

PENSIONS POLICY INSTITUTE

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Pension Facts

November 2005

The PPI has collected this data from a variety of sources, reflecting the latest available information. The PPI cannot confirm the accuracy of primary source data.

Pension Facts

The data shown here has been selected by the PPI to answer those questions we are most frequently asked – or those questions which we suggest should be more frequently asked - but where the data is not easily available from other sources.

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Demographics

□ **Table 1: Projected number of people in the UK of state pension age (SPA) or older¹**

	Projected number of people of SPA or older ² (thousands)					
	2005	2015	2025	2035	2045	2055
Women	7,103	7,222	7,403	8,804	9,232	9,723
Men	4,147	5,243	6,257	7,458	7,819	8,382
Total	11,250	12,465	13,660	16,261	17,051	18,105
Total % of population	19%	20%	21%	24%	25%	26%

□ **Table 2: Projected life expectancy at age 65³**

UK population	Cohort life expectancy on reaching age 65 in the year shown (years) ⁴					
	2005	2015	2025	2035	2045	2054
Women	22.1	23.0	23.8	24.7	25.5	26.3
Men	19.4	20.5	21.3	22.2	23.1	23.9

These cohort projected life expectancies allow for future projected changes in mortality rates. They show how long a person is expected to live based on age-specific mortality rates at each age for each relevant future year.

There is a wide range of uncertainty in life expectancy projections. For example, in 2005, life expectancy at age 65 for a man can vary +/- 0.9 years and for a woman, +/- 0.7 years.

¹ GAD 2004-based principal projections for the UK www.gad.gov.uk/Population/index.asp

² SPA = 65 for men; 60 for women until 2010, then phased up to 65 to 2020

³ GAD Cohort expectations of life www.gad.gov.uk/Life_Tables/Period_and_cohort_eol.htm

⁴ Based on actual mortality rates and projected calendar year mortality rates from the interim 2004-based principal population projections

State pensions

General

□ **Table 3: Total spending on state pensions and other benefits for pensioners (£ billions)⁵**

Type of benefit	Real terms, 2005/6 prices (£ billions)			
	2004/5 estimate	2014/5 projection	2024/5 projection	2034/5 projection
Basic State Pension	43.4	51.1	59.7	72.9
SERPS/ S2P	7.8	14.2	20.1	27.5
MIG/Pension Credit ⁶	6.5	10.8	15.8	23.8
Other pension benefits ⁷	3.1	1.8	1.9	2.1
Total pensions	60.8	77.9	97.4	126.3
% of GDP	5.1%	5.0%	5.0%	5.4%
Contracted-out rebates ⁸	10.7	11.2	10.9	10.8
Contracted-out rebates as a % of GDP ⁹	0.9%	0.7%	0.6%	0.5%
Total pensions and contracted-out rebates	71.5	89.1	108.3	137.1
% of GDP	6.0%	5.7%	5.6%	5.9%
Housing related benefits ¹⁰	7.2	8.7	10.2	12.9
Attendance Allowance and Disability Living Allowance	6.7	8.7	10.5	13.2
Total pensions, contracted-out rebates and benefits paid to pensioners	85.4	106.5	129.1	163.2
% of GDP	7.2%	6.9%	6.6%	7.1%

⁵ DWP (2005) *Benefit expenditure tables* www.dwp.gov.uk/asd/asd4/long_term.asp. Refer to Table 25 for other state spending on tax relief. These are the official Government projections. For PPI long-term projections of spending on state pensions and contracting-out rebates see Steventon (2005) *What will pensions cost in future?*, PPI.

⁶ Minimum Income Guarantee (MIG) was the predecessor of Guarantee Credit. See PPI (2005) *The Pensions Primer* for more details.

⁷ 'Other pension benefits' comprise Winter Fuel Payments, Over 75s TV Licences and Christmas Bonus

⁸ PPI estimates based on GAD (2004) *Update of the Government Actuary's Quinquennial Review of the National Insurance Fund as at April 2000* and DWP (2005) *Benefit expenditure tables*

⁹ GAD (2004) *Update of the Government Actuary's Quinquennial Review of the National Insurance Fund as at April 2000*

¹⁰ 'Housing-related benefits' comprise Housing Benefit, Council Tax Benefit in Great Britain, Rate Rebate in Northern Ireland, and Discretionary Housing Payments

□ **Table 4: Average proportion of pensioner income paid from state and private pension provision¹¹**

	State	Private
1996/7	57%	43%
1997/8	57%	43%
1998/9	56%	44%
1999/0	57%	43%
2000/1	55%	45%
2001/2	57%	43%
2002/3	58%	42%
2003/4	56%	44%
Target for 2050¹²	40%	60%

Pension income from the state includes all pension and benefits delivered by the state to people over state pension age: retirement pensions, disability benefits and income related benefits such as Pension Credit.

