Defined benefit trust-based pension schemes research

Report of findings from the 2023 survey and in-depth interviews

Prepared for The Pensions Regulator by OMB Research
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1. Executive summary

1.1 Introduction

This report summarises results from The Pensions Regulator's (TPR's) annual survey of trust-based occupational defined benefit (DB) pension schemes, and from a subsequent series of qualitative in-depth interviews conducted with some of the survey participants. The primary objectives of the research were to assess current DB funding and investment practices and provide insight into other key areas such as TPR's codes and guidance, pensions dashboards and administration.

Both the survey and in-depth interviews were conducted by OMB Research, an independent market research agency. The survey comprised 250 quantitative telephone interviews with trustees of DB schemes, conducted in April and May 2023. The qualitative follow-up comprised 24 in-depth interviews, conducted in July and August 2023.

1.2 Key findings

1.2.1 Long-term planning

Around nine in ten schemes (92%) had a long-term objective (LTO), similar to the 2021 survey (88%). In most cases this was either to buy-out (55%) or reach a position of low dependency on the employer (36%). LTO durations shortened since the last DB survey, with 44% expecting to reach their LTO within five years (an increase from 26% in 2021).

In the in-depth interviews trustees generally described a collaborative approach to the setting of their LTOs, with employers included in discussions and broader agreement about the most suitable way forward. Recommendations and guidance from external advisors were often critical to decision-making across all aspects of scheme governance. However, there was evidence that schemes (both large and small) hold advisors to account and are prepared to switch advisors when their performance is considered below acceptable levels.

Larger schemes (and those with professional trustees in place) participating in the in-depth interviews generally described a formal and rigorous approach to decision-making. This appeared to be due to trustee boards of larger schemes having a more formal structure, with less reliance on individual roles. Trustees in small schemes were less likely to lead the strategic direction, with the employer often having a more pivotal role.

Three-quarters (76%) of schemes with an LTO, and 85% of large schemes with an LTO, had a long-term investment strategy which they planned to adopt when they reached their LTO. In terms of the investment allocation being targeted, most were primarily aiming for matching assets. When asked for the approximate allocation split they were targeting, the mean proportions were 83% matching assets and 17% growth assets. In the in-depth interviews, trustees tended to describe an ongoing and evolving approach to their investment strategies. Many did not make a clear distinction between their current investment strategy and their long-term strategy.

Two-fifths (40%) of those with an LTO were targeting a specific discount rate (typically related to gilts) and two-thirds (66%) said the LTO drove the funding of the scheme. The in-depth interviews revealed that while decisions typically evolved and were reviewed over time, the discount rate was generally considered first before setting the long-term investment strategy.

In the previous 12 months, around half had increased their consideration of making significant changes to the scheme's investment strategy (56%) and preparing for buy-out (51%), and over a quarter reported increased consideration of making significant changes to the LTO (27%) or to the time to achieve the LTO (32%). Half (47%) cited market conditions as the key reason for considering these actions.

Further exploration of this question in the in-depth interviews found that 'increased consideration' of making changes can be interpreted as both passive consideration (i.e. being more aware of possible actions) and active consideration (i.e. formal discussion, modelling, etc). Not all schemes describing an increased consideration of changes had ultimately decided to go ahead with these.

1.2.2 Supportable risk (covenant and maturity)

The majority of schemes had taken into account the level of funding and investment risk the covenant can support when setting their recovery plan (94%), LTO (90%), investment strategy (86%) and technical provisions (83%).

Nine in ten reported that the maturity of the scheme influenced the level of risk taken in their investment strategy (92%) and technical provisions (89%). In addition, three-quarters (76%) considered deficit volatility when measuring the risk the covenant can support, increasing to 85% of large schemes.

Most schemes participating in the in-depth interviews used a third party to formally assess and document the employer covenant, with some evidence that the frequency and formality of such assessments had increased in recent years.

As in 2021, half (52%) of schemes had contingent support in place and in most cases,this included a parent company guarantee (37%). However, relatively few of these (8%) said that this contingent support was being used to take additional risk beyond what the employer would be able to support on a standalone basis.

The in-depth interviews found that contingent assets were usually in place to strengthen the employer covenant or provide a general safety net, as opposed to being aimed at other specific purposes (such as enabling additional risk to be taken).

1.2.3 Journey plan

Two-thirds (67%) of schemes had a journey plan, consistent with the 2021 findings (70%). Journey plans were comparatively less prevalent among micro/small schemes (53%, compared with 74% of medium and 79% of large schemes).

Almost all of these (99%) had factored in the LTO when determining the journey plan. Around nine in ten had also considered current scheme funding strength (94%), the investment strategy (91%), scheme maturity (90%) and the employer covenant (85%).

The majority (91%) had an understanding with the employer about the action that would be taken to support any downside from any of the key risks to the journey plan, although this was more likely to be an 'informal' rather than 'formal' understanding (56% vs. 35%). Furthermore, exploration of this question in the in-depth interviews showed that 'formal' understanding was not always quantifiable and was often based on broad agreements or confidence in the strength of the employer covenant rather than specific agreed actions that would be taken.

Approaching three-quarters (71%) reported that their journey plan assumed reducing reliance on the employer covenant, and 95% said their technical provisions were consistent with the investment strategy set out in the journey plan.

1.2.4 Recovery plans

Two-thirds (67%) of schemes had a recovery plan in place, similar to the 2021 survey results (71%). In most cases recovery plans were up to ten years in length (84%), with one to three-year terms the most common (38%).

When structuring their recovery plan, trustees were most likely to have considered the affordability of the employer (93%) and the maturity of the scheme (88%), and least likely to have considered the likelihood of employer insolvency (70%).

1.2.5 Risk management

The most common method of assessing the key funding, investment and covenant risks facing the scheme was a qualitative approach such as a risk register (79%). In addition, two-thirds had modelled different scenarios (65%) and half had undertaken stochastic asset and liability modelling (47%). Typically, the larger the scheme the wider the range of approaches used. This was consistent with the picture seen in 2021.

The most widely identified risks were investment performance (61%), funding level not as projected (51%) and significant changes to the covenant (41%). However, a quarter of schemes (26%) had not identified any key funding, investment or covenant risks.

Over half (59%) of schemes that had identified any key risks monitored these more than once a year, and this increased in line with scheme size (47% of micro/small, 58% of medium and 81% of large schemes). Most of the remainder monitored risks on an annual basis (34%).

Most (70%) had plans for remedial action if risk triggers are breached, although often these actions were still subject to the employer's agreement (19% reported that all actions had already been agreed).

The in-depth interviews specifically explored use of leveraged LDI, and found that most schemes using leveraged LDI had reviewed their operational procedures relating to collateral calls and carried out stress tests of their ability to re-collateralise after an interest rate shock. These actions had usually been prompted by the market effects of the 2022 mini budget.

While half (50%) of trustees believed that their scheme's approach to funding or investment strategy would have to change due to the new requirements in the Pension Schemes Act and DB Code, few expected this to be to a 'great extent' (4%).

1.2.6 TPR codes and guidance

Almost all trustees were aware that TPR produces Codes of Practice (97%), guidance (99%) and the trustee toolkit (96%).

Over half had used or consulted any of TPR's codes or guidance in the previous six months (51% and 59% respectively), but fewer had accessed the toolkit within this timeframe (27%). Around one in ten trustees had never used TPR's codes (11%), guidance (8%) or the toolkit (10%), and this was more likely to be the case among micro/small schemes (17%, 14% and 16% respectively).

More trustees were aware that TPR would soon introduce a new General Code of Practice than in the 2021 survey (an increase from 49% to 59%). Awareness increased with scheme size (large 88%, medium 64%, micro/small 41%).

Most of those aware of the General Code believed that it would make it easier to understand TPR's expectations (59%) and two-fifths (41%) felt it would improve the governance of their scheme. However, the majority (70%) also anticipated that the General Code would increase the work required by the scheme to meet TPR's expectations.

1.2.7 Pensions dashboards

The questions on pensions dashboards were only asked to trustees of schemes with 100 or more members (i.e. medium and large schemes). Among this group, awareness of pensions dashboards was near universal (98%, an increase from 86% in 2021). The vast majority were also aware of the legal requirement to provide data to savers through dashboards (93%, an increase from 68% in 2021).

The majority had accessed information from TPR about pensions dashboards; 55% had read TPR's guidance, 23% had attended or viewed a dashboards webinar, 18% had listened to a dashboards podcast and 38% had accessed other material put out by TPR (typically this was newsletters/emails or summaries of TPR information/guidance that had been compiled by third parties).

1.2.8 Administration

Four-fifths (83%) believed their trustee board was well equipped to scrutinise and challenge reports provided by the scheme administrator. Overall, 37% of schemes stated that these reports were challenged most times, whereas 33% did this some of the time, 27% occasionally and 2% never challenged them.

Two-thirds of trustees reported that the scheme's budget for managing/improving data had increased over the previous two years (62%), and half said it was expected to increase over the next two years (51%). Fewer had increased their investment in administration technology/automation over the previous two years (33%) or anticipated an increase in the next two years (37%).

The most common reason for increasing budgets for managing/improving data over the previous two years was to deliver special projects (75%), followed by de-risking (47%) and dashboards preparations (46%). The most widespread reasons for increased investment in administration technology/automation were to improve member services (65%) and prepare for pensions dashboards (62%).

Two-thirds of schemes (63%) had performed a benefit audit in the previous two years, rising to 76% of large schemes.

2. Introduction and methodology

2.1 Background and research objectives

This report summarises the results from TPR's annual research survey of trust-based occupational defined benefit (DB) pension schemes.

While there has been a long-term trend towards Defined Contribution (DC) schemes, accelerated by the introduction of automatic enrolment in 2012, Defined Benefit (DB) schemes still form an extremely significant part of the UK pensions landscape. As of 31st March 2022 there were c.5,400 private sector occupational DB schemes which together had around 9.8 million memberships and held £1,808bn in assets[1].

