

Dormant pension pots: a projection of their future number and value

July 2012

Background

From October 2012, employers will be required to automatically enrol eligible workers into a qualifying workplace pension scheme. Combined with a highly mobile jobs market, it is anticipated that many individuals will save into their employers' pension scheme for only a short period before changing jobs – resulting in a large number of dormant pension pots.

This ad-hoc statistical release presents the Department's latest projection of the total number of dormant workplace DC pension pots (i.e. those to which the individual is no longer contributing), and the value of pension savings within these pots, that will exist in the UK pension system under current policies.

The figures are estimated using the Department's Pensim2 model, a dynamic micro-simulation model used by the Department to project pensioners' incomes, and used to inform much of its work on pension reform. Note that the results presented here represent the results of modelling by the Department's analysts and do not constitute official statistics.

Results

On current policies, it is projected that by 2050:

- There will be an estimated 49.6 million dormant workplace DC pension pots in the UK pension system.
- The value of pension savings in dormant workplace DC pension pots will total an estimated £757 billion (in 2012 earnings terms).

Notes:

1. Estimated using Pensim2, DWP's dynamic micro-simulation model.
2. Volumes are rounded to the nearest 0.1 million, and monetary values to the nearest £1 billion.
3. The figures do not account for the combination of pots through voluntary transfers, but do include the removal of pots through annuitisation and death.
4. Figures relate to individuals of working-age (16-67)

5. The value of savings in dormant workplace DC pension pots is dependent upon a number of assumptions, including frequency of job changes, participation in workplace DC pension schemes, the level of contributions to pension schemes, earnings and fund growth and pension scheme charges.
6. The figures in the table include all dormant pots, some of which are of considerable size. Due to the presence of large pots the mean pot size in any given year is larger than the median, reflecting the skewed distribution of pot sizes.
7. The Government has recently consulted on how it and the pensions' community can work together to address the proliferation of small dormant pension pots expected under current policies. It's response to the consultation can be found via the link below:
<http://www.dwp.gov.uk/consultations/2011/small-pension-pots.shtml>.

Contact Details:

Nik Percival
Private Pensions Policy and Analysis
Department for Work and Pensions
E-mail: Niklas.Percival@dwp.gsi.gov.uk

Press enquiries should be directed to the Department for Work and Pensions press office:

Media Enquiries: 0203 267 5129

Out of hours: 0203 267 5144

Website: www.dwp.gov.uk

Follow us on Twitter: [www.twitter.com/dwppressoffice](https://twitter.com/dwppressoffice)