



Provision of survivors' benefits in private sector Defined Benefit occupational pension schemes

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The survivors' benefits survey gathered information on the provision of survivors' pension benefits in Defined Benefit (DB) and Hybrid occupational pension schemes across the UK. Information from the research has been used to inform the Review of survivor benefits in occupational pension schemes.

A 20-minute telephone survey was conducted with 219 DB and Hybrid schemes between 31 October and 29 November 2013 by IFF Research Ltd using Computer Assisted Telephone Interviewing (CATI). The survey was designed to achieve useable sample sizes in each of the size bands, from which data could then be weighted to reflect the UK DB and Hybrid pension scheme universe. Schemes were selected from The Pensions Regulator's (TPR) database of schemes using a stratified random sampling approach.

The universe of UK pension schemes as documented by the TPR sampling frame shows that small schemes with 12 to 99 members represented a third (31 per cent) of schemes, just under half of schemes (46 per cent) were medium in size (with 100 to 999 members) and a fifth (23 per cent) were large or extra-large schemes (1,000 or more members). Among the schemes sampled, a quarter (25 per cent) were not contracted out and three-quarters (75 per cent) were contracted out. The majority of schemes represented by the research were not open to new members, with almost two thirds being closed to new entrants (59 per cent) and

a quarter being paid up or frozen (26 per cent). Schemes open to new members accounted for seven per cent of schemes.

A key objective of the research was to ascertain the proportion of schemes that provide survivor benefits, that have differences in the way those survivor benefits are calculated and the period of accruals that are taken into account.

The survey found that 95 per cent of all schemes questioned provided any survivors' benefit.

The proportion of schemes with differences in entitlement is as follows:

- one per cent of schemes that provided survivors' benefits and had benefits accrued prior to 1990 had a difference in the way survivors' benefits were typically calculated for widows and widowers of an opposite sex marriage before 1990 (equating to 28 schemes on a grossed up weighted basis);
- 27 per cent of schemes that provided survivors' benefits to civil partners and had benefits accrued prior to 2005 had a difference in the way benefits were typically calculated between those in a civil partnership and those in an opposite sex marriage (equating to 1,334 schemes on a grossed up weighted basis);
- of those 27 per cent of schemes, two-thirds (65 per cent) said this difference was when calculation of survivors' benefits for those in a civil partnership accruals before 2005 were not taken into account.

Within those schemes that had differences in entitlements, there were no variations by scheme size. However, contracted out schemes were more likely to have a difference in entitlement for widow and widowers in an opposite sex marriage compared to those in a civil partnership.

Where benefits were provided, the accrual rate (the rate at which benefits were built up while a member of a DB or Hybrid pension scheme, typically expressed as a fraction), was most commonly calculated in 60ths (59 per cent of all schemes). In terms of the percentage of the full pension that survivors received on the death of the member, the majority of schemes (79 per cent) pay out 50 per cent to survivors. In some cases the amount of survivors' benefits paid out to survivors on the death of a member can be reduced or stopped altogether if certain conditions are met. The age difference between individuals in a marriage was by far the most commonly cited restriction, by seven in ten schemes (70 per cent), and this was more prevalent in large/extra-large schemes (79 per cent) than in small schemes (58 per cent). The length of a marriage acted as a restriction in one in six schemes overall (16 per cent) and this was most prevalent in extra-large schemes, with 10,000 or more members (43 per cent), compared to small schemes (15 per cent), medium schemes (12 per cent) and large schemes (14 per cent).

Looking at the overlap between schemes with each of the four areas of differential provision, three-quarters of all schemes (74 per cent) did not have any of those differences in provision (higher among schemes that were not contracted out). A fifth of all schemes (19 per cent) had one area of differential benefit provision, and a minority of schemes provided different entitlement in two (five per cent) or three (two per cent) areas.

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