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Employers' Pension Provision Survey 2005

Stephen McKay

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Contents

List of tables

List of figures

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The Author

Stephen McKay is deputy director at the Personal Finance Research Centre (PFRC), School of Geographical Sciences, University of Bristol.

Survey design undertaken by BMRB

Keith Bolling is the Research Group Head at BMRB Social Research.

Catherine Grant is an Associate Director at BMRB Social Research.

Glossary of terms

Active membership	Active members are current employees who belong to an organisation's occupational pension scheme. The schemes may be open, closed or frozen. Active members are distinct from current and deferred pensioners (see below).
Appropriate personal pension (APP)	A personal pension that is contracted-out of S2P, see below.
Contracted-out Mixed Benefit Schemes (COMBS)	Available from April 1997, these are a contracted-out occupational schemes where some members can be in a defined benefit section, whilst others are in a defined contribution section of the same scheme. Transfers between sections are possible. Note: this is different from a scheme of one type that permits benefits to be calculated using the other basis ('underpins').
Contracted-out schemes arrangements	These are contracted out of the State Second Pension (S2P) and must provide broadly similar benefits to those that would have accrued under S2P. In return, rates of employer and employee National Insurance contributions are reduced. In schemes or arrangements that are not contracted out of S2P, employers and employees pay full rate National Insurance contributions, which entitle employees to S2P (in addition to the basic state pension).
Current pensioners	Current pensioners are former active members of occupational pension schemes, who now draw their pension from this scheme.

Deferred pensioners	Deferred pensioners were members of an occupational pension scheme, who have now left it, usually because they have joined a new employer. Contributions are no longer being made into the scheme either by the member or the employer. The rights are frozen or retained in the scheme until they are drawn as a pension or transferred to a new pension scheme.
Defined benefit/ salary-related schemes	Occupational schemes specifying the benefits that are paid on retirement (e.g. a fraction of salary for each year of service).
Defined contribution/ money purchase schemes	Occupational schemes where the amount of pension is determined by contributions paid into the scheme and investment returns.
Earmarking order	An arrangement introduced by The Pensions Act 1995 that enables courts to rule that on divorce a specified amount of a scheme member's pension, lump sum or both should be earmarked to be paid to the ex-spouse when the pension falls due.
Group personal pension (GPP)	These are personal pensions that an employer has organised for a group of employees, with the same types of provider as for personal pensions. Employers nearly always make a contribution, too, but all GPPs were included irrespective of whether they did.
Mean	The sum of all values divided by the number of these values. All data have equal influence on the mean, so it is affected by outliers and skews and may not be a very good measure for unevenly distributed and skewed datasets.
Median	The halfway point in a series of data, where equal numbers of values are above and below it. It is often preferred to the mean, particularly for skewed datasets, as it is not affected by skews and outliers.
Mode	The most commonly observed value in a dataset. It is often used as the 'typical value' in a series of observations and it is a useful measure when values are not evenly distributed.

Occupational pension scheme arrangements	Arrangements organised by an employer to provide employees with a pension. These include defined benefit, defined contribution and top hat schemes.
Pension Sharing Order	An arrangement introduced by The Welfare Reform and Pensions Act 1999 that enables a scheme member's pension rights to be split on divorce between spouses.
Personal pension (PP)	A private type of pension arrangement between an employee and an insurance company, building society or bank. This survey only covered employees' personal pensions where the employer made a contribution.
Standard Industrial Classification	A system for classifying industries. The major groups identified are as follows. **A** Agriculture, hunting, forestry **B** Fishing **C** Mining and quarrying **D** Manufacturing **E** Electricity, gas and water supply **F** Construction **G** Wholesale and retail **H** Hotel and restaurants **I** Transport, storage and communication **J** Financial **K** Real estate and business **L** Public administration **M** Education **N** Health and social work **O** Social and personal services
Top hat schemes	These are occupational pensions where membership is restricted to senior managers and directors.

Summary

1 Introduction

This research report is based on a survey of pension provision among private sector employers in Britain. A representative sample of 2,401 private sector employers took part in the study. Interviews were conducted in 2005 by telephone, with a response rate of 63 per cent. This is the sixth in a series of similar surveys. Previous surveys were conducted in 1994, 1996, 1998, 2000 and 2003.

The sample for the study was drawn from the Government's Inter-Departmental Business Register (IDBR), which is a comprehensive list of employers constructed from VAT and income tax returns. All private sector companies with more than 5,000 employees were contacted for this study (66 per cent of them taking part), as was a representative sample of firms with fewer than 5,000 employees. This enabled us both to cover the larger employers, which account for most private sector employment, and also to generalise to the population of private sector employers as a whole. The survey achieved an overall response rate of 63 per cent.

The questionnaire used in 2005 was based upon those used before, making it possible to track trends over time.

2 An overview of private sector pension provision in Britain

Private sector employers offered a mixture of occupational pensions, group personal pensions (GPPs), personal pensions and Stakeholder pensions (SHPs), with some offering more than one pension type. Firms provided, on average, 1.24 different types of pension.

- **Occupational pensions** were found in only six per cent of firms, but these firms employed around half (44 per cent) of all private sector employees.

- Two per cent of firms had an *open* occupational pension scheme. These firms employed just under a quarter (23 per cent) of all private sector employees.
- Of all employees in any kind of employer pension arrangement, 62 per cent were members of **occupational pension** schemes. This amounted to 21 per cent of the total private sector workforce. Around 11 per cent of all employees were in occupational schemes still open to new members.
- **Group Personal Pensions** (GPPs) were offered by six per cent of firms, employing one-third of employees (33 per cent). Around one in five (19 per cent) of private sector employees in an employer pension arrangement of any kind were members of GPPs arranged by their employer.
- Fifteen per cent of private sector firms, employing 24 per cent of all private sector employees, were making contributions to some of their employees' own **personal pension** plans. Despite the relatively high proportion of firms who made contributions towards employees' personal pensions, this covered only two per cent of private sector employees, and made up about six per cent of active members of any employer-provided pension.
- Twenty nine per cent of employers, employing 56 per cent of all private sector employees, provided access to **SHPs**. Seven per cent of firms overall contributed to their employees' SHPs, a slight increase since 2003 (five per cent).
- Around 70 per cent of employees in companies with one to four staff were not participating in any kind of employer pension arrangement. And even among the largest organisations (those with 1,000 or more staff), only around half had joined. And overall, 34 per cent of all private sector employees were members of a pension scheme provided by or through their employer (in addition some employees may have their own pensions arrangements not picked up in this employer-based survey).

3 Key trends in pension provision

- Fewer firms provided pensions to their employees in 2005 (44 per cent) than in 2003 (52 per cent).
- There was no significant change in the proportion of firms offering **occupational pensions** (from seven per cent in 2003 to six per cent in 2005). However, more tellingly, the proportion of firms with an **open** occupational scheme fell from four to two per cent since 2003.
- There were also considerable reductions in the proportion of employees in **open** occupational schemes; down from 16 to ten per cent in **open defined benefit** schemes, and from six to four per cent in **open defined contribution** schemes. Overall, since 2000 the proportion of employees in open defined benefit occupational schemes has fallen by 58 per cent.

- The proportion of firms offering a **GPP** halved, from 12 per cent in 2003 to six per cent in 2005. Over the same period the proportion of private sector employees whose firm offered a GPP fell from 38 per cent to 33 per cent.
- Similar, proportions of firms were making contributions into their employees' **personal pensions** (15 per cent in both 2003 and 2005) and more firms were contributing towards **SHPs** in 2005 than in 2003 (seven per cent in 2005, five per cent in 2003).
- The proportion of private sector employees who were active members of some form of pension arrangement by or through their employer fell from 38 per cent in 2003 to 34 per cent in 2005.

4 Occupational pensions I: Members, contributions and benefits

- Six per cent of private sector employers have an **occupational pension** scheme arrangement for their employees. However, only two per cent of firms have an **open** occupational scheme for new employees to join.
- Employers who made this kind of provision were predominantly large firms. Forty-five per cent of firms employing at least 1,000 staff, and three-quarters (74 per cent) of firms with 5,000 or more employees had **open** occupational schemes. For companies employing fewer than 500 employees it was more common to have a closed occupational scheme than an open one.
- Firms with at least half their staff working full-time were somewhat more likely to have occupational pensions. Companies established more recently were, independently of size, less likely to provide occupational pensions. Occupational pensions were also less commonly found in companies with either a GPP or access to a SHP scheme.
- Defined benefit schemes that were still **open** were overwhelmingly likely to be contributory (97 per cent), whilst the majority of **closed** defined benefit schemes were non-contributory (78 per cent non-contributory).
- Across all open occupational pension schemes, schemes were equally likely to be contracted out of S2P (44 per cent in both cases).
- In 2005, employers were contributing, on average, ten per cent of members' salaries to open defined benefit schemes. A higher rate of employer contribution, 15 per cent, was made to closed defined benefit schemes. The employee contribution was usually rather less than the employer contribution – averaging six per cent of salary.
- In 2005, employers were contributing on average five per cent of members' salaries to open defined contribution schemes. A higher rate of employer contribution, 12 per cent, was made to closed defined contribution schemes. The median level of employee contribution into defined contribution occupational schemes was five per cent of salary.

- The ‘normal pension age’ is the age at which employees are able to retire from a pension scheme. For women, the normal pension age had moved towards 65 – 29 per cent of schemes had this age in 2005 compared with only 19 per cent in 2003. For men the normal pension age appears to have been lowered to 60 in some schemes – 43 per cent of schemes in 2005 compared with 32 per cent in 2003).

5 Occupational pensions II: governance issues

- As in the last two surveys, most occupational schemes have a board of individual trustees (72 per cent), whilst a minority have a sole corporate trustee (14 per cent). Where the scheme had at least 5,000 active members, the board of trustees usually (82 per cent of cases) numbered seven or more people.
- In 80 per cent of schemes at least a third of the trustees had been nominated by the members as required by law. Those schemes yet to meet this legal requirement were often smaller and medium-sized schemes. On average, three-quarters (76 per cent) of trustees were active members of the scheme.
- In both 2003 and 2005 relatively few occupational pensions schemes had received pension sharing orders (one per cent) or earmarking orders (also one per cent) – though the majority of schemes with at least 5000 active members had done so – 41 per cent having received a pension sharing order in 2004 alone.
- Some two-thirds (63 per cent) of firms with defined benefit schemes were aware of the newly introduced Pension Protection Fund (PPF), but 85 per cent of firms with under 500 employees did not know when the PPF might become involved in an occupational scheme. Views regarding the impact of the PPF on employers were relatively positive.

6 Stakeholder pensions

- Overall, 29 per cent of organisations offered access to a SHP for at least some employees. This was lowest among the very small employers (those with one to four employees) but rose to around two-thirds of medium-sized employers (those with 13 to 999 employees).
- Looking at employers as a whole, including non-providers, in 11 per cent of firms someone had joined a SHP, whilst in seven per cent of firms somebody had joined the SHP **and** the employer was also making a contribution.
- The 29 per cent of firms offering access to SHPs employed 56 per cent of employees. The 11 per cent of firms where someone had joined a SHP, employed 35 per cent of all employees.
- Firms were less likely to be offering a SHP if they already had a GPP in place, but more likely if the company made contributions to employees’ personal pension plans.

- SHPs only rarely replaced other forms of provision – only 12 per cent of employers said they made another form of provision prior to the introduction of SHPs.
- Half of the SHPs in the survey had just one member whilst a further 27 per cent had between two and four active members. Just over two thirds (68 per cent) of these firms that were providing Stakeholder pensions, with at least one active member, were making a contribution towards them for at least some of their members and among these firms, the median level of employer contribution was six per cent of employees' salary.

7 Group Personal Pensions

- Overall, six per cent of organisations had set up a GPP, although the proportion was substantially higher for those companies with 1,000 or more employees (47 per cent).
- One-third of employees were working for firms with GPPs.
- Firms in the financial and property-related sectors were more likely than firms in other sectors to be providing GPPs. GPPs also tended to be more common among firms with high proportions of full-time staff (e.g. where more than half the workforce worked full-time).
- Many GPPs are relatively small; in 12 per cent of GPP schemes there was only one active member of the GPP and in a further 43 per cent of schemes, there were two to four members. In only 13 per cent of GPPs were there more than 30 members.
- Where firms had set up a GPP, they also tended (94 per cent) to be making contributions towards them (for at least some members, and usually for all of them). Employers contributed five per cent of pay on average (median figure).
- Firms that had an occupational scheme were among the least likely to be providing a GPP. This was even more marked where the firm had an open occupational scheme.

8 Employers contributing to employees' personal pensions

- Overall 15 per cent of private sector employers were contributing to their employees' **personal pensions**, varying from a low of 11 per cent among firms employing between five and 12 people, to a high of over one-quarter where the organisation had 100 or more employees. Typically, employers made such provision for only one member of staff (61 per cent of employers) and or two (28 per cent of firms).

- Close to one in five of these arrangements, 18 per cent, since 2003. This was particularly true among smaller firms where 18 per cent of contributions to personal pensions had started in the last two years. In only three per cent of cases was a different kind of pension provision previously made for these staff, i.e. this was a new pensions provision.
- Organisations with a SHP in place, were slightly more likely to contribute to employees' own personal pensions. However, there were no apparent links with the provision of GPPs, or occupational schemes and contributions towards employees' own personal pension plans.
- The rates of employer contribution were often quoted in money amounts, with £100 per calendar month, and £3,600 per calendar year, being the amount most frequently cited. The median rate when expressed as a percentage of pay (a minority of those with such an arrangement) was eight per cent.

9 How employees join pensions

- Employers provided information on how employees joined their largest open pension schemes. It was common for employees to complete a short form, '*streamlined joining'*, (27 per cent); or simply to make a Yes-No declaration, '*active decision making*', (26 per cent). In 13 per cent of firms, the form was extensive, '*traditional opt-in*', and four per cent of employers were using a form of **automatic enrolment** (where employees are automatically made members of the scheme unless or until they opt out). Automatic enrolment was most common for GPPs (ten per cent of which used this approach).
- The methods of joining pensions seemed determined by two imperatives: giving employees choice, and following what the scheme (or expert advice) suggested. Automatic enrolment (opt-out) was often either the choice of the scheme (45 per cent) or the advice of a pensions industry expert (42 per cent).
- Where the firm used **automatic enrolment** as a method of joining, the proportion of employees that were in a pension arrangement averaged 60 per cent (median 77 per cent). This compared to 43 per cent for those using a **streamlined joining** method, and 41 per cent for those using traditional opt-in. Those using a simple Yes/No declaration, *'active decision making'*, tended to have a lower proportion of employees that joined the largest pension scheme. These results are based on firms with 20 or more employees.
- According to further statistical analysis that takes into account a range of factors that may affect participation in pension schemes, automatic enrolment is associated with an 18 per cent increase in employee membership when compared with schemes where the joining mechanism involved completing a longer form.
- When joining an organisation, employees may receive a variety of information about the pension scheme. Around one-quarter of firms (26 per cent) appeared to provide no information at all routinely, but the figures are distorted by the 41 per cent of firms with one to four employees who provided no information at all. Information was commonly provided in the form of paper-based leaflets and newsletters.

- Firms used a number of methods to encourage higher contributions from members, including individual advice sessions (22 per cent), regular information (14 per cent), and sometimes a system of contributions that escalated over time (eight per cent). But most firms with fewer than 100 employees did not do any of these things.

10 Recent and planned changes to pension provision

- Half of all employers (56 per cent, representing 16 per cent of the private sector workforce) did not offer access to pensions of any kind. Looking specifically at pension arrangements that attracted an employer contribution, 72 per cent of employers, covering 56 per cent of private sector employees, were not making any such provisions. When employers were asked why they did not provide access to pensions for their employees, the most common reasons they cited were being too small (40 per cent) and the view that pension provision was too costly (15 per cent).
- Amongst firms with at least 20 employees but without any kind of pension provision, just over half (51 per cent) had seriously considered introducing provision and 43 per cent expected to make pension provision available in the next five years.

1 Introduction

1.1 Introduction

In this report we describe the results of a survey of pension provision by private sector employers in Great Britain. A sample of 2,401 employers, all in the private sector, was successfully contacted by BMRB and provided information about their current pension provision arrangements. The information collected covered occupational schemes, company contributions towards employees' own personal pensions, Stakeholder pensions (SHPs) and Group Personal Pension (GPP) arrangements. This is the sixth in a series of employer surveys of this kind. The previous surveys were carried out in 1994, 1996, 1998, 2000 and 2003.

In this opening chapter, we describe the main aims of the research and provide some background to the general context. We also describe the important features of providing results based on a group of employers rather than results derived from a sample of people (or employees). Analysis based on firms in fact provides a number of important advantages and disadvantages to describing current pension provision.

1.2 Background

The Department for Work and Pensions (DWP) commissioned BMRB and the University of Bristol to carry out the 2005 survey of Employers' Pension Provision. As in previous years the main aim of the survey was to collect details from employers concerning the pensions they provide, the reasons why some employers do not provide pensions, and to compare the results from 2005 with previous surveys, particularly with the most recent previous survey in 2003. This way we look at trends in pension provision and employer policies over time.

Whilst the main aim is to describe current provision, each survey collects data of key contemporary interest. There are often important policy changes and new information needs when the surveys take place. In 2005 there was considerable interest in the way that employees joined occupational schemes. The Government had recently announced the introduction of the Pension Protection Fund (PPF). Hence, these topics are discussed in detail in the report, and were new topics in 2005.

In 2004 the Pensions Commission provided a detailed analysis of trends in UK pension provision (Pensions Commission 2004), reporting on recommended actions a year later (Pensions Commission 2005). One of their main conclusions was that employers were withdrawing from providing pensions, particularly occupational pensions and especially those provided on a defined benefit basis. By using previous surveys in this series in conjunction with the 2005 data, we chart how far these trends have gone.

1.3 Methods

The technical annex to this report (Appendix A) provides details of the main sampling and weighting approaches, and details of how firms were contacted. In this section we highlight the key details.

The sample for the study was drawn from the Government's Inter-Departmental Business Register (IDBR). This is a list of employers based on the VAT and income tax returns that firms make. This was the third time that the IDBR has been used for sampling, with the 2000 survey the first to use it. This means that results from 2000 and 2003 can be viewed as being on a more consistent basis than results from the earlier surveys.

As in previous years, any company with more than 5,000 employees was contacted for this study – there are around 350 such firms. Among firms with fewer than 5,000 employees a sample was taken. This enables us both to cover the larger employers, which account for most private sector employment, but also to have enough smaller employers to generalise to the population as a whole.

As in previous surveys, employers were sent a letter informing them of the purposes of the research and a data sheet, which contained the main questions they would be asked. The questionnaire itself was divided into a number of sections. In the first section employers were asked about their organisation such as the number of employees, men and women, full-time and part-time. The next section collected an overview of the different types of pension schemes that they had. The subsequent sections looked in detail at different types of pension schemes, going through SHPs, Group Personal Pensions (GPPs), occupational schemes and employer contributions to personal pensions. It ended by looking at any planned changes or recent changes to pension provision.

Overall, 2,401 interviews were completed with a response rate of approximately 63 per cent.

The previous surveys of employers' pension provision have generally included 2,000 employers. The bigger sample size in 2005 includes more of the smaller and in particular, medium-sized companies to increase the robustness of the results for these groups.

It is important to note that the survey data is weighted to ensure it is representative of firms in the private sector in Great Britain. This is true of all the employers' pension provision surveys.

There are other regular sources of information on pensions drawn from employer surveys. Every few years, the Government Actuary's Department (GAD) conducts a survey of occupational schemes in both public and private sectors, and the most recent results come from 2004. The National Association of Pension Funds (NAPF) also conducts a survey of its members. Among the main advantages of the Employers' Pension Provision survey are a relatively high response rate, typically between 60 and 70 per cent, and detailed coverage of both providers and non-providers. However, it is restricted to the private sector, and typically relies on information about schemes coming from respondents who may not be pension specialists.

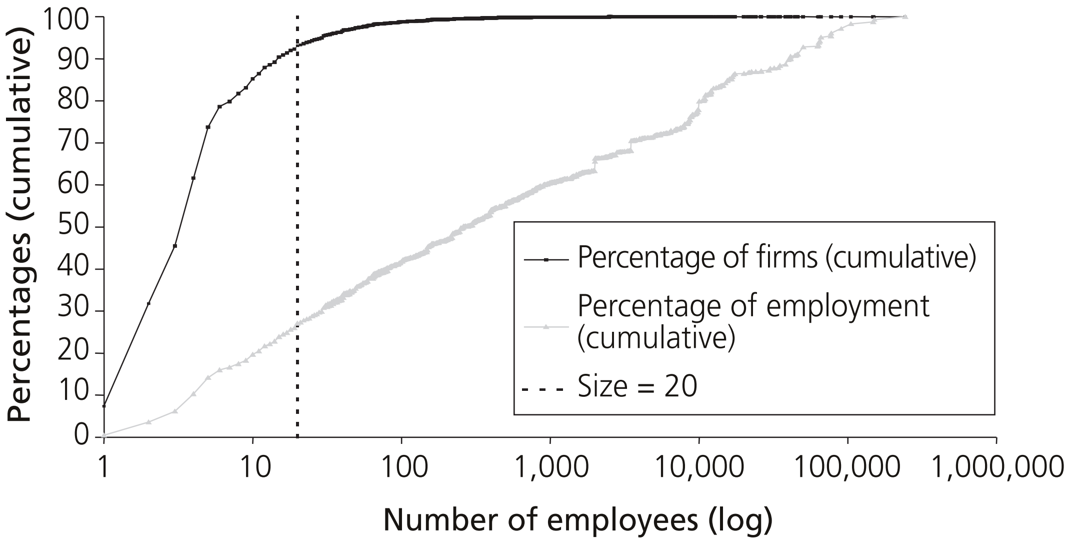
1.3.1 Employers and employee profiles

One of the key features of private sector employment is that whilst most companies are relatively small, most employees work for medium- and larger-sized companies. To give one example, firms with five or fewer employees comprise around 60 per cent of all companies. However, they account for only ten per cent of all employment. Firms with 20 employees account for 93 per cent of all firms but only approximately one quarter, 27 per cent, of all employment. Half of the (private sector) workforce is employed in companies with at least 215 employees. The top quarter of employment is only found in those firms employing at least 8,500 people.

Results that are based on employers as a whole largely reflect the situation of relatively small companies. However when looking at the number of employees affected, the results are much more closely related to the experience of larger and more medium-sized companies.

In Figure 1.1 we present this key feature in the form of a graph. In this figure we show the **cumulative** distribution of firms and of employment for different sizes of firms. The left hand axis shows the cumulative percentage of firms and employment (i.e. between 0-100 per cent). The right hand axis shows the number of employees. This shows that most private sector **employment** is in larger and medium-sized firms, but there are relatively few firms in that range.

Figure 1.1 Distribution of private sector firms and of employment



Note: The right-hand axis, which shows the numbers of employees, has been changed to a logarithmic scale.

1.3.2 Weighting

Each respondent in the survey answers on behalf of one organisation, but very divergent numbers of employees – from one or two up to tens or even hundreds of thousands. The data is 'weighted' to ensure it is representative of all employers. This takes account of differences in response rates for different kinds of firms (by size and sector).

This weighted sample of employers is also weighted to be representative of **employees**. Where results are based on the employee weight they give a picture representing what employees experience as a whole.

All results in the report are weighted to be representative of employers, unless stated otherwise. Many results are weighted to be representative of employees (or sometimes pension scheme members) and these are clearly identified as such.

1.3.3 Changes in employer size profiles since 2000

Pension provision in firms, as we show later in this report, is strongly related to the number of employees in that firm. In looking at trends over time, it is important to consider if the changes might be related more to changes in the **composition** of firms or instead to changes in the policies pursued by firms. For instance, since occupational pensions are most common among larger employers, if the average size of firms falls over time then one would expect occupational pensions to be less common, other things being equal. In past reports, however, changes in the composition of firms have tended to be considered rather less important than changes in the policies and practices of firms in explaining trends in pension provision.

In Table 1.1 we show the distribution of firms in the private sector at the time of the last three surveys of this kind. The proportion of firms with 12 or fewer employees was 87 per cent in 2000, 86 per cent in 2003, and then 88 per cent in 2005. There are relatively small changes, reflecting a fairly stable distribution of firms by size. In 2005, compared to 2003 there are more small firms (+2 percentage points) and slightly fewer larger ones, but the magnitude of the change is small.

Table 1.1 Distribution of private sector firms in 2000, 2003 and 2005

Row percentages

Size	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+
2000	87		6	5	1	1	*	*
2003	63	23	5	6	2	1	*	*
2005	62	26	4	5	1	1	*	*

Note: * means less than 0.5% but more than zero.

The distribution of employment across firms is shown in Table 1.2. This is consistent with the distribution of firms by size. In 2005 somewhat less employment is in the largest firms, and slightly more in the smaller firms, compared with 2003. Indeed the figures for 2005 are very similar to 2000, with the 2003 figures being somewhat more skewed towards more employment in the largest firms.

Table 1.2 Distribution of private sector employment in 2000, 2003 and 2005

Row percentages

Size	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+
2000	23		5	9	6	14	6	38
2003	9	9	4	8	6	14	7	42
2005	10	11	4	9	6	14	5	40

Note: employee-weighted figures.

1.4 The report

This report is divided into a number of chapters. Following this introduction, Chapter 2 describes overall pension provision. It also looks at those organisations that do not provide pensions and the reasons they give for not providing them. Chapter 3 focuses on some of the key trends revealed in the surveys.

Subsequent chapters then look in turn at each different kind of pension provision, taking in turn occupational schemes, SHPs, GPPs, and firms contributing to their employees' personal pensions. Chapter 9 looks across different pension schemes, to consider how people join pensions and any subsequent information they receive. It also links the joining mechanism to total pension membership within firms.

2 An overview of pension provision in Britain

2.1 Introduction

This report describes and analyses pension provision among private sector firms in Great Britain, in 2005. This chapter provides an overview of pension provision. Subsequent chapters look in detail at different kinds of pension provision.

2.2 Background

The pension arrangements reported on here comprise:

- **Occupational pensions** – a pension scheme set up by an employer for the benefit of employees, with the employer generally meeting administrative costs. Such pension schemes are established as trusts and, therefore, run by trustees.
- **Private pension plans ('personal pensions', PPs)**. These are arranged by individuals with a financial sector provider, such as banks or insurance companies. In this report we look only at those arrangements that employers contributed to.
- **Group Personal Pensions (GPPs)**. Similar to private pension plans these are arranged by some employers for groups of employees. Typically, employers will also make a contribution, but they are not obliged to.
- **Stakeholder pensions (SHPs)**. Employers (with 5 or more employees) must provide access to SHPs unless exempt (typically meaning they have alternative occupational or GPP arrangements). Employers may choose to contribute towards SHPs but do not have to do so.

There are different kinds of **Occupational pensions**, with two particularly important types based on how benefits are calculated. First, **defined benefit** (DB or 'salary-related'). In such schemes the pension payable is related to earnings, typically earnings in the last few years before retirement, although the link could be with earnings over a whole career. Second, **defined contribution** (DC or 'money purchase') schemes. In defined contribution arrangements contributions (from employee and employer) are invested and the final pension depends on the growth of the pension fund and the kind of annuity that size of pension fund will purchase at retirement.

When interviewing companies we included occupational schemes that were '*open*', '*closed*' and '*frozen*'. **Open** schemes permit current and future employees to join. In **closed** schemes existing members may continue to contribute to the pension but no new members are allowed to join. **Frozen** schemes allow neither new members nor any additional contributions from existing members.

2.3 Pension provision

In Table 2.1 we show the overall picture of pension provision by firms. Results based on numbers of firms (with the overall results dominated by the mass of smaller firms) are shown in the first column of figures, whilst the right-most column shows the proportion of employees who work for such firms.

Occupational pensions were provided in only six per cent of firms, but these firms employed around half (44 per cent) of all private sector employees. Whilst only two per cent of firms had an occupational pension scheme that was still **open**, these firms employed just under a quarter (23 per cent) of all private sector employees.

GPPs were offered by six per cent of firms, employing one-third of employees.

Contributions to employees' own personal pension plans were more common among firms – 15 per cent did so – but the large numbers of smaller firms involved meant that such firms employed 24 per cent of employees.[1]

The other main form of pension provision we consider is SHPs. All firms with five or more employees must designate a particular SHP scheme, unless exempt (and smaller companies may chose to do so). Many organisations (29 per cent, employing 56 per cent of employees) provided such access. Around one quarter of this group (seven per cent of firms overall) said they contributed towards their employees' SHPs. These firms employed 20 per cent of all employees.

Taken together, some kind of pension provision (or theoretical access in the case of SHPs) was made in 44 per cent of companies, which employed 84 per cent of the private sector workforce. This overall figure includes some firms who provide a SHP, but which has no members – or which has members but there is no employer contribution. Subtracting these kinds of access, but without an employer contribution, in 28 per cent of firms at least some employees were in a company-based pension arrangement attracting an employer contribution. Such firms employed 70 per cent of employees.

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[1] In practice, the number of employees benefiting from such arrangements is actually rather small, as we show in Table 2.2.

Table 2.1 Employers' provision of different pension arrangements

Cell percentages

	Private sector organisations	Employees working for such organisations
Occupational	6	44
Open, occupational	*2*	*23*
GPP	6	33
Firm contributes to personal pensions of some staff	15	24
Access to SHP (firm has designated a SHP)	29	56
Firm contributes to SHP of some staff	*7*	*20*
Firm contributes to SHP of some staff (other than the designated SHP)	*	1
Any provision (including access to SHP)	44	84
Any pension provision attracting an employer contribution	*28*	*70*
Weighted base	*2,401*	*2,401*
Unweighted base	*2,401*	*2,401*

Note: * means less than 0.5% but more than zero.

Note: employee-weighted figures in last column.

Whilst firms may make pension provision, not all employees may be eligible to join those pensions or even choose to join when eligible. In Table 2.2 we show the proportion of all employees who are active members of each type of pension. The column next to that shows, how those who do belong to some kind of employer pension arrangement are distributed across the different kinds of provision.

Whilst occupational provision was relatively rare among firms (six per cent provided occupational pensions) the proportion of employees joining such arrangements was large. Of those in any kind of pension arrangement, approaching two-thirds (62 per cent) were in occupational pension schemes. This amounted, according to the survey data and including part-time employees, to some 21 per cent of the private sector workforce. Around half this number were in schemes still open to new members to join.

The next largest group were taking part in GPPs. This represented around one in five (19 per cent) of all employees in a workplace pension, and six per cent of employees overall. Some five per cent of employees were in a SHP, with three per cent overall in a SHP that attracted an employer contribution, representing 14 per cent of those in any kind of firm-arranged pension. Despite the relatively high proportion of firms who were contributing towards employees' personal pensions (15 per cent, Table 2.1), this was happening for only two per cent of staff in the private sector, and made up about six per cent of active members of pensions identified in the 2005 survey.

Table 2.2 Numbers of employees in particular types of pension arrangements

Column percentages

	Active members of such pensions in the total workforce	As percentage of all active pension members
Occupational pensions	21	62
Open, occupational	*11*	*31*
GPPs	6	19
Firm contributes to personal pensions of these employees	2	6
Number of SHP members in total	5	14
Firm contributes to SHPs	*3*	*10*
Any provision (including SHPs with no employer contribution)	34	100
Weighted base	*2,401*	*2,401*
Unweighted base	*2,401*	*2,401*

There were strong links between the size of each firm and the kinds of pension provision they made, if any (Table 2.3). Whilst occupational schemes are not as common overall among all firms, they were provided by most companies with at least 500 employees. For firms with 500-999 employees, 51 per cent provided an occupational pension, and in 36 per cent of such firms this kind of provision was still available to new members. For companies with 1,000 or more employees, some three-quarters (74 per cent) had occupational provision but this was still open for only 45 per cent of such companies. Occupational pension schemes were much less common among medium and smaller-sized organisations. In many cases, one or more occupational pension schemes had been established solely for senior managers or directors (known as 'Top hat' schemes). These were found in three per cent of firms, with no strong clear relationship between their presence and the size of the firm.

GPPs were distributed in both medium and larger employers, with increasing size affecting their provision rather less than for occupational schemes. These GPP arrangements were found in six per cent of firms and 47 per cent of those firms with at least 1,000 employees.

Perhaps the most widespread form of employer pension provision was simply employers contributing towards the personal pension plans of their employees. This was happening in 15 per cent of organisations, spread among firms of all sizes.

Whilst many firms provided access to SHPs – in line with their legal obligations – in only seven per cent of organisations did the employer also make contributions towards SHPs. This is probably a more meaningful figure than the one third or so (29 per cent) of firms where employees had access to a SHP.

