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Research report

# Employers' Pension Provision Survey 2009

by John Forth and Lucy Stokes

Department for Work and Pensions

Research Report No 687

# **Employers' Pension Provision Survey 2009**

John Forth and Lucy Stokes

A report of research carried out by the National Institute of Economic and Social Research on behalf of the Department for Work and Pensions

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# Contents

Acknowledgements.....	xi
The Authors.....	xii
Abbreviations.....	xiii
Glossary.....	xv
Reporting conventions.....	xviii
Summary.....	1
1 Introduction.....	5
1.1 Introduction to the report.....	5
1.2 Background to the survey.....	5
1.3 Survey methods.....	6
1.3.1 <i>Sample selection</i> .....	6
1.3.2 <i>Data sheet and questionnaire</i> .....	6
1.3.3 <i>Fieldwork and response</i> .....	7
1.3.4 <i>Weighting and statistical inference</i> .....	7
1.4 The characteristics of private sector organisations.....	8
1.5 Overview of the remainder of the report.....	11
2 Overview of pension provision in 2009.....	13
2.1 Introduction.....	14
2.2 The incidence of pension provision in 2009.....	14
2.3 The nature of pension provision in 2009.....	16
2.4 Recent and anticipated changes in pension provision.....	29
2.4.1 <i>Introduction of new schemes</i> .....	29
2.4.2 <i>Anticipated changes in pension provision</i> .....	30
2.5 Multiple provision.....	31
2.6 Multiple membership.....	33
2.7 Characteristics of pension providers and non-providers.....	33
2.8 Reasons for provision.....	36
2.9 Reasons for non-provision.....	38

2.10	Employees' valuation of pensions .....	39
2.11	Trade unions' involvement .....	40
2.12	The Pensions Regulator .....	40
3	Occupational pensions: availability and membership .....	43
3.1	Introduction.....	43
3.2	Types of occupational scheme .....	44
3.2.1	<i>Multi-employer schemes</i> .....	44
3.3	Status of occupational schemes.....	45
3.4	Closure of occupational schemes .....	47
3.5	Size of occupational schemes .....	48
3.6	Membership profile.....	51
3.6.1	<i>Active members</i> .....	51
3.6.2	<i>Profile of all members</i> .....	53
3.7	Eligibility for occupational schemes .....	54
3.8	Vesting periods for open occupational schemes.....	55
3.9	Joining mechanisms for occupational schemes .....	56
4	Occupational pensions: contributions and benefits .....	61
4.1	Introduction.....	61
4.2	Contributions to occupational schemes.....	62
4.2.1	<i>Employer contributions</i> .....	62
4.2.2	<i>Employee contributions</i> .....	66
4.2.3	<i>Overall level of contributions</i> .....	70
4.3	Salary sacrifice arrangements .....	72
4.4	Contracting out of the State Second Pension.....	73
4.4.1	<i>Survivors' benefits</i> .....	74
4.5	Pension rights upon divorce .....	74
4.6	Normal pension age.....	74
4.7	Provision for early retirement.....	75
4.8	Provision for late retirement.....	76
5	Stakeholder pensions .....	79
5.1	Introduction.....	79

5.2	Access to workplace-based SHPs.....	80
5.3	Eligibility for workplace-based SHP schemes .....	83
5.4	Size of workplace-based SHP schemes.....	84
5.5	Joining mechanisms for workplace-based SHP schemes.....	86
5.6	Employer contributions to workplace-based SHP schemes.....	89
5.6.1	<i>Changes since 2007/08</i> .....	92
5.7	Mechanisms for encouraging employees to increase contributions.....	92
5.8	Salary sacrifice arrangements .....	93
5.9	Provision prior to establishment of workplace-based stakeholder scheme.....	94
5.10	Employers' engagement with employees' private SHPs.....	95
5.10.1	<i>Payroll deductions for employee contributions</i> .....	95
5.10.2	<i>Employer contributions</i> .....	95
6	Group personal pensions .....	97
6.1	Introduction.....	97
6.2	Access to GPPs and GSIPPs.....	98
6.3	Eligibility for GPPs .....	98
6.4	Size of GPP schemes .....	99
6.5	Joining mechanisms for GPPs.....	101
6.6	Employer contributions to GPPs .....	104
6.6.1	<i>Changes since 2007/08</i> .....	106
6.7	Mechanisms for encouraging employees to increase contributions.....	107
6.8	Salary sacrifice arrangements .....	108
6.9	Contracting out of the State Second Pension.....	108
6.10	Provision prior to establishment of GPP .....	109
7	Employers' contributions to personal pensions.....	111
7.1	Introduction.....	111
7.2	Extent of employer contributions to personal pensions .....	112
7.3	Eligibility for employers' contributions to personal pensions.....	113
7.4	Employer contributions to personal pensions.....	114
7.4.1	<i>Changes since 2007/08</i> .....	117
7.5	Salary sacrifice arrangements .....	118

7.6	Contracting out of the State Second Pension.....	118
7.7	Provision prior to establishment of employers' contributions to personal pensions.....	119
8	Conclusions.....	121
8.1	Introduction.....	121
8.2	Overall provision.....	121
8.3	Types of provision .....	122
8.4	Access and joining mechanisms.....	122
8.5	Contributions .....	123
Appendix A	Technical report on survey methodology.....	125
Appendix B	Population profiles, 2005-2009 .....	137
Appendix C	Standard errors for key estimates.....	139
Appendix D	Estimates of pension provision from EAS 2007-2009 .....	141
Appendix E	Tables to accompany figures .....	143

## List of tables

Table 1.1	Population and weighted sample (organisations and employment), by size of organisation .....	8
Table 1.2	Population and weighted sample (organisations and employment), by industry sector .....	9
Table 1.3	Weighted sample (organisations and employment), by age of organisation.....	10
Table 1.4	Weighted sample (organisations and employment), by workforce profile .....	10
Table 2.1	Any pension provision by size of organisation, 2007 and 2009 .....	15
Table 2.2	Overall incidence and type of provision, 2007 and 2009.....	18
Table 2.3	Overall incidence and type of provision among organisations, by size of organisation.....	19
Table 2.4	Overall incidence and type of provision among organisations, by industry sector.....	20
Table 2.5	Overall incidence and type of provision among organisations, by age of organisation.....	21
Table 2.6	Overall incidence and type of provision among organisations, by workforce profile.....	22
Table 2.7	Incidence of open schemes and those attracting employer contributions, 2007 and 2009 .....	24

Table 2.8	Incidence of open schemes and those attracting employer contributions, by size of organisation.....	25
Table 2.9	Incidence of open schemes and those attracting employer contributions, by industry sector.....	26
Table 2.10	Incidence of open schemes and those attracting employer contributions, by age of organisation.....	27
Table 2.11	Incidence of open schemes and those attracting employer contributions, by workforce profile.....	28
Table 2.12	Combinations of types of pension provision.....	32
Table 2.13	Organisation size and industry sector, by extent of provision.....	34
Table 2.14	Organisation size and industry sector, by type of scheme provided.....	36
Table 2.15	Main reason for providing pensions, by size of organisation.....	37
Table 2.16	Main reason for non-provision, by size of organisation.....	38
Table 2.17	Employers' perception of employees' valuation of pension provision, by main type of provision.....	40
Table 2.18	Employers' views of the Pensions Regulator, by size of organisation.....	41
Table 3.1	Status of occupational schemes, by type of scheme.....	45
Table 3.2	Status of occupational schemes, by year scheme established.....	46
Table 3.3	Numbers of active members in occupational schemes, by type and status of scheme.....	48
Table 3.4	Size of organisation, by number of active members in occupational scheme.....	49
Table 3.5	Percentage of employees that are active members of open or closed occupational pension schemes, by size of organisation.....	50
Table 3.6	Percentage of employees that are active members of open or closed occupational pension schemes, by industry sector.....	50
Table 3.7	Type and status of occupational schemes (schemes and active members).....	51
Table 3.8	Profile of active members of occupational schemes, by type and status of scheme.....	53
Table 3.9	Profile of total membership of occupational schemes, by type and status of scheme.....	54
Table 3.10	Eligibility criteria for open occupational schemes (schemes and active members).....	55
Table 3.11	Vesting periods for open occupational schemes, by size of scheme.....	56
Table 3.12	Joining mechanism for open occupational schemes, by type of scheme.....	57
Table 3.13	Reasons for choosing joining mechanism for open occupational scheme, by type of joining mechanism.....	58

Table 3.14	Information and advice provided about joining open occupational schemes, by type of scheme.....	59
Table 4.1	Employer contributions to occupational schemes, by type and status of scheme (schemes and active members) .....	63
Table 4.2	Employer contributions to occupational schemes in 2007 and 2009 (schemes and active members).....	65
Table 4.3	Employee contributions to occupational schemes, by type and status of scheme (schemes and active members) .....	68
Table 4.4	Employee contributions to occupational schemes in 2007 and 2009 (schemes and active members).....	69
Table 4.5	Total contributions to occupational schemes, by type and status of scheme (schemes and active members) .....	70
Table 4.6	Total contributions to occupational schemes in 2007 and 2009 (schemes and active members).....	71
Table 4.7	Occupational schemes' relationship to the State Second Pension, by type and status of scheme.....	73
Table 4.8	Normal pension age in occupational schemes, by type and status of scheme .....	75
Table 4.9	Provision in occupational schemes for early retirement (schemes and active members).....	76
Table 4.10	Provision in occupational schemes for late retirement (schemes and active members).....	77
Table 5.1	Access and contributions to workplace-based SHPs, by size of organisation.....	81
Table 5.2	Access and contributions to workplace-based SHPs, 2007 and 2009.....	82
Table 5.3	Access and contributions to workplace-based SHPs, by industry sector.....	83
Table 5.4	Eligibility criteria for workplace-based SHP schemes, by size of scheme.....	84
Table 5.5	Size of workplace-based SHP schemes, by size of organisation .....	85
Table 5.6	Method of enrolment for workplace-based SHP schemes (schemes and active members) .....	87
Table 5.7	Reasons for choosing method of enrolment to workplace-based SHP schemes, by method of enrolment .....	88
Table 5.8	Types of information and advice provided to employees about joining the workplace-based SHP scheme, by size of scheme.....	89
Table 5.9	Active members receiving employer contributions, by size of workplace-based SHP scheme.....	90

Table 5.10	Average employer contributions to workplace-based SHP schemes (schemes and active members) .....	91
Table 5.11	Mechanisms to encourage employees to increase contributions, by size of workplace-based SHP scheme .....	93
Table 5.12	Whether workplace-based SHP scheme operates on salary sacrifice basis, by size of scheme .....	94
Table 5.13	Payroll deductions for employees with a private SHP.....	95
Table 6.1	Eligibility criteria for GPPs, by size of organisation .....	99
Table 6.2	Size of GPP schemes, by size of organisation .....	100
Table 6.3	Method of enrolment for GPPs (schemes and active members) .....	102
Table 6.4	Reasons for choosing method of enrolment for GPPs, by size of scheme .....	103
Table 6.5	Types of information and advice about joining the GPP offered to employees, by size of scheme .....	104
Table 6.6	GPP members receiving employer contributions, by size of organisation.....	105
Table 6.7	Average employer contributions to GPPs (schemes and active members) .....	106
Table 6.8	Mechanisms to encourage employees to increase contributions, by size of scheme.....	107
Table 6.9	Whether scheme operates on salary sacrifice basis, by size of scheme.....	108
Table 7.1	Eligibility criteria for contributions to personal pensions, organisations and employees.....	113
Table 7.2	How firms communicate to employees that employer contributions to personal pensions are available (organisations and employees) .....	114
Table 7.3	Employees receiving employer contributions to their personal pension plans, by size of organisation.....	116
Table 7.4	Average employer contributions to employees' personal pensions (schemes and active members).....	117
Table 7.5	Whether scheme operates on salary sacrifice basis, by size of scheme.....	118
Table 7.6	Proportion of employees who are contracted-out of the State Second Pension, by number of employees receiving contributions.....	119
Table A.1	Number of private sector organisations in Great Britain and selection fractions applied by size of organisation .....	127
Table A.2	Pre and post-trace sample by size band .....	128
Table A.3	Selected screener stage and Main stage sample by size band .....	129
Table A.4	Response rate for main stage sample .....	133
Table A.5	Main stage response rates by size band.....	134
Table A.6	Universe proportion by weighting categories .....	135
Table B.1	Profile of organisations and employment, by size of organisation.....	137

Table B.2	Profile of organisations and employment, by industry sector.....	137
Table B.3	Profile of organisations and employment, by age of organisation.....	138
Table B.4	Profile of organisations and employment, by workforce profile.....	138
Table C.1	Overall incidence and type of provision, 2009 .....	139
Table C.2	Incidence of open schemes and those attracting employer contributions, 2009 .....	140
Table D.1	Overall incidence and nature of provision (EAS 2007 and 2009).....	141
Table E.1	Type of scheme, by date of introduction.....	143
Table E.2	Main type of provision, by size of organisation .....	143
Table E.3	Type of occupational scheme, by scheme status .....	144
Table E.4	Whether occupational schemes are contributory for employees, by type and status of scheme (schemes and active members) 2007 and 2009.....	144
Table E.5	Salary sacrifice agreements, by type and status of scheme (schemes and active members).....	145
Table E.6	Size of workplace-based SHP schemes (schemes and active members) .....	145
Table E.7	Size of GPP schemes (schemes and active members) .....	146
Table E.8	Proportion of GPP members who are contracted-out of the State Second Pension, by size of scheme .....	146
Table E.9	Number of employees receiving employer contributions to their personal pension plans (schemes and members) .....	147

## List of figures

Figure 2.1	Type of scheme, by date of introduction.....	30
Figure 2.2	Main type of provision, by size of organisation .....	33
Figure 3.1	Type of occupational scheme, by scheme status .....	47
Figure 4.1	Whether occupational schemes are contributory for employees, by type and status of scheme (schemes and active members) 2007 and 2009 .....	66
Figure 4.2	Salary sacrifice agreements, by type and status of scheme (schemes and active members).....	72
Figure 5.1	Size of workplace-based SHP schemes (schemes and active members).....	86
Figure 6.1	Size of GPP schemes (schemes and active members) .....	101
Figure 6.2	Proportion of GPP members who are contracted-out of the State Second Pension, by size of scheme .....	109
Figure 7.1	Number of employees receiving employer contributions to their personal pension plans (schemes and members) .....	115

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# Abbreviations

APP	Appropriate personal pension
COMBS	Contracted-out mixed-benefit scheme
DB	Defined benefit
DC	Defined contribution
DWP	Department for Work and Pensions
EAS	Survey of Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms
EPP	Employers' Pension Provision Survey
GPP	Group personal pension scheme
GSIPP	Group self-invested personal pension scheme
IDBR	Inter-Departmental Business Register
NEST	National Employment Savings Trust
NIESR	National Institute of Economic and Social Research
PP	Personal pension
S2P	State Second Pension
SHP	Stakeholder pension scheme
SIC	Standard Industrial Classification



# Glossary

<b>Active membership</b>	Active members are current employees who belong to an organisation's pension scheme. The schemes may be open or closed to new members. Active members are distinct from current pensioners and deferred members (see below).
<b>Appropriate personal pension (APP)</b>	A personal pension that is contracted-out of the State Second Pension.
<b>Attachment order</b>	An arrangement introduced by The Pensions Act 1995 that enables courts to rule that on divorce (or dissolution of a civil partnership) a specified amount of a scheme member's pension, lump sum or both should be earmarked to be paid to the ex-spouse (or partner) when the pension falls due. May also be referred to as an earmarking order.
<b>Contracted-out Mixed Benefit Schemes (COMBS)</b>	Available from April 1997, these are contracted-out occupational schemes which have separate defined benefit and money-purchase sections and which contract out of both bases. 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').
<b>Contracted-out schemes</b>	These schemes are contracted-out of the State Second Pension (S2P) and must meet certain conditions. 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).
<b>Current pensioners</b>	Individuals who now draw a pension from the pension scheme. Mainly former employees, but may also include widows, widowers and other dependents of former active members of the scheme.
<b>Deferred members</b>	Deferred members (also known as deferred pensioners) are members of an occupational pension scheme who have left the scheme, usually because they have joined a new employer, and who are no longer paying contributions into the scheme. Their rights remain in the scheme until they are transferred to another pension scheme or a pension is paid at the normal pension age of the scheme.
<b>Defined benefit (DB) schemes</b>	Occupational schemes specifying the benefits that are paid on retirement (e.g. a fraction of salary for each year of service). Also known as 'salary-related' schemes.

<b>Defined contribution (DC) schemes</b>	Occupational schemes where the amount of pension is determined by contributions paid into the scheme and investment returns. Also known as ‘money-purchase’ schemes.
<b>Design factor</b>	A statistic which gives a measure of the extent to which the standard error of an estimate is inflated through the use of a complex sample design rather than a simple random sample.
<b>Earmarking order</b>	See ‘Attachment order’.
<b>Group personal pension (GPP)</b>	A pension that is provided through a contract between an individual and a pension provider, access to which is facilitated by the employer. Employers typically make contributions to GPPs, but they are not obliged to do so.
<b>Group self-invested personal pension (GSIPP)</b>	A personal pension in which the policy holder rather than the pension company chooses the investments. GSIPPs allow members to invest in a wide range of assets, including commercial property and individual shares.
<b>Mean</b>	The sum of all values divided by the number of these values. All data have equal influence on the mean, so it may not always be a very good measure of central tendency for data that include outlying values or which are unevenly distributed.
<b>Median</b>	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 as a measure of central tendency, particularly for unevenly distributed data or data that include outliers.
<b>Mode</b>	The most commonly observed value in a dataset. It is often used as the ‘typical value’ in a series of observations.
<b>Occupational pension schemes</b>	Pension schemes set up by an employer for the benefit of employees, with the employer making contributions to the scheme and generally meeting administrative costs. The scheme is provided via the employer, but the pension scheme takes the form of a trust arrangement and is legally separate from the employer. Types of occupational scheme include defined benefit, defined contribution and hybrid schemes.
<b>Pension sharing order</b>	An arrangement introduced by The Welfare Reform and Pensions Act 1999 that enables a scheme member’s pension rights to be split between spouses on divorce or between partners on dissolution of a civil partnership.
<b>Personal pension (PP)</b>	A pension which is provided through a contract between an individual and a pension provider. The survey only covered employees’ personal pensions where the employer made a contribution. This report makes a distinction between PPs, which are arranged by individual employees, and GPPs, access to which is facilitated by an employer.

Stakeholder pension (SHP)	A personal pension scheme which complies with regulations which limit charges and allow individuals flexibility about contributions. Introduced in April 2001. Employers with five or more employees who do not provide an occupational scheme or a GPP with an employer contribution of three per cent or more have a legal obligation to provide access to SHPs, but are not obliged to make contributions.
Standard error	A measure of the statistical precision of a survey estimate. There is a 95 per cent probability that the true value of the statistic lies within two standard errors either side of the survey estimate.
Standard Industrial Classification	<p>A system for classifying industries. The major groups identified are as follows:</p> <ul style="list-style-type: none"><li>A Agriculture, hunting, forestry</li><li>B Fishing</li><li>C Mining and quarrying</li><li>D Manufacturing</li><li>E Electricity, gas and water supply</li><li>F Construction</li><li>G Wholesale and retail</li><li>H Hotel and restaurants</li><li>I Transport, storage and communication</li><li>J Financial</li><li>K Real estate, renting and business activities</li><li>L Public administration</li><li>M Education</li><li>N Health and social work</li><li>O Social and personal services</li></ul>
Statistical significance	Identifies whether or not observed differences are likely to be the result of chance alone. Unless otherwise stated, in this report we focus on differences that are statistically significant at the five per cent level. This means that if 100 samples were drawn from the same population, we would expect to find this difference in at least 95 out of 100 cases. In other words, we can be reasonably confident that the difference is present in the actual population.
Top hat schemes	These are occupational pensions where membership is restricted to senior managers and directors.

# Reporting conventions

1. Row or column percentages may not sum to 100 due to rounding.
2. All reported items have less than ten per cent non-response, and all estimates have been calculated solely among respondents, unless otherwise stated.
3. Where multiple items appear in a single table, we report the lowest base that applies for any single row.

Symbols that appear in tables:

- 0 = Less than 0.5 per cent, including none.
- = Estimate not available, or suppressed because based on fewer than 50 observations.
- ( ) = Estimate based on between 50 and 99 observations; particular caution should be exercised over the precision of the estimate.

## Note on the precision of estimates:

With an estimated average Design Factor of 3.1 under the enterprise-based weighting scheme, an estimate of 50 per cent when based on the full sample of 2,519 observations would have a 95 per cent confidence interval of +/- six percentage points. An otherwise equivalent estimate based on 500 observations would have a 95% confidence interval of +/- 13 percentage points.

Note that throughout the report, unless otherwise stated, the discussion of results focuses on findings that were statistically significant at the five per cent level or better.

# Summary

## Introduction to the report

- This report presents findings from the Employers' Pension Provision Survey 2009 (EPP 2009). The survey was the eighth in a series, with previous surveys having been conducted in 1994, 1996, 1998, 2000, 2003, 2005 and 2007.
- The survey was conducted among a representative sample of private sector employers in Great Britain and provided information about their provision, or non-provision, of pension schemes for their employees. The sample was drawn in January 2009 from the Inter-Departmental Business Register (IDBR); small businesses without employees were excluded, as was the public sector. In 2009, the population of all private sector employers in Britain with one or more employee comprised around 1.6 million organisations, which together employed around 20.5 million employees.
- After a screening exercise to verify eligibility and identify the most appropriate respondent, participating organisations completed a 'data sheet' about their pension schemes and also completed a short telephone interview. Some 2,519 organisations provided complete interviews. The response rate at the main interview stage was 53 per cent, compared with a response rate of 56 per cent for the equivalent stage in EPP 2007.
- The principal aim of the report is to describe the extent and nature of pension provision among private sector employers in Britain in 2009. In respect of the extent of provision, the report covers the proportions of firms providing pensions and the extent of employee membership of employer pension schemes. In respect of the nature of pension provision, the report covers the types of provision, joining mechanisms and contribution rates. The report also outlines the main reasons for provision or non-provision of pensions and examines recent and planned changes in provision. Comparisons are also made with findings from the 2007 survey for key topics of interest.
- The vast majority of private sector organisations have small workforces. However, in 2009 the six per cent of organisations with more than 20 workers together employed 77 per cent of all employees. In order to provide a balanced representation of pension provision, the report often presents estimates of both the percentage of employers with a particular type of pension provision and the percentage of employees who work in those organisations.
- EPP 2009 was commissioned by the Department for Work and Pensions (DWP) and undertaken by TNS-BMRB. Data analysis and reporting was undertaken by the National Institute of Economic and Social Research (NIESR).

## The extent of pension provision in 2009

- In 2009, pension-providing organisations employed just over four-fifths (82 per cent) of all employees in the private sector. Although this represents a small reduction since 2007 (when the figure was 87 per cent), it continues to be the case that the vast majority of employees are employed in pension-providing firms.
- The percentage of all private sector firms making some form of pension provision appeared to decline between 2007 and 2009, from 41 per cent to 28 per cent. However, as with all survey estimates, these figures have a range of uncertainty around them and so the scale of the apparent decline is difficult to determine.

- Most of the decline in overall provision in EPP was due to a reduction in the provision of contributions to employees' private personal pensions. If one focuses on the provision of workplace pension schemes (thereby excluding employers' contributions to employees' personal pensions), the findings from EPP point towards approximate stability between 2007 and 2009 – with around three-in-ten private sector organisations providing workplace schemes in either year. These estimates align with those in a complementary Department for Work and Pensions (DWP) survey.<sup>1</sup>
- Workplace-based stakeholder pension (SHP) schemes continued to be the most common form of provision in 2009. They were provided by 23 per cent of all firms. Five per cent of firms provided group personal pensions (GPPs), five per cent made contributions to employees' personal pensions and two per cent provided occupational schemes. Less than one per cent made contributions to employees' private SHPs.
- Just over one quarter (27 per cent) of private sector employees were members of a work-based pension scheme. Thirteen per cent of all private sector employees belonged to occupational schemes. A further eight per cent belonged to GPPs, five per cent belonged to SHPs and one per cent belonged to arrangements whereby an employer made contributions to their personal pension.
- Among the 72 per cent of private sector organisations that did not provide a pension, the most common reasons given for non-provision were that the organisation was too small (36 per cent of non-providers), that pension provision was too costly (15 per cent of non-providers) and that staff did not want the firm to provide pensions (13 per cent of non-providers).
- Few non-providers (only nine per cent) expected to introduce pension provision within the next five years (i.e. by 2014). This may reflect the fact that the majority of non-providers are not yet aware of the workplace pension reforms. Fieldwork for EPP 2009 did, however, take place before the start of the DWP's communication campaign around the forthcoming reforms.

### Scheme status

- One quarter of private sector firms had some form of pension provision that was open to new members in 2009.
- Just under half of all occupational schemes (48 per cent) were open to new members – the same proportion as in 2007. The remainder were closed to new members. Around three-quarters (74 per cent) of closed schemes were accepting contributions whilst the remainder were frozen.
- Almost all (92 per cent) SHPs were open to new members, compared with three-quarters (74 per cent) of GPPs, and three-fifths of arrangements to contribute to personal pensions.

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<sup>1</sup> The 2009 *Survey of Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms* (EAS 2009) estimates that 33 per cent of firms provided some form of workplace pension scheme in 2009. See Forth, J. and Bewley, H. (2010) *Employers' attitudes and likely reactions to the workplace pension reforms 2009: report of a quantitative survey*, DWP Research Report No. 683.

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## Size of schemes

- Most occupational schemes had relatively small numbers of active members within the employing organisation (active members are current employees who belong to an organisation's pension scheme). Four-fifths (83 per cent) of schemes had fewer than 20 members among the firm's current workforce. However, a small proportion of very large schemes (those with 1,000 members or more) raised the mean occupational scheme size to 88 members.
- Around three-fifths (62 per cent) of SHP schemes had no active members. The majority of SHP schemes were small. Schemes with 50 or more members comprised less than one per cent of all schemes, but accounted for around half (52 per cent) of all active members.
- The majority of GPP schemes were small, but again most members were in larger schemes. While five per cent of GPPs had 100 or more members, more than half (55 per cent) of active members belonged to schemes of this size.
- Where firms made contributions to personal pensions, they were generally contributing for only a small number of employees. In almost three-fifths (57 per cent) of firms with these arrangements, only one employee was receiving contributions.

## Eligibility criteria

- Just over half (55 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join. The proportion was similar in 2007 (57 per cent).
- Three-fifths (62 per cent) of open SHP schemes and over one quarter (27 per cent) of open GPP schemes had no eligibility criteria. This compared with 16 per cent of open arrangements to contribute to employees' personal pensions. For all types of scheme, where access was restricted to certain types of employees, this was most commonly on the basis of minimum job tenure.

## Joining mechanisms

- One quarter (24 per cent) of open occupational schemes enrolled employees automatically into the scheme unless they opted out.<sup>2</sup>
- In both GPPs and SHPs, the most commonly used enrolment method was completion of one or more detailed forms, used by just over one-third (35 per cent) of GPP schemes and one-fifth (22 per cent) of SHPs.
- A similar proportion of open occupational schemes (22 per cent) required completion of one or more detailed forms, in just over one quarter (27 per cent) enrolment required signature of a simplified form.

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<sup>2</sup> It is likely that those firms citing the use of 'automatic enrolment' use some form of streamlined joining which nonetheless requires an employee's signature. Automatic enrolment without first obtaining an employee's consent (as envisaged under the workplace pension reforms) is not currently permitted for any type of pension scheme.

### Employer contributions

- One in ten private sector organisations had an open pension scheme that attracted employer contributions.
- The rate of employer contributions received by the average active member of an occupational scheme was 17 per cent for members of defined benefit schemes and seven per cent for members of defined contribution schemes.
- In around two-thirds (65 per cent) of SHP schemes with at least one active member, employers were contributing for at least some employees. The mean contribution rate, averaged across schemes, stood at 11 per cent of employees' pay; the average active member received a contribution equal to six per cent of pay.
- In the vast majority (95 per cent) of GPP schemes, employers were contributing for at least some employees. The mean percentage employer contribution rate, averaged across schemes, was seven per cent of employees' pay; the average active member received a contribution equal to six per cent of pay.
- Where firms contributed to employees' personal pensions, the mean percentage contribution rate, averaged across schemes, was equal to ten per cent of employees' pay in 2009. The average active member received a contribution equal to nine per cent of pay.
- There were no statistically significant changes in mean employer contribution rates for occupational schemes, SHPs, GPPs or contributions to personal pensions when compared with 2007.

# 1 Introduction

## 1.1 Introduction to the report

This report presents findings from the Employers' Pension Provision Survey 2009 (EPP 2009). The survey was conducted among a representative sample of 2,519 private sector employers in Great Britain and provided information about their provision, or non-provision, of pension schemes for their employees. EPP 2009 was the eighth in a series, with previous surveys having been conducted in 1994, 1996, 1998, 2000, 2003, 2005 and 2007.

The principal aim of the report is to describe the extent and nature of pension provision among private sector employers in Britain in 2009. In respect of the extent of provision, the report covers the proportions of firms providing pensions and the extent of employee membership of employer pension schemes. In respect of the nature of pension provision, the report covers the types of provision, joining mechanisms and contribution rates. The report also outlines the main reasons for provision or non-provision of pensions and examines recent and planned changes in provision. Comparisons are also made with findings from the 2007 survey for key topics of interest.

This first chapter of the report outlines the background to the study and summarises the methodology of the survey. The chapter also provides an overview of the content of the remainder of the report.

## 1.2 Background to the survey

The EPP 2009 was commissioned by the Department for Work and Pensions (DWP) and undertaken by TNS-BMRB. Data analysis and reporting was undertaken by the National Institute of Economic and Social Research (NIESR).

The broad aims of the survey were very similar to those of previous surveys in the series.<sup>3</sup> Each survey has also addressed specific topics that were of particular interest at the time of commissioning. New topics introduced in the 2009 survey included vesting periods for occupational pension schemes, salary sacrifice arrangements, multiple membership, Group Self-Invested Personal Pension Schemes and employees' valuation of pensions (as perceived by the employer).

EPP 2009 took place in the year after the workplace pension reforms were put into law. The reforms were set out in the 2008 Pensions Act and are due to be phased in from 2012. By 2016 they will require all employers automatically to enrol all eligible workers aged between 22 and state pension age into a workplace pension scheme, unless the worker chooses to opt-out. The minimum permitted employer contribution to the scheme will be equivalent to three per cent of an eligible worker's gross annual earnings between £5,035 and £33,540.<sup>4</sup> For workers who are eligible for automatic enrolment, employers may choose either to: enrol them into an existing pension scheme which meets or exceeds the minimum requirements set out in the reforms; set up a new qualifying scheme; enrol them into the National Employment Savings Trust (NEST) scheme; or amend their existing pension arrangements to meet the qualifying standards.

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<sup>3</sup> See, for example: Forth, J. and Stokes, L. (2008) *Employers' Pension Provision Survey 2007*, DWP Research Report No. 545.

<sup>4</sup> These earnings limits are based on 2006-2007 figures and will be updated using the Average Earnings Index.

EPP 2009 did not address the workplace pension reforms directly, apart from seeking to identify current patterns of pension provision. Instead, employers' awareness of – and attitudes towards – these reforms, along with their likely reactions, are covered by the companion survey of Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms (EAS 2009), the findings of which are reported elsewhere.<sup>5</sup>

### 1.3 Survey methods

The methodology of EPP 2009 for most organisations was essentially the same as that for the previous survey in the series, with the questionnaires from EPP 2007 receiving only minor amendments (Section 1.2 lists the major additions). As in 2007, the fieldwork for EPP 2009 coincided with the fieldwork for EAS 2009, which was also conducted by TNS-BMRB for the DWP. Some large companies were selected into the samples of both surveys and the two surveys were combined in these cases in order to minimise the survey burden on those organisations.

The principal features of the survey methodology for EPP 2009 are described below. Further details on survey methodology are provided in the Technical Appendix to this report (see Appendix A), with mention being made of EAS 2009 where appropriate.

#### 1.3.1 Sample selection

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. Small businesses without employees were excluded, along with all public sector organisations. The sample of private sector employers was drawn in January 2009 from the Inter-Departmental Business Register (IDBR). The IDBR is maintained by the Office for National Statistics (ONS) and is widely acknowledged to be the most complete register of businesses available. Organisations were selected at random from the IDBR within specific size bands (e.g. 1-4 employees; 5-12 employees; and so on). Larger organisations were over-sampled relative to smaller organisations since larger businesses are relatively scarce in the economy at large. This over-sampling served to ensure that adequate numbers of large organisations were obtained in the final sample to permit sub-group analysis, and also served to enhance the precision of employment-based estimates, since larger organisations employ a disproportionate share of all employees. This over-sampling is corrected for analysis purposes through the use of weights (see Section 1.3.4).

#### 1.3.2 Data sheet and questionnaire

As in previous surveys, an advance letter and 'data sheet' were sent to the organisation in advance of the telephone interview. The data sheet provided a description of the main types of pension scheme that organisations might provide and also contained some of the most important and detailed questions from the survey, encouraging respondents to refer to documents or their pension specialists in advance of the main interview.

The interview questionnaire consisted of eight main sections:

- Section A: About the Organisation
- Section B: Selection of Schemes
- Section C: Stakeholder Pension (SHP) Schemes

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<sup>5</sup> Forth, J. and Bewley, H. (2010) *Employers' attitudes and likely reactions to the workplace pension reforms 2009: report of a quantitative survey*, DWP Research Report No. 683.

- Section D: Employer Contributions to Private SHPs
- Section E: Occupational Schemes
- Section F: Group Personal Pensions (GPPs)
- Section G: Personal Pension Arrangements
- Section H: Recent and Planned Changes

### 1.3.3 Fieldwork and response

The first stage of fieldwork involved matching telephone numbers onto the selected sample. The sample was then screened to identify organisations that were no longer in business or otherwise ineligible for the survey, and to obtain contact names within each of the organisations.

Following the screening process, a total of 5,331 cases were issued to interviewers. During this process a further 611 of these cases were found to be out-of-scope. The final questionnaire was administered among the remaining 4,720 cases, using Computer Assisted Telephone Interviewing (CATI) software, with interviews taking place between May and September 2009.

Some 2,519 organisations provided complete interviews. The response rate at the main interview stage was 53 per cent, compared with a response rate of 56 per cent for the equivalent stage in EPP 2007.

### 1.3.4 Weighting and statistical inference

The unbalanced nature of the achieved sample when compared with the population at large – caused primarily by the purposeful over-sampling of larger organisations (see Section 1.3.1) but also by variations in response rates – is corrected during the analysis through the use of weights. These restore the profile of the achieved sample so that it matches that of the population at large in terms of organisation size (number of employees), industry group and legal status. The weighted data is thereby representative of the population of private sector employers in Britain along these dimensions. All estimates presented in this report are weighted in this manner, unless otherwise specified.

Some further sets of weights are sometimes used in the analysis to determine the percentage of employees who work in particular types of organisation (e.g. those with some pension provision) or to determine the proportion of active members who belong to particular types of pension scheme. When these weights are applied, the different nature of the estimates is clearly identified.

The weighting methodology applied in EPP 2009 was the same as that developed for EPP 2007 and EPP 2005 during the course of the primary analysis of the 2007 survey. These weighting procedures were slightly different to those applied in other surveys in the series, as they properly gave slightly more weight to very small organisations (those with only one or two employees). This means that comparisons with figures published in the earlier EPP survey reports (before 2007) should be undertaken with caution. Further details about the weighting are provided in Appendix A.

One further implication of the fact that EPP 2009 (in common with its predecessors) is based on a variable probability design, rather than simple random sampling, is that the statistical precision of survey estimates (typically indicated by the ‘standard error’ of an estimate) cannot be derived from standard textbook formulae, typically being larger than such formulae would suggest. Instead, one must use more sophisticated procedures to estimate the standard error that is associated with any particular estimate from the survey. We do not present standard errors as a matter of course in the report, as it would make the discussion unwieldy. However, the standard errors that apply to the headline estimates of provision are provided in Appendix C.

## 1.4 The characteristics of private sector organisations

The population of private sector employers in Britain comprised around 1.6 million organisations in 2009, which together employed around 20.5 million employees.<sup>6</sup> As shown in Table 1.1, many of these organisations were small in size: 74 per cent employed fewer than five employees. Nevertheless, as noted in Section 1.3.1, the small number of large organisations employ a disproportionate share of all employees: the six per cent of organisations with more than 20 workers together employed 77 per cent of all employees. The dominance of small organisations in the population of all employers, and the dominance of large organisations in terms of employment, mean that, in order to provide a balanced representation of pension provision, the report will often present estimates both of the percentage of employers with a particular type of pension provision and of the percentage of employees who work in those organisations. This is necessary because larger organisations tend to be more likely than smaller organisations to provide pensions and also tend to operate different types of schemes.

**Table 1.1 Population and weighted sample (organisations and employment), by size of organisation**

Size of organisation	Column percentages			
	Organisations		Employment	
	Population (IDBR)	EPP 2009	Population (IDBR)	EPP 2009
1-4 employees	74	73	10	12
5-12 employees	17	17	9	10
13-19 employees	4	4	4	5
20-49 employees	4	4	9	9
50-99 employees	1	1	6	6
100-499 employees	1	1	14	14
500-999 employees	0	0	6	4
1,000+ employees	0	0	42	40
<i>Weighted base</i>	<i>n/a</i>	<i>2,519</i>	<i>n/a</i>	<i>2,519</i>
<i>Unweighted base</i>	<i>1,632,690</i>	<i>2,519</i>	<i>20.5 million</i>	<i>2,519</i>

Base: all private sector organisations.

Note: the profile of the EPP 2009 sample is shown after weighting.