Pension income from private pensions includes all occupational and personal pension (including contracted-out pensions and public sector pensions). Also includes investment income, including income from annuities, property, stocks and shares and savings.

¹¹ PPI analysis based on DWP (2005) *Pensioners' Incomes Series 2003/4*

¹² DSS (1998) *A new contract for welfare: Partnership in Pensions* CM 4179

Basic State Pension

□ **Table 5: Current full amount of Basic State Pension (BSP) and projected future amounts¹³**

Tax Year	BSP - Weekly Amount (Projected)	Weekly National Average Earnings ¹⁴ (Projected)	Projected BSP as a percentage of NAE
April 2005	£82.05	£517 ¹⁵	15.9%
April 2010	£92.80	£646	14.4%
April 2015	£105.00	£807	13.0%
April 2020	£118.80	£1,008	11.8%
April 2025	£134.40	£1,259	10.7%
April 2030	£152.05	£1,573	9.7%
April 2035	£172.05	£1,964	8.8%

□ **Table 6: Average amount of Basic State Pension (BSP) received¹⁶**

	Average amount of BSP received per week (2004/5)	Average amount of BSP as a % of the full BSP ¹⁷
Women	£60.85	76%
Men	£74.01	93%
All persons	£65.79	83%

¹³ PPI calculation. Assumes inflation of 2.5% per year and real earnings growth of 2% per year.

¹⁴ This includes only full time employees

¹⁵ ONS (2005) *Annual Survey of Hours and Earnings*

¹⁶ Information provided by the DWP from a 5% sample of administrative records taken March 2005. Excludes increments awarded for deferring the state pension.

¹⁷ Full BSP 2004/5 = £79.60. Figures rounded to the nearest 1%.

□ **Table 7: Proportion of pensioners receiving less than the full amount of Basic State Pension (BSP) as at 31 March 2004¹⁸**

	Pensioners receiving less than the full BSP	Pensioners receiving less than 75 per cent of the full BSP
Men	10.2%	2.9%
Women	50.9%	42.7%

□ **Table 8: Number of working age people¹⁹ who have accrued a qualifying year for the Basic State Pension (BSP) by method of accrual, UK (2002/3)²⁰**

	Number of working age people (millions) ²¹		
	Contributing	Credited-in	Not qualifying
Men	11.4	5.6	2.1
Women	8.8	6.2	2.8
Total	20.2	11.8	4.9
Total as a % of working age people²²	55%	32%	13%

¹⁸ PQ Jim Cousins, House of Commons *Hansard* 17 March 2005 Column 424W

¹⁹ Between the ages 18 to 59 (women) / 64 (men)

²⁰ PPI estimates derived from DWP (2005) *Contributions and Qualifying Years for State Pension 1978/79 to 2002/03*. 'Credited-in' includes people eligible for Home Responsibilities Protection (HRP).

²¹ Figures rounded to the nearest 0.1 million

²² Figures rounded to the nearest 1%

State Second Pension

□ **Table 9:** Average amount of SERPS and State Second Pension received per week in 2004/5²³

	Not including income from contracted-out pensions	Including contracted-out deductions ²⁴
Men	£19.16	£39.44
Women	£8.16	£12.66
Total	£12.29	£22.69

□ **Table 10:** Number of working age people²⁵ accruing entitlement to State Second Pension (S2P) or contracted-out equivalent, UK (2002/3)²⁶

	Number of working age people (millions) ²⁷		
	Contributing	Credited-in	Not qualifying
Men	12.1	1.4	5.7
Women	9.8	2.7	5.5
Total	21.8 ²⁸	4.1	11.2
Total as a % of working age people	59%	11%	30%

²³ DWP (2005) *State pension summary of statistics September 2004*

²⁴ See PPI (2005) *The Pensions Primer*

²⁵ Between the ages 18 to 59 (women) / 64 (men)

²⁶ PPI analysis of DWP (2005) *Second tier pension provision 1978/9 to 2003/4* and GAD 2004-based population projections www.gad.gov.uk/Population/index.asp.

