

Summary

Introduction (Chapter 1)

This report presents the findings of the Employers' Pension Provision Survey conducted in the spring of 2003. The survey is the fifth of its kind, with previous surveys conducted in 1994, 1996, 1998 and 2000.

In the course of the survey, a representative sample of 2002 private-sector employers in Great Britain was interviewed about their provision, or non-provision, of pension schemes and any changes they might have recently made to these provisions. The sample was derived from the Inter-Departmental Business Register (IDBR), which is collated by the Office for National Statistics (ONS) and includes all tax and VAT-registered businesses in England, Scotland and Wales. Interviews were conducted by telephone, preceded by a letter from the Department for Work and Pensions inviting organisations to participate in this survey. The survey achieved an effective response rate of 67 per cent.

Pension provision in Britain (Chapter 2)

Almost two-thirds of private-sector businesses included in the Employers' Pension Provision Survey were small organisations with four or fewer employees (Table 2.1). However, these small businesses accounted for only nine per cent of all private-sector employees, whereas 42 per cent of employees were working in organisations with 1000 or more employees. These organisations, in turn, made up less than one per cent of all organisations. Manufacturing, retail and banking were the main industrial sectors, both in terms of the proportion of organisations and of employees (Tables 2.2 and 2.6).

Seven per cent of organisations had occupational pension schemes, rising from as few as three per cent among businesses with less than five employees to 85 per cent in organisations with 1000 or more employees (Table 2.8). Twelve per cent of organisations offered Group Personal Pension (GPP) schemes and 15 per cent contributed to other forms of employee personal pensions (PP). The single most frequent provision was access to stakeholder pension (35 per cent of organisations). While organisations with between 100 and 499 employees were most likely to offer GPPs or PPs, access to stakeholder pensions was, above all, provided by organisations with 20 to 49 employees. Overall, 52 per cent of organisations provided some type of pension or pension access, largely as a result of the introduction of stakeholder pensions.

Organisations providing some type of pension tended to be larger than non-providers, more frequently in manufacturing and less frequently in construction, less likely to be set up for just two years or less and maintained a higher proportion of full-time employees (Table 2.10).

Three-quarters of organisations provided only one type of pension, including 44 per cent which only provided access to stakeholder pensions (Table 2.12).

While 52 per cent of employers provided some type of pension or access to pension, 92 per cent of employees worked in organisations with some form of pension provision. Once again, this figure was increased by the inclusion of access to stakeholder pensions and the fact that 64 per cent of employees worked in organisations which provided this access. However, only 19 per cent of employees worked for organisations that provided access to stakeholder pensions and also contributed to these pensions (Table 2.14). The main reasons for not providing any pension were the belief that the organisation was too small to warrant a pension scheme (36 per cent) and the cost of provision (12 per cent) (Table 2.17).

Stakeholder pensions (Chapter 3)

Stakeholder pensions were introduced in April 2001 to provide people who have no access to employer-provided pensions the opportunity to join a low-charge pension scheme. Employers with five or more employees and who do not provide occupational pensions or contribute less than three per cent of pay to GPPs are required to offer access to stakeholder pensions. However, they are not required to contribute to these.

In total, 35 per cent of private-sector employers provided access to stakeholder pensions in 2003, including 80 per cent of organisations with 13 to 49 employees. Seventy per cent of smaller organisations (up to 19 employees) providing access to stakeholder pensions, did not offer other types of pension. Larger organisations were more likely to combine the provision of access to stakeholder pensions with the provision of other pension schemes (Table 3.1).

Although many organisations provided access to stakeholder pensions, three-quarters of these organisations, in fact, reported no active stakeholder pension members among their workforce. This was largely the case in smaller organisations (up to 19 employees) and declined to just 28 per cent of organisations with 1000 or more employees. In terms of employees, 23 per cent of the workforce was in organisations which offered access to stakeholder pensions but no other pension scheme, while 42 per cent worked in organisations, which offered access to stakeholder pensions, but which, in turn, had no active members (Table 3.2).

Only 17 per cent of all organisations, which provided access to stakeholder pensions, also contributed to these pensions. Among those organisations, which did contribute to active members' stakeholder pension, 93 per cent contributed for all their active member employees (Table 3.3). Stakeholder pension schemes were more likely to receive contributions in the shape of percentages of pay than (fixed) amounts of money (Table 3.5).

About four per cent of organisations, which provided access to stakeholder pensions also made payroll deductions on behalf of employees who had arranged their own private stakeholder pension. Of this group of organisations, only four per cent also contributed to these private stakeholder pensions.

Changes to pension provision (Chapter 4)

The period between 2000 and 2003 recorded a substantial increase in the proportion of private-sector organisations with one or another type of pension provision. Among smaller organisations (with up to 19 employees), the proportion offering some type of pension increased from 26 per cent to 47 per cent, while among larger organisations (20+ employees), the proportion increased from 64 per cent to 98 per cent (Table 4.1). The increase was largely due to the introduction, in 2001, of the stakeholder pension (in 2003, 31 per cent of smaller and 76 per cent of larger organisations provided access to this pension).

These increases in the proportion of organisations providing some type of pension scheme also increased the proportion of employees working in organisations with pension provisions. The proportion of employees doing so increased from 30 per cent in 2000 to 64 per cent in 2003 among smaller organisations and from 89 per cent to 100 per cent in larger organisations. Active membership of pension schemes increased slightly among employees in smaller organisations (from 15 per cent to 17 per cent), while it declined slightly for employees in larger organisations (from 45 per cent to 44 per cent). Neither of these changes is statistically significant.

Changes in the provision of pensions were most notable among larger businesses, among which the proportion of providers of Group Personal Pensions (GPPs) and of contributors to personal pensions (PPs) both increased between 2000 and 2003 (Table 4.2). However, the period also saw an increase in the proportion of organisations with closed occupational schemes and a related decrease in the proportion of organisations with open salary-related occupational pension schemes (from 11 per cent to eight per cent), despite an overall increase in the proportion of organisations with some type of salary-related scheme (open, closed or frozen). The provision of open money-purchase occupational schemes increased slightly from eight per cent to nine per cent (organisations with 20+ employees), but this was much less than the change in the total provision of money-purchase schemes (increasing from nine per cent to 15 per cent). Of all money-purchase schemes opened between 2000 and 2003, just about half (55 per cent) were still open at the time of the 2003 survey, providing an explanation for this differential in change. It is also worth noting, that of all closed money purchase schemes, 99 per cent had between 1-19 active members, i.e. nearly all were very small. (cf Table 5.8)

Occupational schemes continued to be offered by organisations accounting for seven per cent of the total private-sector workforce in smaller businesses (1-19 employees) and 67 per cent of the workforce in larger businesses (20+ employees) (Table 4.3). However, the proportion of the workforce employed in smaller organisations, which operated closed occupational schemes, doubled from two per cent to four per cent, while it nearly trebled in larger organisations, rising from 12 per cent to 34 per cent. The proportion of the workforce in organisations with GPPs or PPs increased, or decreased slightly (smaller organisations contributing to PPs), for both size groups, while 48 per cent of the workforce of smaller organisations and 69 per cent of that of larger organisations worked for providers of stakeholder pension access.

Active membership of occupational schemes declined among larger businesses (not a statistically significant change), but remained unchanged in smaller organisations (Table 4.4), although active membership of open salary-related schemes in larger organisations declined substantially from 24 per cent of the workforce in 2000 to 16 per cent in 2003. Between six per cent (smaller organisations) and nine per cent (larger organisations) of the workforce were members of GPPs, four per cent and one per cent respectively received employer's contributions to their PPs, while four per cent and three per cent were active members of stakeholder pension schemes.

Seventeen per cent of organisations that were not providing any pension schemes in 2003 indicated that they had seriously considered introducing some form of pension for their employees within the next five years or later (Table 4.5). This increased to 34 per cent of businesses with five or more employees.

Nearly 90 per cent of pension providers with five or more employees had made some changes to their pension provisions since 2000, including 82 per cent, which had started to offer access to stakeholder pensions. Six per cent had opened a new GPP, five per cent had started to contribute to PPs and three per cent had opened a new occupational pension scheme (Table 4.6). Three per cent of these organisations had also closed an occupational pension scheme, rising to 32 per cent among businesses with 1000 or more employees.

Less than half of one per cent of current providers of occupational pensions had moved from a money-purchase to a salary-related scheme, although four per cent had changed from a salary-related to a money-purchase scheme (Table 4.8). Further changes, such as moving to GPPs arrangements, contributing to personal pension plans to replace current provision and moving to stakeholder pension arrangement were anticipated by three, five and 15 per cent of current non-providers of these options (Table 4.9).

Occupational Pensions (Chapter 5)

Seven per cent of employers provided occupational pensions for their workforce, of which one-quarter provided just these pensions, while the remainder provide occupational pensions alongside other pension schemes (mainly stakeholder pensions).

Fifty-six per cent of occupational pension schemes in private-sector organisations were open schemes, 33 per cent were closed and 11 per cent were frozen. Closed and frozen schemes tended to be smaller in size than open schemes, covering or affecting fewer employees (Table 5.2). There was considerable uncertainty among respondents as to when occupational schemes had been closed and many suggested that closure happened more than four years ago (28 per cent of closed, 59 per cent of frozen schemes). The main reasons given for closing schemes within the last four years were costs, the original intention to limit the provision to a few individuals and to set up a new or other type of scheme (Table 5.5).

One in five occupational schemes were salary-related schemes (22 per cent), while over half (53 per cent) were money-purchase schemes, although this declined to 47 per cent of open occupational schemes (Table 5.6). The remainder were mixed, salary-related and money-purchase schemes. Open salary-related schemes tended to have a greater median number of active members (nine) than money-purchase, (one), other (zero) or any closed (one) schemes (Table 5.8).

Reasons for closing salary-related schemes were mainly costs and the intention to limit access to a few selected individuals, the latter was also the main reason for closing money-purchase schemes (Table 5.13). However, costs were rarely the reason behind the closure of money-purchase schemes. Most closure of occupational schemes in the last four years coincided with the opening of pension schemes during the same period (Table 5.14). However, only 53 per cent of organisations, which closed an occupational scheme had also opened an occupational scheme; the majority opting for offering access to stakeholder pensions (78 per cent).

The majority of occupational pension scheme members were active members (77 per cent), ten per cent were deferred pensioners and 13 per cent were active pensioners (Table 5.19). Members of money-purchase schemes were less likely to be active members and more likely to be current pensioners than members of salary-related schemes. Two in three (59 per cent) occupational schemes were non-contributory for employees (Table 5.23).

Employers' median contributions to open occupational pension schemes with ten or more members were higher for salary-related schemes (eight per cent) than for money-purchase schemes (five per cent), but highest for closed schemes (13 per cent) (Table 5.24). Contribution rates increased with the size of the occupational scheme (Table 5.25).

In one-third of salary-related occupational schemes, interview respondents did not know whether the scheme had had a Minimum Funding Requirement (MFR) valuation. Excluding these, three per cent of open and 11 per cent of closed salary-related schemes had been valued at less than 90 per cent of their liabilities (Table 5.27), affecting, overall, five per cent of active members. Eighty-one per cent of the schemes that were under-funded had taken action to rectify this situation, typically by increasing employers' or members' contributions (54 per cent and 33 per cent) or injecting cash into the fund (12 per cent).

Group Personal Pensions and Personal Pensions (Chapter 6)

Twelve per cent of private-sector organisations had set up a Group Personal Pension plan (GPP) for their employees, including around half of all businesses with 50 or more employees (cp. Table 2.8). Nearly half of all businesses also provided only GPPs and no other form of pension (Table 6.1). Ninety-five per cent of employers contributed to the GPPs, including 40 per cent who contributed for all GPP members. Six per cent of schemes received no employer contributions, while 67 per cent received employer contributions in the form of percentages of pay and 26 per cent received fixed amounts of money (Table 6.4). Organisations with 20 or more employees were particularly likely to contribute pay percentages. Among 12 per cent of GPPs, all members had contracted out of SERPS. Another 27 per cent had some members contracted out.

Over the last three years, the median proportion of pay, which employers contributed to GPPs was six per cent among businesses with up to 19 employees and five per cent among businesses with 20 or more employees. The median amount of money contributed was £35 and £48 per week respectively.

Fifteen per cent of private-sector organisations made contributions to personal pension plans. Sixty-one per cent of organisations contributed to PPs for up to one-quarter of their employees (Table 6.5). However, because of the comparatively large proportion of smaller businesses contributing to PPs, in effect, 71 per cent of organisations contributed to just one personal pension plan.

The administration of occupational pension schemes (Chapter 7)

One-third (33 per cent) of occupational schemes were known to be insured (Table 7.1). Money-purchase schemes (32 per cent) were more likely to be insured than salary-related schemes (23 per cent). Almost all schemes were tax-approved (97 per cent). Twenty-two per cent of tax approved schemes had increased their pensions in payment accrued since 1997 by more than the minimum legal requirement of either the rate of inflation or five per cent (Table 7.2).

Sixty-five per cent of occupational schemes were managed by a board of individual trustees, while 18 per cent had a sole corporate trustee (Table 7.5). In 17 per cent of cases, respondents did not know what type of board headed their schemes or said there were no trustees. However, respondents were much clearer about the trustee arrangements of money-purchase schemes than of salary-related schemes: 75 per cent of open money-purchase schemes were described as managed by individual trustees and 21 per cent by sole corporate trustees (Table 7.5).

Fifty-eight per cent of occupational schemes with one or more trustees had at least one-third of trustees nominated by members (Table 7.7). In about one-fifth of schemes (22 per cent), which had less than one-third of their trustees nominated by members, respondents said they were not aware of this legal requirement. In a further 16 per cent of cases, the schemes were said to be exempt from this regulation, while in another 15 per cent of cases, respondents noted that the schemes did not have sufficient members for the regulation to apply to them.

Pension rights upon divorce, survivor benefits and retirement ages (Chapter 8)

This chapter looks at a range of technical and legal issues concerning occupational pensions.

The Welfare Reform and Pensions Act of 1999 modified the way in which pension rights may be shared between former spouses. Since 2000, a small proportion of occupational schemes had been affected by these regulations: two per cent had received earmarking orders, one per cent had received attachment orders and one per cent received pension sharing orders (Tables 8.1, 8.3, 8.5). In all instances, salary-related schemes were more likely to have done so, as were larger occupational schemes.

Over 80 per cent of contracted-out and 58 per cent of contracted-in occupational schemes provided non-compulsory survivor benefits, such as for unmarried partners, children and, in the case of contracted-in schemes, also the legal spouse. Contracted-out money-purchase schemes were more likely to provide survivor benefits to unmarried partners than were salary-related schemes, but they were less likely to provide survivor benefits to children (Table 8.7). Among contracted-in schemes, 46 per cent provided survivor benefits to legal spouses, although this was the case for only 28 per cent of money-purchase schemes (Table 8.9).

1 Introduction

1.1 Introduction

This report is the fifth in a series presenting the findings of a survey of employers in England, Scotland and Wales to investigate the extent and type of pension provision offered and/or contributed to by businesses in the private sector. Previous surveys were conducted in 1994, 1996, 1998 and 2000. The fieldwork for the current survey, which is the focus of this report, was completed in the Spring of 2003, using Computer Assisted Telephone Interviewing (CATI).

The survey of 2003 covered 2002 organisations located in Britain, employing a total of nearly 3.5 million workers.

This chapter summarises the main aims of the research and the method adopted. It also provides an overview of the contents of subsequent chapters.

1.2 Background

The Department for Work and Pensions (DWP) commissioned the British Market Research Bureau (BMRB) and the Centre for Research in Social Policy (CRSP), Loughborough University, to carry out and analyse the Employers' Pension Survey 2003. As for previous surveys (Casey *et al.*, 1996; Forth and Millward, 1999; Hales and Stratford, 2000; Smith and McKay, 2002), the aim of the 2003 survey was to collect information about the provision and non-provision of pensions by British private-sector businesses and to draw comparisons with previous surveys to record changes in the patterns and the extent of provision over time.

Previous reports commented not only on the extent of pension provision in general, but also paid particular attention to policy changes at the time. In this report, one specific focus is the impact of the introduction of the stakeholder pension in April 2001 on pension provision. Conducted two years after businesses with five or more employees and no alternative pension provisions were required, for the first time, to provide access to stakeholder pensions, this survey contains information about how employees' take-up of pensions as well as employers' provision of, and contributions to, pensions have since changed.

A further focus of this survey and its analysis has been to record changes made to the provision of occupational pension schemes. Since the last survey, it had been widely reported in the media that businesses were closing their salary-related, defined-benefit schemes and/or replacing them with

money-purchase, defined-contribution schemes. The 2003 survey provides evidence of the current pattern of pension provisions and, by comparison with previous surveys' findings, indications of changes to this pattern.

1.3 Methods

1.3.1 Data sheet

As in previous years, an advance letter and a 'datasheet' were sent to respondents before they took part in the telephone interview. The letter was despatched on DWP headed notepaper to encourage response.

The datasheet provided a description of the main types of pension schemes the organisations might provide. It also contained some of the key questions from the survey and was designed to encourage respondents to refer to documents or their pension specialists in advance of the main interview so they could gather the more complex and detailed information required in advance of the interview. Respondents were asked to record details on the datasheet, such as the types of pension schemes their organisation provided, the number of employees within each scheme and some detailed questions on the nature of any occupational schemes they had in place. To assist them with their answers, respondents were asked to keep the datasheet with them during the interview.

In addition, a website was created from which respondents could access the aforementioned advance letter and the datasheet as well as more detailed information about the survey – www.surveyofpensions.org.

1.3.2 The questionnaire

The questionnaire closely followed the structure and content of that used in the 2000 survey. But it also contained a few alterations and additions in order to reflect the introduction of the stakeholder pension and the concern with establishing the extent of changes that businesses might have made to their provision of occupational pensions since the last survey.

The questionnaire was divided into eight main sections:

Section A recorded information about the organisation, including the size and composition of its workforce.

Section B recorded the type of pension schemes (occupational, group pension, stakeholder pension, personal private pensions), which the organisation might have provided or contributed to.

Section C was the first of five sections (C-G) dealing with the provision of specific types of pension products, in this instance, stakeholder pensions.

The following section D collected information about employers' contributions to private stakeholder pensions, which employees had joined without the organisation providing access to them.

Section E recorded information about occupational pension schemes provided by organisation, collected detailed data about the administration, membership, contributions and conditions of entitlement of the three largest schemes, and more basic data about any other schemes (up to a further seven).

Section F focused on group personal pensions, again recording detailed information about the three largest schemes that organisations might have provided and more limited information about any other schemes.

Section G explored the extent and level to which organisations contributed to employees' private pensions other than Stakeholder or Group Personal Pensions.

Section H, finally, asked organisations to indicate any recent or planned changes to their pension provision, including, for instance, changes from salary-related to money-purchase occupational pension schemes.

1.3.3 The sample

The survey sought to capture a representative sample of private sector organisations in Britain. The sample was drawn from the Inter-Departmental Business Register (IDBR), which is held by the Office for National Statistics (ONS) and is based on businesses' VAT and PAYE returns. In total, a sample of 9792 private-sector enterprises or enterprise groups was drawn from the Register, stratified by size band, i.e. the number of employees in these organisations. Larger businesses were oversampled because of their smaller total numbers and in order to ensure a sufficient coverage of employees, most of whom are working in these larger organisations.

After eliminating ineligible and duplicate records, a final sample of enterprises was drawn from among this initial sample for further screening, including the identification of correct telephone numbers. At the end of this process, 3213 employers were invited to take part in this survey, resulting in 2002 completed interviews (66.6% response rate). Further details can be found in Appendix A.

This was only the second time that the IDBR was used for sampling. It was first used in the 2000 employers' pension survey. Previous surveys had relied on the business records held by Dun and Bradstreet, which tended to under-represent smaller employers. The use of different sampling frames in the years between 1994 and 1998 and the 2000 and 2003 samples means comparisons should be treated with caution.

1.4 This report

This report is divided into nine chapters. Following this introduction, Chapter 2 describes the organisations included in the Employers' Pension Provision Survey and their types of pension provision. It also summarises the reasons given by the organisations for not providing any pensions. Chapter 3 examines organisations' provision of access to stakeholder pensions, the extent to which employers contributed to these pensions and to stakeholder pensions arranged privately by employees. Changes in the provision of pensions over time are explored in Chapter 4, which draws on the findings of previous surveys of employers' pension provision. Chapter 5 and Chapter 6 respectively discuss the level of occupational and Group Personal Pension provision among British businesses. In Chapter 7, additional information is provided about the administration of occupational pensions, in particular the nomination of trustees. Chapter 8 looks specifically at the current practice of splitting or sharing an occupational pension upon a scheme member's divorce; the extent to which these schemes offered additional benefits for spouses, partners or children; and the definitions of retirement ages and the scope for early retirement. Finally, Chapter 9 draws together the main findings from this survey.

1.4.1 Reporting of statistical results

This report includes some comparisons of the findings of the 2003 survey of employers' pension provision with those of the 2000 survey, in particular in Chapter 4. Generally, only findings that are statistically significant at the 95 per cent level have been reported, unless otherwise stated.

2 Pension provision in Britain

2.1 Introduction

This chapter begins with a description of the private-sector organisations covered by the 2003 Employers' Pension Provision Survey, briefly drawing out some differences with the sample used in the 2000 survey. Subsequent sections explore the extent and type of pension provisions, thus presenting the first findings from this year's survey.

Although some tables and commentary in this chapter already include comparisons with data from previous surveys of employers' provision of pensions, a detailed discussion of changes in pension provisions is reserved for Chapter 4.

2.2 Characteristics of private-sector organisations

2.2.1 Private-sector organisations

In 2003, as in 2000, the majority of organisations in the sample were limited companies (66 per cent). In addition, 14 per cent each were sole proprietors or partnerships and six per cent were non-profit-making organisations.

Nearly two-thirds of organisations were small businesses with up to four employees (Table 2.1), with about another quarter (23 per cent) employing between five and 12 workers. Organisations with 50 or more employees accounted for only about three per cent of organisations.

The adoption of new sizeband categories (distinguishing between organisations with up to four employees, and others) in 2003 to reflect the introduction of stakeholder pensions, which must be provided by employers with five or more employees, limits the comparability of the 2003 data with data from previous years (where the smallest category was one to five employees). This said, the data suggest a broadly similar size distribution of businesses across the years and a continued prevalence of smaller businesses, including a sustained larger proportion of very small firms (up to four or up to five employees) since 2000.

Table 2.1 Size of private-sector organisations in Great Britain, 1996, 1998, 2000 and 2003

	<i>Column percentages</i>			
Size of organisation	1996	1998	2000	2003¹
Up to 5 employees ¹	61	60	66	63
6 – 12 employees ¹	26	28	21	23
13 – 19 employees	6	5	6	5
20 – 49 employees	5	4	5	6
50 – 99 employees	1	1	1	2
100 – 499 employees	1	1	1	1
500 – 999 employees	*	*	*	*
1000+ employees	*	*	*	*
<i>Weighted base (all)</i>	<i>992</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>1831</i>	<i>1945</i>	<i>1977</i>	<i>2002</i>

Note: * = Less than 0.5 per cent but more than zero. ¹ Size bands for 2003: up to 4 employees and 5-12 employees, the remainder as shown.

The authors of the 2000 report pointed out that the increase in the share of very small businesses between 1998 and 2000 may be because the 2000 survey had been conducted during November and December of that year, thus possibly picking up a number of seasonal workers employed during the pre-Christmas period. In 2003, as in years prior to the 2000 survey, fieldwork was again undertaken in the spring, yet the survey still found a higher proportion of very small firms than the 1998 survey, despite limiting the sizeband to four instead of five employees.

The largest industrial sector of organisations in the 2003 sample was, as in 2000, the banking, finance and business services sector, whose share of all organisations increased from 31 per cent in 2000 to 35 per cent in 2003 (Table 2.2). The second largest sector was retail, distribution, hotels and catering (28 per cent), the third largest sector, manufacturing (11 per cent). There was little change in the shares of organisations in these and other industrial sectors, which accounted for the remaining 26 per cent of organisations.

Table 2.2 Industrial sector (SIC 1992) of private-sector organisations, 1996, 1998, 2000 and 2003

	<i>Column percentages</i>			
Industry sector	1996	1998	2000	2003
Agriculture and fishing	4	2	2	2
Energy and water	*	*	*	*
Manufacturing	12	11	11	11
Construction	9	9	8	8
Retail, distribution, hotels and catering	30	34	29	28
Transport and communications	4	4	4	3
Banking, finance and business services	29	0	31	35
Education and health	3	4	6	5
Other services	9	6	9	8
<i>Weighted base (all)</i>	<i>981</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>1830</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>

Note: * = Less than 0.5 per cent, but more than zero.

In comparison to 2000, a larger percentage of organisations had been founded within the last five years (23 per cent) (Table 2.3). At the same time, more organisations had started operating 20 or more years ago (37 per cent), while the proportion of businesses in the sample in operation for between five and 19 years declined (39 per cent).

Table 2.3 Employee profile and number of years in operation: private-sector organisations 1998, 2000 and 2003

	<i>Column percentages</i>		
	1998	2000	2003
Number of years since organisation started operating			
Less than 2 years ago	8	6	5
2 – 4 years ago	14	13	18
5 – 10 years ago	23	28	20
11 – 19 years ago	25	23	19
20+ years ago	30	30	37
Percentage of male employees			
0%	9	12	10
1% – 49%	18	24	17
50% – 99%	52	49	53
100%	22	15	19
Percentage of female employees			
0%	22	15	19
1% – 49%	35	32	39
50% – 99%	35	41	31
100%	9	12	10
Percentage of full-time employees			
0%	7	6	6
1% – 49%	9	16	11
50% – 99%	39	41	43
100%	45	37	39
Percentage of part-time employees			
0%	45	37	39
1% – 49%	30	27	31
50% – 99%	18	31	23
100%	7	6	6
<i>Weighted base (all)</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>

The period between 2000 and 2003 also saw changes in the composition of organisations' workforce. The proportion of organisations employing no male employees or whose male workforce constituted less than half of the total workforce declined from 12 per cent and 24 per cent respectively in 2000 to ten per cent and 17 per cent respectively in 2003 (Table 2.3). At the same time, the proportion of organisations employing between 50 and 99 per cent male employees increased from 49 per cent to 53 per cent. Changes in the proportion of organisations employing no, few or mainly female staff corresponded to these changes in the employment of male employees. In particular, the proportion of organisations whose female workforce made up less than half of the workforce increased (from 32 per cent to 39 per cent), while the proportion of organisations whose female workforce constituted more than half (but less than all) of their employees decreased (from 41 per cent to 31 per cent).

This increase in the proportion of organisations with a predominantly male workforce, who are more likely than women to work full time, was also reflected in the changes in the percentages of full-time and part-time employees between the 2000 and the 2003 surveys. In 2003, 82 per cent of organisations reported to employ at least half of their workforce full time, up from 78 per cent in 2000. Conversely, while in 2000, 37 per cent of organisations employed a largely part-time workforce (50 per cent or more), this declined to 29 per cent in 2003.

Together, the increases in the male workforce and in full-time working in the sampled organisations are likely to increase pension coverage, which tends to be higher among men than women, and higher among full-time than part-time employees.

A breakdown of the composition of workforce by the size of the sampled organisations reveals that medium-sized businesses with between 100 and 499 employees, on average, engaged the largest proportion of full-time workers (85 per cent), while smaller businesses (up to 12 employees) reported, on average, larger proportions of part-time employees (29 per cent and 28 per cent) (Table 2.4). Small organisations with between five and 12 employees were also more likely than other organisations to employ proportionately more women. Across all size categories, however, private-sector organisations predominantly employed male labour.

A breakdown of the industrial sector of operation by the size of organisation shows that larger businesses were more and most likely to be operating in manufacturing, while among smaller and among some of the medium-sized businesses proportionately more were engaged in retail, distribution, hotels and catering or, in the case of the smallest businesses, in banking, finance and business services. This pattern was very similar to that observed in 2000 (cp. Smith & McKay, 2002, Table 2.4, p. 17).

Half of all enterprises had been in operation for 14 or more years. Larger organisations tended to have been in existence for longer than smaller businesses, including half of all enterprises with 500 to 999 employees in operation for at least 43 years.

Table 2.4 Characteristics of private-sector organisations in 2003 by size of organisation

	Size of organisation (number of employees)								All
	Up to 4	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
Median number of years in operation	11	14	17	20	25	23	43	35	14
Mean percentages:									
Full-time employees	71	72	75	78	80	85	79	77	72
Part-time employees	29	28	25	22	21	15	21	24	28
Male employees	61	55	60	58	60	60	59	60	60
Female employees	39	45	40	42	40	40	41	41	40
Industry: Standard Industrial Classification:									
Agriculture and fishing	3	1	2	2	1	1	1	1	3
Energy and water	0	0	0	0	*	*	*	2	0
Manufacturing	7	16	16	20	26	30	29	24	8
Construction	8	7	8	8	6	6	4	4	8
Retail, distribution, hotels and catering	25	37	30	25	22	19	18	22	26
Transport and communications	3	3	4	5	6	5	6	7	3
Banking, finance and business services	43	22	21	20	21	23	24	22	41
Public administration, education and health	3	6	12	15	12	11	13	13	3
Other services	9	8	7	6	5	5	5	5	9
<i>Weighted base (all)</i>	1255	453	106	110	39	30	4	4	2002
<i>Unweighted base (all)</i>	122	230	121	284	213	429	197	406	2002

Note: * = less than 0.5 per cent but than zero.