Overall, in 15 per cent of firms there were employees where the employer was making a contribution towards their personal pension. This was more likely in medium- and larger-sized companies, with around a quarter (24 per cent) of firms with 1,000+ employees making this kind of contribution for at least some employees. Where the firm only employed one to four employees, this was the most common kind of pension arrangement.

The numbers of employees involved in different kinds of pension provision are shown in Figure 2.1. This shows, quite dramatically, the concentration of pension members in larger firms, and especially so for members of occupational pensions. This is in marked contrast to the relatively small proportion of firms that actually have occupational pensions, let alone the two per cent with open occupational schemes.

There are sizeable numbers of employees participating in GPPs, especially among firms with 20-49 employees, and 100-499 staff. And there are sizeable numbers of employees contributing to SHPs, again, particularly in medium-size organisations (and the very largest).

An interesting picture is also provided by Figure 2.2. This contains the same information as in the preceding figure, except that those employees without (company-based) pension provision have been added in. This shows a number of new features. First, the incidence of pension membership is rather low for smaller and even medium-sized organisations. Most employees in the smallest companies are not participating in any kind of employer-based pension arrangement. However, also when looking at the proportion of employees with pension provision among larger companies, around half of employees are not in any kind of company pension (even among those working for organisations with 1,000 or more staff). Therefore, and given the concentration of employees in larger firms, a sizeable proportion of those without pension provision are actually found in the larger employers. Yet these larger employers often had some kind of pension open to new members.

Table 2.3 Provision of pension schemes by size of firm

Column percentages

	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All	All 5 or more
Occupational scheme	5	6	13	8	20	31	51	74	6	8
Open, occupational	*0*	*3*	*8*	*5*	*11*	*14*	*36*	*45*	*2*	
Top hat (occupational)	*3*	*1*	*7*	*3*	*4*	*6*	*7*	*6*	*3*	
GPP	2	8	16	29	39	44	44	47	6	14
Contributes to PPs	16	11	17	22	22	28	20	24	15	14
Provides access to a nominated SHP	16	44	65	73	69	66	63	49	29	52
Firm contributes to SHPs, for at least some staff	*5*	*6*	*14*	*15*	*14*	*23*	*29*	*23*	*7*	*9*
Any provision (including access to SHP)	31	55	82	90	94	96	100	91	44	65
Any pension provision attracting an employer contribution	*23*	*25*	*44*	*53*	*65*	*78*	*97*	*88*	*28*	*35*
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*	*2,273*
Weighted base	*1479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*	*922*

In other words, there are low membership rates among smaller employers, which probably reflect the lack of employer provision, or less attractive kinds of provision. However, there is also insufficient membership in pensions provided by larger employers, even though many have good forms of pension provision available. These features raise potentially important questions about how best to target employees lacking pension provision. A high proportion of non-members are found in larger firms, which, overall, have relatively high membership levels.

Figure 2.1 Active pension members, by type of pension and size of organisation

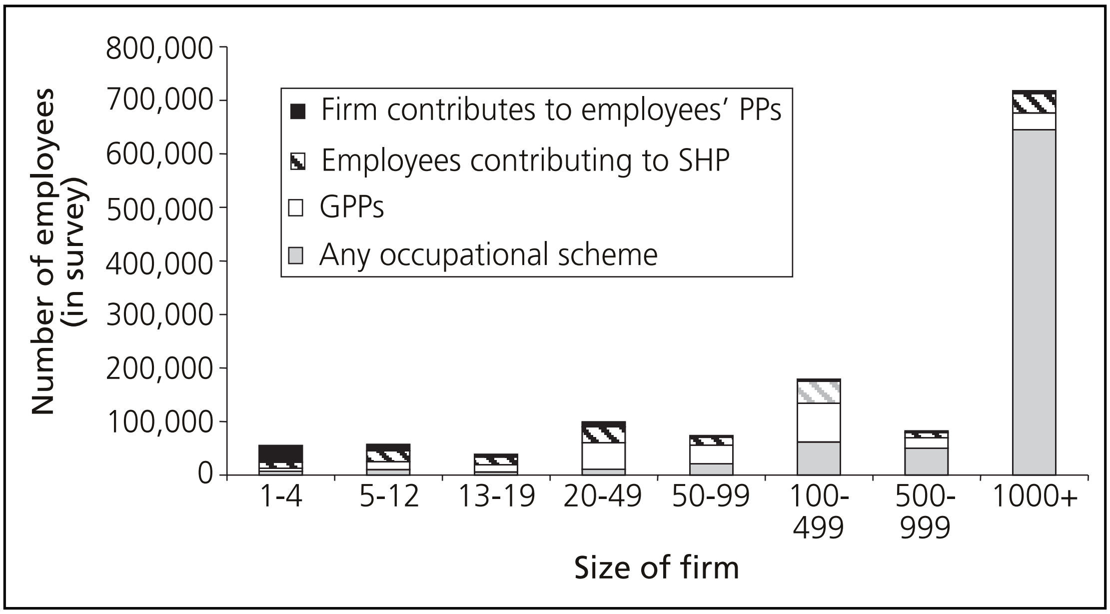
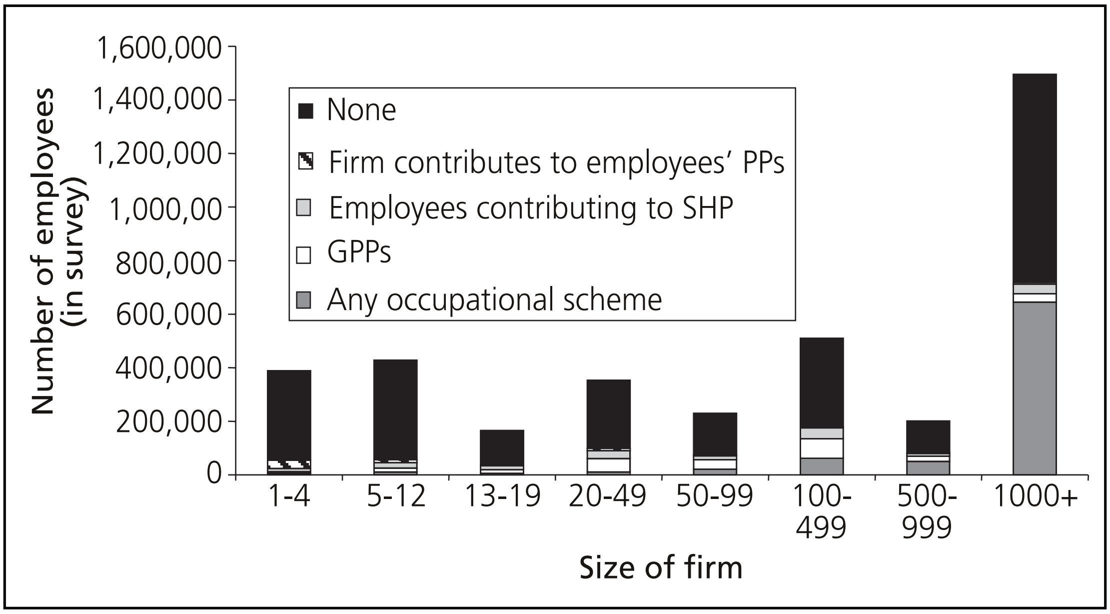


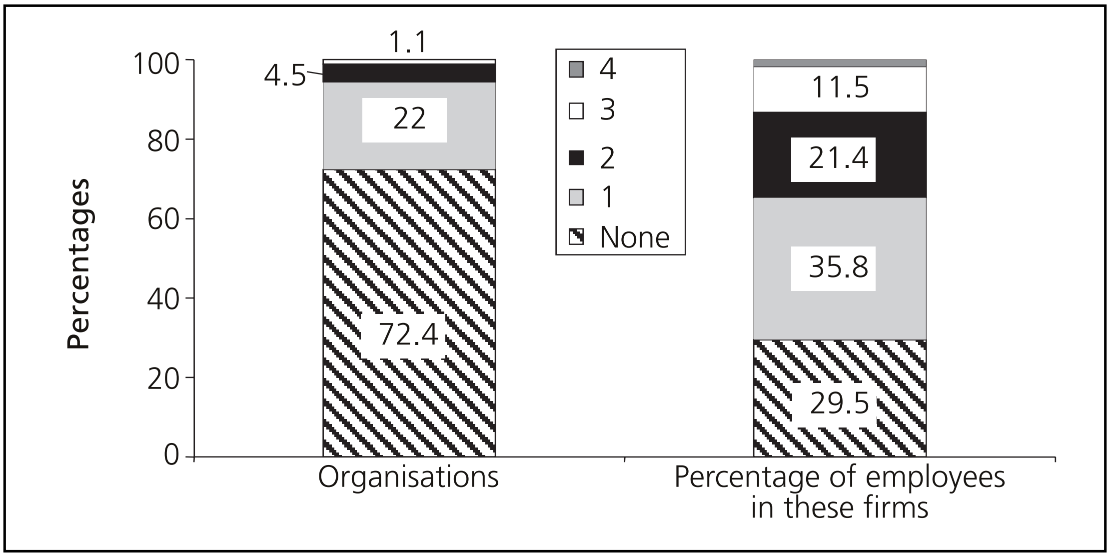
Figure 2.2 Active pension members and employees without employer provision, by type of pension provision and size of organisation



2.4 Firms with pensions of different types

Some firms may have a single type of pension, whilst others offer a range of different pension arrangements. In much of the analysis we consider four different kinds of pensions provided by employers – occupational pensions, contributing to SHPs, contributing to personal pensions, and GPPs. Most employers, 72 per cent, were not making any provision of this kind (this figure includes employers that do not make contribution but may provide access to Stakeholder pensions) and these accounted for around 30 per cent of employees (Figure 2.3). Where provision was made, typically only one type of pension type was used – representing 22 per cent of firms employing 36 per cent of employees. Even so, 35 per cent of employees were working for firms with two or more different types of pension provision. Among firms with at least one pension, on average there were 1.24 different types of pension available.

Figure 2.3 Number of different scheme types in operation (maximum = four types)



There are sixteen different combinations of these four types of pension (plus non-provision)[2]. In Table 2.4 we show the full list of possibilities and how often each combination was found. In many cases no pensions were provided – 72 per cent of organisations employing 30 per cent of employees. Among providers, many firms offered a single type of pension (the shaded rows of Table 2.4 represent these):

- Four per cent of firms only contributed to SHPs, and these employed five per cent of all employees.
- Eleven per cent of firms (employing five per cent of employees) only contributed towards personal pension plans.
- Four per cent of firms, employing nine per cent of employees, only had a GPP.

[2] A firm might offer more than one pension of the same type (two occupational schemes, or perhaps two different GPPs) but this is treated as a single type of provision.

- Four per cent of firms, but employing 17 per cent of employees, provided an occupational pension scheme (open and closed) and no other kinds of pension.

Only a small number of firms offered each different combination of pensions. We may, however, pick out some of the more common combinations:

- nine per cent of employees were in firms that offered both a GPP and an occupational pension;
- five per cent of employees were in firms with an occupational pension (open and closed), that also contributed to some SHPs;
- another five per cent of employees worked for companies with a GPP, an occupational scheme, and who were contributing to some personal pension plans

Table 2.4 Multiple types of pension arrangements

Column percentages

Contribute to SHPs	Contribute to PPs	GPPs	Occupational	Per cent of firms	Per cent of employees in these firms
-	-	-	-	72	30
✓	-	-	-	4	5
-	✓	-	-	11	5
✓	✓	-	-	1	1
-	-	✓	-	4	9
✓	-	✓	-	*	1
-	✓	✓	-	1	3
✓	✓	✓	-	*	3
-	-	-	✓	4	17
✓	-	-	✓	*	5
-	✓	-		1	2
✓	✓	-	✓	1	3
-	-	✓	✓	*	9
✓	-	✓	✓	*	1
-	✓	✓	✓	*	5
✓	✓	✓	✓	*	2

Note: * means less than 0.5% but more than zero. Shaded rows have only a single type of pension.

Note: employee-weighted figures in last column.

An alternative way of considering the responses provided is to look at the **main** type of pension provision. Table 2.5 is based on the type of pension with the most active members **and** which is still open to employees to join. Overall, SHPs were the main type of pension that people could join, and were particularly important in firms with less than 500 employees. In reality, the legal obligations on firms mean that such pensions might need to be made available more widely, were employees to request them. Where firms had more than 500 employees, occupational pensions tended to be the most important kind of pension available. A relatively high proportion (more than one-third) of firms with 50 to 1,000 staff had a GPP available as their main pension option.

The highlighted cell in Table 2.5 shows a surprising nine per cent of the largest companies (with 1000 or more staff) appearing to have no kind of pension provision of any type, despite the legal requirement for firms with five or more employees to provide access to pension arrangements for their employees. In fact this result is based on a very small number of organisations in the dataset, which were given relatively large weights due to their size in numbers of people that they employee. The data provided by these particular firms did not reveal any evidence to suggest that there were any pensions information missed during the interview. Indeed, all non-providers are asked questions to make quite sure that the answers are accurate. Even so, this departure from the expected complete coverage is very surprising. Since all firms with 500-999 employees had some kind of pension provision, it seems unlikely that the case would be different for those with 1000+ employees. However, whilst we may be sceptical of such results, the interviewers did carefully double-check the situation with non-providers and we have no other evidence to contradict their non-provider status.

Table 2.5 Main type of pension provision, by size of firm

Column percentages

	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Access to SHP	11	36	55	53	44	37	22	15	22
Firm contributes to PPs	12	8	7	9	4	5	3	*	11
GPP	2	6	14	24	33	36	35	10	5
Occupational	3	4	6	4	14	17	40	66	4
Any of these	30	55	82	89	94	95	100	91	44
None of these	70	45	18	11	6	5	0	9	56
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*
Weighted base	*1,479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*

Note: * means less than 0.5% but more than zero.

3 Key trends in pension provision

3.1 Introduction

In this chapter we highlight some of the main trends in employers' pension provision. We focus in particular on changes occurring between the 2005 and 2003 surveys.

3.2 An overall reduction in pension coverage

Fewer firms were providing pensions in 2005 than in 2003, with the partial exception of contribution to personal pensions, where there was no change measured, and to Stakeholder pensions (SHPs), a slight rise. The proportion of firms offering occupational pensions was seven per cent in 2003, and six per cent in 2005. This is not in itself a significant change. However, more tellingly, the proportion of firms with an open occupational scheme fell from four to two per cent over the same period. The proportion of firms offering a GPP also appeared to halve, from 12 per cent in 2003 to six per cent in 2005 – although the 2003 figure was somewhat up on the nine per cent found in 2000 so it is difficult to discern a consistent trend.

In both 2003 and 2005, some 15 per cent of firms were contributing to their employees' own personal pension plans. In 2005, seven per cent of firms were making a contribution towards the SHPs of their employees, up from five per cent in 2003. This is a positive change, although we investigate later in the report the extent to which this may have replaced other kinds of pensions.

The apparent drop in the proportion of firms offering access to a SHP, from 35 per cent in 2003 to 29 per cent in 2005, may be more an artefact than real. SHPs were introduced in 2001 and made it a legal requirement for all companies with five or more employees to provide access to a pension arrangement for their employees (including SHPs). In 2003 greater publicity about the legal requirement to provide access may have prompted more firms to pay attention to the issue. Two years on, the issue may have become less salient for non-providers. Also, as overall more firms were contributing to at least some SHPs, the picture could be generally seen as one of growth rather than retreat for SHPs. Again, this issue is discussed in more detail in Chapter 6 of this report.

Table 3.1 Pension provision by firms in 2003 and 2005

Column percentages

	Percentage of firms with this kind of pension	
	2003	**2005**
Occupational pensions	7	6
Open, occupational	*4*	*2*
GPPs	12	6
Firm contributes to PPs	15	15
Access to SHPs	35	29
Firm contributes to SHPs	*5*	*7*
Firm contributes to non-designated SHPs	*	*
Any provision (including access to SHP without members)	**52**	**44**

Note: * means less than 0.5% but more than zero.

The above figures (Table 3.1) relate to proportions of firms. Table 3.2 look instead at the proportions of employees (in the private sector) working for firms with these different kinds of pension arrangements (see Table 3.2). Again, these tend to show overall reductions in pension provision, though perhaps of smaller magnitude than among firms. In 2003, 52 per cent of employees were working for firms with an occupational pension. By 2005 the corresponding proportion had dropped to 44 per cent. However, the decline in the proportion of employees in firms with open occupational scheme was rather smaller, down to 23 per cent from 27 per cent. The proportion of private sector employees whose firm had a GPP fell from 38 per cent in 2003 to 33 per cent in 2005 – a clear fall, but not the halving of GPP provision found in the firm-level figures.

There was little difference between 2003 and 2005 in terms of the proportion of employees whose firms were contributing to either some SHPs, or individuals' own personal pension plans.

Table 3.2 Pension provision by firms in 2003 and 2005 (employee-weighted)

Column percentages

	Percentage of employees working for firms with this kind of pension	
	2003	**2005**
Occupational pensions	52	44
Open, occupational	*27*	*23*
GPPs	38	33
Firms contributes to PPs	25	24
Access to SHPs	64	56
Firm contributes to SHPs	*19*	*20*
Firm contributes to non-designated SHPs	*	*1*
Any provision (including access to SHP without members)	**92**	**84**

Note: * means less than 0.5% but more than zero.

Note: employee-weighted figures.

Last in this chapter we analyse the proportion of employees who actually join or participate in the different kinds of pension provision (Table 3.3). This is a product both of the proportion of firms who offer the provision, and the proportion of employees in such firms who are eligible and choose to join. Results are shown separately for firms with above and below 20 employees.

The overall picture is that fewer employees are participating in pension arrangements. Pension coverage is down from 38 to 34 per cent among **all** firms. There was also a considerable reduction in the proportion of employees in open occupational schemes, which was down from 13 to eight per cent in open defined benefit schemes, and from five to three per cent in open defined contribution schemes.

Somewhat more employees were benefiting from the employer contributing to a SHP. In 2003, four per cent of employees in smaller firms received employer contributions to their SHPs, as did three per cent of employees in larger firms (20+ employees). Similarly, in 2005 three per cent of employees in all companies were benefiting from the firm contributing to their SHP.

There was little change in the proportion of employees whose firm was contributing to their own personal pension plan. Among smaller companies (1-19 employees) four per cent of employees received such a contribution in 2003, and five per cent in 2005. The corresponding proportion of employees whose firm contributed to their personal pension, in firms with at least 20 employees, was just one per cent in both years.

Table 3.3 Active members as per cent of private sector workforce

Column percentages

	2003			2005		
	1-19	**20+**	**All**	**1-19**	**20+**	**All**
Any occupational[a]	3	31	25	2	28	21
DB	*2*	*23*	*19*	*2*	*17*	*13*
DB, open	*2*	*16*	*13*	*1*	*10*	*8*
DC	*1*	*6*	*5*	*1*	*5*	*4*
DC, open	*1*	*6*	*5*	***	*4*	*3*
COMBS	*1*	*2*	*2*	***	*2*	*2*
Closed	*1*	*7*	*6*	*1*	*9*	*7*
GPPs	6	9	8	3	7	6
Firm contributes to PPs	4	1	2	5	1	2
Access to SHP pensions	4	3	3	5	5	5
Firm contributes to SHPs	..	..	..	3	4	3
Any kind of pension provision (including SHPs with no employer contribution)	17	44	**38**	15	41	**34**
Weighted base	*434*	*1,568*	*2,002*	*625*	*1,776*	*2,401*
Unweighted base	*473*	*1,529*	*2,002*	*571*	*1,830*	*2,401*

Note [a]: there were more occupational schemes in 2005, not shown in the table, where the basis of the scheme's benefits was not known

Note: * means more than zero, but less than 0.5 per cent, .. means data not available in published report

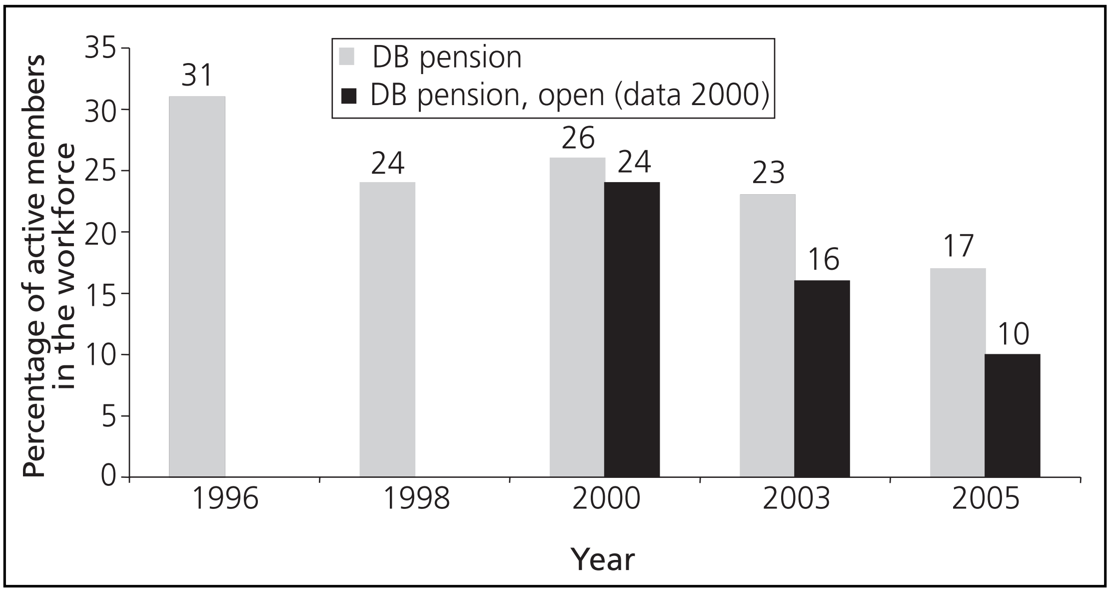
3.3 Continued decline in defined benefit pensions

A clear feature of Table 3.3, and of the discussion about pension provision in general, is the declining coverage of defined benefit occupational pension schemes. In Figure 3.1 we show the proportion of the total workforce (in firms with at least 20 employees) who were members of such pensions. From 2000 onwards, though not for surveys in this series before that, we may separately distinguish those in open and closed defined benefit schemes.

In 1996, some 31 per cent of employees were in defined benefit occupational schemes (private sector only). This fell to 26 per cent by 2000, to 23 per cent in 2003, and then to 17 per cent in the most recent data. This represents a 45 per cent reduction in coverage.

The decline in those in still-open defined benefit schemes is even more marked. The proportion of the workforce in such schemes, still open to new members, fell from 24 per cent in 2000, to 16 per cent in 2003, and then to ten per cent in the most recent data. This is the equivalent of a 58 per cent reduction over the five year period[3]. These are truly substantial changes to have occurred over a relatively short period (at least in pension planning terms).

Figure 3.1 Percentage of workforce with DB occupational pensions (firms with 20+ employees)



3.4 A shift away from contracting-out?

Results from the last three Employers' Pension Provision surveys are somewhat mixed, but do tend to indicate something of a movement away from contracting-out among occupational pensions. Figures are not presented in entirely comparable ways for closed schemes, but are available relating to open schemes, and separately for defined benefit (DB) and defined contribution (DC) occupational pensions. The overall results indicate something of a decline in contracting-out among both DB and DC schemes. Between 2000 and 2005, the proportion of open DB schemes that are contracted out appeared to reduce from being the vast majority of schemes (92 per cent) down to around two-thirds (63 per cent). The figure reported in 2003 was even lower.

There was a consistent declining trend of contracting out among DC schemes. This fell from 22 per cent of open schemes in 2000, to 13 per cent in 2003, to just three per cent in 2005. In the last set of figures there were also seven per cent of open DC schemes, in which part of the scheme was contracted out, and the other part was not.

[3] The workforce has also grown over this period, so the reduction expressed in terms of number of members (rather than members/workforce) would be a little smaller

Table 3.4 Whether scheme is contracted out of State Second Pension – open DB and DC schemes

Column percentages

Contracting out of S2P (SERPS)	Type and status of occupational scheme: Open DB schemes 2000	2003	2005	Open DC schemes 2000	2003	2005
Contracted out of S2P	92	53	63	22	13	3
Not contracted out	7	47	37	73	87	88
Part contracted out, part not	1	*	*	5	*	7
Unweighted base	*463*	*362*	*306*	*208*	*285*	*298*
Weighted base	*216*	*34*	*27*	*159*	*47*	*18*

Note: Refused and don't know responses have been dropped from the table, as this is the only way to present comparable figures from past reports.

Weighting method in 2000 was re-based in a different way to 2003/2005.

Note: * indicates more than 0 but less than 0.5 per cent.

4 Occupational pensions I: Members, contributions and benefits

4.1 Introduction

In the next two chapters we explore the characteristics of occupational pension schemes in more detail. Whilst relatively few firms (six per cent) were providing this kind of pension, around two-thirds of employees with a work-based pension (of some type) had occupational pensions. This apparent discrepancy is explained by their preponderance in larger companies, which account for a disproportionate share of total employment in the private sector.

We begin by looking at how many firms, and of which types, provided access to occupational pensions. This is emphasised in the following section, in which a statistical model of provision is constructed and interpreted. We then turn to look at contributions into occupational pensions, dealing with whether the scheme is contributory (for employees), if it is contracted out of the State Second Pension (S2P), and the level of both employer and employee contributions to schemes. The final section looks at the normal pension ages associated with occupational pension schemes, and whether members may receive a pension either earlier or later . The following chapter picks up how occupational pensions are administered.

4.2 Access to occupational pensions

Occupational pensions are typically found among larger employers. Whilst only two per cent of all firms have an open occupational scheme (Table 4.1), this was true of half (45 per cent) of firms employing at least 1,000 employees. Moreover, some three-quarters (74 per cent) of firms with 5,000 or more employees had occupational provision that was still open for employees to join (not shown in the table). Among companies with 100-499 employees, some 14 per cent had an open occupational scheme, and a further 16 per cent a closed scheme. Where firms were employing 50-99 employees, 11 per cent had an open occupational pension scheme, and six per cent a closed occupational scheme.

Table 4.1 Access to occupational pension schemes, by size of employer

Column percentages

	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Has **ever** set up or arranged an occupational pension scheme	5	6	13	8	20	31	51	75	6
Has any **open** occupational pension scheme	0	3	8	5	11	14	36	45	2
Has any **closed** occupational pension scheme	4	1	4	1	6	16	26	27	3
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*
Weighted base	*1,479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*

Note: in some companies there were both an open and a closed occupational pension schemes, so the second and third rows may sum to more than the first row. In others, occupational schemes had been frozen or wound up, in which case the second and third rows sum to less than the first row.

Occupational pension provision was less common among firms established more recently than for older organisations. However, in part this may be because newer firms tend to be smaller than those longer-established. To help to discount this point, in Table 4.2 we look only at firms currently employing 50 or more employees, those among which occupational provision is most likely. Even controlling for differences in size in this way, there remains a clear link between when the firm was established and if there is occupational provision of any kind. Among companies set up before 1980, close to half (47 per cent) had some experience of occupational provision and 20 per cent schemes still open to employees. By contrast, only eight per cent of companies (with 50 or more employees) set up since 2000 had ever made occupational provision. Subsequently some had closed down these occupational pensions, so that occupational provision for new employees was only available in five per cent of firms (with 50+ employees) established since 2000.

Table 4.2 Access to occupational pension schemes, by year the scheme started operating (firms with 50+ employees)

Column percentages

		Year firm began operating				
	Missing	Before 1980	1980-89	1990-99	2000-	All
Has ever set up or arranged an occupational pension scheme	55	47	25	12	8	28
Has any **open** occupational pension scheme	51	20	23	5	5	15
Has any **closed** occupational pension scheme	13	25	3	4	2	12
Unweighted base	*47*	*804*	*240*	*308*	*90*	*1,489*
Weighted base	*1*	*24*	*13*	*20*	*6*	*65*

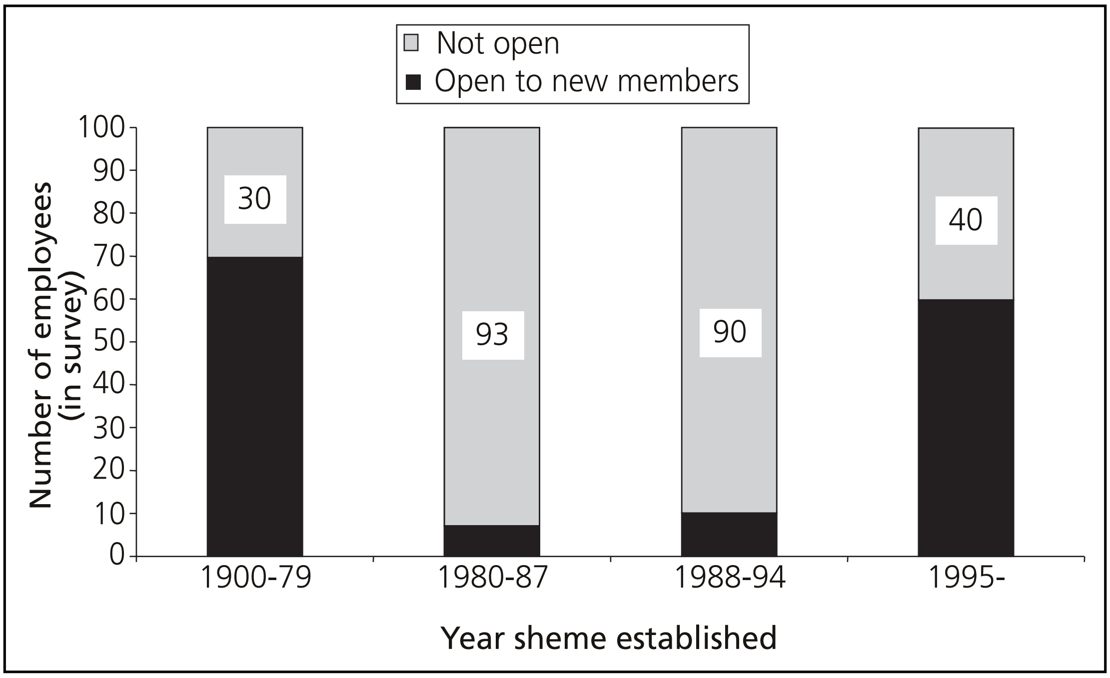
Note: in some companies there was both an open and a closed occupational pension scheme, so the second and third rows may sum to more than the first row. In others, occupational schemes had been frozen or wound up, in which case the second and third rows sum to less than the first row.

4.2.1 Closures

Many firms have closed occupational schemes to new members – and now closed schemes are almost as commonplace as open schemes (as shown in Table 4.2). Whether occupational pensions were open or closed appeared related to when the scheme had been established (see Figure 4.1). Occupational pensions established since 1995, or in the period before 1980, were much more likely to still be open than schemes set up in the intervening period. For those schemes established between 1980 and 1994, less than one in ten remains open to new members.

The picture in Figure 4.2 is somewhat different from that above. The figures in Table 4.2 reflect the proportion of firms who provide occupational schemes. The figures in Figure 4.1 are based on numbers of schemes.

Figure 4.1 Current status of occupational pensions schemes, by when established[4]



4.3 Characteristics of organisations providing occupational pensions

We have been describing those types of companies that were more likely to have occupational pensions. In the analysis above, occupational pensions were more common in larger organisations, and those established some time ago. It is possible to continue and look at other characteristics of firms, such as industry type and workforce composition, to consider how these are associated with occupational pension provision. However, a more effective way than looking at one factor at a time, is to look at the effect of a larger number of factors all at once – a so-called multivariate approach. The aim of such an approach is to investigate which factors are associated with having an occupational pension, once other factors have been taken into account. For this purpose we used a standard approach, which was a statistical method known as regression. In a regression model (Table B.1 in Appendix B) we look at a range of characteristics (size, industry, etc) whose effects on occupational pension provision we are interested in. Specifically, the characteristics we used in the model were:

- legal status;
- size, in terms of number of employees;
- the year the firm began trading;
- whether the firm provides a Group Personal Pension (GPP);

[4] Note that whilst Table 4.2 is based on **firms**, and their date of first operating, Figure 4.1 is based on the dates when **schemes** started.

- whether the firm contributes towards personal pensions;
- whether the firm has access to, and any members of, a Stakeholder pension (SHP);
- the proportion of staff who are full time;
- the industry in which the firm is located – see Glossary of terms for the meanings of the particular codes used.

The analysis showed that there was a strong and clear link between the **size** of the firm and the likelihood that it provided either an occupational pension or an open occupational pension scheme. The very largest companies were overwhelmingly more likely to be providing occupational pensions, whilst the smallest companies (and more medium-sized companies) were much less likely to do so. Moreover, firms with at least half their staff working **full-time** were somewhat more likely to have occupational pensions, though the effect was more muted in terms of having an open scheme of this type. As an additional effect, companies **established more recently** were, independently of size, less likely to be providing occupational pensions.

