



**REVIEW
OF
ONS PENSION CONTRIBUTIONS STATISTICS**

REPORT OF THE REVIEW PANEL

September 2002

REVIEW OF ONS PENSION CONTRIBUTIONS STATISTICS

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REVIEW OF ONS PENSION CONTRIBUTIONS STATISTICS

Executive summary

The review was asked to address:

- a) what pension contributions statistics are needed and what are the best available data sources;
- b) the quality of existing data sources; and
- c) how these data should be presented.

What data are needed and what are the best available data

The interest in pension provision has grown in recent times and the complexity of schemes and types of provision has grown with it. We have established that the main policy interests are in:

- the adequacy of pension provision, in total, and for different sections of the community;
- monitoring changes in the form of pension provision; and
- the cost of tax relief for various types of scheme.

Although interest is primarily in the build up of pension rights, these are difficult to measure. Pension contributions are taken as the main determinant of these, so there is interest in contributions for this purpose as well as in their own right. These policy interests and the needs of wider users lead to four main needs for pension contribution statistics. These are, firstly, to understand the importance of the pensions industry and pensions flows to the economy; and, then, to understand pension contributions:

- by type of scheme;
- by source of contributions (employer/employee etc)
- by type of contributor.

We have looked at the available sources for each of these categories of need.

1. The national accounts are the best available source showing the overall growth of pension contributions and the contribution of the pensions industry to the economy. For this purpose, existing sources are sufficient, adequate in

scope, frequency and detail, although some of our recommendations will improve their quality.

2. Current data are also sufficient to enable estimates of aggregate cost of tax relief on contributions to be made, although data by type of scheme and contributor are needed to model the impact of tax regime changes.
3. Current statistics on contributions by type of scheme come from a variety of sources, and none are complete or sufficiently timely for policy purposes. We have recommended that a development of the existing survey conducted by the Government Actuary's Department (GAD) would best meet the needs of users, if it could collect details of pensions contributions directly, be held more frequently, and if publication could be more timely.
4. There are no statistics showing the distinction between employer and employee contributions for insured funds. We have recommended that this information is collected from the ONS surveys of insurance companies and pension funds.
5. Little information is available on the distribution of pension contributions by type of contributor. Information from household surveys is not sufficient for policy needs. We have recommended that ONS examines ways to use the New Earnings Survey (NES) to collect contributions data and that ONS and the Department of Work and Pensions jointly investigate the possibility of linking information from the NES and the National Insurance based Lifetime Labour Market database, subject to confidentiality safeguards.

The quality of existing data sources

There is a large range of data sources that cover pensions, but, partly owing to the complexity of the pensions industry, each is partial in coverage. Some are not timely and none gives a complete picture of the pensions industry. The arrangements for statistics are complex and users need to be aware of the quality assessments provided by each statistics provider in deciding which statistics are appropriate for their use.

This review arose partly out of confusion between gross and net recording of contribution in the ONS surveys of insurance companies and pension funds (published in MQ5).

We have recommended several improvements in the quality of existing sources, including:

- ONS surveys of insurance companies and pension funds should explore with contributors the possibility of collecting details of transfers. This would improve the quality of the national accounts and the estimates of tax relief, and provide greater clarity in the estimates ONS publishes;
- ONS should establish closer links with industry to ensure that its surveys of insurance companies and pension funds keep up to date with changes in industry developments;
- the ONS household surveys' coverage of pensions should be reviewed;
- the GAD survey of occupational schemes should be developed to meet a wider range of uses and held more frequently.

How the data should be presented

We have made recommendations to improve the clarity in MQ5 and improve transparency in the national accounts. We also believe that the analytical value of the NES could be enhanced if the data were more readily accessible. Users are faced with a wide range of data from disparate sources covering a complex area. The appropriateness of each source depends on the use to which it is to be put and users rarely have time to look at the quality of each source. We have recommended that departments consider publishing electronically a statistical digest, fact sheet or guide to pension statistics to provide clarity to users.

Our priorities

We have looked at the relative priorities of the proposals we have made and give high priority to:

- collecting data on transfers between pension schemes;
- clarifying for users what statistics are available; and
- continuing the work of the interdepartmental Statistical Working Group

REVIEW OF ONS PENSION CONTRIBUTIONS STATISTICS

Background

1. The National Statistician announced this review of pension contributions statistics on 2 July. The terms of reference were set out in an ONS press release. They are to:
 - a) establish what information is needed, in terms of frequency, scope and quality, and to advise on the best available data;
 - b) comment specifically on the quality, coverage and methodology of the range of sources of private pension contribution statistics available;
 - c) advise on how these data should be presented; and
 - d) recommend appropriate action.

A review panel chaired by Stephen Penneck was set up. See **Annex A** for the full membership and details of meetings.

2. The panel clarified the boundaries of its terms of reference as follows. Firstly the review only covers pension contributions statistics. That is what the panel has focused on and where detailed discussion has taken place. Inevitably during the discussion on pension contributions, other issues concerning pensions statistics were raised and discussed. These have been noted and included with any recommendation for further work in this report. Secondly the review is specifically a review of ONS pension contributions statistics, but to limit the scope in this way from the outset would have prevented the panel from recommending which data sources could best be developed to meet user needs. The approach adopted has been to look initially at sources quite broadly, but to focus on official statistics and eventually to be particularly specific on any recommendations for ONS sources.
3. The need to improve liaison on pensions statistics had been recognised by government statisticians before the issues that led to the establishment of this review had emerged. This had led to the creation of a Statistical Working Group comprising representatives of the ONS, Department of Work and Pensions (DWP) and Inland Revenue (IR).
4. On 10 June the Times published an article by David Willetts MP which called into question government statistics on pension fund contributions. Part of his argument was based on a comparison of DWP data and flows implied by IR data on tax relief. The article argued that the published

DWP/ONS data overstates the contributions to pensions and concluded that this is due to double counting because it includes intra-industry flows.

5. Following that article, the Working Group met to reconcile the DWP and IR estimates. Details of their findings are in **Annex B**. The work of the Working Group has fed into the work of this review panel and is discussed later.

Some definitions

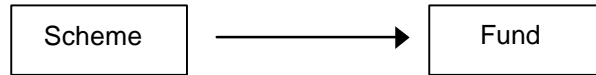
6. The review panel found it needed at an early stage to come to a common definition of the terms used in the pensions industry, as different terminologies are sometimes used. An important initial distinction when considering data collection is between pension schemes and pension funds. Pension schemes are defined by rules and regulations concerning the levels of contributions and what benefits are paid out when. **Annex C** gives a schematic representation of some of the features of schemes. This shows the relationship between taxation treatment, employment sector, funding status and management arrangements.
7. If a scheme is funded, as nearly all those in the private sector are, contributions paid under each scheme are invested in that fund and the proceeds of the fund provide the benefits that are paid out on retirement. There is frequently, but not always, a one-to one relationship between schemes and funds. The exceptions include the local government scheme – numerous funds, each for one or a small group of authorities, all governed by the same scheme rules. Conversely a group of schemes run by a single employer, offering different rates of contribution and benefits for different groups of employees, may pool their assets in a single fund. Most of the interest in pension contributions statistics is by type of scheme, so that this is the unit of interest rather than the fund. However for purposes such as assessing funding levels and when looking at investment flows, data by fund may be required.

Thus the relationship of schemes to funds may be:

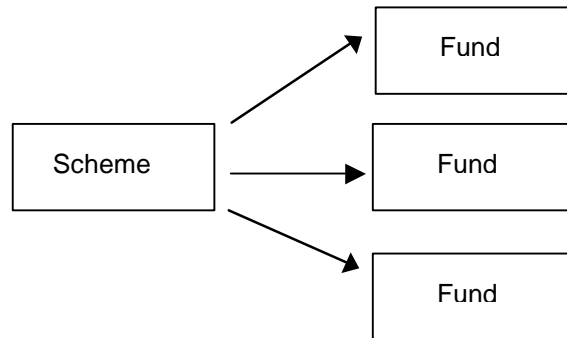
Unfunded schemes



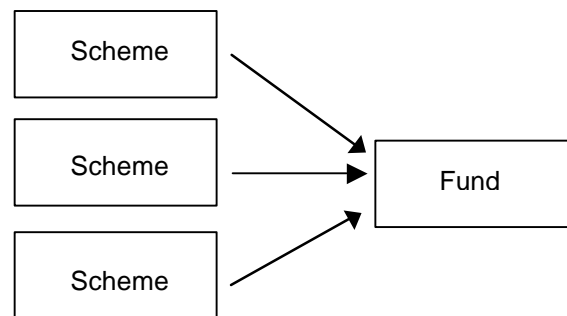
Common arrangement



Local government scheme



Group schemes



The possible sources of pension contributions and their destinations are set out more fully in Table 2 of Annex C, and ⁽¹⁾**we recommend that this is developed to show the possible flows, and used by ONS and Inland Revenue to ensure that there are no gaps and no double counting in MQ5, national accounts and Inland Revenue estimates**

8. **Annex C** also presents a glossary of the main pension terms we have needed to use.

The pensions issue

9. The terms of reference require the review panel to establish information needs for pension contributions statistics. Such needs cannot be established without first having a very clear idea of what the information is required for: ie what issues the statistics are required to address. Accordingly the panel commissioned work from expert panel members on issues facing the pensions industry and from officials among its members on the government policy context.
10. Much of the focus of the national debate on pensions is on the adequacy of the benefits that accrue. State and private pensions make up the two most important sources of retirement incomes. Perhaps the most important determinant of the future value and coverage of private pensions in payment are the value and coverage of contributions to those pensions. Direct measurement of accruals is difficult so in practice they are often inferred from data on contributions together with estimates of returns to the fund.
11. A recent feature of the pensions industry has been the growth of Defined Contributions (DC) schemes. Many people are in Defined Benefits (DB) schemes, that is the benefits are defined typically on the basis of salary during the final years. The picture is changing rapidly with occupational schemes changing to Defined Contribution, where the benefit depends on the size of the fund accumulated at the time benefits are paid. The move to DC schemes has been driven by the increased cost and risk for employers of managing DB schemes, as the length of life on retirement has increased. In addition DB schemes have sometimes been perceived as not being as portable between employments and thus hindering labour market flexibility.
12. An important consequence of the movement from DB to DC schemes is that it changes the balance of risks between employer and employee – with the employee taking on investment and longevity risk but being no longer so subject to the risk of employer bankruptcy and dependence on final salary. However, it is not clear whether all employees will be able to assess this new risk and take action to ensure their retirement income is adequate. Hence the government and commentators in the pensions industry are interested in the relative take up of DB and DC schemes, in the characteristics of members of each (especially disadvantaged groups), and in the build up of benefits over time. Other key issues are the legal constraints on how pensions can be accessed by the recipient, the appropriate forms of investment and the associated risks; and the contribution of pension savings in the context of other savings to the overall saving ratio. The role of employers' contributions and changes in longevity are also relevant, together with concerns about the position of

self employed people, knowledge about the attitudes of employees towards pension risk, their expectations of pensions performance, and the increased costs that people face in their retirement of health and personal care.

13. The Financial Services Authority also has an interest in up to date statistics of pension contributions, including data on transfers, separate data on defined benefit and defined contribution schemes and longitudinal data on individuals. The FSA should be involved in future discussions on pension statistics.

Government interest in pensions

14. Given the issues raised, a number of government departments have a keen interest in pension contributions and associated data. One of the Department for Work and Pension's four key objectives is 'To combat poverty and promote security and independence in retirement for today's and future pensioners.' In recent months there has been a particular focus on future pensioners, both across and beyond government. Representative bodies, 'think-tanks' and the media at large have all discussed issues around, and trends in, those variables that may affect the incomes of future pensioners. The DWP expects this interest to persist. At the request of Treasury Ron Sandler published a review of long-term saving on 9 July. DWP commissioned Alan Pickering to review options for simplifying rules relating to occupational pensions, and this was published on 11 July. The Inland Revenue are carrying out a review aimed at simplifying pensions tax rules.
15. The Sandler report looked at the competitive forces behind the savings industry, and the impact of investment approaches on consumers. It noted the complexity of the savings market, and argued that the lack of transparency in pricing and performance contributed to a reluctance to save, especially by lower income groups. Its recommendations are focused on increased simplicity and transparency.
16. The Pickering report concluded that pensions have become too complex, and this makes them inaccessible to many people. Their recommendations propose ways of simplifying the range of pensions provision, reducing the regulatory burden while ensuring schemes meet minimum standards, and easing ways for contributors to transfer between schemes.
17. The Government has announced that it will respond to the Sandler and Pickering reports with a Green Paper this autumn. The results of the IR review are expected to a similar timetable. In responding to these reviews, departments should bear in mind the needs for data for policy analysis. All of this work attests to the importance currently attached to

this area of public policy by several departments. It also suggests that there could be further changes in the complicated mix of types of pensions schemes on offer and ⁽²⁾ **we recommend that those who collect data on pensions ensure that their data collection instruments respond flexibly to the challenges ahead.** Timely and accurate data at the most detailed level remain imperative to allow Government departments to analyse the possible impact of proposed policy changes.

18. DWP told us of their interest in a wider range of pensions statistics, including information on accruals of private pensions so that it can monitor current outcomes, model the future, and assess potential policy interventions. This interest is at a number of levels: at the level of the aggregate, at a scheme or employer level, and at an individual level. DWP would like to know, at each of these levels, about averages and distributions and about other characteristics associated with different outcomes.
19. The Bank of England told us that they share the interest in being able to assess the adequacy of current pension provision, and also have a wider interest in the impact of pension savings on the economy - the effect on disposable income and on the wealth of different sectors. They are also concerned with the balance of risk between employer and employee and how pension provision changes over time.

Government departments' needs for pensions contributions statistics

20. Statistical collection is a long-term business. It takes some time to set up new statistical collections, given the need for proper piloting and testing, design of new systems; and changes to existing collections will have an impact on the continuity of time series on which analysts rely to assess trends. Consequently, we need to be clear that proposed changes to statistics reflect long term policy concerns and that statistical systems are flexible enough to respond to shorter term needs. It is difficult to be clear about long term policy needs. There is an interest in the age of retirement, and increasingly pensions need to be seen in the wider context of overall saving for retirement (through other financial assets). The recommendations in this report for more flexible statistical products and a database of individuals, which will enable modelling of different scenarios, should ensure statistics are focused on the longer term.
21. We saw three main policy needs for pension contributions statistics. These are:
 - 1) to understand the contribution of the pensions industry and pensions flows to the overall economy, mainly through the national accounts;

- 2) to understand the size of pensions' contributions, by type of scheme and type of pensioner so as to understand current issues concerning pensions; and
- 3) to estimate the cost of tax relief on various types of scheme.

Each of these needs has different implications for statistics and is best viewed separately.

- 1) The UK National Accounts show the contribution that pension flows make to aggregate flows within the overall economy. Employer contributions are a form of deferred pay and so contribute to (the income measure of) GDP; while employee contributions, as a form of saving, do not. The accounts also show the role of pensions in distributing income between sectors - principally between the household and the financial corporations sector, and investment flows in the financial accounts.

For national accounts purposes, aggregate data are sufficient, and those supplied by MQ5 and other sources are adequate in frequency, scope and detail.

- 2) To understand current policy issues, annual statistics by type of scheme are needed. There is interest in transfers both within types of schemes (for example between one self-administered scheme and another) and between types of schemes (such as between self-administered schemes and insurance invested schemes). These transfers are needed both to analyse further the growth in gross contributions, and to enable the pensions market and the success of particular type of pension schemes to be studied. For the future it will be necessary to understand the different levels of contributions in Defined Benefits and Defined Contributions schemes as schemes of the latter type become more widespread.

Further, there is a strong need to have detailed annual information about the distribution of contributions to schemes according to such variables as scheme size, when it was founded, type of employer and scheme type. The policy departments thought that they would be able to specify the type of analysis they might require, which is likely to be relatively stable over time, so that this could be routinely produced from any survey of pensions schemes.

Because of the interest in how current pensions provision impacts on separate groups in society, by gender, age group, income level,

in particular, there is a need to be able to analyse the pension contributions that individuals make in a variety of ways. The number of analyses that could be required is large and not easy to predict - much will depend on the policy interest at the time. It is difficult to see how this data need could be met other than through an up to date database of individual pension contributors.

- 3) Current data sources are sufficient to enable estimates of the aggregate cost of tax relief on contributions to be made, but aggregates analysed by pension scheme type as set out above are needed to provide estimates of tax relief by type of scheme and are required to model changes to tax rules which affect different types of schemes differently. In addition, a database of pension contributors as discussed above would enable IR to estimate the distribution of tax relief by type of individual and thus model more comprehensively the impact of tax regime changes.
22. In addition to the needs for contributions statistics, the review has also identified needs for a wider range of pensions statistics. These include more detailed statistics of investment flows and gains, tax paid, flows from the pension provider to the household sector, and benefits accruing to individuals. There is also a strong need for longitudinal analyses, both of schemes and individuals, to enable trends to be tracked over time.
23. Government departments' needs for pension contribution and related statistics are set out more fully in **Annex D**, which also assess the extent to which they are met by current data sources. Members of the review panel from outside government confirmed that these needs are not confined to government departments and that the annex covers wider user needs.