2.2.2 Employees in private-sector organisations

The survey of employers' provision of pensions, as in previous years, collected information about the number as well as characteristics (reported above) of employees in the sampled organisations. This section provides a summary of the findings of the analysis of these data. Further, more specific findings, for instance, relating to employees' membership of pension schemes will follow in later chapters.

Reporting on the number and distribution of employees across different types of organisations is different from describing organisations. This is because the majority of employees work in larger organisation with those employing 1000 or more workers accounting for 42 per cent of the workforce of all sampled organisations (Table 2.5). This was a slight increase over the proportion accounted for by these organisations in 2000 and continued a trend, which started in 1998¹. At the same time, the proportion of employees in organisations with up to 19 employees declined from 28 per cent in 2000 to 22 per cent in 2003.

Table 2.5 Percentage of employees in private-sector organisations by size of organisation, 1996, 1998, 2000 and 2003

	<i>Column percentages</i>			
Size of organisation	1996	1998	2000	2003¹
Up to 5 employees ¹	13	13	13	9
6 – 12 employees ¹	15	16	10	9
13 – 19 employees	6	6	5	4
20 – 49 employees	10	9	9	8
50 – 99 employees	6	6	6	6
100 – 499 employees	12	13	14	14
500 – 999 employees	5	5	6	7
1000+ employees	32	34	38	42
<i>Weighted base (all)</i>	<i>992</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>1831</i>	<i>1945</i>	<i>1977</i>	<i>2002</i>

Note: ¹ Size bands for 2003: up to 4 employees and 5-12 employees, the remainder as shown.

This greater representation of employees in larger organisations means that the types of pension schemes provided by such organisations has a disproportionate effect on the access and, potentially, the take-up of pensions among the total workforce.

There were fewer substantial changes in the distribution of employees by industry. About one-quarter of employees worked in banking, finance or business services (26 per cent) and just over one-fifth in retail, distribution, hotels and catering (22 per cent) or manufacturing (21 per cent) (Table 2.6). In other words, there were proportionately more employees in manufacturing and proportionately fewer employees in financial and business services or in retail, distribution, hotels and catering than there were organisations in those sectors (cp. Table 2.2). This reflected the size distribution of organisation operating in these sectors, as manufacturing businesses tend to be larger than businesses in the other two sectors.

¹ Although different sample sources may account for some of these changes.

Table 2.6 Percentage of employees in private-sector organisations by industrial sector (SIC 1992), 1996, 1998, 2000 and 2003

<i>Column percentages</i>				
Industry sector	1996	1998	2000	2003
Agriculture and fishing	2	2	1	1
Energy and water	2	2	1	2
Manufacturing	20	18	21	21
Construction	5	7	4	6
Retail, distribution, hotels and catering	27	28	27	22
Transport and communications	6	5	5	6
Banking, finance and business services	25	27	23	26
Public administration, education and health	6	5	11	9
Other services	8	8	6	6
<i>Weighted base (all)</i>	<i>942</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>1500</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>

Most employees also worked in organisations established 20 or more years ago (60 per cent), in organisations with a predominantly male workforce (69 per cent) or in organisations with a largely full-time workforce (82 per cent) (Table 2.7). Thirty-eight per cent of employees were employed in organisations with a largely female workforce and 20 per cent in organisations which employed a predominantly part-time workforce. Since 2000, both shares of the workforce have declined, while the proportion of employees in organisations with largely male or full-time workers has risen.

Table 2.7 Percentage of employees in private-sector organisations by the employee profile and number of years in operation of organisation, 1998, 2000 and 2003

<i>Column percentages</i>			
	1998	2000	2003
Number of years since organisation started operating			
Less than 2 years ago	4	3	1
2 – 4 years ago	6	6	5
5 – 10 years ago	14	15	14
11 – 19 years ago	16	16	18
20+ years ago	60	61	60
Percentage of male employees			
0%	3	3	2
1% – 49%	31	34	30
50% – 99%	61	58	62
100%	6	5	7
Percentage of female employees			
0%	6	5	3
1% – 49%	54	51	59
50% – 99%	38	41	36
100%	3	3	2
			Continued

Table 2.7 Continued

	<i>Column percentages</i>		
	1998	2000	2003
Percentage of full-time employees			
0%	1	3	1
1% – 49%	15	20	14
50% – 99%	61	62	72
100%	23	16	13
Percentage of part-time employees			
0%	23	16	12
1% – 49%	57	56	68
50% – 99%	19	25	16
100%	1	3	4
<i>Weighted base (all)</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>1961</i>	<i>1977</i>	<i>2002</i>

2.3 Pension provision among private-sector organisations

This section explores the incidence of pension provision among private-sector organisations. The exploration is limited to a general description of provisions, as later chapters will provide more detail about the provision of individual pension schemes or products.

There are four types of pension provision, which are discussed in this and later chapters. They include:

- occupational pensions, which are set up by employers;
- private pensions plans, arranged by an employee with an insurance company or bank, and to which employers contribute;
- group personal pensions, which are similar to private pension plans, but arranged by employers for specific groups of employees. Employers may or may not contribute to these plans; and
- stakeholder pensions. Employers with five or more employees must provide access to these pensions if they do not offer an occupational pension scheme or are affected by other exemptions (cp. Chapter 3). Employers may or may not contribute to stakeholder pensions.

In addition, different types of occupational pension schemes exist. On the one hand, there are salary-related schemes (also called defined benefit schemes), where the final pension is based on earnings, typically those received by the member in his or her final year or years of employment. On the other hand, money-purchase schemes (or defined contribution schemes) base the final pension on the money contributed to the fund. In the latter case, the amount of final pension is typically dependent on the performance of the pension fund, which itself is dependent on investment strategies pursued by the fund holders and, frequently, on stock-market performance. The value of money-purchase pensions can, therefore, vary substantially, even in the short term, and is more difficult to predict than that of salary-related schemes.

Moreover, the survey also includes information about the incidence of 'Top Hat' schemes, which some organisations may provide specifically for their senior management.

Finally, occupational schemes can be operated as open, closed or frozen schemes. Open schemes continue to provide full access to, and can be contributed to, by current and any future employees who decide to become members. Closed schemes, in contrast, no longer accept new members, while current members continue to make contributions to the scheme. Frozen schemes do not accept new members and existing members can no longer contribute to these schemes. Tables in this and later chapters will distinguish between all or some of these sub-categories of occupational schemes as appropriate.

2.3.1 The incidence of pension provision in 2003

Some seven per cent of organisations – unchanged from 2000 – had an occupational pension scheme (Table 2.8). However, the level of provision varied substantially between organisations of different size and included over four-fifths of businesses with more than 1000 employees offering occupational pensions. In contrast, provision in occupational pensions barely reached one-fifth in enterprises with up to 19 employees and was as low as three per cent among the smallest of organisations (with one to four employees). The overall low level of provision was, therefore, largely a result of the low level of provision among small and medium-sized enterprises (SMEs), which made up the majority of organisations in Britain.

Proportionately, even fewer organisations provided occupational schemes, which were open to existing and new members: overall only four per cent of businesses did, increasing from less than 0.5 per cent of businesses with up to four employees to 59 per cent of organisations with 1000 or more employees.

Group personal pensions were provided, and personal pensions contributed to, by 12 per cent and 15 per cent of organisations respectively. Again, provisions and the incidence of contributions varied between organisations of different size, albeit less markedly than in the case of occupational pension schemes.

Finally, access to stakeholder pensions was provided by 35 per cent of all organisations, including the majority of enterprises with five or more employees. Again, provision was lowest among the very small organisations (14 per cent), although this group of businesses is, of course, exempt from legislation requiring the provision of pensions.

Table 2.8 Incidence of pension provision in 2003 by size of organisation

<i>Cell percentages</i>									
Type of pension provision	Size of organisation (number of employees)								All
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
Occupational scheme	3	7	12	19	32	33	68	85	7
Open occupational schemes only	*	2	9	11	17	24	46	59	4
GPP	7	12	19	35	45	56	48	47	12
Contributions to personal pensions	12	17	14	25	27	32	23	25	15
Access to stakeholder pensions ¹	14	64	81	85	64	65	63	63	35
Access and contributions to stakeholder pensions ¹	3	4	15	15	15	19	11	21	5
Contributions to private stakeholder pensions ²	0	0	0	*	*	*	*	*	
Any provision	32	78	95	98	98	99	100	100	52
No provision	68	22	5	2	2	1	0	0	48
<i>Weighted base (all)</i>	<i>1255</i>	<i>453</i>	<i>106</i>	<i>110</i>	<i>39</i>	<i>30</i>	<i>4</i>	<i>4</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>122</i>	<i>230</i>	<i>121</i>	<i>284</i>	<i>213</i>	<i>429</i>	<i>197</i>	<i>406</i>	<i>2002</i>

Note: Each of the main categories may each be present, so percentages may add up to more than 100 per cent. Occupational schemes include open, closed and frozen schemes.

¹ Only stakeholder pensions, which companies offered access to. ² Only stakeholder pensions joined privately by employees, which companies did not provide access to.

* Less than 0.5 per cent, but more than zero.

While 35 per cent of organisations provided access to stakeholder pensions, only five per cent also contributed to these. As with provision, the proportion of employers contributing to stakeholder pensions increased with the size of organisation, rising to 21 per cent of businesses with 1000 or more employees.

Largely as a result of the introduction of the stakeholder pension, over half of all private-sector organisations in England, Scotland and Wales (52 per cent) provided some form of pension or access to stakeholder pensions, with nearly all enterprises with more than 20 employees having some kind of provision in place. Because organisations may provide more than one type of pension, the proportion of businesses providing any kind of pension is smaller than the sum total of businesses providing individual pension schemes. In 2000, only 29 per cent of all organisations provided one or more types of pension scheme.

As noted earlier, there are, in fact, different types of occupational pension schemes, which organisations might provide. These are shown in Table 2.9. More detailed information will be given in Chapter 5. Larger organisations were again most likely to provide one or more types of occupational pension scheme, with a clear separation between organisations with up to 49 employees and organisations with 50 or more employees. This distinction was particularly marked for the case of salary-related occupational pensions, but also for closed occupational pensions. Between six and nine per cent of businesses with more than 20 employees had frozen one or more of their occupational pensions schemes. Three per cent of organisations provided Top Hat schemes, including eight per cent of businesses with 500-999 employees and nine per cent of businesses with more than 1000 employees.

Table 2.9 Occupational pension scheme provision in 2003 by size of organisation

Type of occupational pension provision	Size of organisation (number of employees)								All
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
Salary-related	2	2	6	4	21	17	46	73	3
Money purchase	2	4	5	8	8	18	30	33	3
COMBS	0	*	2	*	*	1	3	7	*
Top Hat	2	6	4	4	6	6	8	9	3
Other	1	1	0	1	0	0	*	*	1
Closed scheme	2	5	3	3	13	14	29	47	3
Frozen scheme	0	*	1	7	6	9	8	8	1
Any occupational provision	3	7	11	13	30	32	65	85	6
<i>Weighted base (all)</i>	<i>1255</i>	<i>453</i>	<i>106</i>	<i>110</i>	<i>39</i>	<i>30</i>	<i>4</i>	<i>4</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>122</i>	<i>230</i>	<i>121</i>	<i>284</i>	<i>213</i>	<i>429</i>	<i>197</i>	<i>406</i>	<i>2002</i>

Some categories may each be present, so percentages may add up to more than 100 per cent.

Notes: * = Less than 0.5 per cent, but more than zero. Organisations could have more than one scheme. Only open and closed schemes included as occupational schemes. Detail on frozen schemes is provided for information only – these have not been counted as occupational pension provision. COMBS schemes (Contracted-out mixed benefit schemes) were not available until April 1997. Top Hat schemes are those that were set up for senior management only or that are currently only open to senior managers.

2.3.2 Characteristics of providing organisations

This section turns to describing the characteristics of organisations, which do or do not provide specific types of pensions or access to them. In the first instance, the proportion of organisations of different size, industrial sector and years of operation among providers and non-providers is described (Table 2.10). Thereafter, the focus shifts to examining the proportion of organisations within individual industrial sectors and years of operation, which do not provide any pensions or provide (access to) or contribute to one or more types of pension scheme.

Non-providers of pension schemes were mainly very small organisations (one to four employees), organisations operating in the retail, distribution, hotels and catering or the banking, finance and business services sectors (Table 2.10). Among these non-providers, 36 per cent had been established 20 or more years ago compared with eight per cent of those established in the last two years. Relative to their share of all businesses (cp. Table 2.3), organisations set up between 11 and 19 years ago were least likely to offer no pension provision (cp. Table 2.1). In terms of industrial sector and compared to their share of all organisations (cp. Table 2.2), manufacturing businesses were least likely and 'other services' were most likely to be non-providers.

Table 2.10 Characteristics of pension providers and non-providers in 2003

	<i>Column percentages</i>					
	Non providers	Occupational scheme		Providers Contributes to PPs		
			GPP	Stakeholder	Any	
Number of employees						
1 - 4 employees	89	29	38	52	26	39
5 - 12 employees	11	24	22	26	42	34
13 - 19 employees	1	10	8	5	12	10
20 - 49 employees	*	15	16	9	13	10
50 - 99 employees	*	9	7	4	4	4
100 - 499 employees	*	8	7	3	3	3
500 - 999 employees	0	2	1	*	*	*
1000+ employees	0	3	1	*	*	*
Industry sector						
Agriculture and fishing	3	*	*	4	1	1
Energy and water	0	*	*	*	*	*
Manufacturing	6	21	18	17	15	16
Construction	10	8	7	4	7	5
Retail, distribution, hotels and catering	29	43	27	19	29	26
Transport and communications	4	1	2	1	3	2
Banking, finance and business services	33	14	37	48	29	36
Education and health	4	9	5	5	8	6
Other services	12	4	3	3	7	5

Continued

Table 2.10 Continued

Column percentages

	Non providers		Providers			
	Occupational scheme	GPP	Contributes to PPs	Stakeholder	Any	
Number of years since organisation started operating						
Less than 2 years ago	8	*	*	1	4	3
2 - 4 years ago	19	2	14	19	14	17
5 - 10 years ago	23	22	19	13	20	18
11 - 19 years ago	14	12	25	28	21	24
20+ years ago	36	63	41	39	41	38
Employee profile						
Mean percentage of men	61	59	64	61	57	58
Mean percentage of women	39	41	36	39	43	42
Mean percentage of full time	66	74	91	79	75	78
Mean percentage of part time	34	26	9	21	25	22
<i>Weighted base (all)</i>	<i>958</i>	<i>139</i>	<i>243</i>	<i>296</i>	<i>699</i>	<i>1050</i>
<i>Unweighted base (all)</i>	<i>136</i>	<i>825</i>	<i>726</i>	<i>464</i>	<i>1343</i>	<i>1870</i>

Notes: * = Less than 0.5 per cent, but more than zero.

A disproportionate number of manufacturing businesses provided occupational pension schemes, group personal pensions or contributed to private pensions. Organisations in retail, distribution, hotels and catering were disproportionately likely to offer occupational pension schemes, whereas those in banking, finance and business services preferred GPPs and/or contributions to personal pensions. Reflecting the higher propensity of medium-sized and larger businesses to provide any type of pension, organisations with 13 or more employees were, in relation to their share among all businesses, disproportionately likely to offer some type of pension but, in particular, occupational pensions and GPPs.

The provision of access to stakeholder pensions was less likely to be particularly concentrated among certain types of organisations than was the provision of other types of pension. The main exception was the size of businesses. There were comparatively fewer very small businesses (up to four employees) among providers of access to stakeholder pensions (26 per cent of all providers), whereas organisations with between five and 12 employees were relatively over-represented (42 per cent).

There were few differences between providers and non-providers of pension schemes in terms of the gender composition of their workforce with each reporting similar average percentages of male (58 per cent - 61 per cent) or female employees (42 per cent - 39 per cent). However, on average, non-providers had a larger part-time workforce (34 per cent) than providers (22 per cent) and, in particular, providers of group personal pensions (nine per cent).

A different way of looking at the incidence of pension provision and non-provision is to examine the proportion of organisations providing or not providing these products within each individual business category (Table 2.11). The emerging picture is very similar to that just described. Manufacturing businesses (76 per cent) and organisations in education and health (66 per cent) were most likely to provide some form of pension or access to pensions.² Organisations in construction were least likely

² Few businesses operated in energy and water. This sector's results should, therefore, be treated with caution and will not be specifically explored here.

to do so (38 per cent providers). The majority of longer established organisations, but also those in operation for between two and ten years provided some form of pension or access to pensions. Organisations in all sectors and of all sizes were more likely to provide (access to) stakeholder pensions than to any other form of pension scheme.

2.3.3 Types of provision among providers

The importance of stakeholder pensions was further demonstrated by the finding that they were, by far, the most frequently provided type of pension scheme: 63 per cent of pension-providing organisations offered (access to) this pension, either alone or in combination with other pension schemes (Table 2.12). Stakeholder pensions, as a single provision or in combination with other pension products, were particularly prevalent among organisations with between five and 19 employees.

Table 2.11 Organisations providing pensions in 2003

	<i>Cell percentages</i>							
	Unweighted base	Weighted base	Non providers	Providers				
				Occupational	GPP	PPs	Stakeholder	Any
Industry sector								
Agriculture and fishing	26	47	[5]	[6]	[7]	[5]	[15]	[21]
Energy and water	8	25	[0]	[7]	[2]	[2]	[6]	[8]
Manufacturing	481	224	24	13	19	22	48	76
Construction	117	151	62	7	12	7	32	38
Retail, distribution, hotels and catering	487	556	50	11	12	10	36	50
Transport and communications	96	60	57	3	10	7	38	43
Banking, finance and business services	511	696	46	3	13	20	29	54
Education and health	145	98	34	12	12	14	59	66
Other services	131	170	70	3	5	6	29	30
Number of years since organisation started operating								
Less than 2 years ago	39	108	[14]	[2]	[5]	[4]	[21]	[25]
2 – 4 years ago	105	362	51	1	10	15	26	49
5 – 10 years ago	272	403	54	8	12	10	34	46
11 – 19 years ago	275	380	35	4	16	22	39	65
20+ years ago	1195	740	46	12	13	16	38	54
All	1986	2002	48	7	12	15	35	52

Notes: * = Less than 0.5 per cent, but more than zero. Figures in [] have a base of less than 50 cases and report absolute frequencies.

Table 2.12 Multiple pension provision among providers by size of organisation

Type of pension provision	Size of organisation (number of employees)								
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1000+	All
<i>Column percentages</i>									
Single provision									
Occupational scheme	[2]	0	3	1	8	13	23	19	3
GPP	[8]	6	4	8	7	16	4	2	11
Contributions to personal pensions	[10]	8	3	1	0			0	15
Access to stakeholder pensions	[17]	58	60	39	26	12	5	3	44
All single provision	[37]	73	70	49	41	41	33	24	73
Multiple provision									
Occupational and GPP	[0]	0	3	1	7	2	6	14	1
Occupational and PP	[0]	1	0	*	5	1	1	1	*
Occupational and Stakeholder	[1]	8	6	6	8	7	15	17	6
GPP and PP	[1]	2	2	2	8	2	1	0	2
Stakeholder and GPP	[1]	5	9	11	14	15	14	6	5
Stakeholder and PP	[5]	10	7	15	6	8	5	2	8
Stakeholder, occupational and GPP	[0]	0	1	10	4	6	13	25	2
Occupational, PP and GPP	[0]	*	0	*	1	1	2	1	*
GPP, PP and Stakeholder	[0]	2	2	5	5	15	3	2	2
Four schemes	[0]	0	0	1	1	3	9	7	*
All multiple provision	[9]	27	30	51	59	59	67	76	27
<i>Weighted base</i>	406	352	100	108	38	30	4	4	1044
<i>Unweighted base</i>	46	190	115	276	209	427	197	406	1866

Base is current providers. Notes: Columns may not sum to 100 because of rounding. Figures in [] have a base of less than 50 cases and report absolute frequencies.; the resultant statistics should be treated with caution.

* Less than 0.5 per cent, but more than zero.

Whereas, in 2000, contributions to personal pensions had been the most frequent single provision, offered by 47 per cent of all pension-providing organisations as the only type of provision (cp. Smith and McKay, 2001, p. 25), by 2003, this had fallen to just 15 per cent. Similarly, the proportion of organisations providing only occupational pension schemes declined from 15 per cent in 2000 to three per cent in 2003. The proportion of companies offering group personal pensions only declined from 25 per cent of all organisations to 11 per cent. All these changes should be seen in the light of the substantial increase in the provision of pensions or the provision of access to pensions as a result of the introduction of the stakeholder pension. Although the proportion of organisations providing occupational, personal or group personal pensions has declined when compared to the year 2000, this does not also imply a nominal decrease in the number of pension providers among businesses as, overall, more organisations are now offering pensions or access to pensions than did in 2000 (see also section 4.2).

Twenty-seven per cent of organisations provided (access to) more than one type of pension (up from 14 per cent in 2000), many in combination with stakeholder pensions. This increase in multiple provisions would appear to explain some, if not most, of the decline in organisations providing only GPP schemes, only occupational schemes or only making contributions to private pensions. Nineteen per cent of organisations provided (access to) stakeholder pensions alongside other forms of pension schemes. The introduction of the stakeholder pension alone would thus appear to have contributed substantially to the overall increase in multiple pension provision.

The following table focuses on pension provisions, which, within each organisation, have the most members (Table 2.13). In nearly two-thirds of organisations, contributions to personal pensions (32 per cent) and GPPs (31 per cent) covered the largest number of employees. In about one-fifth of organisations, stakeholder pension schemes (19 per cent) or occupational schemes (18 per cent) were the main type of pension provisions.

Table 2.13 Main type of pension provision among providers by size of organisation

Main type of pension provision	Size of organisation (number of employees)								
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1000+	All
Occupational scheme	[4]	19	21	16	23	27	60	66	18
GPP	[10]	28	25	38	38	44	29	26	31
Contributions to personal pensions	[14]	31	21	14	15	6	5	1	32
Access to stakeholder pensions ¹	[4]	23	33	32	24	23	7	8	19
<i>Weighted base</i>	<i>296</i>	<i>167</i>	<i>56</i>	<i>81</i>	<i>33</i>	<i>28</i>	<i>4</i>	<i>4</i>	<i>670</i>
<i>Unweighted base</i>	<i>32</i>	<i>101</i>	<i>70</i>	<i>207</i>	<i>175</i>	<i>403</i>	<i>188</i>	<i>403</i>	<i>1579</i>

Base is current providers. Notes: Columns may not sum to 100 because of rounding. Figures in [] have a base of less than 50 cases and report absolute frequencies; the resultant statistics should be treated with caution.

¹Only stakeholder pensions which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees).

Whereas in the largest organisations (500+ employees), occupational schemes were the main provision, smaller organisations preferred GPPs or stakeholder pensions as their main provision, while the very smallest of businesses tended to offer contributions to personal pensions and GPPs.

2.4 The incidence of pension provision among employees of private-sector organisations

This section explores the potential coverage of the different types of pension provision amongst employees in private-sector organisations. The picture that emerges is strongly affected by the coverage achieved by larger businesses, which employ the majority of workers. It must be stressed that the tables shown below illustrate the potential, not actual reach of pension provisions. The actual reach, that is, active membership of pension schemes or employers' contribution to private pensions, will be examined further below and in more detail in later chapters, which look at specific pension schemes. Please note potential coverage at the employee level does not necessarily mean all employees have access to each type of provision that a company offers. It simply means they work for a company that makes such provision.

While 52 per cent of organisations provided some form of (access to) pension schemes (Table 2.8), the high level of potential coverage achieved by the larger organisations meant that, in fact, nearly all employees (92 per cent) were working in organisations with some kind of pension provision (Table 2.14).

Table 2.14 Incidence of pension provision among employees in private-sector organisations by size of organisation, 2003

Type of pension provision	Size of organisation (number of employees)		
	1-19	20+	All
Occupational scheme (any)	7	65	52
Salary-related	2	53	42
Open salary-related schemes	2	41	32
Money purchase	4	29	23
Open money-purchase schemes	2	26	21
COMBS	1	6	5
Top Hat	5	12	11
Other	1	*	*
Closed scheme	4	34	27
GPP	12	45	38
Contributions to personal pensions	15	27	25
Access to stakeholder pensions ¹	48	69	64
Access and Contributions to stakeholder pensions ¹	5	22	19
Contribution to private stakeholder pension ²	0	1	*
Any provision	64	100	92
No provision	36	0	8
<i>Weighted base (all)</i>	<i>434</i>	<i>1568</i>	<i>2002</i>
<i>Unweighted base (all)</i>	<i>473</i>	<i>1529</i>	<i>2002</i>

Notes: Organisations could have more than one scheme. COMBS schemes are those that are Contracted-out mixed benefit schemes. Top Hat schemes are those set up for senior managers or only currently available to senior management. Only open and closed occupational schemes.

¹ Only stakeholder pensions which companies offered access to (i.e. excluding stakeholder pensions joint privately by employees). 'Access to stakeholder pension' includes providers of access only and providers of access with contributions. 'Access and contribution' includes only access providers also contributing to the stakeholder pension.

² Only stakeholder pensions joined privately by employees, which companies did not provide access to.

* Less than 0.5 per cent, but more than zero.

The widest potential coverage was achieved by stakeholder pensions. Nearly two-thirds (64 per cent) of employees worked in organisation which offered (access to) this type of pension with or without the employer contributing to it. Only 19 per cent of employees were in organisations which offered access and also contributed to stakeholder pensions. Occupational pensions had the second widest potential reach, being offered by organisations employing 52 per cent of all employees, including 42 per cent in organisations providing salary-related schemes and 23 per cent in organisations providing money-purchase schemes. This level of potential coverage was, to a large degree, the result of a disproportionate number of very large businesses offering this type of provision. However, if only open occupational schemes are considered, then the proportion of employees working in organisations providing (open) salary-related schemes or (open) money-purchase schemes falls to 32 per cent and 21 per cent respectively. One-quarter of employees (27 per cent) worked in organisations, which had closed one of their occupational schemes, accepting no new members, but continuing to cover existing members.

Table 2.15 focuses only on employees who worked in organisations with at least one type of pension provision. Nearly four in ten employees (38 per cent) worked in organisations with a single type of pension provision.

Table 2.15 Type of pension provision among employees by size of providing organisation

Column percentages

Type of pension provision	Size of organisation (number of employees)		
	1-19	20+	All
Single provision			
Occupational scheme	2	17	15
GPP	8	5	5
Contributions to personal pensions	12	0	2
Stakeholder pensions	52	10	16
All single provision	74	32	38
Multiple provision			
Occupational and GPP	1	5	5
Occupational and PP	*	2	1
Occupational and Stakeholder	8	15	14
GPP and PP	2	1	1
Stakeholder and GPP	6	8	8
Stakeholder and PP	7	5	5
Stakeholder, occupational and GPP	0	19	16
Occupational, PP and GPP	0	1	1
GPP, PP and Stakeholder	2	5	4
Four schemes	0	7	6
Multiple provision	26	68	62
Main type of provision			
Occupational scheme	18	60	56
GPP	27	25	25
Contributions to personal pensions	32	4	7
Stakeholder pensions	22	11	12
<i>Weighted base</i>	<i>279</i>	<i>1561</i>	<i>1840</i>
<i>Unweighted base</i>	<i>351</i>	<i>1515</i>	<i>1866</i>

Base is employees of current providers. Main type of provision is that which has the highest number of active members.

* Less than 0.5 per cent, but more than zero.

2.5 The overall incidence of different pension arrangements

This section provides a brief summary of the incidence of different pension arrangements. In doing so, we distinguish between the percentage of organisations which provide some form of pension scheme, the percentage of employees in these organisations and thus potentially or actually covered by these pension arrangements, and, finally, the proportion of active members among the private-sector workforce (Table 2.16).

Among all organisations, seven per cent had open occupational pension schemes, 12 per cent GPPs, 15 per cent contributed to personal pension plans, while 35 per cent offered access to stakeholder pensions and five per cent also contributed to these. Over half of organisations provided one or more of these pension schemes. These figures were more or less unchanged from 2000, although, of course, the proportion of businesses providing some type of pension increased from 2000 (29 per cent) because of the inclusion of the stakeholder pension. Three per cent of organisation operated occupational pension schemes that were now closed to new members.

Table 2.16 Overall incidence of different pension arrangements

	<i>Cell percentages</i>		
	Per cent among all organisations ¹	Per cent of employees working in such firms ¹	Per cent who are active members, among the private- sector workforce ²
Occupational schemes	7	53	25
Open occupational schemes	5	41	19
Open salary-related schemes	2	32	13
Open money-purchase schemes	2	21	5
GPPs	12	38	8
Employer contributing to personal pensions	15	25	4
Access to stakeholder pensions	35	64	1
Access and contribution to stakeholder pensions ³	5	19	1
Any provision of above 4 types	52	92	38
Closed occupational schemes	3	27	6
Closed salary-related schemes	1	25	5
Closed money-purchase schemes	2	13	*

¹ Base is all organisations with at least one open or closed pension scheme.