Occupational pensions were, other things being equal, less commonly found in companies with either a GPP or access to a SHP scheme. However, it is possible that these are **effects** rather than **causes** of the provision of occupational pensions. Those organisations without occupational pensions may, we might speculate, be more prepared to consider introducing either a GPP or access to a SHP scheme. Occupational pensions are found in a particular group of companies – typically very large, and often long-established. Firms setting up new pension schemes, particularly smaller companies, are probably selecting a particular type of scheme, and (generally speaking) establishing an occupational pension is among the most committal of approaches, compared to alternative arrangements such as a GPP. If this is correct, the presence of these schemes is the **effect** of not having occupational provision, rather than a cause of it – with companies treating them as substitutes.

There was no statistical association between occupational provision and whether the organisation contributed to the personal pension plans of any employees. And, perhaps surprisingly, there was no link between occupational pension provision and industry type once all the other factors just discussed are taken into account.

4.4 Contributions

In this section of the chapter we look at contributions to occupational pension schemes. First we look at whether the scheme is contracted out of S2P, before exploring the nature of contributions into the pension scheme – whether the scheme is contributory, and then the levels of employer and employee contribution into the scheme.

4.4.1 Contracting out of the State Second Pension

Occupational pension schemes may be contracted out of S2P, and previously from its predecessor the State Earnings Related Pension Scheme (SERPS). Where schemes are contracted out of S2P National Insurance contributions by both employer and employee are lower. However, schemes that contract out must provide broadly similar benefits to those that would have accrued under S2P.

The numbers of schemes contracting out are shown in Table 4.3. Across open and closed occupational schemes, there was an even split between schemes that were contracted out, and those that were not (44 per cent in each case). A further two per cent said they were part-contracted out, whilst ten per cent were unsure of their contracting-out status.

If we weight for the size of the workforce, then contracting-out appears somewhat more important. Among firms with occupational pensions, 62 per cent of the employees are with organisations that are contracted out, and 29 per cent that are not contracted out. This indicates that contracting-out is more common for those occupational schemes based in larger organisations.

In the final column, we weight the figures by the number of active members of the occupational scheme. This represents the proportion of active scheme members (in private sector organisations) who are contracted out of S2P. On this basis, 68 per cent were in contracted out schemes, and a further 11 per cent in schemes that were partly contracted out (that is, with some members contracted out and others not). Some one in five were in occupational pension schemes that were not contracted out.

Table 4.3 Whether occupational scheme is contracted out of S2P

Column percentages

	Percentage of schemes	Percentage of schemes – employee weighted	Percentage of schemes – active members weighted
Contracted out of S2P	44	62	68
Not contracted out	44	29	20
Part contracted out, part not	2	6	11
Don't know	10	3	1
Unweighted base	*1,238*	*1,238*	*1,238*
Weighted base	*124*	*189,875*	*1,890,352*

Base: all open and closed occupational schemes.

Second column with figures is weighted by number of employees.

In Table 4.4 we show the rates of contracting-out according to the size of the scheme. The previous analysis will have lead us to the main conclusion, that generally speaking, larger schemes (those with more active members) were the more likely to be contracted out. In addition, many of those with very large memberships were part-contracted out, and part contracted-in.

Table 4.4 Whether scheme is contracted out of S2P, by size of scheme

Column percentages

	1-19	20-49	50-99	100-499	500-999	1,000-4,999	5,000+	All
Contracted out of S2P	43	40	60	62	46	83	64	44
Not contracted out	46	39	29	33	48	10	14	44
Part-contracted out, part not	1	17	1	4	5	7	23	2
Don't know	11	4	11	1	2	0	0	10
Unweighted base	*250*	*130*	*110*	*361*	*114*	*201*	*72*	*1,238*
Weighted base	*107*	*7*	*3*	*4*	*1*	*1*	*<1*	*124*

Base: all open and closed occupational schemes.

Note: 0 indicates no actual cases, * indicates more than 0 but less than 0.5 per cent.

There was a link between the type of occupational scheme offered and whether it was contracted out of S2P. Defined benefit (DB) schemes were much more likely to be contracted out than defined contribution (DC) schemes (Table 4.5). Just over half (52 per cent) of open DB schemes were contracted out (though 17 per cent were uncertain), and close to nine in ten (88 per cent) of closed DB schemes were contracted out. By contrast, some eight in ten DC schemes, whether open or closed to new members, were not contracted out of S2P.

Table 4.5 Whether scheme is contracted out of S2P, by nature and type of occupational pensions scheme

Column percentages

	Type and status of occupational scheme					
	Open			Closed		
	DB	DC	Hybrid - uses both methods	DB	DC	Hybrid - uses both methods
Contracted out of S2P	52	3	16	88	4	[9]
Not contracted out	31	83	62	7	80	[90]
Part contracted out, part not	*	7	11	2	*	[1]
Don't know	17	6	12	4	16	[0]
Unweighted base	*306*	*298*	*89*	*455*	*97*	*23*
Weighted base	*27*	*18*	*2*	*30*	*32*	*2*

Note: numbers in [ ] are percentages based on fewer than 50 cases, which may be unreliable.

Note: 0 indicates no actual cases, * indicates more than 0 but less than 0.5 per cent.

Last in this section, in Table 4.6 we analyse contracting out status by when the scheme was established. Admittedly, most of the older schemes are of the DB type, with DC schemes being more recent. This may explain why only three per cent of those schemes established during 1980-87 were contracted out (when most new schemes were DC), compared with 85 per cent of those set up before 1980 (when most new schemes were DB). Some three-quarters (71 per cent) of the schemes set up since 1995 are not contracted out, plus five per cent part contracted out.

In the lower half of Table 4.6, we break down schemes by whether they calculate benefits on a DB basis, or instead the scheme is run on a DC basis. For the oldest schemes, set up before 1980, the vast majority (88 per cent) were DB. This plummeted between 1980 and 1987, where only four per cent of schemes established were on a DB basis, with 95 per cent being DC. Since then the balance has shifted somewhat. Most schemes established after 1988 have been DC (58 per cent during 1998-94, and 57 per cent since them). However, a proportion of schemes established since 1995 have still been set up on either a DB (27 per cent) or hybrid (nine per cent) basis.

Table 4.6 Whether scheme is contracted out of S2P, and scheme type, by date the scheme was established

Column percentages

	Date set up not known	1900-1979	1980-1987	1988-1994	1995-	All
Contracting-out						
Contracted out of S2P	78	85	3	34	13	44
Not contracted out	11	14	85	51	71	44
Part contracted out, part not	*	1	*	6	5	2
Don't know	11	*	11	9	11	10
Basis of scheme benefits						
Defined benefit	96	88	4	42	27	55
Defined contribution	3	10	95	58	57	41
Hybrid	*	0	*	0	9	2
Don't know	1	*	*	0	5	2
Unweighted base	*140*	*407*	*133*	*205*	*353*	*1,238*
Weighted base	*44*	*16*	*28*	*8*	*28*	*124*

Base: all open and closed occupational schemes.

Note: 0 indicates no actual cases, * indicates more than 0 but less than 0.5 per cent.

4.4.2 Whether contributory or not

Pension schemes may be either contributory or non-contributory (for employees). Many of those schemes closed to new members appear to have been non-contributory, and whilst this might have affected the apparent cost of such schemes, we did not ask if this represented an important reason why they were closed.

Defined benefit schemes that were still open were overwhelmingly likely to be contributory schemes (97 per cent were contributory), whilst closed DB schemes were often non-contributory (78 per cent) – see Table 4.7. Open schemes with hybrid benefits were quite likely to be non-contributory (58 per cent).

Defined contribution schemes were more likely to be non-contributory than defined benefit schemes. This was the case for 41 per cent of those DC schemes that were still open and some 90 per cent of those that were now closed to new members.

Table 4.7 Whether scheme is contributory, by type and status of occupational pension

Column percentages

	Type and status of occupational scheme					
	Open			Closed		
	DB	DC	Hybrid - uses both methods[1]	DB	DC	Hybrid - uses both methods
Contributory	97	59	30	22	10	[56]
Non-contributory	3	41	58	78	90	[44]
Don't know	*	*	12	*	*	0
Unweighted base	*306*	*298*	*89*	*455*	*97*	*23*
Weighted base	*27*	*18*	*2*	*30*	*32*	*2*

Note: numbers in [ ] are percentages based on fewer than 50 cases, which may be unreliable.

Note: 0 indicates no actual cases, * indicates more than 0 but less than 0.5 per cent.

4.4.3 Employer contributions

In this section we look at the level of employer contributions to occupational pension schemes. These are generally expressed as a proportion of the salaries of active pension members. Here we focus on the average level of contribution over the last two years. We are also able to compare the level of contributions in 2005, with those being made in 2003 at the time of the last Employers' Pension Provision Survey. For comparability we use the same measure (average in last two years) as reported in 2003, and use the same defining characteristics (schemes with at least ten active members).

A number of firms are not currently contributing to their occupational pension, but instead taking a 'contributions holiday'. This affects a substantial number of DB schemes (37 per cent) and 35 per cent of occupational schemes overall. Conversely, seven per cent of schemes increased their contribution in the preceding year and less than 0.5% reduced their contribution.

Table 4.8 How organisation contributed in the last financial year, by type of occupational scheme

Column percentages

	DB	DC	Hybrid	Other	All
Contributed at its normal rate to the scheme	55	100	23	100	57
Increased the amount contributed	7	-	-	-	7
Reduced the amount contributed	*	-	77	-	*
The organisation had a contributions holiday	37	-	-	-	35
Don't know	1	-	-	-	1

Those firms taking a contributions holiday in the previous year, were often drawn from schemes with less than ten active members – among whom, 43 per cent were having a contributions holiday. The same was true, however, of ten per cent of schemes with 1,000-4,999 active members. It was also relatively common for organisations to have increased their level of contribution in the previous year – one in three of schemes with 5,000 or more active members had done so (Table 4.9).

Table 4.9 How organisation contributed in the last financial year, by number of active scheme members

Column percentages

	1-9	13-19	20-49	50-99	100-499	500-999	1,000-4,999	5,000+	All
Contributed at its normal rate to the scheme	54	79	61	66	64	79	75	56	57
Increased the amount contributed	2	18	37	24	32	19	15	33	7
Reduced the amount contributed	*	-	1	1	2	-	-	11	*
The organisation had a contributions holiday	43	-	-	-	1	2	10	-	35
Don't know	*	3	1	9	2	-	-	-	1

In 2005, employers were contributing, on average, ten per cent of members' salaries to open DB schemes, and 15 per cent to closed DB schemes (median figures – see Table 4.10). These appear to represent increases on the corresponding figures from 2003 (which were eight and 13 per cent respectively). There are various possible explanations for this apparent rise in the level of employer contribution. In addition to providing higher benefits, which is one possibility, such increases may be a part of attempts being made to reduce scheme deficits. Or the higher rate of contribution to closed schemes may have been one of the reasons that these schemes were closed, i.e. their high costs to the firm.

Table 4.10 Employer contributions to DB occupational schemes in last two years (schemes with 10+ members)

Column percentages

	2005		2003 (last three years[1])	
	Open	**Closed**	**Open**	**Closed**
Median	10	15	8	13
Mean	9	15	11	14
Nothing	4	*	3	3
Less than 3%	13	5	*	2
3 – 3.9%	*	0	1	2
4 – 4.9%	*	0	*	*
5 – 5.9%	19	*	2	2
6 – 6.9%	1	1	12	7
7 - 9.9%	10	11	38	15
10% or higher	51	82	44	68
Unweighted base	*242*	*300*	*308*	*261*
Weighted base	*5*	*5*	*16*	*6*

Note: * means less than 0.5% but more than zero.

[1] In 2003 the question related to the past three years. This reflects the longer gap between Employers' Pension Provision Surveys, with the then most recent data collection having taken place in 2000.

The equivalent figures relating to employer contributions to DC schemes are shown in Table 4.11. In general, the overall level of contributions to DC schemes appears a little lower than into DB schemes. However, rather fewer of the DC schemes were contracted out which means the simple comparison is not fully fair – the amount being paid into DB schemes is partly reflecting the levels of the contracting-out rebate, whilst most of the DC schemes are not contracted out. As we have seen, closed schemes are continuing to attract a rather higher level of employer contribution than open schemes. Overall, the contribution levels into open DC schemes in 2005 appear very similar to those found in 2003, but with important changes in the distribution of amounts. In particular, nearly twice as many schemes had an employer contribution of at least ten per cent, 29 per cent in 2005 compared with 15 per cent in 2003. Conversely, more of the schemes in 2005 said the contribution was less than three per cent (eight per cent of DC schemes in 2005 compared with two per cent in 2003).

Table 4.11 Employer contributions to DC occupational schemes in last two years (schemes with 10+ members)

Column percentages

	2005		2003 (last three years)	
	Open	Closed	Open	Closed
Median	5	12	5	7]
Mean	6	12	6	8]
Nothing	*	0	1	[0]
Less than 3%	8	26	2	[21]
3 – 3.9%	8	2	10	[5]
4 – 4.9%	3	2	19	[4]
5 – 5.9%	35	22	28	[2]
6 – 6.9%	5	0	8	[14]
7 - 9.9%	11	22	14	[51]
10% +	29	26	15	[3]
Unweighted base	*207*	*73*	*197*	*21*
Weighted base	*6*	*1*	*9*	*1*

Note: * means less than 0.5% but more than zero.

In schemes with at least 500 active members, there was some tendency for the level of employer contribution to be above average (see Table 4.12). In schemes with 5,000 or more active members, the average (median) employer contribution was 12 per cent of salary, compared with ten per cent overall; compared to 11 per cent in schemes with 1,000-4,999 members and 13 per cent in those schemes with 500-999 members.

Table 4.12 Average level of employer contributions to DB occupational schemes in last two years (schemes with 10+ members) by size

Rates of contribution

Size (number of active members)	Median	Mean	*Unweighted base*	*Weighted base*
1 – 19	10%	9%	*52*	*4*
20 – 49	7%	10%	*106*	*6*
50 – 99	12%	12%	*84*	*2*
100 – 499	8%	9%	*300*	*3*
500 – 999	13%	13%	*92*	*1*
1000 – 4999	11%	11%	*170*	*1*
5000+	12%	11%	*60*	*1*
Total	10%	10%	*864*	*17*

Certain industries had higher levels of employer contribution than others (Table 4.13). Employer contribution levels were above average in the areas of finance (19 per cent), social/personal services (15 per cent) and transport (14 per cent). By the same token, the employer contribution was lower than average in the sectors devoted to construction, wholesale and retail, and health/social work (each with an average of seven per cent).

Table 4.13 Average level of employer contributions to DB occupational schemes in last two years (schemes with 10+ members) by industry

Rates of contribution

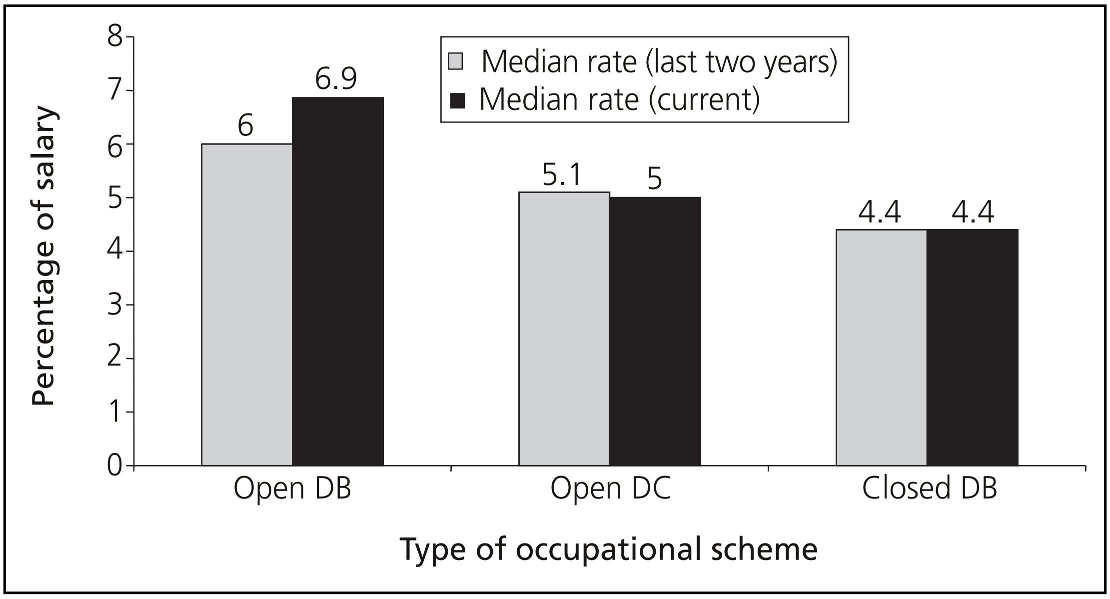
Industry (SIC)	Median %	Mean %	*Unweighted base*	*Weighted base*
Manufacturing	10	9	*241*	*4*
Construction	7	7	*55*	*1*
Wholesale & retail	7	11	*128*	*1*
Transport, storage and communication	14	13	*63*	*1*
Financial	19	17	*53*	*1*
Real estate and business	10	9	*137*	*2*
Health and social work	7	9	*67*	*3*
Social and personal services	15	13	*59*	*2*
Total	10	10	*864*	*17*

Note: only those industries with 50+ actual cases are shown.

4.4.4 Employee contributions

In Figure 4.2 we show the average level of **employee** contributions into occupational pension schemes, again restricting attention to schemes with at least ten members and which were contributory for employees, i.e. those schemes where employees were making at least some contribution. Typical levels of employee contributions were six per cent into DB schemes, and five per cent in DC schemes.

Figure 4.2 Employees' level of contributions to occupational schemes (median rates) (schemes with 10+ members, non-zero contributions)[5]



The level of employee contribution into DB schemes was little affected by the size of the occupational scheme, in terms of number of active members. On average, employees were putting six per cent of salary into their DB schemes, and, using the median figures, this was the same no matter what the size of scheme. It was also difficult to discern any links between the size of DC schemes and the level of employee contributions – though this was partly because there were fewer DC schemes to analyse. The median level of employee contribution into DC occupational schemes was five per cent.

[5] The median rates for closed DC schemes were six per cent for both the current level and in the last two years. However, since this figure is based on fewer than ten actual firms it must be regarded as unreliable.

Table 4.14 Average levels of employee contribution to occupational pensions by size of scheme (number of active members)

Column percentages

	DB schemes			DC schemes		
Number of active members	**Mean**	**Median**	***Unweighted base***	**Mean**	**Median**	***Unweighted base***
13-19	[6.5]	[6.0]	*26*	[4.7]	[5.0]	*16*
20-49	5.6	6.0	*73*	[4.8]	[6.0]	*29*
50-99	6.5	6.0	*59*	[4.5]	[3.0]	*27*
100-499	6.4	6.0	*177*	4.0	4.0	*96*
500-999	6.8	6.0	*64*	[3.5]	[3.9]	*20*
1000-4999	6.0	6.0	*93*	[3.8]	[4.0]	*27*
5000+	[5.7]	[6.0]	*32*	[4.4]	[4.0]	*6*
All	6.2	6.0	*524*	4.5	5.0	*221*

Base: schemes with 10+ members, open + closed schemes.

Note: numbers in [ ] are based on fewer than 50 cases and may be unreliable.

In Table 4.15 we show how levels of employee contributions to occupational pension vary in firms of different sizes. The average level of contribution into both DB and DC schemes was remarkably unaffected by the size of the firm. As before, six per cent of pay was a highly typical level of contribution into DB schemes, and five per cent was almost as much a norm among DC schemes.

Table 4.15 Average levels of employee contribution to occupational pensions by size of firm

Column percentages

	DB schemes			DC schemes		
Number of staff in firm	**Mean**	**Median**	***Unweighted base***	**Mean**	**Median**	***Unweighted base***
20-49	[5.9]	[6.0]	*11*	[4.4]	[5.0]	*6*
50-99	[6.3]	[6.0]	*14*	[4.7]	[6.0]	*14*
100-499	5.8	6.0	*102*	4.3	5.0	*58*
500-999	6.6	6.0	*88*	[3.7]	[3.9]	*31*
1,000+	6.6	6.0	*308*	5.0	4.0	*111*
All	6.2	6.0	*524*	4.5	5.0	*221*

Base: schemes with 10+ members, open + closed schemes.

Note: numbers in [ ] are based on fewer than 50 cases and may be unreliable.

4.4.5 Comparing levels of employer and employee contributions

When firms were asked about contribution levels, some gave answers in terms of amounts of money, and others in terms of percentages of salaries. As there is no information on average salaries in the firms interviewed to allow us to calculate contributions cited as amounts to percentage of salaries, most of the analysis in this section is restricted to those citing a percentage contribution. In addition, the questions about employer contributions covered a number of different time periods – they asked about maximum and minimum levels of contributions, and averages over the last two financial years. In the chapters dealing with each type of pension, it is possible to look in greater detail at this information. However, the different bases and patterns of response mean that it is quite difficult to extract a consistent picture across the different pension types. Within one firm, there might be missing data for one type of pension, for instance, or one set of results given as a percentage and another as a lump sum of money.

Employee contributions were collected for occupational pension schemes, but not for other types of pensions. Therefore, it is possible to compare levels of employer and employee contributions, but only for firms with occupational pensions, and only for those firms where both have a known value and which has been expressed as a percentage. There was a relationship between a higher employer contribution, and a higher level of employee contribution. Where the employer was contributing ten per cent of salary, or more, the median employee contribution was six per cent. With an employer contribution of 15 per cent or more, in some 31 per cent of firms, employees were contributing at least seven per cent. In the minority of firms where the employer contribution was less than three per cent, the median employee contribution was around three percent of pay.

In most cases, the employee contribution was rather less than the employer contribution. In a few cases the levels of contribution were similar, but in most cases, the employer was contributing at a higher rate than the employee – often by a large margin. Overall, higher rates of employer contribution were associated with higher rates of employee contribution, and vice versa (this was statistically significant). In other words, in schemes with a higher employer contribution, the level of employee contribution was also likely to be higher.

Table 4.16 Levels of employee and employer contribution

Column percentages

Employee contribution to occupational pension	**Employer contribution to occupational pension (last two years)**					
	1<3%	**3<6%**	**6<10%**	**10<15%**	**15%+**	**All**
1<3%	49	5	3	*	4	9
3 - 3.99%	12	13	3	*	1	5
4 - 4.99%	22	3	5	11	4	9
5 - 5.99%	5	30	80	27	32	43
6 - 6.99%	11	49	7	54	28	29
7% +	2	1	2	7	31	6
Median value	3%	5%	5%	6%	6%	5%
Weighted base	*5*	*5*	*12*	*10*	*3*	*34*
Unweighted base	*60*	*126*	*152*	*252*	*209*	*799*

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

4.5 Membership profiles

Most occupational schemes are small, but overall provision (in terms of numbers of members) is dominated by larger schemes. The mean number of active members of the schemes in the survey was a little over 60 employees, whilst the median number was only two (Table 4.17) reflecting the influence of a larger number of smaller schemes. The average number of deferred members was 76 – though in most cases there were none (i.e. median was zero), and on average there were 67 pensions in payment, again with most schemes having no pensions in payment.

Table 4.17 Number of active members, deferred members and current pensioners

Column percentages

	Active members	Deferred members	Current pensioners
0	-	59	57
1-19	87	32	18
20-49	6	2	21
50-99	2	2	2
100-499	3	4	2
500-999	1	1	1
1000-4999	1	1	*
5000+	*	*	*
Mean N	62	76	67
Median N	2	0	0
Unweighted base	*1,238*	*1,034*	*1,301*
Weighted base	*124*	*107*	*104*

Note: * means less than 0.5% but more than zero. The '-' means the category doesn't apply – the base is open and closed schemes with some active members.

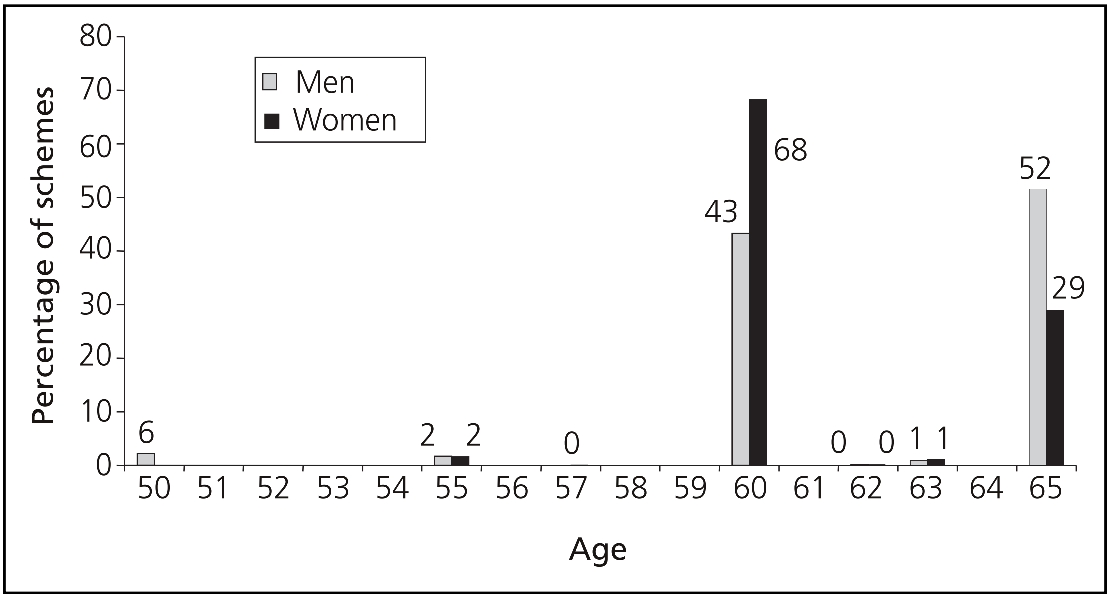
4.6 Pension ages

In this section we look at when pension members generally retire, and the provisions for them made by their employers to receive their pension either earlier or later than this.

The normal pension ages for the occupational pension schemes were strongly clustered around the age of 60 for women and 65 for men. At the time of writing, these are the state pension ages for women and men. However, the state pension age for women starts to rise in 2010, becoming equal to 65 (the men's state pension age) by 2020. Women's normal pension age was 60 for two-thirds (68 per cent) of occupational pensions schemes, whilst in 29 per cent of cases it was 65 (see Figure 4.3). A narrow majority (52 per cent) of schemes envisaged a normal retirement age of 65 for men, though for a surprisingly high 43 per cent of schemes, the normal pension age for men was 60. Few other ages were selected by schemes as the normal pension age – though including two per cent with a normal pension age of 55, and one per cent with a normal pension age of 63 years of age.

Compared with 2003, the typical pension age for women had shifted somewhat to 65 (only 19 per cent of schemes in 2003 contrasting with 29 per cent in 2005). In addition, the normal pension age for men in some schemes appeared to have been lowered to 60 – this represented 32 per cent of schemes in 2003 but was higher in 2005 at 43 per cent of occupational pension schemes. Both shifts may be examples of equalising the normal pension ages for men and women in the scheme.

Figure 4.3 Occupational pension schemes normal pension ages for men and women



Occupational schemes may also make provision for members to retire before or after the normal retirement age. However, this may affect the value of the final pension. Most pension schemes allowed members to retire on grounds of ill-health (before the normal pension age) and drawn unreduced pensions (see Table 4.18). Excluding those respondents who were uncertain, 89 per cent of open DB schemes and 69 per cent of open DC schemes had such arrangements. Such arrangements were also common among closed schemes – 65 per cent of closed DB schemes and 97 per cent of closed DC schemes made provision for early retirement. In addition, such retirement could sometimes be permitted subject to other conditions and hence, depending on the particular circumstances.

Many pension schemes also allowed various kinds of voluntary early retirement by members. Among open occupational schemes, 76 per cent of DB and 71 per cent of DC schemes made provision for members wishing to retire early. This was common among closed DB schemes (81 per cent) but relatively uncommon among closed DC schemes (five per cent). In many cases, respondents were not fully aware of the consequences for the pension that would follow from early retirement. Where respondents were fully informed, the likely consequence of early retirement was a pension reduced at an actuarially fair rate.

Table 4.18 Whether scheme allows employees to retire before normal pension age

Column percentages

	Open		Closed	
	DB	**DC**	**DB**	**DC**
On grounds of ill health and still draw an unreduced pension?				
Yes	50	60	17	89
No	4	24	4	4
Depends on circumstances	3	3	5	*
Don't know	44	13	74	8
Yes – excluding don't knows	89	69	65	97
Does this pension scheme have provisions for voluntary early retirement?				
Yes	53	63	21	5
No	17	26	5	88
Don't know	30	11	74	7
Yes – excluding don't knows	76	71	81	5
If so:				
Pension actuarially reduced	26	27	85	77
Pension enhanced at employer instigation	7	13	7	5
Pension enhanced at employer agreement	13	1	12	9
Don't know	63	40	7	14
Unweighted base	*306*	*298*	*455*	*97*
Weighted base	*27*	*18*	*30*	*32*

Note: * indicates more than 0 but less than 0.5 per cent.

Some pension schemes allowed members to continue working past the normal retirement age (Table 4.19). This was possible in 93 per cent of DB schemes (whether open or closed), and 85 per cent of open DC schemes. In some cases, the decision depended on other factors or trustee agreement (eight per cent of open DC schemes, for instance).

Where members worked after the normal retirement age it was most common for the organisation to continue to contribute towards the pension at the same rate as before. This happened among 88 per cent of open DB schemes, and 91 per cent of open DC schemes. Another possibility, used by 30 per cent of closed DB schemes, was simply to pay the pension at the normal age (though this would seem to imply some accompanying change of employment status).

Table 4.19 Whether scheme allows men and women to retire after the normal pension age

Column percentages

	Open		Closed	
	DB	**DC**	**DB**	**DC**
Yes	93	85	93	9
No	6	15	7	91
Depends on trustees, other factors	*	8	1	0
If so: Does organisation continue to contribute to pension?				
Yes - at same rate as before	88	91	57	83
Yes - at lower rate than before	*	0	0	0
Yes - at a higher rate than before	0	0	0	0
No - defer pension with actuarial increase	3	2	10	5
No - no actuarial increase made	2	3	1	1
No - pay pension from normal age	7	2	30	8
Other	*	1	1	4
Unweighted base	*306*	*298*	*455*	*97*
Weighted base	*27*	*18*	*30*	*32*

Note: * indicates more than 0 but less than 0.5 per cent, 0 indicates no actual cases.

5 Occupational pensions II: Governance issues

5.1 Introduction

In this chapter we look at some features of the running of occupational pension schemes. First, we explore some of the administrative arrangements made by occupational pension schemes – whether they are tax approved insured, and whether tax-approved or not (most are). In the following section we look at details of trustee arrangements, including whether at least one-third are member-nominated as required by statute. We then look at requests relating to pensions on divorce (pension sharing and earmarking).

In the final section of this chapter we explore knowledge of the Pension Protection Fund (PPF), and how this is regarded by respondents.

5.2 Administrative characteristics

As in previous surveys, we collect information on whether the occupational schemes are insured and tax-approved. Insured pension schemes are secured by insurance policies. Insurance companies decide on how the contributions are invested. Schemes that are tax-approved allow scheme members to receive tax relief on contributions at their marginal (or 'top') rate of income tax. Those that are not tax-approved may provide very generous benefits that do not come within tax regulations, which limit the level of benefits available.

The prevalence of the above is shown in Table 5.1 for schemes of different sizes. In many cases, respondents did not know the status of their occupational pension schemes, and for this reason we report results both including and excluding the 'don't know' responses.

Overall, 43 per cent of occupational schemes were insured (58 per cent, after removing those schemes unsure of their status). It was rather more common for smaller and medium-sized schemes to be insured, and rather less likely for those with at least 1,000 active members to say this. Almost all schemes were tax-approved – once we drop those uncertain of their status, then over 99.5 per cent of schemes were tax-approved. However, in a good proportion of cases (37 per cent) the respondent was unaware if they were tax-approved. This element of lack of awareness was particularly common with schemes with less than 100 active members.

Table 5.1 Insured and tax-approved occupational schemes, by size of scheme

Column percentages

	Size of scheme (active members)							
	1-19	**20-49**	**50-99**	**100-499**	**500-999**	**1,000-4,999**	**5,000+**	**All**
Is the occupational scheme insured?								
Yes	43	61	28	31	31	5	14	43
No	30	25	34	50	63	90	86	31
Don't know	27	14	39	19	7	5	-	26
Yes (excluding 'don't knows')	60	71	45	38	33	5	14	58
Is the scheme tax-approved?								
Yes	59	94	65	91	98	91	100	62
No	*	-	1	2	2	-	-	*
Don't know	41	6	34	8	-	9	-	37
Yes (excluding 'don't knows')	100	100	98	98	98	100	100	100
Weighted base	*112*	*7*	*4*	*4*	*1*	*1*	*<1*	*129*
Unweighted base	*229*	*123*	*116*	*353*	*110*	*206*	*72*	*1,209*

Base is all open and closed occupational schemes (not frozen), with at least one active member.