TPR's objectives include protecting the benefits of members under occupational pension schemes, (in the context of use of its powers in relation to scheme funding) minimising any adverse impact on the sustainable growth of an employer, promoting and improving understanding of good administration, and reducing the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund (PPF).

In light of the above, the 2023 survey of DB schemes sought to provide further evidence in a number of important policy areas. The specific research objectives were to:

- Gather data on schemes' current funding and investment practices (e.g. long-term planning, employer covenant, journey planning, risk management) and, where feasible, assess any changes since the 2021 DB survey;
- Track awareness of, and engagement with, TPR's forthcoming General Code[2];
- Measure awareness and frequency of using various TPR guidance and resources available to DB schemes;
- Track awareness of pensions dashboards[3], and investigate engagement with TPR's dashboard guidance and resources;
- Explore various aspects of scheme administration, including scrutiny of administrator reports and investment in data management/improvement and administration technology/automation.

Additionally, the survey aimed to identify any differences in the above areas by size of scheme.

The 2023 survey was supplemented by 24 qualitative in-depth interviews with a selection of survey participants. These in-depth interviews sought to provide additional insight into some of the topics covered in the survey, digging deeper to understand trustees' rationales for responses and exploring how decisions were made. The interviews covered:

- Approach to setting the long-term objective (LTO);

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[1] https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/db-pensions-landscape-2022

[2] TPR is planning to replace most of its existing codes of practice with a new General Code, in order to provide a common set of expectations for those involved in the running of all types of scheme.

[3] A pensions dashboard will show a user their pensions information online, securely and all in one place. The Pensions Schemes Act 2021 contains provisions to require trustees and scheme managers to provide data to savers through pensions dashboards.

- Approach to, and understanding of, targeted discount rates and investment strategy in the LTO;
- Reasons for increased consideration of changes to funding and investment approach;
- Interpretations of ‘formal’ and ‘informal’ understanding with the employer about actions to support any downside from key risks to the journey plan;
- Approach to assessing the employer covenant and the aims of any contingent assets in place;
- Anticipated changes and impact on schemes’ approach to funding or investment strategy as a result of the new funding requirements in the Pension Schemes Act and TPR’s DB code.

In this report, the findings from the in-depth interviews have been integrated with the main survey findings.

2.2 Methodology

2.2.1 Quantitative survey

The survey was conducted by telephone between 17th April and 19th May 2023 by OMB Research, an independent market research agency. The sample frame consisted of DB pension schemes and relevant hybrid schemes[4].

A total of 250 interviews were completed with scheme trustees, lasting an average of 22 minutes. Each trustee completed the survey in relation to a pre-specified pension scheme.

The survey sample consisted of four distinct sub-groups of DB schemes, namely micro schemes (those with fewer than 12 members), small schemes (12-99 members), medium schemes (100-999 members) and large schemes (1,000+ members).

The survey covered open, closed and paid-up schemes but those that were wound-up or in the process of winding up were excluded from the sample. Relevant small schemes (formerly referred to as small,self-administered schemes) and executive pension plans (EPPs) were also excluded.

In some cases,an individual can be involved with several different pension schemes, so the sample was de-duplicated to ensure that any such individual this was applicable to was only contacted/surveyed about one specific scheme.

2.2.2 Qualitative in-depth interviews

The in-depth interviews were also undertaken by OMB Researchand were conducted via Zoom/Teams between 4th July and 16th August 2023. Interviews lasted approximately 35 minutes and were recorded for analysis purposes.

Participants were recruited from those who took part in the quantitative survey and agreed they could be contacted for follow-up research. To qualify for the in-depth interviews, the scheme had to have a long-term objective in place.

[4] Hybrid schemes were included in either the DC schemes survey or the DB schemes survey based on their characteristics (e.g. those in the DB survey were typically mixed benefit hybrid schemes or DB schemes with a DC top-up).

In addition, schemes were targeted according to their responses to other survey questions (and the topics discussed tailored as a result). The qualitative phase sought to include those that met one or more of the following criteria:

- Scheme has a long-term investment strategy;
- LTO involves targeting a specific discount rate;
- Trustees have increased consideration of future planning actions in previous 12 months;
- Trustees have a formal or informal understanding with the employer about the action that would be taken to support any downside from the key risks to the journey plan;
- Scheme has contingent assets in place.

The qualitative sample was stratified by size of scheme, as set out below.

Table 2.2.2 Size profile of in-depth interviews

Scheme size	Number of in-depth interviews
Micro/Small (<99 members)	7
Medium (100-999 members)	6
Large (1,000-4,999 members)	5
Large (5,000+ members)	6

2.3 Analysis and reporting conventions

2.3.1 Quantitative survey

Throughout this report the survey results have been analysed by scheme size. However, results for small and micro schemes have been combined due to the low base sizes for these groups.

To account for the disproportionate sampling approach and ensure results are representative of the overall scheme population, all data has been weighted based on the total number of schemes in each size category and of each type (i.e. DB/hybrid). Unweighted bases (the number of responses from which the findings are derived) are displayed under the charts and tables to give an indication of the robustness of results.

Where available, equivalent results from the 2021 survey have been shown. In most cases this has been shown as the percentage point change, so an increase from 40% in 2020 to 50% in 2021 would be displayed as +10%. Any statistically significant differences over time have been highlighted in green (increase since 2021) or red (decrease since 2021) in the charts and tables.

When comparing results between different groups (e.g. different sizes of scheme) or with the previous DB Schemes survey, the only differences which are statistically significant are mentioned in the report commentary. All significance testing was carried out at a 95% confidence level ($p < 0.05$)[5]. This means that we can be at least 95% confident that the change is 'real' rather than a function of sampling error.

All figures in this report have been rounded to the nearest whole percent. As such, where a figure is shown as 0% this means the actual value was less than 0.5%. Please note that results in the charts and tables may not add up to 100% due to rounding and/or respondents being able to select more than one answer to a question.

2.3.2 Qualitative in-depth interviews

The qualitative phase of the research was based on in-depth interviews with a small sample of trustees (24 interviews). Although the weight of opinion has sometimes been provided for clarity and transparency, these findings should be treated as indicative and cannot necessarily be extrapolated to the wider population of DB schemes.

Direct quotations have been provided as illustrative examples. However, in some cases these have been abbreviated and/or paraphrased for the sake of brevity and comprehension (without altering the original sense of the quote).

To distinguish them from the quantitative survey results, the findings from the in-depth interviews have been displayed in grey boxes throughout this report.

[5] Strictly speaking, calculations of statistical significance apply only to samples that have been selected using probability sampling methods. However, in practice it is reasonable to assume that these calculations provide a good indication of significant differences in quota surveys like this one.

3. Research findings

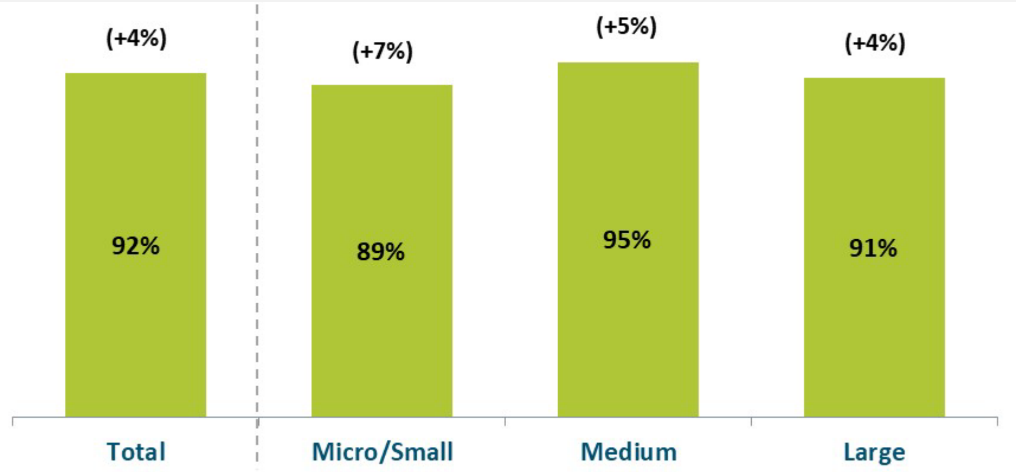
3.1 Long-term planning

The survey included a number of questions about schemes' long-term objectives (LTOs), which were defined as a strategy for ensuring that pensions and other benefits under the scheme can be provided over the long-term.

Figure 3.1.1 shows the proportion of schemes that had an LTO, along with any changes since the 2021 survey of DB schemes (with the percentage point change shown in brackets).

More than 9 in 10 schemes (92%) had an LTO, and this proportion was broadly similar across the different sizes of scheme. There were no statistically significant changes since the 2021 survey.

Figure 3.1.1 Proportion of schemes with an LTO



Base: All respondents (Base, Don't know)
Total (250, 0%), Micro/Small (97, 1%), Medium (95, 0%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

The remaining questions in this section of the report were only asked of schemes with an LTO, and those with no LTO have been excluded from the analysis.

In-depth interviews: Approach to setting long-term objectives

The in-depth interviews found that the approach taken to setting LTOs varied by size of scheme and the presence or otherwise of professional trustees. Larger schemes (and some smaller schemes with professional trustees in post) generally described a formal, planned approach. They were more likely to have established LTOs in place that were kept under regular review using a range of mechanisms (strategy or investment sub-committees, formal strategy days, formal reviews and proposals carried out by actuarial or investment advisors). They also reported rigorous and documented appraisals of proposals and options carried out by trustee board members.

