Lost Pensions 2024

Pensions Policy Institute

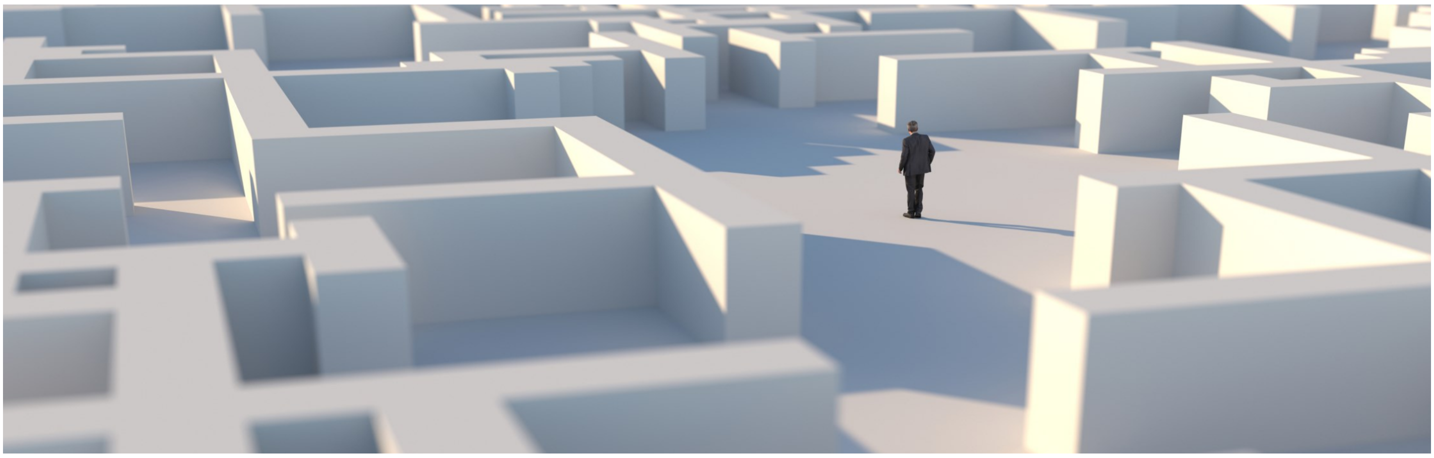
PPI Briefing Note Number 138

Introduction

This Briefing Note contains the results of the 2024 edition of the Lost Pensions Survey. This research is conducted by the PPI, supported by the Pay Your Pension Some Attention campaign, with the Association of British Insurers (ABI) and the Pensions and Lifetime Saving Association (PLSA). There have been two previous lost pots surveys undertaken by the PPI, in 2018 (Briefing Note 110 Lost pensions: what's the scale and impact?) and 2022 (Briefing Note 134 Lost pensions 2022: what's the scale and impact?). These surveys have allowed us to understand the scale and progression of this problem. We have updated these figures with new fieldwork, which took place in September 2024. This reveals the most recent trends around the issue of lost pots, and comes at a time when policy initiatives such as pensions dashboards, default small pot consolidators and automatic enrolment reform may soon be implemented or considered, which may attempt to directly address the issue, or have an indirect effect on lost pots.

This briefing note explores:

- How have the number and value of lost pensions changed, as compared to previous surveys?
- Have schemes' definitions or processes relating to lost pensions changed over this period?
- How may current and future policy developments alter the lost pensions landscape and how may this impact retirement outcomes?



Key findings:

- There are now an estimated 3.3 million lost pots, containing £31.1 billion worth of assets.
- The average size of a lost pot is highest among the 55-75 age group, at £13,620.
- The average size of lost pots among the 75+ age group has reduced from £12,190 in 2022 to £6,540 in 2024.

What is a lost pot?

A pension pot is considered lost when the pension provider who administers it is unable to contact the saver who owns it. The exact criteria for considering a pot owner to be uncontactable will vary from provider to provider, but it will generally involve not having heard from the owner within a certain time, or discovering that the details held for the owner are out of date, leaving the provider with no means of contacting them.

The PPI Lost Pensions Surveys use the term "gone away" in the questionnaire, which most providers consider to mean that written communication has been sent and subsequently returned as "not at this address" or "return to sender".

Why do pots get lost?