Note: * means less than 0.5% but more than zero.

Alternative interpretations of the same figures may be made using Table 5.2. The first column shows the proportion of schemes whilst the second column shows the proportion of employees working in these firms (among firms with occupational provision). A final column shows the proportion of active occupational scheme members who are in such schemes – this is based on a separate calculation of numbers of members and is not a new kind of weighting.

Unsurprisingly, whatever the basis of analysis, almost all schemes are tax-approved and almost all scheme members are in tax-approved schemes. The results change somewhat for whether the scheme is insured or not, from which we exclude the sizeable minority of 'don't knows'. Overall, 58 per cent of occupational schemes were insured. These were in firms representing 19 per cent of all employees (where there was at least one occupational scheme). However, only 13 per cent of active members of occupational schemes were in insured schemes. This last result reflects the overall dominance of large occupational schemes, which tended not to be insured (as earlier shown in Table 5.1).

Table 5.2 Insured and tax-approved occupational schemes

Column percentages

	Proportion of schemes	Proportion of employees working in firms with such schemes	Proportion of active members
Is the occupational scheme insured?			
Yes (excluding 'don't knows')	58	19	13
Is the scheme tax-approved?			
Yes (excluding 'don't knows')	100	99	100

Base is all open and closed occupational schemes (not frozen), with at least one active member.

Note: employee-weighted figures in middle column.

Schemes were less likely to be insured if they had either no current pensioners, or a relatively large number of current pensioners (Table 5.3). Those with smaller numbers of current pensioners (especially if less than 50) were the most likely to be insured. A similar result emerges if we look at schemes with different numbers of deferred pensioners – the larger schemes (and those with no deferred pensioners) were the least likely to be operating on an insured basis.

Table 5.3 Insured and tax-approved occupational schemes, by number of current and deferred pensioners in schemes

Column percentages

	0	1-19	20-49	50-99	100-499	500-999	1,000-4,999	5,000+	All
Number of current pensioners (where known)									
Is the occupational scheme insured?									
Yes (excluding 'don't knows')	36	89	95	21	10	27	6	0	60
Unweighted base	*233*	*149*	*78*	*72*	*157*	*58*	*87*	*84*	*918*
Weighted base	*50*	*18*	*2*	*2*	*2*	*1*	*1*	*1*	*74*
Number of deferred pensioners (where known)									
Is the occupational scheme insured?									
Yes (excluding 'don't knows')	47	82	53	79	26	18	13	4	58
Unweighted base	*153*	*108*	*75*	*79*	*252*	*84*	*158*	*96*	*1,005*
Weighted base	*55*	*13*	*2*	*3*	*4*	*1*	*1*	*1*	*78*

Base is all open and closed occupational schemes (not frozen), with at least one active member.

5.3 Trustees

Trustees run occupational schemes and must represent the interests of scheme members. They have a range of responsibilities, as outlined in Smith and McKay (2001: 101-2), including to ensure that contributions are paid and that the scheme's money is used following appropriate investment plans. Pension scheme trustees must act independently of the employer.

The Pensions Act 2004 requires that trustees are trained, and have a clear understanding of their role and responsibilities. From April 2006, all pension schemes have to include at least one-third member-nominated trustees. Previously, it was intended that schemes would meet this requirement, but a variety of exemptions were possible, which will cease from April 2006.

As in the last two surveys of this kind, most occupational schemes had a board of individual trustees (72 per cent) whilst a minority had a sole corporate trustee (14 per cent). In a few cases, there are no trustees (which could be schemes lacking tax approval) and around one respondent in ten (11 per cent) was unaware of the precise arrangements. There has been a reported rise in the proportion of occupational schemes with a board of trustees since the last survey in 2003 (Table 5.4). In 2005 there was a board of trustees in 72 per cent of schemes, compared with 66 per cent in 2003 and 65 per cent in 2000.

Table 5.4 Trustee arrangements for occupational schemes

Column percentages

	2005 survey	2003 survey	2000 survey
Board of individual trustees	72	66	65
Sole corporate trustee	14	16	14
No trustees	4	18	21
Don't know	11		
Unweighted base	*1,199*	*1,045*	*806*

Having a board of trustees was more common among smaller and medium-sized schemes. Among those schemes with 5,000 or more active members, there was an even split (50:50) between occupational schemes with boards of trustees and those with a corporate trustee (Table 5.5). Unsurprisingly, those schemes with more active members also tended to have more trustees (or directors). Where the scheme had at least 5,000 active members, the board of trustees usually numbered seven people or more (in 82 per cent of cases).

Table 5.5 Trustee arrangements, and trustee numbers, for occupational schemes, by size of scheme

Column percentages

	Size of scheme (active members)							
	1-19	20-49	50-99	100-499	500-999	1,000-4,999	5,000+	All
Board of individual trustees	74	57	78	64	73	64	50	72
Sole corporate trustee	11	26	20	25	20	32	50	14
No trustees	4	5	1	3	3	1	0	4
Don't know	12	13	1	8	3	3	0	11
Board of trustees: no. of trustees								
1	50	0	0	0	2	0	0	41
2	12	6	0	2	0	0	0	10
3-4	13	69	34	35	12	4	0	19
5-6	4	17	62	46	49	76	18	10
7+	22	8	4	17	37	20	82	20
Sole corporate trustee: no. of directors								
1	59	0	0	0	0	0	0	38
2	18	*	28	3	0	0	0	12
3-4	16	68	17	7	25	3	9	25
5-6	6	26	22	36	8	19	9	13
7+	*	6	33	55	67	78	82	12
Weighted base	*65*	*7*	*2*	*4*	*1*	*2*	*1*	*80*
Unweighted base	*219*	*117*	*96*	*337*	*111*	*215*	*72*	*1,167*

Note: * means less than 0.5% but more than zero. 0 indicates zero cases.

In 80 per cent of schemes, at least a third of the trustees had been nominated by members (Table 5.6). Those schemes where less than one-third of trustees had been nominated by members were often smaller and medium-sized schemes. Fewer than half of those schemes with 20-99 active members appeared to be meeting this requirement. Even so, on average three-quarters (76 per cent) of trustees were also active members of the scheme, whilst 30 per cent were current pensioners. The latter figure is somewhat biased towards schemes with no active members, but still with pensions in payment.

Table 5.6 Composition of trustees for occupational schemes, by size of scheme

Column percentages

	Size of scheme (number of active members)								
	0	**1-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000-4,999**	**5,000+**	**All**
Median N of trustees	1	1	4	5	6	6	5	9	1
Mean percentages of trustees who are:									
Active members	83	77	59	52	53	59	74	65	76
Current pensioners	79	5	8	10	7	9	6	13	30
Member nominated	89	71	35	26	28	30	38	33	71
Pensioners, member nominated	85	2	6	10	5	5	3	5	34
At least one-third are member nominated	90	82	47	44	58	60	83	69	80
Weighted base		*65*	*7*	*2*	*4*	*1*	*2*	*1*	*80*
Unweighted base		*219*	*117*	*96*	*337*	*111*	*215*	*72*	*1,167*

An alternative analytical breakdown, looking at the requirement to have at least one third member-nominated trustees, is by the size of the trustee board (Table 5.7). Those most likely to be meeting the requirement were the smaller boards (with just one or two trustees) and also the larger boards (with seven or more trustees). Those schemes with three to four trustees were those seeming to need to do the most to meet the one-third requirement.

Table 5.7 Composition of trustees for occupational schemes, by number of trustees

Column percentages

	Number of trustees (or directors)					
	1	2	3-4	5-6	7+	All
Median N of trustees	[1]	2	4	5	16	1
Mean percentages of trustees who are						
Active members	[91]	54	57	59	41	76
Current pensioners	[45]	16	6	10	8	30
Member nominated	[94]	69	35	37	46	71
At least one-third are member nominated	[94]	67	46	65	89	50
Unweighted base	*24*	*73*	*292*	*345*	*349*	*1,083*
Weighted base	*46*	*10*	*15*	*7*	*12*	*89*

Note: numbers in [ ] are based on fewer than 50 cases and so may be unreliable.

5.4 Scheme valuations

In this section we explore actuarial funding valuations of defined benefit (DB) occupational pension schemes – the statutory Minimum Funding Requirement valuation (MFR) and the scheme's own ongoing funding valuation. The MFR legislation requires defined benefit schemes to hold a minimum level of assets relative to the size of their liabilities as assessed on the prescribed MFR basis. In addition to MFR valuations, generally carried out once every three years, schemes are required to conduct their own ongoing actuarial funding valuations.

Results relating to MFR valuations are in Table 5.8. Most did seem to have had an MFR valuation since 2002, with only two per cent stating that theirs had been more than three years ago (i.e. in 2001 or before). However, in one-quarter (24 per cent) of schemes the respondent wasn't sure when this had happened, and this was particularly common among the smallest schemes.

A significant proportion (42 per cent) did not appear to remember the key result of the valuation in terms of level of funding. For those that did remember (or checked), many schemes (16 per cent) had assets worth 90-99 per cent of liabilities, whilst in six per cent of cases, the assets were worth still less. However, in 37 per cent of schemes the assets were worth more, often much more, than the size of liabilities. This appeared to be true in both the smallest (less than 100 members) and largest (1,000+ members) schemes.

Where an MFR valuation shows a shortfall against the prescribed minimum funding level, legislation requires action to address this. The main kinds of action that had been taken were to increase employer contributions (73 per cent) or to increase employee contributions (66 per cent). Many larger schemes had alternatively received a cash injection from the company to offset the funding shortfall.

Table 5.8 Last MFR valuation, by scheme size

Column percentages

	Size of scheme (active members)			
	1-99	**100-999**	**1,000+**	**All**
Date of last MFR valuation				
2001 or earlier	2	3	2	2
2002	15	31	15	16
2003	21	18	63	22
2004	32	28	17	32
2005	1	1	0	1
Not done	3	1	1	3
Don't know	25	18	1	24
Value of assets as percent of liabilities				
<70 per cent	1	4	0	1
70 – 89 per cent	5	16	4	5
90 – 99 per cent	16	12	8	16
110 – 119 per cent	3	37	14	5
120 per cent	33	10	23	32
Don't know	43	21	51	42
Any action taken as a result?				
None	19	6	9	18
Cash injection	5	28	46	7
Increased employer contribution	74	58	55	73
Increased member contributions	69	24	33	66
Unweighted base	*239*	*282*	*155*	*676*
Weighted base	*67*	*3*	*1*	*71*

Pension funds also carry out their own actuarial pension fund valuations. Again a significant proportion (53 per cent) of respondents could not remember the outcome of the last valuation (see Table 5.9). Of those that could, 41 per cent remembered that the scheme was fully funded whilst seven per cent said it was not. Schemes with the largest membership were the most likely to have remembered having a shortfall – some 28 per cent of schemes with 1,000+ active members said the scheme was not fully funded. Even so, many respondents answering about schemes of all sizes were not sure of the outcome of the last scheme valuation.

Table 5.9 Result of scheme's own valuation – whether found to be fully funded at last valuation

Column percentages

	Size of scheme (active members)			
Whether fully funded	**1-99**	**100-999**	**1,000+**	**All**
Yes	41	34	15	41
No	5	39	28	7
Don't know	54	27	57	53
Unweighted base	*239*	*282*	*155*	*676*
Weighted base	*67*	*3*	*1*	*71*

5.5 Pensions and divorce

Since 1 December 2000, the Welfare Reform and Pensions Act 1999 has allowed a couple, on divorce, the option of pension sharing. Courts can grant a pension sharing order against the member's pension rights in a pension arrangement. A pension sharing order will be one means of facilitating that a divorcing couple can achieve a 'clean break'. More technically, pension sharing orders create a pension debit against the retirement benefits of the scheme member and the former spouse receives a pension credit of the same value. Pension sharing orders may be made against all types of occupational pensions, including AVCs and unfunded public sector schemes[6]. Under the Pensions on Divorce etc (Provision of information) Regulations 2000 only the cash equivalent transfer value (CETV) is required by the court for the valuation of retirement benefits. Pension sharing need not involve a 50:50 arrangement, other percentages may be transferred from one spouse to the other if the circumstances are right.

From December 2005, civil partnerships for couples of the same sex were introduced. When a civil partnership is dissolved (which cannot happen until some people have been civil partners for a year), courts will have the same pension sharing powers as they currently have following divorce.

Before pension sharing orders were introduced, pensions could still be considered for divorcing couples. However, previously it was only possible for a settlement to offset the value of pension rights against other assets, or to use earmarking so that when the member retires part of their pension is paid to a former spouse.

Initial surveys seemed to suggest a relatively low take-up of pension sharing, with offsetting remaining apparently more popular among divorcing couples[7]. The

[6] Orders may also be made that involve personal pensions and Stakeholder pensions (SHPs) as other matrimonial assets, but these are not considered here.

[7] Figures made available in 2004 suggested there had been 1,300 such orders out of about 300,000 divorces.

Employers' Pension Provision Survey 2003 found that relatively few occupational schemes had received pension sharing orders (or earmarking orders). The picture in 2005 was little different (see Table 5.10). The schemes represented in the 2005 EPP survey generated around 2,450 pension sharing orders in total. Some 58 per cent of these were in schemes with at least 5,000 active members. Schemes with fewer than 100 active members only comprised ten per cent of the total number of pension sharing orders.

In this survey, there were 215 instances (unweighted) of having received an earmarking order since 2000, and 289 cases with experience of pension sharing orders (92 of these received in the calendar year 2004). These findings confirm that pension sharing orders remain uncommon.

Table 5.10 Schemes receiving earmarking and pension sharing orders, by scheme size

Column percentages

	Size of scheme (active members)							
	1-19	**20-49**	**50-99**	**100-499**	**500-999**	**1,000-4,999**	**5,000+**	**All**
Scheme has received earmarking (or attachment) orders since 2000	*	2	13	11	15	23	64	1
Scheme has received any pension sharing orders **since 2000**	*	6	4	11	45	35	77	1
Scheme has received any pension sharing orders **in 2004**	0	3	1	5	15	20	41	1
Mean number of sharing orders received (where known) **since 2000**	1.6	1.5	2.0	2.6	2.0	4.5	37.2	5.6
Unweighted base	*250*	*130*	*122*	*362*	*112*	*210*	*72*	*1,258*
Weighted base	*120*	*8*	*4*	*4*	*1*	*1*	*1*	*138*

Note: * means less than 0.5% but more than zero. 0 indicates zero cases.

5.6 The Pension Protection Fund

The Pension Protection Fund (PPF) was established in the Pensions Act 2004, and started operating in April 2005. It protects members of private sector DB schemes where firms become insolvent with a deficit in their pension scheme. The PPF provides compensation to members of DB pension schemes, at a level of 100 per cent compensation for those receiving pensions (or are above the normal pension age), and 90 per cent compensation to those below the scheme's normal retirement age (subject to a maximum of £25,000 at age 65). The PPF is funded, in part, by compulsory levies on all eligible schemes – which from 2006 are partly based on the risk-level of different schemes. The PPF is consulting about the precise setting of the levies (Pension Protection Fund 2005).

Overall, some two-thirds (63 per cent) of firms with DB schemes had heard about the new arrangements (see Table 5.11). When weighted for the number of employees, the equivalent figure showed that 88 per cent of employees were working for employers that were aware of the PPF. The difference arises because larger employers were more likely to be aware of the PPF – as many as 95 per cent of firms (with DB schemes) employing 5,000+ employees. In other words, in the period just before it became operational, there was widespread awareness of the PPF.

There was less confidence in knowledge of when the PPF would take over a scheme, particularly among smaller firms. Some 85 per cent of those in firms with under 500 employees did not know when the PPF might become involved in an occupational scheme. In larger firms, respondents were more likely to be aware of the necessary condition that the employer goes out of business, with three-quarters (76 per cent) of firms with 5,000+ staff mentioning this, and around two-thirds of firms with at least 500 employees. In the largest firms (5,000+ employees) some 42 per cent also mentioned that the scheme would need to be under-funded before the PPF would become involved in taking over the assets and liabilities of occupational schemes.

Table 5.11 Awareness of PPF, by size of firm

Column percentages

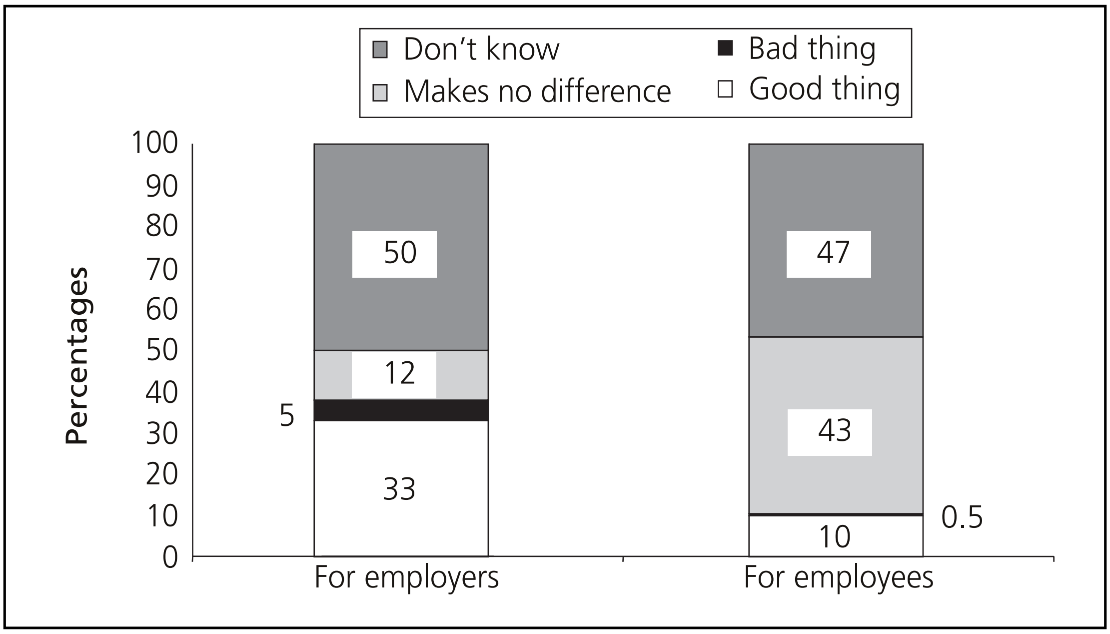
			Size of firm		
	1-499	**500-999**	**1,000-4,999**	**5,000+**	**All**
Aware of the PPF					
Yes	63	76	86	95	63
No	32	23	14	5	31
Don't know	6	*	0	0	5
When does PPF take over a scheme? (Base: firms aware of PPF)					
Employer becomes insolvent ('goes bust')	12	69	63	76	15
Scheme is underfunded	2	17	13	42	3
Scheme is wound up	2	1	1	0	2
Scheme is mismanaged	2	3	1	3	2
Don't know	85	17	30	13	82
Unweighted base	*183*	*108*	*170*	*133*	*594*
Weighted base	*68*	*1*	*1*	*<1*	*70*

Note: * means less than 0.5% but more than zero. 0 indicates zero cases.

Respondents who were aware of the PPF were asked if they thought it was a good or bad thing, with reference first to employers and then to employees. It was common for people not to express an opinion, and overall around half said they didn't know if it was a good thing, whether for employers or employees (Figure 5.1).

Even so, where respondents expressed an opinion it was generally positive or neutral. One-third (33 per cent) believed it to be a good thing for employers, and only five per cent a bad thing. For employees, less than 0.5 per cent thought it would be a bad thing, although 43 per cent thought it would make no difference.

Figure 5.1 Employers' views of the PPF (for the employers and employees)



Results broken down by size of firm are shown in Table 5.12. Within larger firms (5,000+ employees) views with regard to the effect of the PPF on employees were generally positive. Around half thought it was a good thing for employees, whilst 45 per cent thought it would make no difference and only one in twenty (five per cent) suggested it might be a bad thing. These views were also common in medium-sized employers, though in the smallest companies, respondents were less likely to express any views.

Views regarding the PPF for employers were more mixed. Again, taking those firms with at least 5,000 employees, around half saw it as a good thing and 29 per cent thought it was a bad thing. A further 16 per cent of this group thought it would make no difference, with five per cent not expressing any particular views. The views of medium-sized firms were again somewhat similar, though a bit less negative.

Table 5.12 Employers' views of the PPF Fund (for the employers and the employees), by size of firm

Column percentages

	Size of firm				
Opinions of the PPF	**1-499**	**500-999**	**1,000-4,999**	**5,000+**	**All**
For employers					
Good thing	34	44	66	50	33
Bad thing	4	26	17	29	5
Will make no difference	12	18	14	16	12
Don't know	52	12	4	5	50
For employees					
Good thing	7	47	55	50	10
Bad thing	*	13	3	5	*
Will make no difference	44	39	29	45	43
Don't know	50	2	1	0	47
Unweighted base	*124*	*78*	*140*	*124*	*466*
Weighted base	*42*	*1*	*1*	*<1*	*45*

Base: firms aware of PPF.

Note: * means less than 0.5% but more than zero. 0 indicates zero cases.

6 Stakeholder pensions

6.1 Introduction

Stakeholder pensions (SHPs) were introduced in April 2001. They are designed to provide pensions for employees who do not have access to occupational schemes, but they are also available to those not in paid work and to the self-employed.

In this section we look at access to SHPs and the extent to which employers contribute towards them. We then look at which employers provide SHPs, using a slightly more complex statistical approach to identify some of the key factors that are associated with providing these kinds of pensions. Subsequently, we consider how SHPs were associated with any previous pension provision made, and the number of employees included in Stakeholder arrangements. We finish with an analysis of employer contributions to Stakeholder arrangements.

6.2 Background

The Welfare Reform and Pensions Act 1999 introduced SHPs and imposed certain legal requirements on companies with five or more employees. From October 2001 it required employers to provide access to pensions arrangements for their employees. It is left to the employer's discretion whether they contribute or not to their employees' pension schemes . In April 2001 SHPs became available and employers that were not offering any other pension arrangement were required to provide access to SHPs, although not required to contribute to them.

SHPs are a defined contribution arrangement. As well as being available through some workplaces they may be purchased directly via banks, building societies, insurance companies and some retailers.

There are a number of key features to SHPs including:

- fund charges were originally limited to one per cent per year;
- there are no penalties on employees in transferring benefits to other schemes or stopping contributions;
- the minimum contribution rate can be as low as £20 per month;
- the retirement age is between 50-75 years of age[8].

Employers with at least five employees are obliged to provide access to SHPs. Employers may be exempt from this requirement if they already have an occupational pension or a Group Personal Pension to which they contribute at least three per cent of employees' salaries. Even if an employer is exempt they can still provide access to a SHP scheme if they wish. Employers may also choose to make contributions towards SHPs which their employees have arranged independently.

6.3 Extent of access to and employer contributions towards Stakeholder pensions

In Table 6.1 we show the proportion of employers who offer access to SHPs, how many have any active members, and whether the employer is also providing a contribution. The table also covers those employers who contribute towards SHPs arranged privately by their employees.

Whilst there is a legal requirement on all firms with five or more employees to provide access to pension arrangements, it is possible that where no employee has requested it, respondents were not fully aware of this requirement. Alternatively, the respondent may have been unaware of the scheme to which access was offered. Although it is interesting to look at the proportion of organisations who say they offer access only, we believe it is more important to look at the proportion of firms where at least one member of staff has actually joined the SHP and in particular, where the employer and not just the employee is making some contribution towards that pension.

Overall, 29 per cent of organisations said that they offered access to a SHP for at least some employees. This was lowest among the very small employers, those with four or fewer employees where only 16 per cent said they offered such access. This rose to around two-thirds of the more medium-sized employers. By contrast, in only 11 per cent of firms had anyone joined a SHP. The third main row of Table 6.1 shows that one in ten firms had at least one member of a SHP. Again, this was highest

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8 Some changes have recently been introduced, or will be taking place in the future. The minimum retirement age rises to 55 after the year 2010. The permitted fund charges rose to 1.5 per cent for the first ten years, reducing to one per cent from then onwards, from April 2005.

among the medium- and larger-sized employers. Among firms with between 13-19 employees, 26 per cent both offered access to a SHP and at least one employee had joined. This was higher, at around half (48 per cent) in organisations employing between 500-999 employees.

The third row of the table shows those employers who actually contributed towards the SHP of at least some of their employees. In seven per cent of firms, the employer was also making a contribution to some of their employees who had joined the company's SHP. This was most common in firms employing at least 100 employees, in which around a quarter had someone who had joined a SHP and for whom the employer was also contributing.

It was much less common for firms to be arranging payroll deduction for those employees who had set up their own SHP (or may have brought it with them when joining the firm). Only two per cent of firms said they currently arranged payroll deductions for some employees with their own private SHPs. This reached a high of around ten per cent among companies employing between 50 and 500 employees. It was even more unusual for employers to be making a contribution towards these private SHPs. Less than one company in 200 was making a contribution towards such 'private' SHP arrangements.

Table 6.1 Access to, and contributions towards, SHPs

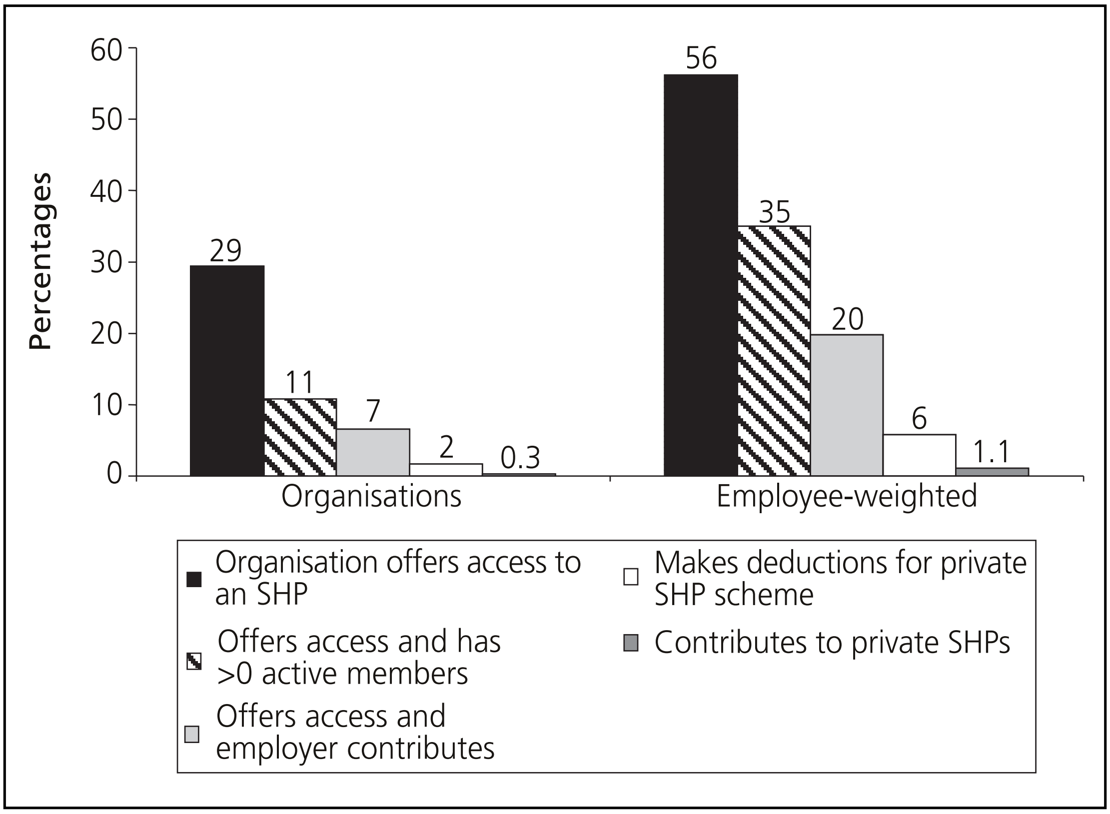
Column percentages

	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Does your organisation offer access to a Stakeholder pension scheme for any employees?	16	44	65	73	69	66	63	49	29
SHP access but no active members	9	33	39	42	35	25	15	14	18
Offers access **and** has >0 active members	7	11	26	31	34	41	48	35	11
Offers access **and** the employer contributes (to some at least)	5	6	14	15	14	23	29	23	7
Do you currently arrange payroll deductions on behalf of employees where they have arranged their own SHP?	1	*	4	6	10	11	4	6	2
Employer contributes to 'private' Stakeholder pensions of employees (to some at least)	0	*	1	3	5	1	2	1	*
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*
Weighted base	*1,479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

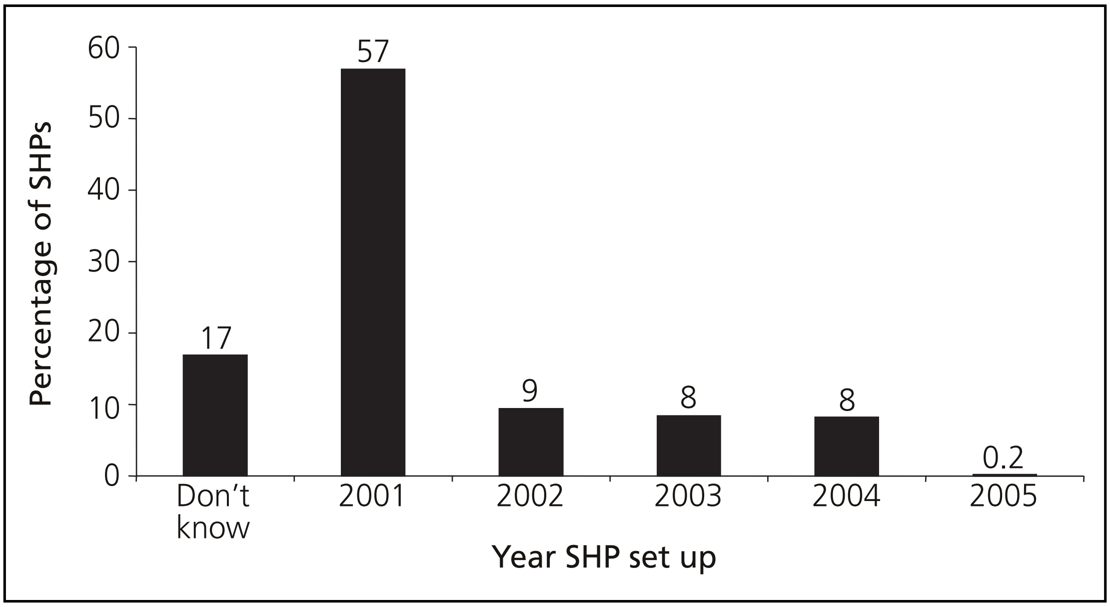
These results may also be presented looking at the number of employees in such firms as well as at the proportion of firms providing them. This is shown in Figure 6.1. The left hand side bar chart shows the proportions among organisations, the right hand side shows how these translate into the proportion of employees working for such companies. Specifically, whereas 29 per cent of firms said they offered access to SHPs, this group of firms employed 56 per cent of all employees. It is because the incidence of SHPs is so low among the very smallest firms that the proportions when weighted by employee numbers look rather higher than among organisations as a whole. Similarly, 35 per cent of employees were working for companies where somebody had joined a SHP scheme and 20 per cent of employees were in firms where the company was actually making a contribution towards these. However, it remains true that relatively few employees were in firms making payroll deductions for any 'private' SHPs.

Figure 6.1 Incidence of SHP arrangements of different types



SHPs were introduced in April 2001. If we look at the SHP schemes in the survey, over half (57 per cent) were actually set up in that year (Figure 6.2). Relatively few SHP schemes were set up in the years after 2001, with under ten per cent being established in each of the years 2002, 2003 or 2004. Moreover, very few SHPs were established in 2005. This clearly reflects the importance of setting up these schemes in 2001 when the legal requirement began and less effort has been made to introduce new schemes thereafter. It also reflects the fact that the majority of firms established since 2001 and still in existence would have established their SHPs already. However, around one in six firms were unaware of when their SHP was established.