In contrast, small schemes were less likely to have had an LTO in place before and many had been motivated to set one when the appointment of a professional trustee had triggered a review of the scheme's financial position and consequently the setting of a new (or first) LTO. They rarely reported formal discussion or proposals with rigorous trustee board scrutiny. For these schemes, the advice or recommendation of key people (advisors, employer management) was more likely to be a critical factor in determining the LTO.

Professional trustees reported established processes for evaluating the position of schemes (when they were appointed) and determining the LTO, journey plan and investment strategy. Those sitting on boards with lay trustees had introduced additional meetings, engaged additional external advisors and encouraged formal negotiations with employers. Those acting as sole trustees reported the use of evaluation 'tools' to assess a range of possible outcomes before taking strategic decisions.

> *We have got a rigorous process around decision-making…there are lists of material decisions which have to be passed through at least two other accredited trustees. There is a system where decisions are recorded which allows them to be made quickly but with the oversight that is needed."* (Small Scheme, Sole Professional)

Trustees were asked to provide details of what the scheme's LTO was. As set out in Table 3.1.1, over half (55%) were aiming for buy-out and around a third (36%) were looking to reach a position of low dependency on the employer. A minority (2%) were aiming to enter a consolidator vehicle.

Results were broadly consistent with those seen in the 2021 survey[6].

Table 3.1.1 What is the scheme's LTO?

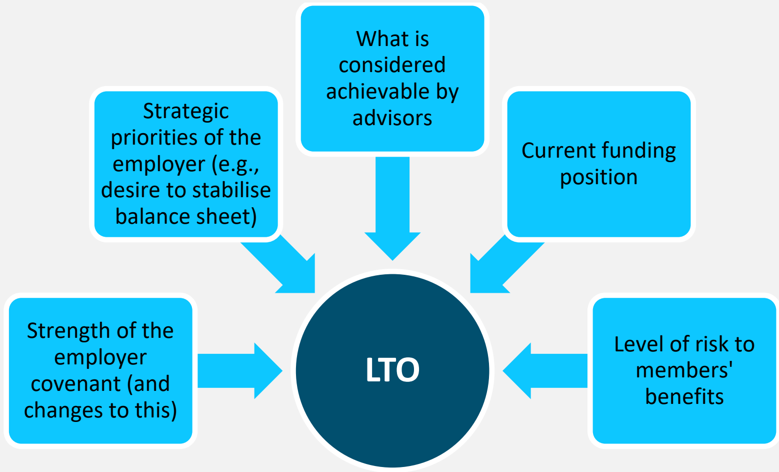
	Total	Micro/ Small	Medium	Large
To buy-out	**55%** (+0%)	**51%** (-1%)	**62%** (+6%)	**43%** (-14%)
To reach a position of low dependency on the employer (low risk basis)	**36%** (-4%)	**34%** (-9%)	**31%** (-5%)	**49%** (+6%)
To enter a consolidator vehicle such as a superfund	**2%** (-1%)	**5%** (+3%)	**0%** (-4%)	**2%** (+0%)
Something else	**7%** (-8%)	**9%** (-10%)	**5%** (-9%)	**6%** (-3%)

Base: All with an LTO (Base, Don't know)
Total (228, 1%), Micro/Small (85, 3%), Medium (90, 1%), Large (53, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

[6] In 2023 respondents had to select one option that best described their LTO, whereas in 2021 they could select multiple objectives if applicable. As such, the time series data is not directly comparable and the small declines seen for most of the LTOs are likely down to this issue.

In-depth interviews: Factors affecting long-term objectives

In the in-depth interviews, schemes describe a range of factors driving decision-making about the focus of their LTO. The most commonly mentioned factors are illustrated in the figure below:



Schemes had usually considered several different factors before setting their LTO, balancing the pros and cons of different approaches. They described factors which pushed them towards certain LTOs, such as changes to the funding position or a desire by the employer to create certainty going forward. However, such triggers were generally a starting point for discussion, with actuarial and investment advisors providing recommendations and supporting evidence for different possible pathways.

> *"The LTO has always been to de-risk the scheme one way or another…after our triennial valuation we found ourselves in the happy position of being in a technical provisions surplus and buy-out surplus so we decided that the buy-out is the way we want to go."* (Large Scheme, Chair, Non-Professional)

The input of external advisors was often described as critical to decision-making around the LTO. Often, actuaries or investment advisors provided reassurance about the intended focus of the LTO, using modelling data and analysis to give trustees confidence in the approach. In some cases, advisors provided the trigger to change the LTO, based on their on-going analysis of the scheme's funding position.

> *"I suppose really the actuary is the driving force behind decisions, because at the end of the day they're the ones who understand the numbers. They're the ones who understand where we're trying to get to, and they can help us feel confident in the direction."* (Large Scheme, Chair, Non-Professional)

Table 3.1.2 shows that approaching half of schemes (44%) hoped to reach their LTO within five years, an increase from the 26% seen in 2021. Results were broadly consistent by scheme size.

Schemes with an LTO duration of less than five years were typically aiming for buy-out (74%), whereas those with a time period of over ten years were more likely to be targeting a position of low dependency (62%).

Table 3.1.2 Time period for reaching the LTO

	Total	Micro/ Small	Medium	Large
Less than 5 years	**44%** (+18%)	**43%** (+14%)	**47%** (+24%)	**38%** (+9%)
5-10 years	**32%** (-11%)	**31%** (-11%)	**28%** (-17%)	**47%** (+6%)
11-15 years	**9%** (-10%)	**5%** (-9%)	**12%** (-11%)	**8%** (-12%)
16-20 years	**3%** (-3%)	**6%** (-1%)	**1%** (-4%)	**0%** (-4%)
More than 20 years	**4%** (+1%)	**4%** (+2%)	**3%** (+1%)	**4%** (-1%)
No time period	**8%** (+7%)	**8%** (+7%)	**9%** (+8%)	**4%** (+2%)

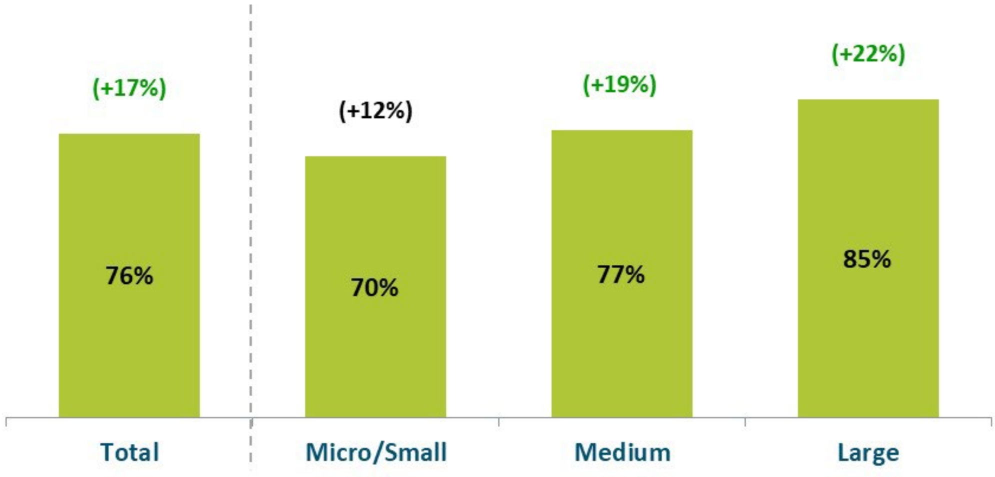
Base: All with an LTO (Base, Don't know)
Total (228, 1%), Micro/Small (85, 3%), Medium (90, 0%), Large (53, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

Trustees were asked whether they had an investment strategy which they planned to adopt when the scheme reached its LTO, and three-quarters (76%) of schemes had this in place (Figure 3.1.2). The larger the scheme, the more likely it was to have a long-term investment strategy, ranging from 70% of micro/small schemes to 85% of large schemes.

While there was some evidence of an increase since 2021 (from 59% to 76% at the total level), the question wording was not identical,and this may account for some of the difference. In 2021 the question asked whether the scheme had an endgame investment strategy that would be adopted when it reached its long-term funding objective, whereas in 2023 it asked whether the scheme had an investment strategy that it planned to adopt when it reached its LTO[7].

[7] In addition, the question was asked to all survey respondents in 2021 whereas it was only asked to those with an LTO in 2023. However, the 2021 results shown here have been recalculated based solely on those with an LTO to provide a more valid comparison.

Figure 3.1.2 Proportion of schemes with a long-term investment strategy



Base: All with an LTO (Base, Don't know)
Total (228, 1%), Micro/Small (85, 1%), Medium (90, 2%), Large (53, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

Those with a long-term investment strategy were asked to think about the investments they expected the scheme to hold when it reached its LTOand provide details of the approximate percentage split they were aiming for between growth assets and matching assets. As detailed in Table 3.1.3, the majority were primarily aiming for matching assets (mean of 83%), and this was true across all sizes of schemes.