Considering the profile of the population by industry sector, Table 1.2 shows that just three sectors – Construction, Wholesale and retail and Other business services – together account for around three-fifths (63 per cent) of all private sector employers. However, their share of employment is lower (47 per cent), largely because organisations operating in the Other business services sector tend to be smaller than the average. The employment figures instead indicate a more prominent role for organisations in sectors such as Manufacturing and Financial intermediation which, although less prevalent, tend to be larger than average and thus account for disproportionate shares of all employees.

<sup>6</sup> Population data obtained from the Inter-Departmental Business Register at the time of sampling (January 2009).

**Table 1.2 Population and weighted sample (organisations and employment), by industry sector**

Industry sector: SIC(2003) Section		<i>Column percentages</i>			
		Organisations		Employment	
		Population (IDBR)	EPP 2009	Population (IDBR)	EPP 2009
A-C	Agriculture, fishing and mining	4	4	1	1
D	Manufacturing	7	9	15	15
E	Energy and water supply	0	0	1	0
F	Construction	11	9	5	3
G	Wholesale and retail	17	18	21	19
H	Hotels and restaurants	7	8	8	13
I	Transport, storage and communication	4	4	6	7
J	Financial intermediation	1	1	5	3
K	Other business services	35	31	21	25
M	Education	1	1	5	1
N	Health and social work	5	5	7	9
O	Other community, social and personal services	8	8	5	6
<i>Weighted base</i>		<i>n/a</i>	<i>2,519</i>	<i>n/a</i>	<i>2,519</i>
<i>Unweighted base</i>		<i>1,632,690</i>	<i>2,519</i>	<i>20.5 million</i>	<i>2,519</i>

Base: all private sector organisations.

Note: the profile of the EPP 2009 sample is shown after weighting.

In addition to providing definitive information on the population covered by the survey – obtained from the sampling frame – Tables 1.1 and 1.2 also show how the profile of the weighted sample for EPP 2009 matches up to that population in terms of organisation size and industry sector. There will inevitably be some differences, because of the difficulty of constructing a set of weights that simultaneously meets a number of different objectives. However, it can be seen that these differences are only minor. The equivalent profiles of the weighted samples for EPP 2005 and EPP 2007 are presented in Appendix B for comparison.

In order to describe other characteristics of the organisations covered by the survey – such as age or workforce profile – we are reliant on the survey sample itself as there is no such information on the sampling frame. A breakdown of the age of organisations showed that around one-third (34 per cent) had been in operation for 20 years or more whilst fewer than one in ten (eight per cent) had been in operation for less than two years (Table 1.3). The final table in this section (Table 1.4) shows the profile of the population by workforce composition, specifically the percentage of female employees and the percentage of part-time employees. It is notable that there are substantial proportions of organisations with homogenous workforces along each of these lines. However, these tend to be small organisations and so account for only a minority of all employment. In aggregate, 45 per cent of employees were female and 31 per cent worked part-time.

**Table 1.3 Weighted sample (organisations and employment), by age of organisation**

<i>Column percentages</i>		
<b>Age of organisation</b>	<b>EPP 2009</b>	
	<b>Organisations</b>	<b>Employment</b>
Less than 2 years	8	2
2-4 years	12	6
5-10 years	24	13
11-19 years	21	17
20+ years	34	61
<i>Weighted base</i>	2,425	2,318
<i>Unweighted base</i>	2,420	2,420

Base: all private sector organisations.

**Table 1.4 Weighted sample (organisations and employment), by workforce profile**

<i>Column percentages</i>		
<b>Workforce profile</b>	<b>EPP 2009</b>	
	<b>Organisations</b>	<b>Employment</b>
<b>Percentage of female employees:</b>		
None	33	5
1%-24%	8	22
25%-49%	12	25
50%-74%	23	33
75% or more	24	16
Mean	41	45
Median	40	48
<i>Weighted base</i>	2,511	2,445
<i>Unweighted base</i>	2,438	2,438
<b>Percentage of part-time employees:</b>		
None	48	13
1%-24%	9	40
25%-49%	11	20
50%-74%	18	17
75% or more	13	11
Mean	27	31
Median	8	23
<i>Weighted base</i>	2,487	2,403
<i>Unweighted base</i>	2,466	2,466

Base: all private sector organisations.

## 1.5 Overview of the remainder of the report

The remainder of the report is divided into seven substantive chapters plus five appendices.

- Chapter 2 Outlines the broad extent and nature of pension provision among private sector employers in Britain. Also discusses the reasons that organisations gave for either providing, or not providing, pensions.
- Chapter 3 Focuses on the availability of occupational pension schemes. Also discusses eligibility criteria and joining mechanisms.
- Chapter 4 Examines the contributions made into occupational pension schemes. Also covers pension rights upon divorce and pension ages.
- Chapter 5 Discusses the availability of SHP schemes. Also examines eligibility criteria, joining mechanisms and employer contributions.
- Chapter 6 As per Chapter 5, in respect of GPPs.
- Chapter 7 As per Chapter 5, in respect of employers' contributions to employees' personal pensions.
- Chapter 8 Conclusions.
- Appendix A Technical Appendix.
- Appendix B The characteristics of organisations in 2005, 2007 and 2009.
- Appendix C Standard errors for key estimates.
- Appendix D Estimates of provision from EAS 2007-2009.
- Appendix E Tables to accompany figures.



## 2 Overview of pension provision in 2009

### Purpose:

- This chapter outlines the overall extent and nature of pension provision among private sector organisations in Great Britain. Comparisons are made with the extent and nature of provision in 2007. The chapter also reports on the extent to which employers expect to make changes in their provision in the next few years.

### Key findings:

- In 2009, pension-providing organisations employed just over four-fifths (82 per cent) of all employees in the private sector. Although this represents a small reduction since 2007 (when the figure was 87 per cent), it continues to be the case that the vast majority of employees are employed in pension-providing firms.
- The percentage of all private sector firms making some form of pension provision appeared to decline between 2007 and 2009, from 41 per cent to 28 per cent. However, as with all survey estimates, these figures have a range of uncertainty around them. In addition, the 2007 and 2009 Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms Surveys (EAS), indicated no significant change in the percentage of all private sector firms making some form of provision (although these figures are equally only estimates).
- Most of the decline in overall provision in the Employers' Pension Provision Survey (EPP) was due to a reduction in the provision of contributions to employees' private personal pensions. If one focuses on the provision of workplace pension schemes (thereby excluding employers' contributions to employees' personal pensions), the findings from EPP and EAS point towards approximate stability between 2007 and 2009, with around three-in-ten private sector organisations providing workplace schemes in either year.
- Workplace-based stakeholder pension (SHP) schemes continued to be the most common form of provision. They were provided by 23 per cent of all firms. Five per cent of firms provided group personal pensions (GPPs), five per cent made contributions to employees' personal pensions and two per cent provided occupational schemes. Less than one per cent made contributions to employees' private SHPs.
- Just over one quarter (27 per cent) of private sector employees were active members of work-based pension schemes. Thirteen per cent of all private sector employees belonged to occupational schemes. A further eight per cent belonged to GPP schemes, five per cent belonged to SHP schemes and one per cent belonged to arrangements whereby an employer made contributions to their personal pension.
- Few non-providers (only nine per cent) expected to introduce pension provision within the next five years (i.e. by 2014). This may reflect the fact that the majority of non-providers are not yet aware of the workplace pension reforms.

### 2.1 Introduction

This chapter outlines the broad extent and nature of pension provision in 2009. It also considers those organisations that do not provide pensions and discusses the reasons that organisations gave in 2009 for either providing, or not providing, pensions. Comparisons are also made with the results from the previous EPP survey in 2007.

The pension arrangements reported on comprise:

- **Occupational pension schemes** – Pension schemes set up by an employer for the benefit of employees, with the employer making contributions to the scheme and generally meeting administrative costs. The scheme is provided via the employer, but the pension scheme takes the form of a trust arrangement and is legally separate from the employer.
- **GPPs** – A pension that is provided through a contract between an individual and a pension provider, access to which is facilitated by the employer. Employers typically make contributions to GPPs, but they are not obliged to do so. A Group Self-Invested Personal Pension (GSIPP) allows members to invest in a wide-range of assets, including commercial property and individual shares.
- **SHPs** – A personal pension scheme which complies with regulations which limit charges and allow individuals flexibility about contributions. Introduced in April 2001. Employers with five or more employees who do not provide an occupational scheme or a GPP with an employer contribution of three per cent or more have a legal obligation to provide access to SHPs, but are not obliged to make contributions. Such employer-provided SHPs are referred to hereafter as ‘workplace-based SHPs’. Some employers also make contributions to employees’ privately-held SHPs.
- **Personal pensions (PP)** – A pension which is provided through a contract between an individual and a pension provider. The survey only covered employees’ personal pensions where the employer made a contribution.

When discussing occupational schemes, the chapter also distinguishes between **defined benefit** (DB) schemes, **defined contribution** (DC) schemes and **hybrid** schemes. In DB schemes, the pension payable on retirement is usually determined by a combination of the employees’ length of service and the employees’ earnings, and so these are often also referred to as ‘salary-related’ schemes. In DC arrangements (sometimes referred to as ‘money-purchase’ schemes), it is the size of the employee and employer contributions that are pre-determined and the pension payable then depends on the returns that accrue from investing these funds. Hybrid schemes combine both methods, perhaps operating the scheme on a DB basis in respect of one group of members but operating it on a DC basis in respect of another group.

The chapter further distinguishes between schemes that are open to new members and those that are closed to new members. As employers are not obliged to make contributions to GPPs or SHPs, the chapter also distinguishes in these cases between schemes to which employers make contributions and those to which employers do not (the only contributions then coming from the employee).

### 2.2 The incidence of pension provision in 2009

In 2009, the EPP survey estimated that around three-in-ten private sector organisations (28 per cent) made some form of pension provision for their employees (Table 2.1). These organisations employed just over four-fifths (82 per cent) of all employees in the private sector. In 2007, an estimated 87 per cent of employees worked in firms that provided pensions. It therefore continues to be the case that the vast majority of employees are employed in pension-providing firms.

It should not be inferred from the preceding paragraph that four-fifths of employees necessarily have access to an employer-provided pension scheme, since some pension schemes are closed to new members and some open schemes have eligibility rules which restrict access to certain types of employee. These issues are discussed in later chapters of this report.

'Pension provision' here refers to the provision of an occupational pension scheme, a GPP scheme, a workplace-based SHP scheme or the provision of contributions to employees' private personal pensions (including privately-held SHPs). However, if an employer makes contributions to employees' personal pensions, this is not, strictly speaking, a form of workplace pension scheme as the employer has no role in the establishment or administration of the scheme, nor in the enrolment of members. Accordingly, contributions to employees' personal pensions and contributions to employees' private SHPs will not constitute qualifying schemes under the forthcoming workplace pension reforms, irrespective of the level of contributions. Table 2.1 therefore also indicates the provision of 'workplace pension schemes' once these arrangements are excluded (focusing solely on the provision of occupational schemes, GPPs and workplace-based SHPs). Under this approach, just over one quarter (27 per cent) of employers currently have some form of pension provision; these organisations employ 81 per cent of all employees.

**Table 2.1 Any pension provision by size of organisation, 2007 and 2009**

<i>Cell percentages</i>				
<b>Pension provision</b>	<b>Private sector organisations</b>		<b>Employees working for such organisations</b>	
	<b>2007</b>	<b>2009</b>	<b>2007</b>	<b>2009</b>
Any pension provision <sup>a</sup>	41	28	87	82
<b>Size of organisation:</b>				
1-4 employees	26	15	27	17
5-19 employees	70	60	76	62
20+ employees	92	85	98	96
Any workplace pension scheme <sup>b</sup>	33	27	86	81
<b>Size of organisation:</b>				
1-4 employees	16	13	19	15
5-19 employees	68	58	73	61
20+ employees	90	83	97	96

Base: all private sector organisations as indicated by row headings.

Notes:

<sup>a</sup> 'Any pension provision' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme and to arrangements whereby employers make contributions to employees' personal pensions or privately-held SHPs.

<sup>b</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

The apparent reduction in the percentage of all firms that provide pensions or contribute to employees' personal pensions, from 41 per cent in 2007 to 28 per cent in 2009, is particularly striking. It will be apparent from tables presented later in this chapter (see Table 2.2 for example)

that the decline has been driven to a large degree by an apparently sharp reduction in the proportion of employers who make contributions to employees' personal pensions, and to a lesser degree by a reduction in the proportion providing occupational schemes. The exclusion of contributions made to personal pensions from the lower half of Table 2.1 thus explains why the percentages of firms providing some form of workplace pension scheme are more similar in 2007 and 2009 (33 per cent and 27 per cent respectively).

Some part of the difference between the estimated levels of provision in 2007 and 2009 may be attributed to the imprecision of survey estimates. These figures (and all others in the report) necessarily represent *estimates* of the true values that exist within the population at large.<sup>7</sup> We can note, for instance, that the estimate that 28 per cent of all private sector organisations provide pensions has a standard error of 2.6 percentage points. We can therefore be 95 per cent confident that the true value in the population lies somewhere between 23 per cent and 33 per cent (two standard errors either side of the survey estimate) whilst, equivalently, we can be 95 per cent confident that the true value for 2007 lay somewhere between 36 per cent and 46 per cent. The EPP surveys therefore suggest that there has been a fall in provision, but the magnitude of the change is difficult to estimate precisely; it could be as small as a few percentage points. Indeed, the EAS 2009 survey cited in Chapter One suggests a greater degree of stability than does EPP (although the EAS estimates are, of course, also subject to imprecision). EAS estimates that 38 per cent of firms in 2009 made some form of pension provision, compared with 37 per cent in 2007 (see Appendix D, Table D.1). If one ignores employers' contributions to personal pensions, as is the case in the lower half of Table 2.1, EAS estimates that 33 per cent of firms provided some form of workplace pension scheme in 2009 (not a statistically significant change from the estimate of 29 per cent in EAS 2007).

Estimates of the percentage of employees working for pension-providing firms are more precise than the firm-based estimates: the estimate that 82 per cent of all private sector employees work in a firm with some form of provision has a standard error of only 1.5 percentage points (and a 95 per cent confidence interval of only  $\pm 3$  percentage points). The employment-based estimates from EPP are also more stable between 2007 and 2009, and less divergent from those in EAS (which gives estimates of 86 per cent for both years).

EPP 2009 and EAS 2009 utilise very similar methodologies, were conducted by the same fieldwork agency, were in the field at the same time and obtained similar response rates. The different trends evident in the two surveys are somewhat surprising. The true extent of the change in provision is likely to lie somewhere between the estimates from the two surveys, that is: approximate stability in both the proportion of organisations providing something other than contributions to personal pensions (remaining at around three-in-ten) and in the proportion of employees working in such organisations (remaining at just over four-fifths). The scale of any change in the provision of contributions to personal pensions, and thus in the overall extent of provision, is more difficult to determine but, the overall picture is suggestive of a small decline.

### 2.3 The nature of pension provision in 2009

Table 2.2 considers the nature of pension provision in more detail. The first two columns of the table show the apparent falls in the percentage of firms providing occupational schemes and in the percentage of firms making contributions to personal pensions, referred to in the previous section. Only two per cent of private sector firms in 2009 provided occupational pension schemes (five per cent in 2007) whilst only five per cent made contributions to employees' personal pensions (12 per cent in 2007). The reduction in the incidence of contributions to employees' personal pensions among the smallest firms was particularly important in driving the overall estimated reduction in

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<sup>7</sup> See Section 1.3.4 for a discussion of the statistical precision of the survey estimates.

firm-level provision. In 2007, 12 per cent of firms with fewer than 12 employees made contributions to employees' personal pensions, compared with four per cent in 2009.

Table 2.3 provides more detail on how the nature of pension provision varies by size of firm, indicating that all types of provision – with the sole exception of employers' contributions to employees' private SHPs – were more common in larger firms. The fact that larger firms employ a disproportionate share of all employees (see Chapter 1) thus explains why the employment-based estimates presented in columns three and four of Table 2.2 are much higher than the firm-based estimates presented in the first two columns.

Table 2.4 to Table 2.6 go on to show how pension provision varies by industry sector, age of firm and workforce profile. Together with Table 2.3, these tables show that there was considerable variability in levels of provision between sub-groups of organisations. The tables do not allow one to identify the independent association between each of these variables and the likelihood of pension provision since the variables are themselves partially correlated (older organisations tend to be larger than younger organisations). However, a multivariate analysis that simultaneously controlled for organisation size, industry sector, age and workforce profile confirmed that size and age were both independently and positively associated with the probability that an organisation provided pensions in 2009.

There were also statistically significant variations between industry sectors. In contrast, the proportion of female employees was not independently associated with the probability of provision, after controlling for the other factors. Each of these variables had the same relationship with pension provision in 2007. The proportion of part-time employees was however not independently associated with provision in 2007, but was negatively associated with provision in 2009, after controlling for other factors. The prevalence of part-time working within a firm thus served to distinguish pension providers and non-providers to some degree in 2009, whereas it was unrelated to the probability of provision in 2007.

Table 2.2 Overall incidence and type of provision, 2007 and 2009

Type of pension provision	Cell percentages							
	Private sector organisations		Employees working for private sector organisations		Active members of pension schemes		Active members as % of all private sector employees	
	2007	2009	2007	2009	2007	2009	2007	2009
Any occupational scheme	5	2	42	42	51	48	16	13
Defined benefit	2	1	30	32	30	32	9	9
Defined contribution	3	1	19	14	9	8	3	2
Hybrid	0	0	7	7	12	8	4	2
GPP scheme	5	5	29	30	27	30	8	8
GSIPP	<sup>c</sup>	1	<sup>c</sup>	6	<sup>c</sup>	3	<sup>c</sup>	1
Workplace-based SHP scheme	27	23	61	55	17	18	5	5
Contributions to private SHPs	1	0	1	1	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>
Contributions to personal pensions	12	5	19	12	6	4	2	1
Any pension provision <sup>a</sup>	41	28	87	82	100	100	31	27
Any workplace pension scheme <sup>b</sup>	33	27	86	81				
Weighted base	2,341	2,498	2,341	2,498				
Unweighted base	2,300	2,508	2,300	2,508				

Base: all private sector organisations.

Notes:

- <sup>a</sup> The figures for 'Any provision' may be lower than the sum of the individual forms of provision since some firms may provide more than one type of scheme.
- <sup>b</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It thus excludes contributions to either personal pensions or private SHPs.
- <sup>c</sup> The 2007 survey did not ask about the provision of GSIPPs.
- <sup>d</sup> The survey did not ask about the number of employees for which employers were making contributions to employees' private SHP scheme.

**Table 2.3 Overall incidence and type of provision among organisations, by size of organisation**

Type of pension provision	Number of employees										Cell percentages	
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	1,000+	All		
Any occupational scheme	0	5	7	13	13	22	44	67	67	2		
Defined benefit	0	1	5	6	6	14	35	56	56	1		
Defined contribution	0	1	1	6	6	8	9	18	18	1		
Hybrid	0	2	1	1	1	1	5	8	8	0		
<b>GPP scheme</b>	<b>2</b>	<b>10</b>	<b>13</b>	<b>20</b>	<b>45</b>	<b>42</b>	<b>43</b>	<b>41</b>	<b>41</b>	<b>5</b>		
GSIPP	1	1	1	2	7	2	2	4	4	1		
Workplace-based SHP scheme	13	49	55	62	56	60	58	62	62	23		
Contributions to private SHPs	0	1	2	1	2	1	0	0	0	0		
Contribution to personal pensions	3	6	13	14	25	16	19	14	14	5		
Any pension provision <sup>a</sup>	15	57	69	78	92	97	97	99	99	28		
Any workplace pension scheme <sup>b</sup>	13	55	67	77	90	97	96	99	99	27		
Weighted base	1,851	417	94	100	29	23	2	2	2	2,498		
Unweighted base	186	339	187	404	344	635	175	249	249	2,508		

Base: all private sector organisations indicated by column headings.

Notes:

<sup>a</sup> The figures for 'Any provision' may be lower than the sum of the individual forms of provision since some firms may provide more than one type of scheme.

<sup>b</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

Table 2.4 Overall incidence and type of provision among organisations, by industry sector

Type of pension provision	Industry sector <sup>c</sup>											All
	D	F	G	H	I	J	K	N	O	Cell percentages		
Any occupational scheme	5	1	1	2	2	(3)	1	7	2			2
Defined benefit	2	0	1	1	1	(1)	0	5	0			1
Defined contribution	3	0	1	0	1	(3)	0	1	0			1
Hybrid	1	0	0	1	0	(0)	0	1	0			0
<b>GPP scheme</b>	<b>10</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>(16)</b>	<b>5</b>	<b>3</b>	<b>3</b>			<b>5</b>
GSIPP	2	11	1	0	1	(1)	0	0	0			1
Workplace-based SHP scheme	43	35	20	15	30	(39)	17	38	25			23
Contributions to private SHPs	1	0	0	0	0	(0)	1	0	0			0
Contribution to personal pensions	7	1	4	1	2	(29)	5	13	3			5
Any pension provision <sup>a</sup>	51	36	23	17	33	(72)	22	54	29			28
Any workplace pension scheme <sup>b</sup>	49	36	22	17	32	(47)	21	45	28			27
Weighted base	218	237	454	212	110	35	776	136	206			2,498
Unweighted base	431	170	390	154	105	63	617	326	190			2,508

Base: all private sector organisations indicated by column headings.

Notes:

- <sup>a</sup> The figures for 'Any provision' may be lower than the sum of the individual forms of provision since some firms may provide more than one type of scheme.
- <sup>b</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.
- <sup>c</sup> Sectors A-C, E and M are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'All sectors' column. See Table 1.2 for full sector labels.

**Table 2.5 Overall incidence and type of provision among organisations, by age of organisation**

Type of pension provision	Age of organisation <sup>c</sup>					All
	0-4 years	5-10 years	11-19 years	20+ years		
Any occupational scheme	0	0	1	5	2	
Defined benefit	0	0	1	2	1	
Defined contribution	0	0	0	2	1	
Hybrid	0	0	0	1	0	
<b>GPP scheme</b>	<b>6</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>5</b>	
GSIPP	5	1	1	0	1	
Workplace-based SHP scheme	31	18	22	25	23	
Contributions to private SHPs	0	0	0	0	0	
Contribution to personal pensions	2	4	6	6	5	
Any pension provision <sup>a</sup>	32	21	28	32	28	
Any workplace pension scheme <sup>b</sup>	31	20	26	30	27	
Weighted base	501	582	511	831	2,498	
Unweighted base	181	444	494	1,301	2,508	

Base: all private sector organisations indicated by column headings.

Notes:

<sup>a</sup> The figures for 'Any provision' may be lower than the sum of the individual forms of provision since some firms may provide more than one type of scheme.

<sup>b</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

<sup>c</sup> 'All' column includes 99 cases for which the age of the organisation was not known.

**Table 2.6 Overall incidence and type of provision among organisations, by workforce profile**

Type of pension provision	Cell percentages										
	None	1-24%	25-49%	50-74%	75% +	None	1-24%	25-49%	50-74%	75% +	All <sup>c</sup>
Any occupational scheme	(0)	9	4	2	1	1	8	3	1	2	2
Defined benefit	(0)	3	1	1	1	0	4	1	1	1	1
Defined contribution	(0)	4	2	0	0	0	3	2	0	0	1
Hybrid	(0)	1	1	1	0	1	0	0	0	1	0
GPP scheme	(4)	15	10	4	2	4	24	4	2	2	5
GSIPP	(3)	3	1	1	0	2	3	0	0	0	1
Workplace-based SHP scheme	(17)	52	40	22	16	20	58	36	14	14	23
Contributions to private SHPs	(0)	1	1	0	0	0	1	0	0	0	0
Contribution to personal pensions	(3)	9	8	6	3	4	11	7	5	1	5
Any pension provision <sup>a</sup>	(19)	63	51	26	21	23	75	41	18	18	28
Any workplace pension scheme <sup>b</sup>	(18)	61	49	25	19	22	73	39	16	17	27
Weighted base	830	190	289	589	611	1,196	226	281	452	331	2,498
Unweighted base	99	680	612	598	449	370	1,149	396	320	231	2,508

Base: all private sector organisations indicated by column headings.

Notes:

<sup>a</sup> The figures for 'Any provision' may be lower than the sum of the individual forms of provision since some firms may provide more than one type of scheme.

<sup>b</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

<sup>c</sup> The 'All' column includes 81 cases for which the percentage female was not known and 53 cases for which the percentage part-time was not known.

The fifth and sixth columns of Table 2.2 show how the active members of the various types of pension scheme identified in EPP were distributed across the different forms of provision. Although occupational schemes are relatively rare, their prevalence among larger employers and the relatively large size of such schemes (discussed in Chapter 4), means that around half of all active members (48 per cent) were members of an occupational scheme in 2009 (32 per cent of all active members were members of DB schemes; eight per cent were members of DC schemes; and eight per cent were members of hybrid schemes). A further 30 per cent were members of a GPP scheme (with three per cent belonging to GSIPPs), whilst 18 per cent were members of an SHP scheme and four per cent had contributions made by their employer to a privately-held personal pension. The profile of active members by scheme type did not differ to a statistically significant degree from that found in 2007.<sup>8</sup> In aggregate, 27 per cent of private sector employees were active members of one of these types of scheme.<sup>9</sup> The four percentage point difference from 2007 (when 31 per cent of private sector employees were estimated to be active members) was not statistically significant.

Table 2.7 builds upon Table 2.2 by focusing only upon open schemes and those attracting an employer contribution. A comparison between the two tables indicates that relatively high proportions of occupational schemes and GPP schemes were closed to new members (see Chapters Three and Six for more details), whilst many SHP schemes did not attract any employer contributions (often because no employees had joined them – see Chapter 5).

A comparison with 2007 indicates that there were statistically significant falls in the percentage of firms with an open scheme, from 32 per cent in 2007 to 25 per cent in 2009, and in the percentage of firms offering open schemes with employer contributions, from 14 per cent to ten per cent. There was also a statistically significant reduction in the percentage of all employees working in firms with open schemes, from 85 per cent in 2007 to 79 per cent in 2009. However, the percentage of employees working in firms offering open schemes with employer contributions was stable (64 per cent in 2007; 63 per cent in 2009).<sup>10</sup>

Table 2.8 to Table 2.11 show how the estimates presented in the second column of Table 2.7 vary by size of firm, industry sector, age of firm and workforce profile. In common with the similar tables discussed earlier in this section, these tables show that there was considerable variability between sub-groups of organisations in the provision of open schemes and in the incidence of employer contributions.

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<sup>8</sup> It should be noted, however, that aggregate estimates of scheme membership have particularly wide confidence intervals. See Table C.1.

<sup>9</sup> EAS 2009 estimates that 32 per cent of private sector employees were active members of a pension scheme, although that estimate may be less reliable as respondents to EAS were asked only to state the total number of active members in the firm (the EPP estimate is derived from summing the numbers of active members reported separately for each scheme).

<sup>10</sup> Comparable estimates are not available from EAS.

**Table 2.7 Incidence of open schemes and those attracting employer contributions, 2007 and 2009**

Type of open scheme	<i>Cell percentages</i>			
	Private sector organisations		Employees working for private sector organisations	
	2007	2009	2007	2009
Any open occupational scheme	3	1	30	25
Defined benefit	1	1	11	10
Defined contribution	1	0	15	10
Hybrid	0	0	7	6
Open GPP scheme	4	3	23	27
With employer contributions	4	3	23	26
Open SHP scheme	25	22	60	54
With employer contributions	5	4	20	24
Open PP scheme	4	3	7	6
Any open pension scheme <sup>a</sup>	32	25	85	79
With employer contributions	14	10	64	63
Any open workplace pension scheme <sup>b</sup>	30	24	84	78
With employer contributions	11	8	63	62
<i>Weighted base</i>	2,341	2,498	2,341	2,498
<i>Unweighted base</i>	2,300	2,508	2,300	2,508

Base: all private sector organisations.

Notes:

- <sup>a</sup> The figures for 'Any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.
- <sup>b</sup> 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

**Table 2.8 Incidence of open schemes and those attracting employer contributions, by size of organisation**

Type of open scheme	Number of employees										All
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	Cell percentages		
Any open occupational scheme	0	3	4	7	4	11	21	41			1
Defined benefit	0	0	3	4	2	6	12	23			1
Defined contribution	0	1	0	3	2	5	6	15			0
Hybrid	0	1	0	0	0	0	3	7			0
<b>Open GPP scheme</b>	<b>0</b>	<b>6</b>	<b>11</b>	<b>18</b>	<b>42</b>	<b>39</b>	<b>37</b>	<b>35</b>			<b>3</b>
With employer contributions	0	6	11	18	41	38	36	35			3
<b>Open SHP scheme</b>	<b>11</b>	<b>47</b>	<b>53</b>	<b>60</b>	<b>53</b>	<b>58</b>	<b>57</b>	<b>60</b>			<b>22</b>
With employer contributions	2	7	10	15	15	22	27	34			4
<b>Open PP scheme</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>6</b>	<b>13</b>	<b>7</b>	<b>5</b>	<b>5</b>			<b>3</b>
<b>Any open pension scheme<sup>a</sup></b>	<b>12</b>	<b>54</b>	<b>65</b>	<b>75</b>	<b>88</b>	<b>96</b>	<b>95</b>	<b>97</b>			<b>25</b>
With employer contributions	4	17	28	40	62	68	79	93			10
<b>Any open workplace pension scheme<sup>b</sup></b>	<b>11</b>	<b>53</b>	<b>64</b>	<b>74</b>	<b>86</b>	<b>96</b>	<b>94</b>	<b>97</b>			<b>24</b>
With employer contributions	2	16	25	37	57	66	78	92			8
Weighted base	1,851	417	94	100	29	23	2	2			2,498
Unweighted base	186	339	187	404	344	635	175	249			2,508

Base: all private sector organisations indicated by column headings.

Notes:

<sup>a</sup> The figures for 'Any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.

<sup>b</sup> 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

**Table 2.9 Incidence of open schemes and those attracting employer contributions, by industry sector**

Type of open scheme	Industry sector <sup>c</sup>											All
	D	F	G	H	I	J	K	N	O	Cell percentages		
Any open occupational scheme	2	1	0	1	1	(1)	1	7	1	1	1	1
Defined benefit	0	0	0	0	0	(0)	0	5	0	0	1	1
Defined contribution	1	0	0	0	0	(1)	0	1	0	0	0	0
Hybrid	0	0	0	1	0	(0)	0	1	0	0	0	0
<b>Open GPP scheme</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>(16)</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
With employer contributions	7	1	2	0	3	(16)	4	2	3	3	3	3
<b>Open SHP scheme</b>	<b>42</b>	<b>24</b>	<b>20</b>	<b>15</b>	<b>26</b>	<b>(39)</b>	<b>16</b>	<b>33</b>	<b>25</b>	<b>25</b>	<b>22</b>	<b>22</b>
With employer contributions	8	2	6	0	2	(7)	2	8	11	11	4	4
<b>Open PP scheme</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>(26)</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Any open pension scheme<sup>a</sup></b>	<b>50</b>	<b>25</b>	<b>22</b>	<b>16</b>	<b>29</b>	<b>(72)</b>	<b>20</b>	<b>40</b>	<b>28</b>	<b>28</b>	<b>25</b>	<b>25</b>
With employer contributions	18	4	10	2	6	(50)	10	18	16	16	10	10
<b>Any open workplace pension scheme<sup>b</sup></b>	<b>48</b>	<b>25</b>	<b>22</b>	<b>16</b>	<b>28</b>	<b>(47)</b>	<b>19</b>	<b>40</b>	<b>27</b>	<b>24</b>	<b>24</b>	<b>24</b>
With employer contributions	15	3	9	2	5	(24)	7	17	15	8	8	8
Weighted base	218	237	454	212	110	35	776	136	206	2,498	2,498	2,498
Unweighted base	431	170	390	154	105	63	617	326	190	2,508	2,508	2,508

Base: all private sector organisations indicated by column headings.

Notes:

- <sup>a</sup> The figures for 'Any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.
- <sup>b</sup> 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.
- <sup>c</sup> Sectors A-C, E and M are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'All sectors' column. See Table 1.2 for full sector labels.

**Table 2.10 Incidence of open schemes and those attracting employer contributions, by age of organisation**

Type of open scheme	Age of organisation				All <sup>c</sup>
	0-4 years	5-10 years	11-19 years	20+ years	
Any open occupational scheme	0	0	1	3	1
Defined benefit	0	0	0	1	1
Defined contribution	0	0	0	1	0
Hybrid	0	0	0	1	0
<b>Open GPP scheme</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>3</b>
With employer contributions	1	3	3	5	3
<b>Open SHP scheme</b>	<b>25</b>	<b>18</b>	<b>21</b>	<b>24</b>	<b>22</b>
With employer contributions	5	3	7	3	4
<b>Open PP scheme</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>3</b>
<b>Any open pension scheme<sup>a</sup></b>	<b>26</b>	<b>21</b>	<b>24</b>	<b>30</b>	<b>25</b>
With employer contributions	7	9	12	13	10
<b>Any open workplace pension scheme<sup>b</sup></b>	<b>26</b>	<b>20</b>	<b>24</b>	<b>28</b>	<b>24</b>
With employer contributions	6	6	11	10	8
Weighted base	501	582	511	831	2,498
Unweighted base	181	444	494	1,301	2,508

Base: all private sector organisations indicated by column headings.

Notes:

<sup>a</sup> The figures for 'Any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.

<sup>b</sup> 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

<sup>c</sup> 'All' column includes 99 cases for which the age of the organisation was not known.

**Table 2.11 Incidence of open schemes and those attracting employer contributions, by workforce profile**

Type of open scheme	Cell percentages										
	None	1-24%	25-49%	50-74%	75% +	None	1-24%	25-49%	50-74%	75% +	All <sup>c</sup>
Any open occupational scheme	(0)	3	2	1	1	1	3	2	1	2	1
Defined benefit	(0)	1	0	1	1	0	1	1	1	1	1
Defined contribution	(0)	1	1	0	0	0	1	1	0	0	0
Hybrid	(0)	1	0	0	0	0	0	0	0	1	0
<b>Open GPP scheme</b>	<b>(1)</b>	<b>12</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>19</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>
With employer contributions	(1)	11	9	3	1	2	19	3	1	1	3
<b>Open SHP scheme</b>	<b>(14)</b>	<b>49</b>	<b>39</b>	<b>20</b>	<b>15</b>	<b>17</b>	<b>57</b>	<b>34</b>	<b>13</b>	<b>14</b>	<b>22</b>
With employer contributions	(5)	11	7	3	2	5	12	4	1	2	4
<b>Open PP scheme</b>	<b>(3)</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Any open pension scheme<sup>a</sup></b>	<b>(15)</b>	<b>60</b>	<b>49</b>	<b>24</b>	<b>17</b>	<b>20</b>	<b>72</b>	<b>38</b>	<b>15</b>	<b>16</b>	<b>25</b>
With employer contributions	(8)	25	20	10	4	9	34	11	6	4	10
<b>Any open workplace pension scheme<sup>b</sup></b>	<b>(14)</b>	<b>59</b>	<b>48</b>	<b>23</b>	<b>17</b>	<b>19</b>	<b>72</b>	<b>36</b>	<b>15</b>	<b>16</b>	<b>24</b>
With employer contributions	(6)	22	18	7	4	7	33	8	3	4	8
Weighted base	830	190	289	589	611	1,196	226	281	452	331	2,498
Unweighted base	99	680	612	598	449	370	1,149	396	320	231	2,508

Base: all private sector organisations indicated by column headings.

Notes:

<sup>a</sup> The figures for 'Any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.

<sup>b</sup> 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

<sup>c</sup> The 'All' column includes 81 cases for which the percentage female was not known and 53 cases for which the percentage part-time was not known.

## 2.4 Recent and anticipated changes in pension provision

Having discussed differences in the overall patterns of provision between 2007 and 2009, we now go on briefly to consider changes in provision among those firms surveyed in 2009. Section 2.4.1 considers the types of scheme recently introduced by providing firms, whilst Section 2.4.2 discusses changes that firms expect to make in the near future.

### 2.4.1 Introduction of new schemes

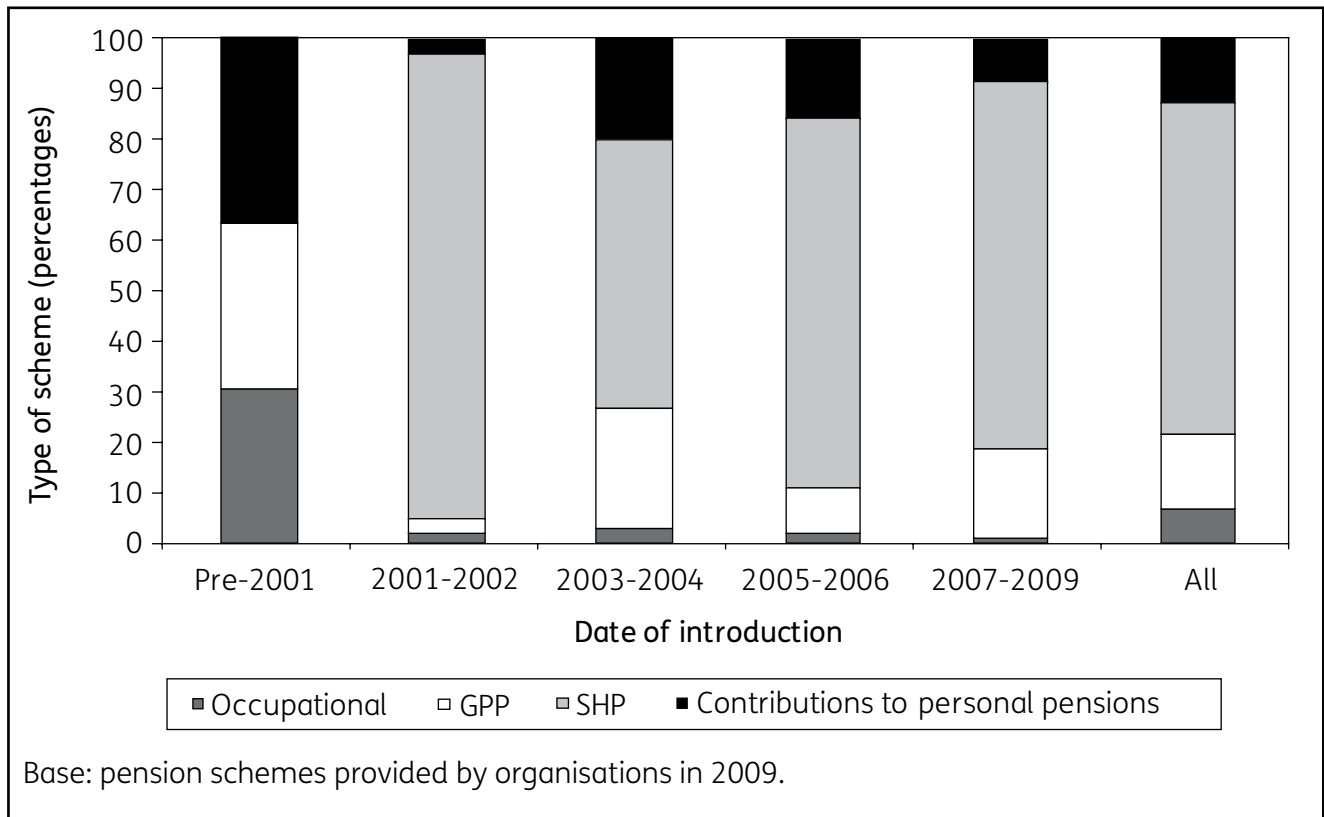
EPP 2009 provided information on the year in which each current pension scheme was introduced by the organisation.<sup>11</sup> Among those schemes in operation in 2009, 30 per cent had been introduced since 2007, ten per cent had been introduced in 2005/06, eight per cent in 2003/04, 35 per cent in 2001/02 and 17 per cent had been introduced prior to 2001. The relatively large proportion of schemes introduced in 2001/02 is likely to reflect the introduction of legislation in 2001 requiring employers with five or more employees to provide access to an SHP scheme.

