

Statistical bulletin

Funded occupational pension schemes in the UK: July to September 2022

Financial Survey of Pension Schemes (FSPS) results including membership, income and expenditure, transactions, assets, and liabilities of pension schemes.



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1 . Main points

- The market value of private sector defined benefit and hybrid (DBH) pension schemes fell by 12% between 30 June 2022 and 30 September 2022, from £1.45 trillion to £1.28 trillion; the combined market value of private sector defined contribution (DC) and public sector DBH pension schemes decreased by 1%.
- There was a larger percentage fall in the market value of both private sector DBH (15%) and combined private sector DC and public sector DBH pension schemes (6%) between 31 March 2022 and 30 June 2022.
- Greater exposure to rising gilt yields, including through liability driven investment (LDI), explains the larger percentage fall in private sector DBH pension schemes' market value over Quarter 2 (Apr to June) and Quarter 3 (July to Sept) 2022.
- Gilt yields rose in Quarter 2 and Quarter 3 2022, including sharply near the end of September, but have fallen since; the 10-year gilt yield rose from 1.63% on 31 March 2022 to 2.29% on 30 June 2022 and further to 4.10% by 30 September 2022, peaking by mid-October (4.54%) and falling to 3.73% by the end of 2022.
- LDI pooled fund holdings as a proportion of total pooled investment vehicles (PIVs) by schemes known to invest in LDI PIVs has been falling since 31 December 2021; they fell from 27% to 24% between 30 June 2022 and 30 September 2022.
- The membership by benefits type for funded occupational pension schemes is published for the first time today.

2 . The market value of UK funded occupational pension schemes

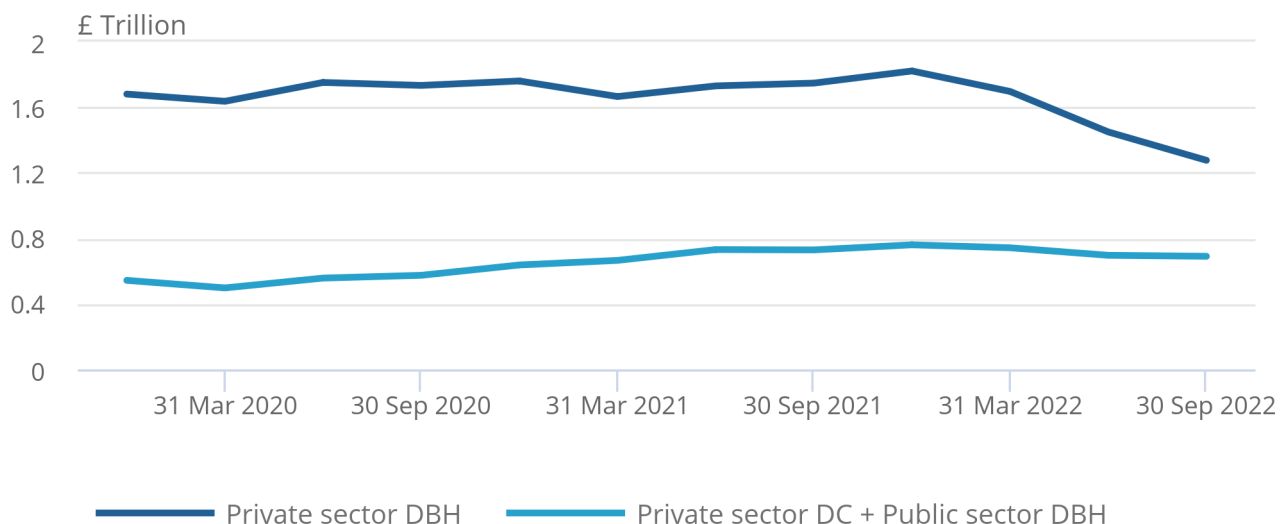
The market value of pension schemes includes all assets, the net value of derivative contracts that schemes have invested in, and liabilities other than pension benefits owed to members.

Figure 1. The market value of private sector defined benefit and hybrid pension schemes fell from £1.45 trillion to £1.28 trillion between 30 June 2022 and 30 September 2022

Market value, private sector defined benefit and hybrid pension schemes, public sector defined benefit and hybrid pension schemes and private sector defined contribution pension schemes combined, £ trillion, 31 December 2019 to 30 September 2022

Figure 1. The market value of private sector defined benefit and hybrid pension schemes fell from £1.45 trillion to £1.28 trillion between 30 June 2022 and 30 September 2022

Market value, private sector defined benefit and hybrid pension schemes, public sector defined benefit and hybrid pension schemes and private sector defined contribution pension schemes combined, £ trillion, 31 December 2019 to 30 September 2022



Source: Financial Survey of Pension Schemes from the Office for National Statistics

Notes:

1. Private sector DBH is private sector defined benefit and hybrid pension schemes.
2. Private sector DC + Public DBH is combined public sector defined benefit and hybrid and private sector defined contribution pension schemes.

Between 30 June 2022 and 30 September 2022, the market value of private sector defined benefit and hybrid (DBH) pension schemes fell by £173 billion (12%). Over the same period, the combined market value of private sector defined contribution (DC) and public sector DBH pension schemes fell by £6 billion (1%).

Between 31 March 2022 and 30 June 2022, there were large falls in the values of both private sector DBH pension schemes (15%) and combined private sector DC and public sector DBH pension schemes (6%).