Over a long career, a saver may work for many different employers, and accumulate many pension pots as a result. These may often be small pots from short employment tenures. Having many small pots, from a long time ago, which may seem insignificant at the time with retirement being far away and the size of a given pot being relatively small, make it easy for a saver to forget and lose track of the details of the pension provider. If a saver moves house, the saver may not update the provider with their new address. With the saver not being able to find the details of their pot, and the provider having no valid way to contact the saver, there is currently no easy way for the pot to be reunited with its owner.

There are several steps that a saver can take to trace their pot. If the employer associated with that pot is still active, the saver may just need to contact their old employer. However, even if this is not possible, there are pension tracing services, both private and government operated. The steps a saver can take are detailed at www.pensionattention.co.uk. Providers also conduct extensive tracing efforts for some customer cohorts to try to update their contact details.

Figures

In the right hand column are the results of this year's survey, along with results from previous surveys in 2018 and 2022. Discussion of significant findings within the data are given in the following section.

Table 1: Number of gone away pots

Age group	2018	2022	**2024**
under 55	1,050,760	1,836,160	**2,256,060**
55-74	432,080	743,350	**951,927**
55-65	--	561,000	**749,610**
66-74	--	182,360	**202,310**
75+	137,340	93,060	**79,320**
all	1,620,180	2,803,650	**3,287,560**

Table 2: Percentage considered gone away (%)

Age group	2018	2022	**2024**
under 55	6	**9**	**7**
55-74	5	**8**	**8**
55-65	--	**8**	**8**
66-74	--	**12**	**11**
75+	6	**19**	**16**
all	5	**9**	**7**

Table 3: Assets held in gone away pots (£Bn)

Age group	2018	2022	**2024**
under 55	9.96	13.6	**17.6**
55-74	6.54	11.9	**13.0**
75+	2.9	1.1	**0.5**
all	19.4	26.6	**31.1**

Table 4: Proportion of assets held in gone away pots (%)

Age group	2018	2022	**2024**
under 55	4.0	4.8	**4.4**
55-74	5.2	4.3	**4.2**
75+	5.5	14.4	**6.2**
all	4.5	4.7	**4.3**

Table 5: Average lost pension size

Age group	2018	2022	**2024**
under 55	£12,570	£7,400	**£7,820**
55-74	£13,160	£16,000	**£13,620**
75+	£7,080	£12,190	**£6,540**
all	£12,670	£9,470	**£9,470**

Table 6: Lost pots size as a proportion of all pots size (%)

Age group	2018	2022	**2024**
under 55	84	54	**65**
55-74	65	52	**51**
75+	50	76	**39**
all	78	50	**60**

Table 7: average size of lost pot by gender, and average lost pot size as a proportion of average pot size for that gender

Gender	Lost pot size - 2022	Proportion of average pot size - 2022	**Lost pot size - 2024**	**Proportion of average lost pot size - 2024**
Women	£6,440	75%	**£6,900**	**62%**
Men	£10,720	73%	**£11,330**	**58%**

Implications for adequacy

One of the most significant findings is that in the 55-74 age group, the average size of a lost pension is £13,620. This is significant because this group faces immediate adequacy concerns, and because they are close to retirement, there are relatively few other options for improving their retirement outcomes when compared to younger demographics. It is therefore particularly important to reunite these pots with their owners as they may have a particularly significant impact on retirement outcomes.

This group faces adequacy concerns because they entered the workforce during the decline of Defined Benefit pensions, but will also retire too late to be fully served by automatic enrolment. From 2024, retirement adequacy levels for new retirees will start declining, and continue declining until 2040.[1, 2,]

There are relatively few options for improving the retirement outcomes of this group. For younger groups, the government can improve their retirement outcomes more significantly by raising the minimum contribution rates required by automatic enrolment. However, this would have relatively little impact on those closest to retirement, as they will not be working for much longer.

The overall amount of money saved by the owners of these lost pots is not known and difficult to ascertain, as their pots are likely to be distributed across multiple providers. Some may have very little saved, and a five-figure pot would represent a very large proportion of the money they have saved in any pots, lost or not. Others may have several pots that are the same size or larger. Furthermore, regardless of their total savings, it also cannot be determined whether they have more lost pots at other providers. This makes it difficult to understand the degree to which reuniting lost pots with their owners will have an impact on retirement adequacy.