The majority (72 per cent) of schemes introduced since 2007 were SHPs (Figure 2.1). A further 18 per cent were GPPs, nine per cent consisted of arrangements to contribute to employees' personal pensions and one per cent were occupational schemes. As in 2007, new SHP schemes were typically introduced as a means of extending provision to new groups of employees. Only two per cent of SHPs introduced in the period 2007-09 were introduced in situations where the firm was already making some form of provision for the employees concerned. A similar pattern was observed in respect of new arrangements to contribute to employees' personal pensions: only eight per cent of new arrangements were introduced in a situation where the firm already provided pensions for the relevant employees.<sup>12</sup>

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<sup>11</sup> It does so for up to eight occupational schemes, eight GPP schemes, three SHP schemes and any arrangement whereby employers make contributions to employees' personal pensions.

<sup>12</sup> Note, however, that the estimate of eight per cent is based on only 56 cases and so is relatively imprecise. The 95 per cent confidence interval extends from zero to 19 per cent.

**Figure 2.1 Type of scheme, by date of introduction**

### 2.4.2 Anticipated changes in pension provision

Those organisations that were not providing pensions at the time of the survey were asked whether they had seriously considered introducing some form of provision in the future. One in six non-providers (17 per cent) said that they had seriously considered introducing some form of provision, with around one in ten (nine per cent) saying that their organisation was likely to introduce provision within the next five years (i.e. by 2014). Those who planned to introduce provision in the next five years accounted for 14 per cent of employment among non-providing firms. If they were to follow through with their plans, this would raise the percentage of private sector employees working in providing firms by around three percentage points, from 82 per cent to 85 per cent. One would naturally expect a subset of current non-providers to be considering the introduction of pension provision, not least because the likelihood of provision rises as firms expand their workforce. However, the 2008 Pensions Act (due to take effect from 2012) will require all employers to provide access to a workplace pension scheme. The relatively small proportion of non-providers who expressed an intention to begin offering a pension scheme by 2014 may thus reflect the fact that the majority of non-providers are not yet aware of the workplace pension reforms, as outlined in the primary analysis of EAS 2009.<sup>13</sup>

EPP 2009 went on to ask providers whether they had seriously considered making any changes to their existing provision within next two years (i.e. by 2011). Around one in ten (nine per cent) had considered it. The most commonly cited change (reported by 44 per cent of those expecting to make a change) was to increase the levels of employer or employee contributions to their existing scheme(s).

<sup>13</sup> It may be noted that fieldwork took place before the start of the DWP's communication campaign around the forthcoming reforms.

## 2.5 Multiple provision

Some organisations provide more than one type of pension provision. This may arise because an organisation has closed one type of scheme to new members and opened another type of scheme to provide for new employees. Alternatively, an organisation may provide different schemes to cater for different grades of employee. Table 2.12 shows that just over one-fifth (22 per cent) of all private sector organisations provided a single type of pension scheme in 2009, whilst a further seven per cent provided more than one type of scheme.<sup>14</sup> Multiple types of pension scheme were offered by just under one quarter (23 per cent) of all pension providers; the equivalent figure in 2007 was 22 per cent. Multiple provision was more common among larger firms. Accordingly, two-fifths (41 per cent) of employees worked in a firm that provided more than one type of scheme; the proportion working in firms with a single type of provision was identical (41 per cent).

As noted earlier, the reduction in pension provision between 2007 and 2009 that was apparent in EPP was due in large part to a lower incidence in 2009 of small firms who contributed to employees' personal pensions (PPs) as their sole form of provision. Table 2.12 shows that eight per cent of all firms had PPs as their sole form of provision in 2007, compared with just two per cent in 2009. This was the most notable change in the pattern of provision at firm-level between 2007 and 2009. When considering the employment-based figures, the most notable change was an apparent decline in the percentage of employees working in firms that provided both occupational and SHP schemes (from 19 per cent in 2007 to 13 per cent in 2009); however, this difference was not statistically significant.

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<sup>14</sup> Note that a hybrid scheme with different sections for different employees is treated as a single scheme in the analysis.

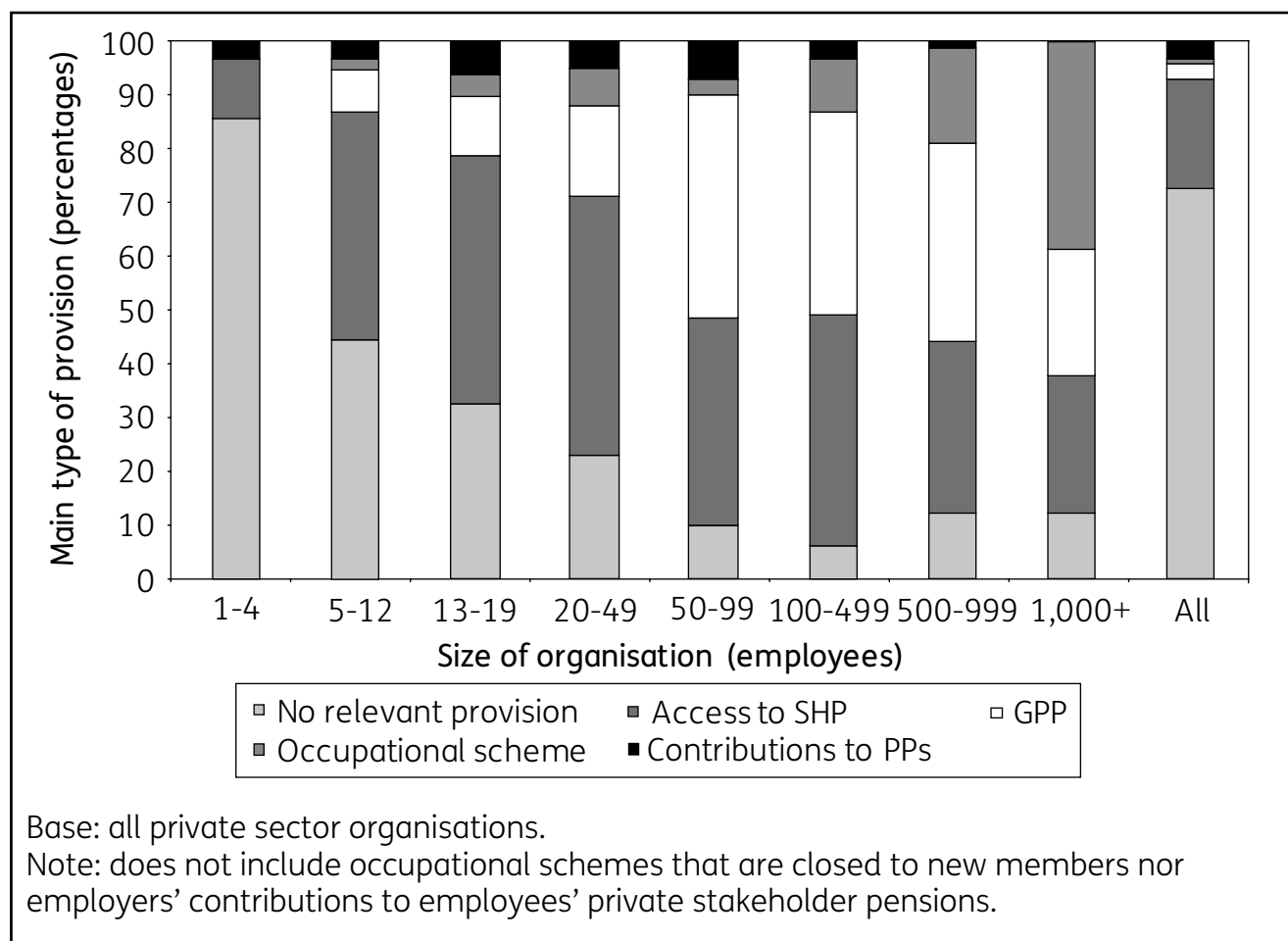
**Table 2.12 Combinations of types of pension provision**

Type(s) of pension provision	Column percentages			
	Private sector organisations		Employees working for such organisations	
	2007	2009	2007	2009
Single type of provision	32	22	39	41
Occupational	2	1	9	12
GPP	2	2	7	8
PP	8	2	1	1
SHP	20	18	22	21
Multiple types of provision	9	7	48	41
Occupational and GPP	0	0	3	4
Occupational and PP	0	0	0	0
Occupational and SHP	2	1	19	13
GPP and PP	1	0	5	2
GPP and SHP	1	2	5	5
SHP and PP	3	2	4	3
Occupational, GPP and PP	0	0	1	1
Occupational, GPP and SHP	0	0	4	8
Occupational, PP and SHP	0	0	3	1
GPP, PP and SHP	0	0	1	1
All four types of scheme	0	0	3	3
No provision	59	72	13	18
<i>Weighted base</i>	2,359	2,498	2,357	2,512
<i>Unweighted base</i>	2,355	2,508	2,355	2,508

Base: all private sector organisations.

Organisations with multiple types of open pension scheme were asked in the survey to identify their 'main type' of pension provision: that is, the scheme with the largest number of members. The categorisation excluded closed occupational schemes and arrangements to contribute to employees' private SHPs. For 32 per cent of firms with multiple schemes, their main scheme was a GPP, for 30 per cent it was an arrangement to make contributions to employees' personal pensions, for 24 per cent it was a SHP scheme and for 15 per cent it was an occupational scheme. These figures were very similar to those observed in 2007.

Figure 2.2 combines these data on the main type of scheme with data on the type of scheme provided by organisations with a single form of provision, in order to show the main type of provision for all private sector firms. The main type of provision was most commonly a SHP scheme; this type of scheme accounted for 72 per cent of firms with open schemes, and 20 per cent of all firms.

**Figure 2.2 Main type of provision, by size of organisation**


## 2.6 Multiple membership

Since 2006, it has been possible for an individual to be a member of more than one pension scheme. EPP 2009 therefore sought to investigate the incidence of so-called multiple membership (the topic had not previously been covered in the survey). Firms with more than one type of scheme (seven per cent of all firms – see Table 2.12) were asked if any of their employees were active members of more than one pension scheme offered by the firm. This was the case within one in six (17 per cent) firms with multiple provision. These firms accounted for one per cent of all firms.

In around half of those firms with multiple membership, employees were members of more than one scheme of the same type, typically contributions to employees' personal pensions. In the remaining half, employees were typically combining membership of SHP scheme with an arrangement whereby the employer made contributions to their private personal pensions.<sup>15</sup>

## 2.7 Characteristics of pension providers and non-providers

It was apparent from Table 2.3 and Table 2.4 that the incidence of pension provision varied considerably by size of firm and industry sector. Table 2.13 augments that earlier analysis by directly comparing the profile of pension-providing firms with the profile of non-providers. As one might expect, given the requirement for firms with five or more employees to provide access to a workplace pension scheme, the vast majority (87 per cent) of all non-providers in 2009 were

<sup>15</sup> No more precise estimates are provided because of the small number of cases involved (only 83 firms in the survey reported multiple membership).

organisations with fewer than five employees. Only one per cent of non-providers employed 20 or more employees. In contrast, only two-fifths (38 per cent) of all providers employed fewer than five employees and around one-fifth (19 per cent) employed 20 or more. The principal compositional differences between non-providers and providers in terms of industry sector were the greater proportion of non-providers that were operating in Other business services (Section K) and the lesser proportion that operated in Manufacturing (Section D). The profile of providers did not alter greatly once the comparison was restricted to firms providing workplace pension schemes.

**Table 2.13 Organisation size and industry sector, by extent of provision**

	<i>Column percentages</i>			
	All organisations	Non- providers	Any provision	Any workplace pension scheme <sup>a</sup>
<b>Size of organisation (employees):</b>				
1-4 employees	73	87	38	36
5-12 employees	17	10	34	35
13-19 employees	4	2	9	9
20-49 employees	4	1	11	12
50-99 employees	1	0	4	4
100-499 employees	1	0	3	3
500-999 employees	0	0	0	0
1,000+ employees	0	0	0	0
Average number of employees (mean)	13	3	37	39
<b>Industry sector:</b>				
ABC: Agriculture, fishing and mining	4	6	1	1
D: Manufacturing	9	6	16	16
E: Energy and water	0	0	0	0
F: Construction	9	9	12	13
G: Wholesale and retail	18	19	15	15
H: Hotels and restaurants	8	10	5	5
I: Transport, storage and communication	4	4	5	5
J: Financial intermediation	1	1	4	2
K: Other business services	31	34	24	24
M: Education	1	1	0	0
N: Health and social work	5	3	10	9
O: Other community, social and personal services	8	8	9	9
<i>Weighted base</i>	2,519	1,790	708	666
<i>Unweighted base</i>	2,519	416	2,092	2,054

Base: all private sector organisations with provision specified in column headings.

Note:

<sup>a</sup> 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It excludes contributions to either personal pensions or private SHPs.

A comparison with the profiles of providers and non-providers in 2007 indicated that providers were slightly larger in 2009 (a mean size of 37 employees, compared with a mean of 30 in 2007), although the difference was not statistically significant. A smaller proportion of providers were operating in Other business services (Section K) in 2009 (24 per cent, compared with 32 per cent in 2007) but, again, the difference was not statistically significant. Overall then, the profiles of providers and non-providers in 2009 were similar to those observed in 2007.

Table 2.14 presents a similar analysis, but focuses on the profile of firms offering different types of pension scheme. It is apparent that firms which provide occupational pensions are considerably larger, on average, than those which provide GPPs. These, in turn, tend to be larger than those firms providing SHP schemes or those making contributions to employees' personal pensions.

Providers of occupational schemes in the 2009 survey were larger on average than those in the 2007 survey (average employment doubled from 110 employees in 2007 to 248 employees in 2009). This substantial rise was caused by the lower incidence of occupational provision in very small firms in 2009. Less than one per cent of firms with fewer than five employees provided an occupational scheme in 2009, compared with three per cent in 2007. The population of private sector organisations is dominated by very small firms (see Chapter 1) and so this apparently small decline had a notable effect in reducing the proportion of all occupational schemes estimated to be located in very small firms (four per cent in 2009, compared with 34 per cent in 2007). A rise was also apparent in the average size of firms making contributions to employees' personal pensions (from 21 employees in 2007 to 33 employees in 2009), but this increase was not statistically significant.

**Table 2.14 Organisation size and industry sector, by type of scheme provided**

	<i>Column percentages</i>			
	<b>Occupational scheme</b>	<b>GPP</b>	<b>SHP</b>	<b>Contributions to PPs</b>
<b>Size of organisation (employees):</b>				
1-4 employees	4	24	40	47
5-12 employees	39	31	34	21
13-19 employees	13	10	9	10
20-49 employees	24	16	11	12
50-99 employees	7	10	3	6
100-499 employees	9	8	2	3
500-999 employees	1	1	0	0
1000+ employees	3	1	0	0
 Average number of employees (mean)	 248	 76	 31	 33
<b>Industry sector:</b>				
ABC: Agriculture, fishing and mining	4	2	0	2
D: Manufacturing	22	17	16	13
E: Energy and water	0	0	0	0
F: Construction	6	23	14	3
G: Wholesale and retail	11	12	16	15
H: Hotels and restaurants	9	3	5	1
I: Transport, storage and communication	3	3	6	2
J: Financial intermediation	2	4	2	9
K: Other business services	16	28	23	35
M: Education	0	1	0	0
N: Health and social work	19	3	9	15
O: Other community, social and personal services	8	5	9	5
 <i>Weighted base</i>	 54	 127	 586	 119
<i>Unweighted base</i>	648	779	1,434	422

Base: all private sector organisations providing the type of scheme specified in column headings.

## 2.8 Reasons for provision

Those organisations that made some form of pension provision were asked in the survey to state the reasons why they provided pensions for their employees. Respondents could provide more than one reason, but they were also asked to state the main reason for provision (Table 2.15).

**Table 2.15 Main reason for providing pensions, by size of organisation**

Main reason for provision	Size of organisation (employees)			Column percentages	
	1-49	50-499	500+	All 2009	All 2007
Because it is a legal requirement	31	21	6	30	30
To look after our employees after retirement	17	15	18	17	23
<i>To encourage employees to join pension scheme</i>	1	0	0	1	0
To recruit and retain staff	9	15	22	10	8
To recruit and retain senior and/or specialist staff	1	2	5	1	2
Competitiveness in the labour market	0	1	3	0	2
It is what our competitors do	0	1	3	0	1
Building a reputation as a socially responsible employer (prestige)	1	1	1	1	1
Because employees value pension contributions	5	3	7	5	5
<i>Employees requested it</i>	1	0	0	1	1
It is a cost-effective way of compensating employees due to tax relief	2	1	1	2	2
<i>To provide benefits for employees in addition to salary</i>	3	15	15	4	2
Because we have always had one (tradition/inertia)	0	3	2	1	4
We have an inherited pension scheme from a merger/acquisition	1	2	2	1	1
<i>Industry wide scheme</i>	1	0	0	1	0
<i>Other reasons not elsewhere specified</i>	11	6	5	10	8
Don't know	15	15	10	15	9
<i>Weighted base</i>	654	50	4	708	958
<i>Unweighted base</i>	743	933	415	2,091	1,977

Base: all private sector organisations with some form of pension provision.

Note: reasons in italics are response codes created after fieldwork.

Around one in seven providers (15 per cent) did not know the main reason for their organisation's decision to provide pensions: perhaps because that decision had been taken some years before. The most commonly cited main reason for pension provision, given by 30 per cent of respondents, was that 'it is a legal requirement'. This implies that a substantial minority of providers would not have provided pensions had they not been required to by law. The second most common main reason for provision was 'to look after our employees after retirement', reflecting a social concern with employees' welfare among some other providers. The third most commonly cited reason was 'to recruit and retain staff'. This specific reason was cited by ten per cent of providers, but a broader set of reasons which were all associated with the notion of competitiveness in the labour market were

together cited by 12 per cent of providers. Whilst the requirements of legislation were a motivation for many smaller employers, labour market competitiveness was a key concern for larger employers: just over one-third (34 per cent) of providers with 500 or more employees cited issues relating to the recruitment and retention of staff.

The reasons given in 2009 for the provision of pensions were very similar to those given in 2007. An apparent decrease in the percentage of firms citing a social concern to look after employees in their retirement (from 23 per cent in 2007 to 17 per cent in 2009) was not statistically significant.

## 2.9 Reasons for non-provision

Having asked providers about their reasons for providing pensions, the survey went on to ask non-providers why they did not make any pension provision for their employees. Table 2.16 again focuses on the main reason given.

**Table 2.16 Main reason for non-provision, by size of organisation**

Main reason for non-provision	Size of organisation (employees)				
	1-4	5-19	20+	All 2009	All 2007
Organisation is too small	38	26	(13)	36	38
Only a family business	3	3	(0)	3	4
Organisation has only recently been established/organisation is too new	5	5	(0)	5	4
<i>Haven't got round to it/haven't found the time to set up scheme</i>	1	3	(3)	1	2
Too costly to provide pensions/cannot afford at moment	14	22	(17)	15	17
Pensions are too complicated/too much administration or legislation	0	0	(2)	0	1
<i>Staff have their own personal pension schemes/arrangements</i>	6	4	(0)	6	7
Staff don't want pensions/have never asked for a pension scheme	13	15	(36)	13	6
Mainly part-time or temporary staff	4	8	(8)	4	2
Staff turnover is too high/employees don't stay long enough to make it worthwhile	4	3	(12)	4	3
It is the responsibility of employees, not the employer	1	2	(2)	1	2
It is not company policy to provide pensions	2	0	(1)	2	1
Our competitors don't provide pensions	0	0	(1)	0	0
<i>Negative opinion of pension provision (no further detail provided)</i>	1	4	(0)	1	2
<i>Never have provided pensions</i>	1	1	(0)	1	1
<i>Other reasons not elsewhere specified</i>	8	5	(6)	8	11
<i>Weighted base</i>	1,504	181	22	1,708	1,326
<i>Unweighted base</i>	134	150	88	372	348

Base: all private sector organisations without some form of pension provision.

Note: Reasons in italics are response codes created after fieldwork.

The most commonly cited main reason for non-provision was that the organisation was 'too small' (cited by 36 per cent of non-providers). The next most common reasons were that pension provision was too costly (15 per cent) or that staff did not want the firm to provide pensions (13 per cent). This latter figure had increased to a statistically significant degree from 2007, when only six per cent of non-providers gave it as their main reason for non-provision.

We noted earlier that most non-providers were very small organisations, having fewer than five employees. These organisations therefore dominate the 'all firms' estimates in Table 2.16. The principal difference between smaller and larger organisations was that very small firms were more likely than larger firms to give the small size of their organisation as a reason for non-provision, whilst larger firms were more likely than small firms to state that staff did not want a pension scheme.

## 2.10 Employees' valuation of pensions

A new question in the EPP 2009 questionnaire asked employers to estimate the degree to which their employees valued the pension provision they offered, when put in context of overall benefit package. Employers were asked to provide a rating on a four-point scale (A lot, A fair amount, A little or No value at all). In providing such a rating, employers were being asked to average across all of their employees (some of whom may have been eligible for different types of provision or who may have placed different valuations on the same level of provision). With that necessary caveat, Table 2.17 indicates that one-tenth (11 per cent) of providers considered that their employees valued their provision 'a lot'. A further 20 per cent considered that their employees valued it 'a fair amount' and 29 per cent considered that they valued it 'a little'; the remaining two-fifths (41 per cent) of providers considered that their employees did not value their provision at all.

Employers' opinions varied according to the type of provision made. The table examines employers' opinions by their main type of provision (see Figure 2.2). Employers were more likely to perceive that employees placed a high valuation on their pension provision in cases where the main type of provision was an occupational scheme; they were least likely to perceive that employees valued their provision in cases where a SHP scheme was the main type of provision. One might expect that employees' opinions are shaped by the generosity of the employers' provision. Indeed, occupational schemes tend to attract relatively high rates of contributions (see Section 4.2.1), whilst SHP schemes often attract no contributions from the employer (see Section 5.6). However, it may equally be the case that employers are led to make more generous forms of provision in instances where employees (or potential recruits) consider that good pension provision is an important part of the overall benefit package (as discussed in Section 2.8). The direction of causality is thus unclear.

**Table 2.17 Employers' perception of employees' valuation of pension provision, by main type of provision**

Perceived valuation	Main type of provision					Column percentages
	Occupational scheme	GPP scheme	SHP scheme	PPs	All	
A lot	60	18	5	17	11	
A fair amount	21	52	13	27	20	
A little	11	25	28	43	29	
No value at all	8	5	54	13	41	
<i>Weighted base</i>	25	85	462	74	658	
<i>Unweighted base</i>	270	598	896	100	1,980	

Base: all private sector organisations with some form of pension provision.

Note: The 'All' column includes 116 cases where main type of provision not known.

## 2.11 Trade unions' involvement

EPP 2007 had noted that trade unions had only a very limited degree of involvement in determining the nature of pension provision in private sector firms. This continued to be the case in 2009, with unions having some role in determining pension arrangements in only one per cent of all providing firms (the same percentage as in 2007). The incidence of union involvement continued to be heavily determined by size of firm: only one per cent of providers with fewer than 1,000 employees afforded some role to trade unions, but the figure was 15 per cent among firms with 1,000 or more employees. In 2009, those firms which involved trade unions in the determination of their pension arrangements employed ten per cent of all employees in providing firms.

Employers were asked about the nature of union involvement in decisions about the level of contribution rates, the type(s) of scheme offered and any eligibility criteria. On each of these three items, firms were more likely to consult with unions than to negotiate. However, if a firm negotiated on one of these three aspects, they typically negotiated on all three. Around one quarter of those firms which involved unions to at least some degree in determining their pension arrangements engaged in negotiations with the union(s) over contribution rates, scheme type and eligibility rules.<sup>16</sup>

## 2.12 The Pensions Regulator

The final section of this overview chapter focuses on employers' reactions to the Pensions Regulator and the Pension Protection Fund. The Pensions Regulator has a remit to regulate all work-based pension schemes, with its main statutory objectives under the 2004 Pensions Act being to protect the interests of scheme members, to reduce the risk of situations arising which may lead to compensation becoming payable from the Pension Protection Fund and to promote good administration. The Pensions Regulator operates via a system of risk-based regulation, whereby it focuses its resources on those schemes where it identifies the greatest risk to members' benefits. Compensation is provided to scheme members when an eligible scheme transfers into the Pension Protection Fund – this having happened because the scheme's sponsoring employer has become

<sup>16</sup> Precise figures are not given because of the small numbers of cases involved.

insolvent and the pension scheme has insufficient assets to pay benefits to scheme members at or above the level of compensation provided by the Pension Protection Fund.

Pension-providing employers were first asked whether they had provided their employees with any information on either the Pensions Regulator or the Pension Protection Fund. In 2009, 30 per cent of employers said that they had. If the employer had provided information on one of the two, they had typically provided information on both (27 per cent had provided information on both the Regulator and the Fund; two per cent had provided information on the Regulator alone; and two per cent had provided information on the Fund alone). This left 70 per cent of employers who had not provided any information on either the Regulator or the Fund; a small proportion of these (two per cent of all firms) said that they had not heard of either the Fund or the Regulator. Firms with 500 or more employees were more likely to have provided information to their employees than firms with fewer than 500 employees (Table 2.18). The percentage of firms which provided information to their employees had increased since 2007, when only 19 per cent of firms had done so. The proportion of firms which noted that they had not heard of the Regulator or the Fund had decreased (from seven per cent in 2007).

Pension-providing employers were also asked to state their degree of confidence in the system of risk-based regulation used by the Regulator. Around one quarter (23 per cent) did not express any opinion, perhaps being unfamiliar with the system. The remainder varied considerably in their opinions, with around one-third (35 per cent) being either 'very confident' or 'fairly confident' and around two-fifths (42 per cent) being either 'not very confident' or 'not at all confident' (Table 2.18). The degree of confidence was higher among larger firms. Comparisons with the degree of confidence expressed by employers in 2007 are made difficult by the high proportions of employers in either year that expressed no opinion. However, the fact that the proportion which expressed no opinion fell considerably between 2007 and 2009 (from 43 per cent to 23 per cent) may partly reflect the growing awareness of the regulatory body and its actions.

**Table 2.18 Employers' views of the Pensions Regulator, by size of organisation**

	<i>Column percentages</i>								
	<b>Number of employees</b>							<b>All</b>	<b>All</b>
	<b>1-12</b>	<b>13-19</b>	<b>20-49</b>	<b>50-99</b>	<b>100-499</b>	<b>500-999</b>	<b>1,000+</b>	<b>2009</b>	<b>2007</b>
<b>Any information provided to employees on either the Pensions Regulator or the Pension Protection Fund</b>									
Yes	31	28	25	32	25	52	63	30	19
No	69	72	75	68	75	48	37	70	81
<b>Confidence in risk-based regulation</b>									
Very confident	2	3	7	8	7	10	15	3	5
Fairly confident	31	27	34	41	43	55	53	32	27
Not very confident	20	29	16	16	21	12	17	20	15
Not at all confident	22	27	20	12	9	3	4	22	11
Don't know	24	14	23	22	20	20	11	23	43
<i>Weighted base</i>	464	58	70	24	21	2	2	641	958
<i>Unweighted base</i>	228	128	305	283	538	151	227	1,860	1,977

Base: all private sector organisations with some form of pension provision.



# 3 Occupational pensions: availability and membership

## Purpose:

- This chapter examines the characteristics of occupational pension schemes, focusing first on the basis on which benefits were calculated and then on a variety of issues relating to the membership of such schemes.

## Key findings:

- In 2009, 40 per cent of occupational schemes operated on a defined benefit (DB) basis, 30 per cent operated on a defined contribution (DC) basis and 20 per cent operated on a mixed-benefit basis (the remaining 11 per cent were unclassified). The proportion of active members belonging to each of the three different types of occupational scheme (DB, DC and mixed-benefit) was stable between 2007 and 2009, as was the proportion of all active members belonging to multi-employer schemes (50 per cent of those in occupational schemes).
- Just under half of all occupational schemes (48 per cent) were open to new members – the same proportion as in 2007. The remainder were closed to new members. Around three-quarters (74 per cent) of closed schemes were accepting contributions whilst the remainder were frozen.
- Just over half (55 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join. The proportion was similar in 2007 (57 per cent).
- A minority (32 per cent) of open occupational schemes had a vesting period. Vesting periods were more common in larger schemes than in smaller schemes. Around half (48 per cent) of active members belonged to a scheme with a vesting period.
- Around a quarter (24 per cent) of open occupational schemes enrolled employees automatically into the scheme unless they opted out.

## 3.1 Introduction

The estimates presented in Chapter Two indicated that two per cent of all private sector organisations included an occupational pension scheme as part of their pension provision for employees in 2009 (see Table 2.2). These organisations employed around two-fifths (42 per cent) of all private sector employees. Together, occupational pension schemes accounted for around half (48 per cent) of all active members of employer pension schemes.

This chapter further examines the characteristics of occupational pension schemes provided by employers in 2009, focusing first on the basis on which benefits were calculated and then on a variety of issues relating to the membership of such schemes. These include whether schemes were open to new members and, if so, who was eligible to join. The following chapter (Chapter Four) covers issues relating to contributions and benefits.

Most of the estimates that are presented in the chapter are based on schemes, with each scheme having the same influence on the estimate regardless of its size. However, some estimates are also presented in which the influence of each scheme is in proportion to its active membership. These membership-based estimates give greater weight to larger schemes and are more representative of the situation experienced by the average active member. Some firm-level estimates are also included in the discussion. Comparisons with estimates from the Employers' Pension Provision Survey 2007 (EPP 2007) are made at key junctures throughout the chapter.

### 3.2 Types of occupational scheme

DB schemes were the most common form of occupational pension scheme in 2009: two-fifths (40 per cent) of all occupational schemes were classified by respondents as DB schemes. A further 30 per cent of schemes were classified as DC schemes, whilst 20 per cent of schemes used both methods to calculate benefits (hybrid schemes). In the remaining 11 per cent of cases, the respondent did not possess sufficient knowledge to categorise the scheme. In EPP 2007, a higher proportion of schemes were DC schemes (55 per cent) and a lower proportion were mixed-benefit or hybrid schemes (seven per cent); the proportion of schemes operating on a DB basis was more similar, standing at 30 per cent. In 2007, respondents did not know the basis on which benefits were calculated for eight per cent of schemes. Although these figures indicate a change between 2007 and 2009 in the profile of occupational schemes, it was apparent from Chapter Two (see Table 2.2) that the proportion of active members in the three types of occupational scheme was approximately stable between the two years (see also Section 3.6).

In cases where the scheme was classified as using a single method of calculating benefits, the respondent was asked whether the scheme provided **any** benefits on the opposing basis. Four per cent of DB schemes provided at least some benefits on a DC basis, whilst four per cent of DC schemes provided at least some benefits on a DB basis.<sup>17</sup> On this basis, a total of 23 per cent of occupational schemes could possibly then be considered as hybrid schemes. However, we use responses to the main classificatory question, discussed in the previous paragraph, when classifying schemes throughout this chapter, taking this to indicate the main method of calculating benefits in the scheme (and so class 20 per cent of occupational schemes as hybrid schemes). This approach has also been adopted in the construction of the tables presented in earlier chapters.

#### 3.2.1 Multi-employer schemes

In some cases, access to a single occupational scheme may be offered by more than one employer. This may occur in the case of industry-wide schemes, which operate with one central fund into which all participating employers and employees contribute. It may also occur in the case of centralised schemes, in which different sections operate for different employers. In 2009, 36 per cent of occupational schemes were part of a multi-employer scheme. Almost three-fifths (58 per cent) of DB schemes were part of multi-employer schemes. The proportion was just over one quarter (28 per cent) among hybrid schemes and one-tenth (ten per cent) among DC schemes. Almost three-quarters (74 per cent) of these (26 per cent of all occupational schemes) were industry-wide schemes whilst 12 per cent (four per cent of all schemes) were centralised schemes; in a further 14 per cent of cases (five per cent of all schemes) the respondent did not know whether the scheme was an industry-wide or centralised scheme.

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<sup>17</sup> Respondents were not always well informed. Sixteen per cent of respondents reporting on DB schemes could not answer this question, whilst nine per cent of those reporting on DC schemes could not answer the equivalent question. The figures cited in the text include these non-respondents in the bases for the estimates.

In 2007, some 30 per cent of schemes were multi-employer schemes, but the apparent increase in 2009 was not statistically significant. The percentage of active members of occupational schemes that belonged to multi-employer schemes was stable between the two years (49 per cent in 2007, 50 per cent in 2009).

### 3.3 Status of occupational schemes

The population of occupational schemes comprises a mixture of open, closed and frozen schemes. Open schemes admit new members and continue to receive contributions from existing members and their employers. Closed schemes do not admit new members, but contributions can continue to be made by existing members and their employers. Frozen schemes are also closed to new members and, in addition, do not accept any further contributions.<sup>18</sup>

In 2009, just under half of all occupational schemes (48 per cent) were open to new members (Table 3.1). A further 37 per cent of schemes were closed to new members but still accepting contributions, whilst the remaining 14 per cent were frozen schemes. Accordingly, around one quarter of closed schemes were frozen. Over half of DB schemes (54 per cent) were open to new members, compared with 41 per cent of DC schemes and 48 per cent of hybrid schemes, but these differences were not statistically significant.

The proportion of open schemes was identical in 2007 (48 per cent). Some differences were apparent between 2007 and 2009 in the proportions of each type of occupational scheme that were open to new members but, again, none of the differences were statistically significant.<sup>19</sup>

**Table 3.1 Status of occupational schemes, by type of scheme**

Status of scheme	Column percentages							
	Type of scheme							
	DB		DC		Mixed		All	
	2007	2009	2007	2009	2007	2009	2007	2009
Open to new members	60	54	49	41	(28)	(48)	48	48
Closed, but accepting contributions	28	31	36	42	(67)	(42)	34	37
Frozen	12	15	15	17	(5)	(10)	18	14
<i>Weighted base</i>	298	363	535	279	71	187	966	869
<i>Unweighted base</i>	557	575	297	242	85	71	966	925

Base: all occupational schemes.

Note: schemes for which the type is not known (27 schemes in 2007 and 37 in 2009) are not presented separately but are included in the figures for 'All schemes'.

<sup>18</sup> Accordingly, DB schemes are not considered to be frozen if the firm has only suspended its contributions temporarily because the scheme is in surplus (a so-called 'contributions holiday').

<sup>19</sup> This was true even of the relatively large increase in the proportion of hybrid schemes that were open to new members, due to the small numbers of cases involved.

As one might expect, older schemes were less likely to remain open than schemes which had been more recently established. Less than one-third of schemes established before 1990 remained open to new members, with more than one-fifth of schemes from this period now being frozen (Table 3.2). In contrast, over half of those schemes established since 1990 remained open and less than one in ten were frozen. This indicates, nevertheless, that a substantial minority of recently-established schemes were already closed to new members.