Quality issues in data sources

24. We have reviewed the available data on pension contributions. The detail is at **Annex E**. We have found it helpful to look separately at:
 - Data collected from (and about) pension schemes. These include official surveys such as the ONS survey of pension funds and insurance companies (MQ5), the DWP Employers Pensions Provision Survey, the GAD survey and tax based administrative data collected by the Inland Revenue;
 - Industry registers, ie those maintained by OPRA and the NAPF;

- Data collected from (or about) individuals, that is the regular official surveys such as the New Earnings Survey (NES), the General Household Survey (GHS), the Expenditure and Food Survey (EFS), and the Family Resources Survey (FRS);
 - Longitudinal and other studies, including the Lifetime Labour Market Database (LLMdb), third party tax information provided to IR, and the British Household Panel survey.
25. We have included national accounts data in our list of data sources, because for many users it is an important source of estimates consistent with overall economic trends, even though it is itself a data set estimated from other data sources.
 26. The classification of the types of pension scheme is complex, and many data sources have only partial coverage.
 27. Users should always bear in mind that all statistics are subject to error, though the aim of statistics producers is to minimise those errors within the limits of available resources. In particular, sample surveys are subject to sampling error, and care needs to be taken when looking at the results for small population groups. Both survey and administrative statistics are subject to non-sampling error, such as lack of completeness or where the definition does not match the concept which is required. Users of statistics need to look at the quality assessments provided on each set of statistics when deciding which is most appropriate for a particular purpose, looking at the consistency between sources, where possible. As far as possible in Annex E we have assessed each data source against the criteria of: relevance; accuracy; timeliness; accessibility; comparability; coherence; and completeness, which are the quality indicators required under the National Statistics Code of Practice.
 28. **Annex F** gives an analysis of the main strengths and weaknesses of each data source as we saw them. This analysis has proved useful in helping us to decide where data sources should be developed to meet the unmet needs we have identified.
 29. In the rest of this section we discuss a number of quality issues concerning specific data sources. In line with our terms of reference we have concentrated mainly on ONS data sources.

Statistics collected from pension schemes

Surveys of pension funds and insurance companies (MQ5) and national accounts estimates

30. ONS conducts a series of quarterly and annual surveys of self administered pension funds and insurance companies that manage a range of business including pension schemes. These surveys are published as MQ5. The latest triennial review of these surveys was published in May. Triennial reviews are conducted to avoid unnecessary surveys and exercise control on compliance costs. They are not reviews of user need. The latest review of the MQ5 surveys make a number of limited recommendations for additional data collection, for national accounts purposes. We concluded that most of these did not meet the needs identified in this review (except for a recommendation for more analysis on pension schemes, number of members and pension contributions resulting from the EU Structural Business Statistics Regulation) though we welcome a recommendation for greater clarity on the survey forms.
31. A starting point for our review was the set of issues raised by the Statistical Working Group. These related to the differences between IR and DWP/ONS estimates of pension contributions. The DWP estimates were based on the ONS survey (MQ5).
32. The details of the reconciliation of the two data sources and an explanation of the issues raised are in **Annex B**. These issues are:
 - Difficulties with transfers arise because of a lack of clarity as to how they are recorded by respondents to the MQ5 survey. The problem relates to pension schemes administered by insurance companies where data on transfers are not explicitly collected. For national accounts purposes estimates of these transfers are made for occupational schemes by ONS, but the basis of these is weak. We accept the ONS view that the statistics in the MQ5 publication should solely relate to what is collected in the MQ5 survey and not include adjustments for transfers based on other data sources. To include such adjustments would impact on the integrity of the publication as a record of that survey. ⁽³⁾ **We recommend that the ONS investigates the feasibility of collecting fuller, identified data on transfers between schemes operated by insurance companies and between these schemes and other types of scheme directly on the MQ5 survey.** If it does not prove possible to collect transfers data from insurance companies ⁽⁴⁾ **we recommend that ONS considers approaching the relevant schemes directly.** This would significantly improve data quality for both occupational and personal pensions. It

would also enable the MQ5 publication to publish a figure of net flows, thereby enabling the MQ5 presentation of the life assurance sector to be consistent with the self administered funds sector, and preventing its misinterpretation or use in an inappropriate context. In addition it would meet the need raised earlier for data on transfers, which is an area of policy interest in its own right.

- There was confusion over the basis of the figures in the insurance companies' tables in MQ5, described as "Premiums receivable net of reinsurance ceded (less rebates and refunds) on pension business". It was not clear from the description that these figures included transfers between insurance companies and possibly even transfers between pensions within the same company. A change was made to the table at the earliest opportunity describing the premiums as on "pension business (including intra-sectoral transfers)" and adding a footnote "includes total premiums including transfers of funds within the long term insurance sector". Nonetheless, there may still be some confusion and ⁽⁵⁾**we recommend that ONS reviews the clarity of its MQ5 publication to ensure that the concepts and definitions are fully explained.**
- It is not clear how respondents might be completing some lines on the MQ5 form, given that some of the definitions it uses look out of date. For instance, it is not clear where a number of pension types, eg Group personal pensions, stakeholder pensions appear on the form; nor that the flows of tax/NIC rebates are being handled correctly. ⁽⁶⁾**We recommend that ONS conducts a study with contributors into how they are completing the MQ5 forms and reviews them in the light of that study and with assistance from the pensions industry.** ⁽⁷⁾**We further recommend that ONS involves experts from the pensions industry and DWP and IR in regular reviews of the forms, given the rapid pace of change in the pensions industry.**
- The self-administered pension funds inquiry includes those that are partly insured. It is not clear whether some of these might also be included in the insurance company returns, and ⁽⁸⁾**we recommend that this is checked.**
- A further difficulty is that it had not been apparent to IR that the national accounts data they receive from ONS include an addition for employers' contributions to personal pension schemes. IR had also included an estimate for these contributions, resulting in slight double counting in the IR estimates of tax relief, which is now being corrected. ⁽⁹⁾**We recommend that ONS ensures that descriptions of the conceptual definitions, source data and any consequential adjustments are made clear in all national accounts outputs,**

including those made available to departments for policy purposes.

33. There is no doubt that the work of the Statistical Working Group has been fruitful and should continue. ⁽¹⁰⁾**We recommend that the Statistical Working Group continues, with a broader membership if necessary; and that ONS meets DWP, IR and HMT annually to get feedback on MQ5 figures and to receive briefing on changes in the pensions industry and discuss changes to the questionnaire for the coming year.**
34. There was some concern over the low level of resource ONS are able to allocate to pensions statistics and of the large range of surveys managers need to cover. We were concerned if this were to lead to a lack of pensions expertise in the routine compilation of the results and in development projects.
⁽¹¹⁾**We recommend that ONS considers ways of ensuring that appropriate pensions expertise is available to it when needed.**

Employer Pensions Provisions Survey

35. This DWP survey is a good source of information on types of pension schemes, and attracts a good response rate. The main difficulty with it is that it is only collected periodically - usually every two or three years, and this means it can be out of date. In addition each survey is considered and approved on a one-off basis making its continuity uncertain. Nevertheless, its use of the ONS Inter-Departmental Business from 2000, also used for a range of ONS business surveys means that there is some scope for joint analysis with other surveys measuring economic performance, etc, subject to the sample size being sufficient and results not disclosing information about individual businesses.

Government Actuary's Department Surveys of Occupational Pension Schemes

36. The GAD survey of pension schemes covers all occupational schemes. It is very comprehensive and detailed, providing a good source of benchmark data for other sources. It is only held periodically, the latest being for 1995 and 2000; the results are not timely, and are sometimes out of date.
37. These surveys have become key sources for policy analysis and ⁽¹²⁾**we recommend that DWP and GAD consider whether the EPPS and the GAD survey respectively should be established on a more regular basis.**

Industry registers

38. OPRA and the NAPF both maintain registers of pension schemes. The OPRA Pension Schemes Register is comprehensive, covering all tax approved occupational and personal pension schemes with two or more members. However, it contains only limited data on each scheme and, because trustees are allowed up to twelve months to report any changes, the data are not always up to date. Limitations of the computer system in which the data are stored further reduce the usefulness of the data for policy development purposes. For example the system does not hold a complete history of changes in scheme status (ie whether the scheme is open to new members, closed or frozen with no members accruing further benefits), but only the current status and the date of the last change. The NAPF register is of its members (mainly self-administered schemes, with a bias towards larger schemes) and contains detailed information about scheme types, etc. The advantage of these registers is that they provide good structural information and generally contain a great deal of detailed information about scheme types, etc. However they are not a good source of analysis over time; are sometimes out of date; and are not readily available analytically.

Surveys of individuals

39. The ONS and DWP household surveys are an important source of data on individual contributors although their quality reflects their known sampling errors. Given the small population groups that are of interest to policy makers these can be quite significant: 7 per cent for expenditure on personal pensions from the EFS, for example. Users have expressed concern at the large variation in results between surveys. For example: table 7.12 of the 1999-2000 FRS and 6.1 of the GHS 2000 suggest the proportion of male employees currently members of an occupational pension scheme is either 46% or 54% respectively; and the proportion with a personal pension is either 13% or 23% respectively.
40. Furthermore it can be difficult to collect accurate information about pensions directly from pension scheme members, partly because of the known sensitivity of financial questions, but also as the Pickering report noted, because of the complexity of the subject. The growing complexity and response burden may be contributing to an increasing problem of low response: the response rate for the latest EFS was 59 per cent and the FRS was 66 per cent
41. In addition, survey data must be kept confidential. Its prime purpose is to provide aggregate statistical analysis and it cannot provide a source of unit record analysis or be linked to administrative data without stringent

safeguards as set out in the National Statistics Code of Practice. In particular the uses to which survey data are put will be limited to those disclosed to the provider of the data at the time the data were collected.

42. For all these reasons, household surveys are unlikely generally to provide the data source policy analysts need to investigate trends and characteristics of individual pension contributors.
43. The NES, the GHS and the EFS all offer the opportunity of joint analysis together with other data collected on those surveys - social data for the GHS, expenditure data for the EFS and labour market data for the NES. Little use seems to be made of GHS and EFS data, and given the limited amount of pensions data collected from these sources ⁽¹³⁾**we recommend that ONS reviews these statistics to see whether collecting such a small amount of broadly similar information from similar surveys is justified.** ONS are considering plans to bring together their social surveys into an integrated survey, and this will in due course provide a more cost effective way of collecting improved survey data for pensions.
44. The NES collects from employers information on the types of pension schemes employees contribute to and provides a longitudinal analysis of its results. The publication is timely, and enables analysis with related employment data to be made. As a general source it is limited by covering only employees and not the self employed, it does not collect benefits and contributions data, and the information only relates to the type of scheme the employee contributes to. It was regarded by the panel as a somewhat unexploited data source, with some potential, largely as result of difficulty in easily extracting the data for analysis. ⁽¹⁴⁾**We recommend that ONS examines ways of making the NES data set more readily available for analysis, and whether linking it with household survey data would broaden its analytical potential.**
45. The Family Resources Survey, which collects a range of information on family incomes has the benefit of a larger sample size and is able to relate pensions data to other sources of income. However there are limited data on contributions and the pension flows data are not sufficiently detailed for policy purposes.

Longitudinal and other studies

46. Of the other various sources available, the Lifetime Labour Market database is the most valuable. This uses a 1% sample of National Insurance record data to provide data on membership of contracted out pension schemes, and earnings data. There has been no recent output (pending the updating of the NI records system) but an updated version of the database is expected by the end of this year.

47. Other longitudinal studies provide limited data on pensions, while industry specific studies tend to be limited in scope.

Other potential new sources

48. A number of new sources are currently underway or being planned, apart from the updated LLM database mentioned above:
- a) Third party tax information provided to IR: personal pensions' providers are required to provide IR with member level data. This has value in its completeness for personal pensions and the ability to match the data on members' contributions and accrued pensions to other tax data. As a new source of data, just available, its quality is yet to be assessed. It could only be made publicly available as aggregated analysis, but could provide the source for an analysable database within government; subject to safeguards on confidentiality;
 - b) English Longitudinal Study of Ageing is due to become available over the next three years. It will be linked to the Health Survey for England, and will provide some information on scheme membership, contributions and accumulated value. It will provide useful links to some of the wider policy questions of interest;
 - c) Survey of assets and wealth. A survey being considered but not yet planned, by ONS. The earliest it could produce results would be for 2005. If it goes ahead it will be part of the proposed ONS integrated social survey, providing a module on income, wealth and assets that will meet emerging needs more effectively. It could also provide a longitudinal element. ⁽¹⁵⁾**We recommend that ONS, DWP and IR ensure that any future plans for this survey meet future pension policy needs.**

Meeting the unmet needs

49. The unmet needs of users and proposals to meet their needs are as follows:

Data that would need to be collected from pension schemes

Aggregate level

50. There are several analyses of contributions data needed at an aggregated level that are currently not available. In most cases annual data are needed, within six months of the end of the year:

- a) Employee/employer split of aggregate contributions data

There are no up to date aggregate data showing the distinction between employer and employee contributions for insured funds. This is needed for national accounts and for policy purposes and is currently estimated on a broad basis by national accountants, using the latest available GAD survey results, which can be out of date.

- b) DB/DC split of aggregate contributions data

There are no official data separating contributions into defined benefits and defined contributions schemes.

⁽¹⁶⁾We recommend that ONS investigates whether both of these needs could be met by adding additional questions to the MQ5 survey, the first for insurance companies and the second for both self administered pension funds and for insurance companies. That is our preferred data source as it is the source for the aggregate data being analysed, and deriving the additional analysis from this source would preserve the consistency of the data. The addition of these questions would improve the quality of national accounts as well as providing important new analysis for policy purposes.

If this recommendation cannot be implemented, an alternative source would be the GAD survey, though this would be dependent on an increase in frequency and on a substantial improvement in timeliness.

- c) Investment flows for insurance companies' pension business

Investment flows do not separate insurance companies pensions business from their other business. Although investment flows are outside the terms of reference of our review, taken together with contributions they allow some assessment to be made of pension

accruals. ⁽¹⁷⁾**We recommend that ONS explores with insurance companies whether it is possible to split their investment flows according to pensions and other business.**

d) Accrued pensions benefits at aggregate level

There is no existing source of analysis of accrued pension benefits, nor does it seem to us likely that such figures could be readily collected from pension schemes except on the basis of their published accounts.

⁽¹⁸⁾**We recommend that DWP with DTI and GAD examine the feasibility of publishing a regular aggregated analysis of company accounts and of pension funds and insurance companies actuarial and accounting statements.**

Scheme and employer level

e) Scheme level for occupational pensions enabling analysis by type of scheme

A variety of analyses of contributions by type of scheme (as listed in annex D, but particularly DB/DC), size, employer details etc, is required. The GAD survey collects all the necessary information on scheme type, but has traditionally not collected comprehensive data on contributions, and is only conducted periodically. The survey for 2000, currently being published, has collected some contributions data for the first time. To collect the detailed scheme type data on the MQ5 survey would add considerably to the burden of that survey and would duplicate the information collected by GAD. The GAD survey is non-statutory and is based on financial accounts. There may be resource issues in developing the survey further. Nevertheless we feel it is the best potential source for data at scheme level, and ⁽¹⁹⁾**we recommend that GAD ensures that the contributions data they collect meet user needs, considers conducting their survey annually and investigates ways of improving the timeliness of its publication.** ⁽²⁰⁾**We further recommend that GAD, ONS, DWP, IR and OPRA discuss options for the future operation of this survey.**

f) Employer level data on contributions

A distribution of contributions by type of employer, eg size, industrial sector is needed. Existing sources, such as the NES and the DWP Employer Pension Provision Survey give details of coverage of schemes but do not collect contributions data. Either survey could be extended to collect pension contributions. The sample size of the NES is many times that of the EPPS and the additional compliance cost to industry of extending the NES would be considerable, and could not be

justified purely to produce scheme level data. Given the impact of other recommendations we are making we are keen to limit additional compliance costs as far as possible. ⁽²¹⁾**We recommend that the DWP investigates the possibility of meeting this need by adding questions on pension contributions to the EPPS.**

Data to be collected from individuals

- g) Various analyses of individual contributors for occupational pensions by age, gender, etc.

Government departments need a sample database of individuals containing details of age, gender, earnings, employment status, type of pension scheme, making lump sum or regular contributions, other income, non-pension assets, etc, to enable them to model different analyses as required. It would also be helpful if regular analyses of any such database were published and if researchers outside government were able to commission special analyses from it, subject to the details of individuals remaining confidential. Such data are already emerging on personal pensions from the IR third party tax information.

The most promising source for membership of occupational pensions is the Lifetime Labour Market database, based on NI records. An updated version of this is due to be published later this year. The LLMdb shows membership of contracted out pension schemes, but does not record contributions by either employer or employee, and little other social data. The NES is also linked to National Insurance records, and provides a wide range of labour market data and some information on pensions, but not pension contributions. ⁽²²⁾**We recommend that ONS investigates the feasibility of collecting pensions contributions directly from the NES as part of the proposed rationalisation of social surveys and that the ONS, IR and DWP jointly investigate whether a linkage between the NES and LLMdb data sets would produce the kind of analysis that DWP and IR are seeking, and if so, they further investigate whether, within the limit of any confidentiality constraints, the technical problems of so doing could be overcome to make this a cost justified solution.** ⁽²³⁾**We further recommend that this is done in such a way as to enable outside researchers to commission analyses from the resulting database.**

- h) Accrued benefits of individuals for occupational pensions analysed by the characteristics of those individuals

This information is available for personal pensions from the IR third party information. ⁽²⁴⁾**We recommend that the DWP considers the feasibility of obtaining this information from the Family Resources Survey, and ⁽²⁵⁾that in the longer term the ONS considers this issue further in the context of the proposal for a survey of assets and wealth.**

- i) Longitudinal analysis – for individuals schemes and employers

There is strong interest in the long term development of pensions schemes and in tracking members of pensions schemes.

There are several current sources that provide longitudinal data or the potential for longitudinal analysis about contributors to pension schemes: the LLMdb, NES, IR Third party information and the OPRA register. ⁽²⁶⁾**We recommend that IR, DWP, GAD and OPRA look at these potential sources in more depth, together with the ONS, and come to a view on how these sources are likely to provide the most cost effective data source for this purpose. ⁽²⁷⁾We further recommend that ONS considers the needs for longitudinal analysis when taking forward any proposals to redesign household surveys, including the possibility of an integrated survey.**

Presentation issues

51. A number of presentational issues have been addressed at stages in this report::
- the need for the clarity in MQ5 to be reviewed (recommendation 5)
 - the need for greater transparency in national accounts estimates (recommendation 9)
 - the need to ensure greater accessibility of the NES for analytical purposes (recommendation 14)
52. A feature of this review has been that data on pensions are available from a wide range of sources, but often the data are fairly limited in coverage. Users often have to pull data together from a variety sources to present an overall picture of the pensions industry. In this situation views can vary on which source of data is most appropriate, and users do not always have the time to conduct detail reviews of comparative quality.

⁽²⁸⁾We recommend that DWP, ONS and NAPF consider whether a statistical digest, fact sheet or guide to pension statistics, electronically available through the National Statistics website, might provide some clarity and assistance.

