end of June 2021, 71% of private sector schemes' direct investments were in long-term debt securities, while 41% of public sector schemes' direct investments were in equities; this difference in asset allocation reflects the differences in age profiles, risk, and regulatory environments.
- Contributions in private sector employee and employer defined contribution (DC) schemes grew by 19% and 18% respectively between Quarter 2 (Apr to June) 2020 and Quarter 2 2021; these movements are subject to a base effect from the impact of the coronavirus (COVID-19) pandemic.
- At the end of June 2021, total defined contribution membership was 25.3 million, while total defined benefit and hybrid membership was 18.5 million.

## 2 . Membership

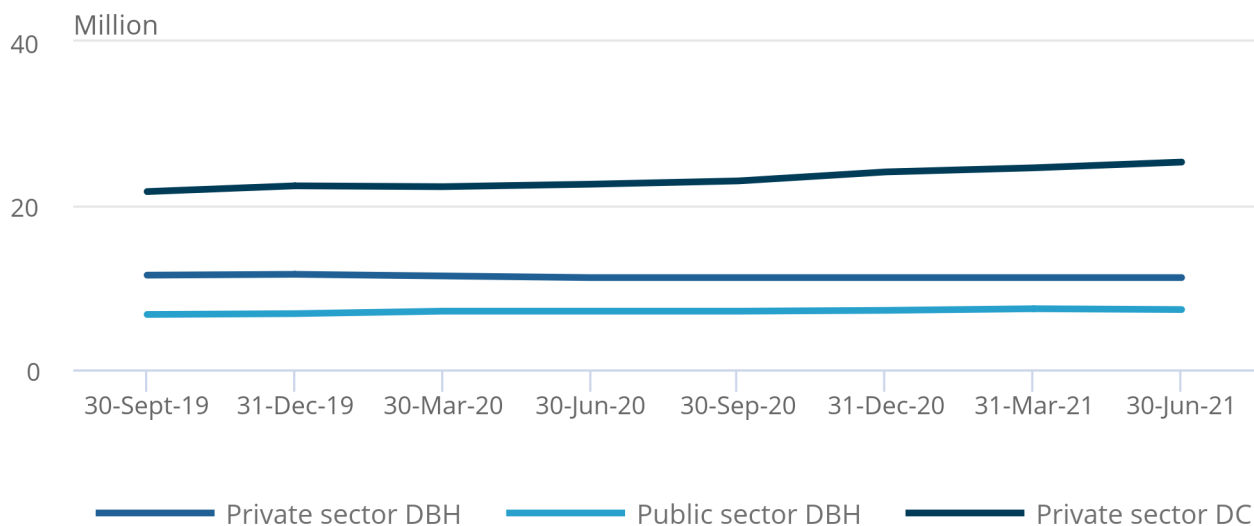
Figure 1 shows that at the end of June 2021, total private defined contribution (DC) membership experienced a quarterly increase of 3% to 25.3 million, from 24.6 million at the end of March 2021. Both private and public defined benefit and hybrid (DBH) membership continued to remain stable, with the combined membership of these scheme types presenting a quarter to quarter decline of less than 1%, at end-June 2021.

**Figure 1: At the end of June 2021, total private defined contribution membership had experienced a quarterly increase of 3%**

Total membership of funded occupational pension schemes, UK, million, 30 September 2019 to 30 June 2021

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Total membership of funded occupational pension schemes, UK, million, 30 September 2019 to 30 June 2021