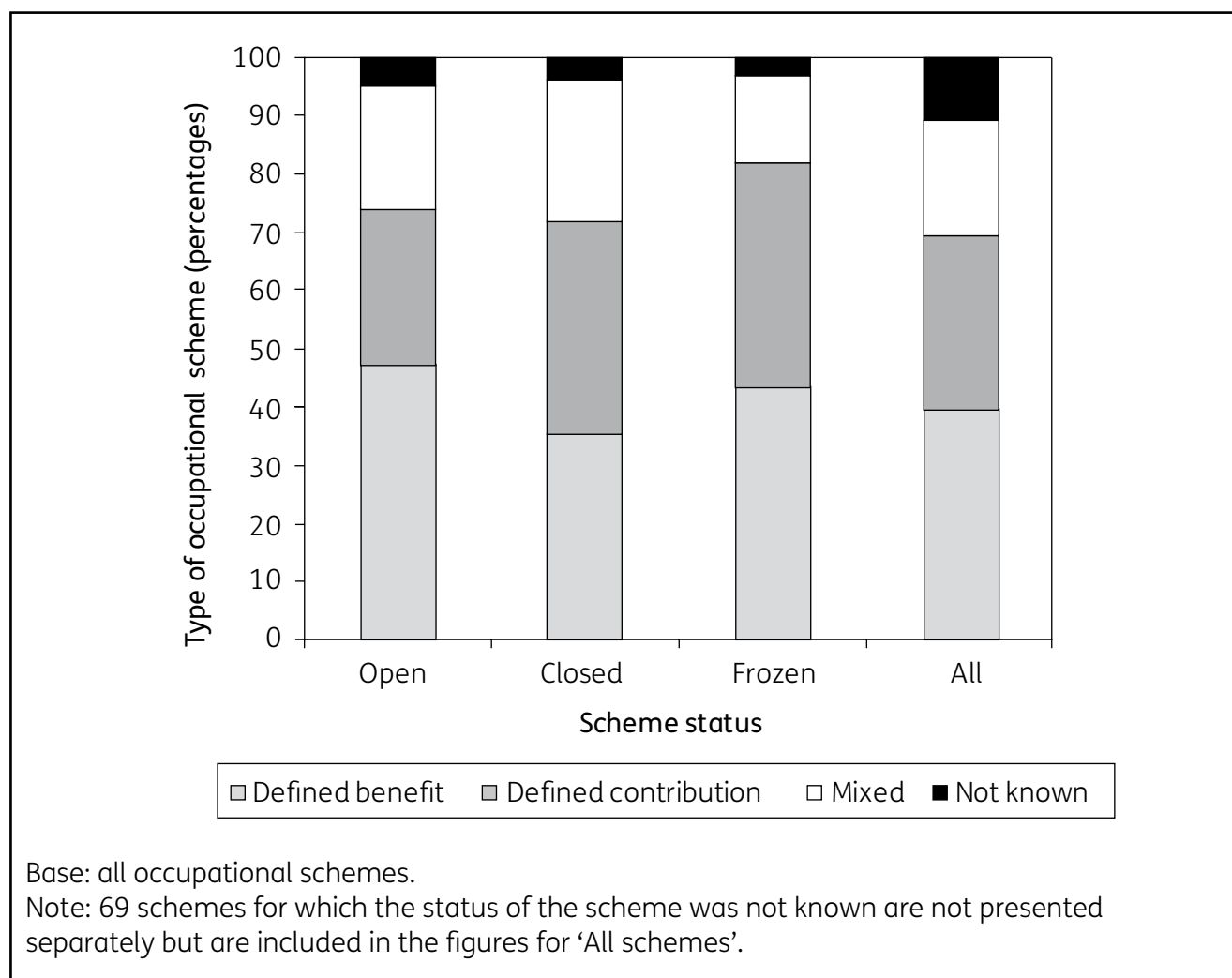
**Table 3.2 Status of occupational schemes, by year scheme established**

Status of scheme	Year scheme established					All
	Pre-1970	1970-1979	1980-1989	1990-1999	2000-2009	
Open to new members	31	31	25	58	74	48
Closed, but receiving contributions	39	40	56	33	24	37
Frozen	29	29	19	9	2	14
<i>Weighted base</i>	<i>50</i>	<i>100</i>	<i>214</i>	<i>245</i>	<i>142</i>	<i>869</i>
<i>Unweighted base</i>	<i>133</i>	<i>122</i>	<i>136</i>	<i>183</i>	<i>173</i>	<i>925</i>

Base: all occupational schemes.

Note: 178 schemes for which the year of establishment is not known are not presented separately but are included in the figures for 'All schemes'.

Figure 3.1 shows the proportions of open, closed and frozen schemes that operated on a DB, DC or mixed-benefit basis. Just under half (47 per cent) of open schemes were DB schemes, just over one quarter (27 per cent) were DC schemes and one-fifth (21 per cent) were hybrid schemes. Among closed schemes the proportions were 35 per cent, 36 per cent and 24 per cent respectively. It appeared that a higher proportion of open schemes than closed schemes operated on a DB basis, but the difference was not statistically significant.

**Figure 3.1 Type of occupational scheme, by scheme status**

### 3.4 Closure of occupational schemes

The survey asked about the year in which closed and frozen schemes had been closed to new members, however this was often not known by respondents (37 per cent of cases). A further 24 per cent of closed and frozen schemes that existed in 2009 had been closed in the period 2005-2009, 19 per cent had been closed between 2000 and 2004, 14 per cent had been closed in the 1990s and the remaining six per cent had been closed in the 1980s. These figures may give the impression that the rate of scheme closure has increased in recent years, however this cannot necessarily be inferred from the data since some of those schemes closed in earlier periods may have since been wound up, and so would not feature in the stock of schemes captured by the survey.

Focusing on schemes that had been closed in the four years preceding the survey (that is, in 2005 or later), around half (52 per cent) operated on a DB basis whilst a similar proportion (47 per cent) operated on a DC basis. The proportion of recently-closed schemes operating on a hybrid basis was thus very small (one per cent).<sup>20</sup> Just under half of recently-closed schemes (46 per cent) were still accepting contributions, whilst a slight majority (the remaining 53 per cent) had been frozen. There were no clear differences in the proportions of different types of scheme that had been frozen.

<sup>20</sup> In the remaining one per cent of cases, the respondent did not know the type of scheme.

Respondents were asked to state the main reason why such schemes had been closed to new members.<sup>21</sup> The most commonly cited reason was that the scheme was ‘too expensive to run’ (31 per cent of cases). Other commonly cited reasons were that the employer ‘wanted to provide better benefits’ (25 per cent) or ‘wanted to switch to another type of scheme’ (16 per cent). No other single reason accounted for more than ten per cent of responses.

Over two-thirds (71 per cent) of recently closed occupational schemes had been replaced by another type of scheme. Closed schemes had typically been replaced with a GPP scheme; this applied in 81 per cent of those cases where the scheme had been replaced with another type of scheme, or 57 per cent of all closures since 2005.

### 3.5 Size of occupational schemes

Most occupational pension schemes had relatively small numbers of active members within the employing organisation.<sup>22</sup> In 2009, four-fifths (83 per cent) of schemes had fewer than twenty members among the organisation’s current workforce (Table 3.3). The median scheme had just four members. The proportion of very large schemes (those with 1,000 members or more) was very small (one per cent). However, they served to raise the average (mean) size to 88 members.

**Table 3.3 Numbers of active members in occupational schemes, by type and status of scheme**

Number of active members	Column percentages					
	Type of scheme			Scheme status		
	DB	DC	Hybrid	Open	Closed	All
None	2	0	(0)	0	2	1
1-19	65	90	(97)	81	83	82
20-49	14	2	(1)	8	6	7
50-99	6	1	(0)	3	2	3
100-249	6	3	(1)	4	3	4
250-499	2	1	(0)	1	1	1
500-999	2	1	(1)	2	1	1
1,000+	2	1	(1)	1	2	1
Mean	143	43	(67)	85	91	88
Median	13	2	(3)	6	2	4
<i>Weighted base</i>	300	230	165	412	318	730
<i>Unweighted base</i>	500	201	64	377	414	791

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

Note: Schemes for which the type or status is not known are not presented separately but are included in the figures for ‘All schemes’.

<sup>21</sup> The question was in fact asked in respect of all schemes that had closed since 2001, but we choose to focus here on the more recent of these closures (2005 or later).

<sup>22</sup> That is not to say that they are necessarily small in aggregate, as some schemes have members in more than one organisation (see Section 3.2.1).

DB schemes tended to be larger than DC schemes, but open and closed occupational schemes tended to have similar numbers of active members. The average (mean) number of members in DB schemes was 143, compared with an average of 43 members in DC schemes. The average sizes of open and closed schemes were 85 members and 91 members respectively.

A principal difference in 2007 was that a high proportion of schemes (19 per cent) identified in the earlier survey had no active members. Nevertheless, the same broad patterns were still evident, in that DB schemes were substantially larger on average than DC schemes, whilst open and closed schemes were of similar average size.

Firm size necessarily places a ceiling on active scheme membership, and the prevalence of small schemes reflects in part the prevalence of small organisations (see Chapter 1). Indeed, many of the smaller occupational schemes in 2009 were found in small organisations: around two-thirds (69 per cent) of those schemes with 1-19 active members were located in organisations which themselves had fewer than 20 employees (Table 3.4). One implication is that the proportion of all employees within a firm that belonged to occupational schemes was sometimes relatively high. In 18 per cent of firms with occupational schemes, at least three-quarters of all employees were active members. In a further 16 per cent, at least half were active members, in 16 per cent the proportion was over one quarter and in 36 per cent it was less than one quarter.

**Table 3.4 Size of organisation, by number of active members in occupational scheme**

Size of organisation (number of employees)	Size of scheme (number of active members)					All
	1-19	20-99	100-249	250-499	500+	
1-19	69					57
20-99	27	51				27
100-249	3	33	27			7
250-499	1	7	41	(12)		3
500+	1	9	32	(88)	100	7
<i>Weighted base</i>	596	71	26	9	20	723
<i>Unweighted base</i>	226	170	140	74	154	764

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

It was noted in Chapter Two that 13 per cent of all private sector employees were active members of occupational schemes in 2009. Table 3.5 and Table 3.6 show how this percentage varied by firm size and industry sector. As in 2007, aggregate membership of occupational schemes was higher among larger firms (this partly reflecting their greater propensity to offer such schemes – see Chapter 2). Aggregate membership of occupational schemes was also relatively high in Transport, storage and communication (Section I) and Financial intermediation (Section J), as it had been in 2007, although the estimates for these industry sectors were based on relatively small numbers of cases and should thus be treated with some caution.

**Table 3.5 Percentage of employees that are active members of open or closed occupational pension schemes, by size of organisation**

	Number of employees											Cell percentages	
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	1,000+	All			
Aggregate percentage of employees that are active members of occupational schemes	0	2	3	3	3	8	15	27	27	13			
Weighted base	306	258	116	227	152	347	86	900	900	2,391			
Unweighted base	185	338	187	398	341	617	169	228	228	2,463			

Base: all private sector organisations indicated by column headings.

**Table 3.6 Percentage of employees that are active members of open or closed occupational pension schemes, by industry sector**

	Industry sector											Cell percentages	
	D	F	G	H	I	J	K	N	O	All			
Aggregate percentage of employees that are active members of occupational schemes	22	3	9	11	32	(35)	7	8	10	13			
Weighted base	371	73	393	307	171	59	627	212	141	2,391			
Unweighted base	422	164	382	152	102	60	600	322	187	2,463			

Base: all private sector organisations indicated by column headings.

Note: Sectors A-C, E and M are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'All sectors' column. See Table 1.2 for full sector labels.

Table 3.7 shows how the population of active members were distributed across non-frozen schemes of different types in 2007 and 2009. This is contrasted with the distribution of schemes themselves. DB schemes accounted for the majority (67 per cent) of all active members in occupational schemes in 2009, even though they accounted for only a minority (42 per cent) of schemes. This reflects their larger than average size (as shown in Table 3.3). The distribution of active members across different types of scheme was little different in 2009 to that found in 2007; indeed, none of the differences shown in columns three and four of the table were statistically significant.

**Table 3.7 Type and status of occupational schemes (schemes and active members)**

Type of scheme	Schemes		Active members	
	2007	2009	2007	2009
Defined benefit	33	42	61	67
Open	22	26	26	25
Closed	11	15	35	42
Defined contribution	57	31	19	15
Open	33	15	16	14
Closed	24	16	3	2
Hybrid	9	23	20	17
Open	3	12	19	16
Closed	6	11	1	1
Type not known	1	5	0	0
Open	1	3	0	0
Closed	0	2	0	0
All open schemes	59	56	61	55
All closed schemes	41	44	39	45
Weighted base	790	743	808	783
Unweighted base	862	807	807	764

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

## 3.6 Membership profile

### 3.6.1 Active members

In addition to collecting information on the total number of active members in each scheme, the survey also collected information on the number of members that were women and the number that worked part-time hours.<sup>23</sup> Women were reported to comprise a minority of members in 64 per

<sup>23</sup> The number of hours was not defined. Since the information on members' gender was only collected in respect of the three largest occupational schemes, rather than all eight (where present), this section focuses on this subset of schemes. However, this subset accounts for 96 per cent of all occupational schemes and 98 per cent of all active members.

cent of schemes (Table 3.8). This does not necessarily mean that women were under-represented in such schemes, since at least some of these schemes may have operated in organisations with a low share of female employees. However, comparing the gender share of active members in the scheme with the gender share of employees in the organisation, where both were known, one finds that female employees were under-represented among active members in 51 per cent of schemes; there was approximately equal representation of women and men in 38 per cent of schemes, and women were over-represented in 12 per cent of schemes.<sup>24</sup> Focusing on those schemes for which a gender share could be computed, one finds that, in aggregate, just over one-third (36 per cent) of all active members of occupational schemes were women. This compared with 41 per cent in 2007 – a difference that was not statistically significant.

Repeating the same analysis in respect of part-time workers, employees working part-time hours comprised a minority of all active members in 87 per cent of schemes (Table 3.8). Comparing the proportion of active members in the scheme that worked part-time hours with the proportion of employees in the organisation that worked part-time, where both were known, one finds that part-time employees were under-represented among active members in 70 per cent of schemes; there was approximately equal representation of part-time and full-time employees in 22 per cent of schemes, and part-timers were over-represented in eight per cent of schemes.<sup>25</sup> Focusing on those schemes for which the share of part-timers could be computed, one in eight active members of occupational schemes (13 per cent) were part-time workers. This figure stood at 19 per cent in 2007 but, again, the difference was not statistically significant.

In 2009, the shares of female members and of part-time members were both higher in open schemes than in closed schemes. Two-fifths (40 per cent) of active members in open schemes were women, compared with 31 per cent in closed schemes. Seventeen per cent of active members were part-time workers, compared with nine per cent in closed schemes. In these cases, the differences were statistically significant.

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<sup>24</sup> We compute the ratio of the gender share of active members to the gender share of employees, taking a ratio of less than 0.8 to indicate under-representation of female employees in the scheme, a ratio of 0.8 to 1.2 to indicate approximately equal representation and a ratio of greater than 1.2 to indicate over-representation. These thresholds are necessarily somewhat arbitrary.

<sup>25</sup> The ratio is computed in the same way as in respect of gender (see previous footnote).

**Table 3.8 Profile of active members of occupational schemes, by type and status of scheme**

Profile of active members	Type of scheme			Scheme status		All
	DB	DC	Hybrid	Open	Closed	
<i>Column percentages</i>						
<b>Percentage female:</b>						
None	15	61	(39)	25	52	37
1-24%	19	6	(1)	8	12	10
25-49%	12	7	(42)	16	19	17
50-74%	22	17	(4)	24	8	17
75%+	31	10	(14)	27	9	19
Aggregate percentage female	36	37	(32)	40	31	36
<i>Weighted base</i>	285	225	165	407	302	709
<i>Unweighted base</i>	433	180	57	342	354	696
<b>Percentage part-time:</b>						
None	40	87	(54)	42	85	60
1-24%	31	6	(10)	21	12	17
25-49%	9	3	(22)	16	2	10
50-74%	14	0	(0)	9	1	6
75%+	6	4	(14)	12	0	7
Aggregate percentage part-time	12	15	(14)	17	9	13
<i>Weighted base</i>	282	228	165	402	308	710
<i>Unweighted base</i>	441	185	59	345	365	710

Base: all open or closed occupational schemes.

Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

### 3.6.2 Profile of all members

The total membership of a pension scheme is comprised not only of active members, but also of deferred members (those who have left the scheme but are yet to receive their pension) and current pensioners. Respondents for 17 per cent of open or closed schemes could not identify the numbers of members in each of these three groups; however, in the remaining 83 per cent of schemes it was possible to determine the share of all members that were active members, deferred members or current pensioners. Among these schemes, active members comprised just 22 per cent of the total membership in 2009, with deferred members accounting for a further 42 per cent and current pensioners 36 per cent (Table 3.9). DB schemes had a lower share of active members than DC schemes (20 per cent compared with 40 per cent), and a higher share of current pensioners (40 per cent, compared with 13 per cent).<sup>26</sup>

<sup>26</sup> DC schemes tend to buy out pensioners with annuities from insurance companies.

The overall share of active members had fallen since 2007 (from 30 per cent to 22 per cent), and the share of current pensioners had risen (from 29 per cent to 36 per cent). Both differences were statistically significant at the one per cent level.

**Table 3.9 Profile of total membership of occupational schemes, by type and status of scheme**

Aggregate percentage of members that are...	Column percentages						
	Type of scheme			Scheme status		All 2009	All 2007
	DB	DC	Hybrid	Open	Closed		
Active members	20	40	(21)	21	22	22	30
Deferred members	40	47	(47)	47	38	42	41
Current pensioners	40	13	(32)	32	41	36	29
<i>Weighted base</i>	405	44	127	280	297	577	644
<i>Unweighted base</i>	340	161	58	259	318	577	644

Base: all open or closed occupational schemes.

Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

### 3.7 Eligibility for occupational schemes

It was noted above that 48 per cent of all occupational schemes were open to new members in 2009 (see Table 3.1). Open pension schemes may nonetheless restrict eligibility for the scheme, such that only certain types of employee may be allowed to become members. Examples of such eligibility rules might be those which restrict membership to employees with a minimum period of job tenure or to managerial employees.

In 2009, just over half (55 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join (Table 3.10). Thirty per cent of active members in 2009 belonged to schemes that were open to all. A comparison of the scheme-based and membership-based figures in Table 3.10 thus indicates that those schemes without eligibility restrictions tended to be smaller than average. Those schemes with age-related restrictions were particularly large in comparison with other schemes.

The proportion of schemes that were open to all had not changed to a statistically significant degree since 2007 (when the figure stood at 57 per cent). This was also true of the share of all active members which belonged to such schemes (34 per cent in 2007). The apparent increase in the percentage of schemes that allowed entry only to senior managers (three per cent of schemes in 2007, compared with 14 per cent in 2009) was just outside the bounds of statistical significance at the five per cent level.

**Table 3.10 Eligibility criteria for open occupational schemes (schemes and active members)**

Eligibility criteria	Column percentages			
	All schemes		All active members	
	2007	2009	2007	2009
All employees eligible to join	57	55	34	30
Senior managers only	3	14	0	1
Minimum age	7	7	27	27
Minimum job tenure	20	14	20	14
Minimum age and tenure	4	4	11	9
Other criteria	9	6	8	19
<i>Weighted base</i>	434	363	509	414
<i>Unweighted base</i>	450	382	440	372

Base: all open occupational schemes.

Respondents in firms that had any occupational schemes – whether open or closed – were asked a general question as to whether any of their organisation’s schemes had been established solely for senior managers or directors (so-called ‘top hat’ schemes). This was the case for around two-fifths (41 per cent) of organisations with occupational schemes (one per cent of all organisations). These figures were similar to those found in 2007, when 44 per cent of organisations with occupational schemes (two per cent of all organisations) reported ‘top hat’ schemes.

### 3.8 Vesting periods for open occupational schemes

Respondents were asked explicitly whether their open occupational schemes operated a vesting period, in other words whether employees leaving the scheme within a certain period of time after joining would lose all future entitlement to any pension or benefits provided by the scheme. This was a new question in 2009 and hence no comparisons are possible with earlier years.

The majority of open occupational schemes (68 per cent) did not operate a vesting period (Table 3.11). Those which did operate a vesting period were approximately evenly split between those in which the vesting period was two years or less (ten per cent of all open schemes) and those in which it was more than two years (seven per cent of all open schemes).<sup>27</sup> This left 15 per cent of schemes in which the respondent did not know whether the scheme operated a vesting period.

Vesting periods were less likely in smaller schemes. Over two-thirds of schemes with fewer than 100 members had no vesting period, compared with around half (51 per cent) of schemes with 500 or more members. Overall, 52 per cent of active members in open occupational schemes belonged to schemes without a vesting period, 41 per cent belonged to schemes with a vesting period and seven per cent belonged to schemes where the respondent did not know whether one operated or not.

<sup>27</sup> Under the 1993 Pension Schemes Act, vesting periods of two years or more are not permitted. Accordingly, it seems likely that some respondents misunderstood this question.

**Table 3.11 Vesting periods for open occupational schemes, by size of scheme**

Vesting period	Number of active members			
	0-99	100-499	500+	All
No vesting period	69	56	(51)	68
Two years or less	9	13	(41)	10
More than two years	8	4	(6)	7
Not known whether any vesting period	15	27	(2)	15
<i>Weighted base</i>	377	22	11	418
<i>Unweighted base</i>	178	105	84	376

Column percentages

Base: all open occupational schemes.

### 3.9 Joining mechanisms for occupational schemes

The forthcoming workplace pension reforms will require employers automatically to enrol eligible workers into a qualifying pension scheme, unless the worker chooses to opt out. Accordingly, attention has focused on the different joining mechanisms that currently operate among schemes. EPP 2009 asked respondents about the types of joining mechanism that currently operated for their open occupational schemes. Six mechanisms were specified in the questionnaire (listed first in Table 3.12), but respondents could also mention other mechanisms (listed separately in the table).

The most commonly cited mechanisms were the use of a simplified form (applying in 27 per cent of open schemes), automatic enrolment (24 per cent) and the use of detailed form (22 per cent).<sup>28</sup> Automatic enrolment was more common among DB schemes (18 per cent) than among DC schemes (five per cent), but the difference was not statistically significant at the five per cent level. Automatic enrolment was also more common in larger schemes. Those schemes which automatically enrolled employees accounted for 43 per cent of all active members in open occupational schemes.

A question about joining mechanisms was also asked in the 2007 survey, but the list of pre-specified options presented to the respondent was slightly different and so we do not make any detailed comparisons here. However, automatic enrolment was one of the pre-specified options included in 2007 and so a comparison is possible on this item. Automatic enrolment operated in only nine per cent of open occupational schemes in 2007 (compared with 24 per cent in 2009, as stated above), but the change was not statistically significant. The share of all active members belonging to schemes operating automatic enrolment had changed to a lesser extent (48 per cent in 2007; 43 per cent in 2009); this difference was also not statistically significant.

<sup>28</sup> It is likely that those firms choosing the 'automatic enrolment' option use some form of streamlined joining which nonetheless requires an employee's signature. Automatic enrolment without first obtaining an employee's consent (as envisaged under the workplace pension reforms) is not currently permitted for any type of pension scheme.

**Table 3.12** Joining mechanism for open occupational schemes, by type of scheme

Joining mechanism	Type of open scheme			All schemes	All active members
	DB	DC	Hybrid		
<i>Column percentages</i>					
<b>Pre-coded options</b>					
Complete one or more detailed forms	22	28	(18)	22	28
Sign a simplified form	32	40	(2)	27	24
Sign a pre-completed form	1	2	(3)	2	0
Complete a yes/no declaration	3	0	(4)	3	1
Sign a paragraph in their employment contract	2	0	(0)	1	0
Automatically become members unless they choose to opt out	18	5	(66)	24	43
<b>Answers coded from other replies</b>					
Pension adviser/IFA assists	5	2	(6)	6	1
Other answer	3	1	(2)	2	2
Don't know	14	21	(0)	14	1
<i>Weighted base</i>	194	114	89	418	416
<i>Unweighted base</i>	183	134	50	380	372

Base: all open occupational schemes.

Notes: Thirteen schemes for which the type is not known are not presented separately but are included in the figures for 'All schemes'.

Respondents were asked why their organisation had chosen the particular form of joining mechanism that applied for each scheme. As in 2007, the responses were limited in their usefulness because of the small numbers of schemes that used many of the methods and because of the relatively large proportion of schemes for which the reason was not known. Table 3.13 nevertheless presents the reasons cited for using detailed forms, simplified forms and automatic enrolment (although note that the latter arrangement was used in only 60 schemes and the figures should therefore be treated with particular caution). Almost a quarter (24 per cent) of those using simplified forms gave 'simplification' as the reason for doing so, although it was more commonly (33 per cent) 'just what the pension provider offered'. Many of those using automatic enrolment were doing so because it had been 'recommended by an expert (37 per cent) or was 'just what the pension provider had offered' (12 per cent), implying a key role for pension providers in promoting this form of joining mechanism. A substantial proportion of those using automatic enrolment (28 per cent) believed it to be a legal requirement, although that is not yet the case.

**Table 3.13 Reasons for choosing joining mechanism for open occupational scheme, by type of joining mechanism**

Reasons for choosing joining mechanism	Detailed form	Joining mechanism	
		Sign a simplified form	Enrolled unless opts out
<i>Column percentages</i>			
<b>Pre coded options</b>			
To simplify joining procedure	11	24	(1)
To reduce administration	20	4	(3)
Recommended by expert	4	4	(37)
Just what the pension provider offered	14	33	(12)
<b>Answers coded from other replies</b>			
Legal requirement	1	0	(28)
Other answer	9	12	(12)
Don't know	42	25	(7)
<i>Weighted base</i>	91	111	99
<i>Unweighted base</i>	154	103	60

Base: all open occupational schemes as specified in column headings.

Note: schemes using other forms of joining mechanism are not included because of the low numbers of cases with these arrangements.

The final table in this chapter (Table 3.14) considers the extent to which employers provided information and advice to their employees about joining their open occupational scheme(s). The vast majority (87 per cent) of schemes provided some form of information or advice on this issue, with the most common form being paper-based information (provided in 69 per cent of schemes) – see column four of the table. Other common methods were the use of one-to-one information sessions (59 per cent of schemes), electronic information (37 per cent) and one-to-one information from an independent financial adviser (IFA) (35 per cent).

The provision of information was more common in larger schemes: 96 per cent of active members in open occupational schemes belonged to a scheme where some form of information or advice was provided (column six). Ninety-two per cent of active members belonged to a scheme that provided paper-based information and 75 per cent belonged to one providing electronic information.

All forms of information provision appeared more common in 2009 than in 2007, suggesting that firms in 2009 were more likely to use multiple methods. In fact, the only statistically significant change was the sharp increase in the proportion of schemes providing a one-to-one information session with an IFA (from 11 per cent in 2007 to 35 per cent in 2009). The increase in the percentage of active members who belonged to a scheme providing such sessions (from nine per cent in 2007 to 25 per cent in 2009) was just outside the bounds of statistical significance at the five per cent level.

**Table 3.14 Information and advice provided about joining open occupational schemes, by type of scheme**

Information and advice provided	Type of open scheme			All schemes 2009	All schemes 2007	Column percentages	
	DB	DC	Hybrid			All active members 2009	All active members 2007
Paper-based information	87	58	(54)	69	61	92	96
1-2-1 information session	59	40	(90)	59	46	44	42
Electronic information	59	29	(6)	37	23	75	82
1-2-1 information from an IFA	33	24	(53)	35	11	25	9
Staff presentations	30	16	(9)	21	13	40	48
None of these	3	36	(0)	13	17	4	1
<i>Weighted base</i>	196	114	89	419	433	430	507
<i>Unweighted base</i>	187	136	50	386	434	376	427

Base: all open occupational schemes.

Notes: Multiple responses were permitted. Thirteen schemes for which the type is not known are not presented separately but are included in the figures for 'All schemes'.



# 4 Occupational pensions: contributions and benefits

## Purpose:

- This chapter examines the contributions that are paid by employers and employees into occupational pensions. It also considers issues surrounding the benefits that are payable from occupational schemes.

## Key findings:

- The rate of employer contributions received by the average active member of an occupational scheme was stable between 2007 and 2009, remaining at around 17 per cent for members of defined benefit (DB) schemes and around seven per cent for members of defined contribution (DC) schemes.
- Around two-thirds (64 per cent) of occupational schemes were contributory for employees in 2009. The average employee contribution was six per cent of gross pay, having risen from five per cent in 2007.
- Around one quarter (23 per cent) of all open or closed occupational schemes operated salary sacrifice arrangements for at least some members. Such arrangements were more common in larger schemes, with the result that half (49 per cent) of all active members belonged to a scheme with a salary sacrifice arrangement.
- In 2009, 64 per cent of active members belonged to contracted-out schemes, 27 per cent belonged to contracted-in schemes, seven per cent belonged to part contracted-in/out schemes and two per cent belonged to schemes of unknown status.
- The most common normal pension age for members of occupational schemes was 65, followed by 60. Around three-fifths (57 per cent) of active members belonged to a scheme with a normal retirement age of 65, whilst around one quarter (27 per cent) belonged to a scheme with a normal retirement age of 60.

## 4.1 Introduction

This chapter follows on from Chapter Three by extending the examination of occupational schemes to cover issues relating to contributions and benefits. It first considers the rates at which employers and employees contribute to occupational pension schemes. It then goes on to consider the prevalence of salary sacrifice arrangements before examining schemes' relationship to the State Second Pension (S2P). The chapter then covers a number of issues relating to pension benefits, including survivors' benefits, pension rights upon divorce and retirement ages.

As in Chapter Three, most of the estimates that are presented in the chapter are based on schemes, whereby each scheme has the same influence on the estimate regardless of its size, but some membership-based estimates are also presented. Comparisons with estimates from the Employers' Pension Provision Survey 2007 (EPP 2007) are again made at key junctures throughout the chapter.

## 4.2 Contributions to occupational schemes

Employers normally make contributions to their employees' occupational pension schemes, unless the scheme has a funding surplus that is sufficient to allow the organisation to enjoy a 'contributions holiday'. Employees also commonly make contributions to occupational schemes, although this is not a requirement in all schemes. This section considers the levels of employer and employee contributions to occupational schemes in 2008/09, along with any changes since 2007/08.

Most of the questions in EPP 2009 on contributions to occupational schemes were asked only of the three largest occupational schemes present within each firm (questions were asked of up to eight schemes). However, this subset accounts for 96 per cent of all occupational schemes and 98 per cent of all active members.

### 4.2.1 Employer contributions

Employers were asked to state the level of their contributions to their occupational pension schemes in the financial year preceding the survey, i.e. 2008/09. If the level of contributions varied for different members of the scheme, the respondent was asked to state the average contribution.<sup>29</sup> The respondent was also encouraged to provide the figure as a percentage of an employee's gross pay.

Respondents could provide a percentage figure for 65 per cent of schemes. A further 14 per cent were able to indicate the contribution rate as an amount of money, leaving 21 per cent that did not know the contribution rate. Respondents were more likely to be able to specify the contribution rate, and to state it as a percentage, in respect of DB schemes than for DC schemes, and were more likely to do so in respect of open schemes than closed schemes.

Table 4.1 presents the full range of responses. It also includes the mean and median percentage rates for direct comparison across schemes of different types, although these should be treated somewhat tentatively given that a substantial proportion of schemes are sometimes excluded from the calculation. The table indicates that the majority of DB schemes (73 per cent) attracted an employer contribution that was known to be at least ten per cent of employees' gross pay, whereas this was the case for only a minority (13 per cent) of DC schemes. The median percentage contribution rate was accordingly higher in respect of DB schemes (14 per cent) than in respect of DC schemes (six per cent), however the difference was not statistically significant from zero. The mean contribution rates were, however, identical. The mean contribution rates for open and closed schemes were also similar to one another (17 per cent for all open schemes; 15 per cent for all closed schemes). The mean contribution rate, when averaged across all schemes, was 16 per cent, whereas the average active member received a contribution rate of 15 per cent.

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<sup>29</sup> In these circumstances employers were also asked to state the minimum and maximum levels of contributions, but here we focus solely on the average contribution rate.

**Table 4.1 Employer contributions to occupational schemes, by type and status of scheme (schemes and active members)**

Average contributions in financial year 2008/2009	Type of scheme			Scheme status		All schemes	All active members
	DB	DC	Hybrid	Open	Closed		
<i>Column percentages</i>							
<b>Percentage of gross pay</b>							
Less than 5%	7	9	(2)	6	6	6	4
5-5.9%	1	7	(3)	4	2	3	4
6-9.9%	9	9	(3)	11	2	7	12
10-14.9%	39	4	(38)	32	19	26	31
15-19.9%	20	0	(0)	11	6	9	15
20% or more	14	9	(23)	14	13	14	18
<b>Amount of money</b>							
Up to £50 per week	0	1	(0)	0	1	0	0
£50.01-£100 per week	0	15	(0)	0	11	5	0
£100.01-£150 per week	0	13	(0)	7	1	5	0
£150.01-£200 per week	0	2	(0)	0	5	2	0
More than £200 per week	0	5	(0)	0	4	2	0
Not known	10	26	(30)	14	29	21	15
<i>Weighted base</i>	304	229	168	418	318	736	768
<i>Unweighted base</i>	491	198	64	380	399	779	744
Mean percentage contribution	14	14	-	17	15	16	15
Median percentage contribution	14	6	-	14	11	14	14
<i>Weighted base</i>	274	86		327	155	482	646
<i>Unweighted base</i>	416	148	49	324	301	625	606

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

Notes: 26 schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

### *Changes since 2007/08*

Respondents were also asked to state the level of employer contributions to each scheme in the preceding financial year (2007/08). Focusing on those schemes for which respondents could state the percentage rate for both 2007/08 and 2008/09, the average rate of contributions had risen in 16 per cent of all such schemes. It had remained the same in 80 per cent of schemes and had fallen in five per cent. In cases where the contribution rate had risen, employers were asked why this had occurred. The most commonly cited reasons were that: the number of scheme members had increased (24 per cent), an actuarial valuation had prompted an increase (11 per cent); and changes in government policy (11 per cent). No further details were provided of the specific policies which employers had in mind. Furthermore, it should be noted that these estimates are based on

a relatively small number of cases (93) and so should be treated with some degree of caution. The number of cases in which the contribution rate had fallen since 2007/08 was too small to permit an analysis of the reasons given for such reductions.

Table 4.2 compares the average levels of contribution rates cited in EPP 2007 and EPP 2009 for those cases in each survey for which respondents were able to cite a percentage figure. The contribution rate averaged across all schemes (columns one and two) appears to have risen (from a mean of 11 per cent in 2007 to a mean of 16 per cent in 2009), but the difference was not statistically significant. Equally, the apparent rise in the mean rate among DC schemes (from ten per cent to 14 per cent – see columns five and six) was not statistically significant. These changes appear to have been driven by changes in smaller schemes, since there was little change in the mean rates when averaged across all active members (columns seven to twelve of the table). The rate of employer contributions received by the average active member of an occupational scheme was stable between 2007 and 2009, remaining at around 17 per cent for members of DB schemes and around seven per cent for members of DC schemes.

**Table 4.2 Employer contributions to occupational schemes in 2007 and 2009 (schemes and active members)**

Average employer contributions in financial year preceding survey	Percentage of employees' gross pay											
	Schemes						Active members					
	All		DB		DC		All		DB		DC	
	2007	2009	2007	2009	2007	2009	2007	2009	2007	2009	2007	2009
Mean percentage contribution	11	16	13	14	10	14	16	15	18	17	8	7
Median percentage contribution	10	14	14	14	8	6	15	14	16	15	8	6
Weighted base	484	482	223	274	235	86	754	646	468	437	146	98
Unweighted base	676	625	429	416	186	148	657	606	413	402	183	146

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

Notes:

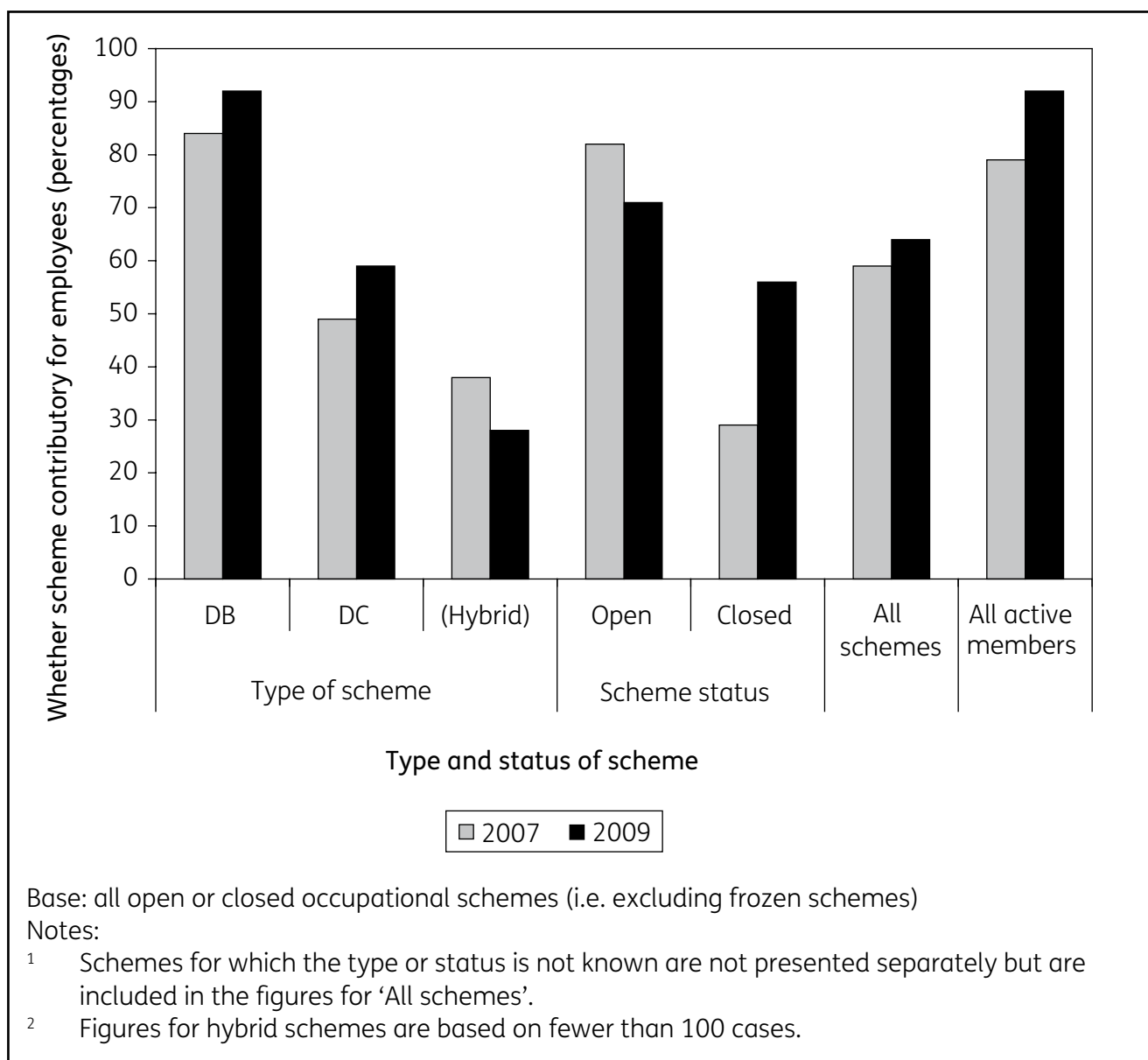
- contribution rates are expressed as a percentage of employees' gross pay. These figures relate to the average employer contribution in the year preceding the survey, i.e. the 2009 contribution rates are those made by employers in the financial year 2008/09.
- schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

### 4.2.2 Employee contributions

In some cases, the employer makes the sole contribution to an occupational scheme. However, in most cases, employees also contribute. Around two-thirds (64 per cent) of occupational schemes were contributory for employees in 2009 (Figure 4.1). This figure was much higher in respect of DB schemes (92 per cent) than in respect of DC schemes (59 per cent) and – relatedly – was also much higher in respect of open schemes (71 per cent) than closed schemes (56 per cent). Schemes with larger numbers of active members were also more likely than smaller schemes to be contributory for employees: the vast majority (92 per cent) of active members belonged to a scheme that was contributory for employees.