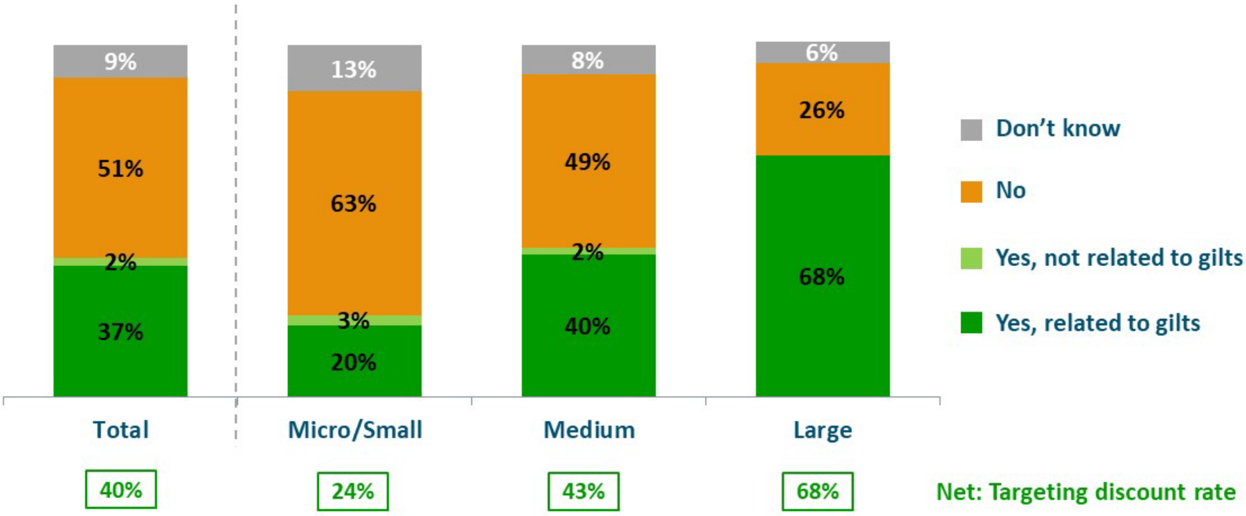
Table 3.1.3 Anticipated split between growth assets and matching assets

Mean proportion of assets	Total	Micro/ Small	Medium	Large
Growth assets	17%	22%	18%	6%
Matching assets	83%	78%	82%	94%

Base: All with a long-term investment strategy (Base, Don't know)
Total (174, 28%), Micro/Small (60, 35%), Medium (69, 27%), Large (45, 17%)

Figure 3.1.3 shows that two-fifths (40%) of schemes with a long-term objective said this involved targeting a specific discount rate. This proportion increased with scheme size, ranging from 24% of micro/small schemes to 68% of large ones. Typically, this discount rate related to gilts (37%).

Figure 3.1.3 Whether the long-term objective involves targeting a specific discount rate



Base: All with an LTO (Base, Don't know whether related to gilts)
Total (228, 0%), Micro/Small (85, 1%), Medium (90, 0%), Large (53, 0%)

View a table showing all data from the above figure

Around nine in ten (88%) of the schemes that were targeting a specific discount rate indicated that they had a long-term investment strategy (compared with 69% of those that were not targeting a discount rate).

Those schemes where the discount rate related to gilts were asked what margin was being targeted. Respondents provided exact percentages, but for ease of interpretation these have been summarised into bands in Table 3.1.4 below.

A quarter (25%) of respondents did not know the margin being targeted but, among those that did know, similar proportions were aiming for a margin of up to 0.25%, 0.26-0.50% and over 0.50%. A minority (8%) were targeting a zero or negative gilts margin.

Table 3.1.4 Gilts margin being targeted

	Total	Micro/ Small	Medium	Large
0% (or negative)	8%	4%	6%	14%
Up to 0.25%	26%	20%	25%	31%
0.26-0.50%	22%	23%	8%	42%
Over 0.50%	20%	23%	28%	5%
Don't know	25%	30%	33%	8%

Base: All where LTO targets gilts discount rate (Base)
Total (90), Micro/Small (18), Medium (36), Large (36)

In-depth interviews: Setting the long-term investment strategy and targeted discount rate in the LTO

In the in-depth interviews, trustees were asked to describe how they had approached the setting of their long-term investment strategies. It should be noted that it was usually challenging for them to unpick their long-term investment strategy from their current strategy (i.e. the one in place to reach their LTO).

There was an expectation that their strategy will change and evolve when the LTO is achieved, but consideration of the planned approach after this point tended to be part of their wider, overall strategy. However, most schemes also stressed that they had carried out considerable analysis, modelling and consideration of all investment options (and continue to reassess these on an ongoing basis).

> *Our investment strategy doesn't change a lot, and I mean, I sometimes feel the regulator takes the view that you throw everything up in the air and start again. The whole idea of our investment strategy is that it'll see us through to the end."* (Large Scheme, Chair, Non-Professional)

While not all trustees were directly involved with the setting of the investment strategy and discount rate target, those who were explained, that the discount rate had been set first, before developing a strategy to achieve it. However, they also described further consideration of the discount rate and investment strategy as part of wider discussions about what was considered feasible and prudent for the scheme.

Trustees described the role of investment advisors and actuaries as crucial to the setting of the targeted discount rate and determining the strategy. They typically saw their own role to be primarily scrutinising advice from multiple advisors, bringing data together and then liaising with the employer to determine a suitable approach.

> *The decision was particularly influenced by our advisors. They came up with the ideas and suggested the strategy…we discussed it, made little tweaks, went back to the company and then we made more tweaks based on what the company would like to see."* (Large Scheme, Other Trustee, Non-Professional)

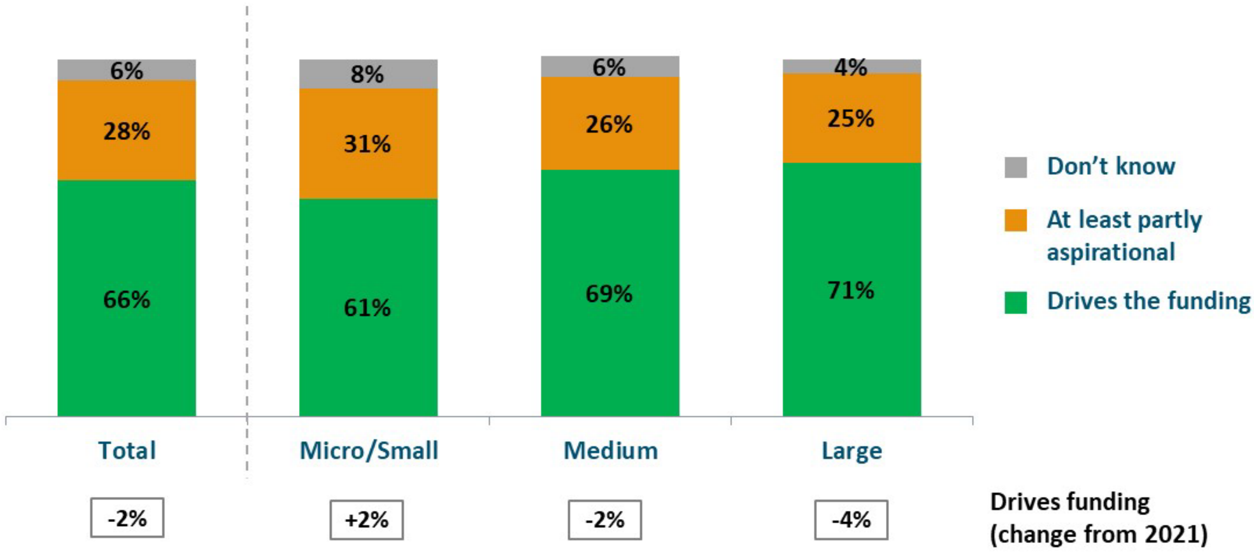
Recommendations from advisors were often said to be accompanied by detailed modelling data. Trustees had reviewed potential outcomes by changing assumptions within the model. In some cases, trustees had run additional analysis themselves to ensure they were comfortable with the discount rate and proposed long-term investment strategy. Some used their own risk monitoring framework to assess the investment strategy against, while others had liaised with auditors engaged by the employer to ensure an inclusive perspective of the proposed direction was gained.

Several schemes had also taken market norms into consideration in setting prudent assumptions. However, most trustees explained that the recommendation of advisors had been accepted, even after scrutiny.

As shown in Figure 3.1.4, two-thirds (66%) of trustees reported that the LTO drove the funding of the scheme, while 28% said it was partly aspirational. This was consistent with the 2021 survey results.

Schemes with a shorter timeframe for achieving their LTO were more likely to report that it drove the funding (79% of those with an LTO duration of less than 5 years, compared with 54% of those with a longer duration).

Figure 3.1.4 Link between the LTO and scheme funding



Base: All with an LTO (Base)
Total (228), Micro/Small (85), Medium (90), Large (53)
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

Trustees were asked whether they had increased their consideration of various actions over the previous 12 months, with results shown in Table 3.1.5.

Table 3.1.5 Increased consideration of long-term planning

	Total	Micro/ Small	Medium	Large
Making significant changes to the investment strategy *(only asked to those with long-term investment strategy)*	56%	46%	65%	51%
Preparing your scheme for buy-out	51%	46%	57%	49%
Making significant changes to the time period to achieve the LTO	32%	24%	37%	36%
Making significant changes to the LTO	27%	21%	30%	32%
Alternative de-risking products such as a capital backed journey plan	12%	6%	16%	15%
Transferring to a consolidation vehicle such as a Master Trust or Superfund	3%	5%	2%	4%
None of these	26%	35%	21%	19%

Base: All with an LTO - Total (228), Micro/Small (85), Medium (90), Large (53)
Base: All with a long-term investment strategy - Total (174), Micro/Small (60), Medium (69), Large (45)

Around half of schemes had given greater consideration to changing their investment strategy (56%) and preparing for buy-out (51%). In addition, over a quarter had increased their consideration of changing the LTO time period (32%) and making significant changes to the LTO itself (27%).

However, comparatively few had considered alternative de-risking products (12%) or transferring to a consolidation vehicle (3%).

While results were relatively consistent across the different scheme sizes, micro/small schemes were least likely to have increased their consideration of changing the LTO time period and of alternative de-risking products.

In-depth interviews: Increased consideration of long-term planning

In the in-depth interviews, trustees described a range of behaviours under the description of 'increased consideration'. These included:

- **Passive consideration:** Being (more) aware of possible routes of action or changes without taking any firm action.
- **Active consideration:** Formal meetings with advisors and/or the employer, commissioning modelling or engaging new advisors/providers.
- **Making changes:** Agreeing on and enacting changes to investment strategy, LTO timetable, LTO focus and journey plan.