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

### 3 . Contributions

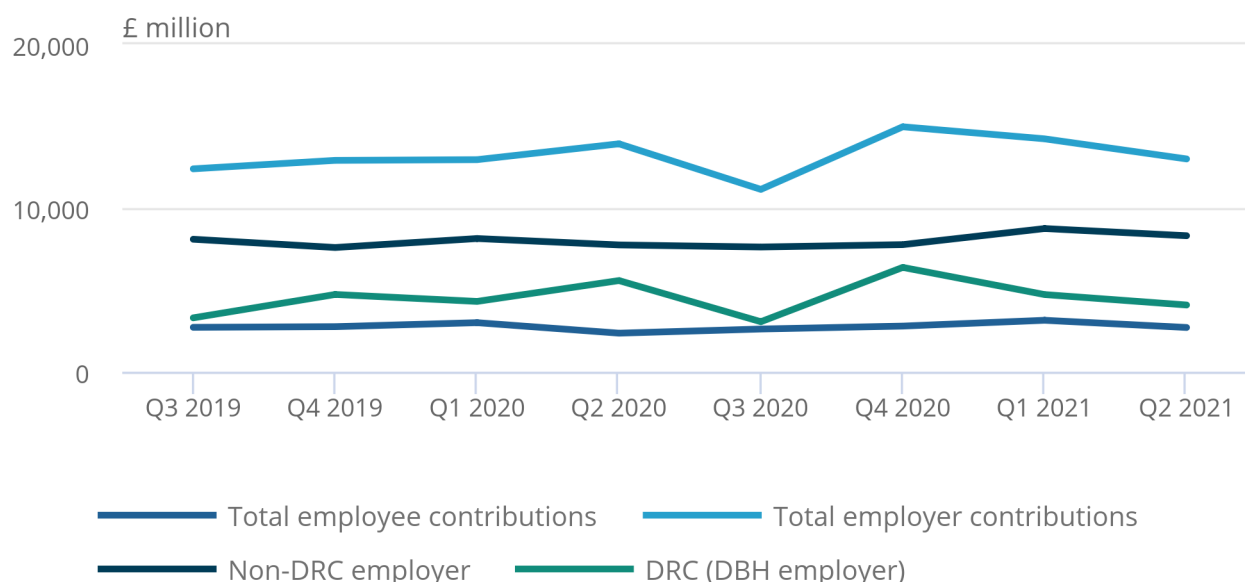
Figure 2 shows that total employee and employer contributions fell by 14% and 9% respectively from Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021. Both components of total employer contributions added to this decline, with deficit reduction contributions (DRCs) decreasing by 14% and non-DRCs decreasing by 5%. In 2020, non-DRCs employer and total employee contributions also declined from Quarter 1 to Quarter 2, by 5% and 21% respectively. The fall in contributions in both time periods is partly because of year-long contributions made at the end of the financial year (end of Quarter 1).

**Figure 2: Total employee and total employer contributions fell by 14% and 9% respectively from Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021**

Total employee and employer, with non-deficit reduction contribution (DRC) and DRC split, pension contributions, UK, £ million, Quarter 3 (Jul to Sept) 2019 to Quarter 2 (Apr to June) 2021

Figure 2: Total employee and total employer contributions fell by 14% and 9% respectively from Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021

Total employee and employer, with non-deficit reduction contribution (DRC) and DRC split, pension contributions, UK, £ million, Quarter 3 (Jul to Sept) 2019 to Quarter 2 (Apr to June) 2021



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

**Notes:**

1. DRC – deficit reduction contributions.
2. Non-DRC employer – normal defined benefit and hybrid employer plus total defined contribution employer contributions.

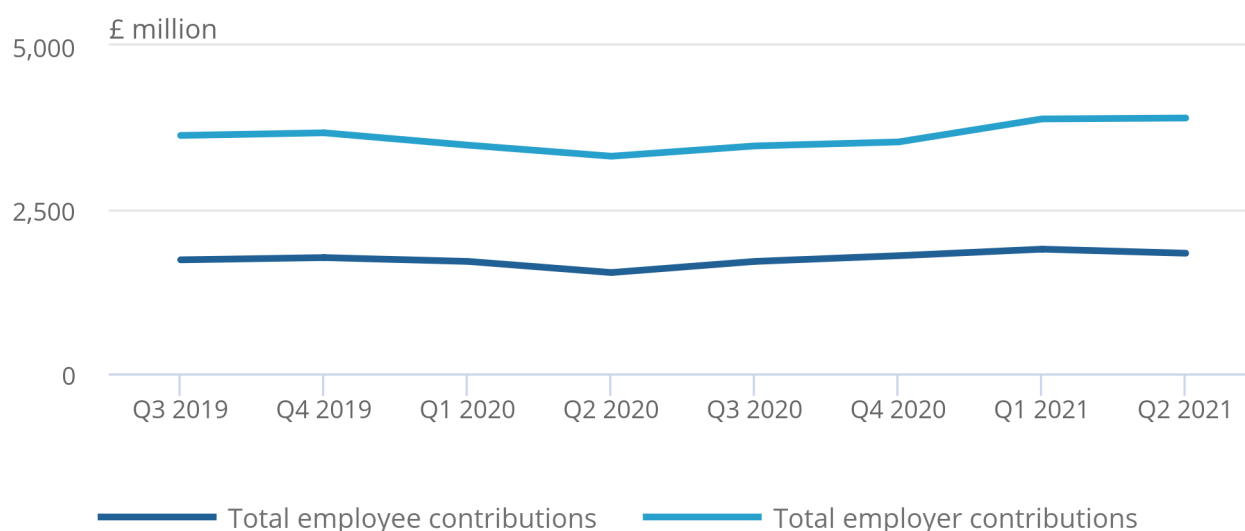
Comparing annual changes, both total employee and non-DRC employer contributions have been increasing over the past three quarters. From Quarter 2 2020 and Quarter 2 2021, total employee and non-DRC employer contributions rose by 15% and 7%. However, this movement is subject to a “base effect” whereby contributions growth is overstated because of starting from a low base. This base effect for the annual movement up to Quarter 2 2021 is more pronounced because of the significant economic shock from the coronavirus (COVID-19) pandemic.