² Base is organisations with at least one pension scheme of the given type.

³ Only stakeholder pensions, which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees). * Less than 0.5 per cent, but more than zero.

In terms of the potential reach of pension provisions, 53 per cent of employees worked in organisations with occupational schemes, which were open to existing and new members. This is the same percentage as reported in Table 2.14 for the potential reach of **all** (open or closed) occupational pension schemes.

Stakeholder pensions have the largest potential reach, as 64 per cent of employees worked in organisations which provided (access to) this type of pension but, as noted earlier, only 19 per cent of employees worked in organisations which offered access and also contributed to stakeholder pensions. Thirty-eight per cent of employees worked in firms with GPPs and 25 per cent in firms which contributed to personal pensions. Twenty-seven per cent of employees worked in organisations, which operated closed occupational pension schemes.

However, whereas 92 per cent of employees worked in organisations with one or another kind of pension provision, only 38 per cent were, in fact, active members of pension schemes, not counting any employees who might have had private pensions plans, to which their employers did not contribute. Overall, active membership of pension schemes increased slightly from 37 per cent in 2000 to 38 per cent of employees, due to a combination of membership of stakeholder pensions and more employees receiving employers' contributions to the personal pensions. However, this increase is not statistically significant.

2.6 Reasons for non-provision

Non-providers were asked to indicate up to five reasons as to why they had chosen not to provide (access to) pension schemes. Table 2.17 shows the main reason given by organisations, while Table 2.18 shows all reasons given. Both tables, in fact, reveal a similar pattern of responses.

The small size of the organisation and the cost to the business of providing pension schemes were the most frequent reasons for non-provision. Respectively, they accounted for 36 per cent and 12 per cent of main reasons (Table 2.17) and 44 per cent and 15 per cent of all reasons (Table 2.18). Very small firms with less than five employees were most likely to give these reasons for not providing any pension schemes.

Table 2.17 Main reason for non-provision of pensions by size of organisation

Main reason for non-provision	Size of organisation (number of employees)		
	1-4	5+	All
	<i>Column percentages</i>		
Organisation is too small	41	24	36
Too costly to provide pensions/cannot afford at moment	14	8	12
Staff don't want pensions/have never asked for a pension	7	7	7
It is not company policy to provide pensions	2	9	4
Mainly part-time or temporary staff	6	14	8
It is the responsibility of employees, not the employer	3	0	2
Staff turnover is too high/employees don't stay long enough	0	2	1
Organisation has only recently been established	2	5	3
Only a family business	4	9	5
Haven't got round to it/haven't found the time to set up	4	3	3
Staff have their own personal pension schemes/arrangements	6	0	4
Negative opinion of pension provision	6	4	5
Staff do not earn enough (general)	1	0	*
Don't know	0	5	1
Other	5	10	6
<i>Weighted bases (non-providers)</i>	<i>115</i>	<i>47</i>	<i>162</i>
<i>Unweighted bases (non-providers)</i>	<i>76</i>	<i>60</i>	<i>136</i>

Note: * = Less than 0.5 per cent, but more than zero.

Table 2.18 All reasons for non-provision of pensions by size of organisation

Multiple response percentages

Reasons for non-provision	Size of organisation (number of employees)		
	1-4	5+	All
Organisation is too small	49	30	44
Too costly to provide pensions/cannot afford at moment	17	10	15
Staff don't want pensions/have never asked for a pension	10	11	10
It is not company policy to provide pensions	7	11	8
Mainly part-time or temporary staff	8	26	13
It is the responsibility of employees, not the employer	10	0	7
Staff turnover is too high/employees don't stay long enough	1	5	2
Organisation has only recently been established	3	9	5
Only a family business	7	14	9
Haven't got round to it/haven't found the time to set up	4	7	5
Staff have their own personal pension schemes/arrangements	10	2	8
Negative opinion of pension provision	13	4	11
Staff do not earn enough (general)	1	2	1
Don't know	59	64	60
Other	5	10	6
<i>Weighted bases (non-providers)</i>	<i>115</i>	<i>47</i>	<i>162</i>
<i>Unweighted bases (non-providers)</i>	<i>76</i>	<i>60</i>	<i>136</i>

Other reasons were, individually, much less frequently mentioned. However, having a predominantly part-time or temporary workforce or the absence of employees requesting pension provisions were important reasons for about one in ten organisations, which did not provide pension schemes.

3 Stakeholder pensions

3.1 Introduction

Stakeholder pensions were introduced in April 2001 to provide people who do not have access to employer-sponsored pensions, non-earners and the self-employed access to a pension, which is low charge. Key features of stakeholder pensions are:

- fund charges limited to one per cent a year of a member's total fund;
- no penalties on transferring benefits or stopping contributions;
- a minimum contribution of not greater than £20 in any period or as a lump sum payment;
- retirement age can be at anytime between the age of 50 and 75;
- eligible for contributions up to at least the annual earning threshold (currently £3,600).

Stakeholder pensions, which are a money-purchase arrangement, are available through the workplace as well as directly from banks, building societies, insurance companies and some retailers. Employers with five or more employees are obliged to provide employees access to stakeholder pensions, although they are not required to contribute to these pensions. Employers may also be exempt from providing access to this pension if they already provide an occupational pension or offer a group personal pension to which they contribute at least three per cent of employees' salary.

In this section, the provision of access and the extent to which employers contribute to stakeholder pensions is explored. Employers may also make payroll deductions or contribute to stakeholder pensions which employees have arranged privately. The following Section 3.2 will review employers' practice in providing access to stakeholder pensions offered through their organisation, while Section 3.3 will explore the extent to which private-sector employers were contributing to private stakeholder pensions.

As has already been seen in Chapter 2 and will become more apparent in this chapter, whereas a large proportion of employers provided access to stakeholder pensions, few employers contributed to these pensions. As a result, the analysis presented in this chapter was heavily constrained by small case numbers. For this reason, the data that are presented here are, in comparison to their presentation in previous and later chapters, often highly aggregated.

Due to reporting restrictions on cases with baseline numbers below 50, in some instances, the results of the analysis were aggregated to allow a clearer presentation and, therefore, reading of these statistics. This mainly affected the breakdown of size groups. For the same reason of reporting restrictions on cases with a small number of responses, and also because the stakeholder pension regulation does not apply to smaller businesses, no data on organisations with fewer than five employees will be presented here.

3.2 Employers offering access to stakeholder pensions

In the previous chapter, we have shown that 35 per cent of employers provided access to stakeholder pensions, rising to over 80 per cent among organisations with 13 to 49 employees, but settling between 63 per cent and 65 per cent of businesses of other sizes.

In this section, the focus will be on just those organisations, which provided access to stakeholder pensions, and, in particular, on variations in the provision of access among organisations of different size. These organisations will be referred to as SHP (stakeholder pension) access-providers.

Smaller organisations with access to stakeholder pensions mainly provided access to stakeholder pensions, but few other pension schemes (Table 3.1). Seventy per cent of organisations with five to 19 employees only offered access to stakeholder pensions, but no other type of pension.

Table 3.1 Stakeholder pension access by size of the organisation¹

Combination of schemes	Size of the organisation							Total
	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
Stakeholder	70	71	45	41	19	8	5	62
Occupational and Stakeholder	9	7	7	12	11	23	28	9
Stakeholder and GPP	7	9	13	22	20	22	9	9
Stakeholder and PP	12	8	17	9	12	8	4	12
Stakeholder, occupational and GPP	*	2	13	7	11	21	40	4
GPP, PP and Stakeholder	2	3	6	8	22	4	3	4
Four schemes	0	0	1	1	5	14	12	1
Number of stakeholder schemes								
1	99	100	97	96	96	91	91	98
2	1	0	3	4	4	2	5	2
3-5	0	0	1	1	*	8	5	*
<i>Weighted base (organisations)</i>	<i>291</i>	<i>86</i>	<i>93</i>	<i>25</i>	<i>19</i>	<i>3</i>	<i>3</i>	<i>520</i>
<i>Unweighted base (organisations)</i>	<i>166</i>	<i>93</i>	<i>229</i>	<i>150</i>	<i>278</i>	<i>134</i>	<i>268</i>	
Active members as % of workforce								
0	84	71	65	51	38	36	28	75
0.1 to 25	9	10	23	39	51	60	70	15
25.01-50	5	3	4	5	9	2	1	5
50.001-75	1	8	4	3	1	*	1	3
75.0001-100	1	7	3	2	1	2	0	3
Number of active members								
0	84	71	65	51	38	36	25	75
1-4	13	11	15	16	18	30	18	14
5-12	3	10	11	22	22	13	11	7
13-19	0	7	3	1	3	*	4	2
20-49	0	0	5	7	12	10	11	2
50-99	0	0	0	3	6	5	9	*
100-499	0	0	0	0	2	5	16	*
500-999	0	0	0	0	0	1	4	*
1000+	0	0	0	0	0	0	2	*

Continued

Table 3.1 Continued

								<i>Column percentages</i>
Combination of schemes	Size of the organisation							Total
	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
<i>Weighted base (schemes)</i>	289	85	97	26	20	3	3	523
<i>Unweighted base (schemes)</i>	166	93	229	150	278	134	268	1318

Base are all organisations (with 5 or more employees) providing access to stakeholder pensions. * Less than 0.5 per cent, but more than zero.

¹ Only stakeholder pensions which companies offered access to (i.e. excluding stakeholder pensions joint privately by employees).

* Less than 0.5 per cent, but more than zero.

Medium-sized and large organisations were more likely than small organisations to offer more than one type of pension scheme, in particular, occupational pensions and GPPs alongside stakeholder pensions. Fourteen per cent and 12 per cent of SHP-access providing organisations with 500 to 999 employees or 1000 or more employees provided all four main types of pension (Stakeholder, occupational pension, GPP, contributions to personal pensions).

Most organisations provided access to only one stakeholder pension scheme (98 per cent); however, ten per cent of businesses with 500 or more employees offered access to two or more stakeholder pensions.

In terms of coverage, three-quarters of stakeholder pension schemes did, in fact, have no active members, while 15 per cent of schemes had an active membership of up to 25 per cent of the SHP provider's workforce. The proportion of active stakeholder pension scheme membership among the workforce was lowest among the smaller organisations, which also reported the highest incidence of zero-membership. Between 50 per cent and 70 per cent of SHP schemes in organisations with more than 100 employees had an active membership of up to a quarter of these organisations' workforce.

3.2.1 Employees' access to stakeholder pensions

Another way of looking at the extent and the distribution of access to, and active membership of, stakeholder pension schemes is to record the proportion of employees (rather than organisations) benefiting from these provisions. This is done in Table 3.2. It highlights only minor changes in the distribution of scheme combinations, scheme numbers or active membership in each of the size categories when compared to those in Table 3.1. However, because most employees work for larger organisations, the final 'total' column reveals markedly different distribution of frequencies. This is due to the extra weight which is given to the provisions made by larger organisations with more employees.

Table 3.2 Employees with stakeholder pension access¹ by size of the organisation

Combination of schemes	Size of the organisation							Total
	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
Stakeholder pension	68	72	44	40	20	8	2	23
Occupational and stakeholder pension	11	7	6	10	11	24	30	20
Stakeholder pension and GPP	7	10	13	24	18	20	6	11
Stakeholder pension and PP	12	7	17	11	11	9	2	7
Stakeholder, occupational and GPP	0	1	12	6	11	22	42	24
GPP, PP and stakeholder pension	2	3	6	9	24	5	2	6
Four schemes	0	0	0	1	5	12	16	9
Number of schemes								
1	99	100	96	95	96	91	89	93
2	1	0	3	4	4	3	9	5
3-5	0	0	1	1	1	7	3	2
<i>Unweighted base (organisations)</i>	<i>166</i>	<i>93</i>	<i>229</i>	<i>150</i>	<i>278</i>	<i>134</i>	<i>268</i>	<i>1343</i>
<i>Weighted base (organisations)</i>	<i>113</i>	<i>66</i>	<i>139</i>	<i>82</i>	<i>193</i>	<i>89</i>	<i>573</i>	<i>1283</i>
Active members as % of workforce								
0	82	71	62	53	38	39	22	42
0.1 to 25	10	10	27	37	53	57	77	52
25.01-50	5	3	4	5	6	2	*	3
50.001-75	1	7	3	3	1	*	1	2
75.0001-100	1	9	3	2	1	2	*	1

Continued

Table 3.2 Continued

Combination of schemes	Size of the organisation							Total
	5-12	13-19	20-49	50-99	100-499	500-999	1000+	
Number of active members								
0	82	71	62	53	38	39	17	38
1-4	14	11	17	15	16	29	20	18
5-12	4	10	13	20	23	11	8	12
13-19	0	8	2	2	2	1	1	2
20-49	0	0	6	6	12	10	13	9
50-99	0	0	0	4	6	4	11	7
100-499	0	0	0	0	3	5	18	9
500-999	0	0	0	0	0	1	7	3
1000+	0	0	0	0	0	0	4	2
<i>Unweighted base (schemes)</i>	<i>166</i>	<i>92</i>	<i>240</i>	<i>162</i>	<i>288</i>	<i>142</i>	<i>284</i>	<i>1374</i>
<i>Weighted base (schemes)</i>	<i>112</i>	<i>66</i>	<i>145</i>	<i>87</i>	<i>201</i>	<i>92</i>	<i>598</i>	<i>1300</i>

Base are all organisations (with 5 or more employees) providing access to stakeholder pensions. ¹ Only stakeholder pensions, which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees). * Less than 0.5 per cent, but more than zero.

About a quarter of employees worked in organisations which provided only access to stakeholder pensions (23 per cent) or access to stakeholder pensions, occupational pensions and GPPs (24 per cent). One-fifth worked in organisations which offered occupational pensions and access to stakeholder pensions (20 per cent).

Approximately 40 per cent of employees worked in organisations which offered access to SHP, but whose schemes had no active members, while 52 per cent worked in organisations with SHP schemes with an active membership of up to 25 per cent of the workforce.

3.2.2 Employers' contributions to stakeholder pensions

About 61 per cent of SHP-access providing organisations whose stakeholder pension schemes had active members also contributed to these schemes for all or some of their employees. Since 75 per cent of organisations which offered access to stakeholder pensions, in fact, reported no active members, overall only 17 per cent of SHP-access providing organisations also contributed to employees' SHP plans. The number and median number of active members, who received contributions, and their share of the total workforce increased with the size of the organisation making these contributions (Table 3.3).

Table 3.3 Active members receiving employer contributions to stakeholder pensions¹ by size of the organisation

	Size of the organisation			Total
	5-49	50-499	500+	
<i>Column percentages</i>				
% of active members that receive contributions				
0.1 to 25	0	3	5	1
25.01-50	2	5	11	3
50.001-75	2	1	5	2
75.0001-99.99	*	10	8	2
100	96	81	72	93
<i>Median</i>	7	12	75	1
Number of active members that receive contributions				
1-4	36	28	12	34
3-12	40	28	8	37
13-19	16	5	1	13
20-49	8	23	23	11
50-99	-	12	17	3
100-499	-	4	31	1
500-999	-	-	4	*
1000+	-	-	3	*
<i>Weighted base</i>	50	12	2	64
<i>Unweighted base</i>	76	120	127	323

Note: Figures in brackets are actual, unweighted cases.

¹ Only stakeholder pensions, which companies offered access to (i.e. excluding stakeholder pensions joint privately by employees). * Less than 0.5 per cent, but more than zero.

A breakdown of the provision of access to stakeholder pensions and of provision and contribution to these schemes by the size of organisations shows high rates of access provision among all organisations, but in particular those with five to 49 employees. However, it was organisations with 50 to 499 employees that contributed to proportionately more of their employees' stakeholder pension schemes than either smaller or larger organisations (Table 3.5).

Table 3.4 Stakeholder pension schemes access or contribution¹, by size of the organisation

<i>Cell percentages</i>						
Size of the organisation	Organisation offers access to Stakeholder pension			Organisation contributes to the stakeholder pension for any employees		
	Yes	(a)		Yes	(b)	
		Weighted base	Unweighted base		Weighted base	Unweighted base
5-49	70	667	635	46	440	154
50-499	64	69	642	49	25	240
500+	63	9	603	38	4	310
<i>Total</i>	<i>35</i>	<i>2002</i>	<i>2002</i>	<i>60</i>	<i>203</i>	<i>711</i>

Note: Base for (a) are all organisations; for (b) all schemes with at least one active member in organisations offering access to stakeholder pensions. Totals include all organisations, i.e. also those with 1-4 employees.

¹ Only stakeholder pensions, which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees).

3.2.3 Contributions to stakeholder pensions

As we have already noted earlier, about 61 per cent of businesses providing access to SHPs and that had active members, also contributed to these schemes. Since stakeholder pension schemes were set up, on average, just over half of schemes with active members had not received any employer contributions (Table 3.5). Among those schemes that employers had contributed to, approximately two in three had received a percentage of the members' pay (paid in by the employer), while the remainder had received a fixed money amount.

Table 3.5 Employer contributions to stakeholder pension schemes¹ by size of the organisation

Contribution	Level of contribution					
	Minimum		Maximum		Average since the scheme was set up	
	Number of employees		Number of employees		Number of employees	
	5-19	20+	5-19	20+	5-19	20+
No contribution	55	52	55	52	55	51
Percentage of pay	31	37	33	39	30	39
Less than 3%	2	10	1	3	0	6
3-3.9%	16	10	16	10	17	10
4-4.9%	0	2	1	2	0	2
5-5.9%	5	8	7	11	6	13
6-10%	6	7	7	12	6	7
more than 10%	2	0	2	1	0	2
Amount of money	14	10	12	9	15	9
up to £5 per week	7	6	5	4	6	3
5.01-10 p w	4	1	4	0	4	1
10.01-15 p w	3	1	3	1	3	1
15.01-25 p w	0	1	0	2	1	2
25.01-50	0	0	0	1	2	1
more than 50 p w	0	1	0	1	0	1
<i>Weighted base</i>	<i>73</i>	<i>62</i>	<i>73</i>	<i>62</i>	<i>73</i>	<i>63</i>
<i>Unweighted base</i>	<i>62</i>	<i>623</i>	<i>62</i>	<i>623</i>	<i>61</i>	<i>608</i>

Base are stakeholder pension schemes with active members.

¹ Only stakeholder pensions, which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees).

3.3 Private stakeholder pensions

About four per cent of organisations, which provided access to stakeholder pensions also made payroll deductions on behalf of employees who had arranged their own private stakeholder pension plans. In turn, of this group of organisations, four per cent contributed themselves to these private SHPs. Larger businesses, i.e. those with 50 or more employees, were most likely to make payroll deductions and also to make contributions to private SHPs. Because of the small proportion of organisations making contributions to privately arranged stakeholder pensions (three unweighted cases), typical contribution rates could not be estimated.

In addition to organisations providing access to stakeholder pensions, one per cent of organisations, which did not provide access to this type of pension, made payroll deductions on behalf of employees with private SHPs. This was equivalent to 0.7 per cent of all organisations. Of those not providing access to stakeholder pensions, but making payroll deduction for private stakeholder pensions, 13 per cent also contributed to these pensions. This was equivalent to 0.1 per cent of all organisations and involved just four (unweighted) cases. Because of this small number, this very small group of businesses was excluded from further analysis.

3.4 Pension provision before stakeholder pensions

Organisations which offered access to one or more stakeholder scheme were asked whether they had any other pension provision in place before introducing access to stakeholder pensions. Only 14 per cent of organisations indicated that they had, but this rose to up to 42 per cent among businesses with 500 or more employees (Table 3.6). In about one-third (32 per cent) of cases, organisations with previous pension provisions had closed existing occupational and group pension schemes to new members or employees upon starting to provide access to stakeholder pensions. The closure of such schemes was particularly likely among larger organisations: 46 per cent of businesses with 50 to 499 employees and 45 per cent of businesses with 500 or more employees had closed occupational or group personal pension schemes while starting to provide access to stakeholder pensions.

Table 3.6 Other forms of provision before the stakeholder pension scheme

	5-49	50-499	500+	Total
(a) Organisation made other form of provision prior to stakeholder pensions				
Yes	12	25	42	14
No	86	73	58	84
Don't Know	2	2	0	2
<i>Weighted base</i>	<i>470</i>	<i>44</i>	<i>5</i>	<i>530</i>
<i>Unweighted base</i>	<i>488</i>	<i>428</i>	<i>402</i>	<i>1398</i>
(b) Type of pension provision before stakeholder access				
Via an occupational scheme that still admits new members	8	10	44	10
Via an occupational scheme that is now closed to new members	9	18	29	11
Via a group personal pension scheme that employees can still join	54	41	16	51
Via a group personal pension scheme that employees cannot now join	20	28	16	21
Private personal pensions other than group personal pension	6	3	1	6
Don't know	1	0	0	1
Other	2	5	11	3
<i>Weighted base</i>	<i>55</i>	<i>11</i>	<i>2</i>	<i>70</i>
<i>Unweighted base</i>	<i>79</i>	<i>141</i>	<i>174</i>	<i>425</i>

Base are (a) organisations with more than two stakeholder pension schemes and (b) organisations with more than two stakeholder pension schemes and previous provisions. Totals include all organisations, i.e. also those with one to four employees.

4 Changes to pension provision

4.1 Introduction

In this section, we describe recent and anticipated changes to pension provision, drawing both on comparisons with results from previous surveys and on information about changes collected in the 2003 survey. As noted in Chapter 2, the 2000 and the 2003 surveys of employers' pension provision differed from previous surveys in that the former used the Inter-Department Business Register (IDBR) as their sampling base, whereas the latter relied on data provided by Dun and Bradstreet. This resulted in different sampling frames, as the IDBR captured more small organisations. In their report on the 2000 survey, Smith and McKay (2001) already warned that caution must be applied when comparing survey data drawn from these two sampling frames, since, even after correction by weighting, differential coverage of organisations by the two sources may yet render comparisons misleading. However, the authors also pointed out that, when comparing the 1998 and the 2000 surveys, they found a high degree of correspondence between them, with the exception of higher proportions of part-time and female employees in the 2000 survey. They estimated that the increase in the proportion of part-time workers would have explained about one-quarter of the total change in pension coverage among firms with fewer than 20 employees. Similar tests using data from the 2000 and 2003 employer survey data found that changes in the size distributions and changes in the proportions of part-time employees in businesses surveyed in 2003 explained very little of the difference in pension provision between 2000 and 2003 (cp. Section 4.5).

Finally, as also remarked in Chapter 2, unlike the 1998 and 2003 surveys, which were conducted during the spring of the respective years, the 2000 survey was undertaken in November and December of that year. As a result, the 2000 survey might have picked up more seasonal workers, who are frequently not members of pension schemes.

In Section 4.2, we make general comparisons of the last four surveys, but focus primarily on comparisons with the 2000 survey. Unless stated otherwise, only findings of differences or change that are statistically significant at the 95-per cent levels are reported. Section 4.3 reports employers' accounts of recent and planned changes to their pension provision. For organisations not currently providing pensions, information was only available about planned changes.

4.2 Changes in the overall incidence of pension provision 1996-2003

In Chapter 2 it was shown that, between 2000 and 2003, there was a substantial increase in the provision of pension schemes, largely due to the introduction of the stakeholder pension. But there were also changes in the provision of individual pension schemes, their potential coverage in terms of the proportion of employees working in pension-providing organisations and, albeit less markedly, in active membership of pension schemes. The pattern of changes is shown in Table 4.1 and Table 4.2, which also distinguish between small (1-19 employees) and larger organisations (20+ employees).³

The key conclusions from Table 4.1, which excludes occupational pensions (reported in Table 4.2) are:

- There has been an increase, over time, in the proportion of organisations of both size groups providing GPPs, but a decline in the proportion of smaller businesses contributing to personal pensions, while the proportion of larger businesses contributing to personal pensions has fluctuated between the years. Access to stakeholder pensions, not available in previous years, is now provided by 31 per cent of the smaller and 76 per cent of the larger organisations.
- Similarly, the proportion of employees working in organisations providing one or more of these pension schemes has increased steadily and, for larger businesses, has now reached full coverage. Sixteen per cent of employees worked in smaller organisations, which contributed to personal pensions; 12 per cent in organisations which offered GPPs. Amongst the workforce of larger businesses, almost half of the employees worked in businesses providing GPPs, but only one-quarter in businesses contributing to personal pensions.
- Active membership of these schemes within smaller companies increased from 15 to 17 per cent of employees being active members of one or another scheme in 2000 and 2003 (and, indeed, 1998) and decreased in larger companies from 45 per cent in 2003 and 44 per cent in 2003. However, neither of these changes were statistically significant.
- Having risen between 1998 and 2000, active membership of GPPs remained at similar levels between 2000 and 2003. Among smaller organisations, active membership of personal pension schemes, to which employers contributed, declined from six per cent in 2000 to just one per cent in 2003.
- Active membership of stakeholder pension schemes has reached four per cent of employees in smaller businesses and three per cent of employees in larger organisations. The emergence of stakeholder pensions may, at least in part, explain the decline in smaller organisations contributing to personal pension plans.

³ The two size bands were used in previous reports on employers' pension provisions because there was less confidence in the estimates for smaller companies in the 1996 and 1998 surveys. This was due to the representativeness of such companies on the sampling frame from which respondents were drawn.

Table 4.1 Trends in overall pension incidence

	Small organisations (1-19 employees)				Larger organisations (20+ employees)			
	1996	1998	2000	2003	1996	1998	2000	2003
Organisations with:								
Any provision	36	32	26	47	70	66	64	98
GPPs	6	4	7	9	19	26	37	41
PPs	20	21	16	14	27	30	23	27
Stakeholder pension	-	-	-	31	-	-	-	76
Employees working for organisations with:								
Any provision	42	38	30	64	90	89	89	99
GPPs	11	7	10	12	16	23	35	45
PPs	22	23	16	16	18	21	20	27
Stakeholder pension	-	-	*	48	-	-	-	69
Active members as percentage of all employees:								
Any provision	21	15	15	15	43	43	45	44
GPPs	5	3	5	6	3	5	10	9
PPs	8	8	6	1	1	2	2	1
Stakeholder pension	-	-	-	4	-	-	-	3
<i>Weighted base (organisations)</i>	<i>931</i>	<i>1830</i>	<i>1819</i>	<i>1814</i>	<i>50</i>	<i>75</i>	<i>158</i>	<i>188</i>
<i>Unweighted base (organisations)</i>	<i>780</i>	<i>631</i>	<i>566</i>	<i>473</i>	<i>1050</i>	<i>1111</i>	<i>1411</i>	<i>1529</i>

Base: all organisations. * Less than 0.5 per cent, but more than zero.

4.2.1 Changes in pension provision: detailed picture for organisations

In the following three tables we have added information about the different types of occupational schemes provided by employers, looking, in turn, at the proportion of organisations providing these, the potential coverage and active membership of schemes.

Turning first to the proportion of organisations, which provided pension schemes, there was an increase in the proportion of larger business providing some kind of occupational pension (27 per cent, up from 22 per cent in 2000), while the proportion of smaller businesses providing these schemes remained unchanged (five per cent) (Table 4.2).

Table 4.2 Pension provision by size of organisation, 1996, 1998, 2000 and 2003

Type of pension provision	Cell percentages							
	1996		1998		2000		2003	
	1- 19	20+	1- 19	20+	1-19	20+	1-19	20+
Occupational scheme (any)	N/A	N/A	N/A	N/A	5	22	5	27
Salary-related (open or closed)	3	19	2	13	1	12	2	14
Open salary-related schemes only	N/A	N/A	N/A	N/A	1	11	2	8
Money purchase (open or closed)	2	13	3	10	2	9	3	15
Open money-purchase schemes only	N/A	N/A	N/A	N/A	*	8	2	9
COMBS	-	-	0	1	*	1	*	1
Top Hat	6	8	3	10	3	6	3	6
Other	0	0	0	*	0	1	1	1
Closed occupational scheme	1	6	1	5	2	5	3	8
GPP	6	19	4	26	7	37	9	41
Contributions to personal pensions	20	27	21	30	16	23	14	27
Access to stakeholder pensions ¹	-	-	-	-	-	-	31	76
Access and Contribution to stakeholder pensions ¹	-	-	-	-	-	-	4	15
Any provision	36	70	32	66	26	64	47	98
No provision	64	30	68	34	74	36	53	2
<i>Weighted base (all)</i>	<i>927</i>	<i>71</i>	<i>1838</i>	<i>123</i>	<i>1823</i>	<i>154</i>	<i>1814</i>	<i>188</i>
<i>Unweighted base (all)</i>	<i>668</i>	<i>1179</i>	<i>635</i>	<i>1326</i>	<i>566</i>	<i>1411</i>	<i>473</i>	<i>1529</i>

Base: all organisations. Notes: N/A = information not available from published reports. * = Less than 0.5 per cent, but more than zero.

COMBS schemes (Contracted-out on a mixed benefit basis) were not available until April 1997. Top Hat schemes are those set up for senior managers or only currently available to senior management. Stakeholder pension schemes were not available until 8 October 2001.

¹ Only stakeholder pensions, which companies offered access to (i.e. excluding stakeholder pensions joint privately by employees).