A comparison with 2007 suggests that the proportion of contributory schemes may have increased (the figure was 59 per cent in 2007). However, the difference was not statistically significant. The only statistically significant change shown in Figure 4.1 was the substantial increase among closed schemes, from 29 per cent in 2007 to 56 per cent in 2009.

**Figure 4.1 Whether occupational schemes are contributory for employees, by type and status of scheme (schemes and active members) 2007 and 2009**



As was the case for rates of employer contributions, respondents did not always know the average percentage rates at which employees contributed to contributory schemes. Respondents could provide an average percentage rate in respect of four-fifths (84 per cent) of all schemes. Such schemes accounted for 86 per cent of active members. Table 4.3 shows the full range of responses. As in the case of employer contributions, rates of employee contributions were more commonly known – and could more commonly be stated as a percentage – in the case of DB schemes and for open schemes. The average scheme attracted an employee contribution of seven per cent, whilst the average active member provided a contribution of six per cent.

A comparison with the rates recorded in EPP 2007 is shown in Table 4.4. The mean rate of employee contribution, when averaged across all schemes, rose from five per cent in 2007 to seven per cent in 2009, a difference that was statistically significant. This was driven by a rise among DB schemes from five per cent to eight per cent. The apparent rise in the mean contribution when averaged across all active members (from five per cent in 2007 to six per cent in 2009) was not statistically significant.

Where schemes were open to new members, respondents were asked whether any mechanisms were used to encourage existing members to increase their contributions once they had joined the scheme. Over half (56 per cent) of open occupational schemes had such mechanisms. This was an increase since 2007, when only 34 per cent of schemes had mechanisms to encourage employees to raise their contributions. The most commonly-used mechanisms in 2009 were one-to-one advice (38 per cent of open schemes), paper-based communications (26 per cent) and electronic communications (16 per cent). Less common were systems of escalating contributions (seven per cent) or group presentations (five per cent).

**Table 4.3 Employee contributions to occupational schemes, by type and status of scheme (schemes and active members)**

Average contributions in financial year 2008/09	Type of scheme			Scheme status		All schemes	All active members
	DB	DC	Hybrid	Open	Closed		
<i>Column percentages</i>							
Percentage of gross pay							
Less than 3%	0	2	(0)	1	1	1	5
3-3.9%	5	8	(2)	7	3	5	5
4-4.9%	4	8	(1)	5	5	5	6
5-5.9%	18	19	(8)	21	12	17	16
6-10%	47	15	(49)	45	27	38	46
More than 10%	15	0	(0)	9	10	9	9
Amount of money							
Up to £5 per week	0	0	(0)	0	0	0	0
£5.01-£10 per week	0	0	(0)	0	0	0	0
£10.01-£15 per week	0	0	(0)	0	0	0	0
£15.01-£25 per week	0	1	(0)	0	1	0	0
£25.01-£50 per week	0	4	(0)	0	3	1	0
More than £50 per week	0	24	(0)	0	19	7	0
Not known	10	16	(39)	13	21	16	14
<i>Weighted base</i>	278	133	47	289	173	463	708
<i>Unweighted base</i>	444	153	50	327	328	658	630
Mean percentage contribution	8	5	-	7	8	7	6
Median percentage contribution	6	5	-	6	6	6	6
<i>Weighted base</i>	250	72		251	99	351	606
<i>Unweighted base</i>	390	130	38	282	280	564	548

Base: all open or closed occupational schemes to which employees made contributions (i.e. excluding non-contributory and frozen schemes).

Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

**Table 4.4 Employee contributions to occupational schemes in 2007 and 2009 (schemes and active members)**

Average <u>employee contributions</u> in financial year preceding survey	Percentage of employees' gross pay											
	Schemes						Active members					
	All		DB		DC		All		DB		DC	
	2007	2009	2007	2009	2007	2009	2007	2009	2007	2009	2007	2009
Mean percentage contribution	5	7	5	8	5	5	5	5	6	6	7	4
Median percentage contribution	5	6	6	6	5	5	5	5	6	6	6	4
Weighted base	336	351	191	250	132	72	590	606	359	438	100	88
Unweighted base	604	564	405	390	139	130	591	548	395	378	137	127

Base: all open or closed occupational schemes to which employees made contributions (i.e. excluding non-contributory and frozen schemes).

Notes:

- 1 contribution rates are expressed as a percentage of employees' gross pay. These figures relate to the average employee contribution in the year preceding the survey, i.e. the 2009 contribution rates are those made by employees in the financial year 2008/09.
- 2 schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

### 4.2.3 Overall level of contributions

The contributions made by both employers and employees can be summed – where they are both known – in order to identify the total contribution rate for each pension scheme.<sup>30</sup> This calculation was possible for 60 per cent of schemes which, together, account for 75 per cent of all active members in occupational schemes. Table 4.5 indicates that, among these schemes, half were receiving a total average contribution of at least 20 per cent of employees' gross pay. Only 12 per cent of schemes were receiving a total contribution of less than ten per cent of employees' gross pay. The mean contribution, when averaged across schemes, was 21 per cent. The average active member received a total contribution of 19 per cent.

**Table 4.5 Total contributions to occupational schemes, by type and status of scheme (schemes and active members)**

Average contributions in financial year 2008/09	Column percentages						
	Type of scheme			Scheme status		All schemes	All active members
	DB	DC	Hybrid	Open	Closed		
Percentage of gross pay							
Less than 5%	1	9	–	2	5	3	1
5-5.9%	0	0	–	1	1	1	1
6-9.9%	6	23	–	9	6	8	10
10-14.9%	16	33	–	20	38	26	19
15-19.9%	21	5	–	16	7	13	23
20-24.9%	30	3	–	26	14	22	27
25-29.9%	7	4	–	1	14	5	13
30% or more	19	21	–	27	15	23	8
Mean percentage contribution	21	18	–	23	18	21	19
Median percentage contribution	20	12	–	20	15	20	20
<i>Weighted base</i>	251	280		306	137	443	574
<i>Unweighted base</i>	388	243	45	299	280	579	565

Base: all open or closed occupational schemes (i.e. excluding frozen schemes) where percentage contributions rates for employers and employees known.

Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

A comparison with total contributions rates in 2007 indicates a statistically significant rise in the mean total contribution rate when averaged across schemes (from 15 per cent in 2007 to 21 per cent in 2009) (Table 4.6). The apparent increases in the mean rates when averaged across DB schemes and DC schemes were not statistically significant, however. The total contribution rates received by the average active member did not change to a statistically significant degree between 2007 (20 per cent) and 2009 (19 per cent).

<sup>30</sup> Schemes which are non-contributory for employees are accorded an employee contribution rate of zero.

**Table 4.6 Total contributions to occupational schemes in 2007 and 2009 (schemes and active members)**

Average total contributions in financial year preceding survey	Percentage of employees' gross pay											
	Schemes						Active members					
	All		DB		DC		All		DB		DC	
	2007	2009	2007	2009	2007	2009	2007	2009	2007	2009	2007	2009
Mean percentage contribution	15	21	18	21	13	18	20	19	22	23	11	12
Median percentage contribution	15	20	19	20	12	12	20	20	22	20	10	11
Weighted base	478	443	223	251	230	280	714	574	439	379	139	90
Unweighted base	657	579	420	388	177	243	639	565	405	377	174	135

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

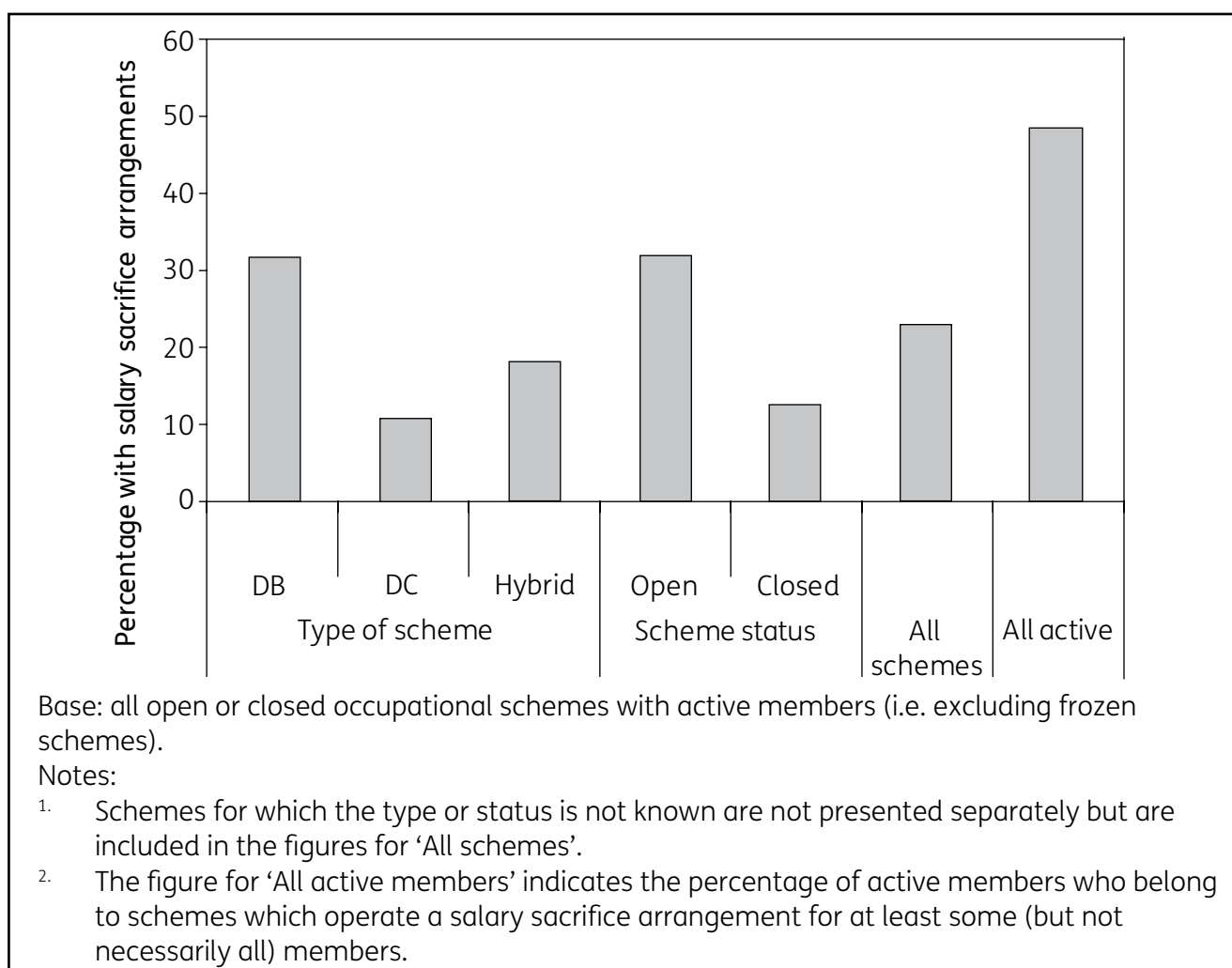
Notes:

- 1 contribution rates are expressed as a percentage of employees' gross pay. These figures relate to the average total contribution (employer + employee) in the year preceding the survey, i.e. the 2009 contribution rates are those made by employers and employees in the financial year 2008/09.
- 2 schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

### 4.3 Salary sacrifice arrangements

EPP 2009 introduced a new question in order to investigate the prevalence of salary sacrifice arrangements, whereby an employee gives up part of their salary in exchange for the employer paying the equivalent amount as a contribution to the pension scheme.<sup>31</sup> Around one quarter (23 per cent) of all open or closed occupational schemes operated salary sacrifice arrangements for at least some members (Figure 4.2). Such arrangements were more common in larger schemes, with the result that half (49 per cent) of all active members belonged to a scheme with a salary sacrifice arrangement.<sup>32</sup> Salary sacrifice arrangements were more common among DB schemes than among DC schemes, and were more common among open schemes than among closed schemes. The incidence of salary sacrifice arrangements is also reported upon in other scheme-level chapters in this report.

**Figure 4.2 Salary sacrifice agreements, by type and status of scheme (schemes and active members)**



<sup>31</sup> In such cases, no National Insurance contributions are paid by either the employer or employee on that portion of the employees' salary which has been 'sacrificed'. A routing error meant that the question was inadvertently not asked for 86 out of the 147 schemes in census firms (those with 5,000 or more employees). When added to other missing values, non-response accounted for less than ten per cent of eligible cases and so the estimates reported here are based only on respondents, in accordance with the reporting conventions stated at the beginning of the report.

<sup>32</sup> The arrangement did not necessarily operate for all members in the scheme, however.

## 4.4 Contracting out of the State Second Pension

Occupational pension schemes may contract out of the S2P, with lower National Insurance contributions being payable for both employers and employees as a consequence. For a substantial minority of schemes (26 per cent), the respondent did not know the scheme's relationship to S2P (Table 4.7). The remainder were evenly split between those schemes that were contracted-in to S2P (35 per cent of all schemes) and those which were contracted-out (also 35 per cent). A small proportion (four per cent) were part contracted-in and part contracted-out.

DB schemes were most likely to be contracted-out, whilst DC schemes were most likely to be contracted-in. This difference by type of scheme remained true whether considering schemes that remained open to new members or those that were closed to new members. Both of these relationships had been observed in 2007. The overall incidence of contracting out of S2P in 2009 was also similar to that found in 2007 when 28 per cent of schemes were contracted-in, 44 per cent were contracted-out, less than one per cent were part in and part out, and 28 per cent were of unknown status. In 2007, 65 per cent of active members belonged to contracted-out schemes, 19 per cent belonged to contracted-in schemes, 14 per cent belonged to part contracted-in/out schemes and two per cent belonged to schemes of unknown status.

**Table 4.7 Occupational schemes' relationship to the State Second Pension, by type and status of scheme**

Relationship to S2P	Type of scheme			Scheme status			Column percentages	
	DB	DC	Hybrid	Open	Closed	Frozen	All Schemes	All active members
Contracted-out	58	25	(15)	35	41	40	35	64
Contracted-in	30	49	(36)	44	31	32	35	27
Part contracted-in, part contracted-out	0	2	(18)	1	11	0	4	7
Not known	11	24	(31)	21	17	29	26	2
<i>Weighted base</i>	373	280	187	419	324	125	940	796
<i>Unweighted base</i>	585	243	72	386	421	118	994	773

Base: all occupational schemes (except column for 'All active members' which excludes frozen schemes).

Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes' and 'All active members'.

Employers with hybrid occupational schemes were asked whether they were contracted-out, or part contracted-out, on a salary-related (reference scheme) basis or on a money-purchase (protected rights) basis. Most (65 per cent) did not know. Thirty per cent, however, said that their scheme was contracted-out on a salary-related basis and four per cent reported that it was contracted-out on a money-purchase basis.

Those schemes that use a single method to calculate benefits are also able to contract out on a mixed-benefit basis, meaning that some members can be in a contracted-out DB section and others in a contracted-out DC section of the same scheme. Such schemes are referred to as 'contracted-out mixed-benefit schemes' (COMBS). As in 2007, few schemes were contracted-out on this basis. Among DB schemes, seven per cent of schemes were contracted-out on a mixed-benefit basis and 81 per cent were not, leaving 12 per cent of cases where the status was unknown. Among DC schemes, the figures were seven per cent, 66 per cent and 28 per cent respectively.

### 4.4.1 Survivors' benefits

Contracted-out pension schemes are required to provide benefits for surviving spouses upon the death of a member, in order to ensure adequate levels of income. Respondents were asked whether contracted-out or part-contracted-out occupational schemes provided survivors' benefits for parties other than legal spouses. In 20 per cent of cases, the respondent did not know. In a further four per cent of cases, the scheme did not provide survivors' benefits for other parties, leaving 76 per cent of cases in which the scheme did provide such benefits. Fifty-nine per cent of schemes did so for children, 53 per cent did so for unmarried partners of the opposite sex and 44 per cent did so for unmarried partners of the same sex. In 11 per cent of schemes there were no fixed provisions but decisions were made on an individual basis.

Respondents were also asked whether contracted-in schemes provided survivors' benefits. In 13 per cent of cases the respondent did not know. In a further four per cent of cases, no benefits were provided, leaving 83 per cent of schemes which did provide such benefits. These were most commonly provided for legal married spouses (77 per cent), unmarried partners of the opposite sex (39 per cent) and unmarried partners of the same sex (35 per cent). In six per cent of schemes there were no fixed provisions but decisions were made on an individual basis.

## 4.5 Pension rights upon divorce

On divorce or dissolution of a civil partnership, one of the options available to the courts is to make an attachment or earmarking order on the member's pension. This requires the pension scheme to pay part of the member's pension on retirement to their former spouse or partner. Very few schemes (only four per cent) had received such orders since December 2000; a further 84 per cent had not, whilst the situation was unknown in the remaining 13 per cent of cases.

Another option available to the court is to make a pension sharing order. This requires part of the value of the pension scheme member's pension rights to be transferred to the former spouse or former civil partner which is used to purchase a pension in the name of the former spouse. Again these were rare, with only four per cent of schemes having received a pension sharing order since December 2000; a further 83 per cent had not, whilst the situation was unknown in the remaining 12 per cent of cases.

Both types of order were more common in larger schemes, as might be expected. The prevalence of both types of order was higher in 2009 than in 2007, when each had been received by one per cent of schemes. However, a rise is somewhat inevitable given the greater passage of time since the reference date of 2000.

## 4.6 Normal pension age

At the time of writing, the state pension age is 65 for men born before April 1959 and 60 for women born before April 1950; the state pension age for women reaching 60 in April 2010 or later will increase gradually so that the two are equal in 2020, and from 2024 the pension age for both men and women will increase in three stages to reach 68 in 2046.

Respondents were asked to indicate the normal ages at which members of each occupational scheme could currently draw an unreduced pension. This was typically either 60 (28 per cent of schemes) or 65 (44 per cent of schemes) (Table 4.8). Schemes with a normal retirement age of 60 accounted for 27 per cent of active members, whilst those with a normal retirement age of 65 accounted for 57 per cent of active members.

It is not possible to make a comparison with the situation in 2007 since the questionnaire for the 2007 survey asked separate questions about the normal pension ages for men and for women. The 2009 survey, by contrast, asked for a single figure; if the normal retirement age differed by gender, the respondent was asked to record the age which applied for the majority of members.

**Table 4.8 Normal pension age in occupational schemes, by type and status of scheme**

Normal pension age	Type of scheme			Scheme status			All Schemes	All active members
	DB	DC	Hybrid	Open	Closed	Frozen		
50	1	12	(1)	1	10	2	4	1
55	3	3	(27)	11	1	11	8	10
60	39	30	(7)	37	21	27	28	27
61-64	1	1	(0)	1	1	0	1	3
65	53	46	(29)	46	41	55	44	57
Not known	3	9	(35)	5	25	5	15	3
<i>Weighted base</i>	367	277	187	418	318	124	902	781
<i>Unweighted base</i>	555	233	71	380	399	107	935	753

Base: all occupational schemes (except column for 'All active members' which excludes frozen schemes).

## 4.7 Provision for early retirement

Respondents were asked whether members of each occupational scheme could retire early and still draw an unreduced pension either for reasons of ill-health or for other reasons. They were also asked whether the pension scheme made explicit provision for voluntary early retirement or for compulsory early retirement. As with some of the other issues discussed in this chapter, respondents were not always informed about their schemes' provisions for early retirement, but the level of non-response on this issue was particularly high (this was also the case in 2007). Non-response was more common in smaller schemes, and so we eschew a scheme-based comparison and focus on those figures which are weighted by the number of active members in the scheme (columns three and four of Table 4.9).

Overall, 84 per cent of active members in 2009 belonged to schemes which made provision for early retirement on grounds of ill-health, whereas 45 per cent belonged to schemes which made provision for early retirement on other grounds. Four-fifths (80 per cent) of active members belonged to schemes which made provision for voluntary early retirement and one quarter (24 per cent) belonged to schemes which made provision for compulsory early retirement.

The percentage of active members belonging to schemes which made provision for early retirement on grounds of ill-health was similar in 2007 (83 per cent). Equally, there was no statistically significant change in the percentage of active members belonging to schemes which made provision for early retirement on other grounds (51 per cent in 2007). Provisions for voluntary early retirement and compulsory early retirement were both more common in 2007, however, than in 2009. In 2007, 89 per cent of active members belonged to schemes which made provision for voluntary early retirement, whilst 41 per cent belonged to schemes which made provision for compulsory early retirement.

**Table 4.9 Provision in occupational schemes for early retirement (schemes and active members)**

Provision for early retirement	Column percentages			
	All schemes		All active members	
	2007	2009	2007	2009
<b>Early retirement on ill health grounds:</b>				
Yes	46	65	83	84
No	15	14	8	7
Depends on circumstances	0	1	3	4
Not known	39	20	7	6
<b>Early retirement on grounds other than ill health:</b>				
Yes	22	35	51	45
No	27	36	39	44
Depends on circumstances	1	2	4	6
Not known	50	27	6	6
<b>Voluntary early retirement:</b>				
Yes	53	57	89	80
No	13	20	6	16
Not known	35	22	5	4
<b>Compulsory early retirement:</b>				
Yes	9	10	41	24
No	53	54	50	60
Not known	39	37	9	16
<i>Weighted base</i>	998	902	813	781
<i>Unweighted base</i>	929	935	783	753

Base: all occupational schemes (except column for 'All active members' which excludes frozen schemes).

Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes' and 'All active members'.

## 4.8 Provision for late retirement

Table 4.10 follows on from the discussion of early retirement by outlining the incidence of schemes' provision for late retirement among members (that is, retirement beyond the scheme's normal pension age). The arrangements for late retirement were not known in respect of 20 per cent of schemes. Among the remainder, the vast majority (73 per cent of all schemes) had provision for late retirement. These schemes tended to be larger than average and, together, accounted for almost nine-tenths (88 per cent) of all active members in occupational pension schemes.

In cases where provision was made for late retirement, respondents were asked whether the organisation would continue to make contributions for employees who chose to work beyond the normal retirement age. This was the case in almost two-thirds (65 per cent) of schemes that made provision for late retirement. In such cases, the organisation typically continued to contribute at the

same rate as they had before the employee reached the normal retirement age; this was the case in 93 per cent of schemes that continued to make contributions. In cases where the organisation did not continue to make contributions, the pension was typically paid from the normal retirement age (73 per cent of such cases).

A comparison with 2007 indicated that neither the incidence of provision for late retirement, nor the likelihood that organisations continued to make contributions, had changed between 2007 and 2009. This was the case for both the scheme-based and membership-based estimates.

**Table 4.10 Provision in occupational schemes for late retirement (schemes and active members)**

Provision for late retirement	<i>Column percentages</i>			
	All schemes		All active members	
	2007	2009	2007	2009
Yes	69	73	82	88
No	4	7	13	9
Depends on circumstances	0	0	1	0
Not known	27	20	4	3
<i>Weighted base</i>	998	878	813	778
<i>Unweighted base</i>	929	928	783	747
If yes, does organisation continue to contribute:				
Yes	76	65	85	86
No	11	26	9	7
Not known	12	9	6	7
<i>Weighted base</i>	691	641	670	685
<i>Unweighted base</i>	699	706	622	616

Base: all occupational schemes (except column for 'All active members' which excludes frozen schemes).

Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes' and 'All active members'.



# 5 Stakeholder pensions

## Purpose of this chapter:

- This chapter looks at the characteristics of workplace-based stakeholder pension (SHP) schemes, including eligibility, joining mechanisms and employer contributions. Employers' engagement with SHPs arranged independently by employees is also explored.

## Key findings:

- SHPs were the most common form of provision overall; approximately one quarter (23 per cent) of firms offered access to a SHP scheme. Access to a SHP scheme was more common among larger firms; around half (52 per cent) of firms with five or more employees provided access to such a scheme.
- Three-fifths (57 per cent) of SHP schemes were open to all employees; around one-third (35 per cent) were restricted to certain types of employees, most commonly on the grounds of job tenure. Less than one in ten (eight per cent) of schemes were closed to new members.
- The majority of SHP schemes were small. Large schemes with 50 or more members comprised less than one per cent of all schemes. However, these schemes accounted for around half (52 per cent) of all active members in workplace-based SHP schemes.
- In around two-thirds (65 per cent) of schemes with at least one active member, employers were contributing for at least some employees. The mean contribution rate, averaged across schemes, stood at 11 per cent of employees' pay; the average active member received a contribution equal to six per cent of pay. There was no statistically significant change in mean contribution rates when compared with 2007.
- Approximately one-sixth (16 per cent) of schemes with at least one active member operated on a salary sacrifice basis. This was more common among larger schemes; almost one-third (31 per cent) of schemes with five or more employees had such an arrangement in place.
- One per cent of firms were arranging payroll deductions for employees who had private SHPs. Around one-fifth (21 per cent) of these firms were also contributing to these schemes.

## 5.1 Introduction

SHPs were introduced in April 2001. They are money-purchase arrangements that are intended to offer an alternative to personal pensions for employees without access to occupational pension schemes, as well as the self-employed and those not in paid employment. SHP schemes have a number of key features, and must meet certain minimum standards set by government concerning management charges and contributions.<sup>33</sup>

<sup>33</sup> Financial Services Authority (2007). *Stakeholder pensions and decision trees*, FSA factsheet, London: Financial Services Authority.

Employers with five or more employees are legally required to offer their employees access to a SHP if they do not provide access to an occupational scheme or a group personal pension (GPP) scheme with an employer contribution of at least three per cent. While they must provide access to a SHP scheme, they are not obliged to make contributions. Firms with less than five employees may still choose to offer access to a SHP scheme, as may firms who also offer other forms of pension provision. As in Chapter 2, such employer-provided SHPs are referred to here as ‘workplace-based SHPs’.

Employees may also join a SHP scheme independently (termed ‘private SHPs’ in this report). In such cases, employers may arrange for an employee’s contribution to their pension to be deducted directly from their pay. Employers can also choose to make contributions towards these private SHP schemes.

This chapter begins by exploring access to SHPs at firm level. Where such schemes are provided, it then looks at the types of employees eligible to join such schemes. The size of schemes is considered, along with the distribution of members across schemes. The chapter also reviews the methods through which employees joined such schemes and information provided about enrolment. Employers may or may not contribute towards SHP schemes and so contributions are also investigated; the prevalence of salary sacrifice arrangements is also explored. The chapter also looks at whether firms made any other form of provision prior to introducing a SHP scheme. Finally, the chapter considers employers’ engagement with SHPs arranged independently by employees. Throughout the chapter, comparisons with 2007 are drawn at key points.

## 5.2 Access to workplace-based SHPs

In 2009, around one quarter (23 per cent) of firms were providing access to a workplace-based SHP scheme. However, this figure reflects the lower levels of provision by smaller firms. Firms with fewer than five employees are not legally required to offer access to a SHP if they do not make any other form of provision, and only 13 per cent chose to do so (Table 5.1). Among firms with five or more employees, just over half (52 per cent) provided access to a workplace-based SHP scheme.

Whilst 23 per cent of firms offered access to a SHP scheme, many such schemes exist as ‘empty shells’. In 14 per cent of all firms (62 per cent of those firms offering a SHP) a SHP scheme was provided but no employees were participating in it. Firms with five or more employees who do not provide access to an occupational scheme or a GPP with an employer contribution of at least three per cent are legally required to offer access to a SHP scheme but they are not required to contribute towards it. Overall, in six per cent of firms, access to a SHP scheme was provided, at least some employees were participating in the scheme, and the employer also made contributions to the scheme. A further three per cent of firms had SHP schemes to which at least some of their employees belonged, but to which the employer did not make any contributions.

**Table 5.1 Access and contributions to workplace-based SHPs, by size of organisation**

Access to SHPs	<i>Column percentages</i>									
	Size of organisation (employees)									
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All 5+	All
Workplace-based SHP scheme	13	49	55	62	56	60	58	62	52	23
<b>Membership and contributions</b>										
No active members	7	34	34	37	31	28	12	12	34	14
Active members and employer contributes	4	9	11	16	16	22	30	38	11	6
Active members but employer does not contribute	1	5	9	8	8	9	14	10	6	3
<i>Weighted base</i>	1,834	410	92	96	29	23	2	2	653	2,487
<i>Unweighted base</i>	185	330	184	388	340	614	166	238	2,260	2,445

Base: all organisations.

These patterns are largely similar to those observed in 2007. Table 5.2 shows access to SHP schemes in 2007 and 2009, both in terms of the percentage of firms offering a SHP scheme (for all firms and firms with five or more employees), and the percentage of employees working in these organisations.

The proportion of firms offering access to a SHP scheme stood at 27 per cent in 2007; this difference is not statistically significant. However, among firms with five or more employees, 58 per cent offered access to a SHP scheme in 2007, compared with 52 per cent in 2009; this difference is statistically significant. This is largely driven by a fall in the percentage of such firms offering schemes in which no employees were participating, which fell from 40 per cent in 2007 to 34 per cent in 2009.

As larger firms are more likely to offer SHP schemes, the proportion of employees working in firms that offered SHP schemes is higher. Just over half (54 per cent) of employees worked in firms that provided access to a SHP scheme in 2009. This proportion stood at around three-fifths (61 per cent) in 2007; although this difference is not statistically significant.

**Table 5.2 Access and contributions to workplace-based SHPs, 2007 and 2009**

Access to SHPs	<i>Column percentages</i>					
	Private sector organisations				Employees working for such organisations	
	2007		2009		2007	2009
	All	All 5+	All	All 5+		
Workplace-based SHP scheme	27	58	23	52	61	54
<b>Membership and contributions</b>						
No active members	17	40	14	34	24	19
Active members and employer contributes	6	12	6	11	21	25
Active members but employer does not contribute	3	6	3	6	16	10
<i>Weighted base</i>	2,346	688	2,487	653	2,311	2,449
<i>Unweighted base</i>	2,312	2,039	2,445	2,260	2,312	2,445

Base: all organisations.

Table 5.3 shows how access to SHP schemes varied by industry. The Manufacturing sector (SIC (2003) Section D), the Health and social work sector (Section N) and the Financial intermediation sector (Section J) were the industries with the highest proportions of firms providing access to a SHP scheme. Around two-fifths of firms in these industries were providing access to a SHP scheme. In contrast, firms in the Hotels and restaurants sector (Section H) and the Other business services sector (Section K) were less likely to offer such schemes (14 per cent and 17 per cent respectively). Very few firms in these sectors were contributing to SHP schemes (one and three per cent respectively). This compared with around one in ten firms contributing to SHP schemes in the Manufacturing sector, the Construction sector (Section F), the Financial intermediation sector, the Health and social work sector and the Other community, social and personal services sector (Section O). The small sample size for the Financial intermediation sector (less than 100 firms) means however that one should exercise caution regarding the precision of the estimates for this sector.

There was some variation in whether firms in certain industries were more or less likely to provide access to a SHP scheme compared with 2007. However, changes over time in the percentage of firms providing access to a SHP scheme were not statistically significant.

**Table 5.3 Access and contributions to workplace-based SHPs, by industry sector**

Access to SHPs	Industry sector									
	D	F	G	H	I	J	K	N	O	All
Workplace-based SHP scheme	43	34	20	14	30	(38)	17	43	25	23
<i>Membership and contributions</i>										
No active members	30	21	11	13	15	(26)	11	24	14	14
Active members and employer contributes	9	12	6	1	4	(8)	3	9	11	6
Active members but employer does not contribute	4	1	2	1	11	(5)	3	10	0	3
<i>Weighted base</i>	217	235	452	209	110	35	772	117	206	2,487
<i>Unweighted base</i>	421	164	381	147	103	61	596	315	184	2,445

Base: all organisations.

Note: Sectors A-C, E and M are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'All' column. See Table 1.2 for full sector labels.

### 5.3 Eligibility for workplace-based SHP schemes

Firms providing access to a workplace-based SHP scheme were asked whether each of their schemes were open to new members, and if so, whether there were any restrictions on the types of employees who were eligible to join.

The vast majority (92 per cent) of SHP schemes were open to new members, with less than one in ten (eight per cent) closed. Around three-fifths (57 per cent) of SHP schemes were open to all employees (Table 5.4). The remaining 35 per cent of schemes were open, but restricted to particular types of employees. In these cases, schemes were mostly restricted to employees who had worked at the organisation for a minimum length of time and/or were over a certain age. The most common restriction was to employees who had worked at the firm for a minimum period of time; one-fifth of schemes restricted eligibility on the basis of job tenure. One in ten (nine per cent) schemes restricted access on grounds of age, while a further five per cent restricted eligibility on both job tenure and age. Similar patterns were observed in 2007 (as shown by the final column of Table 5.4).

Larger schemes were more likely to place restrictions on the types of employees who were eligible to join. Just under one-third (31 per cent) of schemes with 100 or more members were open to all employees in the organisation, compared with three-fifths (58 per cent) of those with between one and four members.

**Table 5.4 Eligibility criteria for workplace-based SHP schemes, by size of scheme**

Eligibility criteria	Size of scheme (number of active members)					Column percentages	
	2009					All 2009	All 2007
	0	1-4	5-12	13-99	100+		
<b>Open:</b>							
All employees eligible to join	57	58	52	29	31	57	62
Senior managers only	0	0	0	0	1	0	1
Minimum age	13	2	4	5	8	9	4
Minimum job tenure	22	11	35	57	34	20	24
Minimum age and tenure	5	3	7	5	20	5	2
Other criteria	0	1	1	4	6	1	1
<b>Closed</b>	2	24	1	0	0	8	7
<i>Weighted base</i>	912	438	78	30	4	1,462	1,405
<i>Unweighted base</i>	662	258	162	206	134	1,422	1,402

Base: all SHP schemes.

## 5.4 Size of workplace-based SHP schemes

In around three-fifths (62 per cent) of firms providing access to a SHP scheme, no current employees were participating in the scheme (Table 5.5). This was more common in smaller firms; in 71 per cent of firms with five to 12 employees that offered access to at least one SHP scheme, there were no active members of the scheme. For firms with 500 or more employees, the equivalent figure was 22 per cent.

In three in ten firms offering access to a SHP scheme, between one and four employees were participating in the scheme. Larger firms, as expected, were likely to have a greater number of employees participating in the scheme. In almost half (46 per cent) of firms with 1,000 or more employees and at least one SHP scheme, more than 100 employees were active members of the scheme. This compared with 27 per cent of firms with 1,000 or more employees in 2007; however, this increase is not statistically significant.

The second part of Table 5.5 shows the percentage of the workforce who were participating in the workplace-based SHP scheme(s). In 14 per cent of firms, at least 75 per cent of the workforce were active members of workplace-based SHP schemes. At least half of the workforce were active members of the workplace-based SHP scheme in a further eight per cent of firms; in 16 per cent of firms, some but less than half of the workforce were active members.