**Figure 3: Private sector employee and employer defined contributions grew by 19% and 18% respectively between Quarter 2 (Apr to June) 2020 and Quarter 2 (Apr to June) 2021**

Private sector defined contribution, employee and employer contributions, UK, £ million, Quarter 3 (Jul to Sept) 2019 to Quarter 2 (Apr to June) 2021

Figure 3: Private sector employee and employer defined contributions grew by 19% and 18% respectively between Quarter 2 (Apr to June) 2020 and Quarter 2 (Apr to June) 2021

Private sector defined contribution, employee and employer contributions, UK, £ million, Quarter 3 (Jul to Sept) 2019 to Quarter 2 (Apr to June) 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.

Figure 3 shows that, from Quarter 1 2021 to Quarter 2 2021, defined contribution (DC) employee contributions decreased by 3%, while employer contributions increased by less than 1%. Annually, employee and employer private DC contributions grew by 19% and 18% respectively between Quarter 2 2020 and Quarter 2 2021. To note, total DC membership has also risen by 2.7 million members from Quarter 2 2020 to Quarter 2 2021 (Figure 1). Over Quarter 2 2021, [employees furloughed](#) averaged 2.8 million, as opposed to an average of 8.3 million over Quarter 2 2020. This represents a 66% fall in employee's furloughed.

## 4 . Benefits

Figure 4 provides a breakdown for total benefits, by scheme type, between Quarter 3 (July to Sept) 2019 and Quarter 2 (Apr to June) 2021. Benefits comprise pension payments and income withdrawals, including death benefits.

From Quarter 1 (Jan to Mar) 2021 to Quarter 2 2021 total private sector defined benefit and hybrid (DBH) benefits rose by 9%, driven by lump sums benefits (including death benefits) to private DBH schemes increasing by 26%. As can be seen in the dataset, private sector DBH pensioner members rose slightly from 4.8 million to 4.9 million during the period, which is likely to have contributed to the increase in benefits.

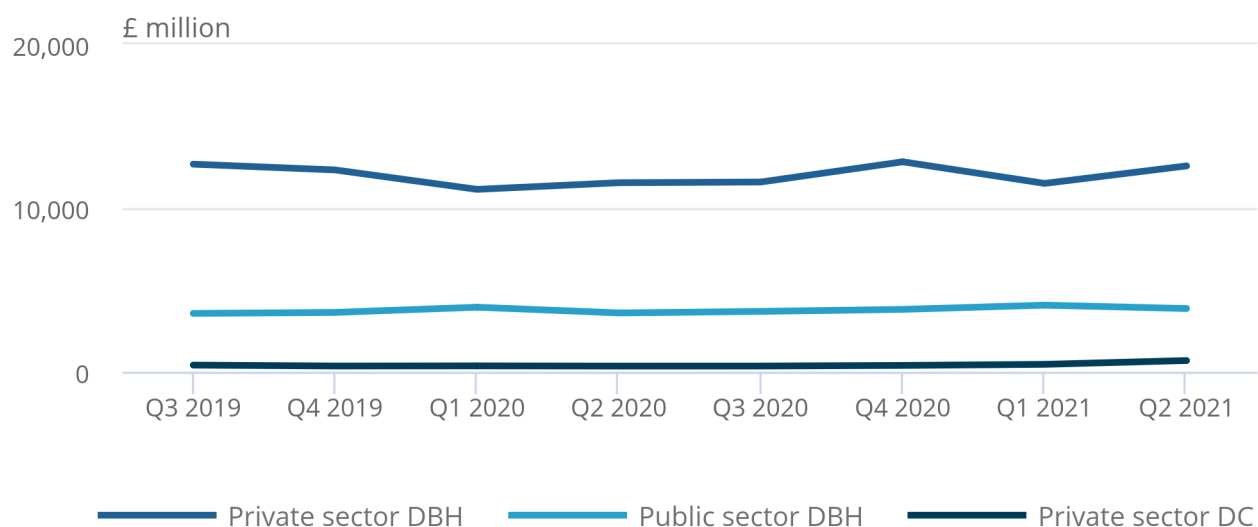
Public sector DBH benefits fell by 5% from Quarter 1 2021 to Quarter 2 2021, however they remained relatively stable over the entire timeline of the Financial Survey of Pension Schemes (FSPS) (Figure 4). Total defined contribution (DC) benefits have risen by 51%, driven by the largest DC schemes with over 25,000 members.

**Figure 4: From Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021, total private sector defined benefit and hybrid benefits rose by 9%**

Total benefits of funded occupational pension schemes, UK, £ million, Quarter 3 (July to Sept) 2019 to Quarter 2 (Apr to June) 2021

Figure 4: From Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021, total private sector defined benefit and hybrid benefits rose by 9%

Total benefits of funded occupational pension schemes, UK, £ million, Quarter 3 (July to Sept) 2019 to Quarter 2 (Apr to June) 2021



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

Notes:

1. DBH = defined benefit and hybrid, DC = defined contribution.

## 5 . Balances

At the end of June 2021, UK-funded occupational pension schemes had assets of between £2.5 trillion and £3 trillion, depending on the measure used (Table 1).