Figure 6.2 When SHP arrangements were set up (pension-level)



6.4 Characteristics of organisations that provide Stakeholder pensions, and contribute towards them

In order to look at the characteristics of companies that seem more likely to have SHPs we examine a a range of different factors including the size of the firm, when it was established, the kind of industry in which it is based, and so on. However, a more sophisticated approach is to attempt to model which firms do and do not offer access to SHPs looking at a number of variables all at once, rather than individually. This is possible with a statistical approach known as regression. The results of logistic regression models, which are appropriate to the kinds of information we analyse, are shown in Table B.2 in Appendix B. There are three substantive models, the first analyses whether a firm offers access to a SHP, in the second we consider whether anyone has joined such a scheme, and in the third we model whether the firm is contributing towards at least some SHPs.

Our aim is to consider which types of firms are the most likely to have SHPs, and which types of information are merely incidentally linked to that decision. To investigate further we looked at the following types of information about firms:

- legal status;
- size in terms of number of employees;
- the year the firm began trading;
- whether the firm provides a GPP;
- whether the firm will contribute towards personal pensions;
- whether the firm has an occupational pension scheme;

- the proportion of staff who are full-time;
- the industry in which the firm is located (see Glossary of terms for a description of the industry codes).

6.4.1 Firms offering access to SHPs

If we look first at which firms offer access to SHPs then the size of the firm was clearly very important. Compared to those firms employing 100-499 employees the rate of offering access was much lower among companies employing between one and four people and for those employing between five and 12 employees. Otherwise there were few differences by size. Firms were also much less likely to be offering a SHP if they already had a GPP in place. There was a contrasting effect where the company made contributions to people's personal pension plans: this made it more likely that they would also provide a SHP scheme. The provision of SHPs was also much more likely among those firms in the primary and extractive industries.

6.4.2 Firms where some employees have joined their SHPs

We now consider whether anyone had actually joined the SHPs. Again one of the key factors was the size of the company. Those companies employing less than 100 employees were much less likely to have someone join the SHP then those with at least 100 employees. In particular, the smallest employers, employing less than a dozen employees, were much less likely to have anyone joined a SHP. Conversely, the odds of having somebody join were somewhat increased where the firm had 1,000 or more employees. The relationship with provision of GPPs remains an interesting one. Firms that provided a GPP were less likely to have had anyone join a Stakeholder scheme. Similarly, there was a degree of complementarity between SHPs and contributions towards personal pensions. So, where the firms were making contributions towards personal pensions they were more likely to have had someone join their Stakeholder scheme. The effect of having an occupational scheme was similar to that of having a GPP. Employees, it seems, were more likely to have joined a SHP in companies with high proportions of full-time employees. The same industries offering access to SHPs (the primary and extractive sector) were more likely to have had people join them.

6.4.3 Firms contributing to SHPs

The final column of Table B.2 shows the likelihood that the firm would be contributing towards SHPs. Small companies were least likely to be contributing towards SHPs. This, and several other results, will be familiar from models of pension provision of other kinds. Where companies were already providing a GPP they were less likely to be contributing towards any SHPs. But companies were more likely to be contributing towards SHPs if they were prepared to contribute towards the personal pensions of employees. There was an even more marked concentration in certain industries. The industries that are more likely to be providing any access to SHPs were also rather more likely to be making contributions towards them.

6.5 Previous provision

SHPs were designed as an additional form of provision. They would provide opportunities for employees to make pension provision, in circumstances where they did not have access to an occupational pension scheme, or to a GPP with a reasonable employer contribution. However, SHPs have also provided an opportunity for firms to change their provision, perhaps to have a less costly form of provision or perhaps to negotiate reducing the cost of their GPP.

In this section, we consider how far SHPs replaced other forms of pension provision rather than bringing something entirely new to the company. Results are shown in Table 6.2. In fact, it was unusual for SHPs to have replaced other forms of pension provision. Looking across all forms of pension provision, only 12 per cent said they made another form of provision prior to introducing a SHP. This ranged from as high as 40 per cent among those companies employing at least 500 employees down to as low as 11 per cent among employers with 49 or fewer employees. When we weight by employees (to give a better idea of the effect across the workforce) 30 per cent of employees were in firms that used SHPs to replace another form of provision. Conversely, 70 per cent were working in firms where SHPs were not used to replace any other form of provision.

In the lower half of Table 6.2, we show the different kinds of provision that were in place before the introduction of SHPs. The most common arrangement prior to the introduction of SHPs was a GPP. This accounted for 35 per cent of firms making provision prior to the introduction of Stakeholders. There were also significant proportions who had previously contributed towards personal pensions, (26 per cent) of firms.

Table 6.2 Provision made previously, if any, by employer for those with a SHP

Column percentages

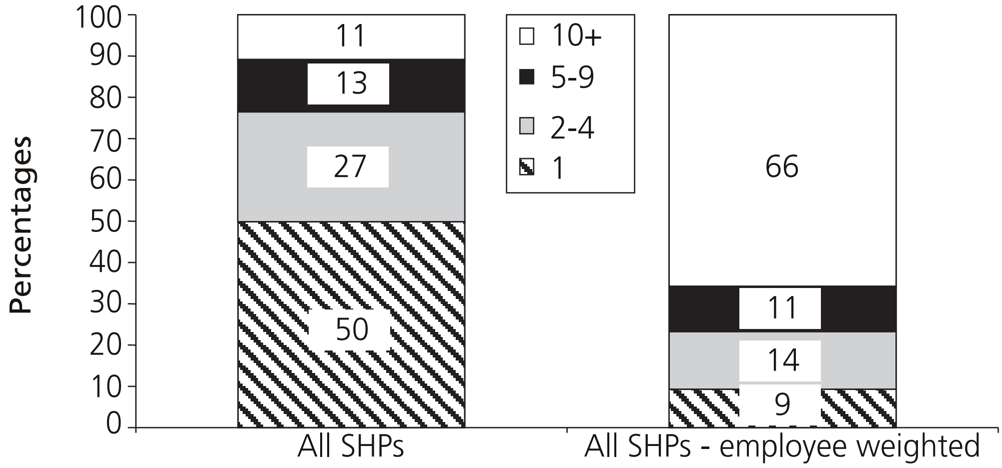
	1-49	50-499	500+	All
Made other form of provision prior to SHPs (among organisations)				
Yes	11	23	40	12
No	88	69	55	86
Don't know	1	9	5	2
Yes (employee weighted)	*11*	*24*	*46*	*30*
Weighted base	*663*	*41*	*3*	*707*
Unweighted base	*555*	*551*	*410*	*1,516*
Type of previous provision				
Open GPP	35	34	16	35
Personal pensions (not GPP)	30	1	0	26
Closed GPP	22	16	16	22
Closed occupational scheme	8	20	40	10
Open occupational scheme	1	27	21	4
Other	0	4	2	*
Don't know	3	*	19	3
Weighted base	*69*	*167*	*170*	*406*
Unweighted base	*71*	*9*	*1*	*82*

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

6.6 Numbers of employees in Stakeholder pensions

Although a high proportion of firms offered SHPs (29 per cent) and a reasonable proportion of firms (11 per cent) had SHPs which someone had joined, in most cases SHPs had only a few members. As we show in Figure 6.3, half of the SHPs in the survey had just one member whilst a further quarter, 27 per cent, had between two and four active members. In only around one in ten SHP schemes were there ten members or more. The right hand side of Figure 6.3 expresses these results in terms of the proportion of employees employed in such firms. This shows a somewhat different picture and as many as two-thirds of employees were associated with schemes with at least ten members (in firms providing a SHP).

Figure 6.3 Number of members in SHP arrangements – excluding those with no members ('empty shells')



Note: **employee-weighted** figures for right-hand bar.

In Table 6.3 we provide somewhat more detailed figures regarding the typical number of employees who are members of SHPs. Overall, in 90 per cent of firms, nobody had joined a SHP scheme and the breakdown shows for firms of different sizes just how many people had joined. There were some quite large SHP schemes found among employers with 1,000 or more employees. In 15 per cent of cases there was a SHP with at least 100 members, the same is true for approximately five per cent of firms employing between 100-999 people.

In the lower half of Table 6.3, we express the figures in terms of proportions of the workforce. There are clearly a large proportion of firms where nobody had joined a SHP (which must be because either no one had wished to join or such provision was not available). Even where there were people who had joined SHPs, these typically accounted for less than 20 per cent of the workforce, and particularly among larger and more medium-sized employers. For about one firm in every hundred, 60 per cent or more of employees had joined a SHP and this was most likely for firms employing between 13-49 employees. For such firms, in around one case in twenty, 60 per cent or more of the workforce had joined the scheme, representing a fairly high level of penetration of SHPs.

Table 6.3 Membership of SHPs among firms of different sizes

Column percentages

	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Number of members in firm-nominated SHP(s)									
0[a]	93	91	77	70	75	61	55	68	90
1	5	3	3	7	3	3	3	1	5
2-4	*	3	10	9	6	5	4	3	2
5-9	0	2	4	7	6	7	5	3	1
10-19	0	0	5	4	4	4	14	1	1
20-99	0	0	0	4	5	15	14	9	*
100+	0	0	0	0	0	4	5	15	*
Per cent of workforce in firm-nominated SHP(s)									
0[a]	93	91	77	70	75	61	55	68	90
<20%	0	3	11	20	18	26	42	28	3
20% < 40%	3	2	6	3	3	4	2	2	2
40% < 60%	4	3	1	3	3	7	0	1	3
60% +	*	2	5	5	2	2	*	1	1
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*
Weighted base	*1479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*

Base: all firms.

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

Note [a] people in this category could, of course, still be in other kinds of pension arrangements.

A somewhat alternative perspective is provided in Table 6.4. This is similar to the above analysis, but restricted just to those firms that had designated a SHP for employees. In around six cases in ten (63 per cent) the Stakeholder arrangement was a so-called 'empty shell', with no active members of the pension. The remainder – Stakeholders with at least some active members – were of widely varying importance within firms. The pension was less likely to be empty among the larger firms, and more likely to be an empty shell for smaller firms. Some 75 per cent of SHPs in firms with five to 12 employees had no members, compared with only 29 per cent among firms with at least 1,000 staff. Among this group of companies with 1,000 staff (and a designed SHPs) in fact, 35 per cent of such pension schemes had 100 or more members.

The raw numbers in the top half of Table 6.4 are converted into percentages of the workforce in the lower half. In 16 per cent of firms providing access to SHPs, at least 40 per cent of the workforce had joined, and in a further 11 per cent, at least one-fifth of the workforce had joined. Among the larger companies, it was most common for membership to be less than one fifth of its workforce, though a small proportion did seem to have recruited at least 60 per cent of their workforce into such schemes.

Table 6.4 Membership of SHPs among firms providing access to any kind of SHP (including 'empty shells')

Column percentages

	Size of organisation								
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All
Number of members in firm-nominated SHP(s)									
0 [a]	[56]	75	59	57	50	37	24	29	63
1	[38]	8	5	9	5	5	5	2	17
2-4	[5]	12	15	13	9	7	7	6	10
5-9	[0]	5	12	10	9	10	8	5	5
10-19	[0]	0	8	5	19	7	23	3	2
20-99	[0]	0	0	6	8	27	26	19	2
100+	[0]	0	0	0	0	7	8	35	*
Per cent of workforce in firm-nominated SHP(s)									
0 [a]	[56]	75	59	57	50	37	24	29	63
<20%	[0]	7	16	28	31	41	71	61	10
20% < 40%	[17]	7	15	5	12	9	4	7	11
40% < 60%	[25]	7	2	4	4	10	0	2	12
60% +	[1]	4	8	7	2	3	1	2	4
Unweighted base	*25*	*157*	*130*	*243*	*172*	*379*	*136*	*274*	*1,516*
Weighted base	*231*	*277*	*69*	*86*	*24*	*17*	*2*	*1*	*707*

Base: firms providing access to a SHP.

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

Note: numbers in [ ] are percentages based on fewer than 50 cases, which may be unreliable.

Note [a] people in this category could, of course, still be in other kinds of pension arrangements.

6.7 Employer contributions to Stakeholder pensions

Employers are not required to contribute towards a SHP. Many choose to make contributions but this is entirely voluntary. In this section we explore how many firms had chosen to make such contributions.

In Table 6.5 we show whether the company was making a contribution towards a SHP, broken down by the number of members of that scheme. Overall just over two-thirds of the firms (68 per cent) were making a contribution towards a SHP for at least some of their members. Where the SHP had ten or more active members, then the employer was contributing in close to nine cases out of ten.

Table 6.5 Whether employer contributes to SHP (of at least some members), by number of SHP members

					Column percentages
	Number of active members in SHP scheme				
	1	**2-4**	**5-9**	**10+**	**All**
Yes	65	65	67	88	68
No	35	35	33	12	32
Weighted base	*118*	*63*	*30*	*26*	*237*
Unweighted base (schemes)	*100*	*155*	*131*	*396*	*782*

The proportion of employers who were making contributions towards the SHP seemed to depend to some extent on whether they had provided anything before the SHP existed. If the SHP was something entirely new, and had not replaced some other kind of provision, then in only six cases out of ten did the employer make a contribution (see Table 6.6). However, where the SHP had replaced a different form of provision, then the employer was making a contribution in nine cases out of ten. It might be inferred that when firms transferred to a SHP, they continued to make a contribution of some kind, but that those compelled to introduce such a scheme felt less pressure to also introduce an employer contribution.

However, as we described earlier in most cases SHPs were newly introduced. For these cases, the employer was less likely to be making contributions towards such a pension. Where firms had used the introduction of SHPs to rationalise changes in their pension arrangements, for example, when closing existing forms of provision, then they were typically making financial contributions towards them.

Table 6.6 Whether employer contributed to SHP (of at least some members), by previous provision made

Column percentages

	Type of previous provision (if any)			
	No previous provision	**Any previous provision**	**Past provision: closed occupational**	**Past provision: closed GPP**
Yes	61	91	92	92
No	39	9	8	8
Weighted base	*183*	*51*	*4*	*11*
Unweighted base	*500*	*255*	*100*	*56*

Among firms making a contribution towards SHPs, one-quarter expressed this as a regular money amount (when asked in the interview), and three-quarters in terms of a percentage of pay. For those citing monetary amounts, the median level of contribution was £1,200 per year. However, there were some rather higher levels of contributions, so the mean ('average') money contribution by employers was £3,300 per year. Where the employer contribution was expressed as a percentage of salary, the median level of contribution was six per cent of pay. A more detailed breakdown of figures is illustrated in Table 6.7. This shows the maximum and minimum levels at which employers were contributing for different employees, and the level at which they had been contributing (on average) in the last financial year. Compared with 2003, rather more employers were contributing higher amounts of salary among smaller firms (those with five to 19 staff). In 2003, some 55 per cent of the smaller firms were not making a contribution, compared with 43 per cent in 2005.

Table 6.7 Employer contributions to SHP schemes by size of organisation

Column percentages

	Minimum		Maximum		2005 in last financial year		2003 average since begun	
Size of firm	**5-19**	**20+**	**5-19**	**20+**	**5-19**	**20+**	**5-19**	**20+**
No contribution	42	51	42	51	43	55	55	51
Percentage of pay								
Less than 3%	13	7	6	4	8	4	0	6
3-3.9	12	14	14	11	13	13	17	10
4-4.9	7	4	3	5	5	5	0	2
5-5.9	6	10	6	10	5	10	6	13
6-9.9	2	3	2	4	5	4	6	7
More than 10%	8	3	17	5	12	4	0	2
Amount of money								
Up to £5 pw	4	6	*	5	2	5	6	3
£5.01 – £10 pw	5	1	4	1	3	1	4	1
£10.01 – £15 pw	0	*	2	*	*	*	3	1
£15.01 – £25 pw	2	0	2	1	2	*	1	2
£25.01 – £50 pw	0	*	5	*	0	*	2	1
More than £50 pw	0	*	0	*	3	*	0	1
Weighted base	*76*	*56*	*76*	*54*	*74*	*52*	*73*	*63*
Unweighted base	*78*	*653*	*78*	*610*	*76*	*599*	*61*	*608*

Base: SHPs with active members.

Note: * indicates less than 0.5% but more than zero; 0 indicates no actual cases.

7 Group Personal Pensions

7.1 Introduction

In this chapter we look at firms providing Group Personal Pensions (GPPs). We begin by looking at which employers provide them and the proportion of employees who participate. We then look at when this type of provision was introduced by firms and whether it replaced any existing form of pension. Next, we model the provision of GPPs looking at the factors associated with employers who provide them. In the remainder of the chapter we examine how many employees join GPPs and the types of companies that they work for.

7.2 Background

A GPP is a collection of personal pensions. Each pension is owned by the employee but the scheme is set up with just one provider (or a small number of separate providers for different GPPs within a firm). The employer may also be able to arrange a lower charge for administering the scheme for a number of employees, than would be the case with a series of individual personal pensions.

Often, employees contribute to a GPP and the employer makes deductions from their salary to facilitate this. Employers are not obliged to contribute to the scheme themselves, but in fact many do so. From the perspective of the employer, GPPs offer easier administration and typically lower costs than other kinds of pension schemes (for those that contribute). GPPs, just like personal pensions, are defined contribution arrangements. If a member leaves the employer they can simply take their pension with them and, therefore, a GPP is rather more portable, and more transparent, than occupational arrangements using defined benefit (DB) principles.

Members of GPPs can contribute up to a certain level each year depending on their age and earnings (prior to April 2006 when the limits change). Contributions qualify for tax relief at the highest income tax rate of the member. Contributions can generally be started and stopped to suit personal circumstances. The benefits of the pension can generally be taken between age 50 and 75 (although the minimum age is rising to 55 after the year 2010). As with other kinds of pensions, up to one quarter of the value of the fund may be taken as a lump sum which is tax free. The precise nature of the benefits also depends on whether the employee is contracted out of the State Second Pension (S2P).

7.3 Extent of access to and employer contributions towards Group Personal Pensions

Overall, six per cent of organisations had set up a GPP (Table 7.1). In almost all cases there were at least some active members of the scheme and a very high proportion of employers were making contributions to GPPs.

The proportion of firms providing GPPs seemed to be related to the size of the organisation. Where the company only employed four or fewer employees, just one per cent offered access to a GPP. This rose to eight per cent among organisations employing five to 12 employees and reached a high of 47 per cent for those companies with 1,000 or more employees. Overall, therefore, GPPs are most commonly found in medium- and larger-sized employers.

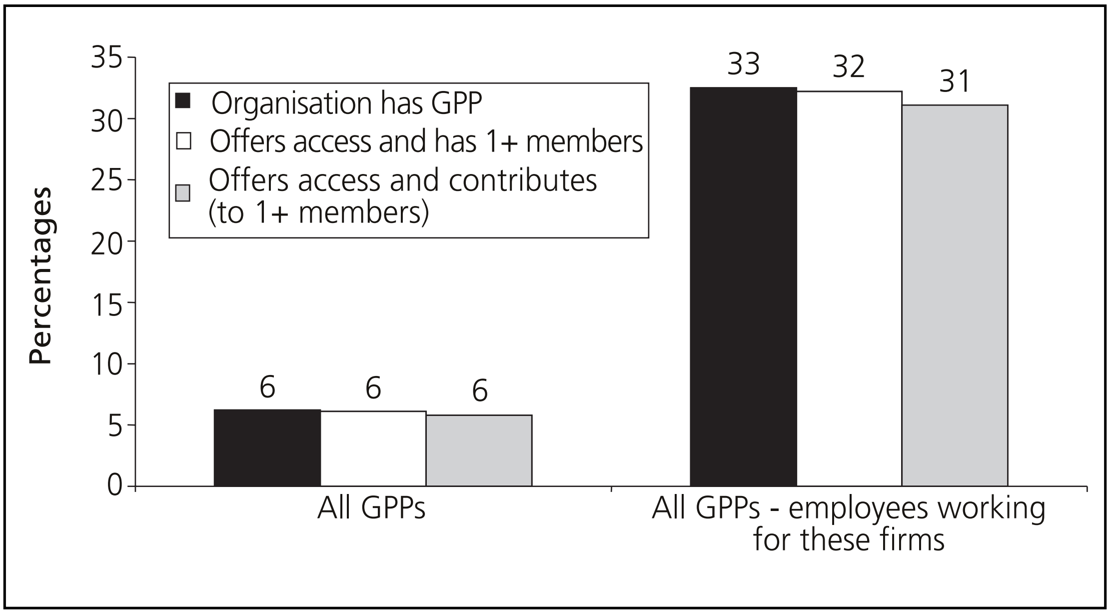
Table 7.1 Access to and contributions towards GPPs

Column percentages

	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Organisation has a GPP	1	8	16	29	39	44	44	47	6
Offers access **and** has >0 active members	1	7	16	29	39	44	44	44	6
Offers access **and** employer contributes (to some at least)	1	7	14	28	37	43	43	43	6
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*
Weighted base	*1,479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*

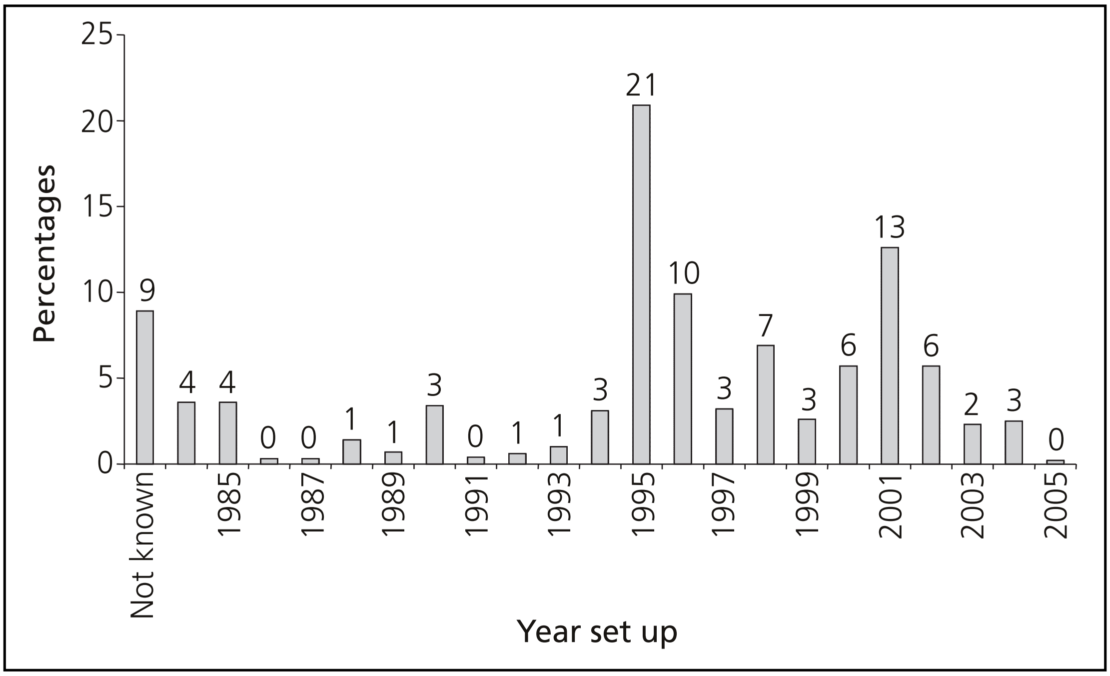
In Figure 7.1 we show the proportion of employees who work for firms that provide GPPs. Although, overall, six per cent of organisations provided a GPP, one-third of employees (33 per cent) were working for firms with GPPs. Similarly, 31 per cent of employees were working for firms where the employer was contributing towards at least one GPP.

Figure 7.1 Incidence of GPP arrangements of different types



In Figure 7.2, we show when the GPPs were set up by employers. Just under ten per cent of respondents were not sure when the scheme had been set up. Among those that were aware, there was clearly a spate of new GPPs in 1995 and 1996 and a second wave being established in 2001. The second peak in 2001 may be related to when Stakeholder pensions (SHPs) were introduced. SHPs were first introduced in April 2001, and became compulsory for most firms in October of that year. Because GPPs provide one means of becoming exempt from Stakeholder provision it is likely that some of those set up in 2001 were established, at least in part, to gain this exemption. Since then, relatively few new GPPs seem to have been established with only five per cent of the GPPs in 2005 having been established since 2003.

Figure 7.2 When GPP arrangements were put in place



7.3.1 Replacing previous provision

According to the 2003 survey, in 19 per cent of firms, GPPs had been established replacing a previous form of pension provision. In the 2005 survey, however, we found that GPPs had replaced a different kind of pension in 38 per cent cases, or double the figure from 2003. The introduction of SHPs in 2001 placed obligations on firms, from which they would be exempt if they had a GPP with at least a three percent employer contribution. At that time, and for companies established since then, firms would need to nominate a SHP or set up a GPP that satisfied these requirements.

For GPPs established in the late 1990s, in 60 per cent of cases they replaced some other kind of pension provision. However, among GPPs established in 2001 or after in only 21 per cent of cases was this to replace another type of pension provision.

7.4 Characteristics of organisations that provide Group Personal Pensions

In this section we attempt to model the characteristics of employers that are associated with having a GPP. The statistical technique we use is regression, specifically logistic regression, since we are looking at a 'yes or no' outcome – has a GPP, or not. The main results of the model are shown in Table B.3, Appendix B.

There were clearly a number of different factors associated with providing GPPs and one of the most important was the **size** of the organisation. Compared to organisations with at least 100 employees, those firms employing fewer than 12 employees were very unlikely to be providing GPPs. The likelihood of a firm having a GPP was also reduced among firms employing between 20-49 employees.

There was no clear link between the type of organisation or its legal status and whether a GPP was being provided. There were, however, some interesting links between the other kinds of pensions, which were being provided by an organisation and whether they provided a Group Personal Pension. If the firm had a SHP scheme in place then they were significantly less likely to be providing a GPP. This makes sense since they are (or firms may regard them as) alternative forms of provision from their perspective. However, where the organisation was contributing to the personal pensions of employees they were more likely also to have a Group Personal Pension arrangement. It is not clear **why** they would be providing both kinds of pension arrangement but these certainly seem to be complementary rather than competing forms of provision.

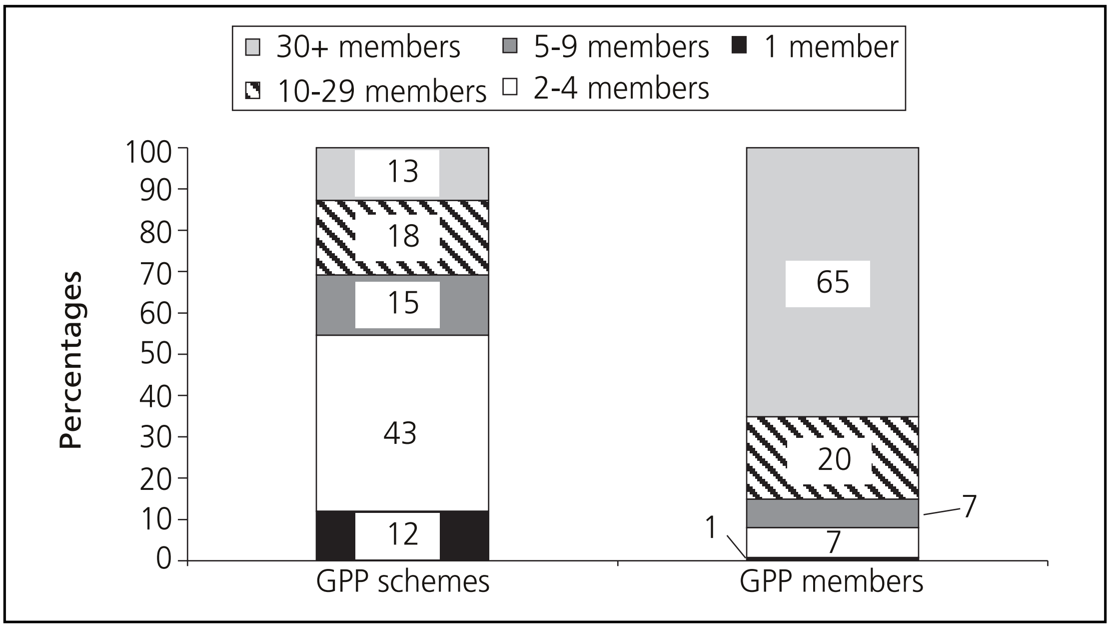
One of the strongest links was between whether the company was providing an occupational scheme that was open and whether they were providing a GPP. We have already noted that SHPs and Group Personal Pensions are, in a sense, substitutes. This was even more marked where the firm had an open occupational scheme. Where firms had an occupational scheme admitting new members the likelihood of providing a Group Personal Pension was extremely low.

There are two other sets of relationships also of interest. Those firms found in the Financial sector or in the 'Real Estate' sector of the economy were more likely than firms in other sectors to be providing Group Personal Pensions - otherwise there was very little association between industry and providing a GPP. We also found that GPPs were more common where more than half the workforce worked full-time.

7.5 Numbers of employees participating in Group Personal Pensions

In Figure 7.3 we show the average size of Group Personal Pensions. Many GPPs are relatively small, in 12 per cent of cases there was only one active member of the Group Personal Pension and in a further 43 per cent of cases, there were only two, three or four members. In only 13 per cent of cases were there 30 or more members and in 18 per cent of cases there were 10-29 members. This might give the impression that GPPs are typically small, and certainly taking GPP schemes as a whole, the majority have few contributors. However, there are some quite large GPP arrangements in place and the perspective is rather different if we look at the number of members of GPPs. Some two-thirds of all members of GPPs (65 per cent) are in schemes with at least 30 members and a further 20 per cent of GPP members are in schemes where there are between ten and 29 members. In other words, most GPPs are small but those who have joined GPP schemes are typically found in the larger arrangements.

Figure 7.3 Number of members in GPPs



A similar perspective is provided by the results of Table 7.2, which looks at the size of firms that provided GPPs and the number of GPP members.

Overall, one-third of GPPs were found in organisations with five to 12 employees and a further 14 per cent were found in firms with one to four employees. As we know, a very high proportion of firms are relatively small and this is one of the reasons why they count for such a high proportion of GPP arrangements. However, they did not account for a very high proportion of GPP members. Only eight per cent of GPP members were found in firms with a dozen staff or less. Instead, a high proportion of GPP members worked in medium-sized and larger employers. Some 30 per cent of GPP members were working for companies with between 100-499 staff and 21 per cent of GPP members were working for companies with between 20-49 employees.

At the top end of the scale, 21 per cent of GPP members were found in organisations employing 500 people or more. The GPP schemes in this survey actually accounted for over 100,000 GPP members who were found in just over 1,000 different GPP arrangements.

Table 7.2 GPPs and GPP members, by size of firm

Column percentages

Size of firm	Percentage of GPPs	Percentage of GPP members
1-4	14	2
5-12	**34**	6
13-19	11	6
20-49	22	21
50-99	9	15
100-499	8	**30**
500-999	1	8
1,000+	1	13
Unweighted base	*1,003 (GPP schemes)*	*109,155 (GPP members)*
Weighted base	*162*	*162*

Modes shown in bold, to indicate the most common arrangement.

Next in this chapter we return to looking at firms of different sizes and analyse how many members of GPPs are working for these different sizes of firm and what a percentage of the workforce these comprise. Key results are shown in Table 7.3. As we found in the early part of this chapter, six per cent of firms provided GPPs, so in the vast majority of cases there were no employees in a GPP arrangement.

There were some impressively large GPPs in place among the medium-sized and large firms. In organisations employing 100-499 employees some 27 per cent had

GPP arrangements with 100+ members; this was also true of 35 per cent of firms employing 500-999 employees and 37 per cent of firms employing 1,000 or more. However, when we look at GPP membership as a percentage of the workforce, it was relatively unusual to have a high proportion or employees in a GPP. The main exception was in organisations with between 50-99 staff where in 17 per cent of cases, 40 per cent or more of the workforce were in a GPP and in organisations employing 100-499, in 16 per cent of cases, some 40 per cent or more of the workforce had joined the GPP. In only two per cent of cases, did at least three-quarters of the staff belong to a GPP.

Given the small size of most firms and hence, the small size of most GPPs, it is not surprising that overall, the average GPP had four active members. This was somewhat higher among the larger and more medium-sized companies. Where there was a GPP in place with organisations with 1,000+ employees, then the average GPP arrangement had 157 members and where the firm employed 500-999 people (and had a GPP) then an average of 105 people had joined that arrangement.