Both the provision of salary-related and money-purchase schemes rose for smaller and for larger businesses (however only the increase from nine per cent to 15 per cent among larger employers providing money-purchase schemes was statistically significant). These statistics include all occupational schemes, including closed and frozen schemes. As Table 4.2 indicated, there was, in fact, an increase in the proportion of organisations maintaining closed occupational schemes no longer open to new members, rising from two per cent to three per cent among smaller businesses (although this is not statistically significant) and from five per cent to eight per cent among larger organisations between 2000 and 2003.

If, therefore, only open salary-related schemes are taken into account, the proportion of smaller businesses providing these rose between 2000 and 2003 from one per cent to two per cent (this is not statistically significant), but declined for larger businesses from 11 per cent to eight per cent. The proportion of businesses providing money-purchase schemes indicated a rise for both smaller and larger organisations, but neither of these changes was statistically significant.

There was no change in the provision of combined salary-related and money-purchase schemes (COMBS) or any other schemes. The proportion of larger or smaller organisations providing Top Hat schemes for senior or executive management remained unchanged (six per cent and three per cent respectively).

Money-purchase schemes

As noted in the previous section, the proportion of organisations providing money-purchase occupational schemes increased between 2000 and 2003, as did the provision of open money-purchase schemes (Table 4.2). However, the increase in open schemes of this type was proportionately less than the increase in all money-purchase schemes. It was likely that this reflected an increase in the closure of this type of scheme.

Further analysis revealed that 14 per cent of all money-purchase schemes had been opened in 2000 and in following years, compared to nine per cent opened between 1995 and 1999 and 26 per cent between 1990 and 1994. The remainder (50 per cent) had been opened prior to 1990.

Overall, 42 per cent of all money-purchase schemes were open to new members and also received contributions from employers. Among money-purchase schemes opened in 2000 or later, that is, approximately since the last Employers Pension Provision survey, just over half (55 per cent) were still open to new members by the time of the 2003 survey. Thirty-three per cent of money-purchase schemes opened since 2000 and subsequently closed had been closed in 2003 alone. A further one per cent had been closed in 2000, 17 per cent in 2001 and six per cent in 2002. For the remainder (43 per cent), the exact closure date could not be established.

Another way of looking at the incidence of closures of money-purchase schemes is to start with closed or frozen schemes and to investigate when these schemes had, in fact, been opened. In total, 22 per cent of money-purchase schemes, which no longer admitted new members, had been closed or frozen since 1999⁴. The real proportion of scheme closures during the period between 1999 and 2003, however, is likely to have been higher, as in nearly half of all cases (47 per cent of schemes), it was, again, not possible to establish the exact date of their closure. Focusing only on those cases of money-purchase schemes, which were known to have closed in the year 2000 or after, 46 per cent had also been opened during that same period.

⁴ Survey participants were able to indicate whether a scheme had been opened or closed 'within the last four years', if they were not certain about the date. This four-year span included the years 1999 to 2003, and 1999 is, in this instance, selected as the start of the observation period.

These statistics suggest a high incidence of closures of money-purchase schemes, in particular of schemes which had only recently been established. Many money-purchase schemes, therefore, had been open to members for only a short period. However, small case numbers urge for caution and no further analysis of the types of schemes or of the organisations closing these schemes so shortly after their opening could be undertaken. Nevertheless, Table 5.8 shows that of all closed money purchase schemes, 99 per cent had between 1-19 active members, i.e. nearly all were very small.

4.2.2 Changes in pension provision among employees over time

A somewhat different pattern becomes apparent when we look at the potential coverage of occupational pension schemes among employees. Seven per cent of employees in smaller organisations worked for businesses, which provided occupational pensions schemes, as did 67 per cent of employees in larger businesses which constitutes an increase of four percentage points since 2000 (Table 4.3). No change was recorded for the potential coverage of employees in smaller businesses. Please note potential coverage at the employee level does not necessarily mean all employees have access to each type of provision that a company offers. It simply means they work for a company that makes such provision.

Table 4.3 Proportion of employees working for private-sector employers by type of provision, in 1996, 1998, 2000 and 2003

Type of pension provision	<i>Cell percentages</i>							
	1996		1998		2000		2003	
	1- 19	20+	1- 19	20+	1-19	20+	1-19	20+
Occupational scheme (any)	N/A	N/A	N/A	N/A	7	63	7	67
Salary-related (open or closed)	5	60	2	50	3	53	2	54
Open SR schemes only	N/A	N/A	N/A	N/A	2	48	2	41
Money purchase (open or closed)	3	20	4	21	2	21	4	30
Open MP schemes only	N/A	N/A	N/A	N/A	1	20	2	26
COMBS	-	-	0	6	1	8	1	6
Top Hat	6	16	5	15	4	13	5	13
Other	0	0	0	1	0	2	1	0
Closed scheme	2	12	2	12	2	12	4	34
GPP	11	16	7	23	10	35	12	45
Contributions to personal pensions	22	18	23	21	16	20	15	27
Access to stakeholder pension ¹	-	-	-	-	-	-	48	69
Access and Contributions to stakeholder pensions ¹	-	-	-	-	-	-	5	22
Any provision	42	90	38	89	30	89	64	100
No provision	58	10	62	11	70	11	36	0
<i>Weighted base (all)</i>	<i>926</i>	<i>71</i>	<i>1830</i>	<i>122</i>	<i>555</i>	<i>1422</i>	<i>434</i>	<i>1568</i>
<i>Unweighted base (all)</i>	<i>668</i>	<i>1179</i>	<i>631</i>	<i>1306</i>	<i>566</i>	<i>1411</i>	<i>473</i>	<i>1529</i>

Notes: N/A = information not available from published reports. SR = salary-related. MP = money-purchase. Organisations could have more than one scheme. COMBS schemes (Contracted-out on a mixed benefit basis) were not available until April 1997. Top Hat schemes are those set up for senior managers or only currently available to senior management. Stakeholder pension schemes were not available until 8 October 2001.

¹ Only stakeholder pensions which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees).

The small decrease, since 2000, in the proportion of employees in smaller businesses, whose employers provided salary-related occupational pensions (and the small increase among larger businesses) was not statistically significant. On the other hand, the proportion of employees in organisations which provided money-purchase occupational pensions increased in both smaller (borderline significance) and larger businesses.

Focusing solely on open salary-related and open money-purchase schemes, however, it is apparent that the potential coverage of the former decreased among larger businesses from 48 per cent in 2000 to 41 per cent in 2003, while there was no change among smaller businesses. On the other hand, the potential coverage of money-purchase schemes increased among larger organisations, from 20 per cent to 26 per cent (the change among smaller companies, from one per cent to two per cent, was not statistically significant).

The proportion of employees working in organisations with 20 or more employees that provide GPPs or contribute to personal pensions increased between 2000 and 2003. The small changes to these types of provision among those working for smaller businesses were not statistically significant.

The proportion of employees working in organisations that provided (access to) stakeholder pensions was 48 per cent among smaller businesses and 69 per cent among larger organisations (compared with, at the employer level, 31 per cent of smaller organisations and 76 per cent of larger enterprises providing (access to) this pension).

4.2.3 Active membership among employees

Active membership of occupational schemes declined from 33 per cent of the workforce in 2000 to 31 per cent in 2003 among larger business, although this change was not statistically significant (Table 4.4). It remained unchanged among smaller organisation, at three per cent. Few substantial changes in active membership occurred between 2000 and 2003. Changes that did occur were largely confined to larger businesses (20 or more employees), in which membership of salary-related schemes decreased (from 26 per cent to 23 per cent of the total workforce in 2003, although this was of borderline significance), while membership of closed schemes substantially increased, from two per cent of the workforce in 2000 to seven per cent in 2003.

While there were no differences between the active membership of all and only open money-purchase schemes, the decline in the active membership of salary-related schemes among larger businesses was even more apparent among open schemes. Between 2000 and 2003, active membership of open salary-related schemes in organisations with 20 or more employees declined from 24 per cent of the private-sector workforce to 16 per cent. Membership of open money-purchase schemes remained unchanged.

Table 4.4 Active members as a percentage of the private-sector workforce by size of organisation, 1996, 1998, 2000 and 2003

Type of pension provision	1996		1998		2000		2003	
	1- 19	20+	1- 19	20+	1-19	20+	1-19	20+
Occupational scheme (any)	N/A	N/A	N/A	N/A	3	33	3	31
Salary-related	3	31	1	24	2	26	2	23
Open salary-related schemes	N/A	N/A	N/A	N/A	1	24	2	16
Money purchase	2	5	2	5	1	6	1	6
Open money-purchase schemes	N/A	N/A	N/A	N/A	1	6	1	6
COMBS	-	0	0	3	*	3	1	2
Top Hat	3	1	1	*	*	*	*	*
Other	0	0	*	0	0	1	*	2
Closed scheme	1	2	1	2	1	2	1	7
GPP	5	3	3	5	5	10	6	9
Contributions to personal pensions	8	5	8	5	6	2	4	1
Access to stakeholder pension ¹	-	-	-	-	-	-	4	3
Any provision	21	43	15	43	15	45	17	44
No provision	79	57	85	57	85	55	83	56
<i>Weighted base (all)²</i>	<i>926</i>	<i>71</i>	<i>1830</i>	<i>122</i>	<i>555</i>	<i>1422</i>	<i>434</i>	<i>1568</i>
<i>Unweighted base (all)</i>	<i>668</i>	<i>1179</i>	<i>631</i>	<i>1306</i>	<i>566</i>	<i>1411</i>	<i>473</i>	<i>1529</i>

Notes: N/A = information not available from published reports. SR = salary-related. MR = money purchase. Organisations could have more than one scheme. COMBS schemes (Contracted-out mixed benefit schemes) were not available until April 1997. Top Hat schemes are those set up for senior managers or only currently available to senior management. Stakeholder pension schemes were not available until 8 October 2001.

* = Less than 0.5 per cent, but more than zero

¹ Only stakeholder pensions which companies offered access to (i.e. excluding stakeholder pensions joined privately by employees).

² The 1996 and 1998 surveys quote the same weighted base, whether the table is about organisations or numbers of employees. In 2000, the employee weights have been re-scaled to indicate the numbers of employees involved. However, the weighted numbers earlier in the chapter (Tables 4.1 and 4.2) are based on identical approaches.

In total, 17 per cent of employees of smaller businesses and 44 per cent of employees of larger businesses were members of some type of pension scheme provided or supported by their employers (the comparable figures in 2000 were 15 per cent and 45 per cent; neither of these small changes were statistically significant).

4.3 Changes to pension provision

This section reports employers' responses to a set of questions in the 2003 survey about recent and planned changes to their pension provision.

4.3.1 Anticipated changes among non-providers

Seventeen per cent of non-providers said they had seriously considered introducing some form of pension for their employees within the next five years or later (Table 4.5). Just over half of these considered introducing pension provisions within the next five years. Non-providing organisations with over five employees were more likely to have considered the introduction of a pension scheme (34 per cent) than smaller organisations (16 per cent).

Table 4.5 'To your knowledge, has this organisation seriously considered introducing some form of pension provision for its employees?'

	Size of organisation		
	1-4	5+	All
Yes, move expected in next five years	8	23	9
Yes, but move not expected in next five years	8	11	8
No	83	66	81
Don't know	2	0	2
<i>Weighted base</i>	<i>849</i>	<i>109</i>	<i>958</i>
<i>Unweighted base</i>	<i>76</i>	<i>60</i>	<i>136</i>

Column percentages

Base is organisations that have no pension provision for employees.

In comparison to the 2000 Employers' Pension Provision Survey, the proportion of non-providers who considered the introduction of some kind of pension in the future had fallen by about one-half (from 32 per cent in 2000 to 17 per cent in 2003). After the introduction of the stakeholder pension, which significantly increased the proportion of organisations with some form of pension or pension access provision, these statistics suggest that further increases in the provision of any pension scheme are likely to be small. Moreover, they may be increasingly more difficult to achieve if, among the remaining non-providers, the proportion of organisations not considering new pension provisions continues to grow over time.

4.3.2 Recent changes among providers

In addition to asking non-providers about their planned changes, the Employers' Pension Provision Survey asked providers about changes to their pension provision since the last survey of this kind was conducted in 2000. In Tables 4.6 and 4.7, responses are presented for businesses with five or more employees, which are required to make some type of pension provision available to their employees. Smaller businesses were excluded because of their small numbers (46 unweighted cases) and their

simultaneously strong impact on the overall response distribution due to their high weighting in the analysis.

Among companies with five or more employees, fewer than one in eight businesses providing pension schemes (12 per cent) had made no changes to their provision, while 82 per cent said they had introduced a stakeholder pension (Table 4.6). Organisations with up to 49 employees were more likely to have started to provide access to stakeholder pension than larger organisations were. Overall, 14 per cent of organisations had either introduced new arrangements: occupational scheme (three per cent), a new GPP (six per cent) or started to contribute to personal pensions (five per cent). The largest businesses (500+ employees) were most likely to have introduced a new or an additional occupational scheme, while businesses with 20 or more employees were more likely to have introduced a new or additional GPP than business with fewer employees.

Table 4.6 Recent changes to pension provision among current providers (from 2000 onwards) by size of organisation

	<i>Cell percentages</i>							
	Size of the organisation (number of employees)							
	5-12	13-19	20-49	50-99	100-499	500-999	1000+	All
No new or additional provision	12	12	6	20	24	29	20	12
New occupational scheme	3	3	3	3	1	3	16	3
Additional occupational scheme	0	1	*	3	2	6	5	*
New GPP	4	3	10	18	17	16	9	6
Additional GPP	1	*	1	0	3	2	2	1
Started contributing to PPs	5	2	8	4	9	9	5	5
Access to stakeholder pension	83	85	87	65	65	63	63	82
Closed occupational scheme	2	2	2	11	13	27	32	3
<i>Weighted base</i>	<i>352</i>	<i>100</i>	<i>108</i>	<i>38</i>	<i>30</i>	<i>4</i>	<i>4</i>	<i>638</i>
<i>Unweighted base</i>	<i>190</i>	<i>115</i>	<i>276</i>	<i>209</i>	<i>427</i>	<i>197</i>	<i>406</i>	<i>1820</i>

Base is organisations with five or more employees that have some type of pension provision (occupational scheme, GPP or contributes to personal pensions). Organisations could have made more than one type of change so columns do not sum to 100. Notes: Figures in brackets have an unweighted base of less than 50 cases. * = Less than 0.5 per cent, but more than zero.

Three per cent of providers, with five or more employees, had closed an occupational scheme. The proportion of organisations which had done so, increased from just two per cent of businesses with up to 49 employees, to 11 per cent of businesses with 50-99 employees. It was highest among the largest organisations (1000+ employees), 32 per cent of which had closed occupational pension schemes.

There were some differences in changes in pension provision among providing organisations (with five or more employees), which had been operating for different lengths of time (Table 4.7). The main differences concerned organisations founded within the last four years and all other organisations. Only one per cent of organisations established in the last four years had introduced no new forms of provision since 1998 (compared to 12 per cent overall); they were particularly likely to have started contributing to personal pensions (16 per cent).

Table 4.7 Recent changes to pension provision among current providers (from 1998 onwards) by age of organisation

	<i>Cell percentages</i>				
	Number of years organisation has been operating				
	1-4 years	5-10 years	11-19 years	20+ years	All
No new provision	1	9	15	15	12
New occupational scheme	4	4	1	3	3
Additional occupational scheme	0	*	*	1	*
New GPP	10	8	5	5	6
Additional GPP	*	2	1	1	1
Started contributing to PPs	16	3	2	5	5
Access to stakeholder pension	88	85	81	79	81
Closed occupational scheme	3	1	1	5	3
<i>Weighted base</i>	<i>65</i>	<i>129</i>	<i>155</i>	<i>284</i>	<i>633</i>
<i>Unweighted base</i>	<i>99</i>	<i>231</i>	<i>342</i>	<i>1133</i>	<i>1805</i>

Base is organisations with five or more employees that have some type of pension provision (occupational scheme, GPP or contributes to personal pensions). Organisations could have made more than one type of change so columns do not sum to 100.

* = Less than 0.5 per cent, but more than zero. Note: Figures in brackets have a base of less than 50 cases.

Recent changes to occupational pensions

Few providers of occupational pensions reported any specific changes to these schemes since 2000 (Table 4.8). Four per cent had changed from being contracted-out of S2P to being contracted-in. One per cent had switched in the other direction. These figures were slightly lower than in 2000, when five per cent of organisations had contracted into S2P and two per cent contracted out of SERPS (Smith and McKay, 2000, p. 54). These decreases, however, were not statistically significant.

Table 4.8 Changes to occupational schemes among current providers

<i>Column percentages</i>				
Have any of your occupational schemes changed from:				
	Money purchase to salary-related?	Salary-related to money purchase?	Contracted-out of S2P to contracted-in?	Contracted-in to contracted-out of S2P?
Yes	*	4	4	1
No	99	94	92	96
Don't know	1	2	4	3
<i>Weighted base</i>	<i>139</i>	<i>139</i>	<i>139</i>	<i>139</i>
<i>Unweighted base</i>	<i>825</i>	<i>825</i>	<i>825</i>	<i>825</i>

Base is current providers of occupational schemes. * Less than 0.5 per cent, but more than zero.

There was also some change in the proportion of providers who had changed the basis of the calculation of their benefits. Four per cent of providers had switched a salary-based occupational scheme to a money-purchase scheme, while less than 0.5 per cent moved from money-purchase to salary-related schemes. In 2000, the respective figures were two per cent and one per cent. However, unlike in the previous survey, providers participating in the 2003 survey appeared much clearer about their recent changes to occupational pensions, resulting in a much lower rate of 'don't know' responses. Comparisons with the 2000 statistics should, therefore, be treated with caution, as the actual proportion of organisations, which had changed their occupational pension schemes, might, in fact, have been higher or lower in 2000 than was then reported.

4.3.3 Anticipated changes among providers

Providers who did not have a GPP plan were asked if they had 'ever seriously' considered setting up a GPP for their workforce (Table 4.9). Ten per cent of organisations with 20 or more employees said that they had considered this, as did two per cent of smaller businesses.

Table 4.9 Anticipated changes to pension provision by size of organisation

Column percentages

	Has this organisation ever seriously considered:								
	Moving to a Group Personal Pension? arrangement ¹			Contributing to employee personal pension plans to replace current provision ² ?			Moving to a Stakeholder pension arrangement ³ ?		
	Number of employees			Number of employees			Number of employees		
	1-19	20+	All	1-19	20+	All	1-19	20+	All
Yes	2	10	3	5	6	5	14	25	15
No	98	89	97	95	93	95	86	72	84
Don't know	*	1	*	0	*	*	0	3	*
<i>Weighted base</i>	<i>694</i>	<i>107</i>	<i>801</i>	<i>614</i>	<i>134</i>	<i>748</i>	<i>304</i>	<i>42</i>	<i>345</i>
<i>Unweighted base</i>	<i>273</i>	<i>867</i>	<i>1140</i>	<i>283</i>	<i>119</i>	<i>1402</i>	<i>67</i>	<i>456</i>	<i>523</i>

Notes: Base 1 is organisations with some pension provision but not a GPP.

Base 2 is organisations with some pension provision but were not contributing to employees' personal pension plans.

Base 3 is organisations with some pension provision but not a stakeholder pension. * Less than 0.5 per cent, but more than zero.

Similarly, organisations not contributing to employees' personal pension plans were asked whether they had considered replacing their current provision with personal pension contributions (Table 4.9). Six per cent of larger businesses and five per cent of smaller businesses indicated that they had considered this change.

Finally, organisations not providing (access to) stakeholder pensions were asked whether they had considered their introduction. In total, one in six organisations said they had, with the proportion rising to one in four among businesses with 20 or more employees.

Organisations already providing (access to) stakeholder pensions and contributing to personal pensions were most likely to have considered moving to GPPs (nine per cent), as were those already providing GPPs together with (access to) stakeholder pensions and occupational pensions (seven per cent) (Table 4.10). The option to replace current pension provisions with contributions to personal pension plans had, above all, been considered by providers of (access to) stakeholder pensions (seven per cent) and providers of occupational pensions and (access to) stakeholder pensions (five per cent).

Table 4.10 Anticipated changes to pension provision by current type of provision

Column percentages

Has this organisation ever seriously considered:	Current pension provision							
	Occupational		Stakeholder	Occupational and PP	Occupational and Stakeholder	Stakeholder and PP	Stakeholder, occupational and GPP	Total
Moving to a Group Personal Pension arrangement¹?	Scheme	PP						
Yes	5	[1]	3	[9]	1	9	7	3
No	94	[22]	97	[17]	99	90	92	97
Don't know	2	[1]	*	[1]	*	1	1	*
<i>Weighted base</i>	32	154	455	5	67	83	5	801
<i>Unweighted base</i>	209	24	439	27	246	130	65	1140
Contributing to employee personal pension plans to replace current provision²?	Scheme	GPP	Stakeholder	Occupational and GPP	Occupational and Stakeholder	Stakeholder and GPP	Stakeholder, Occupational and GPP	Total
Yes	1	3	7	1	5	1	5	5
No	99	97	93	97	95	99	95	95
Don't know	0	*	*	2	0	*	0	*
<i>Weighted base</i>	32	120	455	8	67	55	12	748
<i>Unweighted base</i>	209	129	439	66	246	209	104	1402
Moving to a Stakeholder pension arrangement³?	Scheme	GPP	PP	Occupational and GPP	Occupational and PP	GPP and PP	Occupational, PP and GPP	Total
Yes	6	16	[6]	22	[6]	[6]	[10]	15
No	93	84	[17]	71	[21]	[37]	[14]	84
Don't know	2	0	[1]	7	[0]	[1]	[0]	*
<i>Weighted base</i>	32	120	154	8	5	25	2	345
<i>Unweighted base</i>	209	129	24	66	27	44	24	523

Notes: Base 1 is organisations with some pension provision but not a GPP.

Base 2 is organisations with some pension provision but were not contributing to employees' personal pension plans.

Base 3 is organisations with some pension provision but not access to a stakeholder pension.

Figures in [] based on fewer than 50 cases and report absolute frequencies; they should therefore be treated with caution.

* = Less than 0.5 per cent, but more than zero.

Finally, the share of organisations which had contemplated moving to stakeholder pensions, ranged from six per cent of organisations providing only occupational pension schemes, 16 per cent of businesses providing GPPs and 22 per cent of employers contributing to personal pensions. The percentage figures for other providers were based on less than 50 (unweighted) observations and must be treated with caution.

Providers of any of the four main types of pensions and those with closed or frozen occupational pension schemes were next asked if their organisations had seriously considered making any changes in the next two years. Overall, organisations that had contemplated such changes were more likely to have considered making changes to existing provisions rather than introducing new schemes or closing others, which would change the mix of their provision (Table 4.11). Thirty-one per cent of organisations had considered improving their benefits within the next two years, while 25 per cent had considered setting up a Top Hat scheme.

Table 4.11 Anticipated changes to pension provision over next two years

<i>Cell percentages</i>	
Anticipated changes	All
Change type of provision	
Introduce/change to stakeholder pension	10
Introduce/change to GPP	3
Introduce/change to money purchase scheme	1
Set up a new scheme (undefined)	15
Close scheme and set up new provision (undefined)	3
Intend to close defined benefit (salary-related) scheme	1
Change existing provision	
Open up eligibility rules to allow more employees to join	1
Restricting entry	*
Improve benefits	31
Reducing benefits	1
Rationalise/merge schemes	*
Reduction/change in accrual	1
Equalisation of pension ages	*
Increase contributions	8
Increase employees'/members' contributions	1
Contract out of S2P	*
Contract in to S2P	*
Set up Top Hat scheme	25
Do not know	1
Other	3
<i>Weighted base</i>	96
<i>Unweighted base</i>	325

Base is current providers who thought they would be making changes in the next two years.

Note: * = Less than 0.5 per cent, but more than zero. Respondents could give up to five answers so columns do not sum to 100.

Among changes to the type of provision, 15 per cent of organisations indicated they had considered setting up a new, as yet unspecified, pension scheme in the next two years, ten per cent considered introducing a stakeholder pension and three per cent introducing a GPP (Table 4.11).

Three per cent of organisations had considered closing a scheme and setting up a new provision. One per cent of businesses had considered closing their salary-related (or defined benefit) scheme, although this rose to three per cent among organisations with 20 or more employees. One per cent of organisations also considered the introduction of, or change to, a money-purchase scheme.

The responses were not mutually exclusive and some organisations might have had plans for more than one change to their current system of pension provision.

4.4 Attributing changes in incidence of provision

It was noted earlier in this chapter and in Chapter 2 that there had been some changes in the characteristics of organisations surveyed in 2000 and 2003 and in the characteristics of their workforce. These changes might have been due to the wider sampling frame used in the 2003 survey, now also including businesses with just one employee, due to actually occurring changes in the labour market, or due to sampling error. These changes may affect the aggregate survey results, which have been reported here, as the level and extent of pension provision varies between businesses with different workforce characteristics.

The main differences were in the proportion of smaller businesses, which increased for the smallest size band and decreased for organisations with six to 12 employees, and in the proportion of part-time employees. There was a slight increase in the proportion of organisations without part-time employees and a large decrease in the proportion of organisations with between 50 per cent and 75 per cent of their workforce employed on a part-time basis.

The effect that these changes might have had on the aggregate estimate of the proportion of organisations with pension provision can be estimated using shift-share analysis. This technique isolates the impact of compositional changes and behavioural changes (in terms of pension provision) among businesses, and also calculates the interaction between the two values. Shift-share analysis was used in the 2000 survey when comparisons were drawn with the 1998 survey (cp. Smith and McKay, 2001, pp. 57-60). This exercise was repeated for the present study and the results of two of the shift-share analyses are reported now.

The first shift-share analysis estimated the effect of changes in the number of employees or, more precisely, the distribution of organisations across different size bands on the level of pension provision (Table 4.12). Total coverage increased by 27 percentage points between 2000 and 2003. The shift-share analysis suggests that, had the size composition of organisations, in fact, remained unchanged, this would have led to a 0.03 percentage point drop in the provision of pensions in Britain. Over 23 percentage points of the change were due to actual changes in behaviour, which, therefore, accounted for almost all the observed change in provision.

Table 4.12 Pension provision by number of employees

Size band	1998		2000		2003	
	Percentage of firms	Provision level	Percentage of firms	Provision level	Percentage of firms	Provision level
1-5	64	25	72	24	75	36
6-12	31	42	22	25	19	78
13-19	5	57	6	47	6	95
All sizes	100	32	100	26	100	47
			Aggregate change 2000-2003	Element due to change in composition	Element due to change in behaviour within groups	Interaction term
			+27%	-0.03	+23.2	-1.2

Base: firms with fewer than 20 employees.

Note: Provision includes the option "providing access to stakeholder pensions" even when there are no contributions.

Similarly, changes in the proportion of businesses with part-time workers had only a very small effect on the aggregate change in provision: had the composition of businesses in 2003 remained as in 2000, a 0.2 percentage point drop in total provision would have been expected (Table 4.13). By contrast, 21.5 percentage points of the observed change can be attributed to changes in organisations' behaviour, thus again accounting for most of the actual increase in provision.

Table 4.13 Pension provision by number of part-time employees

Size band	1998		2000		2003	
	Percentage of firms	Provision level	Percentage of firms	Provision level	Percentage of firms	Provision level
None	46	32	38	29	41	44
0.1% - 24.9%	13	46	9	42	8	86
25% - 49.9%	15	39	16	24	20	59
50% - 74.9%	15	26	26	23	19	43
75% - 100%	11	11	12	9	12	18
All sizes	100	32	100	26	100	47
			Aggregate change 2000-2003	Element due to change in composition	Element due to change in behaviour within groups	Interaction term
			+27	-0.2	+21.5	+0.01

Base: firms with fewer than 20 employees.

Note: Provision includes the option "providing access to stakeholder pensions" even when there are no contributions.

Very similar results were found in tests for the effect of changing age profiles and distribution across industrial sectors. Overall, therefore, it was behavioural changes rather than changes in the composition of businesses or their workforce, which drove changes in pension provision between 2000 and 2003.

5 Occupational pensions

5.1 Introduction

This chapter examines occupational pension schemes provided by private-sector employers in Britain. It starts with a review of the characteristics of employers providing these pensions before moving on to explore the membership of occupational schemes and the type and level of contributions made by employers to these pensions. Scheme valuations will also be analysed. The following Chapter 6 will explore the administration of pension schemes.

5.2 Occupational pension providers

Initial analysis of pension provisions among employers in 2003, reported in Chapter 2, revealed that, as in 2000, seven per cent of employers provided occupational pensions for their employees. The provision of occupational pensions strongly depended on the size of the business, as few smaller enterprises offered these schemes, while over 80 per cent of the largest businesses (1000+ employees) covered in the 2003 survey provided occupational pensions.

About one-quarter of all businesses (26 per cent) with occupational pension schemes provided only these, the remainder offered occupational pensions alongside other pension products, including over half of these organisations (52 per cent) providing both an occupational pension scheme and (access to) a stakeholder pension (Table 5.1). Smaller businesses with up to 99 employees were most likely to provide this combination of pension products (56 per cent), while larger businesses tended to provide occupational pension schemes alongside access to stakeholder pensions or alongside stakeholder pensions and GPPs. Sixteen per cent of the very largest businesses (with 1000 or more employees) provided occupational pensions and GPPs.