## Total assets and liabilities

The value of gross assets excluding derivatives was £2.7 trillion, at the end of June 2021 (Table 1). Gross liabilities other than pension liabilities (excluding derivatives) remained consistent, decreasing slightly from £213 billion (end of March 2021) to £212 billion (end of June 2021). Both derivative contracts, with a positive and negative value, declined by 7% during this period; as can be seen in the dataset. The main types of derivatives used by pension schemes continue to be swaps and forward foreign currency contracts.

Table 1: Assets and liabilities of UK pension schemes  
UK, 31 March 2021 to 30 June 2021

	<b>(£ billion)</b>	
	<b>as at the end of</b>	
	<b>31-Mar-21</b>	<b>30-Jun-21</b>
<b>Gross assets excluding derivatives</b>	2590	2694
<b>Gross liabilities other than pension liabilities, excluding derivatives</b>	213	212
<b>Derivatives contracts with a positive (asset) value</b>	304	284
<b>Derivatives contracts with a negative (liability) value</b>	305	284
<b>Net assets excluding derivatives or 'market value of pension funds'</b>	2377	2482
<b>Gross assets including derivatives contracts with a positive (asset) value</b>	2894	2978

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

### Notes

1. Although respondents were asked to report the value of derivatives contracts gross a small proportion reported net; this probably produced slight overestimates of positive balances and slight underestimates of negative balances.

Net assets (or “market value of pension funds” – a net measure, created by subtracting gross liabilities, other than pension liabilities, from gross assets) and gross assets have been gradually increasing between the end of December 2019 and the end of June 2021 (Figure 5). However, the gap between both has remained consistent over time. This indicates that both gross liabilities other than pension liabilities (excluding derivatives) and positive asset value of derivative contracts have remained consistent over this period.

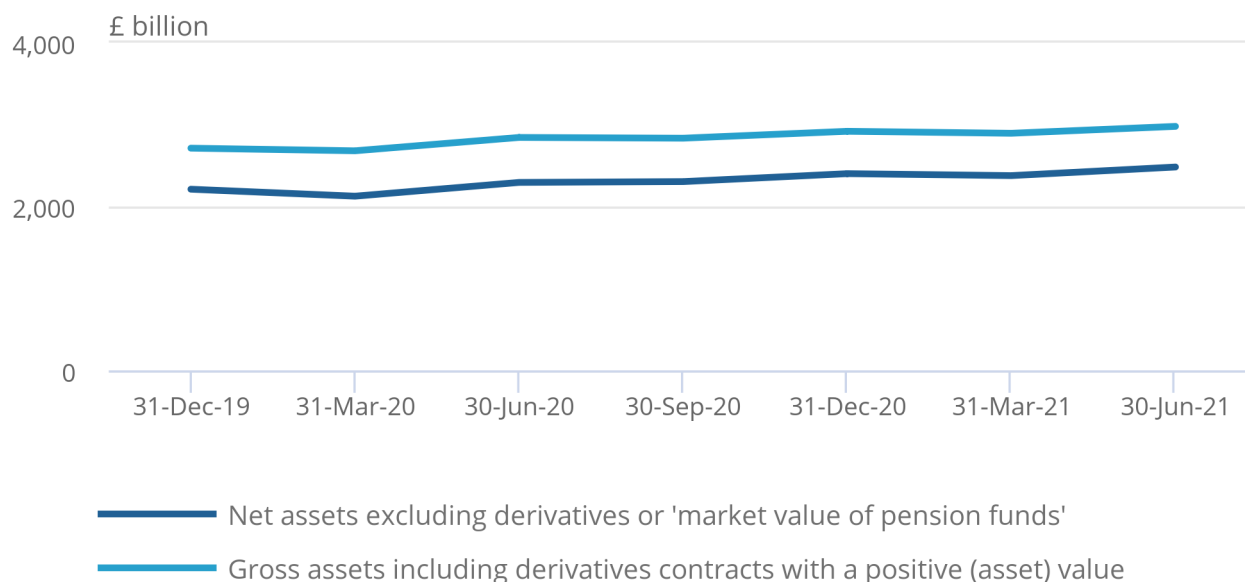


**Figure 5: Net and gross assets have been gradually increasing since end-December 2019**

Net and gross assets of pension schemes, UK, £ billion, 31 December 2019 to 30 June 2021

## Figure 5: Net and gross assets have been gradually increasing since end-December 2019

Net and gross assets of pension schemes, UK, £ billion, 31 December 2019 to 30 June 2021



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

**Notes:**

1. Although respondents were asked to report the value of derivatives contracts gross, a small proportion reported net; this probably produced 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 increased by 3% between the end of March 2021 and the end of June 2021. During this period, private sector defined contribution (DC) and public sector DBH schemes also experienced growth, of 9% and 4% respectively. The growth of DC assets over time correlates with growth of DC membership, as can be seen in Figure 1. The main categories of assets collected in the Financial Survey of Pension Schemes (FSPS) are [pooled investment vehicles \(PIV\)](#), [direct investments](#), and [insurance policies](#). As can be seen in the dataset, of gross assets excluding derivatives at the end of June 2021, 49% are through direct investments, 47% are PIV holdings, and 4% are insurance policies.