Table 7.3 GPPs access and membership

Column percentages

	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Number of members in GPPs									
None	99	93	84	71	61	56	56	56	94
1-2	1	5	3	3	2	2	0	0	2
3-4	1	1	3	3	2	2	2	*	1
5-9	0	1	4	7	4	2	*	1	1
10-19	0	*	7	8	7	3	3	2	1
20-99	0	0	0	7	24	7	4	4	1
100+	0	0	0	0	0	27	35	37	1
Median N (if any)	3	2	8	12	22	51	105	157	4
Per cent of workforce in GPPs									
None	99	93	84	71	61	56	56	56	94
<20%	0	*	3	9	10	18	27	39	1
20% < 40%	0	2	3	5	1	11	9	2	1
40% < 75%	0	4	4	8	11	12	6	2	2
75% +	1	1	5	7	6	4	2	1	2
Median % (if any)	75	40	53	45	35	27	16	8	40
Unweighted base	*128*	*250*	*193*	*327*	*253*	*562*	*225*	*463*	*2,401*
Weighted base	*1,479*	*632*	*106*	*119*	*35*	*25*	*3*	*3*	*2,401*

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

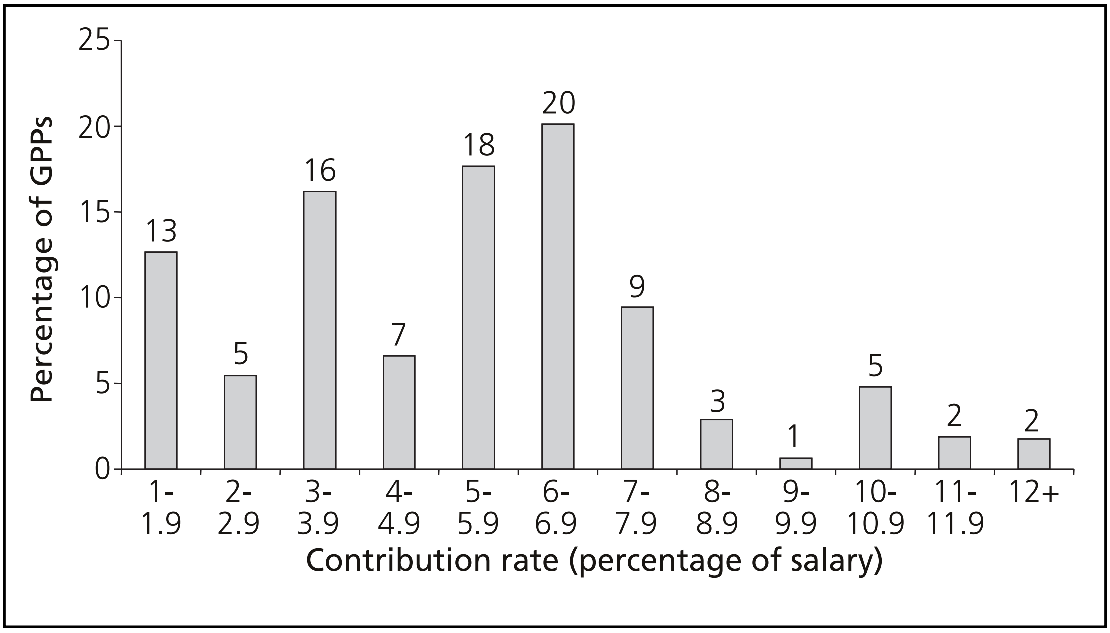
7.6 Employer contributions to Group Personal Pensions

Many firms contributed towards the GPPs of their employees. As many as 94 per cent of firms with a GPP were contributing towards it. Typically firms made such contributions for all their employees who had joined the GPP.

Employers were contributing an average (median) of five per cent of pay, and 80 per cent of firms cited figures as a percentage of earnings. For the 20 per cent who gave a money amount of contribution in their response, the mean was £3,300 per year, with a median of £1,170 – close to £100 per month in round figures, which was a common rate of contribution where money figures were cited. These levels of contribution are very comparable to those for SHPs, as analysed in the previous chapter.

For those GPPs where the employer contribution was quoted as a percentage (the variation between GPPs is shown in Figure 7.4), there were a number of 'typical' rates: around one in seven (13 per cent) were putting in one per cent of pay (1-1.9 per cent) – a figure quite plausibly equal to the administrative charge made by the GPP provider. A further one in every six GPPs (16 per cent) received an employer contribution of 3-3.9 per cent of pay. This would provide an exemption from the requirement to nominate a SHP. More generous employers were often providing around five per cent of pay (19 per cent) or six per cent (20 per cent). In ten per cent of GPPs, the employer contribution rate exceeded some ten per cent of pay.

Figure 7.4 Rate of employer contribution to GPPs



A more detailed breakdown of rates of employer contribution to GPPs is shown in Table 7.4, which analyses minimum and maximum levels of contribution as well as the average in the last two years. There appears to be greater diversity than in 2003, with larger proportions of GPPs contributing lower rates (under four per cent), but also more contributing at least ten per cent of earnings

Table 7.4 Employer contributions to GPPs by size of organisation

Column percentages

	Minimum		Maximum		In two financial years	
	5-19	**20+**	**5-19**	**20+**	**5-19**	**20+**
Percentage of pay						
Less than 3%	16	16	16	10	8	4
3-3.9	43	20	8	11	15	18
4-4.9	1	10	0	6	5	9
5-5.9	10	18	8	21	8	28
6-9.9	0	7	36	12	32	8
More than 10%	10	11	12	23	9	10
Amount of money						
Up to £5 pw	1	9	2	2	2	5
£5.01 – £10 pw	12	*	11	1	12	*
£10.01 – £15 pw	1	1	1	6	1	1
£15.01 – £25 pw	3	1	1	2	1	5
£25.01 – £50 pw	2	2	3	1	3	*
More than £50 pw	2	4	2	6	5	13
Weighted base	*54*	*53*	*52*	*46*	*52*	*47*
Unweighted base	*60*	*699*	*56*	*629*	*53*	*564*

Base: GPPs receiving an employer contribution.

Note: * indicates less than 0.5% but more than zero; 0 indicates no actual cases.

8 Employers contributing to employees' personal pensions

8.1 Introduction

Employees may choose to take out personal pension plans, independently of any pensions offered by their employer. Personal pensions (PPs) are sold by banks, insurance companies and certain other organisations. Where employees do not have access to any occupational scheme (and also for those working as self-employed) personal pensions may be their only option for making their own non-state pension provision. Some employees who have taken out a personal pension may ask the employer to contribute towards it. The organisation is under no obligation to make a contribution but a sizeable number of firms do seem prepared to make contributions to employees' own personal pensions.

As we saw earlier in the report, this is one of the most common kinds of pension provision particularly in smaller and medium-sized employers. In this section, we begin by looking at the kinds of organisations that contribute towards their employees' personal pensions and for how many employees they do so. We then look at when they started making provision of this kind. Later, we run a statistical model of pension provision to look at the chances that firms will contribute depending on a range of their different characteristics (size, industry and other pension provision). We also analyse the levels of employer contribution being made to employees' own personal pensions.

8.2 Extent of access to and employer contributions towards personal pensions

Overall 15 per cent of organisations were contributing to their employees' personal pensions (Table 8.1). This varied from a low of 11 per cent (among firms employing between five to 12 employees) to a high of over one-quarter where the organisation had 100 or more staff.

Although it was common for firms to be making this kind of provision, the number of employees involved was typically very small. In 85 per cent of firms contributing towards personal pensions this was for only one member of staff. Among larger companies, contributing to employees' personal pensions, the average number was higher. Even so, in companies employing 500 or more staff, and contributing towards some personal pensions, on average, this was for three employees. So, although this kind of pension provision is quite common among employers, it usually includes very few employees. Among organisations with at least 100 staff, less than one per cent of their workforce benefited from this kind of provision.

Table 8.1 Contributions being made by firms to employees' personal pension plans

Column percentages

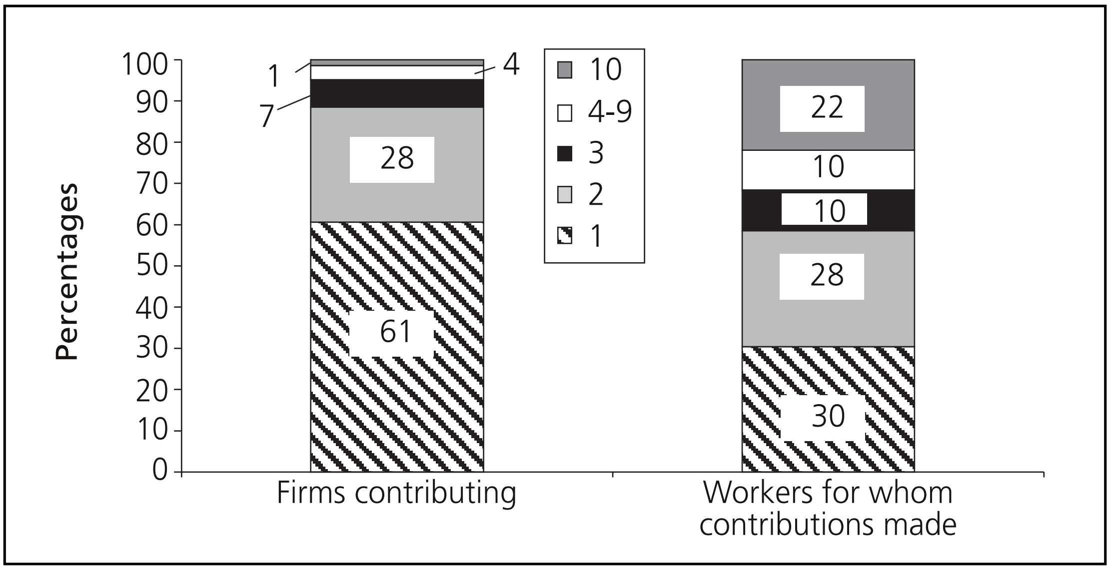
	Size of organisation								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Contributes to employees' personal pensions	16	11	17	22	22	28	20	24	15
Number of employees for whom firm contributes to personal pension plans									
None	84	89	83	78	78	72	80	76	85
1	12	4	8	8	4	11	4	9	9
2	3	6	2	6	10	4	5	2	4
3	1	1	2	2	3	3	2	2	1
4-9	*	*	4	4	3	6	6	4	1
10+	0	0	1	2	2	3	3	8	*
Median number (if any)	1	2	2	2	2	2	3	3	1
Per cent of workforce for whom firm contributes to personal pension plans									
None	84	89	83	78	78	72	80	76	85
<25%	0	5	12	21	20	26	19	24	3
25% < 50%	5	6	2	1	2	0	1	0	5
50% < 75%	8	0	1	*	*	*	0	0	5
75%+	3	*	1	*	0	0	*	0	2
Median % (if any)	50	27	12	7	3	1	1	*	40
Unweighted base	128	250	193	327	253	562	225	463	2,401
Weighted base	1,479	632	106	119	35	25	3	3	2,401

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

In Figure 8.1, we show more clearly the proportion of staff in companies who receive an employer contribution towards their personal pension. The left hand column/bar shows the percentage of firms who contribute, the right hand bar shows the number of employees who work in such firms.

Where firms are contributing towards employees' personal pensions, in 61 per cent of cases this is just for one person and only in 28 per cent of cases did this affect two members of staff. Only one per cent of firms were making these contributions on behalf of ten employees or more. If we now turn to the right hand bar this shows the distribution based upon the numbers of staff. So, 22 per cent of employees who are receiving this kind of contribution are working in firms where ten or more staff are covered. This shows a slightly less skewed distribution towards the smaller end but even so, one can see that these arrangements are for very small numbers of employees.

Figure 8.1 Proportion of employees for whom firm makes contributions towards their individual personal pension plans



Next, we show the size-distribution of those firms who contribute towards personal pension plans (Table 8.2). The last row of the table shows the relevant base for the analysis. There were 520 organisations who were contributing towards employees' personal pension plans in our survey and these covered just over 13,000 employees. Looking at firms, around two-thirds (65 per cent) of those contributing to any personal pensions employed less than five employees, and in a further 18 per cent of cases the firm was employing between five to 12 employees.

The right hand column provides the perspective based on the percentage of employees and the kinds of firms in which they are found. This shows a slightly different picture, so now 43 per cent of the employees affected are in the smallest firms but as many as 11 per cent of these employees are part of organisations employing 500 or more people.

Table 8.2 Distribution of firms making contributions towards their employees' own personal pension plans

Column percentages

Size of firm	Percentage of those firms contributing to any personal pension plans	Percentage of employees contributing to their personal pension plan
1-4	**65**	**43**
5-12	18	16
13-19	5	8
20-49	7	12
50-99	2	5
100-499	2	5
500-999	*	4
1,000+	*	7
Weighted base	*361*	*361*
Unweighted base	*520 (firms)*	*13,325 (employees)*

Note: employee-weighted figures in final column.

Note: * means less than 0.5% but more than zero.

Modes shown in bold.

In Table 8.3 we show when employers first started making provision of this kind, broken down separately for firms of different sizes. In many cases, firms had been making contributions to employees' personal pensions only in the relatively recent past and overall, just over half of these arrangements were begun in 2001 or later. Even so, a fair number of these arrangements go back to the late 1980s with around 28 per cent of firms starting to make this kind of provision before 1992 (that is, among those contributing towards personal pensions). Close to one in five of these arrangements (18 per cent) had started after the last Employers' Pension Provision Survey in 2003.

Table 8.3 Year that the employer first started contributing to employees' personal pension plans, by size of organisation

Column percentages

	Size of organisation			
	1-49	**50-499**	**500+**	**All**
1988 or earlier	8	10	16	8
1989 - 1991	20	7	5	20
1992 - 1997	8	24	28	8
1998 - 2000	23	14	16	23
2001 - 2003	23	34	26	23
2004 - 2005	18	12	10	18
Unweighted base	*120*	*152*	*117*	*389*
Weighted base	*326*	*11*	*1*	*338*

8.3 Personal pensions – replacing other type of pension provision?

Respondents were asked whether their organisation made any kind of pension provision for employees, before the firm started to contribute towards those employees' personal pensions. It was relatively unusual for firms to have had in place other kinds of provision (such as an occupational pension) before making contributions towards the personal pensions of employees. This tends to confirm that contributing to personal pensions by firms often takes place in the absence of other kinds of pension provision.

Among those firms contributing towards some employees' personal pensions, in only three per cent of cases was a different kind of pension previously made available for those employees (Table 8.4). In firms employing 500 people or more it was more common for those firms making contributions towards personal pensions to have used this to replace some other kind of pension provision (21 per cent of firms of this size). Even so, in the vast majority of cases this was not a replacement form of provision but clearly in addition to the other kinds of pensions available.

Table 8.4 Whether contributions to employees' own personal pensions replaced previous pensions for this group

Column percentages

	Size of organisation			
	1-49	**50-499**	**500+**	**All**
Offered another kind of provision previously	3	7	21	3
Unweighted base	*120*	*152*	*117*	*389*
Weighted base	*326*	*11*	*1*	*338*

8.4 Characteristics of organisations that contribute to employees' own personal pension plans

In this section we look at the characteristics of the firms that are more likely to be contributing to their employees' personal pensions. The statistical technique we use is regression and the main results of the regression model are shown in Table B.4 in Appendix B.

Perhaps surprisingly, the size of the organisation was not a particularly significant factor in explaining which firms contributes towards their employees' personal pensions. It was, however, clear that those firms employing 5-12 people were less likely to contribute to employees' personal pensions (after controlling for all other factors). Otherwise, there was very little relationship with size, which reflects what has already been presented. This kind of provision was also more common where the firm itself had been established in the 1980s. Firms that were either 'older' or 'younger' than this were less likely to be contributing towards employees' personal pensions.

In past chapters we have seen various ways in which one form of pension provision may act as a substitute for, or a complement, other forms of pension. This was no exception. Where the organisation had a Stakeholder pension (SHP) scheme in place they were slightly more likely to be prepared to contribute to employees own personal pensions. However there were no links with the provision of Group Personal Pensions (GPPs), or indeed having an occupational scheme, and whether they would contribute towards employees' own personal pension plans.

There did not appear to be any sectors of industry that were more or less likely to be contributing towards personal pensions. This finding contrasts with employer pension provision of some other kinds – there are particular industries associated with higher provision of GPPs and of SHPs, for instance.

The only other factor we found to be significant was the proportion of employees who were working full-time. Where at least half the members of staff were working full-time, it was more common for the firm to be contributing towards their personal pensions. We should of course re-emphasise that this form of provision is fairly uncommon – found in 15 per cent of firms but the proportion of staff involved is, generally, very small.

8.5 Rates of employer contributions to personal pension plans

We noted above that among firms who contribute towards their employees' own personal pension plans, typically this happens for only one or two employees in the firm. Perhaps for this reason, the rates of employer contribution involved were often quoted in money amounts by respondents to the survey. The figures cited varied considerably, but figures of £100 per calendar month, and £3,600 per calendar year, were often mentioned by respondents. The median rate, when expressed by respondents as a percentage, was eight per cent of pay. However, only a minority of responses were in the form of a percentage of salary. This figure (eight per cent of salary) was somewhat higher than the equivalent proportions of pay contributed towards GPPs and SHPs in particular. This adds weight to the suggestion that such contributions play a particular role in incentivising staff to either remain, or to join the company in the first place.

9 How employees join workplace-based pension schemes and the effects of contribution levels on membership

9.1 Introduction

In this chapter, we analyse the different ways that employees may join pension schemes, and the kinds of information about the scheme that they receive. An important aim of the analysis is to consider if there is a relationship between the mode of joining – whether this involves completing a detailed form, say, or is automatic – and the level of pension membership within firms.

Before 1988 it was possible for firms to compel new employees to join a pension scheme. After this date employees did not have to join schemes. Subsequently, there have been concerns that people may make the 'wrong' choice (e.g. failing to join a good scheme), something that will have implications for their income in retirement. Moreover, it may be cheaper for firms and pension schemes to automatically enrol people rather than actively 'recruit' them to the schemes. Employees offered an opt-out may behave quite differently to those who must take active steps to join. One of the aims of this chapter is to investigate just how much difference the joining mechanism may make to proportions of employees joining company pensions.

In this section we analyse the questions relating to how employees join schemes, and comment on patterns among different firms. We also provide a statistical investigation of the effect of different joining methods on overall membership of pensions within firms. We then consider the kinds of information about pensions that employees receive from their firm, both when they join the firm and at a later stage, for example, to encourage employees to make a higher pension contribution.

9.2 Joining pension arrangements in firms

Near the start of the interview, firms were asked how people joined their largest open pension scheme, or other pension arrangements. Respondents were presented with a number of different joining mechanisms for their main open pension scheme (if any). This covered the following methods (the full wording from the questionnaire is in italics):

Traditional opt-in: *'Fully complete and submit a detailed and lengthy form'.*

Streamlined joining: *'Complete a short, simplified form. That means that they may be required to do no more than signing a pre-completed form'.*

Active decision-making: *'Just make a Yes-or-No declaration stating whether they wish to join the scheme or not'.*

Automatic enrolment: *'They are automatically enrolled by the employer if they are eligible, so they have to actively do something to opt out'.*

In some cases the employer mentioned an alternative method, which was noted down, such as involving an independent financial adviser (IFA) to discuss the choice of scheme.

In Table 9.1 we show how often each kind of pension-joining method was used. The results are shown both for firms (what percentage of firms adopt particular practices) and for employees (what proportion of employees work in firms adopting those practices). Most firms had few employees, but a small number of very large employers account for most of total employment (as discussed in more detail in Chapter 1). The two sets of figures are quite different. The overall firm-level results are dominated by the practices of smaller companies, where each is a decision-making and administrative unit in its own right. The employee-level results are weighted more heavily to larger and medium-sized employers, in which most employees work.

In employers with open occupational schemes (and other arrangements, such as contributing to personal pensions) it was common for employers to use streamlined joining (27 per cent) or to use active decision-making (via a Yes/No declaration) (26 per cent). However, in many cases (23 per cent) the employee was unable to state the precise mechanism. This lack of knowledge was particularly common among smaller companies. In 13 per cent of firms the form needed for employees to join the pension scheme was fairly extensive, using the traditional opt-in approach. Only four per cent of companies said that they were using automatic enrolment.

The picture is changed somewhat by looking at employee-weighted results. This shows the proportion of employees who were part of companies using these different approaches to joining pensions. It was still most common for firms to have streamlined joining. Some 38 per cent of employees, among firms with any provision, were working for organisations that used streamlined joining – that is, having to complete a short form to join. A much smaller proportion were unaware of the correct procedure used when new employees joined, reflecting the fact that larger organisations were more likely to know. There was an even split between the other three main methods of joining, with one in six employees being automatically enrolled, and a similar proportion having a traditional opt-in or active decision-making.

For a small proportion of firms, and employees (four per cent), an IFA or bank was used to help people join the main pension arrangement.

Table 9.1 How employees join the largest open pension schemes in each firm

Column percentages

How employees join the scheme	Percentage of organisations	Percentage of employees working in such firms
Pre-coded options		
Traditional opt-in	13	16
Streamlined joining	**27**	**38**
Active decision making	26	16
Automatic enrolment	4	16
Answers coded from 'other' replies		
IFA sorts them out	3	3
Employee contacts bank or IFA	1	1
Other answers	2	2
Don't know	23	8
Unweighted base	*2,040*	*2,040*
Weighted base	*921*	*921*

Right-hand column is employee-weighted.

Base is firms with some kind of pension provision.

Modes indicated in bold.

9.2.1 Joining pensions and employer size

In this section we look separately at firms of different sizes, to see if there were differences in the methods they used to enable employees to join pensions.

The clearest feature of the method of recruiting people to the pension was that interviewees in organisations with fewer than 100 employees were quite often unaware of the method used (Table 9.2). Among firms with one to four employees, and an available pension, over one in four (29 per cent) did not know the procedure for a new employee to join their pension. This low level of awareness might reflect a lack of regular joiners among these firms. Lack of awareness of how employees would join a pension scheme was relatively rare among larger firms. In firms with 500-999 employees, the proportion answering *'Don't know'* to how eligible employees joined the scheme was five per cent, and just two per cent for firms with at least 1,000 staff. This compares with 23 per cent among firms of all sizes.

Table 9.2 How employees join pension schemes by size of organisation

Column percentages

	Size of organisation (employees)								
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All
Pre-coded options									
Traditional opt-in	13	12	10	19	18	20	20	15	13
Streamlined joining	28	23	23	**28**	**34**	**35**	**55**	**60**	**27**
Active decision-making	26	**30**	**34**	22	20	20	6	8	**27**
Automatic enrolment	2	6	10	6	3	11	12	10	4
Answers coded from 'other' replies									
IFA sorts them out	3	2	1	5	7	5	*	3	3
Employee contacts bank or IFA	0	3	4	1	2	1	0	0	1
Other answers	*	3	3	2	2	2	2	2	2
Don't know	**29**	21	15	17	14	6	5	2	23
Unweighted base	*54*	*160*	*155*	*293*	*227*	*515*	*206*	*430*	*2,040*
Weighted base	*469*	*205*	*84*	*104*	*31*	*23*	*3*	*2*	*921*

Base is firms with some kind of pension provision.

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

Modes indicated in bold.

Generally speaking, small companies with fewer than 20 employees were most likely to have a simple Yes/No declaration (active decision-making) or streamlined joining. Automatic enrolment and traditional opt-in approaches were less common. For instance, active decision-making was used by 34 per cent of firms with 13-19 employees, and streamlined joining by 23 per cent. Ten per cent of these firms used a traditional opt-in and the same proportion used automatic enrolment. Larger firms were more likely to use streamlined joining. Over half of firms employing 500 or more employees used this method – 60 per cent among firms with 1,000 or more staff, and 55 per cent among firms with 500-999 staff.

Automatic enrolment (four per cent of pension-providing firms overall, but employing 16 per cent of employees) was found in over one in ten of organisations employing 100 or more people. However, there was no evidence that being very large (either 500-999 or 1,000 or more employees) was associated with any greater use of automatic enrolment.

Companies employing 500 or more staff were the least likely to have active decision-making – this was found among six per cent of firms with 500-999 employees and eight per cent among those with at least 1,000 staff.

9.2.2 Joining pensions and scheme type

In this section we consider the types of pension-joining mechanism being used by firms with different kinds of pensions (see Table 9.3 for results).

The traditional opt-in approach was uncommon across all types of pensions. It was somewhat more common among occupational pensions (17 per cent), while GPPs were the least likely to be using such a method (11 per cent). The two most commonly found approaches were streamlined joining and active decision-making (27 per cent of firms in each case). Streamlined joining was used by around half of all GPPs, nearly twice the overall average. Active decision-making was fairly common for Stakeholder pensions (SHPs) (28 per cent) and where firms were prepared to contribute to employees' own personal pensions (32 per cent).

Automatic enrolment was used by four per cent of firms. Those with Group Personal Pensions (GPPs) were the most likely to be using automatic enrolment, though this still only represented a minority (ten per cent) of GPPs. This kind of opt-out was even less common among other types of pension arrangement – just three per cent among both SHPs and occupational pension schemes.

Last, we have already noted that there was an apparent lack of knowledge among firms as to precisely how new employees would join existing pensions, with nearly one-quarter (23 per cent) unsure. This was most common among occupational schemes (36 per cent), these were mainly defined contribution (DC) schemes as seen in Table 9.4, and SHPs (26 per cent). Firms with GPPs seemed to have the highest level of knowledge of how people would join, with only five per cent unable to provide an answer.

In interpreting all these figures, it should be remembered that different scheme types reflect the size of the organisation. The choice of joining method may be reflecting both scheme type, and the size of the firm (although we have presented results separately for each factor).

Table 9.3 How employees join pension schemes, by pension type

Column percentages

	Main open scheme				
	SHP	**GPP**	**Occupational**	**Own personal pension**	**All**
Pre-coded options					
Traditional opt-in	14	11	17	13	13
Streamlined joining	26	**50**	19	19	**27**
Active decision making	**28**	16	19	**32**	**27**
Automatic enrolment	3	10	3	5	4
Answers coded from 'other' replies					
IFA sorts them out	1	6	2	6	3
Employee contacts bank or IFA	2	1	*	*	1
Other answers					2
Don't know	26	5	**36**	21	23
Unweighted base	*792*	*570*	*563*	*114*	*2,040*
Weighted base	*513*	*124*	*66*	*218*	*921*

Base is firms with some kind of pension provision.

Modes indicated in bold.

Note: * means less than 0.5% but more than zero.

A further breakdown by type of occupational scheme (defined benefit (DB) or DC) showed that in around two out of three DC schemes, the respondent was unsure of how employees would join the pension (Table 9.4). Many of the DB schemes just required a Yes/No declaration (39 per cent were using this form of active decision-making).

Just over half (54 per cent) of the hybrid occupational schemes used streamlined joining.

Table 9.4 How employees join pension schemes, by type of occupational scheme

Column percentages

	DB occupational scheme	DC occupational scheme	Hybrid occupational scheme	All scheme types
Pre-coded options				
Traditional opt-in	27	12	2	13
Streamlined joining	28	10	**54**	**27**
Active decision-making	**39**	5	41	**27**
Automatic enrolment	5	*	3	4
Answers coded from 'other' replies				
IFA sorts them out	*	3	0	3
Employee contacts bank or IFA	0	*	0	1
Other answers	*	4	*	2
Don't know	*	**65**	**0**	23
Unweighted base	*306*	*169*	*79*	*2,040*
Weighted base	*26*	*37*	*2*	*65*

Base is firms with some kind of pension provision.

Modes indicated in bold.

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

9.2.3 The reasons for these approaches to joining pensions

Firms were asked why particular mechanisms for joining pensions were in place. Respondents often gave several answers (Table 9.5). Overall, it was often said that:

- an expert had advised it (55 per cent of firms providing pensions);
- it was the best means of giving information to employees (50 per cent);
- it was simply that it was just what the pension provider offered (49 per cent); or
- it was good at encouraging more employees to join (42 per cent).

Table 9.5 Reasons why firms chose particular methods of joining pension schemes, by size of organisation

Column percentages, multiple response

	Size of organisation (employees)								
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All
Pre-coded options									
To give employees as much information as possible	47	50	58	52	**53**	**65**	54	52	50
To encourage more employees to join the scheme	41	36	55	38	51	60	**58**	**55**	42
To reduce costs	20	18	26	15	9	19	14	14	19
To reduce administration	26	26	36	29	23	35	27	51	27
It was recommended by a pensions industry expert	**53**	**59**	**60**	55	51	62	53	49	55
It was just what the pension provider offered	43	52	53	**59**	52	53	41	28	49
Answers coded from 'other' replies									
Makes it easier for employees	0	3	*	5	1	1	2	2	1
Other answers	3	2	1	*	1	0	3	6	2
None of these reasons	6	5	6	1	3	1	1	2	5
Don't know	*	5	2	5	5	3	9	3	2
Unweighted base	*45*	*135*	*134*	*255*	*198*	*481*	*194*	*418*	*1,860*[a]
Weighted base	*469*	*205*	*84*	*104*	*31*	*23*	*3*	*2*	*921*[a]

Note: [a] including a number (n=152) of less common methods

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

Clearly there was a good deal of overlap between the responses, with firms mentioning a number and indeed a wide variety of motivations, rather than any single strong reason. Overall, however, larger and medium-size employees were the most likely to focus on giving the employee the information they needed and increasing membership. Even so, and despite this pattern among larger firms, for companies with 13-19 employees, some 55 per cent mentioned encouraging more employees to join as a motivation. Firms employing 1,000+ employees were more likely to mention reducing administration (51 per cent mentioning this factor, compared with 27 per cent in total).

Smaller firms, not unnaturally, tended to emphasise the advice they had received or the practices of their pension provider. Such answers were also common among firms with 100-499 employees – among whom, 62 per cent said they were following the advice of a pensions expert, and 53 per cent said it was the option that came with the particular scheme.

By and large the methods of joining pensions were dictated by two imperatives: giving employees choice, and following what the scheme (or expert advice) dictated. In Table 9.6 we investigate how these choices relate to the different kinds of joining mechanisms that firms were using.

Table 9.6 Reasons why firms chose particular methods of joining, by method of joining used in main pension arrangement

Column percentages, multiple responses

	Traditional opt-in	Stream-lined joining	Active decision-making	Automatic enrolment	All
Pre-coded options					
To give employees as much information as possible	42	56	**55**	29	50
To encourage more employees to join the scheme	27	54	44	24	42
To reduce costs	7	21	27	13	19
To reduce administration	6	25	41	22	27
It was recommended by a pensions industry expert	50	**62**	54	42	**55**
It was just what the pension provider offered	**61**	54	42	**45**	49
Answers coded from 'other' replies					
Have to by law	0	0	*	11	1
Makes it easier for employees	1	1	3	0	1
Other answers specified	1	1	4	1	2
None of these reasons	11	2	1	12	5
Don't know	3	2	2	2	2
Unweighted base	*393*	*789*	*325*	*201*	*1,860*[a]
Weighted base	*123*	*248*	*244*	*39*	*921*[a]

Note: [a] including a number (n=152) of less common methods

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

Different reasons were given for having the particular joining mechanisms in place. Respondents could give a range of reasons behind their choices, related to costs, administration, encouraging more people to join and so on. Where a firm was using automatic enrolment (opt-out) this was often stated as being *'just what the pension provider offered'* (45 per cent) or the advice of an expert from the pensions industry (42 per cent); less commonly it was about giving employees information (only 29 per cent said this compared with half overall).

It was interesting to note that only around one-quarter (24 per cent) of those using automatic enrolment said this was to encourage more people to join the scheme. This was actually rather lower than was the case among firms that had either streamlined joining (where 54 per cent mentioned increasing membership levels) or active decision-making (44 per cent).

Those firms with active decision-making often said it was to give employees more information (55 per cent), was the result of expert recommendation (54 per cent) or that it was to encourage more employees to join the scheme (44 per cent). Those using the traditional opt-in approach to how employees joined pensions most often mentioned that it was what the scheme offered (61 per cent) or that it had been the advice of an expert in pensions (50 per cent).

The reasons for these choices are broken down by scheme type in Table 9.7. Among organisations where GPPs and occupational pensions were the main scheme type, the most common motivation was to encourage more employees to join. Where the scheme was a SHP, or the organisation contributed to individuals' personal pensions, the larger driving force was the recommendation of an expert from the pensions industry. The fact that the provider determined the method was also very common, accounting for just under half the responses (49 per cent).

Table 9.7 Reasons that firms chose particular methods of joining, by type of main open pension arrangement

Column percentages, multiple response

	Main open scheme				
	SHP	GPP	Occupational	Own personal pension	All
Pre-coded options					
To give employees as much information as possible	58	52	20	39	50
To encourage more employees to join the scheme	45	**63**	**46**	19	42
To reduce costs	15	10	7	38	19
To reduce administration	27	19	13	38	27
It was recommended by a Pensions industry expert	**62**	53	43	**45**	**55**
It was just what the pension provider offered	54	48	42	39	49
Answers coded from 'other' replies					
Have to by law	2	0	0	0	1
Makes it easier for employees	2	1	2	*	1
Other answers specified	*	2	2	6	2
None of these reasons	3	3	3	9	5
Don't know	2	3	11	2	2
Unweighted base	*678*	*539*	*550*	*92*	*1,860*
Weighted base	*379*	*117*	*42*	*171*	*709*

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

9.3 Exploring the effects of different joining mechanisms on pension membership within firms

An important question is whether different methods of joining pension schemes affect the number of people who join. One would expect, in particular, that an opt-out would be more effective in increasing membership than approaches requiring greater action on the part of employees. In Table 9.8 we show the average number of employees who have joined pension arrangements, broken down by size of firm and the main method of joining the pension arrangement.