However, when put in the context of increasing contribution rates to improve adequacy, this sum of money represents a significant potential improvement for an average person in this age group. According to the Office for National Statistics (ONS), the median salary for someone in their sixties is £33,852.[3] If contribution rates were raised from 8% to 16%, the extra 8% of contributions would need 5 years to accumulate this £13,620. For this reason, it is particularly important to reunite savers who are nearing retirement with their lost pots, as they may contain sums which are comparable to the extra savings they stand to gain from other policy interventions to improve retirement adequacy.

Implications for Automatic Enrolment Reform

While it has always been possible to lose a pot, the creation of new lost pots will largely be a result of people being enrolled in a pension scheme automatically. However, automatic enrolment is overall viewed by many as a particularly successful policy. It has brought large numbers of people into pension saving by successfully enrolling most eligible savers, and means that a large proportion of workers are now saving more than they otherwise would have been. This success means that policy makers seek to build on this initial success by widening the scope of the policy. The 2017 Automatic Enrolment Review[4] made several recommendations, such as raising contribution rates to achieve higher levels of retirement adequacy, and expanding the criteria for eligibility, particularly by including younger workers and low earners. This would improve the retirement outcomes of many people and is widely supported. However, in the absence of any policy interventions to address lost or small pots, an unfortunate side effect of expanding the scope of automatic enrolment would also be to exacerbate these problems.

How can the issue be solved?

As the lost pots issue has been identified as an issue for several years, several different initiatives exist in various stages of development to mitigate it, either by reuniting existing lost pots with their owners, or by reducing the number that get lost in the first place. Providers can work with their members or with each other, and the government is developing initiatives which are described below.

What are providers doing?

On a provider-by-provider basis, it seems that the procedures for tracing the owners of lost pots remains largely the same as they were in 2022 – providers will repeatedly attempt to contact lost pot owners, possibly through third party tracing services, at regular intervals, as long as there is sufficient data to do so. The providers will repeat tracing exercises at regular intervals, with only a limited number of conditions for stopping, such as notification of the owner's death.

Providers may also individually, or collectively, appeal to savers to engage and find their own lost pots. The Pay Your Pension Some Attention Campaign aims to make savers aware of the issue and guide them through the process of ensuring they have the details of their pension pots and tracing any that have been lost. This initiative has been underway for several years and is funded by a large proportion of the pensions industry.

We see that the percentage of pots that are lost among the under 55 age group has decreased, and stayed the same in other age groups. This suggests that this campaign may be working, although the evidence from the PPI Lost Pensions Survey for this is not enough to be conclusive.

We also see that the size of lost pots in the 75+ age group has decreased significantly, which could indicate that an increased awareness of lost pots may lead retirees to trace valuable lost pots even in retirement. However, this could also be because, given the timeline of automatic enrolment, we are now seeing an influx of smaller pots from people who were automatically enrolled just before retirement and are now over 75, while those savers with larger pots that predate automatic enrolment may have died or be assumed dead so that their pots are no longer considered lost.

What are the government doing?

Another initiative, organised by the government, is the Pensions Dashboards Programme. The aim of this programme is to enable savers to see all of their pots in a single place, without having to remember the details of these pots. To achieve this, all pension providers need to make their data available in a particular format, so that interfaces for this data can be built that would give a saver a "dashboard" showing where their pension pots are held and how much is in them. This would make it much easier for a saver to track their pots, or even discover pots that they did not realise existed. However, the timeline for pension dashboards is still not confirmed and until it is launched, it will not have any effect on lost pots.

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The PPI Lost Pensions Survey contained several questions for providers regarding dashboards. Respondents have indicated a broad optimism that, once launched, dashboards will boost member engagement to some degree, with all respondents agreeing that dashboards have at least a moderate impact on the lost pension problems among their members, with some respondents believing that it will have a great impact.

Small Pots and Lost Pots

Finally, the Department for Work and Pensions (DWP) has been considering approaches to solving the small pots problem. This is not the same as the lost pots problem, but the DWP's solutions for it may have implications for lost pots. Corporate Adviser's *Master Trust and GPP Defaults Report*,[5] has shown the rapid increase in small pots, with 27.5 million deferred pots existing in 2024. It is an issue for the pensions industry, because the administrative cost of a small pot may be greater than the income that the provider can accrue to service it. There has not been enough engagement or consolidation by members to reverse the growth of this problem, so unless Dashboards drive enough members to engage and consolidate their pots, some kind of automatic consolidation is needed to consolidate existing small pots.