Table 5.1 Occupational pension arrangements by size of organisation

Occupational pension arrangements	Size of the organisation (number of employees)				
	1-99	100-499	500-999	1000+	All
<i>Column percentages</i>					
Type of provision					
Occupational scheme only	24	39	36	23	26
Occupational and GPP	4	8	8	16	5
Occupational and PP	4	4	2	1	4
Occupational and stakeholder	56	19	23	20	52
Stakeholder, occupational and GPP	10	17	20	29	11
Occupational, PP and GPP	1	3	0	2	1
Four schemes	1	10	12	9	2
Number of occupational schemes					
1 occupational scheme	73	60	70	52	71
2 occupational schemes	26	35	24	22	27
3 – 6 occupational schemes	1	6	6	26	2
Active members of occupational schemes as a % of all employees					
Up to 25%	45	35	25	39	44
26 – 50%	28	18	29	20	27
51 – 75%	7	26	27	15	9
76 – 100%	21	21	19	26	21
Number of employees in occupational schemes					
1-49	99	36	17	19	89
50-99	1	34	2	2	4
100-249	0	24	27	7	3
250-499	0	6	33	11	2
500-999	0	*	20	15	1
1000-4999	0	0	1	36	1
5000+	0	0	0	11	*
<i>Weighted base</i>	111	10	3	4	127
<i>Unweighted base</i>	115	194	125	339	773

Base is organisations with an open or closed occupational scheme obtained from the Occupational database.

Note: * = Less than 0.5 per cent, but more than zero.

The majority of employers restricted their provision of occupational pensions to a single scheme (71 per cent). However, just over a quarter (26 per cent) of organisations with 1000 or more employees provided three or more occupational pensions.

Just under one-third (30 per cent) of employers providing occupational pensions had more than 50 per cent of their employees as active members of the scheme, although this figure rose to more than 40 per cent among businesses with 100 or more employees and was highest among businesses with 100-499 employees (47 per cent).

5.3 Occupational pension schemes

Organisations managed open, closed and frozen occupational pension schemes.

Open schemes admit new members as well as receive continued contributions by current members. Closed schemes do not admit new members, but current members continue to contribute to the scheme. Finally, frozen schemes are closed to both new and current members and no more contributions can be made to this type of occupational pension scheme. The provision of all three types of occupational pensions tended to increase with the size of the business.

5.3.1 Size of schemes

Fifty-six per cent of occupational schemes in private-sector organisations were open schemes, 33 per cent were closed and 11 per cent were frozen. Closed and frozen schemes tended to be smaller in size than open schemes, covering or affecting fewer employees (Table 5.2). Just eight per cent of closed schemes and four per cent of frozen schemes had 20 or more active members, compared to 24 per cent of open schemes. While about half (53 per cent) of all open occupational schemes were provided by organisations with up to 12 employees, 67 per cent of closed schemes were held in organisation of this size. By contrast, just three per cent of these smaller businesses managed frozen schemes, while 65 per cent of frozen schemes were found among businesses with between 20 and 49 employees. This was also in marked contrast to the findings of the 2000 survey, when nearly all (94 per cent) of frozen schemes were in organisations with up to five employees (Smith and McKay, 2001, p. 63).

Table 5.2 Size of occupational pension schemes

	<i>Column percentages</i>		
	Type of occupational scheme		
	Open	Closed	Frozen
Size of scheme			
No active members	13	*	55
1-19 active members	63	92	40
20-49 active members	13	2	3
50-99 active members	4	2	1
100-249 active members	3	1	*
250-499 active members	2	1	*
500-999 active members	1	1	*
1000-4999 active members	1	1	0
5000+ active members	*	*	0
Median number of (active) members	2	1	0
Size of organisation			
1 - 4 employees	43	30	0
5 – 12 employees	10	37	3
13 – 19 employees	11	5	6
20 – 49 employees	14	5	65
50 – 99 employees	7	9	13
100 – 499 employees	8	7	13
500 – 999 employees	2	2	3
1000+ employees	5	4	3
<i>Weighted base</i>	96	64	11
<i>Unweighted base</i>	808	470	160

Base is all occupational schemes. Note: * = Less than 0.5 per cent, but more than zero.

The size of occupational schemes, as measured by their number of active members, increased with the size of the providing organisation (Table 5.3).

Table 5.3 Relationship between size of scheme and size of organisation

Size of organisation	<i>Column percentages</i>							
	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000+	All
1 – 19 employees	77	-	-	-	-	-	-	64
20 – 49 employees	11	38	-	-	-	-	-	12
50 – 99 employees	7	34	22	-	-	-	-	9
100 – 499 employees	4	19	65	56	25	1	-	8
500 – 999 employees	*	5	7	25	41	37	1	2
1000+ employees	1	3	6	19	33	62	99	4
<i>Weighted base</i>	131	14	5	4	2	1	2	160
<i>Unweighted base</i>	305	122	107	164	164	132	253	1247

Base is all occupational schemes with at least one member. Notes: * = Less than 0.5 per cent, but more than zero.

- = not applicable.

5.3.2 Closed and frozen schemes

For a large proportion of closed or frozen occupational schemes, the surveyed organisations could no longer recall when exactly these had been closed or frozen. This included 28 per cent of schemes, where the survey informant thought it might have been closed more than four years ago, i.e. before 1999 (Table 5.4), but was not sure about the exact year. Similarly, with respect to 59 per cent of frozen schemes, the interviewee believed that it had been closed to new and current members more than four years ago without recalling the exact year.

Table 5.4 Year of scheme closure or freezing

Year closed	Type of occupational scheme	
	Closed	Frozen
1999	6	8
2000	2	2
2001	12	18
2002	3	2
2003	6	1
Don't know exactly, but within last 4 years	2	5
Don't know exactly, but over 4 years ago	28	59
Don't know	43	5
<i>Weighted base</i>	<i>69</i>	<i>20</i>
<i>Unweighted base</i>	<i>470</i>	<i>160</i>

Base is all closed and frozen occupational schemes.

Note: * = Less than 0.5 per cent, but more than zero.

Further scheme closures occurred, in particular, in 2001, when 12 per cent of occupational schemes had stopped accepting new members. Eighteen per cent of schemes had stopped accepting contributions from new and existing members in 2001.

Occupational pension schemes had mainly been closed within the last four years because they had been intended for a small number of members, largely directors (55 per cent), because the scheme had become too expensive to run (18 per cent) or because the providing organisation wanted to switch to providing access to a stakeholder pension (nine per cent) (Table 5.5, column 3). Occupational pension schemes were frozen within the last four years because organisations wanted to set up a new or different scheme (20 per cent), felt there were not enough members to sustain the scheme (21 per cent), were concerned about too much administration (12 per cent) or had the scheme intended for directors only (11 per cent). The principal reasons for the closure of salary-related schemes were costs (39 per cent) and the original intention to limit membership only to one or two persons (28 per cent).

Table 5.5 Reasons for scheme closure to new members by type of scheme (within last four years)

Reason why scheme closed to new members	Type of occupational scheme			
	Salary-related schemes	Closed		Frozen
		Money-purchase schemes	All	
Not enough money to meet liabilities	7	[0]	3	7
Scheme too expensive to run	39	[4]	18	5
Stock market conditions	2	[0]	1	0
Wanted to switch to group personal pension or personal pension	1	[5]	3	10
Wanted to switch to defined contribution (or money purchase)	2	[0]	1	*
Wanted to switch to a stakeholder pension scheme	8	[7]	9	10
Set up a new or other scheme (unspecified)	2	[5]	6	20
Recent/anticipated changes to pension legislation or tax	3	[0]	1	*
Recent changes to accounting practices	1	[1]	1	0
Change of ownership of organisation - organisation merged	11	[3]	6	4
Previous scheme was not attractive - wanted to provide better scheme	2	[0]	1	4
Not enough members/reduction in workforce	0	[2]	1	21
Only intended for one or two directors/one person	28	[10]	55	11
Too much administration	0	[0]	0	12
Don't know	2	[0]	1	0
Other	8	[4]	4	5
<i>Weighted base</i>	<i>8</i>	<i>9</i>	<i>14</i>	<i>7</i>
<i>Unweighted base</i>	<i>211</i>	<i>45</i>	<i>270</i>	<i>66</i>

Base is closed and frozen schemes that closed to new members in last four years.

Note: * = Less than 0.5 per cent, but more than zero. Respondents could give more than one answer so columns do not sum to 100. Base for salary-related and money-purchase closed schemes smaller than for all closed schemes due to inclusion of 'other' schemes in the latter. Figures in [] have a base of less than 50 cases and report absolute frequencies.

5.3.3 Types of occupational schemes

The benefits of occupational pension schemes can be calculated in two principal ways. First, salary-related schemes (also called defined benefit schemes) base the final pension on the contributor's earnings, typically as a fixed proportion of the latter just before retirement. Secondly, money-purchase schemes (or defined contribution schemes) base the pension on the contributions made to the scheme and the return on the investment made with these contributions. Upon retirement, the overall value of the pension fund is used to buy an annuity, from which pension is drawn.

Some occupational pension schemes combine salary-related and money-purchase features. For instance, pension scheme members can switch from a salary-related to a money-purchase scheme, if the latter's annuity is greater than the salary-related pension ('money-purchase underpin'). Other variations include the 'target pension arrangement', under which employers top up money-purchase schemes to guarantee an agreed target pension. Other schemes differ in relation to how they operate with respect to SERPS (see Section 5.3.5) and in terms of membership restrictions (e.g. 'Top Hat' schemes typically limited to senior managers; see Section 5.4.1).

The most common form of open, closed or frozen occupational pensions were money-purchase schemes (Table 5.6, row 2). Only about a fifth of schemes were salary-related. Mixed schemes mainly operated as salary-related schemes made up 14 per cent of all open schemes. Other⁵ pension arrangements constituted 15 per cent of all open schemes. Mixed pension products, mainly managed as money-purchase schemes, were much less prevalent (ranging from two to six per cent of schemes).

Table 5.6 Types of occupational pension schemes

Type of occupational scheme	Status of occupational scheme			
	Open	Closed	Frozen	All
Salary-related	22	22	25	22
Money purchase	47	58	64	53
Mixed, mainly salary-related	14	*	*	8
Mixed, mainly money purchase	2	5	6	4
Other	15	14	5	14
<i>Weighted base</i>	<i>96</i>	<i>69</i>	<i>20</i>	<i>185</i>
<i>Unweighted base</i>	<i>808</i>	<i>470</i>	<i>160</i>	<i>1438</i>

Base is all occupational schemes.

Note: * = Less than 0.5 per cent, but more than zero.

Table 5.7 illustrates the percentage of active members that were in each type of scheme. Most active members in open schemes were in salary-related schemes (46 per cent), as were most active members of closed schemes (81 per cent). Compared to 2000, active membership of open salary-related schemes declined from 57 per cent, whereas active membership of money-purchase schemes increased from 15 per cent (Smith and McKay, 2001, p.67), although the latter increase is only of borderline statistical significance.

In contrast, the majority of members who had previously contributed to now frozen schemes belonged to money-purchase schemes (58 per cent).

⁵ Many of these 'other' schemes were Top Hat schemes. However, small baseline numbers prevent more detailed analysis.

Table 5.7 Percentage of active members by type and status of occupational scheme

Type of occupational scheme	Status of occupational scheme			
	Open	Closed	Frozen	All
Salary-related	46	81	32	54
Money purchase	18	6	58	16
Mixed, mainly salary-related	21	10	0	18
Mixed, mainly money purchase	6	1	9	5
Other	8	2	1	7
<i>Weighted base</i>	<i>96</i>	<i>69</i>	<i>20</i>	<i>185</i>
<i>Unweighted base</i>	<i>808</i>	<i>470</i>	<i>160</i>	<i>1438</i>

Column percentages

Base is all occupational scheme members. Note: * = Less than 0.5 per cent, but more than zero.

Size of schemes

The majority of open salary-related (59 per cent) and money-purchase schemes (77 per cent) had between one and 19 active members, whereas over two-thirds of 'other' open schemes, which includes mixed schemes, had no active members at all (Table 5.8). These differences were fairly substantial, as the statistics of the median number of active members highlights. Whereas half of all open salary-related schemes had up to nine members, half of all open money-purchase schemes only had one member. Half of all 'other' open schemes had no members, as the previous statistic in the top half of Table 5.8 suggested.

Table 5.8 Size of occupational pension schemes by type of scheme

Size of scheme	Type and status of occupational scheme					
	Open schemes			Closed schemes		
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other
No active members	*	6	69	*	0	[2]
1-19 active members	61	77	22	67	99	[8]
20-49 active members	26	6	1	7	1	[3]
50-99 active members	4	4	0	10	*	[1]
100-249 active members	3	4	1	5	*	[2]
250-499 active members	2	1	2	4	*	[1]
500-999 active members	2	*	1	2	0	[3]
1000-4999 active members	2	1	2	3	*	[1]
5000+ active members	*	*	1	*	0	[1]
Median number of active members	9	1	0	6	1	[37]

Continued

Table 5.8 Continued

Column percentages

	Type and status of occupational scheme					
	Open schemes			Closed schemes		
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other
Size of organisation						
1 - 4 employees	45	45	53	0	44	[1]
5 – 12 employees	3	7	9	20	37	[2]
13 – 19 employees	12	10	13	0	8	[0]
20 – 49 employees	12	17	6	2	5	[1]
50 – 99 employees	13	5	1	36	2	[1]
100 – 499 employees	8	11	3	19	3	[2]
500 – 999 employees	2	2	2	8	1	[3]
1000+ employees	6	3	12	16	*	[14]
<i>Weighted base</i>	34	47	15	15	48	6
<i>Unweighted base</i>	362	285	161	344	102	24

Base is all open and closed occupational schemes.

Notes: * = Less than 0.5 per cent, but more than zero. Figures in [] have a base of less than 50 cases and report absolute frequencies.

Between 45 per cent and 53 per cent of open occupational schemes were provided by organisations with up to four employees. Very large organisations with 1000 or more employees had a disproportionate share of 'other' open schemes (12 per cent), when compared to their shares of open salary-related (six per cent) or open money-purchase schemes (three per cent).

Nearly all closed schemes (92 per cent) had fewer than 20 active members and over two-thirds of them (67 per cent) were in organisations with up to 12 employees (not shown in table). Closed salary-related and closed money-purchase schemes tended to be smaller in membership than their respective open schemes. In the case of salary-related schemes, however, the organisations with closed schemes also tended to be larger than those with open schemes.

5.3.4 Age and industrial sector of occupational schemes

Over one-third of open salary-related schemes (40 per cent) had been set up before 1989, compared to just one-fifth (20 per cent) of open money-purchase and six per cent of 'other' open occupational schemes (Table 5.9). Nearly two-thirds of closed schemes (62 per cent) had been closed before 1989 (not shown in table).

Table 5.9 Year that occupational scheme was set up by type of scheme

Column percentages

When was the scheme established?	Type and status of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Before 1981	25	6	5	31	55	[8]	27
1981 – 1984	8	7	*	2	2	[2]	5
1985 – 1988	7	7	1	18	14	[1]	9
1989 – 1991	1	3	3	1	5	[1]	3
1992 – 1994	2	48	*	3	*	[0]	15
1995 – 1997	47	7	64	4	2	[1]	20
1998 – 2000	3	11	23	16	14	[4]	12
2001-2003	8	11	3	24	8	[1]	10
<i>Weighted base</i>	<i>33</i>	<i>47</i>	<i>13</i>	<i>12</i>	<i>47</i>	<i>5</i>	<i>158</i>
<i>Unweighted base</i>	<i>335</i>	<i>275</i>	<i>98</i>	<i>318</i>	<i>97</i>	<i>18</i>	<i>1146</i>

Base is all open and closed occupational schemes (not frozen). Notes: Figures in [] have a base of less than 50 cases and report absolute frequencies..

* Less than 0.5 per cent, but more than zero.

However, in all instances, including that of closed schemes, there had been a more recent change in provisions. In the case of open salary-related schemes, about half of these (47 per cent) had been set up between 1995 and 1997. In contrast, nearly half of open money-purchase schemes had been established between 1992 and 1994 (48 per cent), while nearly two-thirds of other schemes had been opened between 1995 and 1997 (64 per cent).

These statistics are affected by the inclusion of small occupational schemes (less than 20 members), many of which had been set up in more recent years. Excluding these, 44 per cent of open salary-related schemes (with 20 or more members) had been set up before 1981, as had 19 per cent of open money-purchase schemes and 58 per cent of other open occupational schemes. The proportion of closed larger schemes, which had been opened before 1981, remained close to the average at 49 per cent.

Proportionately more closed than open salary-related and money-purchase schemes had been set up before 1981, including over half of all closed money-purchase schemes (56 per cent). This said, 41 per cent of closed salary-related schemes and 22 per cent of closed money-purchase schemes had stopped accepting members' contributions after 1998.

Over a quarter of schemes set up since 1998 had replaced an earlier scheme (27 per cent), while seven per cent added to an earlier scheme. Salary-related and money-purchase schemes were about equally likely to have replaced an earlier scheme (26 per cent and 27 per cent respectively), although the latter were more likely to have been an addition to an earlier scheme (four per cent compared to one per cent of salary-related schemes). In all instances, respondents were often unsure whether schemes had replaced or added to existing provisions: in the case of salary-related schemes, 'don't know' responses amounted to 13 per cent, in the case of money-purchase schemes to 19 per cent of responses.

The size of open or now closed occupational pension schemes tended to increase with the schemes' age. Whereas 57 per cent of schemes with between 500 and 999 or between 1000 and 4999 active members had been set up before 1981, this was only true for 26 per cent of schemes with one to 19 active members (Table 5.10). Over two-thirds (69 per cent) of schemes with up to 19 members had been set up since 1992, compared to 54 per cent of schemes with between 20 and 49 members or 12 per cent of schemes with between 1000 and 4999 members.

Table 5.10 Year that occupational scheme was set up by size of scheme

When was the scheme established?	Size of scheme (number of active members)							
	Column percentages							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Before 1981	26	26	60	39	41	57	57	39
1981 - 1984	3	1	6	2	2	8	2	4
1985 - 1988	9	12	8	19	12	7	14	27
1989 - 1991	3	4	1	4	7	3	11	0
1992 - 1994	19	3	4	7	4	13	4	4
1995 - 1997	17	27	4	6	10	4	4	12
1998 - 2000	13	1	12	19	11	7	7	15
2001 - 2003	10	25	6	5	12	1	1	0
<i>Weighted base</i>	<i>117</i>	<i>12</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>246</i>	<i>104</i>	<i>96</i>	<i>156</i>	<i>153</i>	<i>126</i>	<i>184</i>	<i>62</i>

Base is open and closed occupational schemes with at least one member.

The retail, distribution, hotels and catering sector was the main contributor to occupational pensions, accounting for 47 per cent of open or closed occupational pensions in 2003 (Table 5.11). It also provided a disproportionate share of all open money-purchase schemes (61 per cent), a share of closed schemes roughly equivalent to its overall share of pensions (49 per cent) and relatively fewer open salary-related schemes (41 per cent).

Table 5.11 Industrial sector (SIC 1992) of occupational schemes by type of scheme

Industrial sector	Type and status of occupational scheme				
	Open schemes				
	Salary-related	Money purchase	Other	Closed schemes	All
Agriculture and fishing	*	*	*	*	*
Energy and water	*	*	*	*	*
Manufacturing	9	13	60	20	19
Construction	12	3	*	8	7
Retail, distribution, hotels and catering	41	61	7	49	47
Transport and communications	2	1	*	2	1
Banking, finance and business services	12	19	4	12	13
Public administration, education and health	22	2	17	3	8
Other services	3	1	10	7	5
<i>Weighted base</i>	<i>34</i>	<i>47</i>	<i>15</i>	<i>69</i>	<i>165</i>
<i>Unweighted base</i>	<i>362</i>	<i>285</i>	<i>161</i>	<i>470</i>	<i>1278</i>

Base is all open and closed occupational schemes. Note: * = Less than 0.5 per cent, but more than zero.

The main provider of money-purchase schemes after the retail sector was banking. Accounting for 13 per cent of all occupational pension schemes, it also accounted for 19 per cent of all open money-purchase schemes.

The high proportion of schemes that appear to come from the retail, distribution, hotels and catering sector can be explained by the fact that many of these are smaller companies (1-19 employees). The weighting system used on this survey means that when employer level estimates are produced (i.e. for employers of *all* sizes) smaller companies' responses are boosted up in order to ensure the estimate reflects the whole population of employers (i.e. there are many small companies and the results at the employer level need to reflect this). For example, when employers with 1-19 employees are removed from the analysis only three per cent of open salary-related schemes are located in this sector (compared with 41 per cent in Table 5.11), as are 22 per cent of 'all' occupational schemes (compared with 47 per cent).

Manufacturing was the main provider of 'other' types of occupational pensions. This sector also accounted for large proportions and, in some cases, the majority of medium-sized and larger occupational pension schemes (Table 5.12). However, the largest fraction of very large occupational pension schemes (5000+ active members) were found in the banking, finance and business services sector (41 per cent), which also provided over one-third of all smaller schemes with 20 to 49 active members (38 per cent) as did the education and health sector (37 per cent). The retail, distribution, hotel and catering sector was the main provider of very small schemes with 1-19 active members (59 per cent).

Table 5.12 Industrial sector (SIC 1992) of occupational schemes by size of scheme

Industrial sector	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Agriculture and fishing	*	*	0	*	*	0	0	0
Energy and water	*	*	*	1	*	0	4	11
Manufacturing	12	13	48	55	48	50	38	22
Construction	9	1	6	3	1	3	7	7
Retail, distribution, hotels and catering	59	5	4	8	15	16	2	7
Transport and communications	1	2	3	6	7	3	16	4
Banking, finance and business services	10	38	32	22	11	17	22	41
Public administration, education and health	5	37	1	4	17	5	4	
Other services	4	3	5	2	1	6	6	7
<i>Weighted base</i>	<i>123</i>	<i>14</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>268</i>	<i>113</i>	<i>99</i>	<i>161</i>	<i>158</i>	<i>130</i>	<i>189</i>	<i>62</i>

Base is open and closed occupational schemes with at least one member.

Note: * = Less than 0.5 per cent, but more than zero.

5.3.5 Reasons for scheme closures

In Section 5.3.2, the reasons for closing occupational pension schemes were reported and found to differ between closed and frozen schemes. The reasons for the closure of occupational schemes also varied markedly between types of schemes, that is, between salary-related and money-purchase schemes (Table 5.13). The principal reasons for closing salary-related schemes were their cost (32 per cent), the original intention to limit access to one or two directors or other (senior) persons (26 per cent), the intention to set up a new or other scheme (12 per cent) or a change in the ownership of the organisation concerned (ten per cent). In contrast, costs were not an important reason for the closure of money-purchase schemes (three per cent). Their closure was mainly driven by the original intention to limit membership (54 per cent) and, to a much lesser extent, to switch to a stakeholder pension (12 per cent) or the realisation that there were not enough members or a reduced workforce, which restricted potential membership (11 per cent).

The costs and financial liabilities associated with running occupational pension schemes were also key reasons for recent closures of salary-related schemes. For instance, half of all salary-related schemes (50 per cent) closed since 2002 were closed because they had been deemed too expensive to run, compared with 29 per cent of schemes closed prior to 2002. There were fewer marked differences in the reasons for the closure of money-purchase schemes, although the small number of schemes closed since 2002 prevented a detailed analysis of closures of this type of occupational pension schemes.

Table 5.13 Reasons for closure of salary-related and money-purchase schemes

Reasons for closure	Type of Scheme				
	Salary-related			Money purchase	
	Closed prior to 2002	Closed 2002 or 2003	All	Closed prior to 2002	All
Scheme too expensive to run	29	50	32	2	3
Not enough money to meet liabilities	3	37	9	1	1
Stock market conditions	*	8	2	0	0
Wanted to switch to group personal pension or personal pension	1	3	1	9	7
Wanted to switch to defined contribution (or money purchase)	1	8	2	0	0
Wanted to switch to a stakeholder pension scheme	7	3	6	15	12
Set up a new or other scheme (unspecified)	13	4	12	10	8
Recent/anticipated changes to pension legislation or tax	3	2	3	*	*
Recent changes to accounting practices	1	1	1	2	1
Change of ownership of organisation - organisation merged	11	1	10	3	2
Previous scheme was not attractive	2	1	2	3	2
Too much administration involved/make administration easier	*	0	*	7	5
Not enough members/reduction in workforce	0	1	*	13	11
Only intended for one or two directors/one person	31	1	26	43	54
Don't know	3	2	2	0	0
Other	8	4	7	3	3
<i>Weighted base</i>	<i>846</i>	<i>188</i>	<i>1152</i>	<i>1035</i>	<i>1370</i>
<i>Unweighted base</i>	<i>129</i>	<i>98</i>	<i>240</i>	<i>57</i>	<i>80</i>

Base is closed salary-related and money-purchase schemes. Columns may total more than 100% because respondents could choose more than one answer. * = Less than 0.5 per cent, but more than zero.

Most closures of schemes during the last four years coincided with openings of other schemes during that same period, either before or after the closure (Table 5.14). In total, 93 per cent of organisations, which closed one or more occupational pension schemes between 1998 and 2003, also set up a new or alternative arrangement. However, this figure is inflated by the inclusion of the provision of access to stakeholder pensions, which, as shown in Chapters 2 and 3, only in a minority of cases entailed the employer making contributions and which attracted only a small active membership. As shown in Chapter 4, any replacement of closed schemes by newly-opened schemes was insufficient to prevent the dwindling of active membership in occupational pension schemes, in particular open salary-related schemes, between 2000 and 2003 (cp. Table 4.4).

Table 5.14 Organisations opening and closing pension schemes, by type of scheme (last four years)

<i>Cell percentages</i>			
Schemes opened in the last four years	Schemes closed in last four years		
	Salary-related	Money Purchase	All
Occupational	40	62	53
Stakeholder pension	70	82	78
GPP	25	16	19
Personal pension	5	8	6
Any	93	91	92
<i>Weighted base</i>	<i>1106</i>	<i>1338</i>	<i>2635</i>
<i>Unweighted base</i>	<i>211</i>	<i>72</i>	<i>286</i>

Base is all organisations closing an occupational scheme in last four years. Total included 11 cases (unweighted) of 'other' schemes.

5.3.6 Contracting out of State Second Pension

Employers who set up occupational pension schemes may contract out of the State Second Pension (S2P), which superseded the State Earnings-Related Pension Scheme (SERPS) in April 2002. Contracting out results in lower National Insurance contributions being payable by employers and employees. In order for salary-related schemes to be contracted out (COSRS), they must first meet a scheme quality test known as the Reference Scheme test (this applies to schemes contracting-out in respect of members' employment *after April 1997* (i.e. in contrast to the arrangements applying before then).

Money-purchase schemes can also be contracted out, becoming Contracted Out Money Purchase Schemes or COMPS. Occupational pension schemes may also contract out on a mixed benefit basis as COMBS.

There was a near even split between open salary-related occupational pension schemes, which had contracted out, and those which had not (Table 5.15)⁶. In the case of open money-purchase schemes, only 13 per cent had contracted out, whereas 69 per cent of other open occupational pension schemes, which calculated benefits on a mixed money-purchase and salary-related or some other, not further specified, basis had contracted out of S2P. Similarly, whereas about half of all closed

⁶ DN Please insert note text

salary-related schemes (52 per cent) had contracted out, only a minority of closed money-purchase schemes (eight per cent) had done so. This said, in the former case, the percentage figure might have been affected by the large proportion of 'don't know' responses (25 per cent).

The statistics for salary-related open occupational schemes were strongly affected by the inclusion of one highly weighted case in the analysis. After the exclusion of this case, the analysis suggested that a much higher proportion of this type of scheme had contracted out of S2P (75 per cent), which would be more in line with expectation and the findings of previous Employer Pension Provision Surveys. The results of this additional analysis are shown in Table B.1 in Appendix B.

Table 5.15 S2P status of occupational schemes by type of scheme

<i>Column percentages</i>							
S2P status	Type and status of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Contracted out of S2P?	53	13	69	52	8	[10]	28
Not contracted out?	47	84	13	22	89	[9]	65
Part-contracted in, part contracted out?	*	*	3	*	3	[2]	1
Do not know	*	3	16	25	*	[3]	5
<i>Weighted base</i>	<i>34</i>	<i>47</i>	<i>15</i>	<i>15</i>	<i>48</i>	<i>6</i>	<i>165</i>
<i>Unweighted base</i>	<i>362</i>	<i>285</i>	<i>161</i>	<i>344</i>	<i>102</i>	<i>24</i>	<i>1278</i>

Base is all open and closed occupational schemes.

* Less than 0.5 per cent, but more than zero.

Figures in [] have a base of less than 50 cases and report absolute frequencies.

Larger schemes were more likely to have contracted out of S2P than smaller schemes were (Table 5.16). Only in the case of very small schemes with less than 20 active members had the majority of occupational pension schemes contracted-in.

Table 5.16 SERPS/S2P status of occupational schemes by size of scheme

<i>Column percentages</i>								
S2P status	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
	Contracted out of S2P?	17	65	51	74	55	79	77
Not contracted out?	77	25	46	22	34	15	19	14
Part-contracted in, part contracted out?	1	0	3	3	11	6	5	11
Do not know	5	11	0	*	0	0	0	0
<i>Weighted base</i>	<i>123</i>	<i>14</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>268</i>	<i>113</i>	<i>99</i>	<i>161</i>	<i>158</i>	<i>130</i>	<i>189</i>	<i>62</i>

Base is open and closed occupational schemes with at least one member. * Less than 0.5 per cent, but more than zero.