In smaller firms, whilst the overall incidence of pension provision is rather low, in those firms providing pensions a high proportion of employees had joined. In firms with one to 19 employees, with at least one active member in a pension scheme, on average 57 per cent of employees were in a pension arrangement. This compares with 41 per cent among firms with 20 or more staff.

Within firms with 20+ employees, the proportion of staff that were in a pension arrangement averaged 60 per cent (median 77 per cent) where the firm used an automatic enrolment method of joining. This compared to 43 per cent for those using streamlined joining, and 41 per cent the longer type of application. Those using a simple Yes/No declaration tended to have a lower proportion having joined a pension, but such companies were about half the average size (108 employees compared with the 218 average) which might have been affecting the results. There are links between the size of company, the type of pension schemes offered, and levels of employee membership – which might be more important than the particular joining mechanism offered. Unravelling the separate effects of a range of different factors is something we address here, using a multivariate statistical approach.

Among the smaller firms, automatic enrolment was again the most successful in securing a high proportion of the workforce in pensions (the mean percentage joining was no higher than for those using a long form, but the median was somewhat higher[9]).

Table 9.8 Percentage of employees in pension schemes, by method of joining main open pension arrangement

	Traditional opt-in	Stream-lined joining	Active decision making	Automatic enrolment	All
Firms with 1-19 staff					
Number of employees: mean	6	6	6	9	6
Number in pension: mean	3	3	3	6	3
Percentage of employees in pensions in firms					
Mean	68%	57%	51%	67%	57%
Median	69%	50%	50%	80%	50%
Firms with 20+ staff					
Number of employees: mean	177	245	108	556	218
Number in pension: mean	66	100	42	456	106
Percentage of employees in pensions in firms					
Mean	41%	43%	33%	60%	41%
Median	29%	39%	26%	77%	33%

Base: Firms with at least one active member.

One limitation of the above analysis (in Table 9.8) is that it focuses only on differences in firms' pension joining mechanisms, and how this may affect pension membership levels. This could mean that the link is a coincidence, rather than a true causal relationship. For example, membership levels might be related to company size, and the joining mechanism also related to company size. If so, the apparent

9 For definitions of Mean, Median and Mode see Glossary of terms at the beginning of this publication.

relationship between joining mechanism and membership level would be an artefact (both elements being due to differences in size between firms) rather than being a truly independent effect. In particular, firms using auto-enrolment tended to be larger than average, and this might affect the results. For this reason, a multivariate approach provides a better way than a simple table to link the method of joining a pension with the firm's success in attracting people to join pensions.

Appendix B reports the results of some further statistical analysis that explores the relationship of membership levels in pension schemes and various characteristics of the firm including the joining method for their main open pension scheme. The impact of employers' contributions is explored in Section 9.4.

The first model (Table B.5) is based on all firms, with 20+ employees, with at least some pension members. Two separate models are shown. The first is a simpler model that is fairly easy to interpret, but which has some statistical limitations. The second model although more complex , is statistically more robust.

The results suggest some important links between the main method that employees use to join pensions, and the proportion of employees that become members of that pension. Compared with having a long form to complete, if the mechanism is automatic enrolment, an extra 18 per cent of employees appeared to have joined a pension. There were relatively small effects from having instead streamlined joining (+4 per cent, compared to a longer form) or active decision making (-5 per cent compared to traditional opt-in). For reasons we explain below, the analysis presented here cannot be regarded as definitive. However, it does provide further evidence of the positive impact of automatic enrolment methods on the likelihood of employees joining employer pension schemes.

The proportion of the employees in any pension was also higher, the greater the proportion of full-time employees in the organisation, but lower the greater the proportion of women. The effects of different size bands were relatively small, once the other factors had been controlled for in the analysis.

There are two important caveats to this analysis, one substantive and one technical. The more substantive problem is that the membership figures (the outcome variable) will reflect the past history of different schemes and the specific ways that employees could join them at the time – which might be different from the current arrangements.

The technical caveat is that models of this type[10] potentially give biased results. It is likely that an alternative statistical approach would yield similar results. However, the regression results should be regarded as exploratory rather than definitive. For this reason, the second model shown in Table B.5 is statistically more robust[11]. The

[10] The outcome variable is a percentage, censored at 0 and 100 per cent, and the outcome coefficients tend to be more towards zero.

[11] It is a generalised linear model, with a logit link and from the binomial family – and the model was run in stata.

interpretation of the figures is, however, somewhat more indirect. The second model confirms just about all the results from the first model – the same variables are statistically significant in both models (with only minor exceptions), and those with a positive effect in one model have a positive effect in the other.

The second model looks at the effects of the same factors by changing just one variable at a time – whilst keeping the other values fixed. This has been shown for differences in the kinds of joining mechanism. The model suggests that membership levels would be 40 per cent in the absence of streamlined joining, and 46 per cent for those with this kind of entry to the main pension. The level of pension membership would be 40 per cent without automatic enrolment, but 61 per cent for those with automatic enrolment. Active decision-making was associated with a slightly lower proportion having joined. Each of these results confirms the findings of the simpler statistical model, and the variables have approximately the same size of effect (once relevant predictions are made using the model).

9.4 Pension membership within firms and the level of employer pension contributions

Do more employees join a firm's pension arrangements if there is a generous employer contribution? This section investigates this question using data from the Employers' Pension Provision Survey 2005.

Whilst it might seem likely (or even obvious) that a higher level of employer contribution would promote higher membership, data limitations and other factors discussed below make it difficult to explore the nature of that relationship in more depth.

Employees may be unaware of the level of employer contribution, and hence the level of contribution might not affect their decision about whether to join. Secondly, a higher contribution level might be seen as related to past problems of the pension scheme, and could signal potential funding problems rather than a higher level of benefits to current, or potential, active members. Also, there are likely to be many other mediating factors (such as joining mechanism, industry and size) that affect membership levels independently of the employer contribution, making it difficult to isolate the precise effect of the employer contribution.

Within the data available, a firm may have several pension schemes of different types (and perhaps more than one of the same type) each with differing levels of contribution and perhaps open to varying groups of employees. Moreover, longer established current pension members may have different terms to newer recruits. There may also be missing data for some of these arrangements. Overall, this makes it difficult to adequately summarise the employer contribution terms on offer within 'the firm' as there may be no simple description of them. Where we have information on several schemes the highest rate of contribution has been used; we look separately at firms where the level of contribution is not known as a percentage of earnings. It was also not possible to fully identify the numbers of employees who would be eligible to join schemes that are restricted to certain groups.

The main drawback of EPP data on this issue is that information on the level of employer contributions on offer were only collected where there was at least on pension scheme member. Firms with employer contribution and no members cannot be identified explicitly in the data. So the results on the link between an employer contribution and membership levels below are likely to underestimate the strength of this relationship.

All these factors make it difficult to establish the strength of the relationship between employer contributions and membership levels.

9.4.1 Organisations

We analyse firms with and without employees being part of their pension arrangements. We first summarize the situation among firms with no pension members, and then describe the overall membership levels and employer contributions in firms where at least one person **had** joined an available pension.

In 72 per cent of cases firms had no pension members. These firms employed 27 per cent of all private sector employees. In firms with one to 19 employees, 75 per cent of firms had no pension members, compared with 33 per cent among firms with 20+ employees. Where there were no pension members, in 53 per cent of cases the firm said they had, nevertheless, selected a SHP that employees could join (69 per cent in firms with 20+ employees)

We now consider firms that did have at least one member of a pension scheme. Where there was no employer contribution available (only 12 cases), still some 28 per cent of employees were in an employer-provided pension arrangement. These were SHPs with no contribution, plus a few GPPs where the employer did not seem to be contributing.

Where there was an employer contribution, but of less than three per cent (125 cases), then 47 per cent of employees were in pensions.

In firms where the employer contribution was three per cent or more, but less than six per cent (445 cases), then 53 per cent of employees were pension members. Where the employer contribution was six per cent or more, 60 per cent were pension members (707 cases).

In many cases (510 cases), the level of employer contribution was either not available or was made on a lump-sum cash basis rather than as a percentage of earnings. In such companies, some 48 per cent of employees were in pensions. However, it is not easily possible to convert these kinds of lump-sum payments into amounts comparable to percentage figures.

9.4.2 Regression results

A regression approach was used to model the proportion of employees who had joined a firm's pension scheme (or schemes). It controlled for differences between firms in terms of size, method of joining, types of schemes, workforce composition and so on. This should help to show the effects of different levels of employer contribution on rates of pension membership.

Results are shown in Table B.6 in Appendix B. The overall results suggest that, compared with not having an employer contribution at all:

- having an employer contribution, of less than three per cent of salary, led to an extra 24 percentage points membership level;
- having a contribution of three per cent or more led to an extra 30 percentage points membership level;
- having a contribution, but of unknown size in the dataset, was associated with an extra 19 percentage points membership, compared with the baseline of having zero employer contribution.

There are different ways of selecting the sample for this analysis and, as discussed already, particular issues in modelling an outcome that is a percentage. The results should, therefore, be regarded as somewhat exploratory.

9.5 Information for employees and members

In this section we consider the types of information that employees may receive about pension provision, and if they receive any encouragement later on to contribute more to the pension.

9.5.1 Information at start-up

When joining an organisation staff may receive a range of different information about the pension provision – perhaps even prior to joining. The firms in the survey were asked what kinds of information and advice about the main pension they provided to employees. This was specifically about joining the pension. Results are displayed in Table 9.9.

Table 9.9 Types of information and advice offered to new employees about the pension scheme

Column percentages, multiple response

	Size of organisation (employees)								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Paper based information (leaflets, posters, staff newsletters etc.)	**45**	**65**	**65**	**67**	**64**	**75**	**88**	**64**	**55**
Staff Presentations	11	20	21	23	31	33	44	56	17
Electronic information	3	6	8	9	10	16	24	51	5
1-2-1 information session	22	45	44	47	52	62	58	54	34
1-2-1 advice from an IFA	38	42	51	48	63	60	41	23	43
Combined pension forecasts	16	10	12	20	23	28	34	20	15
None of these	41	14	9	10	5	4	4	1	26
Don't know	3	3	5	2	1	1	2	1	3
Unweighted base	*54*	*160*	*155*	*293*	*227*	*515*	*206*	*430*	*2,040*
Weighted base	469	205	84	104	31	23	3	2	921

Base is firms with some kind of pension provision.

Around one-quarter of firms (26 per cent) appeared to provide no information at all routinely, but the figures are highly skewed towards the 41 per cent of firms with one to four employees who provided no information. The information most typically provided was in the form of paper-based leaflets, newsletters and the like. This was deployed by over half of all firms (with pensions) and around two-thirds of firms excluding the smallest size band. One-to-one advice, either from the firm (34 per cent) or an IFA (43 per cent) were other popular ways of providing information. About one in six (15 per cent) provided combined pension forecasts, and this appeared particularly common among medium-sized companies (50-999 employees). It was among the largest employers (1,000+ staff) that most use was made of staff presentations (56 per cent) and electronic versions of information (51 per cent), which might conceivably be through websites and intranets.

This list of types of information provided on joining are shown, by scheme type, in Table 9.10. Most of the main types of pension provision relied to a great extent on paper-based information – 62 per cent for SHPs, 60 per cent for GPPs and 46 per cent for those with occupational pension schemes. GPPs were the most likely to provide access to advice from an IFA (63 per cent), though this was also common where the organisation contributed to individuals' personal pensions.

Table 9.10 Types of information and advice about joining the pension scheme, by main type of open pension provision

Column percentages, multiple response

	SHP	GPP	Occupational	Own personal pension	All
Paper based information (leaflets, posters, staff newsletters etc.)	62	60	46	40	55
Staff Presentations	20	28	17	2	17
Electronic information	3	16	13	1	5
1-2-1 information session	36	56	43	15	34
1-2-1 advice from an IFA	39	63	21	46	43
Combined pension forecasts	10	38	12	16	15
None of these	22	5	40	44	26
Don't know	4	*	7	*	3
Unweighted base	*792*	*570*	*563*	*114*	*2,040*
Weighted base	*513*	*124*	*66*	*218*	*922*

Note: * means less than 0.5% but more than zero.

Base is firms with some kind of pension provision.

9.5.2 Promoting higher levels of contributions

Last, we consider different means used by employers to generate increased contributions. Naturally this pre-supposes that staff have at least joined a work-based pension, and we will now examine this group.

Overall, close to two-thirds (62 per cent) of firms with any kind of pension in place did **not** use any particular methods to encourage members to make higher contributions. The most common methods used included advice on a one-to-one basis (22 per cent overall) and paper-based communications (14 per cent). It seems likely that some respondents are thinking in terms of routine communications, such as pension projections and identification of total contributions in wage-slips, as much as measures specifically targeted at promoting a higher level of contributions. Of course, such measures do partly aim at raising contributions, by letting people know how much they may later receive in retirement.

There were some differences among firms depending on their size, however (see Table 9.11). Among firms employing 1,000 or more people, around 60 per cent did have some means of encouraging members to increase their contributions, whilst 39 per cent did not try to do this (one per cent were unsure). This was often (36 per cent of firms with 1,000+ employees) in the form of paper-based information provided to members, such as information provided with wage-slips. Overall, 22 per cent of firms (with some pension provision in place) had one-to-one advice sessions that were intended, at least in part, to encourage members to increase their contributions. Some medium-sized and larger employers (100+ employees) had systems of escalating contributions over time that would automatically yield increases in the level of contribution to pensions.

Table 9.11 Mechanisms in place to encourage employees to increase contributions, by size of organisation

Column percentages, multiple responses

	Size of organisation (employees)								
	1-4	**5-12**	**13-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**All**
Group presentations	0	3	4	9	11	15	22	15	3
1-2-1 advice	20	18	27	24	34	**41**	26	20	22
Electronic communication linked to anniversary/ specific date	9	*	4	6	8	10	10	16	6
Paper-based communication i.e. wageslips, letters	9	16	22	15	24	39	**41**	36	14
A system of escalating contributions	7	9	7	6	11	25	22	19	8
Other answers	4	0	*	1	1	1	1	5	2
None of these	**63**	**66**	**58**	**63**	**53**	35	36	**39**	**62**
Don't know	6	3	4	1	3	1	4	1	4
Unweighted base	*60*	*172*	*160*	*303*	*239*	*551*	*224*	*459*	*2,168*
Weighted base	*564*	*232*	*87*	*106*	*33*	*24*	*3*	*2*	*1,051*

Note: * means less than 0.5% but more than zero, 0 indicates no cases.

In Table 9.12 a number of different ways of encouraging existing members to increase their pension contributions are analysed by the main type of scheme. In most cases (62 per cent) none of the methods were used, but among firms with GPPs some form of advice was often provided (56 per cent of firms with GPPs provided some advice). Occupational pensions were the most likely to have some form of escalating contributions (29 per cent). SHPs were the least likely to have mechanisms to promote higher contributions – 70 per cent had none of the mechanisms discussed. In some firms with SHPs, there was one-to-one advice to encourage higher contributions (16 per cent) and paper-based communications (14 per cent). They were, however, the most likely to have various forms of electronic communication linked to specific dates such as the anniversary of joining (eight per cent of SHPs compared with four per cent among GPPs and two per cent among occupational pensions).

Table 9.12 Mechanisms in place to encourage employees to increase contributions, by main type of open pension

Column percentages, multiple response

	SHP	GPP	Occupational	Own personal pension	All
Group presentations	3	5	3	*	3
1-2-1 advice	16	**56**	19	21	22
Electronic communication linked to anniversary/ specific date	8	4	2	6	6
Paper-based communication, i.e. wageslips, letters	14	23	22	7	14
A system of escalating contributions	6	15	29	2	8
None of these	**70**	36	**45**	**58**	**62**
Don't know	2	*	4	11	4
Unweighted base	*806*	*583*	*643*	*122*	*2,168*
Weighted base	*534*	*127*	*93*	*252*	*1,051*

Note: * means less than 0.5% but more than zero.

10 Recent and planned changes to pension provision

10.1 Introduction

In this chapter we look at changes that firms have recently made to their pension arrangements, as well as any changes that are under active consideration. However, we begin by looking at those organisations that did not make any pension provision at the time of interview.

10.2 Organisations not providing pensions

Where organisations were not making any kind of pension provision, they were asked for their main reason why not, and any other reasons that were relevant. The responses are shown in Table 10.1 for three different size bands of firms. These size bands differ from those used in most of the report, but make best use of the small numbers of larger firms without provision. The bands divide the sample into three groups of roughly equal size[12].

The most commonly cited main reason was being too small, which was given by 40 per cent of non-providers. This rose to 45 per cent among those firms with fewer than five employees, but still represented 20 per cent of firms employing at least 15 employees. The next most common reason was the view that pension provision was too costly, which 15 per cent of firms believed. This was less commonly the reason given by firms with 15 or more staff, within which only eight per cent mentioned the

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[12] Given the small number of firms with five or more employees without provision, this alternative size banding has been chosen to make best use of the available data. It splits the sample into three groups of approximately equal size.

cost as the primary reason for not having a pension. This group of slightly larger organisations was more likely to say that the staff did not want pensions, and/or had not asked for them – 19 per cent of non-providing firms with at least 15 employees. A number of this latter group (13 per cent) also attributed their lack of pension provision to being a family business.

Compared to the 2003 survey, non-providing firms were more likely to say they were too small (36 per cent in 2003; 40 per cent in 2005), more likely to say that providing pensions was too costly (12 per cent in 2003; 15 per cent in 2005), and also more likely to state that their staff simply didn't want them (seven per cent in 2003; ten per cent in 2005). Conversely, they were less likely to claim that staff already had pension provision, or that the decision related to some kind of company policy.

The second half of Table 10.1 shows the other reasons that were given, in conjunction with the main reason. Many firms in fact only cited a single reason for non-provision, and only 0.5 per cent of non-providing firms gave three or more reasons (despite this group having relatively short interviews, of course). The kinds of secondary reason given were often those of pensions being too costly, or that the staff were not interested in having pensions. A few more organisations also mentioned relatively small size as an additional reason for not providing pensions for their staff.

Table 10.1 Reasons for not providing pensions, among non-providers

Column percentages

	Size of firm (number of employees)			
	1-4	**5-14**	**15+**	**All**
Main reason				
Organisation is too small	45	22	20	40
Too costly	14	18	8	15
Staff don't want pensions	6	22	19	10
Firm only recently established	7	2	4	6
A family business	7	1	13	6
Mainly PT or temp staff	4	8	4	5
Haven't got round to it (yet)	1	7	2	3
Staff turnover too high	3	1	1	2
Staff have own pensions	1	6	1	2
Not company policy	1	1	10	1
Don't know	6	5	9	6
Main or other reason given				
Organisation is too small	55	33	22	49
Too costly	23	21	13	22
Staff don't want pensions	11	23	32	14
Mainly part-time or temp staff	9	13	6	10
Firm only recently established	7	3	4	6
A family business	7	1	13	6
Staff have own pensions	3	14	1	5
Haven't got round to it (yet)	1	7	2	3
Staff turnover too high	3	1	4	2
Not company policy	1	1	11	1
Don't know	6	5	11	6
Average number of reasons (excluding 'don't know')	1.4	1.3	1.4	1.4
Weighted base	*1,028*	*292*	*30*	*1,350*
Unweighted base	*82*	*72*	*79*	*233*

The reasons why firms did not provide pensions are analysed in Table 10.2 by when the company was established. The aim is to see if more newly-established organisations have different reasons for non-provision than longer-established firms. In fact, companies established since 1998 were likely to give the same kinds of replies as older companies. They were more likely to say that the company was relatively new (13 per cent, compared with six per cent overall) or that the staff were mostly comprised of part-time and temporary staff (eight per cent, compared with one or two per cent among older companies). They were much less likely to argue that the staff did not want (or had not asked) for pensions. Those firms established in the period up to 1980 were most likely, among non-providers, to say that this reflected staff wishes (25 per cent citing this as their main reason for non-provision of pensions).

Table 10.2 Key reasons for non-provision of pensions, by when firm was set up

			Column percentages
	Up to 1980	**1981-1997**	**1998-**
Main reason			
Organisation is too small	28	48	40
Too costly	16	8	18
Staff don't want pensions	25	13	1
Firm only recently established	-	*	13
A family business	9	8	2
Mainly PT or temp staff	2	1	8
Don't know	5	10	3
Weighted base	*295*	*424*	*621*
Unweighted base	*59*	*77*	*90*

Note: * means less than 0.5% but more than zero, whilst – indicates zero cases.

10.3 Recent changes

At the end of the questionnaire, respondents were asked what changes they were planning to make with regards to pension arrangements, and what changes had been made. The aim is to capture changes taking place over the last two years, reflecting the timing of the previous survey.

We now turn to some of the reported changes made to occupational pensions. We begin with changes in the basis of occupational scheme benefits from DB to DC (and the reverse) and from contracted out to contracted-in (or, not contracted out). Relatively few occupational schemes had made these kinds of changes (Table 10.3). Only two per cent of firms had changed the basis of their scheme benefits between defined benefit and defined contribution. The reverse change, from defined contribution (DC) to defined benefit (DB), was rare though not unknown. It is, perhaps, more likely that such major changes to occupational pension schemes would be accomplished in a different way, perhaps by closing one scheme and starting another.

In terms of contracting-out status, three per cent had made a change to contract back in to the State Second Pension (S2P), whilst two per cent had changed at least one scheme to be contracted out.

Table 10.3 Recent changes to occupational schemes among current providers

Column percentages

	Have any occupational schemes changed from:			
	DB to DC	DC to DB	Contracted out to contracted-in	Contracted-in to contracted out
Yes	2	*	3	2
No	95	99	91	92
Don't know	3	1	6	7
Weighted base	*155*	*155*	*155*	*155*
Unweighted base	*879*	*879*	*879*	*879*

Note: * means less than 0.5% but more than zero.

10.4 Anticipated changes

We next look at whether firms planned to introduce new kinds of pensions. We look separately at those with provision, and those without any existing pension.

10.4.1 Introducing additional provision among existing providers

Firms that had some kind of pension available to their employees were asked if they had seriously considered making a number of changes to pension provision, specifically to introduce Group Personal Pensions (GPPs), a Stakeholder pension (SHP), or start contributing to employees' personal pensions. In Table 10.4., a sizeable proportion of this group of employers (12 per cent) had considered contributing to employees own pensions, rather than what they currently did (such as a GPP or occupational pension). Some six per cent had considered introducing a GPP, and a similar proportion a SHP. These figures suggest a continuing dynamic pattern of provision among employers, with changes over time in the kinds of provision made.

The figures for switching to simply contributing to employees own personal pensions (12 per cent of current providers) were more than double what was found in 2003, when five per cent mentioned it. The proportion of organisations who had considered moving to a GPP was only three per cent when asked in 2003, rather than the six per cent found in 2005. More organisations in 2003 were, however, considering introducing Stakeholder arrangements (15 per cent). This fact is likely to be reflecting priorities at the time, given the closer timing to the legal requirement to provide access. As we have seen, more employees were in SHP arrangements in 2005 than in 2003, so this has been a slight area of growth at a time when the coverage of most forms of pension provision has fallen.

Table 10.4 Anticipated changes to pension schemes among firms already providing pensions

Column percentages

	Up to 1980	1981-1997	1998-
	Moving to a GPP arrangement (Base: no GPP, some other pension)	**Moving to a SHP pension arrangement (Base: no SHP, some other pension)**	**Contributing to personal pensions, to replace existing provision (Base: not doing so, some other pension)**
Yes	6	5	12
No	93	94	85
Don't know	1	2	3
Weighted base	*899*	*343*	*664*
Unweighted base	*1,364*	*648*	*1,623*

10.4.2 Introducing new pension additional provision among non-providing firms

Last in this chapter, we consider firms which are not providing any kind of pension provision had considered doing so. Firms, who had considered doing so, were asked whether they thought that such a significant change would be likely to occur in the next five years. Results are shown in Table 10.5. Overall, around one in five firms (19 per cent) with no existing pension provision said they had seriously considered introducing a pension for staff, and 11 per cent in total (among non-providers) thought this might happen in the next five years.

The chances that a new pension might be introduced were rather higher among those non-providers with at least 20 employees. Just over half (51 per cent) had seriously considered introducing provision and 43 per cent of this group thought this was likely to happen within the next five years. The chances of such new pensions provision were much less in firms with fewer than five employees – only eight per cent could foresee provision in the next five years.

Table 10.5 Whether organisation has considered introducing some form of pension provision for its employees (among firms with no current pension provision)

Column percentages

	Size of firm (number of employees)			
	1-4	**5-19**	**20+**	**All**
Has seriously considered new pension provision				
Yes	14	35	51	19
No	84	64	45	79
Don't know	2	1	5	2
Weighted base	*1,028*	*306*	*16*	*1,350*
Unweighted base	*82*	*97*	*54*	*233*
Whether thinks this will occur in the next five years?				
If considered: Yes	8	19	43	11
If considered: No	4	3	8	4
If considered: Don't know	2	13	*	4
(Not planning, or don't know if planning)	86	65	49	81

Note: * means less than 0.5% but more than zero.

Appendix A
Technical report on sampling, fieldwork and weighting

Written by Keith Boling and Catherine Grant, BMRB Social Research.

A.1 Introduction

In October 2004, The Department for Work and Pensions (DWP) commissioned BMRB Social Research to undertake the Employers' Pension Provision Survey 2005, the sixth in a series of biennial surveys dating back to 1994. The survey collected quantitative information on the current nature and extent of non-state pension provision within private sector employing organisations in Great Britain in 2005.

The study had the following specific aims:

- to provide a snapshot picture of non-state pension provision made by private sector employing organisations in 2005;
- to provide an up-to-date picture of current provision made by such organisations for comparison with findings from previous Employers' Pension Provision Surveys;
- to provide an indication of the extent of **non**-provision amongst such organisations and the groups of employees affected by this;
- to provide information on recent changes to the type and extent of provision made, including information on significant changes in pension provision made by such organisations in the last few years;
- to provide information on changes in provision planned by such organisations for the immediate future and the reasons for these changes;
- to provide an indication of the impact Stakeholder pensions (SHPs) (introduced in 2001) have had on pension provision within such organisations.

A.2 Method

As with previous surveys in the series, the 2005 survey was conducted using Computer Assisted Telephone Interviewing (CATI), allowing for maximum opportunity to compare the results with those from earlier surveys. The use of CATI for this type of survey had a number of advantages. The telephone research was easily controlled and supervised and allowed for a relatively short fieldwork period, a key consideration for this particular survey where time-sensitive information was collected from organisations. Centralised interviewing permitted careful sample management and maximum control of the interviewing at all stages, allowing both overall response and response amongst certain types of organisations to be monitored on a daily basis. This, therefore, ensured that a wide-range of organisations participated in the survey, providing representative results. The interview was conducted electronically with all questions and routing programmed automatically, meaning interviewers were free to concentrate on the respondent's answers and data was recorded accurately, a prime consideration for this particular survey where complex and detailed information was collected. Finally, telephone fieldwork encouraged participation whilst also allowing the respondent to participate at a time that suited them, an essential requirement of this survey where the respondents – busy professionals – needed some encouragement to take part and the flexibility of being able to take part at a time suited to them. Respondents were able to schedule appointment times for the interviewer to call, ensuring the sample and the interviewer's time were used most efficiently and respondents were more committed to taking part. On some occasions, these appointments were broken due to the busy nature of the organisations surveyed. However, a simple electronic process allowed the interviewers to reschedule an appointment and then move on to the next interview.

A.3 Fieldwork

The survey fieldwork was conducted between January and May 2005 and involved three main stages:

- **Stage one:** Contacting sampled organisations to identify the most appropriate person to interview, an essential stage to ensure the survey was conducted with the person who was most capable of answering the technical questions asked during the interview. This stage also checked that the organisation was in the private sector and was still trading. This stage was conducted between 31st January and 28th February 2005.
- **Stage two:** Despatching advance letters and a paper 'data sheet' to the person identified at stage one.
- **Stage three:** The main interview with the person identified at stage one. This stage was conducted between 9 February and 16 May 2005.

A.4 Advance letter, data sheet and website

As in previous years, a 'data sheet' and advance letter (Appendix C) were sent to the person identified at stage one of the fieldwork before they took part in the main interview at stage three. The letter was despatched on DWP headed notepaper to legitimise the study and, therefore, encourage response.

To reduce any confusion that might arise during the interview, the datasheet provided a description of the main types of pension schemes the organisations might provide. The datasheet 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. 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 main interview.

To help encourage response, a website was created for respondents to access: http://www.surveyofpensions.org The website was mentioned in the advance letter and respondents were encourage to access the site if they wanted more detailed information on the survey. The website also contained some extracts from previous reports so respondents could understand the nature of the survey and how the results would be used. Respondents were also able to download a copy of the letter and the datasheet and contact BMRB via the website if they had any further queries.

A.5 Questionnaire

The questionnaire (Appendix C) consisted of eight main sections:

Section A: About the Organisation

This section collected a range of information about the organisation, including the type of organisation and its workforce composition;

Section B: Selection of Schemes

This section collected information on the types of pension schemes and arrangements the organisation had in place and also included some questions for non-providers;

Section C: Stakeholder Pension Schemes

This section collected detailed information on any SHP schemes the organisation had in place, including details on contributions;

Section D: Employer Contributions to Private Stakeholder Pensions

This section collected information on contributions the organisation made to employees SHPs arranged privately;

Section E: Occupational Schemes

This section collected information on the type, size and valuation of occupational pension schemes, information on contributions and information on trustees and other topical issues such as pension sharing on divorce;

Section F: Group Personal Pensions

This section collected information on Group Personal Pension (GPP) arrangements, including contributions;

Section G: Personal Pension Arrangements

This section collected information on arrangements employers made for contributing to personal pensions (covering only personal pensions to which the employer makes contributions);

Section H: Recent and Planned Changes

This section collected information about any changes to pension provision the organisation had recently made or any changes planned for the future. This section also explored the impact SHPs had had on pension provision.

The survey was conducted using CATI software as part of the Quantum package. The same version of the questionnaire was used for all organisations with the relevant routing built into the CATI script. Section C was repeated for each SHP scheme the organisation had in place, up to a maximum of three times. Sections E and F were repeated for each occupational or GPP scheme the organisation had in place. To limit the burden on respondents, only the three largest schemes based on the number of active members were asked about in full detail. Where organisations had more than three schemes, they were asked a reduced subset of questions for the remaining schemes, up to a maximum of eight times. This subset of questions included key questions to allow classification of the type of provision and the extent of provision made across the workforce. Where organisations had a number of pension schemes in place or a particularly complicated set of arrangements, filtering the questionnaire in this way and asking a reduced set of questions for some provision ensured the burden on respondents was kept to a minimum.

A.6 Piloting

Minimal changes were made to the 2005 questionnaire and so it was felt to be unnecessary to undertake full cognitive piloting for the 2005 survey. However, since a small number of questions were added to the survey, a small scale telephone pilot was conducted prior to the start of the main fieldwork. The telephone pilot was designed to mimic the procedures to be used in the main survey. Therefore a small screening stage was undertaken and the contact identified was then mailed a copy of the letter and datasheet. This person was then contacted to be interviewed in the pilot stage. Interviewers were briefed face-to-face by researchers from BMRB and detailed interviewer instructions were also issued. BMRB researchers also monitored the telephone interviews as they took place to understand how the questionnaire was working in practice. Fifty-six organisations were interviewed during the pilot, covering a range of size bands and sectors. A sample for the pilot was drawn from the Inter Departmental Business Register (IDBR) sample provided by the Office for National Statistics (ONS) and these organisations were then excluded from the main stage sample. The pilot exercise was split into two phases to allow for changes to be made to the questionnaire between phases.

The pilot interviews took place between 25 January and 3 February 2005. In total, 56 pilot interviews were conducted.

A.7 Sample design

The survey is intended to provide estimates of pension provision which were representative of private sector employers in Great Britain in 2005. For the 2005 survey, as for the previous two surveys, the sample was obtained from the IDBR. The IDBR is a government database maintained by the ONS which is based on VAT and PAYE records. It was preferred over alternative sampling frames due to its greater coverage, particularly of smaller companies, and the amount of detail that could be obtained from the frame such as number of employees, legal status, and SIC03 code. The main drawback with the IDBR for this particular survey was that only a small proportion of records had telephone numbers. Therefore, telephone numbers had to be obtained after the sample was drawn, through a tracing exercise.