The DWP may try and mitigate the problem of small pots with a default consolidator model, though it is not established exactly how this will work and is currently being reviewed as part of the Small Pot Delivery Group. Their previous consultation[6] suggested that the default consolidator model would involve some mechanism by which one or more providers would become authorised as consolidators. The model would also include some form of Clearing House for matching members to consolidators. From there, providers with small pots that they no longer wished to administer could submit their pots, which would be matched to a consolidator who would consolidate the pot into any other pots belonging to that member at the given consolidator. However it may work, the key is that the member's consent will not be needed, though they may be given the opportunity to opt out.

While the lost pots problem and the small pots problem are linked, the distinction is important, especially when considering a default consolidator model. Small pots are an issue because they are not economically viable for a provider to administer. It has been suggested that the eligibility criteria for default consolidation might initially be that only pots under £1,000 can be consolidated. This would target the highest priority pots from a small pots standpoint, but the lowest priority pots from a lost pots standpoint. That is, if the very smallest pots are consolidated, this would be the most important outcome for providers, as these are the least profitable; however, these are also the pots that it is least important to reunite with their owners, and the problem of some savers having lost track of significantly larger pots would still persist.

Nonetheless, the consolidation of these small pots would still have a positive impact on the lost pots issue. Savers would have fewer pots to keep track of, and it might free up provider resources to trace the owners of the biggest pots. The government's plans for the default consolidator model also include a statutory requirement to review the eligibility criteria for default consolidation, with a view to expanding the criteria if the policy is successful. This could mean that, in time, higher value pots could be automatically consolidated into other pots, and reunite savers with more significant amounts of money.

Conclusion

This iteration of the PPI Lost Pensions Survey shows us how the lost pots problem has progressed up until 2024. It shows that, as expected, without any policy intervention, the continued proliferation of small deferred pots has further increased the number of lost pots, and the assets contained within them. We see that there are now £31.1 billion held in these pots, and we see that in the 55-75 age group, the average pot size is £13,620. This finding is particularly significant given the adequacy concerns for this group in the immediate future and the relatively limited options for boosting their retirement outcome compared to younger groups.

We also see some positive trends, such as the proportion of pots being lost decreasing or staying the same among different age groups. We also see that the average value of lost pots among the 75+ age group has dropped from £12,190 to £6,540. There are several possible interpretations of these trends, but may be due at least in part to ongoing awareness campaigns. We also examine the possible effects of other future policies on lost pots. We see that automatic enrolment reform may exacerbate the lost pots problem, without any other intervention to tackle lost pots. We find that the pensions industry expects dashboards to have a positive impact on the issue of lost pensions, and that efforts to automatically consolidate small pots may also have a positive effect on lost pots.

Caveats

The PPI Lost Pensions Survey covers a majority of the workplace Defined Contribution pension market, but in order to scale up the figures for the survey to estimate the size of the whole market, the *Corporate Adviser Master Trust and GPP Defaults report* has been used, with their permission. This, as well as giving a figure for the size of the overall market at 45.8 million members, shows the sharp rise of deferred pots, of which there are now 27.5 million. This continued growth of small pots continues to generate pots that can potentially become lost, and is useful context when considering the lost pots landscape.

Some care should be taken when comparing the results of this year's survey to the results of previous surveys. The source of figures for estimating the market size is different between this survey and previous surveys, owing to the sparsity of data around the number of members in contract based schemes. The makeup of respondents may differ in terms of their characteristics, and some providers may have different member profiles who are more or less predisposed to losing their pots. For example, it appears that the proportion of pots that are lost has fallen in the under 55 age group. However, this effect is not observed across all providers, and is due to providers who were not in the survey in 2022. There are some other phenomena, such as the average pot size of the 75+ age group, which are still observed even when taking this into account, and therefore are still highlighted with more certainty in the report.

References

1. LCP 2021 *"The Ski-Slope of Doom" - is this the most worrying chart in pensions?*
2. Phoenix Insights 2024 *Tomorrow's problem? Analysing the future impact of DC pension undersaving*
3. Office for National Statistics (ONS) *Earnings and hours worked, age group: ASHE Table 6.* Median full time wage for over 60s given as 651.4 – multiplied by 52 to get £33852
4. Department for Work and Pensions (DWP) *Automatic Enrolment Review 2017: Maintaining the Momentum*
5. Corporate Adviser Master Trust and GPP Defaults – referenced with permission
6. Department for Work and Pensions (DWP) *Government response to ending the proliferation of deferred small pots*

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