Trustees described different degrees of consideration for different possible actions. For example, some had made changes to their investment strategy but only briefly considered alternative de-risking products. However, passive consideration was more common than active consideration overall. It's important to note that even active consideration did not always result in schemes making changes.

Trustees often explained that consideration of a wide range of possible options was part of their regular approach to governance. Some used the triennial valuation as a prompt to consider possible changes, while others described a more fluid approach, with trustees and advisors maintaining a watching brief on the scheme's performance, changes in the employer's circumstances or developments in investment products and opportunities.

> *We, as a board, see it as our job to always be considering what would be better for the scheme and the members. We are therefore always open to changing the investment strategy or timeframe of the strategy."* (Large Scheme, Other Trustee, Non-Professional)

Those reporting no increase in consideration of any changes often felt that this was not warranted, usually because they had previously considered actions and concluded they were not necessary. However, a small minority of trustees had not considered certain changes or directions (e.g. a consolidation vehicle) because the employer would not be willing to go along with them for financial or strategic reasons.

Schemes that had increased their consideration of any of these actions over the previous 12 months were asked whether this was due to changes in market conditions or another reason. If the latter, they were asked to provide details (and their responses have been coded into common themes for ease of interpretation).

As shown in Table 3.1.6, there was a fairly even split between those that had increased their consideration of these actions due to changing market conditions (47%) and those that cited a different reason (53%). Micro/small schemes were least likely to highlight market conditions as the catalyst for this (35%).

Table 3.1.6 Reasons for increased consideration

Top responses (5%+ at the total level)	Total	Micro/ Small	Medium	Large
Due to changes in market conditions	47%	35%	56%	47%
For a different reason (unprompted)	53%	65%	44%	53%
- To facilitate buy-out	14%	14%	16%	11%
- Due to change in funding/investment position	10%	11%	10%	11%
- Strategic planning/review/assessing options	9%	7%	6%	19%
- De-risking	9%	12%	7%	7%
- Combination of market conditions and other factors	7%	3%	7%	11%
- Changes to employer covenant/strength/support	6%	9%	5%	0%

Base: All who had increased consideration of any actions
Total (169), Micro/Small (55), Medium (71), Large (43)

In-depth interviews: Reasons for increased consideration

In the in-depth interviews, trustees described drivers of increased consideration (or implementation) of these actions. The most common factor was the 2022 mini budget and subsequent impact on the gilts market, which had affected schemes' funding positions and prompted a change in overall strategy or a change in the timeframe of their LTO.

Often changes had been discussed and agreed on relatively quickly as trustee boards and their investment advisors/managers sought to ensure that members' interests were not affected by the volatility in the market. However, when considering longer-term strategic changes, more stages of decision-making were reported (in line with how schemes approached setting their LTOs).

> *"This came out of the LDI crisis last Autumn…our LDI portfolio needed more liquidity. We had a half-day strategy meeting and decided to sell some of our illiquids, like property as well as re-doing our LTO goal. There was a lot of moving parts that took about 5 months to work through."* (Large Scheme, Chair, Non-Professional)

Discussions and decisions around those changes were usually described as holistic, with a range of possible changes and their impacts considered together by the trustee board, investment advisor and the employer.

A minority of schemes taking part in the in-depth interviews had increased consideration of a capital-backed journey plan as part of wider internal conversations about de-risking. This consideration was either driven by a desire to look at as wide a range of options as possible as part of an ongoing priority to de-risk, or in some cases prompted by the 2022 mini-budget. Ultimately these schemes decided such a measure was not necessary (on the advice of external advisors).

> *"The industry has generally increased consideration of capital backed journey plans. It is a tool that we need to consider…but we moved away from it because we were able to get to the buy-out position anyway."* (Small Scheme, Sole Professional)

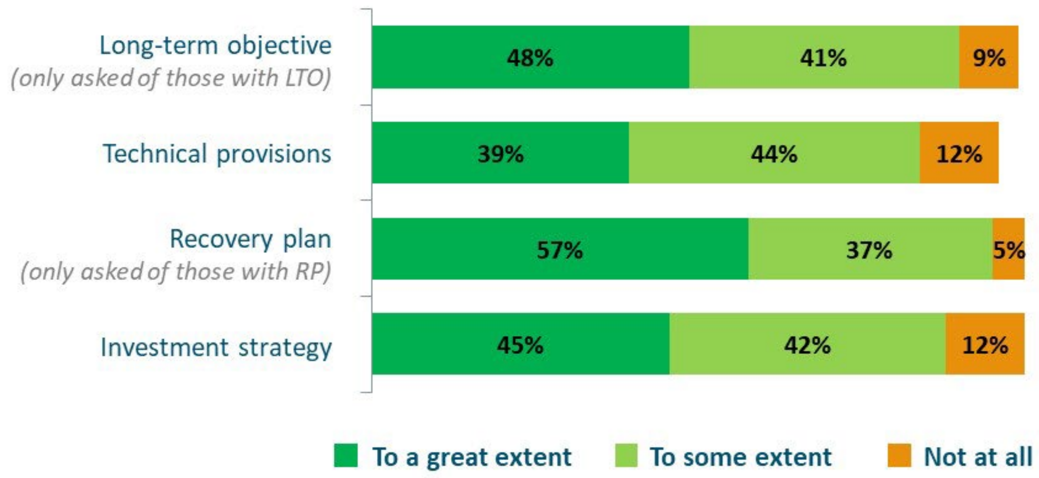
Only one (small) scheme had considered transferring to a consolidation vehicle, prompted by a suggestion from the employer.

3.2 Supportable risk (covenant and maturity)

Trustees were asked the extent to which the level of funding and investment risk the covenant can support and was considered when setting the LTO, technical provisions, recovery plan (RP) and investment strategy (Figure 3.2.1).

All four of these factors were widely considered to at least some extent (83-94%). The recovery plan was most likely to have been considered 'to a great extent' (57%, compared with 39-48% for the other areas).

Figure 3.2.1 Extent to which covenant risk is considered when setting the LTO, technical provisions, recovery plan and investment strategy



Base: All respondents (Base, Don't know)
LTO (228, 1%), Technical provisions (250, 5%), Recovery plan (167, 1%), Investment strategy (250, 2%)

View a table showing all data from the above figure

Table 3.2.1 shows that results were broadly similar by scheme size. There were also no statistically significant changes since the 2021 survey.

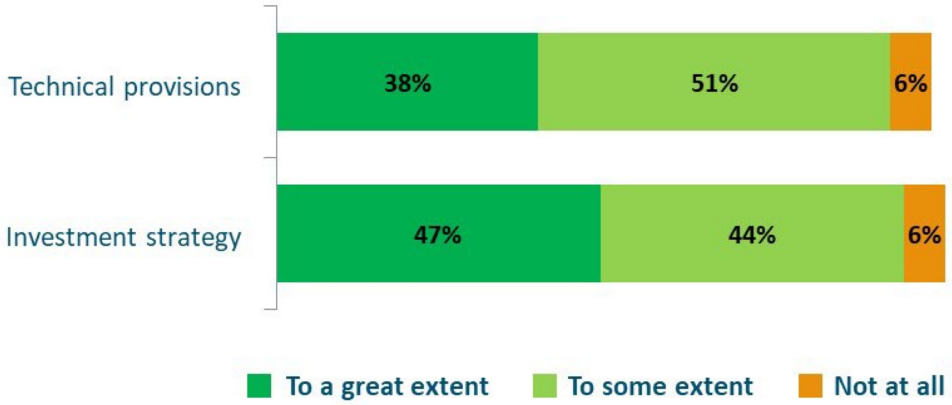
Table 3.2.1 Proportion considering covenant risk to a great extent when setting the LTO, technical provisions, recovery plan and investment strategy

Proportion considering to a great extent	Total	Micro/ Small	Medium	Large
Long-term objective *(only asked of those with LTO)*	**48%** (+4%)	**45%** (+10%)	**51%** (+2%)	**47%** (-5%)
Technical provisions	**39%** (-4%)	**41%** (+5%)	**34%** (-8%)	**45%** (-14%)
Recovery plans *(only asked of those with RP)*	**57%** (-2%)	**58%** (+4%)	**56%** (-7%)	**58%** (-2%)
Investment strategy	**45%** (-2%)	**42%** (+3%)	**46%** (-3%)	**48%** (-11%)

Base: All respondents (Base, Don't know)
LTO - Total (228, 1%), Micro/Small (85, 1%), Medium (90, 2%), Large (53, 0%)
RP - Total (167, 1%), Micro/Small (65, 2%), Medium (63, 2%), Large (39, 0%)
Other factors - Total (250, 2-5%), Micro/Small (97, 3-6%), Medium (95, 1-5%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

As detailed in Figure 3.2.2, nine in ten trustees reported that the maturity of the scheme influenced the level of risk taken in the technical provisions (89%) and investment strategy (92%) to at least some extent. However, the latter was more likely to have been considered 'to a great extent' (47% vs. 38%).

Figure 3.2.2 Influence of scheme maturity on level of risk taken



Base: All respondents (Base, Don't know)
Total (250, 2-5%)

View a table showing all data from the above figure

Large schemes were most likely to have been influenced by these factors to a great extent (Table 3.2.2).

Table 3.2.2 Proportion where scheme maturity influenced the level of risk taken in the technical provisions and investment strategy to a great extent

Proportion influenced to a great extent	Total	Micro/ Small	Medium	Large
Technical provisions	38%	38%	34%	50%
Investment strategy	47%	41%	47%	62%

Base: All respondents (Base, Don't know)
Total (250, 2-5%), Micro/Small (97, 3-7%), Medium (95, 1-3%), Large (58, 2-3%)

In-depth interviews: Covenant assessment

Trustees participating in the in-depth interviews were asked about how they approached the assessment of the employer covenant. The vast majority used a third party to carry out an independent assessment. These assessments (usually carried out annually) formed the basis of formal discussions among trustees, advisors and the employer regarding the level of funding and investment risk the scheme could support (now and in the future).