The population for the survey was defined as all private sector employers in Great Britain including private companies, sole proprietorships, partnerships, and non-profit making organisations. All public sector employers such as central government, local government and other public bodies such as health authorities and universities were excluded from the survey. Since the survey was only concerned with pension provision for employees, extremely small businesses that consisted only of owner-proprietors or owning partners (i.e. with no employees) were also excluded from the survey.

As in previous years, the sample design placed a great emphasis on large organisations. Although such organisations are relatively few in number, they account for a large proportion of the total labour force and so are important in terms of providing estimates for pension provision among private sector employees. In order to achieve a degree of over sampling among larger organisations the IDBR was first stratified by size band. Within each size band the file was further stratified by number of employees, SIC03 division, legal status and alphabetically by postcode.

Table A.1 shows the total population counts taken from the IDBR in December 2004 by number of employees. In order to achieve the required initial sample in each size band, a different sampling fraction was applied to each. This ranged from drawing one in 440 companies with one to five employees up to a census of companies with 5,000 or more employees. In total, the initial sample represented only 0.81% of all eligible private sector organisations in Great Britain, but due to the over sampling of larger businesses, the initial sample represented about 49 per cent of all employees in Great Britain.

Table A.1 Number of private sector organisations in Great Britain by size and selection fractions applied by size of organisation

Column percentages

Size band Number of employees	IDBR population count Number of units	 Percentage	Selection fractions 1 in N	 Percentage of population
1-5	1,111,983	*74.682*	440.22	*0.23*
6-12	196,832	*13.219*	195.85	*0.51*
13-19	63,680	*4.277*	63.62	*1.57*
20-49	73,773	*4.955*	56.53	*1.77*
50-99	21,765	*1.462*	18.86	*5.30*
100-249	13,028	*0.875*	11.30	*8.33*
250-499	4,046	*0.272*	3.51	*28.50*
500-999	2,042	*0.137*	1.77	*56.46*
1000-4999	1,465	*0.098*	1.12	*89.22*
5000 or over	338	*0.025*	1	*100.00*
Total	**1,368,297**	**100**	**123.10**	**0.81**

Table A.2 shows how the initial sample of 12,097 was broken down by size band both pre- and post-tracing for telephone numbers.

Telephone numbers were obtained for 74 per cent of the original sample. This was achieved through a variety of methods and sources. These included both electronic tracing and, where this failed to generate a number, manual tracing of numbers. Additionally, where a telephone number already existed from the IDBR, this was used if the tracing process failed to generate a number. Finally, once the tracing process was exhausted, researchers working on the survey re-examined the small number of large companies (1,000+) where a number had not already been obtained and tried to obtain a contact number through company websites.

Overall, there seemed to be no biases in the tracing process. The success rate in obtaining numbers for small employers was lower than for larger employers, but this had been anticipated in advance and had been taken into account when specifying the initial sample sizes by size band.

Table A.2 Pre- and post-trace sample by size band

Column percentages

Size band Number of employees	Initial sample from IDBR Number of units	 Percentage	Final sample after telephone matching Number of units	 Percentage
1-5	2,526	*20.88*	878	*9.86*
6-12	1,005	*8.31*	722	*8.11*
13-19	1,001	*8.27*	806	*9.05*
20-49	1,305	*10.79*	1,103	*12.38*
50-99	1,154	*9.54*	993	*11.15*
100-249	1,153	*9.53*	989	*11.10*
250-499	1,153	*9.53*	981	*11.01*
500-999	1,155	*9.55*	982	*11.03*
1,000-4,999	1,307	*10.80*	1,121	*12.59*
5,000 or over	338	*2.79*	332	*3.73*
Total	**12,097**	**100**	**8,907**	**100**

After tracing, a number of records were excluded from the sample. As in the 2003 survey, there were a number of SIC03 categories where it was felt the majority of employees would be covered by a public sector pension scheme. These were mainly in the education sector. Thus, all organisations with SIC codes 80100, 80210, 80220, 80301, 80302, or 80303 were excluded from the sample at this stage. This represented a total of 448 organisations.

Additionally, a comprehensive check for duplicate records was done. This was initially based on full postcode and telephone number. Where duplicate postcodes or duplicate telephone numbers were identified, all the records were manually checked. Where it was established that duplicate records did exist in the sample, they were removed.

Once the process of eliminating ineligible and duplicate records was completed, a final sample for the initial screening stage was drawn. This was done by applying a selection probability specific to each size band so that the profile of the screening sample by size band matched the profile of the initial sample shown in Table A.2.

At the initial screening stage a number of businesses were identified as being out of scope either because they had gone out of business, they were a public sector organisation, they had no employees, or the telephone number was unobtainable or incorrect. Of the remaining records in scope, contact names were obtained and contact details confirmed for 88 per cent of the sample. Of the small number of non-respondents at this stage, four per cent was due to non-contact in the fieldwork period and eight per cent was due to refusals to give any details.

The result of the initial screening process was a sample of 4,109 employers who were mailed a letter and a data sheet. Table A.3 shows the distribution of the sample of employers who were mailed a letter and data sheet by size band.

Table A.3 Screened sample by size band

Cell percentages

	Screened sample	
Size band (number of employees)	**Number**	**Percentage of employers contacted**
1-5	396	*9.6*
6-12	263	*6.4*
13-19	407	*9.9*
20-49	449	*10.9*
50-99	445	*10.8*
100-249	472	*11.5*
250-499	475	*11.6*
500-999	443	*10.8*
1000-4999	454	*11.0*
5000 or over	305	*4.2*
Total	**4,109**	**100.0**

A.8 Response rate

After the initial letter was sent out to employers, a total of 34 organisations contacted either DWP or BMRB to opt out of the survey before the start of the main stage fieldwork. These respondents were removed from the sample and the remainder of this section focuses on the 4,075 cases (the 'issued sample') remaining in the sample at the start of the main telephone interviewing stage.

Table A.4 shows that from the initial issued sample of 4,075, a total of 283 cases (6.9 per cent) were established as being out of scope for various reasons. From the remaining sample a total of 2,401 interviews were achieved, representing a response rate of 63 per cent. The main reasons for non-response were refusal (25 per cent), respondents being unavailable to do the survey during the fieldwork period (nine per cent), and abandoned or incomplete interviews (two per cent). In fact, there were 75 partial interviews that were abandoned or stopped at the request of the respondent. These 'partial' interviews have not been included in any of the analysis.

Table A.4 Response rate for main stage sample

Cell percentages

	Screened sample	
Size band	**N**	**Percentage**
Total issued sample		
Total issued sample	4,075	*100*
Out of scope		
Number incorrect/unobtainable	20	*0.5*
Fax/computer line	2	*
Duplicate record	59	*1.4*
Ineligible company[1]	135	*3.3*
No reply after at least 10 calls	43	*1.1*
No answer/answering machine	24	*0.6*
Total out of scope	**283**	**6.9**
Total Eligible sample	**3,792**	**100**
Unproductive outcomes		
Abandoned/incomplete interviews	75	*2.0*
Refused	961	*25.3*
Away during fieldwork period	354	*9.3*
Broken appointment	0	*0*
General call back	1	*
Total unproductive	1,391	*36.7*
Total complete interviews	**2,401**	**63.3**

[1] Reasons for ineligibility included companies with no employees, companies that had closed down or moved, and companies that categorised themselves as being in the public sector.

Table A.5 shows response rate broken down by size band. This shows that there were few obvious biases. Among smaller companies, the main reasons for companies being ineligible were primarily because it was established they had no employees, the company had gone out of business, or the telephone number proved to be incorrect or unobtainable. For larger companies, very few were recorded as being out of scope, a small proportion had closed down and a small number of duplicate numbers were identified during fieldwork. The overall response rate among the census companies (i.e. those with over 5,000 employees) was slightly higher than the overall response (66 per cent versus 63 per cent).

Table A.5 Main stage response rates by size band

Size band	Issued sample	Out of scope		Total in scope	Total non-effective	Achieved interviews[1]	Response rate
	N	n	*Per cent*	n	n	n	*Per cent*
1-5	396	60	*15*	336	145	191	*57*
6-12	261	25	*10*	236	89	147	*62*
13-19	406	35	*9*	371	124	247	*67*
20-49	444	43	*10*	401	137	264	*66*
50-99	439	11	*3*	428	141	287	*67*
100-249	463	29	*6*	434	163	271	*62*
250-499	471	33	*7*	438	154	284	*65*
500-999	442	22	*5*	420	160	260	*62*
1000-4999	448	16	*4*	432	176	256	*59*
5000 or over	305	9	*3*	296	102	194	*66*
Total	**4,075**	**283**	***7***	**3,792**	**1,391**	**2,401**	***63***

[1] It should be noted that the response analysis has been done on the basis of the number of employees as taken from the IDBR. Since the analysis in the rest of the report uses the number of employees given in the interview the number of interviews achieved in each size band will not match the tables in the main part of the report.

A.9 Data preparation and data output

The CATI questionnaire incorporated a number of checks to try and resolve any discrepancies during the interview. For this reason post-interview edits were kept to a minimum.

All verbatim answers at 'other – specify' and open-ended questions were inspected by coders. This resulted in some additional codes being added to the code frames of some questions. In all questions, the aim was to reduce the proportion of answers left in other to below ten per cent.

Four separate SPSS files were created. The main file was at the level of the company or organisation and consisted of 2,401 records. Additionally, three hierarchical SPSS files were created for occupational pension schemes, GPP schemes, and SHP schemes. In these files, each record represented a particular pension scheme, rather than a company or organisation.

A.10 Weighting

The aim of weighting is to compensate for differences in the probability of selection of each organisation and to ensure that the survey estimates are representative of the population as a whole.

The weights were derived in two stages: First, a design weight was applied to compensate for differences in the probability of selection within different size bands. This weight applied was simply the inverse of the selection fraction shown in Table A.1. Second, once these differences in the probability of selection had been compensated for, the achieved sample was weighted to the IDBR population by means of a cell weighting procedure.

The matrices that were used to derive the cell weights were based on the known distribution of the IDBR population by size of organisation and SIC03 division, for each of private companies, sole proprietors and partnerships. In deriving the cell weights, where cells were empty or contained very few cases, adjacent cells were merged.

Once the cell weights had been derived the final organisational weight *(orgwgt)* was computed simply by multiplying the design weight by the cell weight. The weights were then rescaled to ensure that the weighted sample size was the same as the unweighted sample size (n=2,401).

The weight for employees *(empwgt)* was derived by multiplying the organisational weight by the number of employees. This weight was also rescaled to ensure that the weighted sample size was the same as the unweighted sample size (n=2,401).

Finally, both scaled weights were multiplied by 100. The default output in SPSS shows percentages and absolute numbers rounded to the nearest whole number. Given the range of weights on the data file, this can have the effect of showing empty cells in SPSS output, when there are actually data in the cells. Multiplying the scaled weights by 100 is simply a means to remedy this problem.

Appendix B Statistical models: characteristics of firms that provide certain types of pension provision

Model 1
Regression model of whether employer has an occupational pension scheme

In this chapter we use the regression model approach to look at the characteristics of employers who do or do not have occupational pension arrangements for their employees. In the regression model a range of characteristics (size, industry, etc) is used to attempt to describe these firms.

The most appropriate statistical approach is called logistic regression, which is used when the outcome of interest has just two values (an occupational pension is provided, or not). The results of logistic regression models are shown in Table B.1. There are two substantive columns, the first considers whether a firm has an occupational pension scheme. In the second column we analyse just for firms with an open scheme. The same set of 'explanatory variables' – the characteristics whose effects we are interested in – has been used throughout. The explanatory variables we used were:

- legal status;
- size, in terms of number of employees;

- the year the firm began trading;
- whether the firm provides a Group Personal Pension (GPP);
- whether the firm contributes towards personal pensions;
- whether the firm has access to, and any members of, a Stakeholder pension (SHP);
- the proportion of staff who are full time;
- the industry in which the firm is located – see Glossary of terms for the meanings of the particular codes used.

Statistically significant results are indicated by shadowed rows.

Table B.1 Logistic regression models of has any occupational pension scheme, and whether has an open occupational pension scheme

Odds ratios

		Firm has occupational pension scheme	Firm has OPEN occupational pension pension scheme
Legal Status	Private co.	1.798*	1.339
Ref=partnership	Sole prop.	0.335	0.316
Size (employees)	1-4	0.071**	0.000
Ref=100-499	5-12	0.149**	0.061**
	13-19	0.245**	0.258**
	20-49	0.270**	0.286**
	50-99	0.457**	0.481**
	500-999	2.659**	2.299**
	1,000+	7.900**	6.84**
Year firm began	Missing	1.39	1.376
Ref=1980-89	Pre-1979	3.024**	1.488*
	1990-99	0.693*	0.484**
	2000-05	0.331**	0.327**
GPP status	Has GPP	0.383**	0.159**
(ref=No)	Don't know	1.033	0.995
Conts to PPs	Does this	0.854	0.971
(ref=No)	Don't know	0.940	0
SHP status	Access only	0.527**	0.201**
(ref=none)	Has members	0.431**	0.487
% FT staff	Missing	1.508	1.583
Ref=1-49%	Zero	0.488	0.003
	50-99%	2.191**	1.521**
	100%	1.713*	1.338*
Industry	A, B, C, E, F	0.966	1.316
Ref=D	G	0.740	0.839
	H, I	0.671	0.777
	J, K	0.654	0.857
	L, M, N, O	0.928	1.271
	R-square (Nagelkerke)	0.52	0.53
Base (unweighted)		*2,401*	*2,401*
With provision		*878*	*583*

Note: * significant at the 5% level, ** significant at the 1% level.

Note: see Glossary of terms for description of the industry codes.

Model 2
Regression model of employers with Stakeholder pensions

In this section we use the regression model approach to look at the companies that do or not offer Stakeholder pensions arrangements for their employees. In the regression model a range of characteristics (size, industry, etc) are used to attempt to describe these firms. Those results that are statistically significant have been indicated by shading the rows.

Table B.2 Logistic regression models of access to and contributions towards SHPs

				Odds ratios
		Firm offers access to SHP	**Someone has joined SHP scheme**	**Is contributing to some of own SHP**
Legal Status	Private co.	0.792	.956	1.611
Ref=partnership	Sole prop.	0.551*	.710	1.279
Size (employees)	1-4	0.066**	.056**	0.123**
Ref=100-499	5-12	0.580**	.227**	0.431**
	13-19	0.708	.403**	0.577*
	20-49	1.074	.535**	0.691
	50-99	0.893	.639**	0.615*
	500-999	0.852	1.086	1.077
	1,000+	0.896	1.322*	1.188
Year firm began	Missing	0.531*	.716	0.518
Ref=1980-89	Pre-1979	0.850	.934	1.102
	1990-99	0.859	.765	0.876
	2000-05	0.578**	.615*	0.766
GPP status	Has GPP	0.504**	.596**	0.557**
(ref=No)	Don't know	0.728	3.095	2.405
Conts to PPs	Does this	1.511**	1.476**	1.536**
(ref=No)	Don't know	0.575	.743	1.343
Occ scheme	Has occ	0.47	.561**	0.946
(ref=No)	DK	1.137	.677	0.731
% FT staff	Missing	0.983	1.812*	1.491
Ref=1-49%	Zero	0.504	.482	0.014
	50-99%	1.021	1.511**	1.419*
	100%	1.094	1.603*	1.425
Industry	A, B, C, E, F	1.651**	2.275**	2.299**
Ref=D	G	1.045	.883	0.821
	H, I	1.126	1.000	0.835
	J, K	1.152	1.054	1.156
	L, M, N, O	0.988	.900	0.899
	R-square (Nagelkerke)	0.13	0.13	0.10
Base (unweighted)		*2,401*	*2,401*	*2,401*
With provision		*1,516*	*823*	*440*

Note: * significant at the 5% level, ** significant at the 1% level.

Note: see Glossary of terms for description of the industry codes.

Model 3
Regression model of employers that have established GPPs

In this section we use a regression model approach to look at the companies that do or not have Group Personal Pensions arrangements for their employees. In the regression model a range of characteristics (size, industry, etc) are used to attempt to describe these firms.

The statistical technique we use is logistical regression, since we are looking at a 'yes or no' outcome – has a GPP, or not.

Those results which are statistically significant have been indicated by shading the rows. The numbers shown in the table are called odds ratios and give some idea of the likelihood of firms of different kinds providing a Group Personal Pension. Higher odds ratios indicate a higher probability that firms with that characteristic provided a GPP.

Overall the model was able to explain about 30 per cent variation in company decisions as to whether they provide a Group Personal Pension, which is a very respectable figure for statistical models of this kind.

Table B.3 Logistic regression models of organisation having established a GPP

Odds ratios

		Firm has established a GPP
Legal Status	Private co.	1.263
Ref=partnership	Sole prop.	.759
Size (employees)	1-4	.019**
Ref=100-499	5-12	.180**
	13-19	.247**
	20-49	.477**
	50-99	.856
	500-999	1.204
	1,000+	1.229
Year firm began	Missing	.653
Ref=1980-89	Pre-1979	1.194
	1990-99	.727*
	2000-05	.506**
SHP status	Has SHP	.362**
(ref=No)	Don't know	.308
Conts to PPs	Does this	1.949**
(ref=No)	Don't know	.697
Occupational scheme	Has open scheme	0.133**
% FT staff	Missing	1.904
Ref=1-49%	Zero	.000
	50-99%	2.403**
	100%	2.768**
Industry	A, B, C, E, F	1.397
Ref=D	G	1.297
	H, I	1.201
	J, K[a]	1.456*
	L, M, N, O	1.020
	R-sq (Nagelkerke)	0.29
Base (unweighted)		*2,401*
With provision		*795*

Note: * significant at the 5% level, ** significant at the 1% level.

Note a: SIC industries. J is 'Financial' and K is 'Real estate and business'. D is manufacturing. See Glossary of terms for description of the industry codes.

Model 4
Regression model of employers contributing to employees' personal pensions

A number of different characteristics are analysed and the level of significance is indicated by the shaded rows. Overall the model explained around 10 per cent of the differences between employers and whether they made this kind of provision.

Table B.4 Logistic regression models of organisation contributing to employees' personal pensions

Odds ratios

		Firm contributes to employees' own personal pensions
Legal Status	Private co.	2.108**
Ref=partnership	Sole prop.	0.417
Size (employees)	1-4	1.295
Ref=100-499	5-12	0.633*
	13-19	0.834
	20-49	0.757
	50-99	0.84
	500-999	0.915
	1000+	0.951
Year firm began	Missing	0.697
Ref=1980-89	Pre-1979	0.837
	1990-99	0.733*
	2000-05	0.406**
SHP status	Has SHP	1.483**
(ref=No)	Don't know	1.794
Has GPP	Has GPP	1.991
(ref=No)	Don't know	4.073
Occupational scheme	Has open scheme	0.853
% FT staff	Missing	0.533
Ref=1-49%	Zero	0.024
	50-99%	1.475*
	100%	1.57*
Industry	A, B, C, E, F	1.115
Ref=D	G	0.939
	H, I	1.161
	J, K	1.24
	L, M, N, O	1.24
	R-square (Nagelkerke)	0.102
Base (unweighted)		*2,401*
With provision		*535*

Note: * significant at the 5% level, ** significant at the 1% level.

Note: see Glossary of terms for description of the industry codes.

Models 5
Regression models of pension membership in private sector employers

The two regression models below (model 5.1, 5.2) look at the relationship between the percentage of the employees who have joined any available pension within the firm, and the various characteristics of the firm and the joining method for their main open pension.

Model 5.1
Regression 1

In the first model, the values shown have a simple interpretation – the 'coefficient' shown is the change in the expected percentage of workers who have joined any pension offered by the firm. So, for firms with an occupational pension, we see an extra 22 per cent of the workforce in one or other pension schemes, for GPP an extra six per cent, but for those with a nominated SHP, a 15 per cent reduction.

Table B.5 Regression models of percentage of workforce in any pension (firms with 20+ employees, and 1+ pension members)

	Coefficients from OLS regression model	Glm-based model (binomial, logit link)	Marginal effects (expected level with and without factor)
Constant term	3.2	-2.57**	
Has SHP access	-15.0**	-.696**	
Conts to PPs	-3.0*	-.157*	
Has occupational scheme	22.1**	1.061**	*31%/56%*
Has a GPP	5.6**	.301**	
Joining method (cf traditional opt-in)			
Streamlined joining	4.6**	.220**	*40%/46%*
Active decision making	-3.8	-.206*	*43%/38%*
Auto-enrolled	18.5**	.869**	*40%/61%*
Size (cf 100-499)			
20-49	6.4**	.334**	
50-99	3.0	.135	
500-999	-5.2*	-.265*	
1000-4999	-.5	-.028	
5000+	-1.4	-.041	
Percentage of workers full-time	0.4**	.024**	
Percentage of workers female	-0.01	.000	

Note ** means significant at the 1% level, and * significant at the 5% level.

N = 1,470.

OLS results overall: R-square = 0.378; Std error = 25.5.

Model 5.2
Regression 2

It is a generalised linear model, with a logit link and from the binomial family – and the model was run in Stata.

Table B.6 Regression model of percentage of workforce in any pension. Firms with at least 1 active member

Coefficients(a)

Model 1	Unstandardised Coefficients B	Unstandardised Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
Constant term	6.928	2.583		2.683	.007
Has SHP access	-15.902	1.253	-.219	-12.688	.000
Contributes to PP	-2.392	1.311	-.031	-1.825	.068
Has OCC pension	18.281	1.469	.264	12.447	.000
Has GPP	3.743	1.277	.054	2.931	.003
Joining method (cf traditional opt-in)					
Streamlined joining	2.830	1.274	.041	2.221	.026
Active decision making	-1.274	1.619	-.014	-.787	.432
Auto-enrolled	17.416	1.983	.155	8.781	.000
Size of firm					
SIZ4	2.787	1.639	.029	1.701	.089
SIZ5	-.333	1.806	-.003	-.185	.854
SIZ7	-9.267	1.944	-.083	-4.767	.000
SIZ8	-5.607	1.857	-.055	-3.020	.003
SIZ9	-6.636	2.225	-.056	-2.982	.003
Percentage of female employees	-.064	.019	-.056	-3.361	.001
Percentage of full-time employees	.181	.018	.171	9.925	.000
No employer contribution					
Employer contr <3%	24.195	2.811	.169	8.606	.000
Employer contr >=3%	30.314	1.939	.452	15.632	.000
Employer contr of unknown size	18.714	1.820	.239	10.284	.000

a Dependent Variable: NANYPC % of workforce in any scheme

Appendix C
Datasheet and advance letter

DWP Department for Work and Pensions

The DWP Survey of Employers and Pensions 2005

Data Sheet

This form is designed to help you when the BMRB interviewer telephones
PLEASE KEEP THIS FORM AND DO NOT RETURN IT TO DWP OR BMRB.

- **ABOUT YOUR ORGANISATION**

For these questions, we are interested in your organisation as it exists within **Great Britain** (i.e. England, Scotland and Wales). If your organisation consists of a number of businesses, such as a group of companies, the information required relates to **the whole of the organisation in Great Britain.** That is, the British parent company and **all** its subsidiaries and operations within this country.

Q1 How many employees are there in your organisation in England, Scotland and Wales?
(By employee, we mean someone with a contract of employment, including outworkers, but excluding any employees of other organisations working at your premises).

Q2 In what year did your organisation commence its operations in Britain?
(If your organisation has been subject to mergers / takeovers please use the earliest date that the organisation commenced).

Q3 How many employees work full-time?
(That is, for 30 or more hours each week. If you are unsure please give your best estimate).

Q4 How many employees are female?
(If you are unsure please give your best estimate).

Q5 And how many employees work in your present location?
(Please include only employees based at the site where you work)

- **TYPES OF PENSION PROVISION**

The next set of questions, ask about employers' contributions to three main types of personal pension provision: stakeholder pensions, Group Personal Pension plans and personal pension plans. Please complete the information for the types of schemes your company makes contributions to. **These types of pension often appear to be quite similar but may be distinguished in various ways - please see the notes by each question.**

Q6 __**Stakeholder Pension Schemes**__
If the company provides access to a Stakeholder pension, for how many employees does your organisation contribute to the stakeholder pension scheme?
(A stakeholder pension is a type of personal pension launched in April 2001. Stakeholder pensions are a form of private pension arranged between an individual and a pension provider such as an insurance company or a bank).

Q7 __**Group Personal Pension Schemes**__
For how many employees does your organisation contribute to a Group Personal Pension scheme?
(Group Personal Pension plans - GPPs - are personal pension plans that an employer has arranged with an insurance company, bank or building society for a group of employees. If the organisation provides access to more than one such scheme, please insert the number for the largest scheme. Please make a note of the equivalent numbers in any other available GPP schemes.

Q8 __**Other Personal Pension Schemes**__
For how many employees does your organisation contribute to a personal pension scheme?
(Personal pensions are a private form of pension arrangement between an individual employee and an insurance company, building society or bank. Employers may also contribute to plans).

- **OCCUPATIONAL PENSION SCHEMES**

The box below lists some types of occupational pension schemes. If your organisation has any of these types of schemes in place please answer the following questions.
If your organisation does NOT offer any of these schemes you do not need to answer any more questions on this data sheet. PLEASE KEEP THIS SHEET TO HELP YOU WITH THE INTERVIEW. Thank you.

DEFINITIONS OF OCCUPATIONAL SCHEMES

Occupational pensions are organised by the employer to provide employees with a pension and/or benefits when they retire from work. Usually the employer makes contributions for each employee who has joined the scheme. There are two main types of occupational pension scheme:

- a *salary-related* or *defined benefit* scheme where retirement benefits are based on length of service and salary,
- a *money-purchase* or *defined contribution* scheme where benefits are based on contributions made and investment returns during membership.

Industry-wide schemes are occupational pension schemes that are organised on an industry-wide basis.
Closed schemes are occupational pension schemes where no new members are allowed to join but contributions may still be made by existing members and/or their employer.
Frozen schemes are occupational pension schemes where no new members are allowed to join and generally no contributions are being or will ever be made by members and/or the employer.
Please include closed and frozen schemes on this data sheet but do not include any schemes that have been wound-up.

For employers with more than three occupational pension schemes, the interview will focus on the three largest schemes. However, we are also interested in collecting basic information about any other pension provision your organisation may provide for its employees. This information will be requested, if applicable, after establishing details of the main forms of pension provision.

FOR EACH OCCUPATIONAL SCHEME WE WISH TO ASK:

Size of scheme in terms of the number of employees who are active members

		Largest	2nd largest	3rd largest
Q9	**In which year was the scheme established?**			
Q10	**How many current employees are active members of the scheme?** *(Active members are current employees who belong to the scheme).*			
	How many active members are:			
Q11	**… full-time employees?**			
Q12	**… are women?**			
Q13	**How many deferred members does the scheme have?** *(Deferred members are people who were members of the scheme and who have now left, usually because they have joined a new employer. Contributions are no longer being made either by the member or employer. The rights are frozen or retained until they are drawn as a pension or transferred to a new scheme).*			
Q14	**How many current pensioners does the scheme have?** *(Current pensioners are people currently receiving a pension from the scheme).*			

FOR EACH OCCUPATIONAL SCHEME WE WISH TO ASK:		*Size of scheme in terms of the number of employees who are active members*		
		Largest	2nd largest	3rd largest

- **Trustees**

Q15	How many trustees does the scheme have?			
Q16	Does the scheme have a sole corporate trustee?	Yes/No	Yes/No	Yes/No
Q16b	If so, how many directors does it have?			
Q17	How many of these trustees or directors:			
a	… are active members of the scheme?			
b	… are current pensioners?			
c	… are nominated by members of the scheme?			

Q18	Is the scheme: (Please tick if yes)			
	Contracted out of the state second pension (formerly known as SERPS)	☐	☐	☐
	or, not contracted out?	☐	☐	☐

Q19	Is the scheme: (Please tick if yes) *(For definitions see box on page 2).*			
	Salary-related?	☐	☐	☐
	or, money-purchase?	☐	☐	☐
	or, uses both methods?	☐	☐	☐

- **Contribution rates**

Q20	What is the average rate at which scheme members contributed in the current financial year (2004/05)		%	
Q21	What is the average rate at which scheme members contributed in the previous 2 financial years (2002/03 and 2003/04) / since the scheme was set up (if less than 3 years old)?	%	%	%
Q22	What would be the organisation's normal contribution rate as a percentage of the payroll costs of an active member?	%	%	%

- **Scheme valuations**

			Largest	2nd Largest	3rd Largest
Q23	**If the scheme has had a Minimum Funding Requirement (MFR) Valuation, what was the value of the scheme's assets as a percentage of its liabilities?**	Less than 70%	☐	☐	☐
		70 to 89%	☐	☐	☐
		90 to 99%	☐	☐	☐
		100 to 119%	☐	☐	☐
	(We will ask in the interview about the date of this valuation, if any).	120% or more	☐	☐	☐

- **Value of pension rights, and divorce**

		Largest	2nd largest	3rd largest
Q24	**Since December 2000, how many earmarking or attachment orders has the scheme received from the courts?**	☐	☐	☐
Q25	**Since December 2000, how many pension sharing orders has the scheme received?**	☐	☐	☐

(Earmarking orders: When a court makes an order for a pension scheme member to pay part of their pension to their former spouse. The money belongs to the member until they retire and draw their pension at which time they will make payments direct to their former spouse from their pension payments. If the court doubts that the scheme member can be relied upon to make the payments an attachment order can be made in addition to the earmarking order. The attachment order is made against the pension scheme which is required to make payments on behalf of the pension scheme member direct to the former spouse from the member's pension when it becomes available.)

(Pension sharing orders are different from earmarking and attachment orders because an amount of money is transferred out of the divorcing scheme member's fund at the time of the divorce and used to buy a pension in the name of the former spouse which will be payable when he/she retires).

- **Pension ages**

Q26	**What is the normal pension age: ….for men?**	☐	☐	☐
Q27	**…. for women?**	☐	☐	☐
Q28	**If the normal pension age for men and women is equal, when was this introduced?**	☐	☐	☐

THANK YOU FOR COMPLETING THIS INFORMATION

<u>PLEASE KEEP THIS SHEET TO HELP YOU WITH THE INTERVIEW</u>

Pensions Analysis Directorate
Department for Work and Pensions
Adelphi
4th Floor
1-11 John Adam Street
London
WC2N 6HT

[Ref:]

[DATE]

Dear [NAME]

EMPLOYERS' PENSION PROVISION IN 2005

The Department for Work and Pensions is conducting an important research study of employers throughout Great Britain.

What is the research about?

The purpose of the research is to provide a picture of pension provision made by employers in 2005 and to gather information about any recent or expected changes in this provision. We are also interested in your views and experiences of recent changes in pension legislation and how this has affected pension provision in your organisation. The information collected will help to inform key government policies on pension arrangements.

Why are we writing to you?

Your organisation has been selected at random from the Government's *Inter-Departmental Business Register*, compiled from PAYE and VAT returns. To obtain a nationally representative picture of the nature of pension provision employers make for their employees, it is essential that as many organisations as possible take part in the survey. We are interested in **all** types of employers - those who do not have any pension arrangements for employees as well as those who do. We are interested in both small and large employers. If your organisation consists of a number of businesses, such as a group of companies, the information required relates to the whole of the organisation in Great Britain. That is, the British parent company and all its subsidiaries and operations within this country.

What happens now?

We have commissioned an independent research organisation, BMRB Social Research to carry out this study on our behalf. An interviewer will call you within the next two weeks to ask you to complete an interview over the telephone. It is estimated that the interview will take, on average, less than 20 minutes for most organisations contacted.

We are aware that you may need to collect some information from other people before the interviewer calls. Enclosed with this letter is a sheet to help you prepare in advance some of the details the interviewer will ask for when they call. This sheet covers some details about your organisation and any pension arrangements the company makes for any employees. We would be grateful if you could complete this sheet prior to the interviewer calling.

Please do not return this data sheet to me, as you will need to refer to it during the interview.

All information given in the survey will be treated in the strictest confidence by BMRB Social Research. No information identifying you or your company will be passed to the Department for Work and Pensions or to any other organisation without your consent.

You may wish to note that we have advised a number of professional bodies and employers' organisations that the survey is taking place. These are:

Confederation of British Industry	*Pensions Management Institute*
Institute of Directors	*Society of Pension Consultants*
Federation of Small Businesses	*Faculty and Institute of Actuaries*
Forum of Private Businesses	*Association of Consulting Actuaries*
Engineering Employers Federation	*Association of British Insurers*
National Association of Pension Funds	*Trades Union Congress*

There is a dedicated web-site (www.surveyofpensions.org) providing further information on the survey and showing some of the results from previous surveys. If you have any queries, please contact Catherine Grant at *BMRB Social Research* on 020 8433 4400 or by email at Catherine.Grant@bmrb.co.uk between 9.30am and 5.30pm Monday to Friday.

We hope you agree to take part and thank you in advance for your help.

Yours sincerely

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