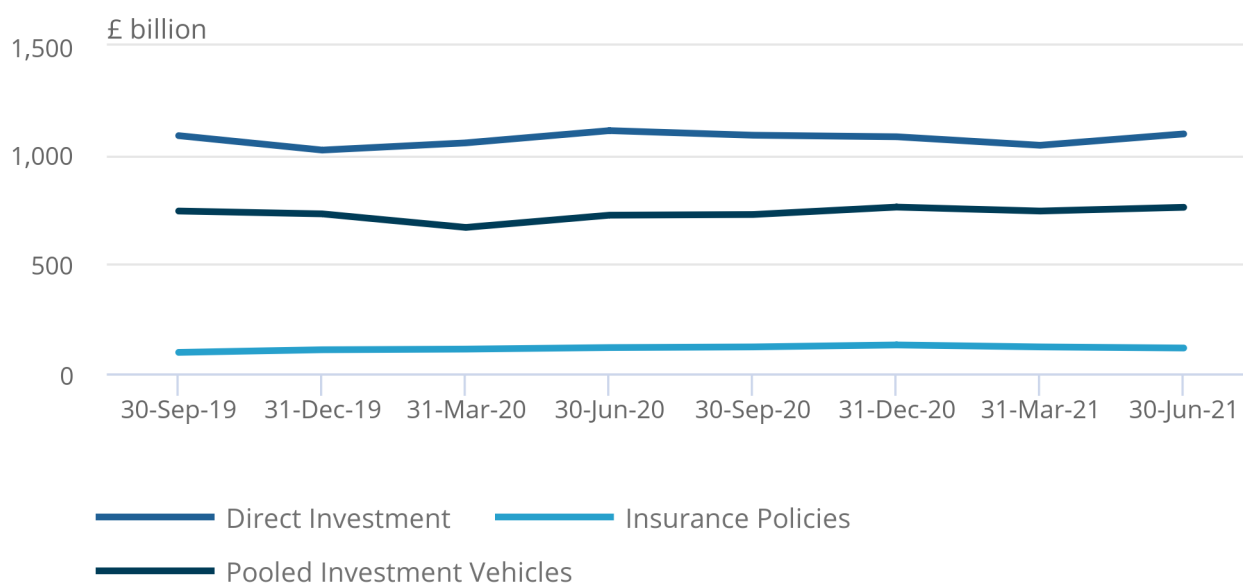
While insurance policies are mainly held in private sector DBH schemes, they formed only 6% of private sector DBH assets at the end of June 2021 (Figure 6). For such schemes, insurance policies fell by 4%, from £121 billion at the end of March 2021, to £116 billion at the end of June 2021. During this period, direct investments, which formed 56% of private sector DBH scheme assets, increased by 5%, while PIV holdings also grew by 2%. As Figure 6 indicates, this composition has remained relatively consistent over the period of data collected by the FSPS.

### Figure 6: Over half of private sector defined benefit and hybrid schemes' investments at the end of June 2021 were direct investments

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

Figure 6: Over half of private sector defined benefit and hybrid schemes' investments at the end of June 2021 were direct investments