In addition, most schemes also carried out internal assessments of the covenant through close interactions with the employer and in some cases through scrutiny of management reports or the company balance sheet.

> *"We employ a team at Mercer to give totally independent covenant advice every year. And we have a covenant committee and one of the trustees carried out a forensic review of the management account reports. We don't have formal triggers but look at metrics like number of years work in hand."* (Large Scheme, Chair, Non-Professional)

Some schemes had only recently started using external advisors or auditors to assess the strength of the covenant (in some cases, employers had resisted this due to concerns about allowing third party access). They had been prompted to adopt a more formal approach after engaging professional trustees, due to internal changes at the employer or in response to TPR guidance. Others had increased the frequency of external assessments following the 2022 mini budget.

Only a small minority of schemes did not use a third-party advisor or carry out formal and documented assessments of the covenant. These schemes were small in terms of size and value, but sponsored by relatively large businesses. They described a close and collaborative relationship between trustees and the employer, which gave them confidence about the strength of the covenant.

> *"The employer gives us an indication of how they're trading and details of a few of the larger contracts that they have. The trustees do rely on that, but don't go any further. We are such a small scheme, and the relationship is strong."* (Small Scheme, Other Trustee, Non-Professional)

Table 3.2.3 shows that half of schemes (52%) had some form of contingent support in place, although this increased by scheme size (41% of micro/small, 56% of medium and 67% of large schemes). Most commonly this took the form of a parent company guarantee (37%), with 18% having security and 12% other formal contingent support. This picture was consistent with that seen in the 2021 survey.

Table 3.2.3 Contingent support in place

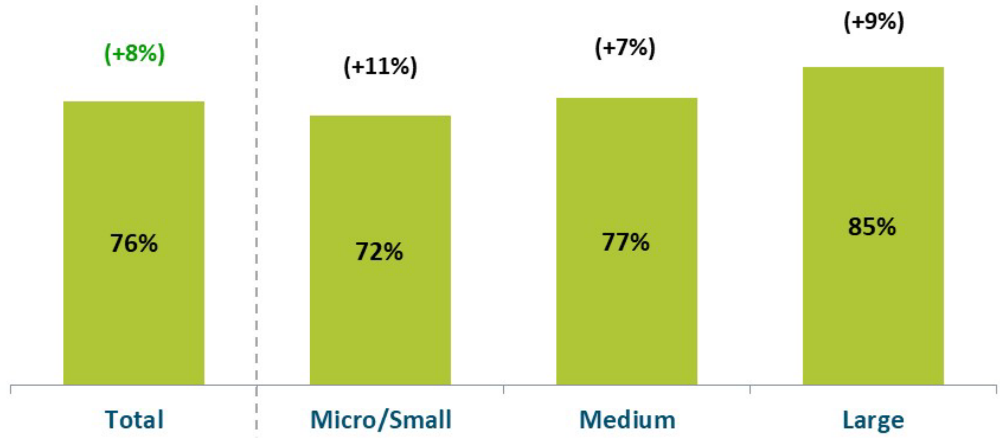
	Total	Micro/ Small	Medium	Large
A parent or group company guarantee	**37%** (-1%)	**29%** (+1%)	**41%** (+0%)	**45%** (-4%)
Security (such as security over an asset, assets in escrow, letter of credit, surety bonds)	**18%** (+0%)	**14%** (-4%)	**16%** (-1%)	**31%** (+9%)
Any other formal contingent support (such as a formal contingent funding mechanism, negative pledges, profit sharing mechanisms)	**12%** (+5%)	**7%** (+3%)	**13%** (+7%)	**21%** (+4%)
None of these	**46%** (-1%)	**57%** (+1%)	**42%** (-4%)	**33%** (+6%)
Net: Any contingent assets	**52%** (+3%)	**41%** (+2%)	**56%** (+7%)	**67%** (-4%)

Base: All respondents (Base, Don't know) - Total (250, 2%), Micro/Small (97, 2%), Medium (95, 2%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

Schemes that had any contingent assets were asked whether these were being used to take additional risk beyond what the employer would be able to support on a standalone basis. Overall, 8% of this group indicated this was the case.

As detailed in Figure 3.2.3, three-quarters (76%) of schemes looked at deficit volatility to measure the level of risk that the covenant could support, an increase from 68% in 2021. This ranged from 72% of micro/small schemes to 85% of large schemes.

Figure 3.2.3 Proportion looking at deficit volatility to measure the level of risk the covenant can support



Base: All trustees (Base, Don't know) -
Total (250, 4%), Micro/Small (97, 2%), Medium (95, 7%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

[View a table showing all data from the above figure]

Deficit volatility was comparatively more likely to be considered by those schemes with a recovery plan (84%), a long-term investment strategy (81%) and a journey plan (80%). It was also higher among those with a professional trustee on the board (83%).

In-depth interviews: The aim of contingent assets

The in-depth interviews explored the purpose of contingent assets. Trustees generally described the purpose of their contingent asset (usually a Parent Company Guarantee) as a means of strengthening the employer covenant, or as a general safety net or guarantee. Indeed, trustees were sometimes confused by the idea of the contingent asset having a more targeted purpose.

> *"It is just a letter that says that if something were to happen to the company, it is the amount of money that the company would tip into the scheme."* (Medium Scheme, Chair, Non-Professional)

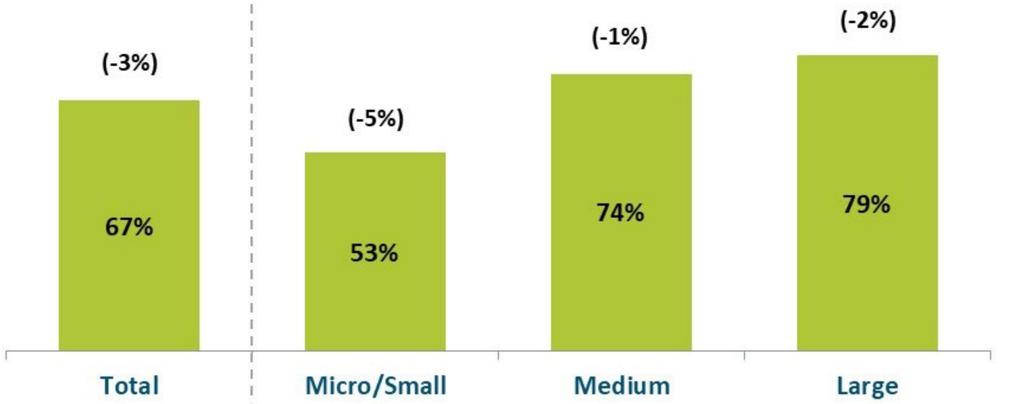
Only one (medium) scheme reported that they were running additional risk as a result of the contingent asset. This was driven by the employer's appetite to accelerate the journey plan towards buy-out and was quantified in risk assessments run by the trustees and employer. They were broadly comfortable that access to the asset and its value were sufficient to meet the additional risk, based on informal assurances from the employer, but were planning a more rigorous analysis of this in the future.

3.3 Journey plan

Trustees were asked whether their scheme had a journey plan (i.e. a plan that sets out how the scheme intends to progress to achieve its long-term objective). This question only applied to schemes that had an LTO, but results have been based on all respondents (i.e. those with no LTO have been assumed to have no journey plan).

Figure 3.3.1 shows that 67% of all schemes had a journey plan, which equates to 72% of those with an LTO. As in 2021, micro/small schemes were least likely to have a journey plan (53%, compared with 74% of medium and 79% of large schemes).

Figure 3.3.1 Proportion of schemes with a journey plan



Base: All respondents (Base, Don't know)
Total (250, 3%), Micro/Small (97, 4%), Medium (95, 4%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

The remaining questions in this section of the report were only asked of schemes with a journey plan, and those with no journey plan have been excluded from the analysis.

As detailed in Table 3.3.1, when developing their journey plan the majority factored in the long-term objective (99%), current scheme funding strength (94%), investment strategy (91%), scheme maturity (90%) and employer covenant (85%). However, micro/small schemes were typically less likely to have taken account of each of these.

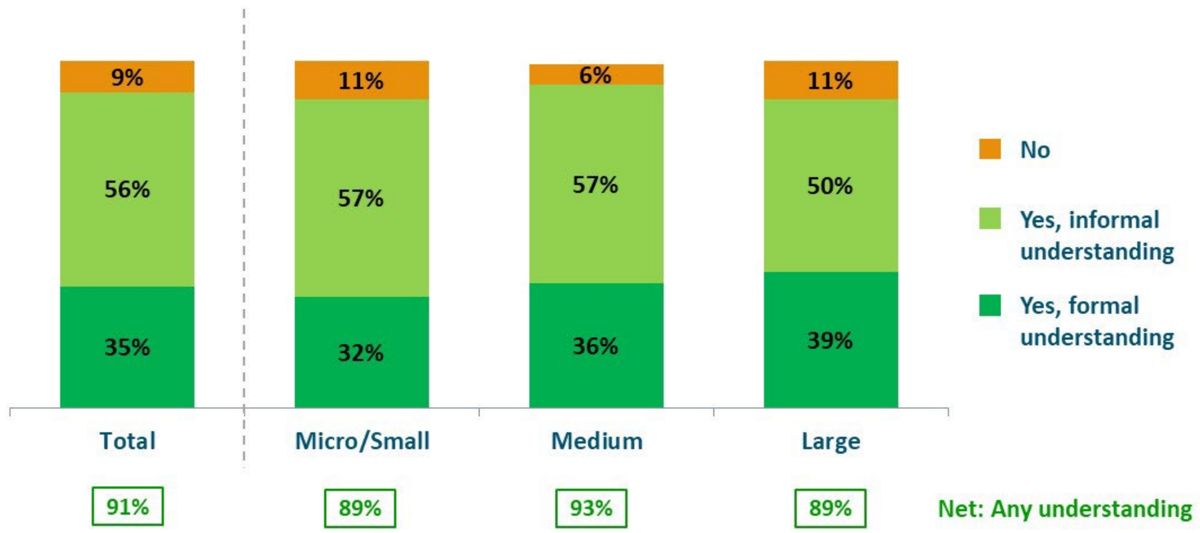
Table 3.3.1 Factors in determining the journey plan

	Total	Micro/ Small	Medium	Large
The long-term objective	99%	96%	100%	100%
Current scheme funding strength	94%	88%	96%	98%
The investment strategy	91%	76%	99%	98%
Scheme maturity	90%	78%	97%	93%
The employer covenant	85%	76%	90%	85%
None of these	0%	0%	0%	0%

Base: All with a journey plan (Base, Don't know)
Total (167, 0%), Micro/Small (51, 0%), Medium (70, 0%), Large (46, 0%)

Figure 3.3.2 shows that nine in ten schemes (91%) had an understanding in place with the employer about the action that would be taken to support any downside from any of the key risks to the journey plan. In most cases this was an informal understanding (56%). There was little variance by scheme size.

