

Assessment of compliance with the Code of
Practice for Statistics

Funded Occupational Pension Schemes statistics

(produced by Office for National Statistics)

Office for Statistics Regulation

We provide independent regulation of all official statistics produced in the UK. Statistics are an essential public asset. We aim to enhance public confidence in the trustworthiness, quality and value of statistics produced by government.

We do this by setting the standards they must meet in the [Code of Practice for Statistics](#). We ensure that producers of government statistics uphold these standards by conducting assessments against the Code. Those which meet the standards are given National Statistics status, indicating that they meet the highest standards of trustworthiness, quality and value. We also report publicly on system-wide issues and on the way statistics are being used, celebrating when the standards are upheld and challenging publicly when they are not.

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Summary

- 1.1 The Office for National Statistics (ONS) asked the Office for Statistics Regulation (OSR) to assess its [Funded Occupation Pension Schemes \(FOPS\) statistics](#). In requesting this assessment, the Financial Data Sources (FDS) pension statistics team at ONS is demonstrating its commitment to further developing the statistics so that they meet the standards required for National Statistics and the Code of Practice for Statistics. Our assessment has found widespread good practice in the development and production of these statistics. We have identified two actions for ONS to fulfil in order for FOPS statistics to be designated as National Statistics. ONS has committed to implement these by the end of October 2022.

Background

- 1.2 ONS FDS pensions statistics team has worked extensively on the production of [Funded Occupational Pension Schemes \(FOPS\) statistics](#), first released in January 2021. The source of data for these statistics is the newly developed [Financial Survey of Pension Schemes \(FSPS\)](#) which replaced the [MQ5 Pension Funds Survey \(PFS\)](#) which ceased in March 2019. The purpose of FSPS development was to move the MQ5 PFS survey online, future proof the questionnaire to ensure the latest International National Accounts standards were being met and to improve the quality of results produced.
- 1.3 The Financial Survey of Pension Schemes (FSPS) is a quarterly survey that collects data on income and expenditure, transactions, assets and liabilities of UK funded occupational pension schemes. FSPS groups funded occupational schemes into two types:
- Defined Contribution¹ (DC)
 - Defined Benefit or Hybrid Schemes² (DBH)
- 1.4 All occupational pension schemes for the private sector are included as are funded public-sector schemes such as the Local Government Pension Scheme. However, the survey does not cover all occupational pension schemes for public sector employees, such as unfunded schemes for civil servants, teachers and NHS staff and personal (contract-based) pensions provided by insurance companies.
- 1.5 ONS replaced the MQ5 Pension Funds Survey (PFS) with the FSPS from Quarter 2 (April to June) 2019. The survey is designed to monitor changes in pension schemes' financial flows and balances. It is also designed to track changes over longer periods, for example the shifts in UK pension provision in the early 2000s from Defined Benefit (DB) to Defined Contribution (DC) pensions. In addition to the data collected previously in the PFS, the FSPS collects data on membership, which is vital for pension policy analysis.
- 1.6 Over a period of [redevelopment](#) between February 2018 and May 2019, ONS worked with pension experts to understand the data requirements of users and how it could meet these. These experts included:
- Department for Work and Pensions (DWP)

¹ A defined contribution (DC) pension is one in which the benefits are determined by the contributions paid, the investment return on those contributions (less charges) and the type of annuity purchased upon retirement, if any.

² DBH is the total of defined benefit (DB) pensions in which the rules of the scheme specify the rate of benefits to be paid, and hybrid pensions where members have either a choice, or mixture, of DB and DC pension entitlements.

- The Pensions Regulator (TPR)
 - Financial Conduct Authority (FCA)
 - Debt Management Office (DMO)
 - Pensions and Lifetime Savings Association
- 1.7 This redevelopment work allowed for the addition of more-detailed questions, which has enabled improved granularity of the statistics such as:
- separate estimates for funded public sector employee pension schemes and private sector employee pension schemes
 - separate estimates for DBH pensions and DC pensions
 - a “look-through” for large investment portfolios that are funded by several investors (pooled investment vehicles) so users can see the asset allocations of pension schemes investing through such vehicles
- 1.8 The survey is now more user-friendly, and the sample size has increased to cover all large occupational funded pension scheme providers as well as a representative sample of smaller schemes. Survey redevelopment included cognitive testing to minimise the possibility that survey respondents who input pension fund data misinterpret the questions. The pension statistics team worked closely with respondents to assist them in completing the new online survey. This has allowed ONS to build good relationships with respondents, improving the quality of returned data and increasing the response rate.
- 1.9 The team has worked closely with TPR to assure the quality of the frame that ONS uses to select its sample. The TPR publication provides a snapshot of the landscape of occupational DC trust-based pension provision in the UK, including information on the number of schemes, membership and total assets. However, the wider scope of the FSPS results in larger estimates than in the TPR publication and estimates in the TPR publication are not directly comparable to FSPS given the different treatment of “hybrid” arrangements (when members may receive both DB and DC benefits, or the scheme offers both types of benefit). TPR’s estimates also refer to schemes with 12 or more members. The [Pensions Protection Fund Purple Book](#) statistics published by the Pension Protection Fund are not directly comparable with FSPS DB estimates given the differing purpose and therefore methods for calculating balances. The Purple Book provides yearly data and analysis on the UK DB pension landscape which follows the same trends as Funded Occupational Pension Scheme (FOPS) statistics.
- 1.10 The focus of this review is on FOPS statistics and the FSPS. ONS also collects related pensions information from employers using the Annual Survey of Hours and Earnings (ASHE) and from households using the Wealth and Assets Survey (WAS).