During 2022, challenging market conditions and rising interest rates in the UK and globally have affected the market value of pension schemes. For instance, the 10-year gilt yield rose from 1.63% on 31 March 2022 to 2.29% on 30 June 2022 and further to 4.10% by 30 September 2022. See the [Bank of England yield curve overview](#) for more information. Bond (gilt) yields hold an inverse relationship to their price, meaning an increase in yield is also a fall in price. Global stock markets performed particularly poorly during Quarter 2 (Apr to June) 2022. The FTSE all-share (shown on the [London Stock Exchange overview](#)) UK equity index fell by 6% and the [S&P 500](#) (shown in the S&P Dow Jones Indices) US equity index dropped by 16% over Quarter 1 (Jan to Mar) 2022. Over Quarter 3 (July to Sept) 2022, both indices fell by 5%. UK funded occupational pension schemes hold more direct investments in US equities than in UK equities.

Private sector DBH schemes saw the largest falls in market value over Quarter 2 and Quarter 3 2022. These schemes have greater exposure to gilts than the other scheme types, partly in relation to liability driven investment (LDI) strategies. This means that private sector DBH schemes are more sensitive to changes in the price of gilts.

For private sector DBH pension schemes, the main contributors to the fall in market value between 30 June 2022 and 30 September 2022 were falls in the value of direct investment assets (gilts, corporate bonds, and equities). Furthermore, the value of pooled investment vehicles (PIVs) fell by £71 billion and the net negative derivatives balance increased by £19 billion over the same period.

Cash and cash equivalents and receivables assets increased by £35 billion for private sector pension schemes between 30 June 2022 and 30 September 2022. This reflects schemes' need to raise cash to fund margin calls on LDI related investments after a fast rise in gilt yields during late-September 2022.

3 . Assets

Direct investments

Gilts

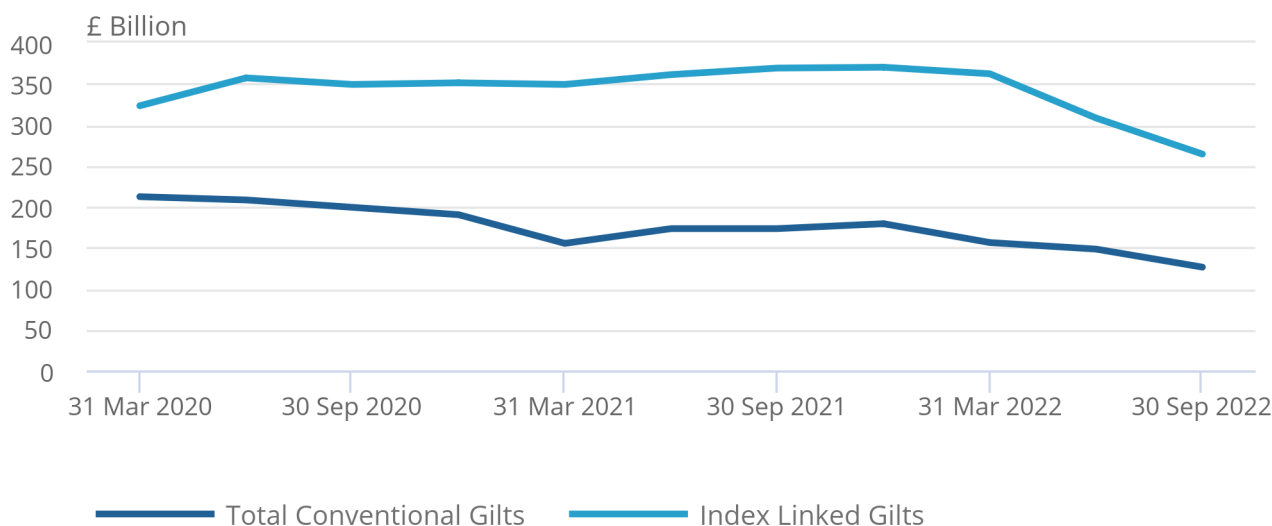
Within direct investments, gilt holdings (UK government bonds) were the biggest reason for the fall in the market value of private sector defined benefit and hybrid (DBH) pension schemes between 30 June 2022 and 30 September 2022.

Figure 2. Direct investment total gilt holdings for private sector defined benefit and hybrid pension schemes fell by £65 billion between 30 June 2022 to 30 September 2022

Direct gilt holdings, private sector defined benefit and hybrid pension schemes, £ billion, 31 March 2020 to 30 September 2022

Figure 2. Direct investment total gilt holdings for private sector defined benefit and hybrid pension schemes fell by £65 billion between 30 June 2022 to 30 September 2022

Direct gilt holdings, private sector defined benefit and hybrid pension schemes, £ billion, 31 March 2020 to 30 September 2022



Source: Financial Survey of Pension Schemes from the Office for National Statistics

The fall in gilt holdings in Quarter 2 (Apr to June) 2022 and Quarter 3 (July to Sept) 2022 is a combination of a fall in the price of gilts because of their higher yields and the sale of gilts held by pension schemes. UK gilt yields increased over Quarter 2 and Quarter 3 2022, which partially reflects rising interest rates over the quarter. Figure 2 indicates that index-linked gilts have had a larger sell-off than conventional gilts. This may be because of the order in which trustees sell assets to fund margin calls related to liability driven investment (LDI) strategies. After using excess cash, a pension scheme requiring funds for collateral calls may then sell gilts held outside the LDI mandate.