Compliance and resource costs, and priorities

53. We are conscious that proposals to increase statistical data collection from pension funds, insurance companies or from households will add to the compliance costs they already bear in completing statistical forms or co-operating with voluntary interviews. Consequently we have tried as far as possible to look at exploiting administrative data sources and making marginal additions to the surveys where compliance costs look as though they will be the lightest. However, we have not in the time available to us conducted an assessment of either the compliance cost or the resource costs of our proposals, and **⁽²⁹⁾we recommend that before any of them is implemented, a full compliance cost assessment and resource cost analysis is made so that departments can be sure that the costs are justified by the potential policy benefits.**
54. In addition we have looked at the relative priority of the recommendations we have made. We feel that all of them would yield significant improvements, but initially would wish to see progress in collecting data on transfers (recommendation 3) and in clarifying for users what information is currently available (recommendation 28). We also see benefit in the Statistical Working Group continuing to meet and taking forward issues in official pension contributions statistics.
55. Finally, this review presents issues which will need to continue to be referred to as data sources on pension contributions are developed. **⁽³⁰⁾We recommend that the next National Statistics Quality Review covering pension statistics refers back to the issues raised in this report to ensure that the statistics remain relevant to policy needs.**

TERMS OF REFERENCE AND MEMBERSHIP

1. The terms of reference were set out in the ONS press release of 2 July 2002:

These are to:

establish what information is needed, in terms of frequency, scope and quality, and to advise on the best available data;

comment specifically on the quality, coverage and methodology of the range of sources of private pension contribution statistics available;

advise on how these data should be presented;

and recommend appropriate action.

2. The membership of the review panel was:

Panel members		Substitutes who attended meetings
Stephen Penneck (Chair)	ONS, Director of National Statistics and Policy	
Graeme Walker	ONS, Director of Financial & Accounting Surveys Division	
Stuart Brown	ONS, Director of Balance Of Payments & Financial Sector Division	
John Ball	Department for Work and Pensions	Chris Dobson
David Deaton	HM Treasury, Head of Public Service Pensions	
Pauline Penneck	Inland Revenue, Head of Capital and Savings Statistics	
Martin Lunnon	Government Actuary's Department, Pensions Policy, Demography and Statistics Division	Adrian Gallop
Joanne Segars	Association of British Insurers, Head of Pensions	Graham Vidler
David Astley	National Association of Pension Funds	Teresa Turner Vicki Bolton Peter Traynor
Phil Butlin	Occupational Pensions Regulatory Authority, Resources Director	Tony Richardson
Carl Emmerson	Institute for Fiscal Studies, Director of the Pensions and Public Spending Research Sector	
David Blake	Birkbeck College, Professor of Financial Economics & Director of the Pensions Institute	

Support was provided by:

Richard Dagnall	ONS, Head of Non-Monetary Financial Corporations Branch
Philip Gooding	ONS, Head of Financial Inquiries Branch
John Bunday	ONS, Deputy Head of Non-Monetary Financial Corporations Branch

3. The panel met on three occasions: 7 August, 12 and 24 September 2002
4. The cost of the review is estimated to have been £56,000.

THE STATISTICAL WORKING GROUP

A Statistical Working Group comprising representatives of ONS, DWP and IR met in June 2002 to reconcile the DWP and IR estimates of pensions contributions. The Working Group established that:

- a) the DWP performance indicator for non-state pensions contributions, as published in 'Opportunity for All' and in PQs etc, quoted the statistics collected from the ONS insurance companies and pension funds' inquiries, published until the beginning of this year as Business Monitor MQ5, and now published in electronic form only on the National Statistics web site, still under the MQ5 reference.
- b) the Inland Revenue estimates of the cost of tax relief on pension contributions are published in Inland Revenue Statistics, now only available in electronic form on the IR website. They are based partly on Inland Revenue administrative sources, and partly on ONS national accounts estimates, which are themselves based on a variety of sources (including MQ5). The national accounts estimates are subject to further adjustment by the Inland Revenue to establish figures according to the definition it needs.

The Working Group provided this review panel with the reconciliation shown in table 1 between the MQ5 figures used by DWP and the IR figures. IR estimates show contributions receiving tax relief for 2001 are around £55m, while the MQ5 data that have been separately quoted by DWP are around £86m. The difference mainly arises because the MQ5 survey data measure gross contributions (ie transfers between pension schemes are not netted out) as it does not collect transfers from one insurance administered fund to another or from other types of funds to/from insurance administered funds.

Transfers in MQ5

When a pension scheme is transferred from one sector to another – eg when a self-administered fund is moved into insurance management – or from one company to another – eg when an individual with a personal pension changes their pension provider – the transaction is recorded as an outflow for one sector/company and an inflow for the other. For many analytical purposes the requirement is to exclude such transfers and measure net contributions. The MQ5 inquiries were taken over by the ONS from the ABI in 1992 and there has been no change to the treatment of transfers since that date. They cover funded self-administered schemes and funded schemes administered by the insurance industry. The latter includes both occupational pensions (described as group/company sponsored schemes in MQ5) and personal pensions. There are three different treatments of transfers in the MQ5 inquiries:

- **Self-administered pension funds:** transfers are identified explicitly on the survey form on both the income and expenditure side, and published in MQ5. Contribution figures are therefore taken to represent new business.
- **Group/company sponsored (ie occupational) insured pension schemes:** The insurance companies survey has no separate line for transfers nor guidance as to how they should be treated. It is assumed that they are included within the lines for premiums received on the income side and claims payable on the expenditure side. The data are published in MQ5 without adjustment, and a footnote was recently added to explain this.
- **Personal insured schemes:** Similarly, the insurance company survey does not specify how transfers of personal pensions should be recorded. Premiums for this kind of business have grown rapidly in recent years (see attached table 1) which suggests that transfers have become increasingly important. However these transfers are not explicitly collected and it is not clear how companies might be recording them in the survey.

Adjustments for national accounts and Inland Revenue purposes

MQ5 therefore publishes gross pensions contributions. To derive the estimate needed by IR of contributions eligible for tax relief, the following adjustments are made to MQ5 data:

- Personal pension premiums recorded in MQ5 are replaced by data collected as part of the administrative process whereby personal pension providers submit claims for tax repayment. These audited contributions data are significantly lower than the gross contributions data collected for MQ5. The difference is thought to be due to intra-industry transfers.
- Contributions to (public sector) unfunded and notionally funded schemes are added in. The MQ5 inquiries do not cover these schemes. The data required for both national accounts and IR are available from government accounting sources.
- Deductions are made for estimated transfers between different types of occupational schemes (self-administered, insurance administered, notionally funded and unfunded occupational schemes), and for transfers between insurance administered occupational schemes based on ABI enquiries
- National accounts quality adjustments to the MQ5 results are also made for some years.

Other issues

The Working Party's review of the attached table also highlighted some other issues:

1. It is not clear how respondents might be completing some lines on the MQ5 form, given that some of the definitions look out of date. For instance, it is not clear where a number of pension types, eg Group personal pensions, stakeholder pensions appear on the form; nor that the flows of tax/NIC rebates are being handled correctly.
2. The self-administered pension funds inquiry includes those that are partly insured. It is not clear whether some of these might also be included in the insurance company returns and this should be checked.
3. It had not been apparent to the Inland Revenue that the national accounts data it receives from ONS include an addition for employers' contributions to personal pension schemes. IR had also included an estimate for these contributions, resulting in double counting in the IR estimates of tax relief of some £0.3bn out of a total of £11bn to £15bn. This is now being corrected.

The Working Group concluded that:

- a) the IR and National Accounts data differ because the concepts required by each party are different; after allowing for that, they are consistent;
- b) there was now a better understanding of the differences between the ONS Inquiry, National Accounts and IR data and that the differences could be explained. However one error in the adjustment process was identified, as the national accounts were adding in an element which was not required by IR;
- c) the announcement of a review panel provided an opportunity to feed this information into the review process;
- d) it would be useful to draw up a note covering DWP, IR and ONS needs for pensions data.

Annex B Table 1

Reconciliation of total gross pension contributions (as used by DWP) with contributions receiving tax relief (as used by IR)

Current Prices, £ billion

	Source		<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Latest MQ5 data</u>							
Life assurance: total pensions premiums	MQ5 table 2.4	A	38.3	50.5	52.9	58.0	70.2
Total contributions to self-administered pensions	MQ5 table 4.3	B	11.6	11.3	13.7	15.7	16.2
Total gross pension contributions		C=A+B	50.0	61.9	66.6	73.7	86.4
<u>Current national accounts data, as in Blue Book 2002¹</u>							
Life assurance: total pensions premiums		A	38.3	50.5	52.9	58.0	70.0
Total contributions to self-administered pensions		B	11.6	11.3	13.4	15.4	15.9
Total gross pension contributions		C=A+B	50.0	61.9	66.3	73.4	85.9
Individual/personal pensions - single premiums	MQ5 table 2.4	D	11.1	12.8	12.3	18.2	23.5
Individual/personal pensions - regular premiums	MQ5 table 2.4	E	8.5	10.0	9.9	9.3	11.4
Total individual/personal pension premiums (life companies)		F=D+E	19.6	22.8	22.3	27.5	34.9
Gross contributions to self-administered and group/company sponsored schemes; i.e. funded occupational pensions		G=C-F	30.3	39.1	44.1	45.9	51.0
less Transfers, refunds and surrenders ²	FSA/ABI; MQ5 table 4.3; govt admin data	H	8.5	12.6	14.7	12.6	20.1
<i>equals</i> Net contributions to funded occupational pensions		I = G-H	21.8	26.5	29.4	33.3	30.9

¹ Current national accounts dataset does not yet incorporate MQ5 revisions from 1999, but is otherwise identical.

² Estimated transfers within assured sector from FSA / ABI data; net transfers between self administered and assured sector from MQ5 table 4.3; transfers from public sector schemes from administrative data.

			<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<i>plus</i> Employers contributions to personal pension schemes ³	<i>Inland Revenue</i>	J	1.1	1.0	1.0	1.1	1.2
<i>plus</i> Other national accounts adjustments ⁴		K	0.2	-0.9	0.1	0.2	2.9
<i>plus</i> Employee contributions to unfunded and notionally funded schemes; employer contributions to notionally funded schemes	<i>Govt admin data</i>	L	6.6	6.5	6.6	7.3	8.2
<i>plus</i> Individual and employer contributions to individual/personal pensions	<i>Inland Revenue</i>	M	8.2	9.0	9.4	10.3	11.6
Inland Revenue total for contributions receiving tax relief		N = I + J + K + L + M	37.9	42.2	46.5	52.2	54.8

These are consistent, after applying an average tax rate between 28 and 30 per cent and timing adjustments, with the following figures for the cost of tax relief on contributions published as part of Table T7.9 on the Inland Revenue website:

<u>1997 - 98</u>	<u>1998 - 99</u>	<u>1999 -00</u>	<u>2000-01</u>
11.1	12.8	13.5	14.9

³ National Accounts adjustment required to produce estimate of total employee remuneration, erroneously included in data supplied for Inland Revenue.

⁴ Mainly adjustments required for reconciliation of different national accounts estimates. Large item in latest year likely to be revised.

TYPES OF PENSIONS SCHEMES AND GLOSSARY

The scheme type, employment sector, funding status and management arrangements of pension schemes are interrelated in the way set out in table 1: eg, occupational schemes may be public or private sector, but all public sector schemes are occupational schemes. This illustrates the main ways of classifying schemes: there are some detailed exceptions.

Table 1

Scheme type		Employment sector	Funding status	Management arrangements
Occupational		Public sector	Unfunded	Self administered
		Private sector	Funded	
Personal	Individual			Insurance managed
	Stakeholder*			
	Group PP			

* Stakeholder pensions may be purchased and Additional Voluntary Contributions made by contributors to both public and private sector occupational schemes subject to limits on earnings or total contribution levels.

There are three further dimensions which are largely** independent of all the others:

<u>Type of benefit</u>	<u>Contracted out of State Second Pension</u>	<u>Tax status</u>
Defined benefit	Contracted out	Tax approved
Defined contribution Or a hybrid.	Not contracted out	Not approved

**There are some linkages – eg all personal pensions are defined contribution.

Each aspect may be significant for various reasons, as follows:

Management arrangements – determines the data collection arrangements, and of interest to trade associations (NAPF for self-administered funds, ABI for insurance managed funds).

Funding status – significant for financial flows, savings ratio, and for issues such as adequacy of funds to meet commitments.

Employment sector – affects data collection arrangements; coverage of workforce in different sectors

Taxation and regulatory status; Contracted out status – differences in administrative arrangements for tax relief and National Insurance rebates make these distinctions essential for IR, DWP and GAD. Subdivision of types of personal pension of interest in monitoring new stakeholder pensions.

Type of benefit – essential for monitoring and modelling income in retirement.

Table 2: Diagrammatic representation of sources and destinations of pensions contributions

Possible sources of pensions contributions	Possible destinations of contributions
Non-pensions arena (individuals, employers, government)	Pension schemes
Government	Occupational pension schemes
National Insurance Fund	Unfunded public sector schemes (DB)
Tax relief	Funded contracted-out occupational schemes COSRSs (all DB)
Individuals	COMBSs and COMPS with DB benefits
Employees	COMPSs not subject to MFR
Self-employed	Not contracted-out occupational schemes Defined-benefit (subject to MFR)
Non-workers	Defined-contribution (not subject to MFR)
Employers	SSASs
	Personal pension schemes
	Appropriate personal pensions and C-O ShPs Group
	Individual
	Other personal pensions and ShPs and FSAVCs Group
	Individual
	Self-invested personal pensions
	Overseas pension scheme

Glossary

Additional Voluntary Contributions

Contributions over and above a member's normal contributions into an occupational pension scheme (if any) which a member elects to pay in order to secure additional benefits.

Contracted out

The statutory arrangement under which, in return for lower National Insurance contributions, members of an occupational pensions scheme that meets certain conditions obtain rights under the pension scheme in place of the main part of additional earnings-related benefits under the state scheme.

Contracted out mixed benefit scheme (COMBS)

An occupational pension scheme which has separate defined benefit and money purchase sections and which contracts out on both bases.

Contracted out money purchase scheme (COMPS)

An occupational pension scheme that is contracted out on a money purchase basis i.e. where the employer pays minimum payments towards protected rights.

Contracted out salary related scheme (COSRS)

An occupational pension scheme that is contracted out on a salary related basis i.e. by providing benefits which are broadly equivalent to or better than a minimum standard.

Contracted out stakeholder pension (CO-ShP)

A stakeholder scheme that is also contracted out.

Contribution

Payments into a pension scheme from members or employers.

Defined benefit

A pension scheme in which the rules specify the benefits to be paid – also known as a **salary related scheme** - some based on final salary, some based on average salary.

Defined contribution

A pension scheme in which the benefits are determined by the contributions paid into the scheme and the investment return on those contributions – also known as a **money purchase scheme**.

Free standing additional voluntary contributions (FSAVC)

Contributions to a pension contract separate from an occupational pension scheme effected by an active member of that scheme. Benefits are secured with a pension provider by contributions from the member only.

Funded

A scheme in which benefits are met from a fund built up in advance from contributions and investment income.

Group Personal Pensions

An arrangement made for the employees of a particular employer to participate in a personal pensions scheme on a group basis. This is not a separate pensions scheme, but merely a collecting arrangement.

Hybrid scheme

A pension scheme with elements of both defined contribution and defined benefit, e.g. pensions set as the better of a final salary and a money purchase basis.

Insured scheme

A scheme for which the retirement benefits are secured by insurance policies and which is administered by the insurance company.

Minimum contribution/ National Insurance Rebate

Contributions payable to a contracted out personal pension scheme from the National Insurance Fund in respect of a member who has elected to contract out.

Minimum funding requirement (MFR)

A requirement under Section 56 of the Pensions Act 1995 that, under a prescribed set of actuarial assumptions, the actuarial value of assets of a defined benefit scheme should not be less than its actuarial liabilities.

Non-state pension

A pension other than the state basic retirement or earnings related pension, sometimes referred to as a private pension. Includes all occupational and personal pensions, including those for public sector employees.

Not approved

An occupational pension scheme which is not designed for approval by the Inland Revenue.

Notional fund

A device used to calculate required contribution rates in unfunded schemes by assuming those contributions are used to purchase investment assets.

Occupational pension scheme

An arrangement (other than accident or Permanent Health Insurance) organised by an employer (or on behalf of a group of employers) to provide benefits for employees on their retirement and for their dependants on their death.

Pension fund

Strictly speaking the assets of a pension scheme but very often used to denote the pension scheme itself.

Pension scheme

An occupational pension scheme, a personal pension scheme or an FSAVC scheme.

Personal pension scheme

An arrangement under which individuals who are self-employed or in employment but not in an occupational scheme make pension provision, usually by means of investment products offered by a financial institution.

Private sector

Employees not in the public sector of the economy as defined for national accounts purposes. Includes some largely independent non-profit making bodies such as the universities.

Public sector

Employees in the central government, local authority and public corporation sectors of the economy as defined for national accounts purposes.

State Second Pension (S2P)

The additional pension provisions of the state pension scheme, linked to earnings and National Insurance contributions during the working life. Replaced the **State Earnings Related Pension Scheme** (SERPS) in April 2002.

Self administered

A pension scheme in which the assets are invested by the trustees or an internal or external investment manager, rather than through an insurance contract with an insurance company.

Stakeholder pension

A type of defined contribution scheme introduced in April 2001. Stakeholder schemes must satisfy CAT (conditions, access and terms) standards. Employers who do not provide an occupational scheme and are not otherwise exempt must offer their employees access to a stakeholder scheme.

Tax approved

Commonly used to mean a scheme approved by the Inland Revenue.

Tax Relief

Reductions in taxation in respect of pension contributions. For approved occupational pension schemes, tax relief is given at source; i.e. contributions are deducted from the member's pay before earnings are calculated for tax. For personal pensions, contributions are paid net of the basic rate of tax. Pension providers recover tax at the basic rate from the Inland Revenue with the contributor recovering any higher rate tax through their self-assessment return.

Transfer

A payment made from one pension scheme to another, in lieu of benefits which have accrued to a transferring member, to enable the receiving scheme to provide alternative benefits.