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



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

#### Notes:

1. For definitions for pooled investment vehicles, direct investments and insurance, see [full glossary](#).

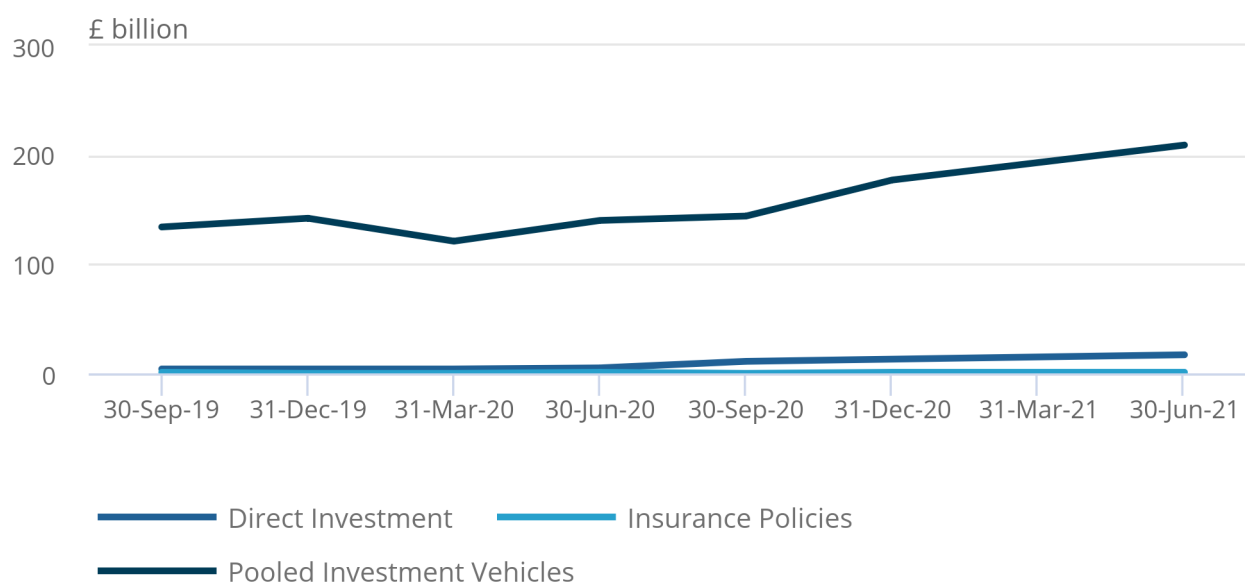
For private sector DC schemes and public sector schemes, assets are predominantly held in PIV holdings. At the end of June 2021, PIV accounted for 92% of total assets held in DC schemes; these holdings grew by 8% from £193 billion at the end of March 2021, to £209 billion at the end of June 2021 (Figure 7).

**Figure 7: At the end of June 2021, £209 billion of private sector defined contribution investments were pooled vehicle holdings**

Breakdown of main asset class type, private sector defined contribution schemes, UK, £ billion, 30 September 2019 to 30 June 2021

Figure 7: At the end of June 2021, £209 billion of private sector defined contribution investments were pooled vehicle holdings

Breakdown of main asset class type, private sector defined contribution schemes, UK, £ billion, 30 September 2019 to 30 June 2021



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

Notes:

1. For definitions for pooled investment vehicles, direct investments and insurance, see [full glossary](#).

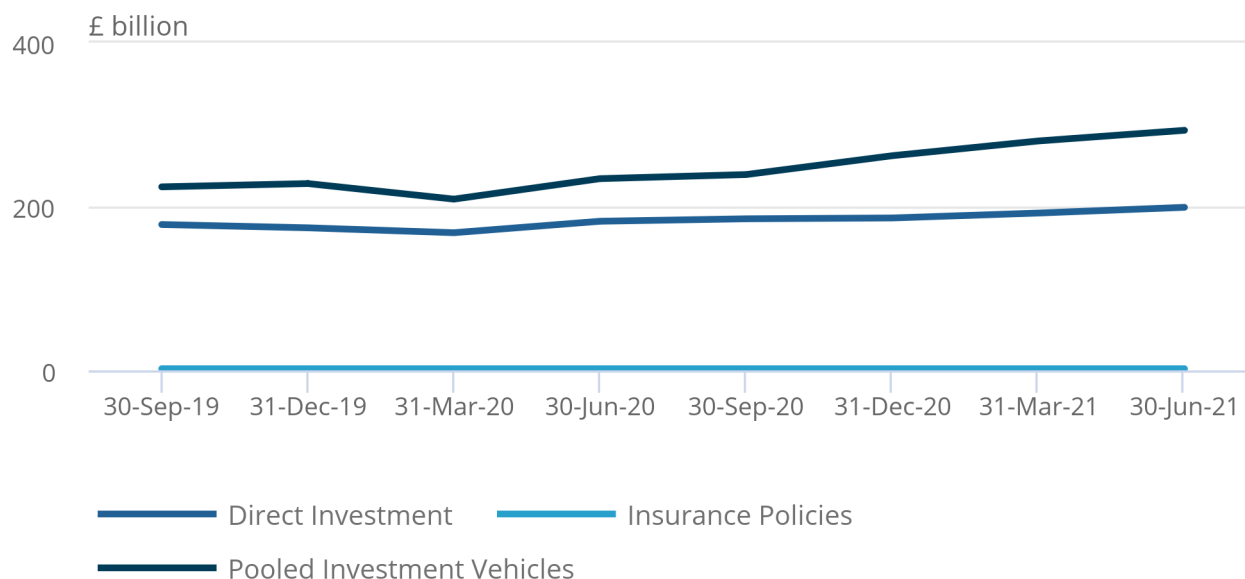
For public sector schemes, PIV holdings grew by 5% from £280 billion at the end of March 2021 to £293 billion at the end of June 2021 (Figure 8). Direct investments also grew by 4%, from £192 billion at the end of March 2021 to £199 billion at the end of June 2021.