Figure 3.3.2 Understanding with the employer about action taken to support any downside



Base: All with a journey plan (Base, Don't know)
Total (167, 0%), Micro/Small (51, 0%), Medium (70, 1%), Large (46, 0%)

[View a table showing all data from the above figure]

In-depth interviews: Understanding with the employer to support downsides

Trustees participating in the in-depth interviews were asked about the nature of the understanding they had in place with the employer to support any downsides.

Formal understanding with the employer

Those who reported a 'formal' understanding in the quantitative survey described a range of actions:

- Secured a letter of credit from the employer as part of negotiations towards buy-out;
- The employer made a formal commitment to making a series of increasing payments to reach buy-out;
- A non-contractual agreement that the employer would do whatever was necessary;
- A detailed series of trigger points related to re-risking on actions the scheme or employer would take;
- A parent company guarantee is in place.

However, trustees (especially lay trustees who were not the chair) were not always able to describe detailed, firm actions that had been formally agreed. In addition, there appeared to be a degree of variation in how survey participants interpreted this question, with some describing specific triggers and others more general levels of support offered by the employer.

Where detailed actions had been agreed, these had been identified by external advisors and debated with the employer before being formalised into letters/contracts. To date, none of these schemes had used the agreements as described.

Informal understanding with the employer

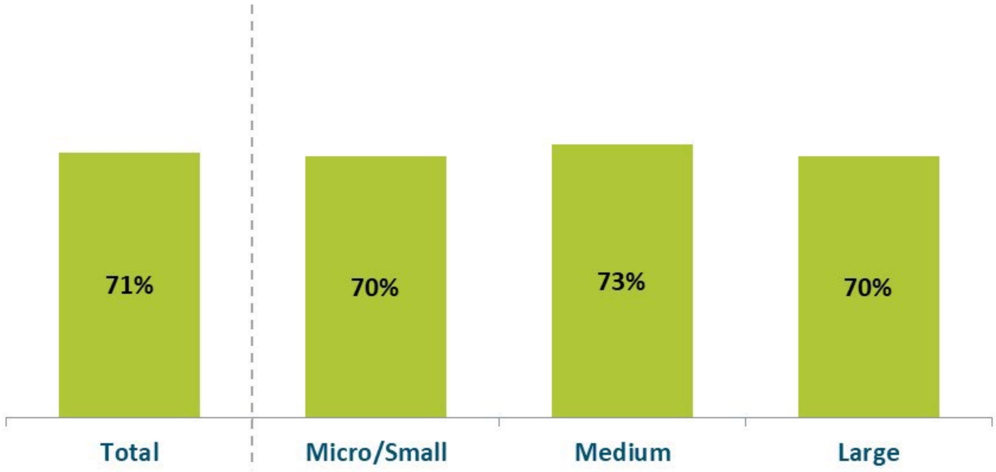
Trustees reporting an 'informal' understanding in the quantitative survey often described a strong, collaborative relationship which included a general understanding that the employer would 'step in' if necessary to support the scheme. Schemes were usually confident about the support offered by employers based on the strength of the covenant and previous experiences (e.g. where additional payments had been made). As such, they did not feel a formal understanding was necessary and had not sought to reach one.

> *"There is an understanding. Our deficit is only £16 million. The company pays £8 million a year and has from time to time lobbed in an additional contribution… So how long is it going to take for us to close that gap? Well, at worst in two years' time."* (Large Scheme, Chair, Non-Professional)

In a minority of cases, specific agreements were in place (asset value triggers which would result in deficit discussions or ceilings on the size of any shortfall that would be covered).

The majority (71%) of schemes reported that their journey plan assumed reducing reliance on the employer covenant over time (Figure 3.3.3). This proportion was similar for all sizes of scheme.

Figure 3.3.3 Proportion of schemes where the journey plan assumes reliance on the employer covenant will reduce over time

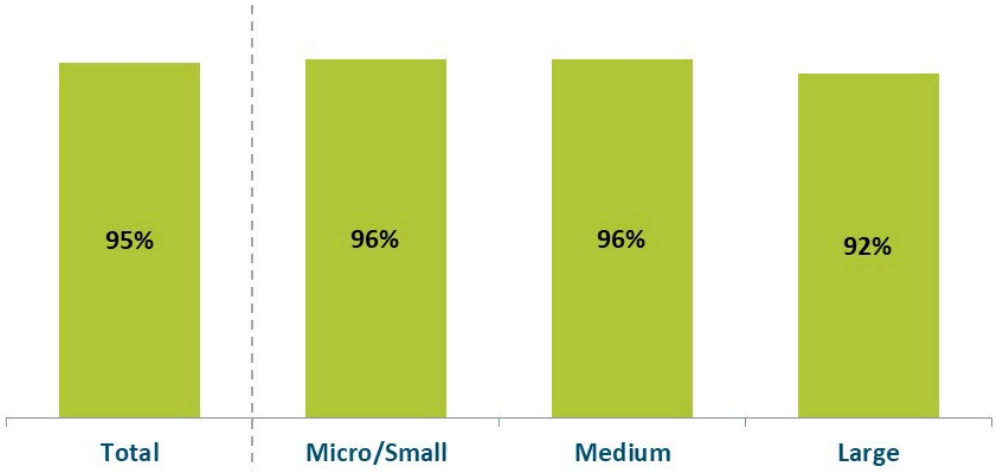


Base: All with a journey plan (Base, Don't know)
Total (167, 1%), Micro/Small (51, 0%), Medium (70, 1%), Large (46, 2%)

View a table showing all data from the above figure

As detailed in Figure 3.3.4, trustees almost universally reported that the technical provisions were consistent with the investment strategy set out in the journey plan (95%). This was the case for all sizes of scheme.

Figure 3.3.4 Proportion of schemes where the technical provisions are consistent with the investment strategy



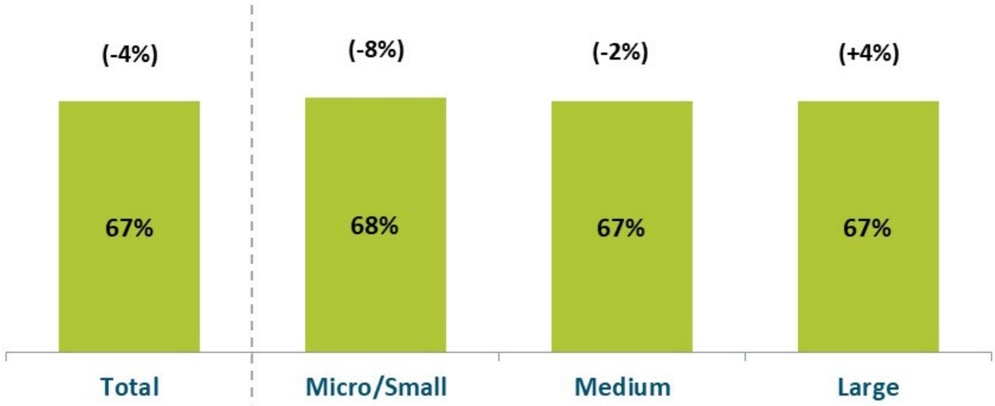
Base: All with a journey plan (Base, Don't know)
Total (167, 2%), Micro/Small (51, 2%), Medium (70, 1%), Large (46, 2%)

View a table showing all data from the above figure

3.4 Recovery plan

Similar to the 2021 survey, two-thirds (67%) of schemes had a recovery plan in place (Figure 3.4.1). There was no difference in this respect by scheme size.

Figure 3.4.1 Proportion of schemes with a recovery plan



Base: All respondents (Base, Don't know)
Total (250, 2%), Micro/Small (97, 5%), Medium (95, 1%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

Trustees of schemes with a recovery plan were asked the extent to which they had taken account of various factors when thinking about the structure of this plan.

Figure 3.4.2 shows that the majority had taken account of each of these factors to at least some extent, ranging from 93% for the affordability of the employer to 70% for the likelihood of employer insolvency. Employer affordability and scheme maturity were most likely to have been taken into account 'to a great extent' (50% and 44% respectively).

Figure 3.4.2 Factors considered in structure of recovery plan

Base: All with a recovery plan (Base, Don't know)
With recovery plan (167, 2-6%), With contingent assets (91, 1%)

View a table showing all data from the above figure

Table 3.4.1 summarises the proportion who took account of each factor 'to a great extent' and demonstrates that results were typically similar across the different sizes of scheme.