Unfunded

A scheme in which no fund is built up to provide in advance for pensions and other benefits. Such schemes may nevertheless charge employer and employee contributions which help finance on-going pension payments. Sometimes these contributions are set of the basis of a notional fund.

Acknowledgements

This glossary is based largely on the glossaries published by the Pensions Management Institute (Pensions Terminology, 6th edition 2002) and GAD (1995 Survey of Occupational Pension Schemes).

GOVERNMENT DEPARTMENTS' NEEDS FOR PENSIONS STATISTICS

Note that this is a statement of departmental needs, not the statistics that need to be collected. The more aggregated level needs may be met by data collected at a disaggregated level.

Macro Economic data on Pensions

1. Contributions detail

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Aggregate level			
Total new contributions for all defined benefits and defined contributions pensions schemes (separately) each broken down by: Employee, Employer Contracted out minimum contributions Tax relief paid	<ul style="list-style-type: none"> ▪ Indicator of overall contributions ▪ To estimate the aggregate cost of tax relief on contributions to funded and notionally funded schemes. ▪ For National Accounts: to measure employers' contributions (a component of GDP) and flows between the household sector and the insurance & pensions sector. 	<ul style="list-style-type: none"> ▪ ONS pension fund inquiry for Occupational scheme Pension contributions, ▪ IR statistical returns for Personal Pension contributions, including minimum contributions. ▪ HMT aggregates on notionally funded/unfunded contributions. 	Current data at an aggregate level is sufficient but: <ul style="list-style-type: none"> • does not provide a DB/DC split. • quality issues around the estimates of transfers • split between employee and employer contributions is estimated for insured funds

2. Other detail relating to contributions

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Aggregate level			
Transfers between pension funds as shown below	<ul style="list-style-type: none"> ▪ to assess true level of contributions to funds, ▪ for use in the National Accounts ▪ to assess the extent to which switching between different types of fund is occurring 	<ul style="list-style-type: none"> ▪ Self administered funds – ONS inquiry, ▪ for insurance invested occupational schemes - data from FSA/ABI ▪ for personal pensions implicit from IR statistical returns <p>- but only estimates of net transfers in/out of the whole sector can be derived, not the full matrix</p>	The full matrix of transfers as shown below

- A. For Personal pensions:
- a. amounts transferred to and from other life companies
 - b. amounts transferred to and from self-administered funded pension schemes

- c. amounts transferred to and from notionally funded schemes
- d. amounts transferred to and from unfunded schemes
- e. amounts transferred to and from overseas schemes

B. For Occupational pensions:

- a. amounts transferred to and from other life companies
- b. amounts transferred to and from self-administered funded pension schemes
- c. amounts transferred to and from notionally funded schemes
- d. amounts transferred to and from unfunded schemes
- e. amounts transferred to and from overseas schemes

Ideally cross-analysed by whether flows are to/from DB or DC schemes. All flows need to be net of transfers between schemes administered by a single provider.

3. Other useful detail

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Aggregate level			
Investment income and gains of funds, for DB and DC funds separately.	<ul style="list-style-type: none"> ▪ To measure the accrual of funds available to meet pension liabilities ▪ To estimate the cost of tax relief on the investment income of funds. ▪ For National Accounts 	ONS pension fund inquiry for self-administered funds. ONS inquiry for insurance funds collects income and gains data for total business, split between pension and other insurance business is estimated.	<ul style="list-style-type: none"> ▪ No DB/DC split is available. ▪ Direct measure of pension and other insurance business split

Other items including pension outflows; tax paid to UK authorities (Capital Gains tax, Corporation tax, Other deferred tax or provisions); charges and other expenses are required to complete the sector accounts and for various policy purposes but are not considered in detail as they are less closely related to contributions.

Micro Economic data on Pensions

1. Contributions detail

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Employer level			
Detailed distribution of contributions linked to characteristics of employers, eg sector, size, and type of scheme.	<ul style="list-style-type: none"> ▪ To improve knowledge of the pattern of employer sponsored provision ▪ To enable policy to be targeted to particular types of employers 	<ul style="list-style-type: none"> ▪ DWP Employer Pension Provision Survey ▪ New Earnings Survey 	Sources give data on coverage of schemes and (EPPS) on rates, neither on contributions.

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Scheme level			
Detailed distribution of contributions for each scheme linked to other characteristics, eg type of scheme (see annex C for list of scheme types) – age of scheme, size, employer details, scheme rules on contributions and types of benefit paid, accrued benefits	To monitor and predict changing patterns in the type of non-state pension provision	<ul style="list-style-type: none"> ▪ GAD survey covers much of this for occupational schemes, although only every four to five years, ▪ NAPF survey covers similar ground annually, but not in as much depth as GAD. ▪ DWP employer pension provision survey 	No one source of data that covers all schemes on the same basis. Need to put these together. And most give rates, not contributions. GAD 2000 survey has collected contributions.

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Member level			
Detailed distribution of individual contributors in any one year linking their contributions to other characteristics, for example their age, gender, earnings, employment status, type of pension scheme, (see annex C for list of scheme types) making lump sum or regular contributions, other income, non-pension assets.	<ul style="list-style-type: none"> ▪ To understand the detailed distribution of current contributors. ▪ As a basis for micro-economic modelling of the accumulation of pension assets and hence future incomes ▪ To enable policy to be targeted to particular types/groups of people. ▪ To improve estimates of the marginal tax rate used in deriving cost of tax relief 	<ul style="list-style-type: none"> ▪ On personal/stakeholder pensions IR developing Third Party Information which will give us some of this detail. ▪ For Occupational Schemes reliant on household surveys such as the Family Resources Survey for some of this information. But data are limited in extent and poor quality due to limitations of household surveys. 	Need for robust data for occupational schemes, ideally from administrative source so can be linked to other administrative data, including the personal pension data.

2. Other useful information

<i>What do we need</i>	<i>Why do we need it?</i>	<i>How is this currently met?</i>	<i>What gaps exist at the moment?</i>
Individual level			
A detailed distribution of outflows from the pension provider sector to the household sector	To be able to analyse current recipients of non-state pensions	<ul style="list-style-type: none"> ▪ Family Resources Survey provides much of this information and it is set out in the DWP's Pensioner's Income series. 	The data are not sufficiently broken down by type of pension.
The accrued benefits of individuals, linked to other characteristics, for example their age, gender, earnings, employment status, type of pension scheme, (see annex C for list of scheme types) making lump sum or regular premia, other income, non-pension assets	<ul style="list-style-type: none"> ▪ To monitor and predict the benefits individuals have currently accrued in order to forecast income in retirement of future pensioners. ▪ To improve sector balance sheets 	<ul style="list-style-type: none"> ▪ IR's Third Party Information will give us fund value for personal pensions from 2001-02. ▪ Family Resources Survey gives us data on how long individuals have been in company occupational scheme. ▪ Lifetime Labour Market Database gives some detail of contribution history, though not actual contributions or fund size. DWP are validating this data source at present. 	<p>Accrued benefits for occupational schemes are entirely estimated, from poor quality contributions data</p> <p>No reliable way of matching the various sources together to give a complete picture for an individual.</p>

There is also a need for:

- longitudinal analysis of schemes and individuals to be made possible from data sources,
- household analysis

DATA SOURCES ON PENSIONS CONTRIBUTIONS

Name/Nature of Survey

ONS	MQ5: survey of private pension funds
ONS	New Earnings Survey
ONS	General Household Survey
ONS	Expenditure and Food Survey (Family Expenditure Survey)
ONS	National Accounts
DWP	Family Resources Survey
DWP	Lifetime Labour Market Database
DWP	Employers pension provision
IR	Administrative records
HMT	Accounting data for Public Service schemes
GAD	Occupational Pension Scheme survey
ABI	Pensions data
OPRA	Pension Schemes Register
NAPF	NAPF Year Book: List of Fund Members
NAPF	Annual Survey of Occupational Pension Schemes
IFS/UCL/NCSR	English Longitudinal Study of Ageing
ESRC	British Household Panel Survey
Phillips & Drew - UBS Global Asset Management	Pension Fund Indicators: A long-term Perspective on Pension Fund Investment
WM	UK Pension Fund Annual Review

Relevance

ONS survey data on pension business are derived from statutory sample surveys to long-term insurance companies and self-administered pension funds. The quarterly survey into the income and expenditure of pension funds is based on a sample of 350 funds stratified by size. The target population is all self-administered pension funds in the UK, including those that are partly insured. Funds that are fully insured are excluded from this inquiry as they are covered by surveys addressed to insurance companies. A self-administered pension scheme is defined as an occupational pension scheme with units invested in one or more managed schemes or unit trusts. The data collected in the inquiry include information on employees' and employers' normal and additional pension contributions, and transfers to and from other pension schemes.

The quarterly and annual surveys into the income and expenditure of long-term insurance companies are based on samples of around 60 and 75 respectively, again stratified by size. The inquiries collect data on single and regular premiums, each broken down into individual/personal and group/company sponsored premiums.

Accuracy

The register on which the pension funds inquiries are based is created from information produced by the National Association of Pension Funds (NAPF) in their Yearbook supplemented by a list of local authorities pension funds. Individual returns are validated based on internal consistency and past response. Failures are confirmed or corrected using comments on the form, knowledge of the fund and querying with contributors. Grossing to the register is based on common software techniques. These include winsorisation of extreme returns, automatic imputation for inquiry non-responders and grossing based on ratio estimation using membership as the auxiliary variable. Information from the Share Ownership Survey and the Occupational Pensions Regulatory Authority is used in raising these aggregates to a universe compensating for non-membership of NAPF. All estimates are subject to sampling error and, given the uncertainties surrounding the register coverage, they are considered to be less reliable than other ONS series.

The register for the insurance inquiries is created using returns to the Financial Services Authority with premium income information used as the size indicator for stratification and grossing purposes. Individual returns are validated, grossing is based on common software techniques described above and again there are sampling errors.

Response to the surveys by number of forms is usually above 80 per cent at the time of first publication rising to above 90 per cent finally.

	Q1 2002 Currently	Q2 2002 At 1 st Publication
Quarterly income & expenditure inquiry to long-term insurance companies	93	84
Quarterly income & expenditure inquiry to self-administered pension funds	91	86
	2000 Currently	2001 Currently
Annual income & expenditure inquiry to long-term insurance companies	99	85

Timeliness and accuracy in disseminating results

The quarterly inquiry results are published initially around 12 weeks after the end of the quarter and are revised with subsequent quarterly data releases. The annual results are published with the third quarter estimates in December. The precise timetable depends on national accounts deadlines and publication dates.

Accessibility and clarity of results

The quarterly income and expenditure inquiries results are published initially in a detailed dataset on the ONS website. This dataset supports retrieval of individual or groups of series. This detail supplements a First Release which principally contains information on investment flows. The more detailed dataset is subsequently published in a standard "Business Monitor" table format just over three 3 months after the end of the quarter, again on the web. The Business Monitor contains some background notes and more detail on the inquiries is held on the website.

Comparability

In 1998/99 there was a project to review the methodology of the inquiries into pension funds. The work concentrated on establishing a definitive source of information on all self-administered pension funds and generating a new sample design based on this population. In addition to changes to the population and sample design, new methodology was introduced to impute for non-response, and to identify and adjust for extreme returns. Work earlier this year to determine under-coverage in the register led to a constant uplift factor of 22 per cent being applied. Consistency of individual series between 1998 and 1999 is consequently less reliable.

Coherence

The methodology is based on common software routines used widely in the office. Adjustments to the normal software were designed by Methodology Group to use non-standard auxiliary variables, and to deal with negative values in imputation routines. The same methodology is used in all of the inquiries to long-term insurance companies and self-administered pension funds.

Completeness

The surveys provide information principally for the national accounts on self-administered pension funds and on the pension business of long-term insurance companies. They do not provide all of the detailed data identified by this review.

ONS survey data on pension business are derived from statutory sample surveys to long-term insurance companies and self-administrative pension funds. The quarterly survey into the income and expenditure of pension funds is based on a sample of 350 funds stratified by size. The target population is all self-administered pension funds in the UK, including those that are partly insured. Funds that are fully insured are excluded from this inquiry as they are covered by surveys addressed to insurance companies. A self-administered pension scheme is defined as an occupational pension scheme with units invested in one or more managed schemes or unit trusts. The register on which the inquiry is based is created from information produced by the National Association of Pension Funds in their Yearbook supplemented by a list of local authorities pension funds. Information from the Share Ownership Survey and the Occupational Pensions Regulatory Authority are used in grossing the results. The data collected in the inquiry include information on employees' and employers' normal and additional pension contributions, and transfers to and from other pension schemes.

The quarterly and annual surveys into the income and expenditure of long-term insurance companies are based on samples of around 60 and 75 respectively again stratified by size. The register for these inquiries is created using returns to the Financial Services Authority with premium income information used as the size indicator for stratification and grossing purposes. The inquiries collect data on single and regular premiums, each broken down into individual/personal and group/company sponsored premiums. The results of all of the inquiries are published on the ONS website in a standard "Business Monitor" table format (was published as Business Monitor MQ5) and in a database which supports retrieval of individual or groups of series.

Introduction

The New Earnings Survey (NES) is a sample survey of the earnings of employees in employment in Great Britain carried out annually in April of each year under the Statistics of Trade Act 1947.

The main purpose of the survey is to obtain annual information about the levels, distribution and make-up of earnings of employees in all industries and occupations and for the collective agreements which cover them.

The survey has been held, broadly in the same form, each year since 1970 following its introduction in September 1968. A similar but separate survey is conducted by the Department of Enterprise, Trade and Investment (formerly known as the Department of Economic Development) in respect of employees in Northern Ireland.

Data collected

The reference period for the new earnings survey is the first pay period in April after the end of the financial tax year. In 2002 this was the pay period that contained 10th April.

A copy of the form can be found in annex A. With regards to pensions a question is asked on the survey as to what pension provision an employees has made. A list of the pension categories can be found in Annex B.

In 2002 an additional question was asked to discover if the employees had a stake holder pension.

Published results

The published results take the form of a series of books of tables which cover an analysis of earnings by Collective agreement, Industry, Occupation, region, area and by pension category.

The data in relation to pensions takes the form of the percentage of employees in a certain pension type by earnings ranges. These tables are available by industry, occupation and by age-group with a gender split.

The data are widely used across government, notably the DWP and DTI. The dataset are also available as a panel to academics and others who incorporate these data in their models. A pensions volume is also published on the internet which is available to members of the general public.

Additionally, data is provided annually to the Government Actuaries Department, who request the numbers in the NES sample in certain earnings bands. The numbers are broken down for those employees who are COSRS members and those who are COMPS members.

Reliability of results

Data is suppressed in the tables if there are less than 30 people in the sample or the standard error as a percentage of the mean is greater than 5 percent.

In 2001 the overall response rate was 87%. 233,000 questionnaires were issued, 161,600 of these were taken on to the survey file. The table below gives a summary of the response to the survey.

	<i>Thousands</i> 2001
1 Questionnaires issued or cases listed	233.0
2 Questionnaires returned	203.4
3 Not taken on survey file of which:	41.8
(i) Out of scope -	
occupational pensioner	1.8
non-salaried director	2.7
working for spouse	0.8
working outside UK	0.6
(ii) employer could not be traced	0.1
(iii) no trace of employee	4.4
(iv) left employer	25.7
(v) all other reasons	4.9
(vi) questionnaires unsuitable for processing	0.9
4 Taken on survey file and used for tabulations	161.6

Annex A Pension categories used in NES

- 1** contracted-out salary-related scheme (COSR) - relevant ERNIC contribution categories are D or E;
- 3** not contracted-out salary related scheme;
- 2** contracted-out money-purchase scheme (COMP) - relevant ERNIC contribution categories are F or G;
- 4** not contracted-out money purchase scheme;
- 5** contracted out salary related scheme **and** a not contracted out occupational pension;
- 6** contracted out money purchase scheme **and** a not contracted out occupational pension;
- 7** GPP - employee is contracted out of SERPS;
- 8** GPP - employee is not contracted out of SERPS;
- 9** none of the above.

Description of the survey

The survey sample

The survey is based largely on a one per cent sample of employees who are members of pay-as-you-earn (PAYE) income tax schemes; it is designed to represent all categories of employees in businesses of all kinds and sizes.

The sample each year comprises all those whose National Insurance numbers end with a specified pair of digits. The same pair of digits has been used since 1975. Those individuals for whom completed questionnaires were received in successive surveys are said to form a matched sample. More reliable estimates of changes in average earnings between two surveys are obtained when there is a large overlap because the margins of error attributable to sampling are reduced (see paragraph 17.3).

Two broadly equivalent methods are used to identify the employees in the survey sample and their current employers. Around 90 per cent of the sample is identified from lists supplied by Inland Revenue containing the selected National Insurance numbers, the names and addresses of the employers concerned and, for ease of identification for employers, the names of individual employees. This disclosure of information is authorised, for the purpose of this survey, by section 58 of the Finance Act 1969. The information is taken from PAYE records about a month before the beginning of the financial year and the survey pay-period.

The identifying details of the remaining 10 per cent of the sample are obtained directly from the large organisations (in both the public and private sectors) who employ them. A sample drawn in this way is likely to be more up-to-date than PAYE records can provide and will include some employees not in a PAYE scheme.

The coverage of full-time adult employees is virtually complete but the coverage of part-time employees is not comprehensive. Many of those with earnings below the income tax threshold - in this survey equivalent to full-time earnings of £87.21 a week or £377.90 per month - are not covered, which excludes mainly women with part-time jobs and a small proportion of young people. An individual who is a member of more than one PAYE scheme may appear more than once in the sample - as both a full-time and part-time employee, or twice or more as a part-time employee.

Certain categories of employees are not selected: for example the Armed Forces, those employed in Enterprise Zones, those in private domestic service, occupational pensioners, non-salaried directors, those employed outside Great Britain, persons working for their spouses and clergymen holding pastoral appointments.

The survey method

Information for those in the sample is obtained from employers and not from the employees. Questionnaires are issued for each employee in the sample, except for some large organisations who supply the information as computer listings or on magnetic tape or disk under special arrangements with the Agency.

The NES does not gross the results or impute for non-response.