Quality of the UK Funded Occupational Pension Schemes statistics

- 1.11 As a result of redevelopment work, users have reported a significant improvement and greater confidence in the quality of the statistics compared with the previous MQ5 PFS survey. ONS now uses TPR’s register of UK funded occupational pension schemes as the sampling frame for FSPS. This no longer requires the 22% uplift to account for under-coverage of the population that was present in the previous sampling frame, the Pension Funds Online list. From the sampling frame, schemes are now split into DBH or DC schemes. The sample design ensures that

DBH schemes with more than 100,000 members and DC schemes with more than 25,000 members are fully covered and required to complete the survey every quarter. For the remaining smaller schemes, a sample is selected at random to represent the population. The sample is fixed for 18 months to ensure that the selected sample is representative of all schemes.

- 1.12 The pension statistics team has established good working relationships with pension fund managers and despite the challenge of survey response during the COVID-19 pandemic, the response rate remained high. As the smaller pension scheme sample is changed every 18 months, it is important that ONS supports the newly sampled schemes in understanding what information is required from them.
- 1.13 The survey questionnaire now includes automated error messages on mistakes such as missing data and errors in sums. This approach also improves efficiency as errors are detected instantly without the pensions team having to follow up. Other automated validation checks take place once respondents have completed the survey and any issues are queried. The ONS Secure Data Collection system allows the team to communicate easily with respondents in order to receive revised returns quickly, ensuring the timeliness of FOPS publication. Automated processes are also used in producing the statistics, for example, to convert raw data into a weighted sample and run disclosure checks, whilst thorough desk notes and well-documented code make the end-to-end process of production replicable.
- 1.14 ONS has published [Quality and Methodology Information](#) which explains to users the strengths and limitations of the data, the methods used, and the data uses and users. The publication allows users to better understand any limitations of the data and form conclusions on whether the information is appropriate for their specific use.

Public value of Funded Occupational Pension Schemes statistics

- 1.15 ONS publishes FOPS statistics quarterly around six months after the end of the reference period. The primary purpose of these statistics is to provide data that are used in the UK National Accounts and UK Balance of Payments.
- 1.16 The FOPS is used to collect data on income and expenditure, transactions, assets and liabilities of FOPS. Due to issues with the Central ONS Repository for Data (CORD) data processing platform, ONS is currently able to use only income and expenditure data in the National Accounts and not data on transactions, assets and liabilities. The annual National Accounts 2022 update will allow these further data to be implemented, with ONS expecting the first National Accounts dataset to use these data being published in September 2022.
- 1.17 As well as being used in the UK National Accounts, FOPS data also feed into the Organisation for Economic Co-operation and Development's (OECD's) [internationally comparable National Accounts](#). The pension statistics team has also provided data to OECD for inclusion in its [Pensions in Focus publication](#). The team attends annual working parties on financial statistics and private pensions. At the financial statistics working party the team provides insight to international National Accounts on the UK's best practice by presenting FOPS statistics and FOPS developments.

- 1.18 ONS has a data sharing agreement and regular conversations with DWP to help fulfil DWP's requests for different aspects of FSPS data, such as the countries that schemes are investing in, and which pension schemes are investing in the UK. The pensions statistics team works closely with DWP to establish where the FSPS can aid in providing vital information to inform on policy decision making.
- 1.19 FOPS statistics are used to assess and evaluate government policy on investments and pensions. For example, DWP uses FOPS statistics to evaluate the effectiveness of policy to [incentivise DC schemes to invest more in illiquid assets](#). HM Revenue and Customs (HMRC) also uses FOPS statistics for evaluating the tax relief on extra payments made to reduce the shortfall of funding in a pension scheme. These statistics are also important for the Bank of England to monitor the financial stability of non-banks within the financial sector.
- 1.20 FSPS data are also used in the compilation of other statistics such as in HMRC's [Personal and Stakeholder Pension statistics](#), ONS's [Public Sector Finances](#) and [OECD's Pension Markets in Focus release](#).
- 1.21 FOPS statistics are also valuable to academics and less-specialist users. Research into investment strategy and cross-country pension comparisons are aided by these statistics. Headline figures have been picked up by pension-focused media outlets especially around contribution trends.