²⁷ Figures rounded to the nearest 0.1 million

²⁸ The total number of people qualifying for S2P through earnings in this table is higher than the total number of people qualifying for the BSP through earnings shown in Table 8 despite qualification being wider for BSP than S2P (for example the self-employed can qualify for BSP but not S2P). This is because figures for S2P include a degree of double-counting where some individuals have had more than one job that qualifies in the same year. These figures are subject to revision in future DWP *Second tier pension provision* releases.

Pension Credit

□ **Table 11: Number of Pension Credit claimants (overall and by component being received), May 2005²⁹**

	Number of claimants by component being received (thousands)			
	Guarantee Credit only	Savings Credit only	Guarantee Credit and Savings Credit	Total Pension Credit
Women	419	338	943	1,699
Men	348	254	379	981
Total³⁰	767	592	1321	2,680

□ **Table 12: Take-up of beneficiaries receiving different types of Pension Credit, May 2005³¹**

Type of benefit	Eligible beneficiaries 2005/6 (thousands ³³)	Actual beneficiaries May 2005 (thousands)	Implied take-up
Guarantee Credit only	1,150	948	82%
Guarantee Credit and Savings Credit	1,850	1,527	83%
Savings Credit only	1,800	786	44%
All Pension Credit	4,800	3,261	68%

□ **Table 13: Average weekly amounts of Pension Credit received by claimants (by component)³⁴**

	All claimants	Guarantee Credit and Saving Credit	Guarantee Credit only	Savings Credit only
November 2003	£43.96	£35.94	£68.58	£9.44
May 2004	£42.31	£37.51	£71.92	£10.04
May 2005	£43.64	£39.88	£75.45	£10.84

²⁹ DWP (2005) Work and Pensions Longitudinal Study www.dwp.gov.uk/asd/tabtool.asp. These figures are for households. Couples who claim Pension Credit are counted once in the table.

³⁰ Results may not sum to totals shown due to rounding

³¹ PPI calculations based on DWP (2005) Work and Pensions Longitudinal Study www.dwp.gov.uk/asd/tabtool.asp and DWP estimates of entitlement

³² A 'beneficiary' refers to both the person eligible and his or her partner. So a couple counts as two beneficiaries.

³³ Figures rounded to the nearest thousand

³⁴ DWP (2005) Work and Pensions Longitudinal Study www.dwp.gov.uk/asd/tabtool.asp

Private Pensions

□ **Table 14: Proportion of working-age people currently accruing³⁵ a non-state pension (2003/4)³⁶**

Age	Women	Men
18 - 29	24%	23%
30 - 39	43%	57%
40 - 49	46%	62%
50 - SPA ³⁷	40%	43%
All	38%	46%

□ **Table 15: Proportion of pensioners receiving an occupational or personal pension (2003/4)³⁸**

	Occupational pension	Personal pension
Single pensioners	55%	6%
Pensioner couples	73%	18%
All pensioners	62%	11%

□ **Table 16: Average amount received by a pensioner from occupational and personal pensions; average of those receiving something more than zero³⁹**

	Average amount received 2003/4 prices (£ per week)			
	Occupational pension		Personal pension	
	Mean	Median	Mean	Median
Single pensioners	£88	£52	£61	£26
Pensioner couples	£176	£118	£84	£37
All pensioners	£129	£76	£76	£31

³⁵ 'Accruing' refers to the building up of rights in a pension scheme

³⁶ PPI analysis of Family Resources Survey 2003/4

³⁷ State pension age (SPA) = 65 for men; 60 for women

³⁸ DWP (2005) *The Pensioners' Incomes Series 2003/4*

³⁹ DWP (2005) *The Pensioners' Incomes Series 2003/4*. Averages do not include pensioners who have no income from occupational or personal pensions.