Relevance

The General Household Survey (GHS) is a multi-purpose continuous survey carried out by the Social Survey Division of the Office for National Statistics (ONS) which collects information on a range of topics from people living in private households in Great Britain. The survey started in 1971 and has been carried out continuously since then, except for breaks in 1997/98 (when the survey was reviewed) and 1999/2000 when the survey was re-developed. The main aim is to collect data on a range of core topics, comprising: household and family information; household accommodation; consumer durables; employment; education; pensions; health and use of health services; smoking and drinking; family information including marriage, cohabitation and fertility; income; and demographic information about household members including migration. Around 8,500 households are interviewed each year.

The GHS is not a financial survey. The information collected about pensions relates to membership of different schemes and does not include any information on the size of contributions. Those in employment are asked about membership of occupational schemes, personal and stakeholder pensions and whether they receive employer contributions. Self employed people are asked about personal and stakeholder pensions. Others of working age who are not in employment are asked if they have a stakeholder pension. Total income from any pensions is also established. See Annex A for question wording.

The GHS has collected information on occupational pensions since 1981, although the questions were not asked every year. Questions on personal pensions were introduced in 1987 and questions on stakeholder pensions in 2001.

Accuracy

Interviews are conducted using computer-assisted personal interviewing (CAPI) which reduces the amount of missing data at individual questions and incorporates checks. Data processing checks include internal coherence and comparability with previous data sets. Published data are also subject to a series of checks.

A dual weighting scheme was introduced in 2000, to compensate for non-response in the sample based on known under-coverage in the Census-linked study of non-response and to weight the sample up to match known population distributions (as used in the Labour Force Survey).

Complex sampling errors are produced for a range of variables to indicate the variation in debt and to allow users to estimate debt for variables where sampling error is not published.

Actual data is not available for the size of the standard errors on the pension figures, taking into account the complex sample design. However, examples of these have been estimated by using the sampling error for a simple random sample of the same size and multiplying this by the design factor found for the proportion of people in employment. This is likely to provide a conservative estimate of the sampling errors since it is probable that there is less clustering impact on the distribution of pension holders than the distribution of those in employment. See table below for examples.

GHS 2000 examples of complex standard errors for pension statistics

Membership of current employer's pension scheme:

men in full time employment	1.06
women in full time employment	1.38

Membership of personal pension scheme among self employed:

men working full time	1.46
women working full time	3.03

Timeliness and punctuality of results

Following the relaunch of the survey in 2000, the time from end of data collection to reporting was considerably reduced. A main report is now published in the December following the March end of data collection. The data is made available to clients and the data archive by February/March.

Accessibility and clarity of results

The report in 2000 was published as a web designed publication with full search facilities. A scoping study conducted by the Statistic Commission reported:
'general support from users for the GHS as a whole with equally positive feedback on the changes from those who had used the new format publication.'

A paper report followed in January. The report includes tables and a commentary and is arranged by topic of which pensions is one. A fully documented data file is sent to clients and to the data archive.

We operate a telephone/email enquiry service and an ad hoc table running service.

Comparability

The GHS maintains comparable sets of information where the structure of the pension system has remained consistent, changes in the system are made explicit in the text of the report eg:
'Since July 1988, employees have been given the choice of starting their own personal pension plan in place of SERPS. The Department of Work and Pensions (formerly DSS) then pays part of the National Insurance contribution into the personal pension plan. As a result of this change in the rules, the time series ... is not strictly comparable from 1989 with previous years.'
Questions were amended in 2001 with the introduction of stakeholder pensions – this may affect comparability of some questions

Coherence

Consistent standards are applied across the data set and over time. The data is checked for internal coherence, but not exhaustively.

Completeness

The review of 97/98 examined users'/customers' needs. Each year, we review the content and ask customers if there are changes they wish us to consider, within the constraints imposed by the agreements of the 1998 review that the survey content would remain constant for five years apart from essential changes to take account of, for example, changes in pensions.

Use of the data

DWP and Inland Revenue both use the data to monitor and inform policy. The GHS provides these departments with estimates of the incidence of pension provision among the general public, looking at both occupational and personal pensions. The particular importance of the GHS is the long time series available. The pension data is also used extensively by Surrey University (Jay Ginn) in particular in relationship to social policy and women's access to pensions.

PENSIONS

The whole section on pensions (apart from the last question) is only asked of those in paid work, (including those temporarily away from job or on a government scheme), but excluding unpaid family workers.

((Wrking = 1 OR JbAway = 1 OR SchemeET = 1) & (OwnBus = 2 & RelBus = 2))

The routing instructions above each question apply only to those who meet the above criteria.

If employee or on a government scheme (Stat = 1 or SchemeET = 1)

1. PenSchm PENSIONS
(Thinking now of your present job,) some people (will) receive a pension from their employer when they retire, as well as the state pension.
Does your present employer run an occupational pension scheme or superannuation scheme for any employees?
INCLUDE CONTRIBUTORY AND NON-CONTRIBUTORY SCHEMES
EXCLUDE EMPLOYER SPONSORED GROUP PERSONAL PENSION
AND STAKEHOLDER PENSIONS
- Yes 1
No 2

Ask if employer runs an occupational pension scheme (PenSchm = 1)

2. Eligible Are you eligible to belong to your employer's occupational pension scheme?
- Yes 1
No 2

Ask if eligible for employer's pension scheme (Eligible = 1)

3. EmPenShm Do you belong to your employer's occupational pension scheme?
- Yes 1
No 2

Ask if did not know or refused to say whether the employer offered an occupational pension scheme, or whether they were eligible, or whether they belonged to one (PenSchm or Eligible or EmPenShm = DK / refusal)

4. PSchPoss So do you think it's possible that you belong to an occupational pension scheme run by your employer, or do you definitely not belong to one?
- Possibly belongs..... 1
Definitely not..... 2

Ask if employee OR (under pensionable age and not self-employed) - this is to select those who may have answered don't know, or refused to answer Stat
(Stat = 1 OR (under pensionable age & Stat ? 2))

5. PersPnt1 INTERVIEWER - INTRODUCE IF NECESSARY.
 Now I would like to ask you about personal pensions and stakeholder pensions (rather than employers' occupational pension schemes).

6. PersPens People can now save for retirement by contracting out of the State Second Pension (formally known as SERPS) and arranging their own personal pension or stakeholder pension. Part of your National Insurance contributions are then repaid into your chosen pension plan by the Inland Revenue (or formerly by the DSS).

Do you at present have any such arrangements?

Yes 1
 No 2

**If contracted out of SSP
 (PersPens = 1)**

7. OutSERPS Is the arrangement you use to contract out of SSP...

CODE ONE ONLY (most recent arrangement)

a personal pension 1
 or a stakeholder pension? 2

**Ask if contracted out of SSP with a personal pension
 (OutSERPS = 1)**

8. PersCont Do you make any extra contributions over and above any rebated National Insurance contributions made by the Inland Revenue (or formerly by the DSS) on your behalf?

Yes 1
 No 2

**Ask if employee and has arranged own contracted out pension scheme
 (Stat = 1 & PersPens = 1)**

9. EmpCont Does your employer contribute to the scheme?

Yes 1
 No 2

**Ask if employee and has not, or does not know if they have arranged own pension scheme
 (Stat = 1 & PersPens = 2 or DK)**

10. EverPers Have you ever had any such arrangements?

Yes 1
 No 2

Ask if employee OR (under pensionable age and not self-employed) - this is to select those who may have answered don't know, or refused to answer Stat (Stat = 1 OR (under pensionable age & Stat ? 2)

11. OthPers SHOW CARD PEN1

Please look at card PEN1. (Apart from the contributions you've already told me about,) do you have any other pension arrangements, such as those listed on the card, on which you receive income tax relief?

Yes 1
 No 2

Ask if respondent has other arrangements (OthPers = 1)

12. OtDetail What arrangements do you have?

SHOW CARD PEN1

CODE ALL THAT APPLY

Personal pension..... 1
 Stakeholder pension..... 2
 Additional Voluntary Contribution 3
 Free-Standing Additional Voluntary Contribution 4
 Retirement annuities..... 5

Ask if employee, and does not belong to employer's occupational scheme, and has other pension arrangements (Stat = 1 & EmPenShm = 2 & OthPers = 1)

13. EmpConOt Does your employer contribute to (any of) the arrangement(s)?

Yes 1
 No 2

Ask if self-employed (Stat = 2)

14. PersPnt2 INTERVIEWER - INTRODUCE IF NECESSARY.

Now I would like to ask you about personal pension schemes.

15. SePrsPen Self-employed people may arrange pensions for themselves and get tax relief on their contributions. These schemes include personal pensions, stakeholder pensions and 'self-employed pensions' (sometimes called 'Section 226 Retirement Annuities').

Do you at present contribute to one of these schemes?

Yes 1
 No 2

**Ask if contributes to one of the schemes
(SePrsPen = 1)**

16. SePrsShp Which types of scheme are you contributing to – personal pension, stakeholder pension, or some other scheme?

CODE ALL THAT APPLY

Personal pension..... 1
 Stakeholder pension..... 2
 Other 3

**Ask if does not, or does not know if they contribute to one of the above schemes
(SePrsPen = 2 or DK)**

17. SeEvPers Have you ever contributed to one of these schemes?

Yes 1
 No 2

**This question is asked of anyone under pensionable age who is not currently in paid work
(Under pensionable age AND (Wrking ? 1 OR JbAway ? 1 OR SchemeET ? 1))**

18. NewShp Since April 2001, anyone can arrange a stakeholder pension for themselves and get tax relief on the contribution.

Do you at present have a stakeholder pension?

Yes 1
 No 2

Income questions relating to pensions

17. OthSourc SHOW CARD M

Please look at this card and tell me whether you are receiving any regular payment of the kinds listed on it?

Yes receiving benefits - code at next question..... 1
 No, not receiving any..... 2

**Ask if receiving any of the benefits mentioned above
(OthSourc = 1)**

18. OthSrcM SHOW CARD M

RECORD PAYMENTS RECEIVED
 CODE ALL THAT APPLY
 (ENTER AT MOST 4 CODES)

Occupational pensions from former employer(s) 1
 Occupational pensions from a spouse's former employer(s) 2

Private pensions or annuities 3
Regular redundancy payments from former employer(s)..... 4
Government Training Schemes, such as YT allowance 5

19. OthNetAm In total how much do you receive each month from (...../all these sources) AFTER tax is deducted? (ie net)

DO NOT PROBE MONTH. ACCEPT CALENDAR MONTH OR 4 WEEKLY.

0.01..99999.97

20. OthGrsAm In total how much do you receive each month from (all these sources) BEFORE tax is deducted? (ie GROSS)?

DO NOT PROBE MONTH. ACCEPT CALENDAR MONTH OR 4 WEEKLY.

0.01..99999.97

Introduction

The Family Expenditure Survey (FES) is a voluntary survey of private households in the United Kingdom. From April 2001 it was replaced by the Expenditure and Food Survey (EFS), the result of a merger between the FES and the National Food Survey (NFS). In terms of survey design and data collected on pensions, the FES and EFS are identical: all the current data requirements of the FES are met by the new survey.

The FES/EFS is designed primarily as a survey of expenditure on goods and services by households. It has been further developed to gather information about the income of household members. Its main uses are to provide information for the Retail Prices Index; National Accounts estimates of household expenditure; the analysis of the effect of taxes and benefits; and, with the launch of the EFS, trends in nutrition.

Annex A gives more details about the survey.

Data collected

Annex B lists FES/EFS pension questions. Information is collected on either a household or individual (adults aged 16 and over) basis. Questions relate to:

- superannuation and AVC deductions from pay (as part of pay details, on an individual basis);
- contributions towards personal pensions (on a household basis);
- income from pensions (on an individual basis).

The FES/EFS does not ask questions specifically designed to collect information on membership of pension schemes.

Published results

Results from the survey are published as part of *Family Spending* (Web based and hard copy), usually 8 months after the end of the survey year. The report includes a description of the survey, notes on reliability and precision of results and changes in definitions. Anonymised microdata are released to the Data Archive and are also made available direct from ONS (Social Survey Division). ONS also provide a tabulation service.

Family Spending includes the following data on pensions:

- Average weekly household expenditure (£pw) on contributions to pension and superannuation funds deducted by employers (including contributions to widows and orphan funds);
- Total weekly household expenditure (£ million) on contributions to pension and superannuation funds deducted by employers (including contributions to widows and orphan funds);
- Average weekly household expenditure (£pw) on contributions to personal pensions;
- Total weekly household expenditure (£ million) on contributions to personal pensions;
- Percentage of gross weekly household income from annuities and pensions by a range of variables (eg age of household reference person, GOR, tenure, economic status of household reference person).

Latest available information relates to 2000-01, the final year of the FES. EFS results will be published in January 2003.

Any changes to definitions are given in Appendix E of *Family Spending*. Expenditure classifications were revised in April 1994 and 2001. However, there are no breaks in published series relating to pensions as a result of any such changes.

The move to the EFS is also not expected to produce a break in time series. Results from the large scale pilot conducted in February and March 2000 showed there was very close agreement between expenditure estimates for the EFS and FES and no indication of any systematic under or over recording¹.

Reliability of results

Great care is taken in collecting information from households and comprehensive checks are applied during processing, so that errors in recording and processing are minimised. The main factors that affect the reliability of the survey results are sampling variability, non-response bias and some incorrect reporting of items of expenditure and income.

The response rate for the 2000-01 FES was 59 per cent in Great Britain, 58 per cent including Northern Ireland (NI). Data are re-weighted to compensate for the main non-response biases identified from the 1991 Census and to account for over-sampling in NI.

Standard errors are published alongside estimates. The standard error for pensions across all households in 2000-01 is 7%.

Some comparisons have been made with other sources² but only for data on income from pensions. It has been suggested that average household income recorded in the FES is too low, principally because certain forms of income, including occupational pensions, may be underestimated. Results for income from annuities and pensions are within a few per cent of levels indicated by the Family Resources Survey.

¹ see Gatenby, R *Report on the final pilot of the EFS* (January 2001), Social Survey Methodology Bulletin No 48

² see for example, Frosztega, M et al, *Comparisons of income data between the Family Expenditure Survey and the Family Resources Survey* (February 2000), National Statistics Methodology Series, No 18

Annex A

Description of the survey

The FES/EFS is a continuous, voluntary sample survey of private households. The basic unit of the survey is the household. In 2000-01 the FES adopted the harmonised definition used in other government surveys: a group of people living at the same address with common housekeeping, that is sharing household expenses such as food and bills or sharing a living room.

Each individual aged 16 or over in the household is asked to keep diary records of daily expenditure for two weeks, including weights/volume for food brought home. Information about regular expenditure, such as rent and mortgage payments, is obtained from a household interview along with retrospective information on certain large, infrequent expenditures such as those on vehicles. Since 1998-99 the results have also included information from simplified diaries kept by children aged between 7 and 15. Detailed questions are asked about the income of each adult member of the household. In addition, personal information such as age, sex and marital status is recorded for each household member.

The sample for Great Britain is a multi-stage stratified random sample with clustering. It is drawn from the Small Users file of the Postcode Address File - the Post Office's list of addresses. All Scottish offshore islands and the Isles of Scilly are excluded from the sample because of excessive interview travel costs. Postal sectors (ward size) are the primary sample unit. 672 postal sectors are randomly selected during the year after being arranged in strata defined by standard regions (sub-divided into metropolitan and non-metropolitan areas) and two 1991 Census variables - socio-economic group and ownership of cars. These were new stratifiers introduced for the 1996-97 survey. The Northern Ireland sample is drawn as a random sample of addresses from the Valuation and Lands Agency list.

The target sample size for the EFS in Great Britain is 6,850 households, compared with 6,500 for the FES. In Northern Ireland, 1,200 addresses are sampled each year. NI is oversampled in order to provide a large enough sample for some separate analysis: the re-weighting procedure compensates for the oversampling.

To count as fully co-operating, households must have answered the household questionnaire and all adults answered the income questions and kept the expenditure diary. Nearly all children keep the children's expenditure diary.

Full response to the first year of the EFS in Great Britain was 61 per cent. A partially responding category has also been introduced for which missing diaries will be imputed. These are households answering household and income questions but where one or more adults, excluding the person identified as the main spender, has not completed a diary. Including these cases will add a further 2 percentage points to response rates.

Social Survey Division at ONS has overall project management and financial responsibility for the EFS whilst the Department for Environment, Food and rural Affairs (DEFRA) sponsors the specialist food data.

Annex B

• **Questions on pay**

QTEmpPay.Deducts (**DEDUCTS, DEDUCTS1 through to DEDUCTS8**)

INDIVIDUAL PROMPT. CODE ALL THAT APPLY

Were there any deductions such as:

- Superannuation (1)
- AVCs (additional Voluntary Contributions)..... (2)**
- Union fees (3)
- Friendly Societies (4)
- Sports or social clubs (5)
- Repayment of loan from employer (6)
- Private Medical Insurance..... (7)
- Or any other deductions?..... (8)
- NONE OF THESE..... (9)

(First type of deduction (or no deductions) coded in DEDUCTS, second type (if any) in DEDUCTS1, third type (if any) in DEDUCTS2 and so on.)

50.115 QTEmpPay.**PenDAmt** (*)

APPLIES IF QTEmpPay.Deducts = 1

How much was deducted for superannuation?

0.01..997.00

50.125 QTEmpPay.**AVCAmt** (*)

APPLIES IF QTEmpPay.Deducts = 2

How much was deducted for AVCs?