COMBS

COMBS schemes are occupational pensions schemes which have been contracted out on a mixed benefit basis. In effect, this means that COMBS contain two (or more) separate sections, at least one of which operates on a salary-related basis and at least one on a money-purchase basis. Eight per cent of occupational schemes were defined as being COMBS and eight per cent of active members were in a COMBS scheme.

In the case of nearly two-thirds of COMBS, the majority of their members were in the salary-related section of the scheme (60 per cent), while for 36 per cent of COMBS, the majority of members were in the money-purchase section of the scheme. Seventy-five per cent of COMBS were open schemes, 17 per cent closed and a further nine per cent were frozen schemes.

Almost 40 per cent of respondents said that the scheme started to contract out on a mixed benefit basis in 1997 (the earliest that it could have been), three per cent in 1998, less than 0.5 per cent in 1999, one per cent in 2000, 17 per cent in 2001, and again less than 0.5 per cent in 2003. Thirty-nine per cent could not remember when it was started.

Thirty-seven per cent started to contract out on a mixed-benefit basis because of actuarial advice, 31 per cent because it was advantageous for the employees, four per cent because it was advantageous for the employer, two per cent because it was the scheme members' choice and 20 per cent because of other reasons. Eleven per cent said that they did not know why the scheme had been contracted out.

5.4 Membership of occupational schemes

This section investigates the characteristics of the membership of occupational pension schemes.

5.4.1 Membership restrictions

The majority of open salary-related, money-purchase and other occupational pension schemes were open to all members (79 per cent overall) (Table 5.17). The percentage was lowest for money-purchase schemes (69 per cent), mainly because about one-quarter of these (24 per cent) restricted access to senior management only ('Top Hat' schemes).

Table 5.17 Employees allowed to join occupational scheme by type of scheme

Column percentages

Is the scheme open to all employees, or can only certain types of employee join?	Type of occupational scheme			
	Salary-related	Money purchase	Other	All
All employees	88	69	89	79
Senior management only	4	24	8	14
Only those invited to join	2	4	*	3
All employees with a minimum length of service	1	1	*	1
All employees over a certain age	1	*	*	1
White collar/staff employees only	*	1	*	1
Blue collar/works employees only	*	*	0	*
All employees in particular subsidiaries	1	*	1	1
All employees up to senior management	*	*	*	*
Other group of employees	3	1	1	2
<i>Weighted base</i>	<i>34</i>	<i>47</i>	<i>15</i>	<i>96</i>
<i>Unweighted base</i>	<i>362</i>	<i>285</i>	<i>161</i>	<i>808</i>

Base is all open occupational schemes.

Note: * = Less than 0.5 per cent, but more than zero.

Very small pension schemes (1-19 active members) were less likely to be open to all employees, primarily because a large proportion was reserved for senior management (Table 5.18). Schemes with over 100 active members also were less likely to be open to all employees as they added a number of restrictions, including limiting access to employees above a certain age and/or working in particular subsidiaries. Schemes with 50 to 99 members were more likely than other schemes to be restricted to employees with a minimum length of service (nine per cent). Schemes with between 20 and 49 active members were most likely to be open to all employees (92 per cent).

Table 5.18 Employees allowed to join occupational scheme by size of scheme

Column percentages

Is the scheme open to all employees or can only certain types of employee join?	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
All employees	78	92	85	73	75	77	55	77
Senior management only	17	4	1	3	2	1	1	0
Only those invited to join	4	1	3	2	3	1	2	9
All employees with a minimum length of service	*	1	9	2	4		5	0
All employees over a certain age	*	0	0	6	8	5	8	1
White collar/staff employees only	1	*	*	2			1	0
Blue collar/works employees only	*	0	1	0	2	0	0	0
All employees in particular subsidiaries	*	1		5	3	9	10	14
All employees up to senior management	*	0	*	1	0	0	1	0
Other group of employees	1	2	1	7	3	7	17	0
<i>Weighted base</i>	<i>58</i>	<i>12</i>	<i>3</i>	<i>3</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Unweighted base</i>	<i>121</i>	<i>63</i>	<i>47</i>	<i>111</i>	<i>92</i>	<i>80</i>	<i>134</i>	<i>49</i>

Base is all open occupational schemes with at least one member.

Note: * = Less than 0.5 per cent, but more than zero.

5.4.2 Membership profile

The membership of occupational pension schemes consists of three groups:

- Active members who are current employees and members of the scheme.
- Deferred pensioners, that is, usually former employees who have left the scheme and no longer contribute to it, but have their pension rights frozen or retained in the scheme until they draw them as (part of) their pension or have the contributions transferred to a new pension scheme.
- Current pensioners who are former contributors to the scheme now drawing their pension.

Averaged across all open salary-related, money-purchase, 'other' and any closed schemes, a majority of total members were active members, that is, current employees of the organisation providing the pension (Table 5.19). Closed salary-related schemes (66 per cent) had proportionately fewer active members than open salary-related schemes⁷ (77 per cent), whereas the opposite was the case for money-purchase schemes: while in closed money-purchase schemes, on average, 89 per cent of members were active members, in open money-purchase schemes, it was only 66 per cent.

⁷ Table 4.4, Chapter 4, reported a decline in active membership of open salary-related schemes in organisations with 20 or more employees from 24 per cent in 2000 to 16 per cent in 2003, compared to a increase among organisations with less than 20 employees (from one per cent to two per cent). The present analysis revealed that in organisations with 20 or more employees, active members, on average, constituted about 60 per cent of total members of open salary-related schemes, but about 90 per cent of members in organisations with less than 20 employees.

Table 5.19 Membership profile of occupational schemes by type of scheme

Column percentages

Membership profile	Type of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Average percentage of total members that are:							
Active members	77	65	77	66	89	[52]	77
Deferred pensioners	13	11	15	22	5	[33]	10
Current pensioners	9	24	8	12	6	[11]	13
Average percentage of active members that are:							
Full-time employees	68	97	62	90	99	[97]	89
Part-time employees	32	3	38	10	1	[3]	11
Men	56	38	43	74	50	[96]	51
Women	44	62	57	26	50	[4]	49
<i>Weighted base</i>	<i>34</i>	<i>46</i>	<i>13</i>	<i>12</i>	<i>41</i>	<i>5</i>	<i>151</i>
<i>Unweighted base</i>	<i>334</i>	<i>265</i>	<i>96</i>	<i>307</i>	<i>95</i>	<i>19</i>	<i>1116</i>

Base is open and closed occupational schemes (not frozen). This information was only collected for the first three occupational schemes per organisation and is therefore missing for 15 schemes overall. Figures in [] are average percentages based on unweighted data.

Between five (closed money-purchase schemes) and 22 per cent (closed salary-related schemes) of members were deferred pensioners and between six (closed money-purchase schemes) and 24 per cent (open money-purchase schemes) were current pensioners.

Once again, these statistics were strongly affected by the inclusion in the analysis of just one heavily weighted case, which particularly affected the results of the analysis of the gender composition of active members of open money-purchase schemes. The results of the re-analysis of this table without this heavily weighted case are shown in Table B.2 in Appendix B.

The vast majority of active members of open money-purchase and of closed schemes were full-time employees (97 per cent to 99 per cent), compared to just about two-thirds of members of open salary-related schemes (68 per cent) and of other open schemes (62 per cent). Similarly, men, who are typically more likely to be full-time employees than women are, constituted the majority of active members of open salary-related schemes (56 per cent) and of closed salary-related schemes (74 per cent), whereas women made up the majority of open money-purchase scheme members (62 per cent) and of members of other open occupational pension schemes (57 per cent), and half of the membership of closed money-purchase schemes.

It was shown earlier (Table 5.10) that larger occupational pension schemes tended also to be older schemes. Unsurprisingly, therefore, larger schemes tended to have relatively fewer active members, i.e. current employees as members, than smaller schemes, while catering for larger shares of deferred and current pensioners (Table 5.20).

Table 5.20 Membership profile of occupational schemes by size of scheme

Mean column percentages

Membership profile	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Average percentage of total members that are:								
Active members	81	70	64	56	60	43	40	42
Deferred pensioners	6	16	25	33	26	38	34	32
Current pensioners	13	14	11	11	15	19	26	26
Average percentage of active members that are:								
Full-time employees	92	71	95	94	91	94	90	86
Part-time employees	8	29	5	6	9	6	10	14
Men	51	49	68	69	64	69	72	62
Women	49	51	32	31	36	31	28	38
<i>Weighted base</i>	<i>123</i>	<i>14</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>268</i>	<i>113</i>	<i>99</i>	<i>161</i>	<i>158</i>	<i>130</i>	<i>189</i>	<i>62</i>

Base is open and closed occupational schemes with at least one member. This information was only collected for the first three occupational schemes per organisation and is therefore missing for 15 schemes overall.

There were only small differences in the average percentage of active members of pension schemes of different size who were full-time employees (86 per cent overall), with the exception of schemes with between 20 and 49 members. In the latter case, full-time employees made up only 71 per cent of all active members, which, in turn, was a reflection of the comparatively high percentage of deferred and current pensioners in this group of pension schemes. These schemes were also the only ones for which the average proportion of male active members fell below 50 per cent (49 per cent). Generally, male membership increased with the size of the schemes and was highest in schemes with 1000 to 4999 active members (72 per cent).

5.4.3 Pension ages

Over half of open salary-related (55 per cent) and 'other' occupational schemes (73 per cent) had set the normal pension age for men at 60 years, compared to less than one in five of open money-purchase schemes (18 per cent) (Table 5.21). For the majority of the latter (81 per cent), the normal pension age for men was 65 years. Closed schemes were most likely to have determined men's normal pension age at 65 years.

Three-quarters (salary-related and money-purchase) or more ('other' schemes) of open occupational schemes had set women's normal pension age at 60 years, as had most closed schemes. However, while this was true for 80 per cent of closed money-purchase schemes, it was the case only for 45 per cent of closed salary-related schemes. A further 44 per cent had, instead, determined women's normal pension age to be 65 years.

Salary-related schemes were more likely to have set equal pension ages for men and women than money-purchase or 'other' occupational schemes, and open schemes were more likely to have done so than closed schemes. Larger organisations were most likely to have equalised pension ages (Table 5.22). Only just about one-third of very small businesses (39 per cent) had done so.

The low proportion of different types of occupational pension schemes with equal pension ages for men and women (illustrated in Table 5.21) was unsuspected and differed substantially from previous Employer Pension Provision Surveys. The statistics in Table 5.22 illustrate why the percentage of all occupational schemes with equal pension ages was so low (54 per cent): less than two in five schemes (38 per cent) with fewer than 20 members had established equal pension ages for men and women. This statistics, due to the weighting of smaller organisations and, by implication, many smaller pension schemes, has a disproportionate effect on the statistic for all occupational schemes. On closer inspection, over three-quarters (77 per cent) of schemes in this size category (1-19 members) without equal pension ages had, in fact, only one member. The question regarding equal pension ages was, therefore, likely to have been of limited relevance to these employers, which might have affected responses.⁸ These employers might also have been less aware of the legal requirement for equal pension ages.

The unexpectedly low percentage of schemes with equal pension ages also appeared, once again, to be affected by the inclusion of one heavily-weighted case of a small organisation (1-9 employees) in the survey sample. The results of an analysis excluding this case are shown in Table B.3 in Appendix B. Table 5.22 is also reproduced in Appendix B, although the case exclusion had a less marked effect on the cross-tabulated statistic of that table.

Table 5.21 Normal pension ages of occupational schemes by type of scheme

<i>Column percentages</i>							
Normal pension age	Type and status of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Men							
50-55	2	*	0	0	6	[1]	2
56-59	*	0	0	0	0	[0]	*
60	55	18	73	24	24	[6]	32
61-64	1	1	1	9	*	[0]	2
65	42	81	26	67	72	[12]	64
Women							
50-55	3	*	0	*	6	[1]	2
56-59	*	0	0	0	0	0	*
60	76	75	87	45	80	[8]	75
61-64	1	1	1	11	8	[0]	4
65	19	24	12	44	7	[10]	19

Continued

⁸ Whereas for all these one-member schemes, the reported pension age for men was 65 years, in 94 per cent of cases, the pension age for women was reported to be 60 years or, in a further six per cent of cases, 63 years.

Table 5.21 Continued

<i>Column percentages</i>							
Normal pension age	Type and status of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Percentage with equal pension ages for men and women	74	45	86	68	36	[17]	54
<i>Weighted base</i>	34	46	13	12	41	5	151
<i>Unweighted base</i>	334	265	96	307	95	19	1116

Base is open and closed occupational schemes (not frozen). This information was only collected for the first three occupational schemes per organisation and is therefore missing for 15 schemes overall.

Notes: * = Less than 0.5 per cent, but more than zero. Figures in [] have a base of less than 50 cases and report absolute frequencies.

Table 5.22 Normal pension ages of occupational schemes by size of scheme

<i>Column percentages</i>								
Normal pension age	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Men								
50-55	3	*	0	2	1	0	0	0
56-59	0	0	1	0	0	0	0	0
60	26	43	13	18	11	19	12	41
61-64	1	1	5	5	6	12	14	4
65	70	57	81	75	82	69	74	56
66-69	0	0	0	0	0	0	0	0
Women								
50-55	3	*	*	3	1	0	0	0
56-59	0	0	1	0	0	0	0	0
60	83	53	25	19	12	19	12	41
61-64	4	1	5	5	6	12	14	4
65	10	46	70	74	81	69	74	56
66-69	0	0	0	0	0	0	0	0
Percentage with equal pension ages for men and women	39	90	88	98	100	99	100	100
<i>Weighted base</i>	123	14	5	4	2	1	2	1
<i>Unweighted base</i>	268	113	99	161	158	130	189	62

Base is open and closed occupational schemes with at least one member. This information was only collected for the first three occupational schemes per organisation and is therefore missing for 15 schemes overall.

Note: * = Less than 0.5 per cent, but more than zero.

5.5 Contributions to occupational schemes

5.5.1 Employee contributions

Forty one per cent of occupational pension schemes were contributory for employees (Table 5.23). However, the rate was over twice this level among open salary-related schemes (90 per cent of which were contributory) and also nearly twice the average among closed salary-related schemes (78 per cent). Only 31 per cent of open money-purchase and 33 per cent of 'other' schemes were contributory. Still fewer money-purchase schemes, which were closed to new members, were contributory (nine per cent).

Table 5.23 Employee contribution basis of occupational schemes by type of scheme

	Type and status of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Contributory	90	31	33	78	9	[15]	41
Non-contributory	10	69	67	22	91	[8]	59
<i>Weighted base</i>	<i>34</i>	<i>46</i>	<i>14</i>	<i>15</i>	<i>48</i>	<i>6</i>	<i>163</i>
<i>Unweighted base</i>	<i>359</i>	<i>281</i>	<i>102</i>	<i>344</i>	<i>102</i>	<i>23</i>	<i>1212</i>

Column percentages

Base is all open and closed occupational schemes with at least one member. Figures in [] have a base of less than 50 cases and report absolute frequencies.

5.5.2 Employer contributions

One in ten schemes received no contribution from employers, mainly due to the fact that about one in seven schemes (14 per cent) with fewer than ten active members received no such contribution. Although small schemes of this kind are numerous and weighted accordingly in the analyses, they affect only a small proportion of all active members of occupational pension schemes. In order to obtain a more realistic picture of the pattern of employers' contributions to occupational pension schemes, which reflects the position of the majority of active members, the following analyses have excluded schemes with less than ten members (Table 5.24 and 5.25). For this reason, comparison with the similar tables in the 2000 EPP report is not advised.

Overall, two per cent of schemes with ten or more members did not receive any contribution from employers. Salary-related schemes tended to receive the highest contribution, which was true for both open and closed schemes of this type and reflected in the percentage distribution of contributions (Table 5.24; top half) as well as the median and mean percentage distributions (Table 5.24; bottom half). In the case of half of all open salary-related schemes, active members received eight per cent or more of payroll costs in contributions, compared to five per cent of payroll costs in the case of open money-purchase schemes and seven per cent of payroll costs in the case of other open schemes. Active members of closed salary-related schemes received the highest percentage level contributions, with employers contributing 13 or more per cent of payroll costs to half of all schemes.

Table 5.24 Employer contributions to occupational schemes by type of scheme (schemes with 10 or more active members)

Column percentages

Average employer's contribution over three years as percentage of payroll costs of an active member	Type and status of occupational scheme						All
	Open schemes			Closed schemes			
	Salary-related	Money purchase	Other	Salary-related	Money purchase	Other	
Not presently contributing	3	1	2	3	0	0	2
Less than 3%	*	3	0	2	21	42	2
3 – 3.9%	1	10	5	2	5	0	4
4 – 4.9%	*	19	*	*	4	0	6
5 – 5.9%	2	28	*	2	2	5	9
6 – 6.9%	12	8	1	7	14	0	9
7 – 9.9%	38	14	73	15	51	0	31
10% or higher	44	15	19	68	3	53	37
Money amount	*	2	0	*	0	0	1
Median percentage contribution	8	5	7	13	7	14	7
Mean percentage contribution	11	6	8	14	7	13	10
<i>Weighted base</i>	<i>16</i>	<i>9</i>	<i>3</i>	<i>6</i>	<i>1</i>	<i>1</i>	<i>35</i>
<i>Unweighted base</i>	<i>308</i>	<i>197</i>	<i>83</i>	<i>261</i>	<i>21</i>	<i>12</i>	<i>882</i>

Base is all open and closed occupational schemes with at least ten members.

The base for a similar table in the 2000 EPP report was all open and closed schemes regardless of size; comparison is therefore not advised.

Median and mean estimations based on schemes with employer contributions.

Note: * = Less than 0.5 per cent, but more than zero.

Median percentage contributions tended to be slightly higher among larger and very large businesses, but so was the percentage of schemes not receiving employer contributions (Table 5.25). Between 13 per cent and 16 per cent of the largest occupational pension schemes (1000 or more members) did not receive any employer contributions at the time of the interview, compared to an average of two per cent for all schemes with ten or more members. However, large schemes, which employers did contribute to, benefited from higher median contributions, which ranged from 11 per cent to 12 per cent of payroll costs, compared to an average of eight per cent.

Table 5.25 Employer contributions to occupational schemes by size of scheme (schemes with 10 or more active members)

Column percentages

Average employer's contribution over last three years	Size of scheme (number of active members)							
	10-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Not presently contributing	1	1	0	5	2	8	16	13
Less than 3%	0	2	4	2	*	1	8	0
3 – 3.9%	10	1	3	6	5	0	1	0
4 – 4.9%	0	11	1	6	4	3	7	0
5 – 5.9%	15	5	1	23	7	5	2	4
6 – 6.9%	21	5	6	6	8	6	4	0
7 – 9.9%	35	37	26	13	25	22	12	29
10% or higher	18	33	60	38	47	54	51	54
Money amount	1	*	0	3	1	1	0	0
Median percentage contribution	7	7	10	8	9	11	11	12
<i>Weighted base</i>	9	13	5	3	2	1	2	1
<i>Unweighted base</i>	53	99	86	146	143	119	181	57

Base is open and closed occupational schemes with at least ten members. The base for a similar table in the 2000 EPP report was all open and closed schemes regardless of size; comparison is therefore not advised. Median and mean estimations based on schemes with employer contributions.

Note: * = Less than 0.5 per cent, but more than zero.

Over one-third of active members were in schemes (with ten or more members) to which employers contributed ten or more per cent of pay (36 per cent), while about another third (30 per cent) were in schemes receiving employer contributions of seven to ten per cent. Two per cent of active members received less than three per cent of pay towards their pension scheme, rising to eight per cent among schemes with 1000-4999 members. Similarly, two per cent of active members received no employer contributions, rising to 16 per cent and 13 per cent of active members of schemes with 1000-4999 members and 5000 or more members, respectively.

5.6 Scheme valuations

This section explores two types of valuations for salary-related schemes; the Minimum Funding Requirement (MFR) valuation and the scheme's own valuation.

The MFR was part of a set of measures introduced with the 1995 Pensions Act, which was designed to protect members of salary-related occupational schemes. The MFR came into force in April 1997. It requires salary-related schemes to hold a minimum level of assets to meet their liabilities. It also sets out time limits within which any underfunding must be corrected. MFRs are carried out on behalf of the scheme's trustees by the actuary in accordance with relevant legislation and professional guidance.

In March 2002, the Government introduced interim changes to the way MFR valuations are conducted. The revisions included an extension of the deficit correction periods, i.e. the time allowed for pension schemes to meet the required funding levels. Schemes meeting less than 90 per cent of MFR will be given three years, rather than one year, to reach this 90 per cent level, while schemes with MFR funding levels of over 90 per cent, but less than 100 per cent, will be given ten rather than five years to reach the fully-funded level. Moreover, schemes which are fully funded on the MFR basis, will be exempt from the annual recertification requirement of the legislation.

A scheme's own valuation contrasts the scheme's assets with its liabilities and, based on this comparison, sets the contribution rate necessary to keep both in balance. Own valuations are required every three years in addition to the MFR valuations.

5.6.1 Minimum Funding Requirement valuations

Obtaining information about the conduct of MFR valuations was fraught with difficulties, as in the case of one-third of schemes survey respondents did not know whether these valuations had, in fact, taken place. This was most likely because it is the trustees' responsibility to ensure MFR valuations are conducted and respondents, who were employees of the organisations but not trustees of their schemes, were not always privy to this information. Excluding 'don't know' responses, 89 per cent of all salary-related schemes had been MFR valued, including 98 per cent of all closed salary-related schemes (Table 5.26). Since schemes are required to carry out MFR valuations at least every three years, by the time of the EPP 2003 interview all schemes should have had an MFR valuation.

Table 5.26 Minimum Funding Requirement valuation by type of scheme (respondents)

<i>Column percentages</i>			
Has the scheme had a Minimum Funding Requirement valuation?	Type of scheme		
	Open salary-related	Closed salary-related	All salary-related
Don't know	27	54	35
Excluding don't knows			
Yes	87	98	89
No	13	2	11
<i>Weighted base</i>	<i>34</i>	<i>15</i>	<i>49</i>
<i>Unweighted base</i>	<i>338</i>	<i>314</i>	<i>652</i>

Base is all open and closed salary-related schemes.

Respondents in organisations with schemes of less than 100 active members were least likely to know whether their pension scheme had been subjected to an MFR valuation (Table 5.27). Smaller schemes were also least likely to have been MFR valued: 88 per cent of schemes with up to 99 active members had been valued, compared to 98 per cent of larger schemes.

Table 5.27 Minimum Funding Requirement valuation by size of scheme

<i>Column percentages</i>				
Has the scheme had a Minimum Funding Requirement valuation?	Number of active members			
	1-99	100-99	1000+	All
Don't know	39	4	2	33
Excluding don't knows				
Yes	88	98	98	89
No	12	2	2	11
<i>Weighted base</i>	<i>44</i>	<i>4</i>	<i>1</i>	<i>49</i>
<i>Unweighted base</i>	<i>210</i>	<i>268</i>	<i>165</i>	<i>643</i>

Base is all open and closed salary-related schemes.

The majority of open salary-related schemes had been MFR valued within the last two years, including 63 per cent in 2002 alone (Table 5.28). In contrast, most salary-related schemes, which were now closed, had been valued between 2000 and 2002 (85 per cent).

Table 5.28 Date of Minimum Funding Requirement valuation by type of scheme

Column percentages

When was the Minimum Funding Requirement valuation conducted?	Status of scheme		
	Open salary-related	Closed salary-related	All salary-related
1998	*	*	*
1999	*	8	2
2000	17	21	18
2001	7	32	13
2002	63	32	55
2003	7	3	7
Don't know exactly but within last 6 years	*	2	*
Don't know exactly but over 6 years ago	5	*	4
Don't know	1	2	1
<i>Weighted base</i>	<i>22</i>	<i>7</i>	<i>29</i>
<i>Unweighted base</i>	<i>288</i>	<i>282</i>	<i>570</i>

Base is all open and closed salary-related schemes that had a MFR valuation. * Less than 0.5 per cent, but more than zero.

According to funding positions in relation to the MFR only, most open salary-related schemes had been MFR valued at 100 per cent or more of their liabilities (90 per cent), as were 69 per cent of closed schemes (Table 5.29). Three per cent of open schemes and 11 per cent of closed schemes had been valued at less than 90 per cent of their liabilities and, under new MFR requirements, would be given three years to reach the 90 per cent level. A further seven per cent of open and 20 per cent of closed schemes were valued between 90 per cent and 99 per cent of their liabilities and would be expected to reach fully-funded levels within ten years.

Table 5.29 MFR value of scheme's assets as a percentage of liabilities by type of scheme

Column percentages

What was the value of the scheme's assets as a percentage of its liabilities?	Status of scheme		
	Open salary-related	Closed salary-related	All salary-related
Don't know	16	22	17
Excluding don't knows			
70 – 89 per cent	3	11	5
90 – 99 per cent	7	20	10
100 – 119 per cent	17	43	22
120 per cent or more	73	26	63
<i>Weighted base</i>	<i>22</i>	<i>7</i>	<i>29</i>
<i>Unweighted base</i>	<i>288</i>	<i>282</i>	<i>570</i>

Base is all open and closed salary-related schemes that had a MFR valuation.

Smaller schemes (1-99 active members) and larger schemes (1000+ members) were most likely to be fully funded (88 per cent and 86 per cent respectively), while medium-sized schemes (100-999 active members) were markedly more likely to be underfunded at below 100 per cent and below 90 per cent than either smaller or larger schemes (Table. 5.30).

Table 5.30 MFR value of scheme's assets as a percentage of liabilities by size of scheme

Column percentages

What was the value of the scheme's assets as a percentage of its liabilities?	Number of active members			
	1-99	100-99	1000+	All
Don't know	18	10	11	17
70 – 89 per cent	4	11	3	5
90 – 99 per cent	8	20	11	10
100 – 119 per cent	17	42	42	22
120 per cent or more	71	27	44	63
<i>Weighted base</i>	23	4	1	28
<i>Unweighted base</i>	155	248	158	566

Base is all open and closed salary-related schemes that had a MFR valuation.

Eighty-one per cent of the schemes that were underfunded had taken action to rectify this situation. These actions included increasing the employer's contributions (54 per cent), increasing the members' contributions (33 per cent), making cash injections to the fund (12 per cent) and other actions (20 per cent).

5.6.2 Scheme's own funding valuations

Organisations were also asked about the outcomes of their own scheme's funding valuations on an ongoing basis. Once again, a high level of 'don't know' responses to this questions and variations in 'don't knows' between types and different sizes of schemes, made the interpretation of the survey findings difficult. Excluding don't knows, two in five open salary-related schemes (40 per cent) and just over half of all closed schemes (52 per cent) were found to have been in surplus at their last valuation (Table 5.31). The proportion in surplus increased with the size of the scheme and was highest for schemes with 1000 or more active members (58 per cent) (Table 5.32).

Table 5.31 Scheme's own ongoing funding valuation outcome by type of scheme

Column percentages

At its most recent valuation, was the scheme found to be in surplus?	Status of scheme		
	Open salary-related	Closed salary-related	All salary-related
Don't know	30	56	38
Excluding don't knows			
Yes	40	52	43
No	60	48	57
<i>Weighted base</i>	<i>34</i>	<i>15</i>	<i>49</i>
<i>Unweighted base</i>	<i>338</i>	<i>314</i>	<i>652</i>

Base is all open and closed salary-related schemes.

Table 5.32 Scheme's own ongoing funding valuation outcome by size of scheme

Column percentages

At its most recent valuation, was the scheme found to be in surplus?	Number of active members			
	1-99	100-99	1000+	All
Don't know	41	13	2	38
Excluding don't knows				
Yes	42	43	58	43
No	58	57	42	57
<i>Weighted base</i>	<i>44</i>	<i>4</i>	<i>1</i>	<i>49</i>
<i>Unweighted base</i>	<i>210</i>	<i>268</i>	<i>165</i>	<i>648</i>

Base is all open and closed salary-related schemes.

Almost half of all salary-related schemes in surplus (43 per cent) had taken no action to change the surplus situation, including 34 per cent of open schemes and 68 per cent of closed schemes (Table 5.33). However, 24 per cent of open schemes had reduced employers' contributions and also 24 per cent had reduced members' contributions. Only one per cent had taken the surplus as an opportunity to enhance benefits.

Table 5.33 Action taken because of surplus by type of scheme

Has any action been taken because of this surplus?	Status of scheme		
	Open salary-related	Closed salary-related	All salary-related
No, no action taken	34	68	43
Employers' contributions stopped	2	5	3
Employers' contributions reduced	24	4	19
Members' contributions stopped	*	*	*
Members' contributions reduced	24	1	18
Benefits enhanced	1	4	2
Excess retained in fund	*	*	*
Money withdrawn by organisation	0	0	0
Continuous contribution holiday	2	1	1
Do not know	37	3	28
Other	*	19	5
<i>Weighted base</i>	<i>10</i>	<i>3</i>	<i>13</i>
<i>Unweighted base</i>	<i>159</i>	<i>114</i>	<i>273</i>

Base is all open and closed salary-related schemes that had a surplus. Note: * Less than 0.5 per cent, but more than zero.