□ **Table 17: Average size of pension fund used to buy an annuity**⁴⁰

Year	Average pension annuity purchase price
2000	£22,946
2001	£24,382
2002	£22,047
2003	£21,713
2004	£21,459
2005 (Q1)	£23,990

□ **Table 18: Number of occupational pension schemes by status (2004 estimates)**⁴¹

Type of Scheme	Number of schemes by status ⁴²				
	Open	Closed	Frozen	Winding up	Total
Private (DB and DC)	54,000	19,500	16,600	5,800	95,900
Public	264	*	59	*	338
Total	54,300	19,500	16,700	5,800	96,200

□ **Table 19: Number of occupational pension schemes by size and sector (2004 estimates)**⁴³

Scheme size (total membership)	Type of scheme by sector		
	Private Sector (DC and DB)	Public Sector	Total ⁴⁴
10,000+	195	114	309
5,000 - 9,999	216	18	234
1,000 - 4,999	1,220	75	1,300
100 - 999	4,980	65	5,050
12 - 99	9,700	39	9,740
2 - 11	79,600	27	79,600
Total	95,900	338	96,200

⁴⁰ Information supplied by the Association of British Insurers (2005). Estimates are based on the fund used to purchase an annuity, i.e. after any lump-sum available from the fund has been taken.

⁴¹ GAD (2005) *Occupational Pension Schemes 2004*

⁴² * represents less than 10. Results may not sum to totals shown due to rounding. Results are rounded to three significant figures.

⁴³ GAD (2005) *Occupational Pension Schemes 2004*

⁴⁴ Results may not sum to totals shown due to rounding

□ **Table 20: Number of private sector occupational pension schemes by size and type (2004 estimates)⁴⁵**

Scheme size (total membership)	Defined Benefit	Defined Contribution	'Sectionalised' ⁴⁶	Total ⁴⁷
10,000+	129	7	58	194
5,000 - 9,999	129	26	56	211
1,000 - 4,999	694	55	360	1,109
100 - 999	2,800	1,060	621	4,481
12 - 99	4,160	4,440	-	8,600
2 - 11	10,200	65,300	-	75,500
Total⁴⁸	18,100	70,900	1,095	90,095

□ **Table 21: Number of members of occupational pension schemes (2004 estimates)⁴⁹**

Type of membership		Number of members (millions)			
		1991	1995	2000	2004
Active members	Private sector	6.5	6.2	5.7	4.8
	Public sector	4.2	4.1	4.4	5.0
	Total	10.7	10.3	10.1	9.8
Pensions in payment		7.0	8.5	8.2	9.0
Preserved pension entitlements		4.5	7.0	6.7	9.3

□ **Table 22: Contribution rates to private sector schemes by scheme size (as a percentage of salary) in 2004⁵⁰**

Scheme size (total membership)	Weighted average contribution rates (% of salary)					
	Defined Benefit			Defined Contribution		
	Member	Employer	Total	Member	Employer	Total
10,000+	4.1	14.5	18.6	2.8	6.5	9.3
5,000 to 9,999	4.0	12.6	16.6	2.0	3.6	5.6
1,000 to 4,999	4.9	15.0	19.9	2.4	6.4	8.8
100 to 999	4.8	15.4	20.3	3.8	6.0	9.7
12 to 99	4.3	15.0	19.3	2.9	6.6	9.5

⁴⁵ GAD (2005) *Occupational Pension Schemes 2004*

⁴⁶ Sectionalised schemes are those where both Defined Benefit and Defined Contribution pensions are available to members in different parts of the scheme. For example a Defined Benefit scheme may be closed to new members, who are in a Defined Contribution part of the scheme.

⁴⁷ Excludes schemes where type is unknown and public sector schemes

⁴⁸ Results may not sum to totals shown due to rounding

⁴⁹ GAD (2005) *Occupational Pension Schemes 2004*

⁵⁰ GAD (2005) *Occupational Pension Schemes 2004*. Includes schemes where contributions are zero. As these contributions are a proportion of salary, they will include any contracted-out rebate received by the employer/employee.

□ **Table 23: Average voluntary contribution to a private pension as a proportion of National Average Earnings⁵¹**

Year	Excluding contracted-out rebates	Including contracting-out rebates	Of which: Special contributions
1997	6.2%	7.7%	0.2%
1998	7.5%	7.5%	0.2%
1999	6.2%	7.7%	0.3%
2000	6.4%	7.8%	0.4%
2001	6.1%	7.6%	0.3%
2002	6.2%	7.9%	0.5%
2003	7.3%	8.8%	0.8%
2004	7.6%	9.3%	1.1%

□ **Table 24: Amount of money in funded pensions by type of investment (2004/5 prices)⁵²**

Type of investment	Amount of money invested in funded pensions (£ billions)						
	1997	1998	1999	2000	2001	2002	2003
Insurance-company-administered occupational pensions	122	161	196	233	220	206	250
Insurance-company-administered personal pensions	267	316	367	387	373	349	372
Self-administered occupational pensions	775	802	911	847	770	640	709
Total	1,164	1,279	1,475	1,466	1,364	1,195	1,330
% of GDP	122%	130%	145%	139%	126%	109%	118%

⁵¹ PPI calculations based on data from the Inland Revenue and Penneck and Tiley (2005) *Private Pension contributions: updated estimates 1996 - 2004* in Economic Trends no 622, Office for National Statistics. These are lower than the rates shown in Table 22 as they show the average across all members of the workforce and so includes those making no contributions. Includes special contributions, shown separately in column 3.