**Figure 8: At the end of June 2021, pooled vehicle holdings and direct investments constituted almost all public sector defined benefit and hybrid (DBH) schemes investments**

Breakdown of main asset class type, public sector DBH schemes, UK, £ billion, 30 September 2019 to 30 June 2021

Figure 8: At the end of June 2021, pooled vehicle holdings and direct investments constituted almost all public sector defined benefit and hybrid (DBH) schemes investments

Breakdown of main asset class type, public sector DBH schemes, UK, £ billion, 30 September 2019 to 30 June 2021



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

Notes:

1. For definitions for pooled investment vehicles, direct investments and insurance, see [full glossary](#).

## Direct investments

Figure 9 shows total direct investment, split into private and public sector employee schemes by asset class, at the end of June 2021. Of total direct investment for private sector employee schemes (almost all of which was held by DBH schemes), 71% was in long-term debt securities (including structured products) at the end of June 2021, while only 10% was in equities and 6% in unquoted private equity and alternatives. However, for public sector schemes, at the end of June 2021 equities accounted for 41% of total direct investment, and unquoted private equity and alternatives were 22%, suggesting more "growth-oriented" investment strategies.

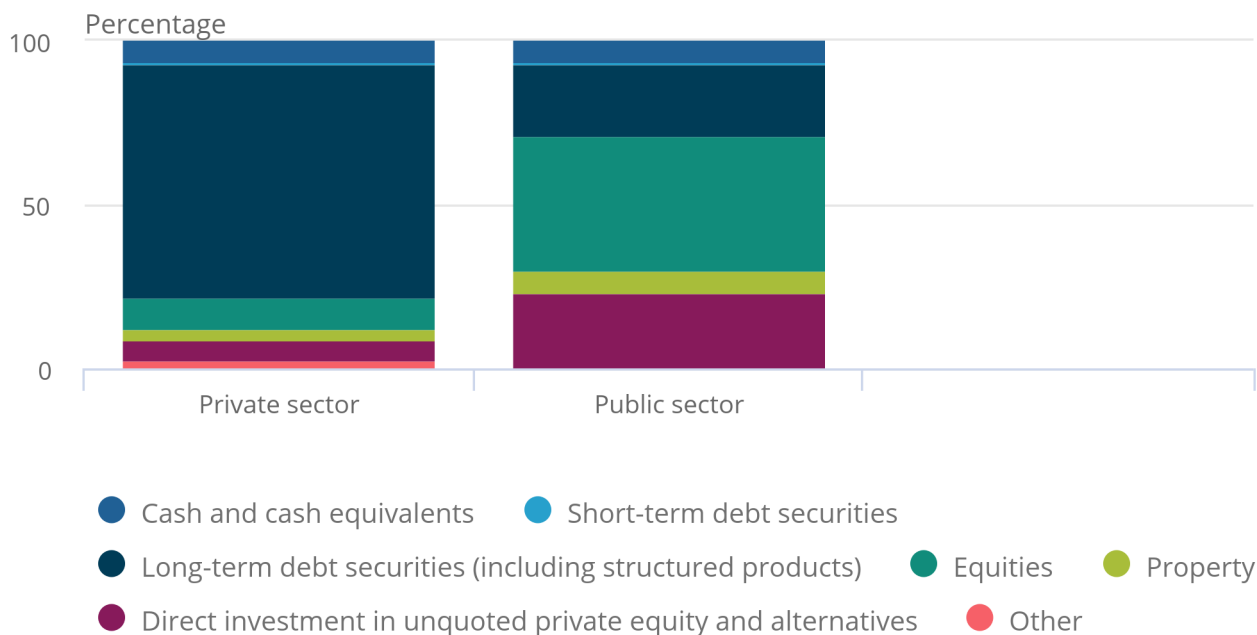
This difference in asset allocation reflects the differences in age profiles of public and private sector employee schemes, with the "ageing" of private sector DBH schemes, and bonds seen as a way of providing income for cashflow negative schemes and managing the interest rate risk associated with pension liabilities. In addition, it could highlight the differences in the risk and regulatory environments of schemes where the government is the "pension manager", compared with those that have private sector sponsors.