Smaller schemes (1-99 members) were most likely to have taken no action or to have reduced employer's and/or members' contributions in response of their scheme surplus, whereas larger schemes (1000+ members) were most likely to have stopped or reduced employers', but not members' contributions (Table 5.34). In fact, almost one-third of schemes with 1000 or more members had taken scheme surplus as an opportunity to stop employer's contributions (30 per cent). Medium-size schemes with between 100 and 999 members were more likely to have stopped (11 per cent) rather than merely reduced (three per cent) employers' contributions, but were less likely to have done so than larger schemes.

Table 5.34 Action taken because of surplus by size of scheme

Has any action been taken because of this surplus?	Number of active members			
	1-99	100-99	1000+	All
No, no action taken	61	31	49	57
Employers' contributions stopped	0	11	30	3
Employers' contributions reduced	21	3	8	19
Members' contributions stopped	0	1	1	*
Members' contributions reduced	20	3	8	18
Benefits enhanced	1	7	10	2
Excess retained in fund	0	2	0	*
Money withdrawn by organisation	0	0	0	0
Do not know	33	3	1	25
Other	5	5	3	5
<i>Weighted base</i>	<i>11</i>	<i>1</i>	<i>1</i>	<i>13</i>
<i>Unweighted base</i>	<i>76</i>	<i>112</i>	<i>85</i>	<i>273</i>

Base is all open and closed salary-related schemes that had a surplus. Note: * Less than 0.5 per cent, but more than zero.

6 Group Personal Pensions and personal pensions

6.1 Introduction

This chapter explores the provision of Group Personal Pensions (GPPs) and employers' contributions to personal pensions other than stakeholder pensions, which are discussed in Chapter 3. Section 6.2 examines GPPs, while Section 6.3 looks at personal pension plans.

6.2 Group Personal Pensions

GPPs are pensions arranged by employers for a group of employees and typically purchased from an insurance company. Employers may or may not choose to contribute to GPPs (most do contribute) and often prefer GPPs over occupational pensions because the former do not require them to become directly involved in the pension product's management and, therefore, involve fewer administrative responsibilities. Employers may be able to negotiate favourable terms with the product providers, which make GPPs financially more attractive than individually arranged personal pension plans.

GPPs covered in this section include both GPPs to which employers contributed and GPPs to which they did not contribute. We use the term 'scheme' to describe the collection of individual plans that constitute the GPP.

6.2.1 Group Personal Pension providers

Twelve per cent of private-sector organisations had set up a GPP for their employees (cp. Chapter 2). GPPs were most frequently found among medium-sized and larger businesses. Eleven per cent of all current providers of pensions provided only a GPP while another 12 per cent offered a GPP alongside other pension products (Chapter 2).

Sixty-two per cent of GPP-providing organisations with up to 19 employees provided only GPPs for their employees, but no other form of pension, as did 18 per cent of GPP-providing organisations with 20 or more employees (Table 6.1). Other organisations provided GPPs alongside other pension products, most frequently by also providing access to stakeholder pensions (21 per cent of smaller organisations; 31 per cent of larger organisations). Over 30 per cent of larger organisations also provided GPPs in combination with (access to) stakeholder and occupational pensions, or stakeholder and personal pensions.

Table 6.1 GPP arrangements by size of organisation

	<i>Column percentages</i>		
	Size of organisation (number of employees)		
	1-19	20+	All
Type of GPP provision			
GPP only	62	18	47
Occupational and GPP	2	7	4
GPP and PP	11	8	10
Stakeholder and GPP	21	31	24
Stakeholder, occupational and GPP	*	17	6
Occupational, PP and GPP	1	1	1
GPP, PP and stakeholder pension	4	17	9
Four schemes	0	4	1
Number of GPP schemes			
1 GPP scheme	95	90	94
2 GPP schemes	4	8	5
3 or more GPP schemes	*	2	1
Members of GPP schemes as a proportion of all employees			
None	*	*	*
0.01 to 25%	15	40	23
26 – 50%	26	25	26
51 – 75%	36	21	31
76 – 100%	23	14	20
Number of employees in a GPP			
1 – 2	53	9	39
3 – 5	31	12	25
6 – 29	16	49	26
30+	0	30	9
Proportion of GPP members that employer makes contributions for			
None	5	6	5
Some	55	55	55
All	40	39	40
<i>Weighted base</i>	<i>174</i>	<i>90</i>	<i>264</i>
<i>Unweighted base</i>	<i>87</i>	<i>865</i>	<i>952</i>

Base is organisations with a GPP.

Note: * Less than 0.5 per cent, but more than zero.

In the majority of cases, providers offered just one GPP (95 per cent of smaller organisation; 90 per cent of larger organisations), with just six per cent of all organisations offering two or more GPPs.

GPPs in smaller organisations tended to cover a larger proportion of the workforce than GPPs in larger businesses. Fifty-nine per cent of organisations with up to 19 employees provided GPPs for, at least, 51 per cent of their workforce, whereas this was the case for only 35 per cent of organisation with 20 or more employees. In terms of numbers, smaller businesses, however, typically provided GPPs for fewer employees than larger businesses did.

In the majority of cases, employers made contributions to GPPs for some or all of their members. This was true for organisations in both size groups, among whom 40 per cent made contributions for all GPP members and 55 per cent for some GPP members.

6.2.2 Group Personal Pension Schemes

This section explores the characteristics of GPPs by individual arrangements rather than by organisation, thus allowing for the fact that several organisations provided more than one GPP. GPP schemes without current members (eight schemes, unweighted) have been excluded from this analysis.

Appropriate personal pensions

Organisations who contributed to GPPs were asked how many members were contracted out of S2P. Overall, in 12 per cent of schemes all members had contracted out of S2P, with the percentage rate slightly higher than average for larger organisations (14 per cent) (Table 6.2). Twenty-seven per cent of schemes had some members contracted out, including 34 per cent of schemes provided by organisations with up to 19 employees. Fifty-five per cent of schemes of smaller organisations and 74 per cent of schemes provided by larger organisations had no members contracted out.

Table 6.2 Proportion of members of GPP who are contracted out of S2P by size of organisation

Of these, how many are contracted out of S2P?	Size of organisation (number of employees)		
	1-19	20+	All
	Column percentages		
None	55	74	61
Some	34	12	27
All	11	14	12
<i>Weighted base</i>	<i>174</i>	<i>90</i>	<i>264</i>
<i>Unweighted base</i>	<i>87</i>	<i>865</i>	<i>952</i>

Base is GPP schemes with at least one member where the employer makes contributions.

Age of schemes

Nearly half of all GPPs had been set up since 1998 (Table 6.3). Among smaller organisations with up to 19 employees, 46 per cent of GPPs had been formed since 1998 as had 49 per cent of schemes provided by larger organisations.

Whereas the previous employers' pension survey (Smith and McKay, 2001, p. 91) concluded that GPPs, which had been set up after 1991, were more likely to receive contributions from employers (95 per cent) than GPPs set up before 1991 (85 per cent), this was no longer the case in 2003. The present survey found that schemes set up before or after 1991 were equally likely to receive contributions (94 per cent and 95 per cent respectively).

Table 6.3 Year that GPP plan was set up by size of organisation

In which year did the organisation first set up this GPP arrangement?	Size of organisation (number of employees)		
	1-19	20+	All
	Before 1985	14	6
1985 – 1988	11	6	9
1989 – 1991	3	11	5
1992 – 1994	10	13	11
1995 – 1997	18	16	17
1998 – 2000	33	25	30
2001 – 2003	13	24	16
<i>Weighted base</i>	<i>174</i>	<i>90</i>	<i>264</i>
<i>Unweighted base</i>	<i>87</i>	<i>865</i>	<i>952</i>

Column percentages

Base is GPP schemes with at least one member.

Employer contributions

Only six per cent of GPPs received no employer contributions (Table 6.4). Over the last three years, for the majority of schemes, employers contributed a percentage of pay (67 per cent) rather than a fixed amount of money (26 per cent) to the plan. This was particularly the case for schemes provided by larger organisations (84 per cent). In smaller organisations (1-19 employees), 58 per cent of schemes received contributions based on pay.

Table 6.4 Level of contribution of employer to GPPs by size of organisation

Column percentages

	Level of contribution								
	Minimum			Maximum			Average in last 3 years		
	Number of employees			Number of employees			Number of employees		
	1-19	20+	All	1-19	20+	All	1-19	20+	All
No contribution	6	6	6	6	6	6	6	6	6
Percentage of pay	44	85	58	44	84	58	58	84	67
Less than 3%	3	8	5	3	3	3	7	6	7
3% - 3.9%	12	32	19	8	21	12	9	22	13
4% - 4.9%	3	8	5	3	3	3	3	11	6
5% - 5.9%	7	22	12	9	24	14	6	25	12
6% - 10%	16	13	15	19	26	22	22	17	20
More than 10%	3	3	3	3	7	4	11	4	8
Median	5	4	5	6	5	5	6	5	5
Amount of money	50	9	36	50	10	36	35	10	26
Up to £5 per week	6	2	5	6	2	4	6	1	4
£5.01 - £10 pw	4	1	3	4	0	3	3	1	3
£10.01 - £15 pw	1	1	1	1	0	0	1	1	1
£15.01 - £25 pw	20	1	14	7	1	5	1	0	1
£25.01 - £50 pw	6	2	5	20	2	14	22	2	15
More than £50 pw	13	2	10	14	4	10	3	4	4
Median	23	20	23	46	46	46	35	48	35
<i>Weighted base</i>	<i>167</i>	<i>85</i>	<i>252</i>	<i>167</i>	<i>85</i>	<i>252</i>	<i>154</i>	<i>83</i>	<i>237</i>
<i>Unweighted base</i>	<i>80</i>	<i>776</i>	<i>856</i>	<i>80</i>	<i>776</i>	<i>856</i>	<i>79</i>	<i>753</i>	<i>832</i>

Base is GPP schemes with at least one member. Where an employer gave one fixed contribution the same value has been used for minimum and maximum. Three-year averages are reported only for cases for which the information had been provided.

The most frequent type of contribution among smaller organisations (1-19 employees) was to contribute between six per cent and ten per cent of pay or between £25 and £50 per week to individual GPPs (22 per cent of schemes in both instances), whereas among larger organisations, one-quarter (25 per cent) of schemes received employer contributions between five per cent and 5.9 per cent of pay. A further fifth of schemes (22 per cent) received between three and 3.9 per cent of pay. The median proportion of pay contributed was five per cent in larger businesses and six per cent in smaller businesses. The median amount of money contributed was £35 per week for smaller organisations and £48 for larger organisations.

Over three years, smaller organisations were more likely than in 2003 alone to make percentage-of-pay contributions, whereas, on aggregate, larger organisations appeared not to have changed their practice or preferences over time. Seven per cent of all schemes received less than three per cent of pay from employers, while a further four per cent received £5 per week or less, averaged over the last three years.

Previous pension provision

Nineteen per cent of the organisations that had started a GPP in the last five years said that they had previously made an alternative form of pension provision. Of these, seven per cent had previously used a still open occupational scheme, 49 per cent had used a now-closed or frozen occupational scheme and 43 per cent were unclear about the type of provision they had previously made.

6.3 Employer contributions to employees' personal pension plans

Employees may arrange personal pensions, which they can purchase from banks, building societies or insurance companies. Regular contributions are made into these personal pensions, which, at the point of maturity, are converted into an annuity, from which the pension is then drawn. Personal pensions are often the only form of pension provision for self-employed individuals or employees whose employer does not provide alternative pension provisions, such as occupational schemes, or does only provide these alternatives for some sections of the workforce. This section explores such personal pension arrangements (not including stakeholder pensions; see Chapter 3).

Employers may choose to contribute to personal pensions, although there is no obligation for them to do so. In this study, only employers who did make such contributions were covered. These employers are referred to as private-pension or PP-providers, although strictly speaking it is not the employer but the bank, building society or insurance company from which the product was purchased that provides the pension.

6.3.1 Personal pension contributors

In Chapter 2, we have seen that 15 per cent of organisations made contributions to personal pension plans. This increased to approximately 30 per cent of all providers of pensions, about half of whom contributed to personal pensions alongside providing other types of pensions. Contributing to personal pensions was the main type of pension provision in 32 per cent of organisations and, thus, ahead of Group Personal Pensions (31 per cent) the single most important type of provision.

Among organisations contributing to personal pensions, smaller enterprises, with up to 19 employees, were most likely to do just that and provide no other form of pension (62 per cent), although one-quarter contributed to PPs and also offered access to stakeholder pensions (Table 6.5). Larger organisations tended to offer a greater range of combinations of PPs with other pensions products, including three or more products (40 per cent).

Table 6.5 Arrangements for contributing to employees' personal pension plans by size of organisation

	<i>Column percentages</i>		
	Size of organisation (number of employees)		
	1-19	20+	All
Type of provision			
PP	62	2	52
Occupational and PP	1	5	2
GPP and PP	8	13	8
Stakeholder and PP	24	41	27
Stakeholder, occupational and GPP	2	9	3
Occupational, PP and GPP	*	2	1
GPP, PP and Stakeholder	3	24	7
Four schemes	0	5	1
Contributions to employees' personal pension plans as a proportion of all employees			
Up to 25%	56	86	61
26 – 50%	37	12	34
51 – 75%	1	1	1
76 – 100%	5	1	4
Number of employees where employer contributes to personal pension plan			
1	78	33	71
2	12	14	12
3	5	10	6
4–9	4	30	9
10+	1	13	3
<i>Weighted base</i>	<i>246</i>	<i>50</i>	<i>296</i>
<i>Unweighted base</i>	<i>68</i>	<i>396</i>	<i>464</i>

Base is organisations that contribute to employees' personal pension plans. Note: * Less than 0.5 per cent, but more than zero.

The majority of organisation contributed to PPs for a quarter or less of their workforce. In the case of smaller organisations with up to 19 employees, 56 per cent did so, as did 86 per cent of organisations with 20 or more employees. Five per cent of smaller organisations contributed to PPs for more than three-quarters of their workforce, compared to just one per cent of larger businesses.

Appropriate Personal Pensions

Since 1988, personal pensions can be contracted out of S2P. These are then called Appropriate Personal Pensions. In 2003, over two-thirds of personal pension plans to which employers were contributing had no employee contracted out of S2P, while six per cent had some contracted out and 26 per cent had all employees contracted out (Table 6.6). Larger organisations were more likely than smaller enterprises to have all employees contracted out of their personal pension plans.

Table 6.6 Proportion of employees with a personal pension plan that employer contributes to who are contracted out of S2P by size of organisation

Of these, how many are contracted out of S2P?	Size of organisation (number of employees)		
	1-19	20+	All
	None	69	59
Some	5	9	6
All	25	32	26
<i>Weighted base</i>	<i>189</i>	<i>34</i>	<i>318</i>
<i>Unweighted base</i>	<i>56</i>	<i>254</i>	<i>310</i>

Column percentages

Base is organisations that contribute to employees' personal pension plans.

Number of years of contributions

About half of employers had been contributing to personal pensions for the last five years (Table 6.7), including nearly one-third of smaller organisations (31 per cent), which had started to contribute within the last two years. This compared to nearly two-thirds of larger organisations (32 per cent), which started to contribute between 1998 and 2000.

Table 6.7 Year that employer first started contributing to employees' personal pension plans by size of organisation

In which year did the organisation first start making contributions to employees' personal pension plans?	Size of organisation (number of employees)		
	1-19	20+	All
	Before 1985	4	9
1985 – 1988	6	13	7
1989 – 1991	3	8	4
1992 – 1994	19	8	17
1995 – 1997	19	15	18
1998 – 2000	18	32	21
2001 – 2003	31	15	28
<i>Weighted base</i>	<i>214</i>	<i>45</i>	<i>259</i>
<i>Unweighted base</i>	<i>61</i>	<i>352</i>	<i>413</i>

Column percentages

Base is organisations that contribute to employees' personal pension plans.

Employer contributions

As in the case of contributions to GPPs described earlier in this chapter, the type and amount of contributions made by employers varied substantially, including between organisations of different size. Over the last three years, larger organisations (20+ employees) were more likely than smaller organisations (1-19 employees) to have made percentage pay contributions to PPs (76 per cent and 56 per cent, respectively), and both types of organisations were more likely to have made this type of contribution than contributions in the form of fixed money amounts (24 per cent and 44 per cent, respectively) (Table 6.8).

Table 6.8 Level of contribution of employer to employees' personal pension plans by size of organisation

Column percentages

	Level of contribution								
	Minimum			Maximum			Average in last 3 years		
	Number of employees			Number of employees			Number of employees		
	1-19	20+	All	1-19	20+	All	1-19	20+	All
Percentage of pay	29	73	39	29	75	39	56	76	60
Less than 3%	5	11	6	3	11	5	20	16	19
3% - 3.9%	1	16	4	1	6	2	*	6	2
4% - 4.9%	1	4	1	0	2	*	*	8	2
5% - 5.9%	3	16	6	1	18	5	11	17	12
6% - 10%	15	24	17	18	28	20	12	24	14
More than 10%	4	3	4	7	11	8	12	5	11
Median	9	5	6	10	6	9	9	5	8
Amount of money	71	27	61	71	25	61	44	24	40
Up to £5 per week	7	1	6	7	1	5	5	*	4
£5.01 - £10 pw	7	3	6	5	2	4	4	2	4
£10.01 - £15 pw	8	2	6	6	1	5	6	*	5
£15.01 - £25 pw	23	5	19	24	4	20	17	5	15
£25.01 - £50 pw	4	4	4	4	4	4	8	4	7
More than £50 pw	22	11	20	25	13	23	4	12	6
Median	23	28	23	23	51	23	23	51	23
<i>Weighted base</i>	<i>165</i>	<i>45</i>	<i>210</i>	<i>165</i>	<i>45</i>	<i>210</i>	<i>220</i>	<i>50</i>	<i>270</i>
<i>Unweighted base</i>	<i>57</i>	<i>357</i>	<i>414</i>	<i>57</i>	<i>357</i>	<i>414</i>	<i>65</i>	<i>393</i>	<i>458</i>

Base is organisations that contribute to employees' personal pension plans. Where an employer gave one fixed contribution the same value has been used for minimum and maximum. Three-year averages are reported only for cases for which the information had been provided.

Note: * = Less than 0.5 per cent, but more than zero.

Almost a quarter of larger businesses had contributed between six and ten per cent of pay to PPs (24 per cent) and a further five per cent had contributed more than ten per cent of pay.

Sixteen per cent of larger business had, on average over the last three years, contributed less than three per cent of pay, and a further five per cent of smaller organisations had contributed £5 or less per week to PPs.

The median proportion of pay contributed to personal pension plans over the last three years was eight per cent, while the median amount of money contributed was £23 per week.

7 Occupational pension schemes – administration

7.1 Introduction

In Chapter 5, we have explored the type of occupational schemes provided by private-sector organisations, their membership and the contributions made by employers to them. This chapter explores the administrative arrangements made for occupational pension schemes, including whether occupational schemes are insured or tax-approved and the role of trustees.

7.2 Administrative characteristics

In this chapter, we distinguish between two types of occupational pensions; insured and tax-approved schemes. Insured occupational pensions are secured by insurance policies or annuity contracts, and insurance companies, who provide the pension, are responsible for deciding how to invest contributions. Tax-approved schemes allow employees to receive tax relief on their contributions at the members' highest marginal rate. Schemes that are not tax-approved typically provide higher levels of benefits for employees as contributions may exceed the tax relief limit for earnings. Whereas tax-approved schemes must be supervised by trustees, non-approved schemes do not, although employers may decide to establish a trust.

In 16 per cent of cases, it was not possible to establish whether an occupational scheme was insured, while in four per cent of cases respondents did not know whether a scheme was tax-approved. These 'don't know' responses were excluded from the first analysis.

Excluding don't know responses, just under one-quarter (23 per cent) of open salary-related schemes were insured schemes in 2003, as were 32 per cent of money purchase schemes (Table 7.1). Interestingly, 40 per cent of all closed schemes were insured, suggesting a move away from insured schemes among currently open schemes.

Table 7.1 Administrative characteristics of occupational schemes by type of scheme

Column percentages

	Type of occupational scheme				All
	Open schemes			Closed schemes	
	Salary-related	Money purchase	Other		
Is the occupational scheme insured?					
Yes	23	32	16	40	33
No	77	68	64	60	68
Is the scheme tax-approved?					
Yes	92	97	100	99	97
No	8	3	*	*	3
<i>Weighted base</i>	<i>28</i>	<i>41</i>	<i>11</i>	<i>59</i>	<i>138</i>
<i>Unweighted base</i>	<i>300</i>	<i>230</i>	<i>88</i>	<i>377</i>	<i>995</i>

Base is all open and closed occupational schemes (not frozen). Excluding 'don't know' responses.

Note: * = Less than 0.5 per cent, but more than zero.

The majority of occupational schemes captured in this survey were tax-approved (97 per cent), including nearly all of now closed schemes (99 per cent) (Table 7.1). Open salary-related schemes were slightly more likely than other schemes to be non-approved (eight per cent).

Tax-approved schemes are required to increase pensions in payment that were accrued since 1997 by either the rate of inflation or by five per cent, whichever is the lower. For over half of all open salary-related schemes (53 per cent), businesses indicated that the increases they had allowed tended to be higher than the minimum required amount, while this was the case for only ten per cent of open money-purchase schemes (Table 7.2). Approximately one in five closed occupational schemes increased pensions in payment by more than the required amount.

Table 7.2 Increases of pensions in payment (tax-approved schemes)

Column percentages

	Type of occupational scheme				All
	Open schemes			Closed schemes	
	Salary-related	Money purchase	Other		
Occupational scheme increased pensions by more than the required amount?					
Yes	53	10	4	21	22
No	24	71	95	74	65
Don't know	23	19	1	6	12
<i>Weighted base</i>	<i>29</i>	<i>45</i>	<i>13</i>	<i>68</i>	<i>154</i>
<i>Unweighted base</i>	<i>315</i>	<i>245</i>	<i>91</i>	<i>409</i>	<i>1060</i>

Base is open and closed tax-approved occupational schemes (not frozen).

Large and very large schemes were least likely to be insured. Only four per cent of schemes with 5000 or more active members were insured, as were five per cent of schemes with 1000 to 4999 active members and ten per cent of schemes with 500 to 999 members (Table 7.3). For all other size groups, around one-quarter was insured, except for schemes with 20 to 49 active members, of which only 14 per cent were insured. However, the large proportion of small and medium-sized schemes, for which survey respondents did not know whether they were insured, may have affected these percentages.

Table 7.3 Administrative characteristics of occupational schemes by size of scheme

	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
<i>Column percentages</i>								
Is the occupational scheme insured?								
Yes	29	14	24	29	27	10	5	4
No	57	50	50	64	62	75	93	93
Don't know	14	36	27	8	12	16	2	4
Is the scheme tax-approved?								
Yes	96	82	86	96	92	94	99	96
No	1	17	10	1	3	0	0	0
Don't know	3	1	4	3	5	6	1	4
<i>Weighted base</i>	<i>122</i>	<i>14</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>268</i>	<i>113</i>	<i>99</i>	<i>161</i>	<i>158</i>	<i>130</i>	<i>189</i>	<i>62</i>

Base is open and closed occupational schemes (not frozen).

Whether schemes were tax-approved varied by the size of schemes, ranging from a low of 86 per cent of schemes with 50 to 99 active members to a high of 99 per cent of schemes with 1000 to 4999 active members. Between 17 per cent of tax-approved schemes (organisations with 100-499 employees) and 28 per cent of tax-approved schemes (1000+ employees) had increased pensions in payment by more than the required amount.

7.3 Trustees

Occupational schemes are run by trustees who are charged with representing the interests of scheme members. The principal responsibilities of trustees are outlined in Figure 7.1. The Pensions Act requires that occupational pension schemes have at least one-third member-nominated trustees. Employers have the option to propose alternative arrangements if the members approve. There are a number of conditions, which exempt occupational pension schemes from needing to provide one-third member-nominated trustees; these include:

- all the members are trustees;
- the scheme has less than two members;
- there is a statutory independent trustee;
- the scheme is recognised by the Inland Revenue as a Small Self-administered Scheme (SSAS);

- it is an executive pension scheme where the employer is the sole trustee, all the members are current or former directors of the company, and at least one-third of the current directors are members of the scheme;
- it is a frozen insured scheme, and all the benefits are paid direct to the members;
- the scheme only pays death benefits;
- it is a wholly insured scheme and the insurance company is the trustee; and
- it is a multi-employer scheme where more than one-third of the trustees are independent of the employers and are independently selected.

Figure 7.1 The position of trustees

* Choosing trustees

For most schemes, members have the right to choose at least one-third of the trustees, unless the employer suggests a different arrangement and the members agree.

* Making sure the contributions are paid

All occupational pension schemes are required to keep careful records of the contributions paid into them and to ensure that they are paid accurately and on time. Pension scheme trustees are also responsible for making sure that schemes that need financial accounts get them officially audited within a strict timescale.

* Investing the scheme's money

With help from their professional advisers, pension scheme trustees are required to explain in writing the principles behind their investment plans. This explanation is called the 'Statement of Investment Principles' and is available to scheme members. Trustees must open accounts to keep money in occupational pension schemes separate from the employer's assets. This is to prevent money in the pension schemes being used to pay off company debts, if the company goes bankrupt. Trustees must make sure that generally no more than five per cent of the money in an occupational scheme is invested in the employer's own businesses.

* Choosing professional advisers to the pension schemes

Trustees are responsible for choosing specialists to advise on technical and legal matters. There must be a formal appointment in writing, clearly setting out each adviser's duties.

* Other administrative requirements from the Pensions Act 1995

Employers must give new members details about the occupational pension scheme within two months of them joining the company. All scheme members are entitled to see documents about the scheme, including the annual report and the trust deed and rules. Every occupational pension scheme must have a clear complaints procedure for scheme members and must keep proper records, including records of the meetings of the pension scheme's trustees.

Source: Smith and McKay, 2001, pp. 101/02

7.3.1 Trustee arrangements

Respondents in organisations with tax-approved occupational schemes, which are required to appoint trustees, were asked about the type of trustee arrangements in their organisations. As in previous surveys, a distinction was drawn between organisations with a board of individual trustees and organisations with a sole corporate trustee. In the latter case, the trustees are a company with directors. The employer pension provision reports based on the 1998 and 2000 surveys combined ‘don’t know’ responses and cases where no trustees had been appointed. We adopt the same approach in this report. In just over half of cases, these combined ‘don’t know’ and no-trustees responses were, in fact, ‘don’t knows’, while nine per cent of occupational schemes were said to have had no trustees.

This would appear to be a reflection of the fact that many respondents were more familiar with the general and some specific financial arrangements (e.g. contribution levels) of their organisations’ pension provisions, but were not involved in the actual management or administration of occupational pension schemes. As a result, they would not have necessarily known whether trustees had been put into place to run these schemes. In this light and given that few companies would have been exempt from nominating trustees, it was, in fact, highly unlikely that schemes had no trustees. Respondents who, contrary to expectation, said that schemes had no trustees might have lacked the detailed knowledge of the operations of these occupational pension schemes.

Overall, two-thirds of schemes were run by a board of individual trustees (66 per cent), while a further 16 per cent were run by a sole corporate trustee (Table 7.4). These figures were little changed from 2000 or, indeed, 1998.

Table 7.4 Trustee arrangements for occupational schemes

	<i>Column percentages</i>			
Trustee arrangements	2003 survey	2000 survey	1998 – larger employers (20+)	1998 – small employers
Board of individual trustees	66	65	63	66
Sole corporate trustee	16	14	30	12
No trustees or directors/don't know which	18	21	7	22
<i>Unweighted base</i>	<i>1045</i>	<i>806</i>	<i>1082</i>	<i>102</i>

As in the 2000 survey, there was considerable uncertainty or lack of knowledge with respect to the presence and the type of trustee arrangements in the case of salary-related schemes: in nearly one-quarter of case, respondents did not know whether these schemes had trustees in place or believed there were none (Table 7.5). Respondents appeared more aware of the type of trustee arrangement in the case of money-purchase schemes, three-quarters (75 per cent) of which were run by a board of individual trustees and a further fifth (21 per cent) by corporate trustees.

Table 7.5 Trustee arrangements for occupational schemes by type of scheme

Column percentages

Trustee arrangements	Type of occupational scheme				All
	Salary-related	Money purchase	Other	Closed schemes	
Board of individual trustees	62	75	71	60	65
Sole corporate trustee	16	21	16	16	18
No trustees or directors/don't know which	22	4	13	24	
<i>Weighted base</i>	<i>29</i>	<i>45</i>	<i>13</i>	<i>68</i>	<i>154</i>
<i>Unweighted base</i>	<i>315</i>	<i>245</i>	<i>91</i>	<i>409</i>	<i>1060</i>
Number of trustees (excl. zeros and 'don't know' responses)					
1	6	10	2	23	14
2	2	71	86	59	57
3 – 4	67	12	3	12	20
5 – 6	14	6	5	4	6
7 +	10	1	4	2	3
<i>Weighted base</i>	<i>17</i>	<i>40</i>	<i>9</i>	<i>48</i>	<i>115</i>
<i>Unweighted base</i>	<i>295</i>	<i>227</i>	<i>85</i>	<i>388</i>	<i>995</i>

Base is open and closed occupational schemes that are tax-approved.