0.01..997.00

- **Contributions towards personal pensions**

160.5 QPENSION.Filter (**HHOLD_Filter01**)
APPLIES TO ALL SPENDERS
In the 12 months since (date), have (any of) you paid any contributions for a private personal pension that you have taken out on your own behalf?
 Yes..... 1
 No 2

Subsection records details of up to 8 pensions.. Applies if QPENSION.Filter = 1

160.10 QPENSION.Num.Person (*)
Pension (number)... / Who pays for this policy?
IF JOINT GIVE PRECEDENCE TO: (a) MALE (b) ELDER
 1..14

160.15 Index variable: (**PENDET_Polnum**)
Pension policy number
 1..8

160.20 QPENSION.Num.PensAmt (*)
Pension (number)... / How much was your last contribution?
 0.01..99997.00

160.25 QPENSION.Num.Perc149d (*)
APPLIES IF (QPENSION.Num.PensAmt = 0.01-99997.00
What period does this cover?
 SEE APPENDIX A: STANDARD PERIOD CODES

160.45 QPENSION.Num.PensChk (*)
APPLIES IF (QPENSION.Filter = 1) AND (QBMORT.MortType = 3)
Pension (number)... / May I check, is this the same personal pension as the one covering your mortgage repayments?
 Yes.....1
 No2

160.50 QPENSION.Num.AnyMore (**PENDET_AnyMore**)
Are there any more private personal pensions, on which (any of) you have paid contributions?
 Yes..... 1
 No 2

- Income from pensions

QTPrvPen : Applies to ALL SPENDERS

200.5 QTPrvPen.PensInc (*)
 APPLIES TO ALL SPENDERS
SHOW PROMPT CARD U1
Are you at present receiving an income from any of these sources?
 Yes (1)
 No (2)

APPLIES IF QTPrvPen.PensInc = 1

200.10 QTPrvPen.Num.PensType (*)
Which type of pension is this?
 An employee pension from a previous employer (1)
 Pension from employer of a deceased spouse or relative (2)
 A private personal pension (3)
 An annuity, home income plan, equity release plan (4)
 A pension as a member of a trade Union or friendly society (5)
 A payment from a trust or covenant (6)

200.15 QTPrvPen.Num.PensNum (*)
Pension number
 1..6

200.20 QTPrvPen.Num.IncAmt (*)
How much did you receive last time?
 0.01..9997.00

200.25 QTPrvPen.Num.IncPd (*)
 APPLIES IF QTPrvPen.PenNo.IncAmt = Response
What period did this cover?
 SEE APPENDIX A: STANDARD PERIOD CODES

200.35 QTPrvPen.Num.Taxed (*)
 APPLIES IF QTPrvPen.PenNo.IncAmt = Response
Was tax deducted at source?
 Yes (1)
 No (2)

200.40 QTPrvPen.Num.Taxamt (*)
 APPLIES IF QTPrvPen.PenNo.Taxed = 1
How much tax was deducted?
 0.01..99997.00

200.50 QTPrvPen.Num.PTInc (*)
 APPLIES IF QTPrvPen.PenNo.Taxed = 1
Was the last payment before or after tax was deducted?
 Before (1)
 After (2)

National Accounts data are published quarterly in UK Economic Accounts and annually in Blue Book. All the inquiry data published in MQ5 are used in the production of the National Accounts. Data for group/company sponsored pension contributions are used in the calculation of Employers contributions. This is a component on the Income measure of Gross Domestic Product. Other Income and Expenditure inquiry data are components of other parts of GDP, with the remaining data being used to provide estimates within the Income and Capital Account of Financial Corporations.

The National Accounts data are subject to scrutiny by the Eurostat GNP Information Mission, which scrutinises methodology. ONS and the Mission check the data against the ESA95 standard.

Certain other data, mainly on rebates and covering Notionally Funded and Unfunded contributions are also used in the compilation of the National Accounts. Details of these sources are listed below:

1. Notionally and Unfunded contributions

Data supplied by HMT via the Central Government branch in the ONS. These estimates are supplied from the HMT appropriation account and have been processed as part of the PES estimates.

2. Rebates on contributions

Data supplied by GAD directly to Central Government branch.

3. Payments in Lieu of state scheme

Data supplied by GAD directly to Central Government branch.

4. Employers contributions to personal pension schemes

These data are included in the Insurance inquiry data mentioned above, but they are not separately identified; they are a part of the individual/personal component, which is not otherwise used for the calculation of GDP. The data used are instead taken from the Inland Revenue publication entitled Inland Revenue Statistics.

The National Accounts methodology also uses data on surrenders/refunds on pensions, which are published in the ABI Insurance Statistics Yearbook. These data originate from the FSA regulatory data.

Quality & Accuracy

Much of the data come from administrative sources. Where data are used to provide estimates of GDP they are scrutinised by Eurostat for timeliness, data source and quality on a regular basis.

Timeliness

National Accounts are compiled and published quarterly.

Coherence

Data are coherent through the National Accounts process ie, the same data are used through each quarterly and annual round by all sectors, adjustments are made to the source data so that the whole National Accounts dataset each quarter is balanced across sectors and from top to bottom through the sequence of accounts. These coherent adjustments are made to the source data of weakest quality –usually the inquiry data. Aggregate figures therefore benefit from the strength of the National Account framework. The framework is not so reliable for detail breakdowns.

Relevance & Completeness

The National Accounts are compiled in accordance with the European System of Account 1995 Regulation which sets out in detail definitions, concepts and compilation of the accounts. This ensures the accounts are consistent with other countries in Europe and worldwide.

Relevance

The Family Resources Survey (FRS) is a National Statistics Publication based on the interviews of around 24,000 households in GB, which gathers information on incomes and overall financial circumstances. With regards to pensions the FRS contains information on both the receipt of pension income and whether contributions are currently being made (both occupational and personal pensions).

The FRS is a useful source of information when looking at the overall profile of scheme membership and also broken down into various categories (e.g. sex/age/employment etc). For occupational pensions the FRS contains information on length of membership, whether the scheme is contributory, whether additional voluntary contributions are being paid (and in what form), and what has happened to earlier accrued rights. For personal pensions it contains information on how many personal pensions are held (currently), when they were taken out, if contracted-out, who pays in and how much was contributed by individual.

Accuracy

The FRS is published after validation, imputation for item non-responses, and after adjustment for unit non-responses using weights which control for a number of factors. Validation can only be effective where it is possible to correct the responses, e.g. by referring to interviewers' notes. Weighting is only effective for known non-response biases and therefore results are sensitive to the values of control variables used to generate the weights. All estimates are subject to sampling error and to variability in non-response. Evidence suggests that the FRS may misreport some of the pensions information e.g. numbers on contracted-out figures are very different from Lifetime Labour Market Database (LLMDB) data.

The overall response rate for 2001/02 was 66%. Standard errors for the survey are not routinely calculated, but are calculable from published data.

Timeliness and punctuality in disseminating results:

The FRS dataset is made available for analysis on a financial year basis (currently around six months after the end of the financial year it is reporting on). Results from the survey are published across a number of sources including a FRS annual report.

Accessibility and clarity of results:

A summary of results is published in an annual publication; the annual publication is easy to understand and readily available in the public domain; via the DWP website. Results are also published through related series, i.e. Households Below Average Income, Individual Incomes and Pensioner Incomes Series.

The database, along with accompanying documentation and interviewer' questionnaires, is made available to users within government and outside researchers via the Essex Data Archive. It is one of the best documented and user friendly databases available.

Comparability

A review of pension questions was carried out in 1998/99, which resulted in changes made to the pensions questions asked for the 1999/2000 publication. As a result on this is there is discontinuity in the pension information held in the FRS.

Coherence

The FRS teams maintain a consistent approach to both the collection and validation of the data. Even when changes are made to the FRS systems are in place to ensure that it is consistent with the rest of the FRS questionnaire.

Completeness

The FRS is a useful source of information when looking at membership of pension schemes at a broad level (occupational v personal), however it is not the best source of information when trying to look at aspects of pensions in detail for e.g. contributions to occupational pensions.

Relevance

The LLMDB holds a 1% sample (information is held on approximately 650,000 individuals) from the National Insurance Recording System (NIRS). It contains pension information on type and length of contracted-out second tier pensions provision for individuals in salary related, money purchase, hybrid (which contain a mixture of final salary and money purchase elements) and personal pension schemes. NIRS also records the levels of pay between the Upper Earnings Limit (UEL) and the Lower Earnings Limit (LEL) for individuals allowing us to estimate numbers accruing rights to BSP and SERPS (UEL and LEL are used for national insurance contributions - State Second Pension/SERPS accrual rights). The National Insurance Recording System (NIRS) only contains information on the compulsory minimum contributions payable by individuals/employers when they contract-out.

DWP have taken the lead to extract some information from NIRS2, which will lead to the publication of LLMDB2. LLMDB2 is expected to be finished by the end of this year.

Accuracy

The pensions information held on LLMDB, in particular yearly information on contracted-out schemes are not published by any external sources, so it is difficult to validate LLMDB results. The validation that was undertaken of the LLMDB results entailed using the information that was already contained within NIRS, for example ensuring that where duplicate national insurance numbers for the same person existed, it was not counted twice.

Timeliness and punctuality in disseminating results

The latest information available from Lifetime Labour Market Database (LLMDB) covers the period from 1978-1995/96 (from NIRS). When LLMDB2 is complete it will initially contain information from 1978-1999/2000 (from NIRS2).

Accessibility and clarity of results

A summary of the results from LLMDB was published in 2000 titled 'Second Tier Pension Provision'. The publication is easy to understand and readily available in the public domain via the DWP website. Upon completion LLMDB2 will seek to update this information; initially access to LLMDB2 database along with accompanying documentation will be within DWP only.

Comparability

Since most of the data in NIRS is collected in a systematic and consistent manner, the LLMDB can be used to track individuals through time e.g. employment patterns, earnings etc.
Coherence

Since NIRS2 collects the same information on yearly bases, we would expect the results produced from LLMDB to be consistent.

Completeness

The LLMDB offer a wide ranging picture of the extent and nature of contracted out pension provision and is widely used across policy and analytical sections in the Department .

Relevance

The Department has published four reports in the series of Employers Pension Provision (EPP) surveys and is about to commission a fifth survey. EPP is a telephone survey of a representative sample of, around, 2000 private sector employers in Great Britain.

The key objectives of the survey are to monitor the extent and nature of pension provision among *private* sector employing organisations in Britain. It collects data on the characteristics of organisations who do, and do not, make pension provision. It provides details of any significant changes to provision in the last few years and any planned changes. Additional questions on topics of interest are asked (for example, in 2000 there were questions about trustee related issues, pension sharing on divorce and the Minimum Funding Requirement).

It should be noted that the results relating to employer contributions are based on questions asking about average member and employer contributions over the last 3 years (the latter may or may not include the NI rebate). Contribution rates are presented as medians in the report.

Accuracy

EPP surveys achieve a response rate of about 70 per cent which far exceeds other surveys of pension provision with employers and schemes. It is based on a random sample selected with a probability according to company size. The survey aims to maximise validity (and response) in ways not usually deployed on similar surveys. This includes identifying the most appropriate person to act as the respondent; sending them a datasheet outlining the key information they will be asked; and then conducting a telephone interview with them. Despite such attempts to maximise validity, it is possible that the most appropriate person/s may not be identified or be unavailable in some of the responding companies. Large companies are over sampled so that estimates can be presented at employee level. Data is weighted to reflect the size of private companies in Britain. See 'Comparability' for issues relating to sampling.

There are no formally calculated standard errors but each table has the estimate and unweighted sample size, so they can be calculated.

Timeliness and punctuality in disseminating results

The four published surveys have been conducted biennially starting in 1994. The next survey will take place in 2003. Each of the surveys is agreed via the annual Departmental research programme. Any future surveys would need ministerial approval.

Accessibility and clarity of results

Results are published as part of the Departmental research report series and are available on the website. Users are provided with information about quality of the statistics and the methods used to derive the data.

Comparability

The EPP surveys have sought to develop the best possible methodological approach. In particular, obtaining a representative sample has been a key issue, this being a particular problem in relation to smaller companies because of their fast turnover and potential absence from sampling frames. Results up until 2000 were presented separately for smaller (fewer than 20 employees) and larger employers (20 or more employees). This was mainly because of the difficulty of ensuring a representative sample of smaller employers. In 2000, the ONS's Inter Departmental Business Register (IDBR) was used as the sampling frame. The greater completeness and coverage of smaller companies on the IDBR meant results were presented in aggregate, as well as for small and large employers for reasons of comparability. Shift-share analysis was undertaken to assess whether changes in levels of pension provision between 1998 and 2000 reflected 'real' change or were due to

differences in the sample composition resulting from the use of IDBR. This indicated most of the change was 'real'.

Owing to differences in sampling and approaches to weighting the 1994 data cannot be compared with subsequent years.

Coherence

See Comparability section above.

It should be noted that EPP probably represents the best of its kind in terms of data collection, sampling and response rates and that it strives for higher standards in all three elements than many, if not all, industry surveys.

Completeness

The surveys offer a wide ranging picture of the extent and nature of pension provision in the private sector and is widely used across policy and analytical sections in the Department and the pensions industry.

Aggregate Returns from Personal Pension Scheme Providers

Personal pension scheme providers are required to submit statistical reports to Inland Revenue in conjunction with claims for tax repayment. The reports relate to all personal (including stakeholder) pensions; there is no comparable source of information on occupational pensions as tax relief is given at source. The current format of the reports dates from April 2001, when stakeholder pensions were introduced and there were changes in the way tax relief was given for other personal pensions.

The information reported is the total of contributions received into all personal pension schemes administered by the provider submitting the return, broken down by the following dimensions:

- (a) Personal pension or stakeholder pension;
- (b) Employer sponsored scheme, non-employer sponsored scheme or free standing AVC scheme. Employer sponsored schemes include group personal pensions, contracts within a scheme set up under trust by an employer, and contracts for members of stakeholder pension schemes nominated by employers;
- (c) Contracted out or not contracted out of the State Second Pension;
- (d) Contributions received from employers; from individuals; and minimum contributions (i.e. the rebate from the National Insurance Fund). The amounts reported are only new contributions from individuals or employees, not transfers from other pension administrators. The data reported on contributions from individuals is net of tax relief. Figures for the basic rate tax relief repaid to providers are obtained from IR administrative sources and added to the published statistics.

Data is also provided on the number of members contributing in the relevant time period within each category. There may be some overstatement in aggregating these numbers as individuals may contribute to non-contracted out schemes administered by more than one provider in any one year. However, individuals are not allowed to belong to more than one contracted out scheme in a year.

Coverage: Coverage is in theory complete as the statistical reports are linked to claims for repayment, which it is very much in the interest of pension providers to submit.

Frequency: Returns may be submitted monthly, although some small providers may claim and hence submit returns less frequently. Cumulative figures within the tax year are reported, and published quarterly by Inland Revenue. As yet only one full year's returns are available under the current system for administration of tax relief, but it appears from these that there is a seasonal pattern, with larger contributions in the final quarter. This is to be expected, as individuals (particularly the self-employed) will wait until the end of the tax year to assess what lump sum contribution they can afford. The annual figures are therefore more useful than those of shorter periodicity.

Quality: Employee contributions are validated against the claim for repayment of tax relief, a figure, which is itself, audited. Other validation checks include comparisons with previous returns from same provider; plausibility of ratios between individual, employer and minimum contributions; comparisons with annual returns from same provider at year end. Lags in providers submitting their returns may mean the initial estimates understate the final position, but these lags are accounted for by estimating large providers' statistics based on previous returns for the year. Figures are then amended when the return is received.

Accessibility: Aggregated data from these returns is published quarterly on the Inland Revenue website, approximately five months after the end of the period to which they relate. It would not be possible to make available returns from individual pension providers, nor any disaggregation that risked breaching commercial confidentiality.

Member level data from Personal Pension Scheme providers

Since April 2001, all personal (including stakeholder) pension providers have been obliged to supply Inland Revenue with 'Third Party Information'; i.e., details of individuals transacting personal pensions business with them. The information is required primarily to ensure compliance with the tax regime but will also be used for analysis in the Inland Revenue, including linking to the Survey of Personal Incomes sample which has information on income of the individual.

The data covers all individuals purchasing personal or stakeholder pensions, whether employed, employees or not in the labour force. The data items available are:

- Contributions from individuals, gross of tax relief;
- Contributions from employers;
- National Insurance rebates;
- Accumulated value of fund at the fund valuation date nearest to the end of the tax year. The fund value will reflect all monies, assets and investments held for the member on the date;
- Identifying details for the individual, including gender, date of birth and National Insurance number;
- Labour force status of the individual.

Prior to April 2001, the Third Party Information was more restricted - it covered employees only as the self-employed claimed relief via their tax return and only data on contributions was submitted, not balances.

Coverage: Data must be submitted by all providers, though cut-off dates for the various stages of processing may mean the data set available for analysis is not complete.

Frequency: Data is provided on a financial year basis, and must be submitted six months after the end of the period. Internal processes for validating and combining data means that a useable data set for the 2001/02 financial year is unlikely to be available before spring 2003.

Quality: Cannot be assessed till at least the first year's data is received.

Accessibility: Unit record level data is only available for analysis within Inland Revenue - it cannot be made available outside even on an anonymised basis. It is anticipated that aggregated results will be published in due course but the breakdowns available will depend on our assessment of the quality of the data.

Self Assessment Tax Returns

Prior to April 2001, all tax relief on personal pension contributions made by the self-employed and higher rate tax relief on contributions paid by employees, was claimed by the individual via the Self Assessment tax return. Analyses linking contributions with income of these groups could therefore be carried out, and the 1999-00 Third Party Information available for non-higher rate employees has recently been matched to the Survey of Personal Income sample to complete the picture. Little quality assessment of this data set has been carried out, and moreover the financial year in question may not be representative in view of the subsequent changes to the tax relief regime. Future resources will therefore be focused on the data sets for 2001/02 onwards described under the previous heading.

Scope

Most of the pension schemes for the public services operate on a pay-as-you-go basis. They have no pension fund and payments to pensioners are met out of current taxation. The major unfunded schemes are those for civil servants, armed forces, NHS staff, teachers, police and the fire service. The Local Government Pension Scheme is the only major funded scheme within the public service though organisations in the wider public sector such as the Bank of England, BBC and other public corporations also tend to have funded schemes. There are a couple of hundred minor public service schemes some of which are funded and some unfunded but these count for a small proportion of the overall liabilities. GAD has estimated that the total level of unfunded liabilities is around £350 billion.

The primary reason for a private sector employer setting up a funded scheme is to secure benefits in the event of bankruptcy. This is not a significant factor for government employees and the other advantages of funding such as accounting transparency, budgetary discipline, diversity of investments, and prudence can be achieved in other ways. Analysis by the Treasury which is published in the Budget Report demonstrates that these pension commitments do not present a problem for fiscal sustainability.