**Figure 9: At end-June 2021, 71% of private sector schemes' direct investments are in long term debt securities, whilst 41% of public sector schemes' direct investments are in equities**

Composition of direct investments of private and public sector schemes, UK, percentage, end of June 2021

Figure 9: At end-June 2021, 71% of private sector schemes' direct investments are in long term debt securities, whilst 41% of public sector schemes' direct investments are in equities

Composition of direct investments of private and public sector schemes, UK, percentage, end of June 2021



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

Notes:

1. Direct investments are defined in [full glossary](#). Long-term debt securities includes structured products.

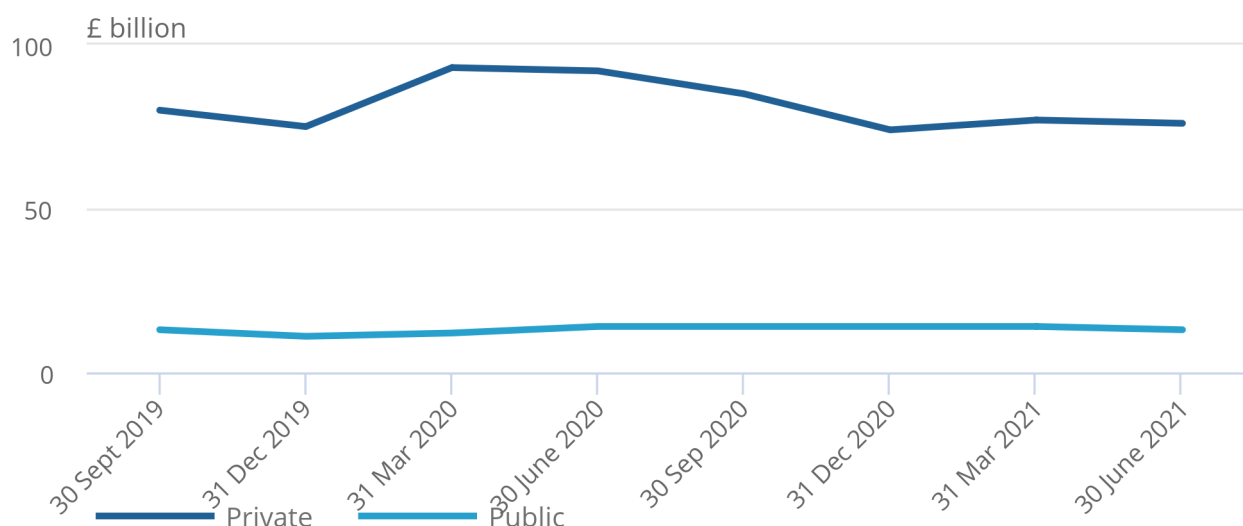
Cash and cash equivalents form 7% of private sector direct investments, as well as for public sector schemes, at the end of June 2021 (Figure 9). Figure 10 compares the movement of cash and cash equivalents for private and public sector schemes. Private sector schemes consistently have the largest holdings of cash and cash equivalents, with 85% of the total at the end of June 2021. Between the end of December 2019 and the end of March 2020, total cash and cash equivalents grew by 22%, suggesting a growth in the demand for liquid assets, following economic shocks.

## Figure 10: Private sector schemes dominate direct investments in cash and cash equivalents

Breakdown of cash and cash equivalents, private and public sector schemes, UK, £ billion, 30 September 2019 to 30 June 2021

### Figure 10: Private sector schemes dominate direct investments in cash and cash equivalents

Breakdown of cash and cash equivalents, private and public sector schemes, UK, £ billion, 30 September 2019 to 30 June 2021



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

#### Notes:

1. For definitions for pooled investment vehicles, direct investments and insurance, see [full glossary](#).

## Liabilities

Other (non-pension) gross liabilities of UK-funded occupational pension schemes were estimated at £212 billion at the end of June 2021 (Table 1). They consist mainly of repurchase agreements, which equalled £188 billion at the end of June 2021. Schemes also had cash and borrowing liabilities such as overdrafts estimated at £10 billion and payables, estimated at £9 billion.

## 6 . Funded occupational pension schemes data

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

Dataset | Released 21 December 2021

Provisional data on membership, contributions, benefits and balances of funded occupational pension schemes in the UK. Data are quarterly from the Financial Survey of Pension Schemes (FSPS).

## 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).

## Cash and cash equivalence

As per the guidance on the Financial Survey of Pension Schemes (FSPS) questionnaire, reporting within cash and cash equivalents includes the following categories:

- cash and deposits
- reverse repurchase agreements
- short-term loans
- long-term loans

## 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

These pension schemes are ones in which the rules of the scheme specify the rate of benefits to be paid. A common defined benefit (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

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 help 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.

## Response rates

The response rate for Quarter 2 (Apr to June) 2021 for the FSPS, at the period of closedown, was 79%. Please note that even though the response date has passed, it is possible for there to be revisions to submissions for previous quarter, and for late submissions to be provided. However, all four quarters of 2019 will not be subject to revisions.



## 9 . Related links

### [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.

### [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.

### [MQ5: Investment by insurance companies, pension funds and trusts: October to December 2018](#)

Bulletin | Released 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.

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

Survey | Updated 23 June 2021

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

### [Employee workplace pensions in the UK: 2020 provisional and 2019 final results](#)

Bulletin | Released 10 May 2021

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.