⁵² PPI analysis derived from ABI (2004) *How much in funded pensions in 2002* and ABI (2005) *Research Update: Money in funded pensions*

□ **Table 25: Estimated costs of tax relief on private pensions (2004/5)**⁵³

Tax relief on:	Estimated cost (£ million) ⁵⁴
<i>Relief paid on contributions into schemes:</i>	
Employees' contributions to occupational pension schemes	£3,600
Employers' contributions to occupational pension schemes	£11,300
Employees' contributions to personal pension schemes	£1,050
Employers' contributions to personal pension schemes	£860
Employees' contributions to Free Standing Additional Voluntary Contribution Schemes	£120
Contributions to personal pensions by the self-employed	£850
Additional relief at the basic rate on National Insurance contracted-out rebates paid to personal pensions	£214
<i>Relief paid on investment returns:</i>	
Investment income of funds ⁵⁵	£2,600
<i>Tax not paid on benefits taken as a lump-sum rather than on income stream:</i>	
Lump sum payments from unfunded schemes ⁵⁶	£300
Total tax relief on private pension contributions	£20,900 (1.8% of GDP)
National Insurance that would have been paid had employer pension contributions been paid as salary	£6,600
Higher tax allowances for pensioners	£2,100
Total relief (1)	£29,600 (2.5% of GDP)
Less tax liable on⁵⁷:	
Pension payments	£8,600
Refunds by funds to employers	£23
Total tax received (2)	£8,600 (0.7% of GDP)
NET TAX RELIEF COST (1 - 2)	£21,000 (1.8% of GDP)

⁵³ HMRC (2005) Tax expenditures and structural reliefs www.hmrc.gov.uk/stats/tax_expenditures/table1-5.pdf HMRC (2005) Approved pension schemes: cost of tax relief

www.hmrc.gov.uk/stats/pensions/7_9_sep05.xls and HMT (2005) GDP deflators at market prices, and money GDP www.hm-treasury.gov.uk/media/9D4/D7/GDP_Deflators_20050928_NA-update_circ.xls

⁵⁴ Rounded to the nearest 100 million

⁵⁵ Assuming relief at the basic rate of tax, which on interest payments is 20% from 1996-97.

⁵⁶ Assuming relief at the basic rate of tax. On the same assumption the cost of all lump sums would be around £1.4 billion for 2004/5.

⁵⁷ Tax liabilities on pensions in payment are the tax on pensions paid in the year, not the tax that might eventually be received on pension paid as a result of contributions made in the year

□ **Table 26: Percentage of total tax relief on individual and employee pension contributions by tax rate (2004/5)⁵⁸**

Marginal income tax rate	Percentage of total tax relief
Higher rate	55%
Those that would be higher rate without the tax relief	5%
Others	40%

⁵⁸ PQ Chris Huhne, House of Commons *Hansard* 31 October 2005 Column 731W

Working and retirement

□ **Table 27: Proportion of people working by age group and sex (2005)**⁵⁹

Year	50 - SPA ⁶⁰		Over SPA	
	Men	Women	Men	Women
1985	69.4	54.7	7.8	6.7
1990	70.0	58.4	8.4	7.6
1995	64.9	60.4	8.0	7.8
2000	68.5	63.9	7.6	8.3
2005	72.3	67.6	9.0	10.3

□ **Table 28: Average retirement ages (2004)**⁶¹

Women	Men
61.6	63.8

⁵⁹ Office for National Statistics (ONS) (2005) *Labour Force Survey 2005*. Spring quarters from each year. Seasonally adjusted. Includes everyone working for one hour a week or more.

⁶⁰ SPA is currently 60 for women and 65 for men

⁶¹ Pensions Commission (2004) *Pensions: Challenges and Choices* page 53

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