Future developments

- 1.22 The pension statistics team is keen to extract more information from the FSPS and publish data on a more regular basis or publish more explanatory articles of results from the survey. For example, users are interested in data on investment income and transactions, UK Gilt holdings and the underlying funds in which pension schemes invest, such as, large investment portfolios that are funded by several investors (pooled investment vehicles).
- 1.23 Users highlighted to us that they would like to see the following information published in FOPS statistics:
- Pension pot per person and active membership information such as an explanation to users for what a growing or shrinking pension pot means per active member
 - Long-term performance of schemes in providing returns to members
 - Costs and expenses (admin or investment) of pension schemes arising over time
 - The benefits of different schemes, such as, income or lump sum withdrawals
 - The types of assets (infrastructure) being invested in and where the investment is being made (for example, in which country)
 - Further breakdowns on what is happening with membership and contributions in different income bands, age groups, industries and sectors
- 1.24 Some users are interested in long-term changes in pension membership and contributions. The bulletin provides insight about the trends within pension schemes, especially the change away from DB schemes towards DC schemes. However, with the redevelopment of the survey, a consistent time series including the old MQ5 PFS is not currently possible. This is due to the large differences in the sample, the balance of questions asked and ONS minimising respondent burden – as the FSPS was started part way through the year, the team was not

allowed to despatch an annual MQ5 PFS which could have been used to align the quarterly series and make direct comparisons. Further work on specific lines of data may allow users to draw insight from long-term trends. ONS would need to clearly articulate the strengths and limitations of any such series to minimise the risk of misleading conclusions being drawn.

- 1.25 Several users told us that they were particularly interested in the risks associated with pension liabilities and more widely the systematic risk (if the pressure to improve returns leads to greater risk taking) to the UK banking system. To meet these user needs and future international standards from potential changes to the [Balance of payments and international investment position manual \(BPM6\)](#), ONS would need to collect additional breakdowns of data on financial derivatives³, which are used for market risk management. We understand this is not a development that can be achieved in the short term, but user engagement must be at the heart of this development to understand the information needs of users.

Adding value by responding to users' needs for publishing FSPS data

- 1.26 ONS excelled in its user engagement in the [redesign phase](#) of the FSPS. Collaboration with both pensions experts and respondents to the survey has resulted in a survey that is now less burdensome for respondents to complete and more suited to collecting the key information users are looking for. Users attested to the responsiveness and helpfulness of the pension statistics team in answering questions and explaining the trends within the data. The team has built strong working relationships with users such as DWP and OECD. For example, the team meets DWP every six weeks to discuss the trends shown in the data and to answer questions relevant to policy decisions. This means ONS has a strong understanding of the data that DWP requires.
- 1.27 As a result of user engagement, ONS has improved the presentation of the FOPS statistical bulletin to meet users' needs so that the March 2022 bulletin now separates clearly the three types of FOPS: private sector DC schemes; private sector DBH schemes; and public sector DBH schemes.
- 1.28 User engagement must go further to guide a plan for developments within the statistics. The pension statistics team has a lot of development ideas. However, these plans are not published or clear to users. Having a clear plan that is also transparent about improvements that are not currently possible, will clarify to users what additional value they may be able to get from the statistics in the future. This plan should be user-led and a result of engagement to understand what developments would be most valuable to users. This is especially important as staff resource limitations in the pension statistics team means that at present not all FSPS data are published. The current pension statistics team consists of three members of staff with posts to be filled. Due to unfilled staff vacancies, the team doesn't have the capacity to realise the full public value of FOPS statistics and is likely to struggle to meet the needs of key users from DWP and OECD, as well as assure the quality of new data and deliver more data to National Accounts.

³ Financial instruments that are linked to another specific financial instrument, indicator or commodity and through which specific financial risks can be traded in their own right in financial markets

- 1.29 Currently the pension statistics team responds individually to user ad hoc requests for data which is time consuming and only beneficial to certain sets of users. Instead, the team should look to prioritise publishing the data that maximises value for a wide range of users. ONS should work with users to understand common themes from their requests to help in drawing up a list of FOPS developments. Working with users, the pensions statistics team should prioritise what datasets are produced and what the focus of the bulletins should be.
- 1.30 ONS has so far shown flexibility within its resourcing by temporarily transferring staff from the insurance company survey team to fill gaps during staff changeover, but this is not sustainable in the longer term.
- 1.31 Structural changes within ONS may help in providing extra resource to the pension statistics team. FSPS is one of many financial surveys that feed into ONS Financial Accounts. In response to reviews in [2014](#) and [2016](#) that highlighted a need for an improvement in ONS Financial Accounts, the pension statistics team proposes to work more closely with the Financial Sector Accounts and International Development team, to become Economic Statistics Production and Analysis, which could help to fulfil some of the pension statistics team resource requirements.
- 1.32 It is clear there is a mismatch between the public value available to be delivered and the resources of the team to maximise that value. ONS must ensure that there is sufficient resource in the pension statistics team to extract more value from the FSPS and deliver more data on transactions, assets and liabilities to National Accounts.

Requirement 1 – ONS needs to deliver key insights that serve the public good, such as breakdowns of the types and locations of assets that pension funds are investing in and to ensure that it can respond effectively to new user demands.

Requirement 2 – ONS should work with key stakeholders to establish and be open about a work programme for its priorities for Funded Occupation Pension Scheme statistics development.