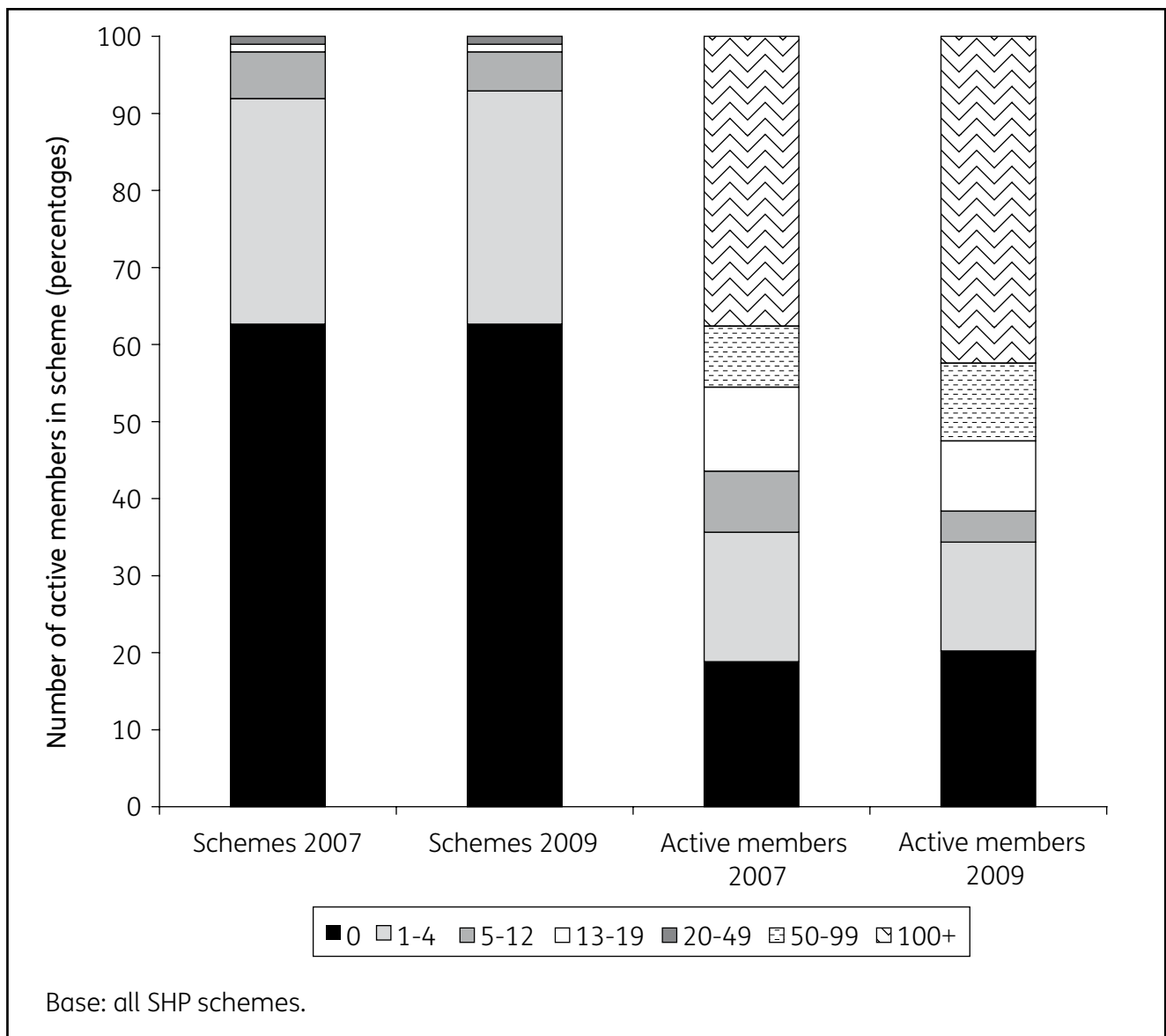
**Table 5.5 Size of workplace-based SHP schemes, by size of organisation**

Size of scheme	Size of organisation (employees) 2009							All	All
	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	2009	2007
<i>Column percentages</i>									
Number of active members in workplace-based SHP(s)									
0	71	64	61	57	47	(24)	21	62	63
1-4	21	26	20	13	13	(21)	11	30	28
5-12	8	8	12	14	9	(7)	7	5	6
13-19		2	4	4	2	(6)	1	1	1
20-49			4	10	7	(6)	6	1	1
50-99				2	17	(11)	8	0	0
100+					5	(25)	46	0	0
Percentage of workforce in workplace-based SHPs									
0	71	64	61	57	47	(24)	21	63	63
1-24%	10	21	24	30	40	(60)	67	10	10
25-49%	9	11	7	7	6	(12)	7	6	7
50-74%	5	3	4	3	5	(2)	2	8	7
75%+	5	1	4	2	2	(1)	2	14	14
<i>Weighted base</i>	199	49	59	16	13	1	1	576	632
<i>Unweighted base</i>	168	113	257	205	353	97	151	1,379	1,339

Base: all organisations offering access to at least one SHP scheme, where number of members known.

Note: estimates are not shown for the category of firms with 1-4 employees as this category included fewer than 50 observations. These firms are, however, included in the 'All firms' estimates.

Most SHP schemes are small. This means that when exploring the proportion of schemes to which particular characteristics apply, it will tend to be the smaller schemes that dominate the results. However, these schemes account for a small share of active members. While schemes with 50 or more members accounted for less than one per cent of all schemes, over half (52 per cent) of active members participated in these schemes. Approximately two-fifths (42 per cent) of active members were in schemes with 100 or more active members. In some cases, it is useful to observe the proportion of members in schemes with particular characteristics. In the remainder of this chapter, some estimates are therefore presented in terms of both the proportion of schemes and the proportion of members in such schemes to which particular characteristics apply. As Figure 5.1 shows, the distribution of schemes and active members by scheme size had changed little between 2007 and 2009.

**Figure 5.1 Size of workplace-based SHP schemes (schemes and active members)**

## 5.5 Joining mechanisms for workplace-based SHP schemes

In this section we consider the ways in which employees joined SHP schemes and the reasons why firms had decided on particular methods of enrolment. We also explore whether firms offered information and advice about joining the workplace-based SHP scheme, and if so, what form this took.

For schemes that were open to new members, respondents were asked about the ways in which eligible employees joined the scheme. This question was slightly different to that used in 2007 as some response options were altered; we do not therefore draw any comparisons here between the two years.

For around one quarter (26 per cent) of SHP schemes, the respondent did not know how employees joined the scheme (Table 5.6). This was most common among smaller schemes, in larger schemes very few respondents did not know the method of enrolment (one per cent of schemes with 100 or more members).

The most common method of enrolment was completion of one or more detailed forms, used by just over one-fifth (22 per cent) of schemes. In a further fifth of schemes, enrolment was carried out with the assistance of a pension adviser or independent financial adviser (IFA). Signing a simplified form was used by a further one in ten schemes; as was the completion of a yes/no declaration. The remaining schemes used a mixture of other methods, including signature of a pre-completed form (five per cent) and signature of a paragraph in employment contract (three per cent).

Schemes requiring completion of a detailed form, or signature of a simplified form, tended to be larger than average, whilst those involving a yes/no declaration or enrolment via a pension adviser or independent financial adviser tended to be smaller than average. Almost two-fifths (38 per cent) of members belonged to schemes requiring completion of a detailed form, and a further fifth in schemes requiring signature of a simplified form. Fourteen per cent of members belonged to schemes where enrolment was through an adviser, while four per cent were in schemes where a yes/no declaration was required.

**Table 5.6 Method of enrolment for workplace-based SHP schemes (schemes and active members)**

Method of enrolment	Column percentages	
	Percentage of schemes	Percentage of active members
<b>Pre-coded options</b>		
Complete one or more detailed forms	22	38
Sign a simplified form	10	20
Complete a yes/no declaration	10	4
Sign a pre completed form	5	10
Sign a paragraph in their employment contract	3	4
<b>Answers coded from other replies</b>		
Pension adviser/IFA assists	20	14
Other answer	2	4
Don't know	26	7
<i>Weighted base</i>	1,360	733
<i>Unweighted base</i>	1,421	725

Base: All SHP schemes open to new members.

Respondents were also asked why the stated enrolment method had been chosen. In around one-fifth (19 per cent) of schemes, the respondent did not know why the chosen enrolment method had been adopted (Table 5.7). The most common reason given was in order to simplify the joining procedure, this applied for just under one-third (30 per cent) of schemes. In a further fifth of schemes, respondents indicated that the joining method had been recommended by a pensions industry expert.

There was some variation by size of scheme in the reasons given for the choice of enrolment method. For more than half (54 per cent) of schemes with between one and four members, the respondent stated that the enrolment method had been chosen to simplify the joining procedure,

compared with one quarter of schemes with five or more active members. Smaller schemes were also more likely to have followed the recommendation of a pensions industry expert; this was the case for almost one-fifth (17 per cent) of schemes with between one and four active members, compared with four per cent of schemes with 100 or more members.

Table 5.7 shows the reasons for choosing different methods of enrolment by the type of method used. For all three enrolment methods shown, the most common reason given was simplifying the joining procedure. This applied for two-fifths of schemes using a pension adviser or IFA, for a third (32 per cent) of schemes requiring signature of a simplified form and for just over one quarter (27 per cent) of schemes requiring completion of one or more detailed forms. In a further quarter (23 per cent) of schemes requiring completion of detailed forms, the respondent stated that this had just been what the pension provider had offered, or was a standard procedure or requirement. Over a quarter (27 per cent) of schemes requiring signature of a simplified form did so on the recommendation of a pensions industry expert.

**Table 5.7 Reasons for choosing method of enrolment to workplace-based SHP schemes, by method of enrolment**

Reason for choosing enrolment method	Method of enrolment				All
	Complete one or more detailed forms	Sign a simplified form	Pension adviser/ IFA assists		
To simplify joining procedure	27	32	40		30
It was recommended by a pensions industry expert	14	27	14		20
It was just what the pension provider offered/standard procedure/requirement	23	11	4		12
To reduce administration	5	11	5		6
To give employees as much information as possible	1	1	10		4
Legal requirement	2	3	2		3
To reduce costs	0	5	0		1
To encourage more employees to join the scheme	1	0	0		0
Other answer	19	3	7		9
Don't know	12	15	19		19
<i>Weighted base</i>	305	143	275		1,014
<i>Unweighted base</i>	437	269	244		1,182

Base: All SHP schemes open to new members, where method of enrolment known.

Notes:

- 1 The 'All' estimates column also includes other methods of enrolment (as listed in Table 5.6) as well as those specified here.
- 2 Respondents could provide more than one reason.

Firms were also asked whether they or their pension provider offered employees various types of information or advice about joining the workplace-based SHP scheme. The majority of schemes (85

per cent) did provide employees with some form of information or advice about joining the scheme. Around a quarter (27 per cent) of schemes with between one and four members did not provide information or advice about the scheme; this proportion was much lower among larger schemes (Table 5.8).

The majority (69 per cent) of schemes provided paper-based information; this applied for almost all (96 per cent) of schemes with 100 or more members. One-to-one information sessions were provided by around two-fifths (42 per cent) of schemes; a similar proportion (37 per cent) provided one-to-one advice from an IFA. Around one-fifth (18 per cent) provided electronic information (more common among larger schemes), while 15 per cent gave staff presentations (again more common in larger schemes). Three per cent provided other forms of information or advice.

**Table 5.8 Types of information and advice provided to employees about joining the workplace-based SHP scheme, by size of scheme**

Types of information and advice	Size of scheme (number of active members)						<i>Column percentages, multiple response</i>	
	2009						All 2009	All 2007
	0	1-4	5-12	13-99	100+			
Paper based information (leaflets, posters, staff newsletters etc.)	71	59	74	78	96	69	71	
1-2-1 information session	44	32	62	53	49	42	33	
1-2-1 advice from an IFA	31	45	65	66	25	37	33	
Electronic information	18	16	19	41	68	18	13	
Staff presentations	14	9	36	40	58	15	18	
Other	2	3	6	4	2	3	5	
Do not provide information or advice	12	27	3	7	0	15	14	
<i>Weighted base</i>	890	329	75	30	4	1,328	1,294	
<i>Unweighted base</i>	631	230	151	198	133	1,343	1,342	

Base: All SHP schemes open to new members, excluding schemes where membership is not known.

Note: respondents could provide more than one reason.

## 5.6 Employer contributions to workplace-based SHP schemes

Employers were contributing for at least some employees in around two-thirds (65 per cent) of SHP schemes with at least one active member.

In around three-quarters (74 per cent) of schemes where employers were contributing for at least some employees, employers were contributing for between one and four employees (Table 5.9). This reflects the small size of most SHP schemes. In schemes with at least 100 members, where employers were also contributing for at least some employees, almost one in ten (eight per cent) were contributing for at least 1,000 members.

In terms of the proportion of active members receiving employer contributions; in almost all schemes (98 per cent) where employers were contributing for at least some employees, employers were contributing for at least three-quarters of active members.

The proportion of schemes in which employers were making contributions remained largely unchanged compared with 2007 (when this figure stood at 64 per cent of schemes with at least one

active member), as did the distributions of the number and percentage of active members receiving employer contributions by scheme size.

**Table 5.9 Active members receiving employer contributions, by size of workplace-based SHP scheme**

Receipt of employer contributions	Size of scheme (number of active members) 2009				
	1-4	5-99	100+	All 2009	All 2007
<i>Column percentages</i>					
Number of active members that receive contributions					
1-4	100	2	0	74	72
5-12		68	0	17	17
13-19		10	0	3	5
20-49		13	0	3	4
50-99		6	0	2	1
100-499			85	1	1
500-999			7	0	0
1,000+			8	0	0
Per cent of active members that receive contributions					
1-24%	0	1	1	0	0
25-49%	1	1	1	1	3
50-74%	1	1	0	1	3
75%+	99	97	98	98	94
<i>Weighted base</i>	268	94	3	365	357
<i>Unweighted base</i>	107	281	120	508	460

Base: all SHP schemes where employer contributes for at least some employees.

Table 5.10 shows the level of employer contributions to SHP schemes. Where organisations contributed towards the scheme, respondents were asked about the average employer contribution made in the financial year 2008/09 (first two columns of Table 5.10), as well as the minimum and maximum contribution rates made for any individual member. In some schemes, contribution rates may be the same for all scheme members, while in others, different contribution rates may apply for different members. We focus here on average employer contributions.

For around a quarter of schemes, and for 22 per cent of members, the rate or amount of employer contribution was not known. Contributions were more frequently expressed as a percentage of pay than as an amount of money. As stated above, employers were making contributions in 65 per cent of SHP schemes with at least one active member. However, only one in ten members were in schemes to which their employer was not contributing.

In four per cent of schemes with active members (and for six per cent of active members), the average employer contribution was less than three per cent. In around one-fifth (19 per cent) of schemes with active members, employers were contributing an average amount equivalent to between three and ten per cent of employees' pay. Half of all members were in schemes with this level of contribution. An average employer contribution of more than ten per cent was made in four per cent of schemes with active members; and for four per cent of active members.

In around one-sixth (14 per cent) of schemes, the employer contribution was expressed as an amount of money. In one in ten schemes the average contribution was more than £50 per week; four per cent of members were in such schemes.

The mean percentage contribution when averaged across all schemes was equal to 11 per cent of employees pay; the median contribution was five per cent of pay. Employer contributions were lower in larger schemes than in smaller schemes. The mean contribution, when averaged across all active members, was six per cent. In other words, the average member of a SHP scheme attracting employer contributions received a contribution equal to six per cent of their salary. This average contribution rate was unchanged from previous years.

**Table 5.10 Average employer contributions to workplace-based SHP schemes (schemes and active members)**

Employer contribution	Column percentages					
	Average 2008/09		Average previous financial year 2007/08		Average 2006/07	
	All schemes	All members	All schemes	All members	All schemes	All members
No contribution	35	10	37	9	36	13
Percentage of pay	27	59	24	40	47	68
Less than 3%	4	6	4	4	7	6
3-3.9%	7	10	5	6	11	11
4-4.9%	2	7	2	5	2	5
5-5.9%	6	14	5	10	19	28
6-10%	5	18	4	14	3	11
More than 10%	4	4	4	1	5	7
Amount of money	14	9	14	8	9	9
Up to £5 per week	1	2	0	1	2	4
£5.01-£10 per week	3	2	3	2	2	2
£10.01-£15 per week	0	0	0	0	2	1
£15.01-£25 per week	0	0	1	0	0	0
£25.01-£50 per week	0	0	0	0	0	0
More than £50 per week	10	4	10	4	4	1
Contribution not known	25	22	25	43	8	10
Where some contribution:						
Mean percentage of pay	11	6	12	6	7	6
Median percentage of pay	5	5	5	5	5	5
Weighted base	567	759	438	698	563	731
Unweighted base	801	754	755	708	777	724

Base: all SHP schemes with at least one active member.

### **5.6.1 Changes since 2007/08**

Respondents were also asked about the level of employer contributions made in the previous financial year, 2007/08 (see middle two columns of Table 5.10). The distribution of employer contributions in 2008/09 was broadly similar to that seen in 2007/08. Again, in one quarter of schemes with at least one active member, the employer contribution was not known. Around two-fifths (43 per cent) of members belonged to such schemes.

The final two columns of Table 5.10 show employer contributions for 2006/07, as reported in EPP 2007. As noted above, in one quarter of schemes with at least one active member in 2009, the amount or rate at which the employer contributed was not known. This proportion stood at less than one in ten (eight per cent) of schemes in 2007, although this difference was not statistically significant.

## **5.7 Mechanisms for encouraging employees to increase contributions**

Where schemes had at least one active member, respondents were asked whether any mechanisms were in place to encourage existing members to increase their contributions. In over half of schemes (56 per cent), no such mechanisms were in place (Table 5.11). This proportion stood at around two-fifths (39 per cent) in 2007, although this difference is not statistically significant.

Around one-fifth (22 per cent) of schemes cited the use of one-to-one advice to encourage employees to increase contributions. Paper-based communication was used by 14 per cent of schemes, and seven per cent of schemes had a system of escalating contributions in place. Paper-based communications, electronic communication and group presentations were more commonly used by larger schemes.

Smaller schemes were generally more likely to have no mechanisms in place to encourage employees to increase their contributions. Two-fifths of members were in schemes with no such mechanisms in place. A similar proportion (37 per cent) were in schemes using paper-based communication. Around one quarter were in schemes using one-to-one advice, and a similar proportion (23 per cent) where group presentations were used. Around one-sixth of members were in schemes where this took the form of electronic communication (16 per cent) and a system of escalating contributions (15 per cent). The small proportion of remaining members were in schemes using annual reviews with IFAs (one per cent), where this was done by the pension provider (one per cent), or other unspecified methods (five per cent).

**Table 5.11 Mechanisms to encourage employees to increase contributions, by size of workplace-based SHP scheme**

Method of encouragement	Size of scheme (number of active members)				Column percentages, multiple response	
	1-4	5-12	13-99	100 +	All 2009	All 2007
1-2-1 advice	19	29	34	19	22	24
Paper based communication, i.e. wageslips, letters	10	23	30	36	14	29
A system of escalating contributions	5	16	6	17	7	14
Electronic communication linked to anniversary/specific date	3	7	10	27	5	15
Group presentations	3	7	10	36	5	4
Annual review with IFA	1	6	1	0	2	3
Done by the pension provider	0	0	6	0	1	1
System of AVCs in place	0	0	0	0	0	0
Other	16	2	1	6	12	9
None	57	54	47	39	56	39
<i>Weighted base</i>	331	77	30	4	442	463
<i>Unweighted base</i>	232	154	202	132	720	684

Base: All open SHP schemes with at least one active member.

Note: respondents could provide more than one reason.

## 5.8 Salary sacrifice arrangements

Pension contribution arrangements may be operated on a salary sacrifice basis, whereby an agreement is made between an employer and employee in which the employee gives up part of their salary in exchange for the employer paying the equivalent amount as a contribution to the pension scheme. No National Insurance contributions are paid either by the employer or the employee on the salary given up by the employee. In EPP 2009, respondents were asked for the first time whether the SHP scheme was operated on a salary sacrifice basis.

Around one-sixth (16 per cent) of schemes with at least one active member operated on a salary sacrifice basis (Table 5.12). For 13 per cent of schemes, respondents did not know if the scheme operated on a salary sacrifice basis. Smaller schemes were less likely to know whether a salary sacrifice arrangement was in place for the scheme. The smallest schemes (those with between one and four members) were less likely to operate on a salary sacrifice basis, with 12 per cent doing so, compared with 31 per cent of schemes with at least five members.

**Table 5.12 Whether workplace-based SHP scheme operates on salary sacrifice basis, by size of scheme**

Salary sacrifice	Size of scheme (number of active members)				Column percentages
	1-4	5-12	13-99	100+	All
Yes	12	33	25	34	16
No	74	56	70	64	71
Don't know	14	11	5	1	13
<i>Weighted base</i>	438	78	30	4	550
<i>Unweighted base</i>	259	163	206	136	764

Base: All SHP schemes with at least one active member and where membership known.

## 5.9 Provision prior to establishment of workplace-based SHP scheme

Firms providing a workplace-based SHP scheme were asked whether any other form of pension provision had been available to the employees concerned prior to its introduction. Each firm offering a SHP scheme was asked this question only once, even where they provided more than one scheme of this type, in which case this question was asked of their largest SHP scheme. We consider only those schemes introduced since 2004, i.e. those schemes introduced in the five years prior to the survey.

Among those firms that had introduced their largest (or only) SHP scheme since 2004, six per cent had previously made some form of pension provision available for the employees concerned. Larger firms were more likely to have previously made some other form of pension provision available; this applied for around one-fifth (19 per cent) of firms with 100 or more employees.

Of those firms where some pension provision had been available prior to the introduction of the SHP scheme, in the majority (65 per cent) this had taken the form of a private personal pension that was not part of a GPP plan. A further 14 per cent of firms had offered a GPP plan that was still open to new members, and ten per cent a GPP plan that employees could no longer join. Six per cent of firms had provided an occupational pension scheme that was now closed to new members; the remaining seven per cent had provided some other unspecified form of provision.<sup>34</sup>

<sup>34</sup> Firms may have offered more than one type of provision prior to the introduction of the SHP scheme; respondents were therefore allowed to give more than one answer.

## 5.10 Employers' engagement with employees' private SHPs

### 5.10.1 Payroll deductions for employee contributions

So far this chapter has considered provision and characteristics of workplace-based SHP schemes. Employees may also join SHP schemes independently, and in these cases employers may arrange payroll deductions on their behalf.

One per cent of all firms were arranging payroll deductions on behalf of their employees in 2009; the same percentage as in 2007 (Table 5.13). Such arrangements were more commonly found in firms with at least five employees; this applied for four per cent of such firms, compared with less than one per cent of firms with less than five employees. Four per cent of employees were working in organisations making payroll deductions towards employees' private SHPs in 2009. The equivalent figure in 2007 was seven per cent; this difference is not statistically significant.

**Table 5.13 Payroll deductions for employees with a private SHP**

Payroll deductions	Size of organisation (employees) 2009								Column percentages	
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All 2009	All 2007
Yes	0	4	6	4	6	5	5	5	1	1
No	100	96	94	96	94	95	95	95	99	99
<i>Weighted base</i>	1,830	409	91	97	28	23	2	2	2,482	2,341
<i>Unweighted base</i>	183	333	180	386	328	610	166	234	2,420	2,304

Base: All organisations.

Four per cent of firms providing a workplace-based SHP scheme for their employees were also arranging payroll deductions for those employees with a private SHP scheme. This compared with one per cent of firms who were not providing access to a workplace-based SHP scheme. Among firms with 5-99 employees, six per cent of those offering a workplace-based scheme also arranged payroll deductions, compared with two per cent of firms without a workplace-based SHP scheme. Among larger firms, the percentage of firms arranging payroll deductions was similar regardless of whether a workplace-based SHP was offered (five per cent among firms with a workplace-based SHP; six per cent amongst those without).

### 5.10.2 Employer contributions

Employers may also contribute towards SHP schemes arranged independently by their employees. In 2009, less than one per cent of private sector firms were making such contributions. One per cent of employees worked in such firms.

Of those firms making payroll deductions for employees' private SHPs, around one-fifth (21 per cent) were also contributing towards the scheme. The low percentage of organisations making contributions to employees' private SHP schemes means that data on employer contributions are only available for a small number of firms (approximately 30). Unfortunately therefore, it is not appropriate to report information on average contributions.

Overall, less than one per cent of firms were both arranging payroll deductions and contributing to employees' private SHP schemes. One per cent of firms were arranging payroll deductions on behalf of their employees but not making contributions. The vast majority (99 per cent) of firms were not engaging with employees' private SHPs.

# 6 Group personal pensions

## Purpose of this chapter:

- This chapter explores the characteristics of group personal pension (GPP) schemes, including Group Self-Invested Personal Pensions (GSIPPs). Eligibility, joining mechanisms and average employer contributions are investigated.

## Key findings:

- Five per cent of firms had arranged a GPP for at least some of their employees in 2009; this proportion was unchanged from 2007. Three in ten employees worked in organisations that provided a GPP scheme.
- The majority of GPP schemes were small, but most members were in larger schemes. While five per cent of GPPs had 100 or more members, more than half (55 per cent) of active members belonged to schemes of this size.
- The most commonly used enrolment method was completion of one or more detailed forms, used by just over one-third (35 per cent) of schemes. Only six per cent of GPP schemes did not provide employees with information or advice about joining the scheme.
- In the vast majority (95 per cent) of GPP schemes, employers were contributing for at least some employees. The mean percentage employer contribution rate, averaged across schemes, was seven per cent of employees' pay; the average active member received a contribution equal to six per cent of pay; these average employer contribution rates are unchanged from 2007.
- Around three in ten GPP schemes (28 per cent) operated on a salary sacrifice basis for at least some employees. This was less common among larger schemes; around one-sixth (15 per cent) of schemes with 100 or more members had a salary sacrifice arrangement in place.

## 6.1 Introduction

A GPP is a collection of personal pensions, arranged by the employer, for a group of employees. For the employee, a GPP may be attractive as the employer may be able to obtain more favourable terms for a group of employees than an individual could alone. For the employer, such schemes can be less expensive to administer than some other types of pension schemes. Employers may choose to contribute towards a GPP scheme but they are not required to do so.

A GSIPP allows members to invest in a wide range of assets, including commercial property and individual shares. GSIPPs were included for the first time in the Employers' Pension Provision Survey 2009 (EPP 2009).

This chapter begins by considering the proportion of firms providing access to a GPP or GSIPP and the proportion of employees who work in such organisations. It then investigates whether these schemes were open to all employees or if only certain types of employees were eligible to participate. The methods through which employees joined GPPs, and the reasons why these methods had been chosen, are also considered, along with whether any information and advice was offered about joining the scheme. The extent and level of employer contributions are explored, along with the presence of any mechanisms to encourage increased contributions by employees.

The prevalence of salary sacrifice arrangements, and the proportion of employees who had opted to contract out of the State Second Pension (S2P), are also considered. Finally, the chapter looks at pension provision made by firms prior to their introduction of a GPP scheme. Comparisons with 2007 are made at key points throughout the chapter.

## 6.2 Access to GPPs and GSIPPs

As shown in Chapter 2, five per cent of firms had arranged a GPP (including GSIPPs) for at least some of their employees (see Table 2.2). Larger firms were generally more likely to provide a GPP scheme; more than two-fifths (44 per cent) of firms with 50 or more employees provided a GPP, compared with three per cent of firms with between one and 12 employees. The greater prevalence of GPPs in larger firms is reflected in the proportion of employees working in organisations with access to a GPP; this applied for three in ten employees (see Table 2.2). Both the percentage of firms providing GPPs, and the percentage of employees working in those firms, did not change between 2007 and 2009.

There were some variations by industry in the proportion of firms offering access to a GPP (see Table 2.4). GPPs were most frequently found in the Financial intermediation sector (SIC(2003) Section J), where around one-sixth (16 per cent) of firms provided a GPP; followed by the Construction sector (Section F) and the Manufacturing sector (Section D), where GPPs were provided by around one in ten firms (12 and ten per cent respectively). In contrast, two per cent of firms in the Hotels and restaurants sector (Section H) offered access to a GPP. The pattern of provision of GPP schemes by industry was broadly similar to that observed in 2007.

GSIPPs accounted for around one-sixth (16 per cent) of GPP schemes; less than one in ten GPP members (eight per cent) belonged to GSIPPs. Overall, one per cent of firms had a GSIPP arrangement; six per cent of employees worked in firms where a GSIPP was available. The small number of GSIPP schemes in the survey (less than 100 schemes) limits separate analysis of this group. In the remainder of this chapter therefore, we do not distinguish GSIPPs from GPPs; the phrase 'GPPs' refers to all GPP schemes, including GSIPPs.

## 6.3 Eligibility for GPPs<sup>35</sup>

As in 2007, around one quarter (26 per cent) of GPP schemes were closed to new members (Table 6.1). Schemes in smaller firms were, on the whole, more likely to be closed to new members; this applied for almost one-third (31 per cent) of schemes in firms with fewer than 50 employees.

Where GPP schemes were open to new members, respondents were asked whether all employees in the organisation were eligible to join the scheme, or whether access was restricted to certain types of employees only. One-fifth of GPP schemes were open to all employees. A further two-fifths (38 per cent) of schemes restricted access to employees who had completed a minimum length of service at the firm. Three per cent restricted access to employees above a minimum age, while eight per cent restricted access on both grounds of age and job tenure. Three per cent of schemes were restricted to senior management only. Overall, these patterns were broadly similar to those found in 2007. Schemes in the largest firms were however most likely to be open to all employees in 2007; this applied for 45 per cent of schemes in firms with 1,000 or more employees. In 2009, the proportion of schemes that were open to all employees did not vary substantially by firm size. One-

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<sup>35</sup> Note that the questions on eligibility and whether schemes were open to new members were only asked for up to three GPP schemes in each firm. In this section therefore, the phrase 'all GPPs' actually refers to those GPPs that were among the three largest in any firm. However, this subset accounts for 98.3 per cent of all GPP schemes and 99.9 per cent of all active members of GPPs.

fifth (19 per cent) of schemes in firms with 1,000 or more employees were open to all employees, although this did not represent a statistically significant change with respect to 2007.

**Table 6.1 Eligibility criteria for GPPs, by size of organisation**

Eligibility criteria	Size of organisation (employees) 2009					Column percentages	
	1-49	50-99	100-499	500-999	1,000+	All 2009	All 2007
<b>Open:</b>							
All employees eligible to join	19	23	26	(14)	19	20	18
Senior managers only	3	2	5	(3)	3	3	2
Minimum age	3	1	3	(8)	6	3	2
Minimum job tenure	36	51	39	(42)	34	38	42
Minimum age and tenure	8	12	10	(9)	11	8	9
Other criteria	2	0	3	(3)	11	2	1
<b>Closed</b>							
	31	10	14	(20)	16	26	26
<i>Weighted base</i>	652	112	89	6	9	868	805
<i>Unweighted base</i>	177	148	318	85	128	856	780

Base: all GPP schemes.

## 6.4 Size of GPP schemes

Respondents were asked how many employees were participating in each GPP scheme offered by the firm, up to the eighth largest scheme. In this chapter, the number of employees participating in a GPP is also referred to as the number of active members.

The upper panel of Table 6.2 shows the number of employees participating in GPP schemes, where firms offered access to at least one scheme of this type. In almost half (49 per cent) of firms providing a GPP, less than five employees were participating in the scheme. In around a further quarter (26 per cent) of firms providing GPPs, between five and 12 employees were active members. More than 100 employees were participating in GPPs in four per cent of organisations providing this type of provision. This proportion rose to two-thirds (66 per cent) among firms with 500 or more employees.

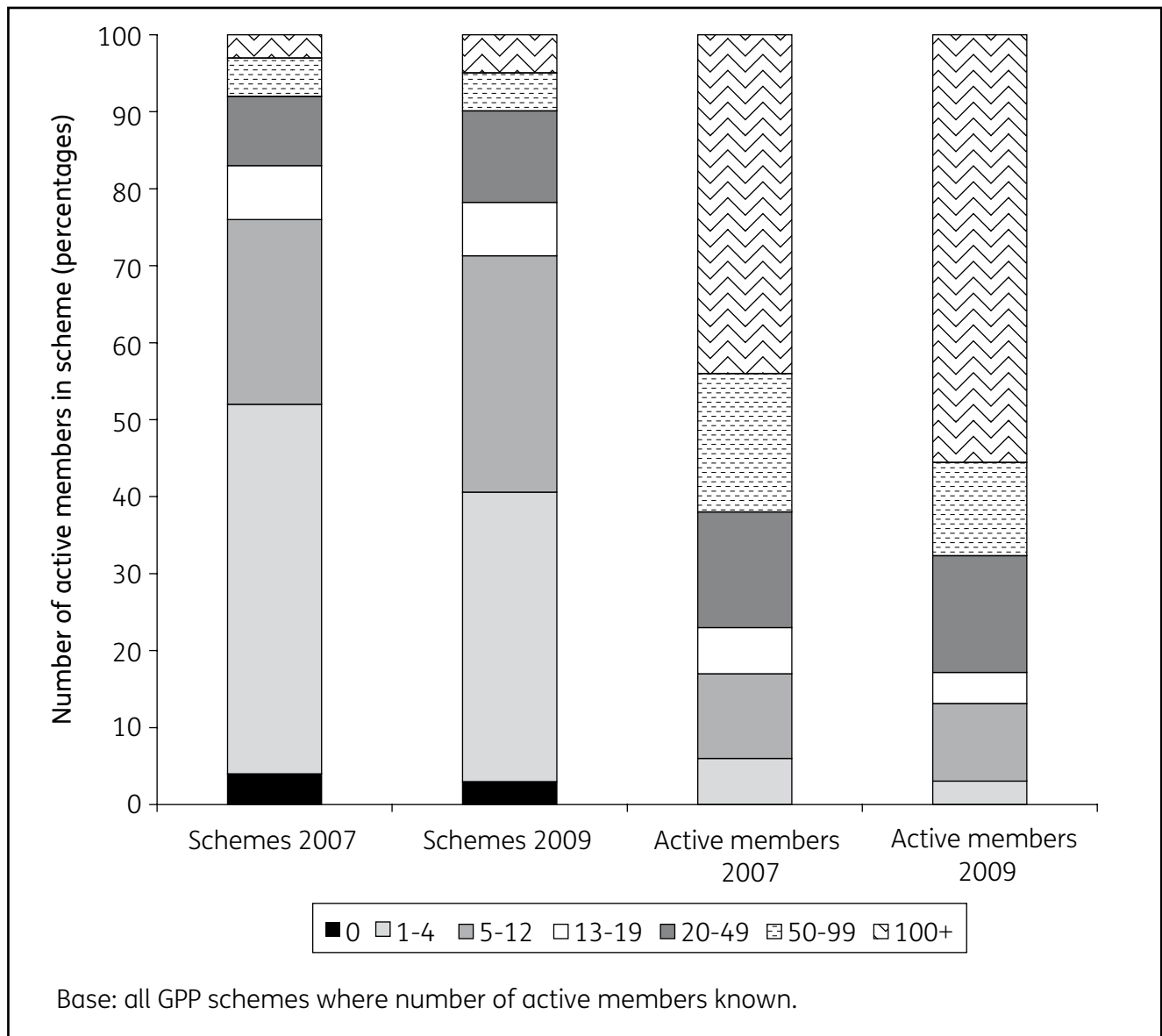
The lower panel of Table 6.2 shows the number of employees participating in GPPs as a percentage of the workforce. In around one-third (34 per cent) of firms providing access to a GPP scheme(s), at least three-quarters of the workforce were members. This applied for one-sixth (16 per cent) of firms in 2007, although this difference was not statistically significant. In larger firms the proportion of the workforce participating in the GPP(s) tended to be smaller. In firms with 500 or more employees, more than half the workforce were participating in the GPP(s) in 16 per cent of firms offering access to a GPP, while in firms with fewer than 50 employees the equivalent figure was 59 per cent.

**Table 6.2 Size of GPP schemes, by size of organisation**

Size of scheme	Size of organisation (employees) 2009				Column percentages	
	1-49	50-99	100-499	500+	All 2009	All 2007
Number of employees participating in GPP(s)						
0	3	0	1	0	2	4
1-4	56	10	3	5	47	45
5-12	30	15	5	8	26	25
13-19	6	13	4	3	6	8
20-49	6	37	18	7	10	10
50-99		25	23	11	4	5
100+			46	66	4	3
Per cent of workforce in GPP(s)						
0	3	0	1	0	2	4
1-24%	14	26	24	65	17	26
25-49%	24	28	30	18	24	21
50-74%	21	26	33	13	22	33
75%+	38	19	13	3	34	16
<i>Weighted base</i>	100	12	10	2	124	125
<i>Unweighted base</i>	162	132	285	169	748	654

Base: all firms offering access to at least one GPP scheme.

Most GPP schemes were small; in around two-fifths (38 per cent) of GPPs, between one and four employees were participating (Figure 6.1). In almost a further third (31 per cent) of schemes, between five and 12 employees were members. As for stakeholder (SHP) schemes, while the majority of GPP schemes were small, the larger schemes accounted for the greatest proportion of members. While five per cent of GPPs had 100 or more members, more than half (55 per cent) of active members of GPPs belonged to schemes of this size. Overall, as shown in Figure 6.1, the distribution of schemes and active members by scheme size were broadly similar in 2007 and 2009.

**Figure 6.1 Size of GPP schemes (schemes and active members)**

## 6.5 Joining mechanisms for GPPs

For GPP schemes which were open to new members, respondents were asked how eligible employees enrolled in the scheme. We do not make any comparisons over time here as the response categories used in 2009 were slightly different to those used in 2007.

The most common method of enrolment was completion of one or more detailed forms, used by just over one-third (35 per cent) of GPP schemes (Table 6.3). Around a further quarter (23 per cent) required employees to sign a simplified form, while in a similar proportion (22 per cent) enrolment was dealt with by a pension adviser or an independent financial adviser (IFA). Six per cent of schemes asked employees to complete a yes/no declaration; signature of a pre-completed form or of a paragraph in employees' employment contracts were both also used by a similar proportion of schemes (five per cent). The remaining four per cent of schemes used other methods.

If we consider the proportion of members in schemes with particular methods of enrolment, overall this distribution was broadly similar to the distribution of schemes. Completion of one or more

detailed forms was slightly more common in larger schemes, and two-fifths of members belonged to schemes using this enrolment method. One-fifth of members were in schemes where enrolment required signature of a simplified form; almost the same proportion of members (18 per cent) were in schemes where a pension adviser or IFA assisted with enrolment.

**Table 6.3 Method of enrolment for GPPs (schemes and active members)**

Method of enrolment	Column percentages	
	Percentage of schemes	Percentage of active members
<b>Pre-coded options</b>		
Complete one or more detailed forms	35	40
Sign a simplified form	23	20
Complete a yes/no declaration	6	4
Sign a pre-completed form	5	6
Sign a paragraph in their employment contract	5	7
<b>Answers coded from other replies</b>		
Pension adviser/IFA assists	22	18
Other	4	5
<i>Weighted base</i>	602	798
<i>Unweighted base</i>	684	671

Base: All GPPs open to new members.

Respondents were also asked why they had decided upon their particular method of enrolment for the scheme. In almost three in ten schemes (28 per cent), the method had been chosen in order to simplify the joining procedure (Table 6.4). The next most common reasons were recommendation by a pensions industry expert, and that the method had just been what the pension provider offered, or a standard procedure or requirement; both reasons applied for 15 per cent of schemes. In one-sixth (16 per cent) of schemes, the respondent did not know why the enrolment method had been chosen.