Employee contributions

Although these schemes are not funded employees nevertheless may have to make contributions. Such contributions are used to help finance current pension payments. The rate of employee contribution is 11 per cent of salary in the police and fire services, 6 per cent in the NHS and teachers schemes, but there are no employee contributions in the armed forces schemes. Civil servants at present pay a 1½ per cent contribution towards survivor benefits (returnable if one retires without a survivor) but in the new scheme due to start in October 2002 this will be replaced by a normal employee contribution of 3½ per cent. Salary levels are set taking account of the value of pension and the rate of employee contributions.

Employer contributions

In order to bring home to employers the full cost of employing staff, most public service schemes have introduced a system of employer contributions (sometimes known as accruing superannuation liability charges). Such charges have to be met from employers' budgets and therefore are as real for the employer as the payment of salary and national insurance contributions. However, the employer contributions remain internal to government and are used to finance the pension payments rather than invested. In terms of public expenditure budgeting employer contributions must be met from Departmental Expenditure Limits (DEL) but what scores in the overall public expenditure measures such as Total Managed Expenditure (TME) or general government expenditure are pension payments net of employee contributions. In the budgeting arithmetic the difference between TME and DEL is within the aggregate known as annually managed expenditure (AME). AME therefore includes pension payment less all contributions. It is treated in effect as demand led expenditure and in-year variations do not impact on employer or departmental budgets.

Employer contributions are set on the basis of actuarial advice with valuations every three to five years depending on the scheme. The actuarial assessment calculates the required employer contribution had there been a real fund. Schemes differ as to how this is done in detail. Some track notional investments and demographic, financial and economic experience in the scheme, others simply project forward the likely cost of future service. In some schemes notional assets reflect the typical mix that the private sector fund might hold including equities, while in others the investment choice is restricted to government stock. There are to bring greater consistency to the way employer contributions are set. The standard model now being implemented is known as SCAPE (or Superannuation Contributions Adjusted for Past Experience). This tracks a fund but deficits or surpluses can only arise if demographic, economic or workforce experience differs from the actuary's projection not from any variation in the return on financial assets. In effect it is assumed that all contributions are invested in assets which provide a known real rate of return equivalent to the yield in the long run on index-linked gilts as advised by GAD (currently this is 3½ per cent real).

But the coverage of employer contributions is not as comprehensive as it should be. At present there are no employer contributions in the police and fire schemes. Plans to introduce them are at a relatively early stage. In the NHS and teachers schemes a historical anomaly means that employer contributions only cover the basic cost of pension that someone receives on retirement and not subsequent indexation to the RPI. The Government plans to introduce full employer contributions for these two schemes. But at present data on employer contributions include nothing for police and fire and is a significant under-estimate in the case of NHS and teachers. Also contributions data may be under-estimating the build-up of pension entitlement as some employers have been benefiting from a partial contributions holiday achieved through notional surpluses. The following tabulation provides a rough reconciliation between recorded contribution levels and full pensions entitlement build-up, based on 2000 figures:

	£ billion
Actual central government employer contributions	4.3
Actual CG employee contributions	2.2
Police and fire employee contributions	0.4
	<hr style="border-top: 3px double black;"/>
	6.9
Required police/fire employer contributions	0.8
Amount by which actual rates are reduced because of notional surpluses	1.5
Addition for pension increase	2.3
	<hr style="border-top: 3px double black;"/>
	11.5
	<hr style="border-top: 3px double black;"/>

Notional and unfunded schemes

In the past the distinction has been made between notional and unfunded public service schemes. The NHS and teachers schemes were the first to introduce employer contributions of the sort described above and used the methodology of the notional fund in order to set them. The valuation reports were published and operated under regulations. But with the introduction of employer contributions in the armed forces and the civil service and the likelihood of further extension as well as the modification of a notional funding method into SCAPE, the distinction is no longer a particularly useful one. It is much more meaningful to distinguish between schemes and time periods which have full, partial or no employer contributions.

Sector classification

The armed forces and civil service schemes are almost entirely within central government (though there may be a few civil service employees who classified in the public corporations sector). The police and fire schemes are entirely within the local government sector. They are operated on a pure pay-as-you-go basis separately by each police and fire authority (i.e. around 40 of each). The teachers and NHS schemes straddle sectors. Payments are made in both cases out of a central government vote but most teachers are employed in the local government sector (some in the private sector) and many NHS staffs are employed by NHS trusts (with public corporation sector) and some by GP practices within the private sector. So in the case of the teachers and NHS schemes the best source of employer contributions are receipts from the scheme's financial accounts.

Accounts

Hitherto accounting for pension schemes has been entirely on a cash basis with typically a superannuation vote showing payments of pensions, lump sums and onward transfer payments to other schemes and income comprising employer and employee contributions and inward transfer payments. The first stage of Resource Accounting and Budgeting has made very little difference, merely changing the timing of payments and receipts. But with the new accounting standard FRS17, scheme statements will show liabilities on the balance sheet with the flow statement showing the factors contributing to change in liabilities. The operating cost statement will distinguish the following categories:

- **Current service costs** (i.e. pension entitlements being built in the reporting year through current employment).
- **Past service costs.** These will only arise if during the reporting year a decision is being made to improve benefits in respect of past service e.g. a decision to extend survivor benefits retrospectively to unmarried partners. As we rarely allow retrospective changes past service costs should normally be zero!
- **Interest costs** (in effect the cost of previous service increasing by virtue of the time at which the pensions fall due for payment getting closer, i.e. the discount unwinding).
- **Transfers.** Individuals moving their past service to or from another scheme when they change jobs, or groups transferred to the private sector employment in a public private partnership. Accounts will record the change in liabilities net of payments received or made on those transfers.

The Statement of Realised Gains and Losses will then complete the account of how liabilities change by including any change in liabilities which result from previous actuarial estimates of current service costs turning out to be wide of the mark (e.g. if pensioners live longer or if salary progression differs from that previously assumed).

1 Occupational Pension Schemes Surveys (OPSSs)

Coverage

The Government Actuary has produced a series of surveys of occupational pension schemes in the United Kingdom since the mid-1950s. The first was as a result of the Phillips Committee's work ("Report of the Phillips Committee on the Economic and Financial Problems for the Provision for Old Age", 1953), and was produced in 1958. Since that time surveys have been conducted every four or five years. The most recent survey for which complete results have been published was the tenth, showing data as at 1995, published in 2001 (though many provisional results had been made available to policy-makers before complete publication). Preliminary results from the eleventh survey (as at 2000) in respect of private sector schemes were published on 23 August 2002.

The surveys have covered a very wide range of aspects of occupational pension schemes, for example, in the 1995 survey:

- membership of schemes (this term meant active employee membership in the 1995 survey);
- the numbers of pensioners and those with entitlement to preserved pensions;
- types of schemes and eligibility for membership;
- contributions to schemes (generally in terms of percentages of earnings);
- benefits on normal retirement;
- early and late retirement;
- post-retirement pensions increases;
- death benefits;
- preservation for early leavers;
- appointment of trustees, and
- changes to schemes since 1991.

Generally the questions asked by each successive survey have had a high degree of overlap with those asked in the previous survey, allowing a good level of comparison between surveys and the construction of time series. However, as new developments have occurred in the pensions world and old practices have died out, questions have been added and taken away. The 2000 survey adds to the list given above for the 1995 survey questions on the training of trustees, their investment decision-making, scheme finances, and communication with scheme members. The questions to be asked were refined through a process of consultation with other government departments and elements of the wider pensions industry.

Methodology

The survey aims to produce results which, having been rated-up, give figures for the whole of the UK occupational pensions universe.

The last two surveys have taken as sampling frame the registry of all “live” occupational pension schemes with two or more members maintained by the Occupational Pensions Regulatory Authority (Opra). A stratified approach was taken to sampling, with all the largest schemes sampled, and proportions of smaller schemes, with the sampling proportion decreasing for smaller schemes. The very latest survey included frozen and winding-up schemes – results for these will be shown separately from those for open and closed schemes.

In an attempt to automate the 2000 survey, an electronic questionnaire in the form of an Access™ database program was produced. This was sent to schemes selected for the survey on a CD-ROM, with the response file to be returned by e-mail or on a diskette. However, a comparatively small proportion of all results were received in this way. In fact, the overall response rate was somewhat disappointing, and although efforts were taken to increase it (by contacting large schemes individually and by producing a shortened version of the questionnaire for smaller, less complex schemes), the overall proportion of responses remained low. In addition, while error-trapping routines had been built into the electronic version of the questionnaire, these could not cover every possible error or inconsistent answers, and, in any case, did not apply to those completing the paper questionnaire. Hence a certain amount of data cleaning was still needed.

For the 2000 survey rating up was done by reference to the sampling frame, with rating up factors derived from the sampling fraction and the number of responses in each scheme size band. However, there were concerns that the low response rate might have biased results, as even within a size band it may have been that schemes which responded were atypical in some way (in particular they might be disproportionately larger schemes). After consultation with ONS the rating up method was revised to take into account the size of the schemes which did or did not respond, based on the Opra registry membership figure (this was easily available). For the 1995 survey rating up factors which varied by scheme size (reflecting the sampling proportions and the response rates) were also used, although the technique was slightly different.

Relevance

The survey addresses a very broad range of aspects of the design, financing and governance of schemes. Input from other government departments with pensions responsibilities and from the wider pensions industry is sought, meaning that the information gathered should be particularly relevant in addressing issues raised in the development of pensions policy. However the comparative low frequency of the survey and the delays that have sometimes occurred between data collection and publication of the results may be held to reduce slightly the relevance of some results (discussed further below).

Accuracy

Considerable efforts are taken to ensure the accuracy of the results. The data returned by schemes are subject to scrutiny at the time of adding to the database, and, where possible, checked against other publicly available data sources (key variables only). Rated-up results are compared with other data sources where possible to provide extra reassurance of quality. Methodology is discussed with other government departments with a view to ensuring that the most robust approaches are used. However, the accuracy of the most recent survey (as at 2000) may have been adversely affected by a particularly poor response rate.

Timeliness and punctuality in disseminating results

GAD surveys have not always had a good reputation for punctuality in disseminating results (although results have often been available for government policy makers before they were published). Some aspects of the delay can be explained by the desire to seek information based on audited financial statements and reports – these will become available only some time after the end of the period

covered. In addition, as the survey is carried out only 4 to 5 years, the last published results can relate to a year considerably in the past.

Accessibility and clarity of results

The aim is to make the results accessible by publishing the results as books or documents with tables of numbers accompanied in each case by explanatory text. This text points out features in the results which may cause them to be less reliable than usual, or makes comparison with other data sources or highlights trends. A glossary of the terms used is contained in the document. Ad hoc tabulations of data can also be produced.

Comparability

The results of successive surveys can be fairly easily compared with other surveys in the series. This creates valuable time series of data for several key data items. In publishing results from the survey, comparisons are made with results for the same variables covered in other data sources, with attempts at reconciling any discrepancies.

Coherence

Consistent standards are applied within each survey and, where possible, from one survey to another. Hence within a single survey results should be comparable, providing insights into the inter-relationships of different factors in pension scheme design, governance and financing. The coherence across time allows the development of time series of key variables.

Completeness

The use of the Opra registry database as a sampling frame should ensure that the survey successfully covers the entire universe of UK occupational pension schemes. The only occupational pension schemes excluded will be those with just one member. The survey does not cover personal pensions.

2 GAD survey of expenses of occupational pension schemes

Coverage

The survey was a one-off survey commissioned in 1996 by the DSS (as it then was) aiming to study the expenses of private sector occupational pension schemes. The survey sought information on administration costs and on fund management costs. It presented results of average costs per scheme member split into these two headings separately for defined-benefit and defined-contribution schemes, for industry-wide schemes, for self-administered and insured schemes, and figures for expenses as a proportion of contributions to schemes and as a proportion of scheme assets were given. Also information on the number of trustee meetings and the number of administration staff for each scheme was collected and published.

Methodology

A random sample, stratified by scheme size, benefit type and whether insured/self-administered, was selected from those private sector schemes which had responded to the 1995 occupational pension schemes survey. Very small schemes (with 12 or fewer members) were excluded, as a pilot study had suggested that they were very unlikely to respond. The sampling fraction differed according to the number of schemes in the size/benefit type/administration method "cell". Fieldwork was conducted in early 1997. The response rate was fairly low at around 45% (and lower still for insured schemes). The results were not quoted as rated up aggregates, but rather as averages for schemes of different types.

Relevance

The survey should have been of direct relevance to the DSS (as it then was) as it had been commissioned by them. In addition the questionnaire was circulated to other interested bodies for comment.

Accuracy

A low response rate, and the use of a sampling frame which in turn may have been biased because it was based on responses to an earlier survey, may have served to reduce the accuracy of this survey. On the other hand, the results presented, in terms of averages of administration expenditure (rather than estimates of aggregates for all schemes), should be less affected by any such biases in the sample.

Timeliness and punctuality in disseminating results

The report was published in mid-1998, just a year after the fieldwork had taken place, so the results were reasonably timely.

Accessibility and clarity of results

As with the OPSS, results were published in a booklet form with a considerable amount of explanation of each table.

Comparability

No similar surveys had been conducted by GAD, so comparisons over time were not possible. The survey results included comparison with other reported surveys on the expenses faced by occupational pension schemes.

Coherence

There have been few other surveys with which to compare the results from the expenses survey. Because of the use of responses to the OPSS 1995 in specifying the sample for the survey, results from the expenses survey should be coherent with results from OPSS 1995.

Completeness

The survey aimed to cover all types of UK occupational pension schemes, though the smallest were excluded, due to anticipated poor response rates. It is not thought that this exclusion compromised the usefulness of the survey for the DSS (as it then was) who commissioned it, or for other users. Exactly comparable data for personal pensions don't exist.

The ABI collects data from its members on both a quarterly and annual basis. Some non-members also provide data, enabling ABI to produce a coverage of about 98% of the insurance company market. The quarterly collection relates to new business written in the quarter, and is collected from approximately 80 companies, while the annual collection relates to both new business and business in force, and is collected from approximately 100 companies.

The data relates to contracts sold and gross premiums received. Data collected quarterly is broken down by distribution channel. Detailed guidance notes are circulated with the forms for completion to ensure consistency between members. Data received from companies are checked by comparing the current submission with previous ones – both previous quarter and same quarter last year in the case of quarterly data. Any large changes or inconsistencies are queried and explanations recorded or figures altered as necessary.

The published data is a straight aggregate of all the information received from members. On occasion, figures for very small companies might be estimated, but any estimation will account for an extremely small proportion of the final figure. No grossing-up is done. The data is published in full on the ABI website, available free to members, academics and some other organisations. It is available to commercial organisations on subscription.

The data we collect meets the members' requirement of allowing them to measure their market share at any particular time. We recognise that the figures are not a measure of new money in the market, but that it includes movements of money between companies. In an effort to identify some of this, information is sought on the size of premiums transferred from one company to another, and, in the case of individual pensions, from one type of policy to another. This was particularly relevant with the introduction of Stakeholder pensions in April 2001.

Relevant extracts from the forms sent to companies are attached for information.

Opra's Pension Schemes Registry (PSR) in Newcastle upon Tyne has the statutory responsibility for obtaining and recording details of all tax-approved occupational pension schemes (including public service schemes) and personal pension schemes with two or more members. The purpose of this is to provide a free public service to help people trace pension schemes that they have lost contact with. Opra can supply up-to-date contact names and addresses for these schemes, but no details of individual pension rights are held. The information kept by the PSR is also used by Opra's regulatory arm, based in Brighton.

In addition, the PSR collects the General Levy - which pays for Opra, OPAS (the Pensions Advisory Service) and the Pensions Ombudsman - and the Compensation Levy, when appropriate, which meets the cost of compensation paid by the Pensions Compensation Board. Compensation is payable when schemes are underfunded compared with the MFR due to fraud or theft and where the employer is insolvent.

In order to provide the above service all trustees (or anyone acting on behalf of a trustee) are legally required to provide certain information by completing a registration form. Using this information we compile and maintain a register established under Regulations. The register - a bespoke computer system - contains the following information in so far as it is applicable to the scheme:

- the name and address of the scheme;
- the names of the trustees of the scheme;
- the address to which communications for the attention of the trustees are to be directed if other than the address of the scheme;
- the name of the scheme administrator;
- whether the scheme is an open, closed or frozen scheme;
- the name (and, if there has been a change of name, the previous name) and address of every employer of earners in employment to which the scheme relates or has at any time since 6th April 1975 related;
- the number of members of the scheme;
- whether the scheme provides, money purchase benefits, benefits other than money purchase benefits, or a combination of benefits (benefits derived from transfer credits, or from a members voluntary contributions, or which are payable on a member's death are disregarded);
- where scheme benefits, or any of them, are secured by a contract of insurance or annuity contract issued by an insurance company which provides administration services to the scheme, the name and address of the insurance company;
- the date the scheme became registrable; and
- any reference number assigned to the scheme by the Board of Inland Revenue.

The register currently contains details of over 217,000 occupational and personal pension schemes (each with a unique registration number), of which over 103,000 are "live" schemes. Any information about these schemes reflects the details recorded at the time. Trustees are legally required to notify the Registrar of any change in the information already provided and the date of any change, within 12 months of the occurrence of that change. As the levy is collected annually, we encourage trustees to report any changes at the same time. This means that at any given point in time scheme details could be up to 12 months out of date.

A range of statistical information (from the scheme details recorded above) can be provided from the register. For ease, schemes are typically analysed by levy bands, although other bases of analysis are possible. The levy bands are:

- 2 to 11 members
- 12 to 99 members
- 100 to 999 members
- 1,000 to 4,999 members
- 5,000 to 9,999 members
- 10,000 or more members.

As already mentioned, the function of the Registry is to provide a tracing service, and collect a levy. The details provided by individual pension schemes and the way in which this information is recorded and used enables the Registrar to deliver the service expected. Unless there is a clear understanding of what the data recorded actually means there is a risk that information produced from it will be misinterpreted.