When the number of trustees or directors was known, open salary-related schemes had more trustees than any of the other schemes: 91 per cent had three or more trustees/directors compared to 19 per cent of money-purchase schemes, 12 per cent of other schemes and 18 per cent of closed schemes.

As on previous occasions, closer investigation of these findings, which were substantially different from those reported in the Employer Pension Provision Survey of 2000, suggested that the analysis had been strongly influenced by the inclusion of two heavily-weighted schemes (one open, one closed) provided by the same organisation. Table B.5 in Appendix B shows the results of the analysis after excluding these two cases.

Trustee arrangements or, at least, awareness of trustee arrangements tended to increase with the size of organisations and coincided with a marked shift towards a greater proportion of sole corporate trustee arrangements for schemes with 1000 or more active members (Table 7.6). The number of trustees also increased with the size of the schemes, with all schemes with 5000 or more active members having at least five trustees. Overall, 53 per cent of active members were in a scheme with a board of trustees, 41 per cent were in a scheme with a sole corporate trustee, and three per cent were in a scheme where the arrangements were not known.

Table 7.6 Trustee arrangements for occupational schemes by size of scheme

Trustee arrangements	Size of scheme (number of active members)							
	<i>Column percentages</i>							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Board of individual trustees	66	43	83	84	82	71	41	46
Sole corporate trustee	15	23	13	14	14	28	52	54
No trustees or directors/ don't know which	19	33	4	3	4	1	7	0
<i>Weighted base</i>	<i>115</i>	<i>11</i>	<i>4</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>218</i>	<i>93</i>	<i>84</i>	<i>140</i>	<i>140</i>	<i>120</i>	<i>184</i>	<i>61</i>
Number of trustees								
1	18	11	*	2	3	0	1	0
2	60	15	35	4	0	0	0	0
3 – 4	20	24	41	39	18	18	10	0
5 – 6	1	42	19	44	59	46	24	12
7 – 10	0	3	5	8	14	29	43	65
11 +	0	6	0	3	6	6	22	23
<i>Weighted base</i>	<i>88</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>171</i>	<i>83</i>	<i>82</i>	<i>138</i>	<i>137</i>	<i>122</i>	<i>179</i>	<i>60</i>

Base is open and closed occupational schemes that are tax-approved.

Note: * = less than 0.5 per cent, but more than zero.

Fifty-eight per cent of occupational schemes had at least one-third of trustees or directors nominated by members (Table 7.7). Money-purchase schemes (68 per cent) and the mix of 'other' schemes (97 per cent) were most likely to have had their trustees or directors nominated by members, whereas open salary-related schemes (63 per cent) and, in particular, closed schemes (34 per cent) were least likely to have done so. The proportion of schemes with member-nominated trustees or directors increased with the size of the schemes and was highest for schemes with 5000 or more active members (78 per cent) (Table 7.8). It was lowest for schemes with 50 to 99 members (39 per cent).

Table 7.7 Number and type of trustees by type of occupational scheme

	<i>Column percentages</i>				
	Type of occupational scheme				
	Open schemes			Closed schemes	All
Salary-related	Money purchase	Other			
Median number of trustees	5	2	3	2	2
Mean percentage of trustees that are:					
Active members of the scheme (current employees)	70	81	38	86	75
Current pensioners of the scheme	6	27	1	24	20
Nominated by members of the scheme	31	67	95	52	65
Nominated by members and are also pensioners	8	26	*	1	10
Percentage with at least one-third of trustees nominated by members	63	68	97	34	58
<i>Weighted base</i>	7	40	19	48	115
<i>Unweighted base</i>	294	226	87	388	995

Base is open and closed occupational schemes that are tax-approved and have at least one trustee. Note: * Less than 0.5 per cent, but more than zero.

Table 7.8 Number and type of trustees by size of occupational scheme

	<i>Cell percentages</i>							
	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Median number of trustees	2	5	3	5	6	6	8	9
Mean percentage of trustees that are:								
Active members of the scheme (current employees)	87	57	72	65	56	62	58	66
Current pensioners of the scheme	25	3	5	8	7	7	13	9
Nominated by members of the scheme	74	26	20	30	24	29	35	36
Nominated by members and are also pensioners	12	12	*	1	3	2	7	4
Percentage with at least one-third of trustees nominated by members	57	53	39	49	50	61	76	79
<i>Weighted base</i>	88	4	4	4	2	1	2	1
<i>Unweighted base</i>	171	83	83	138	138	123	179	60

Base is open and closed occupational schemes that are tax-approved and have at least one trustee. Note: * Less than 0.5 per cent, but more than zero.

Half of open salary-related schemes had up to five trustees, compared to just two or three in the case of open money-purchase and 'other' or closed schemes (Table 7.7).

On average, in three-quarters of schemes, trustees were also active members of the occupational schemes, which they run (Table 7.7). This proportion was highest for closed schemes (86 per cent) and open money-purchase schemes (81 per cent). In the case of open salary-related scheme, on average, 70 per cent of trustees were active members as were 38 per cent of trustees of 'other' open schemes.

On average, one-fifth of trustees were current pensioners of the schemes, including over one-quarter (27 per cent) of trustees of open money-purchase schemes. Across all schemes, on average, members of the scheme had nominated 65 per cent of trustees, but this declined to just 31 per cent of open salary-related schemes.

7.3.2 Member nominated trustee requirements

Tax-approved occupational schemes are required by law to ensure that at least one-third of their trustees or directors are nominated by scheme members. In 2003, 58 per cent of occupational schemes had at least one-third of trustees or directors nominated by members, including in 63 per cent of open salary-related and 68 per cent open money-purchase schemes (Table 7.7). The proportion of schemes complying with this legal requirement was highest for the largest schemes (Table 7.8).

The 2003 survey went on to ask organisations whether they were, in fact, taking action to meet this requirement to have one-third of trustees or directors nominated by members. In the case of about half of all schemes, respondents indicated that action had indeed been taken to allow for member-nominated trustees or directors (Table 7.9). This increased to 87 per cent of open salary-related schemes, but extended to only 28 per cent of money-purchase schemes and 37 per cent of closed schemes. Nearly all of 'other' schemes (99 per cent) had taken action to comply with this requirement.

Table 7.9 Whether any action has been taken to meet the member-nominated trustee requirements by type of scheme

Has any action been taken to enable this scheme to meet the member-nominated trustee requirements?	Type of occupational scheme				
	Open schemes			Closed schemes	All
	Salary-related	Money purchase	Other		
Yes	87	28	99	37	48
No	11	64	*	54	46
Don't know	2	8	1	9	7
<i>Weighted base</i>	7	40	19	48	115
<i>Unweighted base</i>	282	215	87	361	945

Column percentages

Base is open and closed occupational schemes that are tax-approved and have at least one trustee. Note: * Less than 0.5 per cent, but more than zero.

Respondents gave a number of reasons why trustees of schemes, which did not meet the member-nomination requirement, had not (yet) taken any action. In 18 per cent of individual – trustee-managed schemes and in 14 per cent of corporate trustee-managed schemes, respondents felt that this was due to the fact that the scheme was, in fact, exempt, from this requirement (Table 7.10). In over one in five cases (22 per cent), respondents said they were not aware of this regulation, including 27 per cent of schemes with individual trustee boards.

Table 7.10 Why no action has been taken to meet the member-nominated trustee requirements by trustee arrangements – schemes not meeting the trustee-nomination requirement

	<i>Column percentages</i>		
	Board of individual trustees	Sole corporate trustee	Total
No action because scheme exempt	18	14	16
No action because unaware of regulations	27	16	22
All trustees are members	1	0	1
All members are trustees	17	0	10
Scheme already meets/exceeds requirements	*	0	*
Scheme closed/frozen/wound up or in process of closing	1	8	4
Not enough members in the scheme	13	17	15
Members satisfied with current arrangements	6	2	4
Don't know	12	11	11
Other	4	34	17
<i>Weighted base</i>	<i>4</i>	<i>3</i>	<i>6</i>
<i>Unweighted base</i>	<i>61</i>	<i>39</i>	<i>100</i>

Base is open and closed occupational schemes that are tax-approved and have at least one trustee but have not taken any action to meet the member-nominated trustee requirements.

Note: * Less than 0.5 per cent, but more than zero.

8 Pension rights upon divorce, survivor benefits and retirement ages

8.1 Introduction

This chapter covers technical and legal issues affecting occupational pensions. First, we look at the practice of pension sharing on divorce, reporting the incidence and frequency of pension earmarking, and attachment and sharing orders received by schemes (Section 8.2). Following that, the benefits, which pension schemes provide for legal spouses, are reviewed (Section 8.3). Finally, pension schemes' practice of defining retirement ages and the scope and impact on pension entitlements of early retirement are explored.

8.2 Pension rights upon divorce

The Welfare Reform and Pensions Act of 1999, which also introduced the stakeholder pension, modified the ways in which pension rights may be shared between former spouses after divorce. Courts have three ways in determining how the value of pension rights can be apportioned:

- offsetting – trades off the value of pension benefits against assets previously shared by the household; it is not reviewed here because it is not a form of pension sharing;
- earmarking – this requires the pension scheme member to pay part of their pension to the former spouse when the pension becomes payable. It does not apply when the former spouse re-marries or the member dies; and
- pension sharing – the value of pensions is shared at the time of the divorce by order of Court.

Courts may also issue attachment orders, which require the pension scheme to pay part of the member's pension to the former spouse.

8.2.1 Earmarking orders

In total, since December 2000, earmarking orders had been received with respect to two per cent of occupational schemes (Table 8.1). Money-purchase and closed schemes were least likely to have received these orders (one per cent each), while open salary-related (two per cent) and 'other' schemes (three per cent) were more likely to have done so. Sixty-two per cent of schemes, which had received earmarking orders, had received only one, 18 per cent had received two and 12 per cent had received three earmarking orders. Fifty-eight per cent salary-related schemes with earmarking orders had received one, while 20 per cent had received two earmarking orders. The incidence of earmarking orders increased with the size of the pension scheme (Table 8.2). This appeared also to be true for the number of earmarking orders. While intuitive, small case numbers nevertheless meant that robust evidence to support this conclusion was not available.

Table 8.1 Earmarking orders received, by type of scheme

Column percentages

Scheme has received earmarking orders	Type and status of occupational scheme				
	Open schemes			Closed schemes	All
	Salary-related	Money purchase	Other		
Yes	2	1	3	1	2
No	96	98	92	98	97
Do not know	2	1	5	1	1
<i>Weighted base</i>	<i>34</i>	<i>46</i>	<i>14</i>	<i>69</i>	<i>163</i>
<i>Unweighted base</i>	<i>338</i>	<i>267</i>	<i>117</i>	<i>432</i>	<i>1154</i>

Base is all open and closed occupational schemes (not frozen).

Table 8.2 Earmarking orders received, by size of scheme

Column percentages

Scheme has received earmarking orders	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Yes	*	*	5	7	12	22	40	70
No	99	98	92	91	81	75	56	30
Do not know	1	2	3	2	7	3	4	0
<i>Weighted base</i>	<i>122</i>	<i>13</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>247</i>	<i>103</i>	<i>91</i>	<i>149</i>	<i>150</i>	<i>124</i>	<i>186</i>	<i>62</i>

Base is open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

A small proportion of schemes had also received attachment orders, which Courts may issue if they believe that simple earmarking orders are an insufficient safeguard of the pension entitlement of a scheme member's former spouse. Overall, one per cent of occupational pension schemes had been issued an attachment order since December 2000 (Table 8.3). The majority (59 per cent) had received just one such order, 19 per cent had received two, while the remainder had received three or more. Salary-related and 'other' occupational pension schemes appeared somewhat more likely to have received attachment orders, although this finding may have been affected by variable levels of 'don't know' responses.

Table 8.3 Asked to implement attachment orders, by type of scheme

Scheme asked to implement an attachment order	Type of occupational scheme					All
	Open schemes			Closed schemes		
	Salary-related	Money purchase	Other			
Yes	1	*	1	*	1	
No	97	99	94	99	98	
Don't know	2	1	6	1	1	
<i>Weighted base</i>	<i>34</i>	<i>46</i>	<i>14</i>	<i>68</i>	<i>163</i>	
<i>Unweighted base</i>	<i>338</i>	<i>267</i>	<i>117</i>	<i>432</i>	<i>1154</i>	

Column percentages

Base is open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

As in the case of earmarking orders, the incidence of attachment orders was higher among larger pension schemes and very few of the smallest schemes had received any such orders (Table 8.4).

Table 8.4 Asked to implement attachment orders, by size of scheme

Scheme asked to implement an attachment order	Size of scheme (number of active members)							
	1-19	20-49	50-99	100-249	250-499	500-999	1000-4999	5000+
Yes	*	0	0	6	3	9	16	29
No	99	98	97	93	92	88	75	68
Don't know	1	2	3	2	5	3	10	4
<i>Weighted base</i>	<i>122</i>	<i>13</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>247</i>	<i>103</i>	<i>91</i>	<i>149</i>	<i>150</i>	<i>124</i>	<i>186</i>	<i>62</i>

Column percentages

Base is open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

8.2.2 Pension sharing orders

A small proportion of occupational schemes had received pension sharing orders between December 2000 and early 2003. Overall, one per cent of schemes had done so, including two per cent of open salary-related and 'other' schemes (Table 8.5). Just over half of all schemes (54 per cent) had received only one pension sharing order, 22 per cent had received two and 14 per cent three to five sharing orders. Unsurprisingly, given the larger number of members and, therefore, potential cases, larger schemes were more likely to have received sharing orders (Table 8.6).

Table 8.5 Pension sharing orders received, by type of scheme

Scheme has received pension sharing orders	Type of occupational scheme					All
	Open schemes			Closed schemes		
	Salary- related	Money purchase	Other			
Yes	2	*	2	1	1	
No	97	99	93	98	98	
Don't know	1	1	5	1	1	
<i>Weighted base</i>	<i>34</i>	<i>46</i>	<i>14</i>	<i>69</i>	<i>163</i>	
<i>Unweighted base</i>	<i>338</i>	<i>267</i>	<i>117</i>	<i>432</i>	<i>1154</i>	

Base is all open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

Table 8.6 Pension sharing orders received, by size of scheme

Scheme has received pension sharing orders	Size of scheme (number of active members)							
	1-19	20-49	50-99	100- 249	250- 499	500- 999	1000- 4999	5000+
Yes	*	1	0	5	12	13	44	67
No	100	98	97	93	84	84	51	33
Don't know	*	2	3	2	4	2	5	0
<i>Weighted base</i>	<i>122</i>	<i>13</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>
<i>Unweighted base</i>	<i>247</i>	<i>103</i>	<i>91</i>	<i>149</i>	<i>150</i>	<i>124</i>	<i>186</i>	<i>62</i>

Base is open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

8.3 Benefits for Legal Spouses and Partners

Contracted-out occupational pension schemes must provide survivor benefits to the legal spouses of active members and may also provide these benefits to unmarried partners or members' children. In contrast, contracted-in schemes are not required to provide survivor benefits to legal spouses.

The 2003 employers' pension survey asked providers of both types of occupational schemes whether they provided non-compulsory survivor benefits. Over 80 per cent of contracted-out (Table 8.7) and nearly 60 per cent of contracted-in occupational schemes (Table 8.9) did so. In the case of contracted-out occupational schemes, just under half (49 per cent) provided benefits for the children of members, although this was the case for only a quarter of money-purchase schemes (25 per cent). About a fifth of schemes (22 per cent) also provided benefits to members' unmarried partners of the opposite sex, but only 11 per cent did so for unmarried partners of the same sex. Nearly one-third (31 per cent) of open salary-related, contracted-out schemes decided whether to provide benefits other than to legal spouses on a case-by-case basis. This was twice the average proportion for all schemes and over three times higher than in the case of money-purchase schemes.

Table 8.7 Non-compulsory survivor benefits provided by contracted-out occupational pension schemes, by type of scheme

Cell percentages

Benefits provided for:	Type of occupational scheme				All
	Open schemes			Closed schemes	
	Salary-related	Money purchase	Other		
Unmarried partners of the opposite sex	23	24	7	32	22
Unmarried partners of the same sex	8	23	5	16	11
Children	42	25	84	42	49
Decided on an individual basis/depends on circumstances	31	11	1	7	15
Don't know	28	27	14	25	24
None of these	5	37	0	27	14
<i>Weighted base</i>	<i>18</i>	<i>6</i>	<i>11</i>	<i>13</i>	<i>48</i>
<i>Unweighted base</i>	<i>289</i>	<i>56</i>	<i>75</i>	<i>288</i>	<i>708</i>

Base is all open and closed occupational schemes (not frozen). Survivor benefits exclude those for legal spouses, which are compulsory.

Table 8.8 Non-compulsory survivor benefits provided by contracted-out occupational pension schemes, by type of scheme

Cell percentages

Apart from providing benefits for legal spouses, the contracted-out pension occupational scheme provides benefits for:	Size of scheme (number of active members)		
	1-19	20+	Total
	Unmarried partners of the opposite sex	16	38
Unmarried partners of the same sex	9	20	14
Children	25	56	41
Decided on an individual basis/depends on circumstances	8	29	19
Don't know	39	17	25
None of these	27	4	17
<i>Weighted base</i>	<i>22</i>	<i>19</i>	<i>41</i>
<i>Unweighted base</i>	<i>79</i>	<i>620</i>	<i>699</i>

Base is open and closed occupational schemes (not frozen). Survivor benefits exclude those for legal spouses, which are compulsory.

In the case of contracted-in occupational schemes, nearly half (46 per cent) provided benefits for legal spouses (Table 8.9). Only 28 per cent of money-purchase schemes provided benefits for legal spouses. Contracted-in schemes (21 per cent) were less likely than those contracted-out to provide benefits to members' children (49 per cent). Five per cent of all contracted-in schemes decided survivor benefits on an individual basis.

The propensity to provide survivor benefits was greater for larger occupational pension schemes (Tables 8.8 and 8.10): 27 per cent of contracted-out schemes with less than 20 active members provided no survivor benefits compared to just four per cent of contracted-out schemes with 20 or more members. Similarly, 48 per cent of contracted-in occupational schemes with less than 20 active members provided no survivor benefits, whereas only two per cent of larger schemes did not.

Table 8.9 Survivor benefits provided by contracted-in occupational pension schemes, by type of scheme

Column percentages

Provides benefits for:	Type of occupational scheme				All
	Open schemes			Closed schemes	
	Salary-related	Money purchase	Other		
A legal (married) spouse	[42]	28	[18]	45	46
Unmarried partners of the opposite sex	[20]	12	[8]	8	11
Unmarried partners of the same sex	[16]	9	[5]	4	6
Children	[28]	12	[9]	8	21
Or are no survivors benefits provided	[0]	55	[0]	48	42
Decided on an individual basis/depends on circumstances (D)	[0]	8	[5]	4	5
Don't know	[5]	8	[0]	3	7
None of these	[0]	0	[0]	*	*
<i>Weighted base</i>	16	39	2	50	107
<i>Unweighted base</i>	48	209	20	134	411

Base is all open and closed occupational schemes (not frozen).

Figures in [] have a base of less than 50 cases and report absolute frequencies.

Notes: * = Less than 0.5 per cent, but more than zero.

Table 8.10 Survivor benefits provided by contracted-in occupational pension scheme, by size of scheme

Column percentages

Providing benefits for:	Size of scheme (number of active members)		
	1-19	20+	Total
A legal (married) spouse	42	66	44
Unmarried partners of the opposite sex	8	28	10
Unmarried partners of the same sex	5	15	5
Children	18	45	20
Or are no survivors benefits provided	48	2	44
Decided on an individual basis/depends on circumstances (D)	3	30	5
Don't know	7	10	7
None of these	*	*	*
<i>Weighted base</i>	95	78	103
<i>Unweighted base</i>	156	243	399

Base is open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

8.4 Retirement ages and early retirement

In Chapter 5, it was shown that 54 per cent of all occupational pension schemes had set equal retirement ages for men and women members. About half of occupational schemes with the same retirement age for men and women had equalised their retirement ages in the last eight to ten years (Table 8.11). This included 46 per cent of open salary-related schemes and 68 per cent of 'other' schemes, which had done so in the period between 1995 and 1999 alone. In the case of money-purchase and closed schemes, the introduction of equal retirement ages for men and women appeared to have been a more gradual process, being spread more evenly over previous years and decades.

Table 8.11 Retirement conditions of schemes with the same retirement age for men and women, by type of scheme

	Type of occupational scheme				All
	Open schemes			Closed schemes	
	Salary-related	Money purchase	Other		
<i>Column percentages</i>					
Year from which pension ages are equal					
1900-1984	2	16	*	4	6
1985-1989	4	3	3	9	5
1990-1994	9	18	3	13	11
1995-1999	46	14	68	19	33
2000-2003	13	24	1	17	15
Always been equal	11	24	13	12	15
Don't know	15	1	12	27	15
Early retirement on the grounds of ill-health					
Yes	81	42	83	38	59
No	10	49	2	45	29
Depends on circumstances	5	4	2	3	4
Don't know	4	6	13	14	9
Early retirement on other grounds					
Yes	50	30	68	21	39
No	38	64	18	63	49
Depends on circumstances	10	3	2	3	5
Don't know	2	4	13	13	8
Retirement after the specific age					
Yes	86	62	23	76	68
No	10	14	2	13	11
Depends on circumstances	2	6	*	*	2
Don't know	2	17	74	10	19
<i>Weighted base (real)</i>	<i>25</i>	<i>20</i>	<i>12</i>	<i>26</i>	<i>83</i>
<i>Unweighted base</i>	<i>317</i>	<i>244</i>	<i>112</i>	<i>386</i>	<i>1059</i>

Continued

Table 8.11 Continued

	<i>Column percentages</i>				
	Type of occupational scheme				
	Salary- related	Open schemes		Closed schemes	All
		Money purchase	Other		
If retirement beyond the age the organisation continue contributing					
Yes - at the same rate as before	91	40	65	61	68
Yes - but at a lower rate than before	*		*	*	*
Yes - at a higher rate than before	0	1	0	11	4
No	8	52	18	21	23
Don't know	1	8	16	6	5
<i>Weighted base</i>	<i>21</i>	<i>12</i>	<i>3</i>	<i>20</i>	<i>56</i>
<i>Unweighted base</i>	<i>215</i>	<i>158</i>	<i>68</i>	<i>250</i>	<i>691</i>

Base is all open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

Fifty-nine per cent of occupational schemes with equal retirement ages allowed early retirement on grounds of ill-health, while 39 per cent of schemes allowed early retirement on other grounds. In both instances, salary-related (81 per cent and 50 per cent respectively) and 'other' schemes (83 per cent; 68 per cent) were more likely to do so than money-purchase (42 per cent; 30 per cent) or closed schemes (38 per cent; 21 per cent).

Most schemes also allowed members to retire after a specific age (68 per cent). Salary-related (86 per cent) and closed schemes (76 per cent) were more likely to do so than money-purchase (62 per cent) or 'other' schemes (23 per cent). In the vast majority of salary-related schemes (91 per cent), the employer would continue to contribute at the same rate to these pension schemes, if members were to decide to retire after the normal retirement age. However, this was only the case in 40 per cent of money-purchase, 65 per cent of 'other' and 61 per cent of closed schemes. This said, 11 per cent of closed schemes would, in fact, continue to contribute at a higher rate than before.

Larger occupational pension schemes with the same retirement ages for men and women were less likely to allow early retirement on grounds other than health, less likely to allow retirement after the specified age and, in cases of retirement after that age, were also less likely to continue to contribute to the pension scheme (Table 8.12).

Table 8.12 Retirement conditions of schemes with the same retirement age for men and women, by size of scheme

	<i>Column percentages</i>		
	1-19	20+	Total
Year from which pension ages are equal			
1900-1984	3	1	3
1985-1989	5	8	6
1990-1994	8	23	13
1995-1999	34	18	28
2000 – 2003	17	21	18
Always been equal	15	16	16
Don't know	18	14	17
Early retirement on the grounds of ill-health			
Yes	56	57	56
No	31	28	30
Depends on circumstances	1	11	5
Don't know	13	4	9
Early retirement on other grounds			
Yes	42	22	34
No	45	63	52
Depends on circumstances	2	13	6
Don't know	11	2	8
Retirement after the specific age			
Yes	78	68	74
No	8	22	13
Depends on circumstances	*	7	3
Don't know	14	3	10
<i>Weighted base (real)</i>	<i>43</i>	<i>26</i>	<i>69</i>
<i>Unweighted base</i>	<i>184</i>	<i>834</i>	<i>1018</i>
If retirement beyond the age the organisation continue contributing			
Yes - at the same rate as before	77	60	71
Yes - but at a lower rate than before	*	*	*
Yes - at a higher rate than before	7	*	5
No	10	35	19
Don't Know	5	5	6
<i>Weighted base</i>	<i>34</i>	<i>17</i>	<i>51</i>
<i>Unweighted base</i>	<i>115</i>	<i>562</i>	<i>677</i>

Base is all open and closed occupational schemes (not frozen).

Notes: * = Less than 0.5 per cent, but more than zero.

9 Conclusions

This final chapter draws together some of the key findings from the 2003 Employers' Pension Provision Survey.

9.1 Trends

The period since the last Employers' Pension Provision Survey in 2000 has seen some remarkable, and at times contradictory, changes in the provision of pensions in Britain. Overall, there was no change between 2000 and 2003 in the proportion of organisations providing occupational pensions (seven per cent), but an increase in the proportion providing Group Personal Pensions (from nine per cent to 12 per cent). The decline in the proportion contributing to personal pension plans (from 17 per cent to 15 per cent) is not statistically significant. Thirty-five per cent of organisations provided access to stakeholder pensions, which were not previously available, and five per cent provided access and contributed to this type of pension.

By 2003, 52 per cent of organisations provided some type of pension, compared to just 29 per cent in 2000. This increase was largely due to the introduction of the stakeholder pensions. However, possibly due to the small proportion of employers contributing to stakeholder pensions, its introduction had no notable effect on the membership of pension schemes in the workplace. This was despite the fact that proportionately more employees were working in organisations with some form of pension or pension access provision than had been the case in 2000. Seventeen per cent of employees of organisations with up to 19 employees were active members of pension schemes in 2003, while the figure for active members in organisations with 20 or more employees was 44 per cent.

The proportion of organisations offering specific types of pension schemes, such as occupational, group personal pensions or (contributions to) personal pensions also increased between 2000 and 2003. Again, while this has led to proportionately more employees working for organisations with specific types of pension provision, it had virtually no effect on active membership. In some instances, active membership of pension schemes declined, although the proportion of employees in organisations providing or contributing to these schemes had, in fact, increased.

The introduction of the stakeholder pension might have helped to maintain overall levels of active membership of pension schemes as membership of other schemes declined.

9.2 Stakeholder pensions

Stakeholder pensions were introduced to provide people with access to a low-charge pension scheme. In 2003, they were the type of pension most frequently offered by British private-sector organisations. However, they were also the type of pension to which employers were least likely to contribute (five per cent of organisations), including when compared to the 15 per cent of employers who contributed to the more 'traditional' types of personal pension. Moreover, three-quarters of organisations offering access to stakeholder pensions reported that these schemes did not have any members. Among those organisations which did contribute to stakeholder pensions, contribution rates and amounts tended to be smaller than among organisations contributing to other types of personal pensions: proportionately fewer contributing five per cent or more of pay or £15 or more per week to stakeholder pensions plans than contributed to other types of personal pensions. This comparison between stakeholder and personal pension schemes is of interest because of the decline in active membership of private pension plans (to which employers contributed), which appeared to *coincide with* the introduction and growing active membership of stakeholder pension schemes.

One in 20 of providers of access to more than one stakeholder pension had closed occupational or group personal pension schemes to new members before starting to offer access to stakeholder pensions.

9.3 Occupational pensions

The provision of occupational pensions underwent a major change between 2000 and 2003. Although the proportion of organisations providing occupational pensions, the size of the workforce employed by these businesses and the proportion of the workforce who were active members of occupational pension schemes all increased, there were marked variations between organisations of different size and between different types of occupational pension schemes. Larger organisations (20 or more employees) were generally more likely to provide occupational pensions. They were also more likely to record changes in provision since 2000. One key change was the increase in closures of occupational schemes and a simultaneous decrease in the proportion of (mainly larger) organisations continuing to offer salary-related pension schemes to both existing and new members. At the same time, the proportion of larger organisations offering money-purchase schemes to new and existing members increased.

The effect of these changes has been a decline in the proportion of employees of larger organisations who were active members of open salary-related schemes: declining from 24 per cent in 2000 to 16 per cent in 2003. The period between the previous and the current Employers' Pension Provision Survey also appeared characterised by many closures and openings of money-purchase schemes, in particular again among larger organisations. However, despite a resulting significant increase since 2000 in the percentage of larger organisations providing open or closed money-purchase schemes, active membership of these schemes remained virtually unchanged. It is possible that this was due to such schemes having been intended for a small number of members only (e.g. Top Hat schemes).

There was also evidence to suggest that closures of occupational schemes coincided not with the setting up of new occupational schemes, but with the provision of access to stakeholder pension schemes, which have so far managed to attract little active membership. Moreover, while in many instances employers would have contributed to now closed occupational schemes, few employers were found to be contributing to stakeholder pensions.