There was some variation in the reasons given by size of scheme. Smaller schemes were more likely to state that the method had been recommended by a pensions industry expert; this was the case for 18 per cent of schemes with between one and 19 members, compared with six per cent of schemes with 100 or more members. Larger schemes were more likely to say the method had been chosen to reduce administration; while this applied for seven per cent of all GPPs, this increased to over one quarter (27 per cent) for schemes with 100 or more members. Schemes of this size were also the most likely to have stated simplifying the joining procedure as the reason for their enrolment method; this was the case for two-fifths of these schemes.

**Table 6.4 Reasons for choosing method of enrolment for GPPs, by size of scheme**

Reason for choosing enrolment method	Size of scheme (number of members)				
	1-19	20-49	50-99	100+	All
To simplify joining procedure	30	21	19	40	28
It was recommended by a pensions industry expert	18	12	11	6	15
It was just what the pension provider offered/ standard procedure/requirement	13	15	13	6	15
To reduce administration	4	8	5	27	7
To give employees as much information as possible	5	13	6	5	6
To encourage more employees to join the scheme	1	6	3	2	2
To reduce costs	1	0	0	1	1
Other answers	19	12	12	8	16
Don't know	16	14	32	11	16
<i>Weighted base</i>	400	101	37	42	598
<i>Unweighted base</i>	197	150	114	210	677

Base: All GPPs open to new members, where method of enrolment known.

Notes:

- <sup>1</sup> Respondents could provide more than one reason.
- <sup>2</sup> The All column also includes those schemes where no employees were currently participating (six unweighted schemes).

Respondents were also asked whether they provided employees with various types of information and advice about joining the scheme. Paper-based information was the most common type of information provided, this applied for three-quarters of open GPP schemes (Table 6.5). Two-thirds (67 per cent) of schemes provided one-to-one advice from an IFA; three-fifths provided one-to-one information sessions. Staff presentations and electronic information were both used by around two-fifths of schemes (40 per cent and 41 per cent respectively). Just six per cent of GPP schemes did not provide employees with information or advice about joining the scheme.

Larger schemes were less likely to provide one-to-one information sessions or advice from an IFA; this was offered by just over one-third (35 per cent) of schemes with 100 or more members. Schemes of this size were more likely to use electronic information, with over half (55 per cent) doing so, compared with around two-fifths (39 per cent) of schemes with between one and 99 members.

In 2007, just over one in ten schemes (13 per cent) did not provide employees with information about joining the scheme; this difference is not statistically significant. While there was an apparent increase in the provision of all types of information in 2009, these differences were also not statistically significant.

**Table 6.5 Types of information and advice about joining the GPP offered to employees, by size of scheme**

Types of information and advice	Size of scheme (number of members) 2009					
	1-19	20-49	50-99	100+	All 2009	All 2007
Paper based information (leaflets, posters, staff newsletters etc.)	72	88	69	69	75	69
1-2-1 advice from an IFA	66	83	56	35	67	58
1-2-1 information session	55	81	63	37	60	47
Staff presentations	36	51	37	34	40	30
Electronic information	38	42	40	55	41	29
Other	1	2	2	1	1	1
Do not provide information or advice	5	0	16	27	6	13
<i>Weighted base</i>	431	102	37	42	630	588
<i>Unweighted base</i>	213	152	115	213	699	574

Base: All GPPs open to new members.

Notes:

- <sup>1</sup> Other includes information provided as part of initial contract of employment and/or helpline, as well as other answers not elsewhere specified.
- <sup>2</sup> The All column also includes those schemes where no employees were currently participating (six unweighted schemes).
- <sup>3</sup> Respondents could provide more than one reason.

## 6.6 Employer contributions to GPPs

Employers may offer a GPP scheme without contributing towards it, but in the vast majority of GPP schemes (95 per cent), employers were making contributions for at least some members. The equivalent figure in 2007 was 88 per cent; this difference is not statistically significant.

In almost all GPPs (97 per cent) where employers were contributing for at least some employees, they were contributing for at least three-quarters of active members (Table 6.6). In two-fifths of schemes, employers were contributing for between one and four employees. Between five and 12 members were receiving contributions in a further 30 per cent of schemes. Overall, employers were contributing for 100 or more employees in five per cent of contributory schemes; however, this proportion rose to almost three-fifths (58 per cent) among schemes in firms with 500 or more employees.

**Table 6.6 GPP members receiving employer contributions, by size of organisation**

Receipt of employer contributions	Size of organisation (employees) 2009			Column percentages	
	1-49	50-499	500+	All 2009	All 2007
Per cent of GPP members that receive contributions					
1-24%	1	5	2	2	2
25-49%	0	1	0	1	4
50-74%	0	0	1	0	1
75%+	98	94	97	97	94
Number of GPP members that receive contributions					
1-4	49	13	11	40	47
5-12	36	13	9	30	26
13-19	6	9	3	7	8
20-49	8	29	9	13	10
50-99		19	11	5	5
100-499		16	58	5	4
<i>Weighted base</i>	585	185	15	785	708
<i>Unweighted base</i>	160	426	210	796	747

Base: all GPPs where employer contributes for at least some employees.

Table 6.7 shows average employer contributions to GPPs. While respondents were asked whether the firm made contributions for all GPP schemes (up to the eighth largest scheme), they were only asked for the actual amount or percentage contributed for up to three GPP schemes. Employers did not contribute to the GPP in five per cent of these schemes; three per cent of members belonged to such schemes.

In around one-sixth (17 per cent) of schemes, the amount or percentage contributed was not known. This was more common among smaller schemes; around one in ten members (11 per cent) belonged to such schemes. Contributions were most frequently expressed as a percentage of pay. In three per cent of schemes the average employer contribution was less than three per cent of employees' pay; two per cent of members belonged to such schemes. In around three-fifths (58 per cent) of schemes, the average employer contribution was between three and ten per cent of pay. Just under three-quarters (72 per cent) of members were in such schemes. One in ten schemes made an average employer contribution of more than ten per cent.

Less than one in ten schemes (eight per cent) reported the contribution as an amount of money, rather than as a percentage of pay. In four per cent of schemes the average amount contributed by the employer was equivalent to more than £50 per week.

The mean employer contribution rate, averaged across schemes, was equal to seven per cent of employees' pay; the median contribution rate stood at five per cent of pay. Averaged across active members, the mean contribution rate was equal to six per cent of employees' pay.

**Table 6.7 Average employer contributions to GPPs (schemes and active members)**

Employer contributions	<i>Column percentages</i>					
	Average (2008/09)		Average previous financial year (2007/08)		Average (2006/07)	
	All schemes	All members	All schemes	All members	All schemes	All members
No contribution	5	3	6	3	12	1
Percentage of pay	71	81	70	60	71	90
Less than 3%	3	2	3	2	3	3
3-3.9%	20	27	17	9	16	23
4-4.9%	4	8	6	9	6	10
5-5.9%	16	14	16	14	15	24
6-10%	18	21	21	21	21	23
More than 10%	10	8	7	5	10	7
Amount of money	8	5	9	6	9	2
Up to £5 per week	1	0	1	0	0	0
£5.01-£10 per week	0	0	0	0	1	1
£10.01-£15 per week	0	0	0	0	0	0
£15.01-£25 per week	0	0	0	0	2	0
£25.01-£50 per week	2	0	0	0	0	0
More than £50 per week	4	5	7	5	6	1
Contribution not known	17	11	15	31	8	7
Mean percentage of pay	7	6	6	6	7	6
Median percentage of pay	5	5	5	5	6	5
<i>Weighted base</i>	878	852	762	774	812	772
<i>Unweighted base</i>	880	850	804	777	809	771

Base: all GPPs (1-3), excluding schemes where it was not known whether the organisation contributed.

### 6.6.1 Changes since 2007/08

Firms were also asked about the rate at which they contributed to the GPP in the previous financial year, 2007/08 (middle two columns of Table 6.7). The distribution of contributions was similar to that for 2008/09. Among those GPP schemes where employer contributions were known for both 2007/08 and 2008/09, for the majority (85 per cent), contributions were made at the same rate in both years. In 12 per cent of schemes, average employer contributions were higher in 2008/09; employer contributions were lower in just two per cent of GPP schemes.

The final two columns of Table 6.7 show average employer contributions in 2006/07, as reported in EPP 2007. As noted earlier, employers were not contributing to GPPs in 12 per cent of schemes; but only one per cent of members belonged to such schemes. In eight per cent of schemes respondents did not know the amount or percentage that the employer contributed. Overall, the distribution of contributions was similar to that found in 2009. The mean percentage contribution, averaged across schemes, was equal to seven per cent of pay; while the average active member received

a contribution equivalent to six per cent of pay; these contribution rates were the same as those observed for 2008/09.

## 6.7 Mechanisms for encouraging employees to increase contributions

Where schemes were open to new members, respondents were asked whether any mechanisms were in place to encourage existing members of the scheme to increase their contributions<sup>36</sup>. No such mechanisms were in place in around two-fifths (42 per cent) of open GPP schemes; this had not changed significantly since 2007, when the equivalent figure was 46 per cent (Table 6.8). The most common mechanism for encouraging higher contributions was one-to-one advice, used by just over one-third (36 per cent) of schemes. Around three in ten schemes (28 per cent) used paper communication, while group presentations, electronic communication linked to a specific date and a system of escalating contributions were all used by around 15 per cent of schemes. These figures were broadly similar to those for 2007.

Larger schemes were less likely to have such mechanisms in place; this was the case for around two-thirds (67 per cent) of schemes with 100 or more members. Almost half (47 per cent) of members were in schemes where no such mechanisms were in place. Around three in ten (31 per cent) were in schemes where one-to-one advice was provided; one quarter in schemes where paper-based communication was used. Around one-sixth of members were in schemes where group presentations were used (17 per cent), where there was a system of escalating contributions (17 per cent) and electronic communication linked to a specific date (15 per cent). One in ten members (nine per cent) belonged to schemes where other mechanisms were in place.

**Table 6.8 Mechanisms to encourage employees to increase contributions, by size of scheme**

Method of encouragement	Size of scheme (number of members) 2009					
	1-19	20-49	50-99	100+	All 2009	All 2007
1-2-1 advice	32	48	46	20	36	41
Paper based communication, i.e. wageslips, letters	28	21	33	17	28	17
Electronic communication linked to anniversary/specific date	14	9	11	10	15	13
Group presentations	11	17	18	11	15	9
A system of escalating contributions	13	19	12	10	14	16
Other	7	11	3	4	7	2
None	42	39	38	67	42	46
<i>Weighted base</i>	437	102	37	42	636	588
<i>Unweighted base</i>	214	150	114	211	695	573

Base: All open GPP schemes, where number of participating employees known.

Notes:

- <sup>1</sup> The All column also includes those schemes where no current employees were participating (six unweighted schemes).
- <sup>2</sup> Respondents could provide more than one reason.
- <sup>3</sup> 'Other' includes where this was done by the pension provider (two per cent in 2009), and through an annual review with an IFA (two per cent in 2009) as well as other unspecified mechanisms.

<sup>36</sup> Again this was asked of the three largest GPP schemes only.

## 6.8 Salary sacrifice arrangements

As for other types of pension schemes, firms who provided GPPs (and in which at least some employees were participating) were asked for the first time in EPP 2009 whether the scheme operated on a salary sacrifice basis.

For one in ten GPP schemes, respondents did not know whether the scheme operated on a salary sacrifice basis; this was most common among smaller schemes (Table 6.9). Overall, nearly three in ten GPP schemes (28 per cent) operated on a salary sacrifice basis for at least some employees. This was less common among larger schemes; around one-sixth (15 per cent) of schemes with 100 or more members had a salary sacrifice arrangement in place.

**Table 6.9 Whether scheme operates on salary sacrifice basis, by size of scheme**

Salary sacrifice	Size of scheme (number of members)				
	1-19	20-49	50-99	100+	All
Yes	27	37	23	15	28
No	61	62	73	84	63
Don't know	12	2	3	0	10
<i>Weighted base</i>	657	106	40	42	845
<i>Unweighted base</i>	331	175	123	223	852

Base: All GPP schemes with at least one active member, and where number of participating employees known.

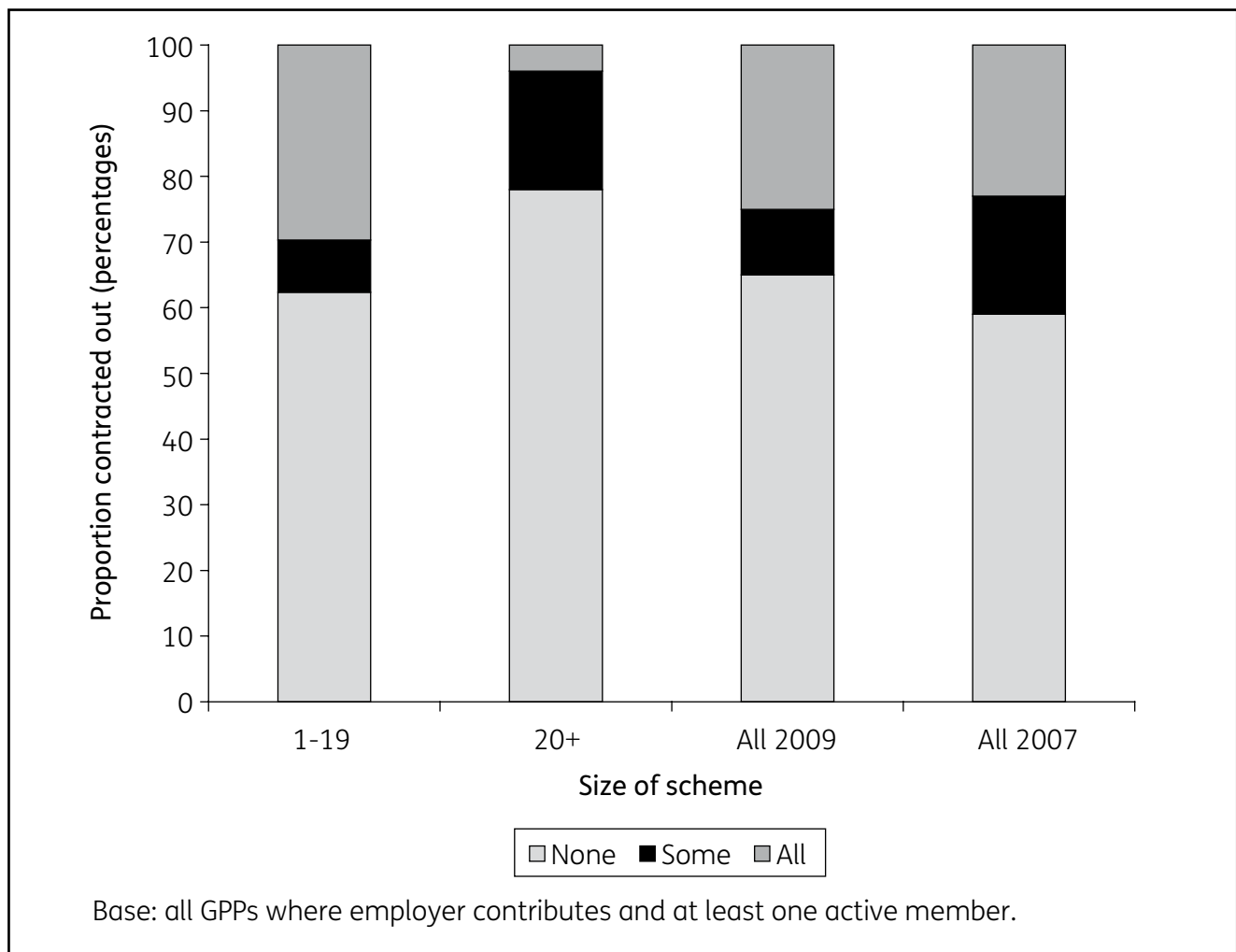
## 6.9 Contracting out of the State Second Pension

Employees participating in GPPs may opt to contract out of the S2P. For each GPP scheme to which firms were contributing, respondents were asked how many of those employees contributed for (in that particular scheme) had chosen to contract out of S2P.<sup>37</sup>

In around two-thirds (65 per cent) of GPP schemes, no employees had opted out of S2P (Figure 6.2). In one quarter of GPP schemes all employees had chosen to contract out of S2P, leaving one in ten schemes in which some employees had contracted-out. It was more common for all members to have contracted-out in smaller schemes; this applied for 30 per cent of GPPs with between one and 19 members, compared with just four per cent of GPPs with 20 or more members. These patterns were broadly similar to those observed in 2007.

<sup>37</sup> Up to the eighth largest scheme.

**Figure 6.2 Proportion of GPP members who are contracted-out of the State Second Pension, by size of scheme**



## 6.10 Provision prior to establishment of GPP

For GPP schemes established from 1996 onwards, firms were asked whether any pension provision had been made available for the employees concerned prior to its introduction.<sup>38</sup>

In the case of around one-third (35 per cent) of GPP schemes introduced since 2004 (i.e. in the five years prior to the survey), some other form of pension provision had previously been in place for the employees concerned. Almost two-thirds (64 per cent) of employees participating in GPPs introduced since 2004 belonged to a scheme in a firm where some kind of provision had been available to them prior to the introduction of the GPP.

<sup>38</sup> Note that this question was asked of each GPP scheme (up to the eighth largest scheme), even if there was more than one GPP per firm. This is in contrast to the equivalent question for SHP schemes, where this question was asked once of each firm, regardless of the number of SHP schemes in the organisation.



# 7 Employers' contributions to personal pensions

## Purpose of this chapter:

- This chapter looks at employer contributions to employees' personal pensions, including eligibility rules, the number of employees contributed for, average employer contribution rates, the prevalence of salary sacrifice arrangements and the provision made by firms prior to the introduction of such arrangements.

## Key findings:

- Five per cent of firms were making contributions to employees' personal pensions in 2009. The proportion of firms making such contributions appeared to have fallen since 2007, when 12 per cent had such arrangements in place.
- Three per cent of firms had such an arrangement that was open to new members. This figure had not changed significantly since 2007, when it stood at four per cent.
- Where firms made contributions to personal pensions, they were generally contributing for only a small number of employees. In almost three-fifths (57 per cent) of firms with these arrangements, only one employee was receiving contributions.
- The mean percentage contribution rate, averaged across schemes, was equal to ten per cent of employees' pay in 2009. The average active member received a contribution equal to nine per cent of pay. There was no statistically significant change in mean contribution rates when compared with 2007.
- More than one in ten schemes (14 per cent) operated on a salary sacrifice basis; such arrangements were more common where the firm was contributing for a greater number of employees (36 per cent among firms contributing for five or more employees).
- Among those firms that had introduced contributions to personal pensions since 2004, 12 per cent had previously offered some other form of provision for the employees concerned.

## 7.1 Introduction

Employees may choose to arrange their own personal pension. These can be obtained from providers such as banks, building societies and insurance companies. While they are not obliged to do so, employers may choose to make contributions towards the personal pensions of their employees.

In a strict sense, contributions to employees' personal pensions are not a form of workplace pension scheme, as the employer has no role in the establishment or administration of the scheme. Contributions to personal pensions will not therefore count as qualifying schemes under the workplace pension reforms, regardless of the level of contributions.

This chapter looks at employers' contributions to employees' private personal pensions. This does not include personal pensions that are stakeholder (SHP) schemes or part of GPP plans. The chapter begins by exploring the extent of employer contributions to personal pensions. It then considers whether such contributions were restricted to certain groups of employees, and how

such contributions are publicised. The number of employees benefiting from such arrangements is explored, along with the level of employer contributions. The prevalence of salary sacrifice arrangements is considered, along with the proportion of employees receiving contributions who have opted out of the State Second Pension (S2P). Finally, the chapter considers whether firms offered other forms of pension provision prior to introducing contributions to personal pensions.

### 7.2 Extent of employer contributions to personal pensions

Five per cent of firms were contributing to employees' personal pensions in 2009. As described in Chapter 2, this represented a fall since 2007, when 12 per cent of firms made such contributions (see Table 2.2). This fall in the proportion of firms providing contributions to personal pensions has to a large degree driven the observed fall in overall pension provision. Chapter Two also showed that the most notable change in the pattern of provision at firm-level between 2007 and 2009 was the fall in the percentage of firms who had contributions to personal pensions as their sole form of provision, from eight per cent in 2007 to two per cent in 2009 (see Table 2.12).<sup>39</sup>

Medium-sized and larger organisations were more likely to be making contributions to employees' personal pensions in 2009; among firms with 13 or more employees, 15 per cent were contributing to personal pensions, compared with four per cent of organisations with between one and 12 employees. Approximately one in ten employees (12 per cent) worked in organisations where such contributions were made. Again this represented a decline since 2007, when the equivalent figure was 19 per cent.

Many arrangements were not, however, open to new members. Three per cent of firms had an open arrangement in 2009 and six per cent of employees worked in these firms; neither of these estimates represents a significant change from 2007, when the equivalent figures were four and seven per cent respectively (see Table 2.7).

There were some differences by industry sector in the proportion of firms contributing to personal pensions (see Table 2.4). The arrangement was most common in the Financial intermediation sector (SIC(2003) Section J), where three in ten firms (29 per cent) were making such contributions. It is important to note however that this estimate is based on a small sample size (less than 100 firms) and so some caution should be exercised around its precision. In the Health and social work sector (Section N), just over one in ten firms (13 per cent) were contributing to personal pensions. Contributions to personal pensions were least common in the Construction sector (Section F) and the Hotels and restaurants sector (Section H); in both industries, one per cent of firms were making such contributions.

If we consider just those arrangements that were open to new members (see Table 2.9), these figures are generally much lower, with the exception of the Financial intermediation sector, where one quarter (26 per cent) of firms had arrangements that were open to new members (although again one should bear in mind the small sample size on which this estimate is based). This was followed by the Manufacturing sector (Section D), the Other business services sector (Section K), and the Health and social work sector, where between three and four per cent of firms had arrangements for contributing to personal pensions that were open to new members. No industries had seen a statistically significant change in the percentage of firms with open arrangements between 2007 and 2009.

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<sup>39</sup> However, Chapter Two also registered a note of caution over the precise degree of change in the provision of contributions to personal pensions, because of the confidence intervals surrounding the estimates and because of the somewhat divergent results from EAS 2009.

### 7.3 Eligibility for employers' contributions to personal pensions

The previous section indicated that in many firms where employers contributed to personal pensions, this arrangement was closed to new members. This was the case for two-fifths of such arrangements in 2009, compared with two-thirds of such arrangements in 2007; this difference is statistically significant. However, the smaller proportion of closed schemes in 2009 has come about as a result of the decline in the proportion of all firms with closed arrangements, as discussed above, rather than because of any change in the proportion of all firms with open arrangements.

Even in those firms where such arrangements were open to new members, not all employees were necessarily eligible to join. Overall, in 16 per cent of firms where such arrangements were open to new members, all employees were eligible to join the scheme (Table 7.1). In 2007, this figure stood at 44 per cent of firms; this decline is statistically significant. However, this largely represents a change among small firms. The percentage of employees working in organisations with open arrangements where all employees were eligible to join remained unchanged at 14 per cent. In 2009, firms with open arrangements were most likely to restrict eligibility on the basis of minimum job tenure (58 per cent), or a combination of minimum age and minimum job tenure (16 per cent).

**Table 7.1 Eligibility criteria for contributions to personal pensions, organisations and employees**

Eligibility criteria	Column percentages			
	Percentage of organisations		Percentage of employees	
	2007	2009	2007	2009
All employees eligible to join	44	16	14	14
Senior managers only	4	6	41	45
Minimum age	4	4	5	4
Minimum job tenure	35	58	26	23
Minimum age and tenure	2	16	4	3
Other criteria	10	1	10	9
<i>Weighted base</i>	98	60	151	154
<i>Unweighted base</i>	156	177	156	177

Base: all firms contributing to employees' personal pensions, where the arrangement is open to new members.

Respondents were also asked how they informed employees that the organisation made contributions to personal pensions. Five per cent of firms with open arrangements did not inform employees that contributions were available, the same proportion as in 2007 (Table 7.2).

In around one quarter (24 per cent) of firms, the availability of contributions was communicated via publication in company policies. The next most common methods of communication were word-of-mouth (15 per cent) and letter/written contract (13 per cent). In seven per cent of firms this was communicated through one-to-one negotiations and in five per cent via employee contracts. One-third (34 per cent) of firms used other unspecified methods. The equivalent figure in 2007 was ten per cent, although this difference is not statistically significant.

Firms in which employees were informed that contributions were available through employee contracts tended to be larger than average, while firms who provided this information via word-of-mouth tended to be smaller than average. Around one-third (34 per cent) of employees worked in firms where this was communicated in employee contracts. Five per cent of employees worked in firms where this was communicated through word-of-mouth.

## 114 Employers' contributions to personal pensions

The 2009 data show a fall in the percentage of firms and the percentage of employees working in firms where the availability of contributions was communicated via word-of-mouth, compared with 2007. In contrast, there was an increase in the proportion of firms who communicated this via one-to-one negotiations, and an increase in the proportion of employees working in such firms.

**Table 7.2 How firms communicate to employees that employer contributions to personal pensions are available (organisations and employees)**

Methods of communication	Column percentages, multiple response			
	Percentage of organisations		Percentage of employees	
	2007	2009	2007	2009
<b>Pre-coded options</b>				
Through an internal website	2	3	2	2
Published in company policies	27	24	19	18
Do not inform employees	5	5	8	4
<b>Answers coded from other replies</b>				
<i>Word of mouth</i>	50	15	14	5
<i>Letter/written contract</i>	5	13	14	9
<i>Employee contract</i>	6	5	33	34
<i>On negotiation of contract</i>	1	0	5	11
<i>On recruitment</i>	3	3	8	6
<i>One to one negotiations</i>	1	7	2	9
<i>Other</i>	10	34	6	7
<i>Weighted base</i>	98	64	148	154
<i>Unweighted base</i>	151	175	151	175

Base: all firms contributing to employees' personal pensions, where the arrangement is open to new members.

Notes:

<sup>1</sup> Respondents could provide more than one reason.

<sup>2</sup> Reasons in italics are response codes created after fieldwork.

### 7.4 Employer contributions to personal pensions

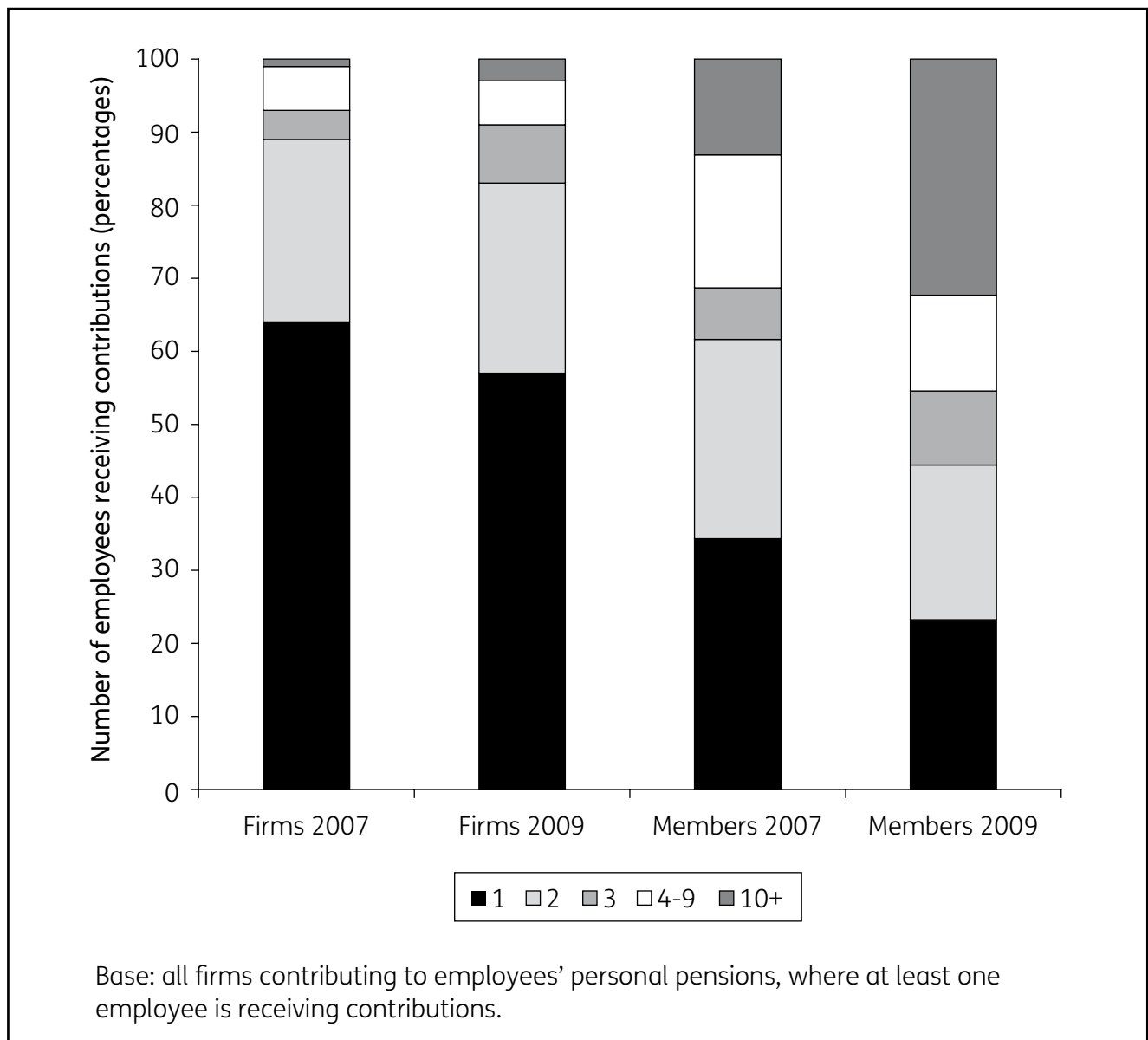
Firms making contributions to employees' personal pensions were generally contributing for a small number of individuals. In one per cent of firms stating that they contributed to such arrangements, no employees were actually reported as being contributed for at the time of the survey. Where firms were contributing for at least one employee, just under three-fifths (57 per cent) were contributing for one employee only (Figure 7.1). In 2007, the equivalent figure was 64 per cent, but this difference is not statistically significant.

A further quarter (26 per cent) of firms were contributing for two employees, and in 14 per cent of firms contributions were being made for between three and nine employees. Ten or more employees were benefiting from such an arrangement in three per cent of firms contributing to personal pensions.

Almost one quarter (23 per cent) of employees receiving employer contributions to their personal pension were the only employee for whom their firm was contributing. Approximately one-third

(32 per cent) of employees receiving such contributions worked in firms where their employer was contributing for ten or more employees. This represented an increase since 2007, when 13 per cent of employees were in organisations where ten or more employees were benefiting from such arrangements.

**Figure 7.1 Number of employees receiving employer contributions to their personal pension plans (schemes and members)**



As may be expected, smaller firms were generally more likely to be contributing for a smaller number of employees. While three-fifths (59 per cent) of firms with less than 50 employees were contributing for just one individual, this proportion fell to around two-fifths (38 per cent) among firms with 50 or more employees (Table 7.3).

In one-sixth (16 per cent) of firms with such arrangements, employers were contributing for at least three-quarters of their workforce. This proportion had fallen since 2007, when this was the case for around half (51 per cent) of firms making such contributions. This change was driven largely by the smaller firms; 17 per cent of firms with fewer than 50 employees were contributing for at least three-quarters of their workforce in 2009, compared with 53 per cent in 2007. Correspondingly, the

proportion of firms who were contributing for less than a quarter of their workforce increased from one quarter in 2007 to two-fifths (41 per cent) in 2009.

**Table 7.3 Employees receiving employer contributions to their personal pension plans, by size of organisation**

Receipt of employer contributions	Size of organisation (employees) 2009			Column percentages	
	1-49	50-499	500+	All 2009	All 2007
Number of employees that receive contributions					
1	59	39	(30)	57	64
2	28	16	(15)	26	25
3	8	6	(13)	8	4
4-9	4	21	(24)	6	6
10+	1	19	(17)	3	1
Per cent of employees that receive contributions					
1-24%	36	89	(100)	41	25
25-49%	14	8	(0)	14	7
50-74%	32	3	(0)	30	17
75%+	17	0	(0)	16	51
<i>Weighted base</i>	106	10	1	117	281
<i>Unweighted base</i>	126	194	68	388	379

Base: all firms contributing to employees' personal pensions, where at least one employee is receiving contributions.

In approximately one-third (32 per cent) of firms contributing to personal pensions in 2009, the rate or amount that the employer contributed was not known (Table 7.4). This was more common among smaller schemes; around one-sixth (17 per cent) of employees benefiting from such arrangements were in these schemes. Firms were able to give contributions as either a percentage of employees' pay or as an amount of money. While employers may not contribute for all members at the same rate, as in earlier chapters, we focus here on average employer contributions.

Contributions were more frequently expressed as a percentage of pay rather than as an amount of money. In four per cent of firms contributing to employees' personal pensions, this was at a rate of less than three per cent of pay. Three per cent of employees receiving contributions to personal pensions were in such schemes. Around one in ten firms (12 per cent) were contributing between three and six per cent of pay; one-fifth (20 per cent) were contributing between six and ten per cent of pay. A contribution of more than ten per cent of pay was made by around one in ten firms (12 per cent) with such arrangements.

One-fifth of firms expressed the contribution as an amount of money. In 16 per cent of firms with such arrangements, employers were contributing an average amount of more than £25 per week.

The mean percentage contribution when averaged across schemes was equal to ten per cent of employees' pay; the median contribution was eight per cent of pay. When averaged across active members, the mean contribution rate was equal to nine per cent of pay.

**Table 7.4 Average employer contributions to employees' personal pensions (schemes and active members)**

Employer contributions	Column percentages					
	Average (2008/09)		Average previous financial year (2007/08)		Average (2006/07)	
	All schemes	All members	All schemes	All members	All schemes	All members
Percentage of pay	49	69	53	62	32	44
Less than 3%	4	3	12	7	2	2
3-3.9%	2	2	2	2	2	7
4-4.9%	2	3	2	2	2	3
5-5.9%	8	13	7	13	3	8
6-10%	20	32	17	23	10	18
More than 10%	12	16	13	16	12	8
Amount of money	20	13	14	9	44	32
Up to £5 per week	0	0	0	0	3	3
£5.01-£10 per week	1	0	1	0	1	2
£10.01-£15 per week	0	0	0	0	6	7
£15.01-£25 per week	2	1	1	1	3	3
£25.01-£50 per week	13	9	9	5	17	10
More than £50 per week	3	3	3	2	13	9
Contribution not known	32	17	32	29	24	23
Mean percentage contribution	10	9	8	9	16	11
Median percentage contribution	8	8	8	8	10	6
Weighted base	119	387	107	354	294	379
Unweighted base	422	388	394	361	404	379

Base: all firms contributing to employees' personal pensions. The figures for the average previous financial year exclude those schemes set up after 2007.

### 7.4.1 Changes since 2007/08

Contributions for the previous financial year (2007/08) are also shown in Table 7.4 (middle two columns), for those schemes set up before 2008. Again for around a third (32 per cent) of schemes, the rate or amount contributed was not known. Around one in ten firms (12 per cent) were contributing a rate of less than three per cent of employees' pay, while three in ten were contributing more than six per cent. Average contributions of more than £25 per week were made by 12 per cent of firms with such arrangements. In the vast majority (92 per cent) of firms where contributions were known for both 2007/08 and 2008/09, contributions were made at the same rate in both years. In five per cent of firms, contributions were higher in 2008/09, and in two per cent contributions were lower.

The final two columns of Table 7.4 show average employer contributions in 2006/07, as reported in the Employers' Pension Provision Survey 2007 (EPP 2007). In 2006/07, fewer firms expressed contributions as a percentage of pay (32 per cent). The mean percentage contribution, averaged across schemes, was equivalent to 16 per cent of employees' pay in 2006/07; the median rate stood at ten per cent of pay. The mean contribution rate averaged across members was 11 per cent of pay. The mean contribution rates for 2006/07, whether averaged across schemes or across active members, were not significantly different (even at the ten per cent level of statistical significance) from those in 2008/09.

## 7.5 Salary sacrifice arrangements

As for other types of pension schemes, for the first time in EPP 2009, firms making contributions to employees' personal pensions were asked whether these arrangements operated on a salary sacrifice basis.

Overall, 14 per cent of arrangements whereby employers contributed to personal pensions operated on a salary sacrifice basis for at least some employees (Table 7.5). This was more common where the firm was contributing for a greater number of employees; over a third (36 per cent) of firms where five or more employees were receiving such contribution operated on a salary sacrifice basis.

**Table 7.5 Whether scheme operates on salary sacrifice basis, by size of scheme**

<b>Salary sacrifice</b>	<i>Column percentages</i>		
	<b>Number of employees receiving contributions</b>		
	<b>1-4</b>	<b>5+</b>	<b>All</b>
Yes	12	(36)	14
No	88	(64)	86
<i>Weighted base</i>	100	8	107
<i>Unweighted base</i>	280	92	372

Base: All firms contributing to employees' personal pensions, where at least one employee is receiving contributions and the number of participating employees is known.

## 7.6 Contracting out of the State Second Pension

Employees receiving contributions from their employer towards their personal pension may choose to contract out of the State Second Pension (S2P). In such cases, the pension scheme is referred to as an Appropriate Personal Pension (APP). A sizeable proportion of respondents did not know how many employees had chosen to contract out of S2P; this was the case for around one-fifth (21 per cent) of firms contributing to personal pensions (Table 7.6). This increased to 50 per cent among firms contributing for five or more employees.

In around two-thirds (68 per cent) of firms making contributions to employees' personal pensions, no employees were contracted-out of S2P. This represented an increase since 2007, when this applied for just under half (46 per cent) of firms contributing to personal pensions (this difference is statistically significant). Correspondingly, the proportion of firms contributing to personal pensions where all employees were contracted-out of S2P fell from around three in ten (29 per cent) in 2007 to just under one in ten (eight per cent) in 2009.