For example, scheme membership figures are recorded in such a way so as to provide for the calculation of the levy and production of an invoice. This results in membership figures being provided that are more than one year out of date. Clearly if Registry figures are compared to other more up-to-date membership figures held by others, discrepancies are likely to be found. Another example arises when a scheme has wound up. In certain circumstances a "default" date is used in place of an exact date where this cannot be determined. This can create the impression that a scheme wound up on a particular date when in actual fact it could have wound up months/years before.

The NAPF Yearbook

The NAPF Yearbook contains up to date information about the Association's Members, split into two categories: Fund Members and Business Members. Fund Members are companies operating predominantly self-administered pension schemes, ie schemes whose assets are invested outside insurance policies, and include employers in the private sector, public sector and local government. Business Members are providers of professional and related services to pension schemes.

The information required for each Fund Member entry includes:

- Company name and contact details;
- Sector (private or public);
- Type of business;
- Number of employees;
- The name of the scheme operated by that company. Where there is more than one pension scheme operated by the company, each scheme is listed separately;
- Scheme contracting-out status;
- Number of active members, pensioners and deferred pensioners;
- The type of scheme design (defined contribution, defined benefit, hybrid, Group Personal Pension);
- Types of scheme investments :
 - Insured (long term investments solely in insurance policies)
 - Managed fund (investments in pooled funds, usually with insurance companies)
 - Segregated funds (investments made directly by in-house or external investment managers)
- Market value or book value of scheme's assets;
- Distribution of scheme assets;
- Annual investment income;
- Total annual contributions to the pension scheme (by both employer and employees);
- Details of scheme administrators and advisers;
- Date information last updated.

The information under each Business Member entry includes contact details, indication of the size of the business, its nature and the services offered.

Introduction

The NAPF Annual Survey is a long running source of statistics and information on the UK occupational pensions industry. The survey is based on a broad sample of NAPF fund, and where appropriate, business members, and the information is collected using self-completion questionnaires.

Data collected

The questionnaire is reviewed each year by a panel of NAPF secretariat and council members, and other interested parties. Over two hundred questions are at present asked, and key areas addressed in the survey and presented in the report are:

- Scheme details, structure and design
- Scheme rules and membership details
- Scheme benefits, contribution rates for DB/DC schemes and other practices
- Investment statistics and fund management details

In addition, there is a comprehensive 'topical issues' section which gauges members' opinions on a range of issues including for instance FRS 17, Stakeholder and MFR. This section also gathers such information as scheme changes initiated in the last year, and structural responses to legislative changes. (see appendix A for full contents pages).

NAPF membership

NAPF fund members provide pension benefits to nearly seven million scheme members and 4 million pensioners, and respondents to the survey range from some of the biggest pension schemes in the UK, with assets in excess of £1billion, to smaller schemes with assets under £50 million. Most respondents are entering the information in their capacity as manager, administrator or trustee of a self-administered scheme or schemes. The majority of schemes are final salary, although money purchase schemes make up a significant and growing minority, and hybrid schemes and group personal pensions are also represented.

Fieldwork and publication

Fieldwork usually begins in mid June and continues until September. The fieldwork and collation is contracted out to a research company. Respondents are asked to answer as best they can for the preceding year up to when they fill in the questionnaire. The final report is published in December and includes both the survey results (some 200 tables) and a commentary which is intended to place the survey in context, and highlight issues of interest in the results section.

Validity

Response rates have dropped in recent years, with 501 responses in 2001 (a 45% response rate), covering in total some 850-pension schemes (some respondents represent more than one scheme – where appropriate they are asked to answer for their main scheme or all of their schemes). The low response is largely due to the length of the questionnaire, which has accumulated questions over the years. A modest review was conducted for the 2002 survey, with a significant number of questions being removed. However, if this fails to yield a greater response rate, a more radical and comprehensive review of the survey before fieldwork begins for the 2003 edition should address the issue.

Completeness and comparability

With a smaller sample population and no statutory powers to collect information, the survey is perhaps less comprehensive than some of the Government surveys, but does provide a very useful snapshot of the occupational pensions industry from the point of view of the providers. The survey is respected in the media and the industry, and because it is produced for a defined readership, with a private industry ethic, it is clearly presented and very accessible.

The survey is now entering its twenty eighth year, and although the questions have changed and evolved over its lifetime, a lot of the information can be compared with past surveys and a picture of the evolution of the pensions industry itself can be built up.

Introduction

The English Longitudinal Study of Ageing (ELSA) is investigating the relationships between health, economic position and social participation as people age. The aim is to find out more about experiences as people plan for, move into and progress beyond retirement. It is in effect a study of people's quality of life as they head beyond 50.

Sample

The sample is drawn from respondents to the Health Survey for England (HSE) which is carried out on behalf of DH. Around 12,000 respondents from two separate years of the HSE survey are being recruited to provide a representative sample of the English population aged 50 and over.

Data Collection

The major advantage of using the HSE sample is that the baseline data on respondents health (morbidity, lifestyle, diet and blood samples) have already been collected. The health data will be supplemented by the collection of economic data in the first wave of ELSA. Future ELSA waves will track changes in both health and economic position.

Information about Pensions and Retirement

There is a work and pensions module on ELSA which aims to cover employment details including job characteristics, pensions and retirement decisions. The module should collect sufficient information to establish individual pension contributions and pension rights for those not currently drawing pensions.

Relevant pensions and retirement topics covered are :

- Pension scheme membership and details
- Pensions Contributions and additional contributions (AVCs)
- Summary pension scheme details
- Expected size of lump sum/pension on retirement
- Current pension value accumulated in the fund (DC pensions only)
- Consent to contact employer to find out pension scheme rules
- Sources and adequacy of information on pensions
- Contributions to pension schemes other than current scheme
- Duration in scheme, nature of retained rights and expected pension
- Age of retirement and reasons for retirement
- Expected age of retirement - if not already retired

Timetable and Reporting

March 2002 to September 2002 - Wave 1 fieldwork, face to face interview

August 2003 - First report available¹

2003/2004 - Further analysis of wave 1 and development of wave 2 questionnaire

2004 - Wave 2, face to face interview and nurse visit

2005 - Analysis of wave 2

¹ First report will give basic descriptions of the data and cross tabulations. It will not have complex statistics or linking to the HSE data.

This is a panel survey that has been following the same individuals over time since 1991. It contains information on British households on the basis of yearly interviews conducted on an original sample of approximately 5,000 households (circa 10,000 individuals). The panel nature of the data set means that the same individuals are interviewed each year, usually in September.

The data contains both household and individual level information. At the individual level, apart from demographic characteristics such as age, region, number of children and education, there is detailed information concerning current labour force status, labour force history, health and personal finances (including different sources of income and of investment). Moreover, detailed wealth data has been collected in wave 5 (1995) and wave 10 (2000). At the household level, there is detailed information regarding household composition, household expenditure and tenure type of the home lived in, and details on rent or mortgage payments and on loan repayments.

The survey also contains a number of questions about their pension arrangements. The survey asks:

Does your present employer run a pension scheme or superannuation scheme for which you are eligible?

If the answer is yes, respondents are then asked

Do you belong to your employer's pension scheme?

In addition, from the second wave onwards all respondents are asked questions about their personal pension arrangements.

In the past year, that is since September 1st 199X [previous September] have you paid any contributions or premiums for a private personal pension, or had such contributions paid on your behalf by the Department of Social Security?

If the answer to this is yes, they are asked to say whether they took out the pension before or after June 1988 and the year they first took out the pension. They are also asked whether they have made any additional contributions, over and above the contracted out rebate and how much the last contribution was.

One problem with this data is that a scheme offered by an employer might be a defined benefit occupational pension, a defined contribution occupational pension or a group personal pension or a designated stakeholder pension. One option would be to classify anyone who reports having a personal pension as not having an occupational pension. However, adopting this strategy might lead to us wrongly excluding some people who are in their employers' DB occupational pensions, but also say yes to the personal pension question because they are making additional contributions in the form of Free Standing Additional Voluntary Contributions.

See www.iser.essex.ac.uk/bhps/index.php for more details.

Pension Fund Indicators: A long-term Perspective on Pension Fund Investment (Phillips & Drew - UBS Global Asset Management)

Unit of observation: Aggregate data on UK pension funds

Relevance: Covers asset allocation of UK pension funds, returns on major asset classes, asset management strategies and pension fund performance measurement over previous 10 years

Accuracy: Uses data compiled from official and private commercial sources; subject to measurement error

Timeliness and punctuality in disseminating results: annual (around May)

Accessibility and clarity of results: Results and analysis are accessible; available on the web; no information is provided on the quality of the statistics or on the methods used to derive the figures

Comparability: figures over time for the UK are comparable; some overseas comparative data are also presented, derived from official and private commercial sources, but with no indication of quality or comparability with UK data, although comparability is presumed

Coherence: consistent standards presumed

Completeness: all UK pension funds covered

UK Pension Fund Annual Reviews (The WM Company, Russell Mellon CAPS)

Unit of observation: Individual UK pension funds subscribing to the relevant performance measurement service

Relevance: Cover asset allocation of UK pension funds, returns on major asset classes, asset management strategies and pension fund performance measurement over previous calendar year (but in much more detail than Pension Fund Indicators: A long-term Perspective on Pension Fund Investment)

Accuracy: Uses data supplied by subscribing pension funds, so accuracy very high

Timeliness and punctuality in disseminating results: annual (Spring)

Accessibility and clarity of results: Results and analysis are accessible; but available only to subscribers; some information is provided on the quality of the statistics and on the methods used to derive the figures

Comparability: figures over time for each performance measurement service are comparable; figures across the performance measurement services are not exactly comparable due to different statistical assumptions

Coherence: consistent standards used

Completeness: covers only UK pension funds subscribing to the relevant performance measurement service (each claims coverage of around 60% of all UK funds by value)

DATA SOURCES - STRENGTHS AND WEAKNESSES

Type of statistics and source	What is collected	Strengths	and weaknesses
Aggregate statistics			
National Accounts	Statistics of pensions contributions and investment flows at total economy and sector level	Consistent with whole economy flows Robust, sources are reconciled Timely - quarterly	No analysis by type of fund or contributor No detail
Statistics collected from pensions scheme/funds			
MQ5	Quarterly survey of pensions funds and insurance companies income, expenditure and investment flows	Potential source of longitudinal data on funds Scheme/fund level data Timely - quarterly	Scheme level data are confidential Lack of transfers detail Not clear what is collected Register deficiency
Employers Pensions Provision Survey	Occasional survey of employers, collecting information on types of pension provision	Use of IDBR for 2000 survey gives potential link to other employer surveys Covers all types of schemes Good response rate	Not frequent - every 2-3 years Private sector only No coverage of employees pension provision
GAD survey of occupational pensions schemes	Membership, contributions and benefits, etc	Comprehensive data Detailed Continuity Links between contribution rates and scheme features	Occupational schemes only Only every four to five years Not timely Low response rate to 2000 survey
Tax repayment returns of personal pensions providers	Employer, member and minimum contributions by type of scheme	Complete coverage of personal pension schemes. Contributions net of transfers.	Not timely Discontinuities caused by admin changes

Public sector accounting returns	Aggregate pension contributions and transfers	Aggregate accounts financial data Annual	No analysis at individual level
ABI data	Quarterly and annual information on contracts sold and gross premiums received, by channel of distribution		No grossing (response?) Analysed by distribution channel not source of money Only insurance managed funds
NAPF Annual Survey of Occupational Pension Funds	Members' scheme details, scheme design, benefits, contribution rates, topical issue, investment issues	Provides a detailed snapshot of UK pension schemes	Limited to NAPF membership and tends to be biased towards the larger schemes
Industry registers			
OPRA Pensions schemes register	Covers all tax approved occupational schemes and all personal schemes with two or more members. Whether insurance linked. Analysed by number of members.	Completeness Some info on types of scheme Potential for development and linking	Reporting problems Not up to date? No membership breakdown Historical discontinuity
NAPF list of fund members	Analysis of types of scheme	Detailed	Mainly self administered Only covers its membership Biased to larger schemes

Statistics collected from individuals			
New Earnings Survey	Annual survey of employees, collected from employers using a sample of NI numbers; Membership of pension scheme by type.	Longitudinal data on individuals Also collects labour market data Annual - timely Potential to be linked to admin data Detailed coverage Large sample Small area results	No contributions/ benefits data Employees only No data on personal pensions
General Household Survey	Multi-purpose continuous survey, collects information on membership of schemes Published annually	Continuity over time Also collects social data	No contributions data % rather than total Limited respondent knowledge
Expenditure and Food Survey	Continuous household survey Pensions contributions and income by individuals Published annually	Some financial data (on other savings) Continuity over time Also collects expenditure data	Low response rate Limited respondent knowledge
Family Resources Survey	Annual household survey Collects information on scheme membership and type of contributions	Large sample size Annual - timely Includes income data and other financial data including other savings	Pension flows not sufficiently broken down 1999 discontinuity Limited contributions data Limited respondent knowledge

Longitudinal and other studies			
Lifetime LM Db	Database holding a 1% sample of NI records. Data on membership of various types of pensions scheme	Longitudinal Admin source gives completeness Also collects earnings data Potential for links to NES Continuity Annual	Records contracted out schemes only No recent output, but updated version expected end 2002.
Third party tax information provided to IR	Personal pension providers' returns of member level data. Covers contribution and fund value with personal identifiers, including age and gender	Member level Completeness Contributions and fund values Matched to IR data Including income and tax free savings	New data source, quality to be assessed.
English Longitudinal Study of Ageing	Longitudinal study of ageing based on a survey sample. Results not yet available.	Will link with social conditions	Not yet available Limited geographic and age coverage Quality to be assessed.
British Household Panel Survey	Longitudinal study, since 1991 includes whether pension scheme member	Links with social data Longitudinal	Limited data on pensions
Thesys (FSA)			
Pension accounting and actuarial sources			

LIST OF RECOMMENDATIONS¹

No:	We recommend that:	Paragraph number:
1	The table of possible sources of pension contributions and their destinations in Annex C is developed to show the possible flows, and used by ONS and Inland Revenue to ensure that there are no gaps and no double counting in MQ5, national accounts and Inland Revenue estimates;	7
2	Those who collect data on pensions ensure that their data collection instruments respond flexibly to the challenges ahead;	17
3	ONS investigates the feasibility of collecting fuller, detailed data on transfers between schemes operated by insurance companies and between these schemes and other types of scheme directly on the MQ5 survey;	32
4	If this does not prove possible, ONS considers approaching the relevant schemes directly;	32
5	ONS reviews the clarity of its MQ5 publication to ensure that the concepts and definitions are fully explained;	32
6	ONS conducts a study with contributors into how they are completing the MQ5 forms and reviews them in the light of that study and with assistance from the pensions industry;	32
7	ONS involves experts from the pensions industry and DWP and IR in regular reviews of the forms, given the rapid pace of change in the pensions industry;	32
8	ONS check whether any partly insured funds covered by the self-administered pension funds inquiry are also included in the insurance company returns;	32
9	ONS ensures that descriptions of the conceptual definitions, source data and any consequential adjustments are made clear in all national accounts outputs, including those made available to departments for policy purposes;	32
10	the Statistical Working Group continues, with a broader membership if necessary; and that ONS meets DWP, IR and HMT annually to get feedback on MQ5 figures and to receive briefing on changes in the pensions industry and discuss changes to the questionnaire for the coming year;	33
11	ONS considers ways of ensuring that appropriate pensions expertise is available to it when needed;	35
12	DWP and GAD consider whether the EPPS and the GAD survey respectively should be established on a more regular basis;	38

¹ Some recommendations have been reworded from the text in the report so that the meaning is clear in this annex.

13	ONS reviews the NES, the GHS and the EFS to see whether collecting such a small amount of broadly similar information from similar surveys is justified;	44
14	ONS examines ways of making the NES data set more readily available for analysis, and whether linking it with household survey data would broaden its analytical potential;	45
15	ONS, DWP and IR ensure that any future plans for the proposed Survey of assets and wealth meet future pension policy needs;	49
16	ONS investigates whether the needs for data separating employee and employer contributions; and defined benefits and defined contributions schemes could both be met by adding additional questions to the MQ5 survey;	51(b)
17	ONS explores with insurance companies whether it is possible to split their investment flows according to pensions and other business;	51(c)
18	DWP with DTI and GAD examine the feasibility of publishing a regular aggregated analysis of pension funds and insurance companies actuarial and accounting statements;	51(d)
19	GAD ensures that the contributions data they collect meet user need, considers conducting their survey annually and investigates ways of improving the timeliness of its publication;	51(e)
20	GAD, ONS, DWP, IR and OPRA discuss options for the future operation of the GAD survey;	51(e)
21	DWP investigates the possibility of meeting the need for data showing the distribution of contributions by type of employer by adding questions on pension contributions to the EPPS;	51(f)
22	ONS investigates the feasibility of collecting pension contributions directly from the NES, as part of the proposed rationalisation of social surveys, and that ONS and DWP jointly investigate whether a linkage between the NES and LLMdb data sets would produce the kind of analysis that DWP and IR are seeking, and if so, they further investigate whether, within the limit of any confidentiality constraints, the technical problems of so doing could be overcome to make this a cost justified solution;	51(g)
23	The above recommendation (22) is done in such a way as to enable outside researchers to commission analyses from the resulting database;	51(g)
24	DWP considers the feasibility of obtaining information on accrued benefits of individuals for occupational schemes from the Family Resources Survey;	51(h)
25	In the longer term the ONS considers the above issue (recommendation 24) further in the context of the proposal for a Survey of assets and wealth;	51(h)
26	IR, DWP, GAD and OPRA look at these potential sources for longitudinal analysis in more depth, together with the ONS, and come to a view on how these sources are likely to provide the most cost effective data source for this purpose;	51(i)

27	ONS considers the needs for longitudinal analysis when taking forward any proposals to redesign household surveys, including the possibility of an integrated survey;	51(i)
28	DWP, ONS and NAPF consider whether a statistical digest, fact sheet, or a guide to pension statistics, electronically available through the National Statistics web site might provide some clarity and assistance	53
29	Before any of our recommendations are implemented, a full compliance cost assessment and resource cost analysis is made so that departments can be sure that the costs are justified by the potential policy benefits.	54
30	The next National Statistics Quality Review covering pension statistics refers back to the issues raised in this report to ensure that the statistics remain relevant to policy needs.	56

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