**Table 7.6** Proportion of employees who are contracted-out of the State Second Pension, by number of employees receiving contributions

Members contracted-out of S2P	Number of employees receiving contributions 2009		Column percentages	
	1-4	5+	All 2009	All 2007
None	70	(38)	68	46
Some	3	(5)	3	2
All	8	(7)	8	29
Don't know	19	(50)	21	24
<i>Weighted base</i>	109	8	117	281
<i>Unweighted base</i>	293	95	388	379

Base: All firms where employers make contributions to employees' personal pensions, and number of participating employees known.

## 7.7 Provision prior to establishment of employers' contributions to personal pensions

Respondents were asked whether any other form of pension provision had been available for the employees concerned, prior to introducing contributions to personal pensions. Around one in ten firms (12 per cent) that had started to make such contributions since 2004 (so in the five years prior to the survey) had previously made another form of pension provision available for the employees concerned.

Small sample sizes prevent analysis of the form of previous provision. This also limits more detailed investigation of whether the incidence of previous provision varied with characteristics of the firm such as age or size. Generally though, older firms (those established before 1980) appeared more likely to have offered some form of previous pension provision for the employees concerned.



# 8 Conclusions

## 8.1 Introduction

This report presents findings from the Employers' Pension Provision Survey 2009 (EPP 2009). The survey was conducted among a representative sample of 2,519 private sector employers in Great Britain and provided information about their provision, or non-provision, of pension schemes for their employees. EPP 2009 was the eighth in a series, with previous surveys having been conducted in 1994, 1996, 1998, 2000, 2003, 2005 and 2007. This final chapter of the report draws together some of the main findings from the survey.

Employers can play an important part in assisting pension saving by providing employees with access to workplace pension schemes, and further by making contributions towards the schemes to which their employees belong. In both of these key areas – the extent of employer pension provision and the level of employer contributions – the situation in 2009 was broadly similar to that observed in 2007.

## 8.2 Overall provision

In 2009, pension-providing organisations employed just over four-fifths (82 per cent) of all employees in the private sector. Although this represents a small reduction since 2007 (when the equivalent figure was 87 per cent), it continues to be the case that the vast majority of employees work in pension-providing firms.

The survey did suggest an apparent decline in the percentage of private sector firms which made some form of pension provision for their employees, from 41 per cent in 2007 to 28 per cent in 2009. However, as with all survey estimates, these figures have a range of uncertainty around them and so the scale of the apparent decline is difficult to determine. The 2007 and 2009 Surveys of Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms (EAS) indicate greater stability, estimating that 38 per cent of firms made some form of provision in 2009 compared with 37 per cent in 2007, although those figures are equally only estimates of the true values within the population at large. Most of the change evident in EPP was due to an apparent reduction in the provision of contributions to employees' personal pensions. If these arrangements are excluded, so as to focus on firms' propensity to provide *workplace pensions*, the picture was one of greater stability (33 per cent of firms provided a workplace pension in 2007, compared with 27 per cent in 2009).

Overall, the findings from EPP and EAS point towards approximate stability in both the proportion of organisations providing a workplace pension (remaining at around three-in-ten) and in the proportion of employees working in such organisations (remaining at just over four-fifths). The scale of any change in the provision of contributions to personal pensions, and thus in the overall extent of provision, is more difficult to determine but, the overall picture is suggestive of a small decline.

Turning to non-provision, the survey found that few non-providers (only nine per cent) expected to introduce pension provision within the next five years (i.e. by 2014). This would seem to corroborate the findings from EAS 2009 of relatively low levels of awareness of the forthcoming pension reforms. The vast majority of non-providers are very small organisations, whose reasons for non-provision typically relate to their small size, the cost of pension provision and staff disinterest. Fieldwork for EPP 2009 pre-dated the Department for Work and Pensions (DWP's) communications campaign

about the forthcoming reforms. The findings concerning non-providers' plans nonetheless suggest that such campaigns have much to do among non-providers either to raise awareness of the reforms or to convince employers that the reforms will come into being.

### 8.3 Types of provision

EPP 2009 found that workplace-based stakeholder (SHP) schemes continued to be the most common form of provision; provided by 23 per cent of private sector firms. Five per cent of firms provided group personal pension (GPP) schemes (with one per cent of firms offering a group self-invested personal pension scheme), five per cent made contributions to employees' personal pensions and two per cent provided occupational schemes. Less than one per cent of firms made contributions to employees' private SHPs.

The percentages of firms providing GPP schemes and SHP schemes had not changed to a statistically significant degree since 2007. The proportion of firms offering occupational schemes had declined from five per cent in 2007, and the proportion contributing to personal pensions had fallen from 12 per cent. It is the reduction in the proportion of firms providing contributions to employees' personal pensions that is particularly important in driving the apparent fall in overall firm-level provision, as discussed above. Most pension-providing firms (77 per cent) offered just one type of scheme.

Although occupational schemes are relatively rare, their prevalence among larger employers and the relatively large size of such schemes, means that around half (48 per cent) of all active members belonged to an occupational scheme. A further 30 per cent were members of a GPP scheme, 18 per cent were members of an SHP scheme and four per cent received contributions from their employer to their personal pension.

Overall, the 2009 survey estimated that just over one quarter (27 per cent) of private sector employees were active members of work-based pension schemes. This proportion had not changed to a statistically significant degree since 2007, when it stood at 31 per cent. Thirteen per cent of all private sector employees belonged to occupational schemes. A further eight per cent belonged to GPP schemes, five per cent belonged to SHP schemes and one per cent belonged to arrangements whereby an employer made contributions to their personal pension. The profile of active members by scheme type was, again, similar to that observed in 2007. There was thus no firm evidence from the survey of a decline in either the propensity of firms to provide occupational pension schemes, nor of a decline in employees' propensity to belong to them.

### 8.4 Access and joining mechanisms

Although 82 per cent of private sector employees worked in a firm with a pension scheme in 2009, it should not be inferred that all of these employees had access to an employer-provided pension scheme since some schemes are closed to new members or place restrictions on eligibility. The survey did not collect information on the proportion of all private sector employees that were eligible to join a work-based scheme. However, it did collect information on the status of schemes – whether open or closed to new members – and on the eligibility rules that governed access to open schemes.

One quarter of all private sector firms had some form of pension provision that was open to new members in 2009. This represented a small decline since 2007, when the figure was 32 per cent. However, this decline appeared to derive from the overall fall in provision, rather than indicating any reduction in the proportion of schemes that were open to new members. The proportions of occupational, SHP and GPP schemes that were open to new members did not change to a statistically significant degree between 2007 and 2009. In 2009, almost all (92 per cent) SHP

schemes were open to new members, compared with three-quarters (74 per cent) of GPP schemes, and three-fifths of arrangements to contribute to personal pensions. Just under half (48 per cent) of all occupational schemes were open to new members.

Turning to consider the eligibility rules governing open schemes, just over half (55 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join. This proportion was similar in 2007 (57 per cent), however, such schemes were more likely to restrict eligibility to senior managers in 2009 (14 per cent did so, compared with three per cent in 2007). Three-fifths (62 per cent) of open SHP schemes and just over one quarter (27 per cent) of open GPP schemes were open to all employees in the organisation. This compared with 16 per cent of firms with open arrangements for contributing to personal pensions where all employees were eligible to join the scheme. For these scheme types, where access was restricted to certain types of employees, this was most commonly on the basis of minimum job tenure.

Where schemes were open to new members, the survey collected information on the methods through which employees joined the scheme. The forthcoming workplace pension reforms will require employers to automatically enrol eligible workers into a qualifying pension scheme, unless the worker chooses to opt out. It is clearly useful therefore to understand which types of joining mechanisms are currently in place.

One quarter (24 per cent) of open occupational schemes enrolled employees automatically into the scheme unless they opted out. This represented an increase since 2007, when only nine per cent of open occupational schemes did so. In both GPP schemes and SHP schemes, the most commonly used enrolment method was completion of one or more detailed forms. This applied for just over one-third (35 per cent) of GPP schemes and one-fifth (22 per cent) of SHP schemes.

## 8.5 Contributions

It is likely that differential take-up of the various types of employer-provided pension scheme not only reflects differences in the degree of access to schemes but also variations in the generosity of retirement benefits. In comparing levels of employer contributions to different types of scheme, it is first important to note that a substantial proportion of pension-providing employers do not make any financial contribution to their scheme(s). In 2009, just one in ten private sector organisations had an open pension scheme that attracted employer contributions. This compared with 14 per cent in 2007 but, again, the fall appeared to reflect the overall reduction in firm-level provision rather than any decline in the propensity to contribute. For all scheme types, there were no statistically significant changes in the mean employer contribution rate received by the average active member in 2009 compared with 2007.

In 2009, the rate of employer contributions received by the average active member of an occupational scheme was 17 per cent for members of defined benefit schemes and seven per cent for members of defined contribution schemes. Employers were contributing in around two-thirds (65 per cent) of SHP schemes with at least one active member, and in such schemes, the average active member received a contribution equal to six per cent of their pay. In the vast majority (95 per cent) of GPP schemes, employers were contributing for at least some employees; again the average active member received a contribution equal to six per cent of pay. Where firms contributed to employees' personal pensions, the average active member received a contribution equal to nine per cent of pay.

In cases where employers were making contributions, it was thus the case that the contributions made for the average active member were in excess of the three per cent minimum contribution that will be required under the workplace pension reforms. In a small proportion of cases, employers were contributing less than three per cent. However, as noted above, the majority of employers made no pension contributions at all.



# Appendix A

## Technical report on survey methodology

### A.1 Introduction

In 2009, the Department for Work and Pensions (DWP) commissioned TNS-BMRB to undertake the Employers' Pension Provision Survey 2009 (EPP 2009), the eighth 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 2009.

The study had the following specific aims:

- to provide an up-to-date picture of current provision made by employers for comparison with findings from previous EPP surveys;
- to provide an indication of the extent of non-provision amongst such organisations and the groups of employees affected by this;
- to obtain data on recent changes to the type and extent of pension provision made;
- to provide information on changes in provision planned by such organisations for the immediate future and the reasons for these changes.

### A.2 Overview of survey method

The survey interviewed a representative sample of 2,521<sup>40</sup> private sector employers in Great Britain to describe the extent and nature of pension provision among employers in the private sector. The sample for the survey was obtained from the Inter-Departmental Business Register (IDBR). After an initial screening stage to collect the contact details of the most suitable person to complete the survey, employers were sent a letter and data sheet by the DWP inviting them to participate in the survey.

The survey was conducted using Computer Assisted Telephone Interviewing (CATI) and achieved an effective response rate of 53 per cent. 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.

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

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<sup>40</sup> Two records had to be removed due to incomplete data (see Section A.8), resulting in 2,519 cases for analysis.

respondents – busy professionals – needed some encouragement to take part and the flexibility of being able to take part at a time convenient to them. Respondents were able to schedule appointment times for the interviewer to call, ensuring the sample and the interviewer's time was 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 re-schedule an appointment and then move on to the next interview.

### A.3 Sample selection

The survey is intended to provide estimates of pension provision which were to be representative of private sector employers in Great Britain in 2009. For the 2009 survey, as for the previous four surveys, the sample was obtained from the IDBR. The IDBR is a government database maintained by the Office for National Statistics (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 industry (Standard Industrial Classification (SIC 2003)). 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. The survey was only concerned with private sector employers who employed at least one employee, therefore extremely small businesses that consisted only of owner-proprietors or owning partners (i.e. with no employees) were also excluded from the survey.

During the same fieldwork period as EPP, the Survey of Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms (EAS) was also being conducted by TNS-BMRB for the DWP. The sample was drawn for both surveys in a single exercise ensuring that respondents could not be selected for both surveys. For both surveys there was a requirement to interview all companies with over 5,000 employees (referred to from here on as the 'census' companies). As a result all these companies were selected to take part in both the EAS and the EPP survey. To try to reduce employer burden on the census companies the surveys were combined to keep the average interview length at 45 minutes.

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 stratified by size band and a different sampling fraction was applied within each band. Before the sample was drawn, units were sorted within each size band by number of employees, SIC(2003) Section, legal status and alphabetically by postcode.

Table A.1 shows the total population taken from the IDBR in January 2009 by number of employees. The sample was drawn from the IDBR, submitted as a single request covering both surveys and so the sample fractions stated below cover both the EAS and the EPP survey.

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

Number of employees	IDBR population count		Selection fractions	
	Number of units	%	1 in N	% of population
1-4	1,201,636	73.6	77.7	1.3
5-12	268,719	16.5	50.3	2.0
13-19	60,817	3.7	19.2	5.2
20-49	64,677	4.0	14.8	6.7
50-99	18,886	1.2	5.3	18.9
100-249	10,897	0.7	3.1	32.7
250-499	3,474	0.2	1.0	100.0
500-999	1,789	0.1	1.0	99.6
1,000-4,999	1,429	0.1	1.0	100.0
5,000 or over	366	0.0	1.0	98.4
<b>Total</b>	<b>1,632,690</b>	<b>100.0</b>	<b>38.4</b>	<b>2.6</b>

Prior to the telephone number look-up, a number of records were excluded from the sample. As in the 2007 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 1,031 organisations across both the EAS and the EPP survey.

Table A.2 shows how the initial sample of 42,523 for both surveys was broken down by size band both pre- and post-tracing for telephone numbers.

Telephone numbers were obtained for 50.3 per cent of the sample selected. 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<sup>41</sup>. Additionally, where a telephone number already existed from the IDBR this was used if the tracing process failed to generate a number<sup>42</sup>. Finally, once the tracing process was exhausted, researchers working on the survey re-examined the small number of large companies (those with 1,000 or more employers) where a number had not already been obtained and tried to obtain a contact number through company websites.

The success rate in obtaining telephone 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.

<sup>41</sup> Not all of the sample was sent for manual look-up as at this stage we had more cases in the sample than were needed to load.

<sup>42</sup> Of the 41,492 cases selected from the IDBR, 13,262 contained telephone numbers. These numbers were sent to sampling for cleaning and 1,064 were removed leaving 12,198 with usable numbers.

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

Number of employees	Initial sample from IDBR		Final sample after telephone matching		Percentage of sample selected with telephone number
	Number of units	%	Number of units	%	%
1-4	15,473	36.4	3,315	15.5	21.4
5-12	5,348	12.6	2,303	10.8	43.1
13-19	3,169	7.5	2,061	9.7	65.0
20-49	4,357	10.3	2,798	13.1	64.2
50-99	3,567	8.4	2,795	13.1	78.4
100-249	3,566	8.4	2,792	13.1	78.3
250-499	3,473	8.2	2,626	12.3	75.6
500-999	1,781	4.2	1,310	6.1	73.6
1,000-4,999	1,429	3.4	1,034	4.8	72.4
5,000 or over	360	0.9	332	1.6	92.2
<b>Total</b>	<b>42,523</b>	<b>100.0</b>	<b>21,366</b>	<b>100.0</b>	<b>50.3</b>

After the telephone number lookup the sample was split. Firstly all employers with 5,000 or more employees were allocated to the census survey as these companies had been selected to take part in both the EPP and the EAS survey.

The remaining sample was stratified according to:

- Employee size band;
- Actual number of employees;
- SIC (2003) code;
- Legal status;
- Postcode.

The sample was allocated as follows:

Survey name	Numbers allocated	%
Employers Attitudes Survey	10,179	47.6
Employers Pension Provision	10,180	47.6
Census	332	1.6
Employers Attitudes Survey Pilot <sup>43</sup>	675	3.2
<b>Total</b>	<b>21,366</b>	<b>100</b>

Additionally, a comprehensive check for duplicate records was carried out across the entire sample. 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.

<sup>43</sup> Only organisations with less than 500 employees were included in the pilot sample.

Once the process of eliminating ineligible and duplicate records was completed a final sample for the initial screening stage was drawn. The final sample for the initial screening was selected 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. The sample was randomly allocated to batches and was loaded into the screener batch by batch. This allowed the amount of sample loaded and the response rate to be monitored throughout the screener stage. In total 9,214 records were loaded into the screener (detailed in Table A.3).

At the initial screening stage a number of businesses (1,303) 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 77 per cent of the sample (6,055 records).

This sample was again stratified by size band and within each size band further stratified by number of employees, SIC03 division, legal status and alphabetically by postcode. The sample was again randomly allocated to batches for the main stage and was loaded batch by batch. In total 5,358 records were selected for the main stage and were mailed a letter and a data sheet.<sup>44</sup> The distribution of the sample selected for the main stage according to size band is detailed in Table A.3.

**Table A.3 Selected screener stage and Main stage sample by size band**

Number of employees	Final sample loaded into screener		Successful screener outcome		Selected main stage sample	
	Number	% of employers contacted	Number	% of employers contacted	Number	% of employers contacted
1-4	1,387	15.1	570	9.4	484	9.0
5-12	935	10.1	607	10.0	494	9.2
13-19	850	9.2	594	9.8	473	8.8
20-49	1,146	12.4	806	13.3	690	12.9
50-99	1,153	12.5	838	13.8	716	13.4
100-249	1,154	12.5	809	13.4	730	13.6
250-499	1,087	11.8	761	12.6	709	13.2
500-999	655	7.1	446	7.4	438	8.2
1,000-4,999	517	5.6	347	5.7	347	6.5
5,000 or over	330	3.6	277	4.6	277	5.2
Total	9214	100.0	6055	100.0	5,358	100.0

#### A.4 Advance letter, data sheet and website

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

<sup>44</sup> The remaining 697 cases from the 6,055 that were successfully screened were held as a reserve sample, but these did not need to be called upon to achieve the required number of interviews.

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

To help encourage response, a website was created for respondents to access. The website was mentioned in the advance letter and respondents were encouraged 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 data sheet and contact TNS-BMRB via the website if they had any further queries.

### A.5 Questionnaire

The questionnaire 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 (SHP 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 SHPs**

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 and size of occupational pension schemes, information on contributions 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.

The survey was conducted using CATI software as part of the Quantum package. The relevant routing was 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. For Sections E and F, 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 only 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.

As census companies (those with over 5,000 employees) were selected to take part in both the EPP and the EAS survey (see Section A.3), to minimise the burden on these businesses' the EPP and EAS surveys were combined into one questionnaire. This avoided respondents taking part in two interviews and as there was some overlap of questions between the two surveys it avoided respondents being asked similar questions twice.

## A.6 Fieldwork

The survey fieldwork was conducted between April and September 2009 and involved three main stages:

- **Stage one:** The screener stage of the survey involved 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 the 15th April and 8th May. In previous waves of the survey the screener stage collected the name and contact details of the person responsible for pension provision without directly speaking with the person. For the 2007 survey a change was made to the initial screening process with interviewers making three separate attempts to try and speak directly to the person responsible for pension provision in the company. This was continued for the 2009 survey. The purpose of this was to ensure that they were the correct person in the company, increase the likelihood of obtaining a direct telephone number for them and by directly speaking with them at the screening stage it was hoped that it would encourage them to take part in the research at the main stage. In addition, it was also intended that this would reduce the likelihood of having to re-contact companies in order to identify the correct person responsible for pension provision at a later stage of fieldwork as the increased time spent at the screener stage would ensure we were contacting the right person for the main stage. A further addition to the screening stage for the 2007 survey and continued in 2009 was that respondents were also provided the option of having electronic copies of the advanced letter and data sheet emailed or faxed to them directly after the screening stage. This immediately legitimised the research and also provided an instant source of information about the research for respondents. The electronic copies were additional to the paper copies of the advanced letter and data sheet that were sent to respondents prior to the start of fieldwork for the main stage.

The average length of an interview at the screener stage was four minutes.

- **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 the 19th May and the 25th September 2009.

The average length of the main stage interview was 19 minutes for companies with less than 5,000 employees. The average length of an interview for census companies who were selected to take part in the combined EPP and EAS survey was 50 minutes.

As with previous surveys in the series, the 2009 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 controlled and supervised to allow 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 that 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 was 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 re-schedule an appointment and then move on to the next interview.

### A.7 Response rate

After the initial letter was sent out to 5,358 employers a total of 27 organisations contacted either DWP or TNS-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 5,331 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 5,331 a total of 611 cases (11 per cent) were established as being out of scope for various reasons. From the remaining sample a total of 2,521 interviews were achieved, representing a response rate of 53 per cent. The main reasons for non-response were refusal (26 per cent), respondents being unavailable to do the survey during the fieldwork period (9 per cent) or that it was against company policy to take part in research (five per cent).

**Table A.4 Response rate for main stage sample**

	Screened sample	
	N	%
<b>Total issued sample</b>	<b>5,331</b>	<b>100.0</b>
Out of scope		
Number incorrect/unobtainable	78	1.5
Fax/computer line	31	0.6
Duplicate record	36	0.7
Ineligible company <sup>1</sup>	139	2.6
No reply after at least ten calls	150	2.8
No answer/answering machine	177	3.3
<b>Total out of scope</b>	<b>611</b>	<b>11.5</b>
<b>Total eligible sample</b>	<b>4,720</b>	<b>100.0</b>
Unproductive outcomes		
Abandoned/incomplete interviews	100	2.1
Refused	1,242	26.3
Away during fieldwork period	448	9.5
Broken appointment	6	0.1
General call back	123	2.6
Opt out	45	1.0
Against company policy	235	5.0
<b>Total unproductive</b>	<b>2,199</b>	<b>46.6</b>
<b>Total interviews</b>	<b>2,521</b>	<b>53.4</b>

<sup>1</sup> 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 non-response 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 lower than the overall response (45 per cent versus 53 per cent). This could possibly have been a result of census companies being asked to take part in both the Employers' Pension Provision survey and the Employers' Attitudes Survey.

**Table A.5 Main stage response rates by size band**

Number of employees	Issued sample	Out of scope		Total in scope	Total non-effective	Achieved interviews <sup>1</sup>	Response rate
	N	n	%	n	n	n	%
1-4	484	85	13.9	399	199	200	50
5-12	494	51	8.3	443	195	248	56
13-19	473	47	7.7	426	192	234	55
20-49	690	69	11.3	621	281	340	55
50-99	716	46	7.5	670	306	364	54
100-249	730	77	12.6	653	296	356	55
250-499	709	89	14.6	620	293	326	53
500-999	438	59	9.7	379	183	196	52
1,000-4,999	347	48	7.9	299	149	150	50
5,000 or over	277	40	6.5	237	130	107	45
<b>Total</b>	<b>5,358</b>	<b>611</b>	<b>100</b>	<b>4,747</b>	<b>2,224</b>	<b>2,521</b>	<b>53</b>

<sup>1</sup> 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.8 Data preparation and data output

The CATI questionnaire incorporated a number of checks to try and resolve any discrepancies during the interview. However, two records did have to be removed due to incomplete data. This meant the final total of achieved interviews was 2,519. The only other post interview editing was generally limited to correcting any filtering inconsistencies that occurred as a result of any responses in ‘other’ category being back-coded into an existing pre-code.

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.

The final SPSS file produced was at the level of the company or organisation and consisted of 2,519 records.

## A.9 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 weighting procedures used in EPP 2009 were the same as those developed for EPP 2007.

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 above. 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 rim weighting procedure.

The matrices that were used to derive the rim weights were based on the known distribution of the IDBR population by size of organisation and SIC division.

Given the fact that employers with one to five employees comprise such a significant proportion of the population (77.2 per cent) the decision was taken to weight these employers to individual size bands rather than to banded estimates to improve the accuracy of the weighting.

**Table A.6 Universe proportion by weighting categories**

Size band	Universe proportion %
1	38.6
2	19.5
3	9.1
4	6.3
5	3.7
6-12	12.7
13-19	3.7
20-49	4.0
50-99	1.2
100-249	0.7
250+	0.6
Total	100

Once the rim weights had been derived the final organisational weight was then re-scaled to ensure that the weighted sample size was the same as the unweighted sample size (n=2,519).

Due to the under-representation in the selected sample of small employers from some industry groups and forms of legal status a small number of cases received very large weights in the rim weighting procedure. To reduce the influence of a very small number of cases on individual estimates, very large weights were capped (fixed) at a maximum value.

The weight for employees was derived by multiplying the organisational weight by the number of employees. This weight was also re-scaled to ensure that the weighted sample size was the same as the unweighted sample size (n=2,519).

## A.10 The precision of survey estimates

With an estimated average Design Factor of 3.1 under the enterprise-based weighting scheme, an estimate of 50 per cent when based on the full sample of 2,519 observations would have a 95 per cent confidence interval of +/- six percentage points. An otherwise equivalent estimate based on 500 observations would have a 95 per cent confidence interval of +/- 13 percentage points.



# Appendix B

## Population profiles, 2005-2009

**Table B.1 Profile of organisations and employment, by size of organisation**

Size of organisation	Column percentages					
	Organisations			Employment		
	2005	2007	2009	2005	2007	2009
1-4 employees	69	71	73	8	10	12
5-12 employees	19	18	17	9	11	10
13-19 employees	4	4	4	4	5	5
20-49 employees	5	5	4	9	10	9
50-99 employees	1	1	1	6	7	6
100-499 employees	1	1	1	13	14	14
500-999 employees	0	0	0	4	4	4
1,000+ employees	0	0	0	47	40	40
<i>Weighted base</i>	2,401	2,360	2,519	2,401	2,360	2,519
<i>Unweighted base</i>	2,401	2,360	2,519	2,401	2,360	2,519

Base: all private sector organisations.

**Table B.2 Profile of organisations and employment, by industry sector**

Industry sector	Column percentages					
	Organisations			Employment		
	2005	2007	2009	2005	2007	2009
ABC: Agriculture, fishing and mining	4	4	4	0	1	1
D: Manufacturing	9	8	9	13	13	15
E: Energy and water	0	0	0	0	2	0
F: Construction	9	11	9	4	7	3
G: Wholesale and retail	21	17	18	26	16	19
H: Hotels and restaurants	7	8	8	7	10	13
I: Transport, storage and communication	4	3	4	7	9	7
J: Financial intermediation	1	1	1	1	8	3
K: Other business services	29	34	31	20	19	25
M: Education	1	0	1	2	1	1
N: Health and social work	7	6	5	15	10	9
O: Other community, social and personal services	8	8	8	5	6	6
<i>Weighted base</i>	2,401	2,360	2,519	2,401	2,360	2,519
<i>Unweighted base</i>	2,401	2,360	2,519	2,401	2,360	2,519

Base: all private sector organisations.

Note: The transfer of the Lloyds Banking Group (comprising Lloyds TSB and HBOS) and the Royal Bank of Scotland Group to the public sector may account for some part of the decline in the percentage of private sector employment accounted for by the financial intermediation sector between 2007 and 2009.

**Table B.3 Profile of organisations and employment, by age of organisation**

Age of organisation	Column percentages					
	Organisations			Employment		
	2005	2007	2009	2005	2007	2009
Less than 2 years	12	7	8	3	2	2
2-4 years	22	26	12	7	8	6
5-10 years	17	23	24	11	17	13
11-19 years	23	19	21	25	14	17
20+ years	26	25	34	53	59	61
<i>Weighted base</i>	2,377	2,294	2,425	2,328	2,278	2,318
<i>Unweighted base</i>	2,338	2,281	2,420	2,338	2,281	2,420

Base: all private sector organisations.

**Table B.4 Profile of organisations and employment, by workforce profile**

Workforce profile	Column percentages					
	Organisations			Employment		
	2005	2007	2009	2005	2007	2009
Percentage of female employees:						
None	27	30	33	4	4	5
1%-24%	8	8	8	18	27	22
25%-49%	12	13	12	25	25	25
50%-74%	18	26	23	31	27	33
75% or more	35	23	24	22	16	16
Mean	49	41	41	50	43	45
Median	50	43	40	50	42	48
<i>Weighted base</i>	2,398	2,327	2,511	2,325	2,237	2,445
<i>Unweighted base</i>	2,310	2,283	2,438	2,310	2,283	2,438
Percentage of part-time employees:						
None	56	51	48	12	17	13
1%-24%	9	9	9	37	44	40
25%-49%	11	10	11	24	17	20
50%-74%	12	15	18	17	12	17
75% or more	12	15	13	9	9	11
Mean	23	27	27	32	26	31
Median	0	0	8	25	17	23
<i>Weighted base</i>	2,401	2,289	2,487	2,289	2,205	2,403
<i>Unweighted base</i>	2,401	2,294	2,466	2,341	2,294	2,466

Base: all private sector organisations.

# Appendix C

## Standard errors for key estimates

**Table C.1 Overall incidence and type of provision, 2009**

Type of provision	Cell percentages			Column percentages
	Private sector organisations	Employees working for private sector organisations	Active members as % of all private sector employees	Active members of pension schemes
Any occupational scheme	2.2 (0.3)	41.6 (3.1)	13.2 (1.9)	48.2 (4.7)
Defined benefit	1.0 (0.2)	31.7 (3.2)	8.7 (1.8)	31.7 (4.9)
Defined contribution	0.7 (0.1)	14.4 (2.3)	2.3 (0.4)	8.3 (1.3)
Hybrid	0.4 (0.2)	6.8 (1.7)	2.2 (0.6)	7.9 (2.1)
GPP scheme	5.1 (1.1)	30.0 (2.9)	8.3 (1.2)	30.4 (4.0)
GSIPP	1.5 (1.0)	5.6 (2.1)	0.7 (0.3)	2.6 (0.1)
Workplace-based SHP scheme	23.5 (2.4)	55.4 (2.8)	4.9 (0.5)	18.0 (2.5)
Contributions to private SHPs	0.3 (0.1)	0.6 (0.1)		
Contributions to personal pensions	4.8 (0.9)	12.4 (1.6)	1.0 (0.2)	3.5 (0.6)
Any provision	28.3 (2.6)	81.6 (1.5)	27.3 (2.0)	
Any workplace pension scheme	26.7 (2.5)	80.7 (1.5)		

Base: all private sector organisations.

Notes:

- <sup>a</sup> Standard errors are in parentheses and take account of the complex design of the survey sample.
- <sup>b</sup> All figures in the table have been rounded to one decimal place; in Table 2.2, all estimates are rounded to integers.

**Table C.2 Incidence of open schemes and those attracting employer contributions, 2009**

<b>Type of open provision</b>	<i>Cell percentages</i>	
	<b>Private sector organisations</b>	<b>Employees working for private sector organisations</b>
Any open occupational scheme	1.2 (0.2)	25.2 (3.2)
Defined benefit	0.5 (0.1)	10.2 (2.6)
Defined contribution	0.3 (0.1)	10.4 (2.0)
Hybrid	0.2 (0.1)	6.0 (1.7)
Open GPP scheme	3.2 (0.4)	26.7 (2.9)
With employer contributions	3.1 (0.4)	26.0 (3.0)
Open SHP scheme	21.5 (0.2)	53.8 (2.9)
With employer contributions	4.4 (1.1)	24.0 (2.9)
Open PP scheme	2.6 (0.7)	6.3 (1.5)
Any open provision	25.3 (2.4)	78.7 (1.7)
With employer contributions	10.4 (1.4)	63.0 (2.4)
Any open workplace pension scheme	24.4 (2.3)	78.2 (1.8)
With employer contributions	8.4 (1.2)	61.6 (2.4)

Base: all private sector organisations.

Notes:

- <sup>a</sup> Standard errors are in parentheses and take account of the complex design of the survey sample.
- <sup>b</sup> All figures in the table have been rounded to one decimal place; in Table 2.7, all estimates are rounded to integers.

# Appendix D

## Estimates of pension provision from EAS 2007-2009

**Table D.1 Overall incidence and nature of provision (EAS 2007 and 2009)**

Type of provision	<i>Cell percentages</i>			
	Private sector organisations		Employees working for private sector organisations	
	2007	2009	2007	2009
Any provision	37	38	86	86
Type of pension provision:				
Occupational scheme	4	4	48	49
Group personal pension scheme	6	5	37	30
Stakeholder pension	24	27	65	59
Contributions to employees' personal pensions	15	14	21	21
Any provision – excluding those only making contributions to employees' personal pensions	29	33	85	84
Contributions to employees' personal pensions only	8	5	2	2
No provision	63	62	14	14
<i>Weighted base</i>	2,374	2,541	2,396	2,546
<i>Unweighted base</i>	2,390	2,543	2,390	2,543



# Appendix E

## Tables to accompany figures

**Table E.1 (Figure 2.1) Type of scheme, by date of introduction**

Type of scheme	Date of introduction					
	Pre-2001	2001-2002	2003-2004	2005-2006	2007-2009	All
Occupational	31	2	3	2	1	7
GPP	33	3	24	9	18	15
SHP	0	93	53	73	72	66
Contributions to personal pensions	36	3	20	16	9	13
<i>Weighted base</i>	590	1,197	282	332	1,050	3,450
<i>Unweighted base</i>	1,058	999	354	358	373	3,142

Column percentages

Base: pension schemes provided by organisations in 2009.

**Table E.2 (Figure 2.2) Main type of provision, by size of organisation**

Main type of provision	Size of organisation (employees)								
	1-4	5-12	13-19	20-49	50-99	100-499	500-999	1,000+	All
Access to SHP	12	42	46	49	39	43	32	26	20
GPP	0	8	11	17	42	38	37	24	3
Occupational scheme	0	2	4	7	3	10	18	39	1
Contributions to PPs	3	3	6	5	7	3	1	0	3
No relevant provision	85	44	32	23	10	6	12	12	72
<i>Weighted base</i>	1,834	415	93	98	29	23	2	2	2,497
<i>Unweighted base</i>	185	355	185	397	341	630	173	247	2,493

Column percentages

Base: all private sector organisations.

Note: does not include occupational schemes that are closed to new members nor employers' contributions to employees' private SHPs.

**Table E.3 (Figure 3.1) Type of occupational scheme, by scheme status**

Type of scheme	Scheme status			
	Open	Closed	Frozen	All
Defined benefit	47	35	43	40
Defined contribution	27	36	38	30
Mixed	21	24	15	20
Not known	5	4	3	11
<i>Weighted base</i>	419	324	125	940
<i>Unweighted base</i>	386	421	118	994

Base: all occupational schemes.

Note: 69 schemes for which the status of the scheme was not known are not presented separately but are included in the figures for 'All schemes'.

**Table E.4 (Figure 4.1) Whether occupational schemes are contributory for employees, by type and status of scheme (schemes and active members) 2007 and 2009**

Contributory for employees	Type of scheme			Scheme status		All schemes	All active members
	DB	DC	Hybrid	Open	Closed		
2007:							
Yes	84	49	(38)	82	29	59	79
No	16	51	(62)	18	71	41	21
<i>Weighted base</i>	233	420	51	406	304	710	823
<i>Unweighted base</i>	516	241	78	445	401	846	796
2009:							
Yes	92	59	(28)	71	56	64	92
No	8	41	(72)	9	44	36	8
<i>Weighted base</i>	308	231	166	408	322	730	785
<i>Unweighted base</i>	511	200	64	383	415	798	755

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

**Table E.5 (Figure 4.2) Salary sacrifice agreements, by type and status of scheme (schemes and active members)**

Salary sacrifice for any members	Type of scheme			Scheme status		All schemes	All active members
	DB	DC	Hybrid	Open	Closed		
Yes	32	11	(18)	32	13	23	49
No	68	89	(82)	68	87	77	51
<i>Weighted base</i>	270	203	165	364	299	663	565
<i>Unweighted base</i>	385	182	59	366	281	647	647

*Column percentages*

Base: all open or closed occupational schemes (i.e. excluding frozen schemes).

Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

**Table E.6 (Figure 5.1) Size of workplace-based SHP schemes (schemes and active members)**

Number of active members in workplace-based SHP(s)	2007		2009	
	Proportion of schemes	Proportion of active members	Proportion of schemes	Proportion of active members
0	62	–	62	–
1-4	29	19	30	20
5-12	6	17	5	14
13-19	1	8	1	4
20-49	1	11	1	9
50-99	0	8	0	10
100+	0	38	0	42
<i>Weighted base</i>	1,488	733	1,463	764
<i>Unweighted base</i>	1,417	733	1,341	764

*Column percentages*

Base: all SHP schemes.

**Table E.7 (Figure 6.1) Size of GPP schemes (schemes and active members)**

Number of members in GPP(s)	Column percentages			
	2007		2009	
	Proportion of schemes	Proportion of members	Proportion of schemes	Proportion of members
0	4	–	3	–
1-4	48	6	38	3
5-12	24	11	31	10
13-19	7	6	7	4
20-49	9	15	12	15
50-99	5	18	5	12
100+	3	44	5	55
<i>Weighted base</i>	812	773	871	852
<i>Unweighted base</i>	782	773	861	852

Base: all GPP schemes where number of active members known.

**Table E.8 (Figure 6.2) Proportion of GPP members who are contracted-out of the State Second Pension, by size of scheme**

Members contracted-out of S2P	Column percentages			
	Size of scheme (number of members) 2009			
	1-19	20+	All 2009	All 2007
None	63	78	65	59
Some	8	18	10	18
All	30	4	25	23
<i>Weighted base</i>	426	97	523	451
<i>Unweighted base</i>	201	288	489	400

Base: all GPPs where employer contributes and at least one active member.

**Table E.9 (Figure 7.1) Number of employees receiving employer contributions to their personal pension plans (schemes and members)**

Number of employees for whom employer contributes to personal pension plan	<i>Column percentages</i>			
	2007		2009	
	Percentage of organisations	Percentage of members	Percentage of organisations	Percentage of members
1	64	34	57	23
2	25	27	26	21
3	4	7	8	10
4-9	6	18	6	13
10+	1	13	3	32
<i>Weighted base</i>	281	379	117	387
<i>Unweighted base</i>	379	379	388	388

Base: all firms contributing to employees' personal pensions, where at least one employee is receiving contributions.



This report presents findings from the 2009 Employers' Pension Provision Survey. The survey was the eighth in the series. The report describes the extent and nature of pension provision among private sector employers in Great Britain in 2009.

In respect of the extent of provision, the report covers the proportions of firms providing pensions and the extent of employee membership of employer pension schemes. In respect of the nature of pension provision, the report covers the types of provision, joining mechanisms and contribution rates.

The report also outlines the main reasons for provision or non-provision of pensions and examines recent and planned changes in provision. Comparisons are also made with findings from the 2007 survey.

The findings are based on a survey carried out among a nationally-representative sample of 2,519 private sector employers.

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