Table 3.4.1 Proportion that took account of each factor to a great extent when structuring the recovery plan

	Total	Micro/ Small	Medium	Large
Affordability of the employer	50%	56%	43%	52%
Maturity of the scheme	44%	46%	44%	41%
Value, terms & enforceability of any contingent assets *(only asked of those with contingent assets)*	33%	31%	34%	32%
Impact on the employer and its business investment plans	31%	33%	29%	31%
Post-valuation experience	27%	29%	25%	28%
Likelihood of employer insolvency	24%	21%	22%	34%
Investment outperformance	21%	27%	19%	11%

Base: All with a recovery plan (Base, Don't know)
With recovery plan - Total (167, 2-6%), Micro/Small (65, 3-11%), Medium (63, 2-4%), Large (39, 0%)
With contingent assets - Total (91, 1%), Micro/Small (27, 4%), Medium (39, 0%), Large (25, 0%)

As shown in Table 3.4.2, the majority (84%) of recovery plans were for ten years or less, with 1-3 years the most common duration (38%). This pattern was evident for all sizes of scheme.

Table 3.4.2 Length of recovery plan

	Total	Micro/ Small	Medium	Large
1-3 years	38%	36%	42%	35%
4-6 years	25%	17%	30%	31%
7-10 years	21%	26%	15%	21%
11-15 years	5%	5%	6%	3%
16-20 years	2%	4%	0%	2%
Over 20 years	3%	2%	5%	3%
Net: Up to 10 years	84%	79%	87%	87%

Base: All with a recovery plan (Base, Don't know)
Total (167, 6%), Micro/Small (65, 10%), Medium (63, 2%), Large (39, 5%)

3.5 Risk management

Trustees were asked which approaches they had taken to assess the key funding, investment and covenant risks facing the scheme. Table 3.5.1 shows that a qualitative approach (e.g. through their risk register) was most common (79%), followed by modelling different scenarios (65%) and using stochastic asset and liability modelling (47%). Uptake of each approach typically increased in line with scheme size. A minority (7%) had not done anything to assess the key risks, rising to 14% of micro/small schemes.

While results were similar to the 2021 survey, fewer schemes had modelled different scenarios (down from 74% to 65%) and there was a corresponding increase in the proportion that had adopted another approach (an increase from 11% to 18%).

Table 3.5.1 Approaches used to identify and assess key funding, investment and covenant risks

	Total	Micro/ Small	Medium	Large
Used a qualitative approach, e.g. your risk register	**79%** *(+2%)*	**62%** *(-2%)*	**87%** *(+2%)*	**93%** *(+6%)*
Modelled different scenarios	**65%** *(-9%)*	**52%** *(-12%)*	**71%** *(-6%)*	**83%** *(-2%)*
Used stochastic asset and liability modelling	**47%** *(-4%)*	**31%** *(-4%)*	**49%** *(-5%)*	**79%** *(-2%)*
Used another approach	**18%** *(+7%)*	**11%** *(+1%)*	**22%** *(+10%)*	**24%** *(+10%)*
None of these	**7%** *(+3%)*	**14%** *(+6%)*	**3%** *(+1%)*	**0%** *(-2%)*

Base: All respondents (Base, Don't know) - Total (250, 4%), Micro/Small (97, 9%), Medium (95, 1%), Large (58, 0%). Statistically significant increases/decreases from 2021 are highlighted in green/red

As set out in Table 3.5.2, the most widely identified key risks related to investment performance (61%), funding levels (51%) and covenant changes (41%). The larger the scheme, the more likely it was to have identified each of these as a key risk. However, a quarter (26%) of schemes had not identified any key risks.

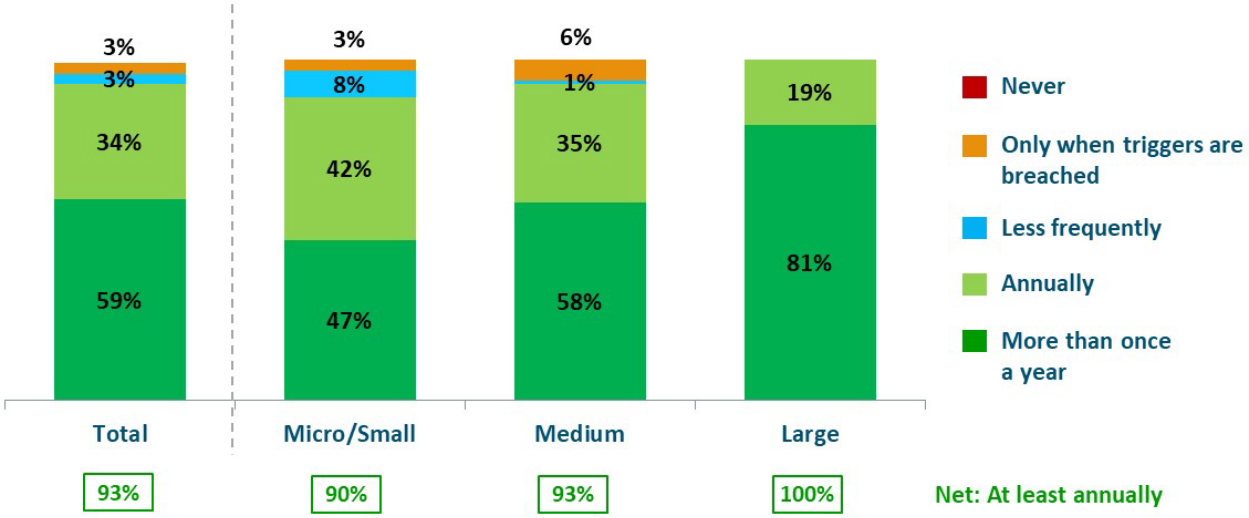
Table 3.5.2 Key funding, investment & covenant risks identified

	Total	Micro/ Small	Medium	Large
Investments not performing as expected	61%	47%	70%	74%
Funding level not as projected	51%	40%	56%	66%
Significant changes to the covenant	41%	29%	43%	62%
Significant changes to the scheme, such as a transfer value exercise	28%	30%	29%	24%
Anything else	16%	15%	13%	24%
No risks identified	26%	31%	24%	17%

Base: All respondents (Base, Don't know) - Total (250, 0%), Micro/Small (97, 1%), Medium (95, 0%), Large (58, 0%)

Figure 3.5.1 shows that 93% of schemes that had identified any funding, investment and covenant risks monitored these at least annually, and this was the case for all sizes of scheme (90-100%). Large schemes were most likely to do this more than once a year (81%, compared with 58% of medium and 47% of micro/small schemes).

Figure 3.5.1 Frequency of monitoring key risks



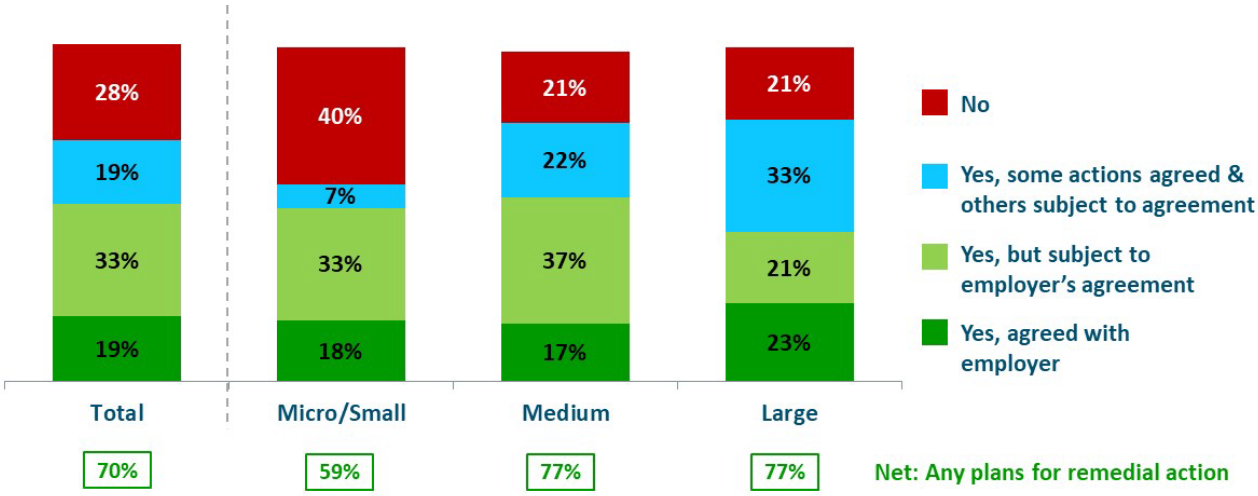
Base: All who had identified any key risks (Base, Don't know)
Total (185, 0%), Micro/Small (65, 0%), Medium (72, 0%), Large (48, 0%)

View a table showing all data from the above figure

Schemes with a professional trustee on the board tended to monitor risks more frequently (72% more than once a year), as did those with a journey plan (67%) and those with a long-term investment strategy (65%).

Trustees were also asked whether they had plans for remedial action when risk triggers are breached and, if so, whether these had been agreed with the employer (Figure 3.5.2).

Figure 3.5.2 Plans for remedial action when the risk triggers breached



Base: All who had identified any key risks (Base, Don't know)
Total (185, 2%), Micro/Small (65, 2%), Medium (72, 3%), Large (48, 2%)

View a table showing all data from the above figure

Overall, 70% had plans in place for remedial action, although this was comparatively less common among micro/small schemes (59%). However, in most cases, some or all these plans were yet to be agreed with the employer (52%).

In-depth interviews: Managing risk with leveraged LDI

In the in-depth interviews trustees were asked about their use of leveraged LDI. Overall, 13 of the 24 schemes used leveraged LDI. Most of these had reviewed their operational procedures relating to collateral calls in the past 12 months (prompted to do so by the 2022 mini budget).

Reviews were generally carried out by trustees in collaboration with their LDI providers. However, some trustees had outsourced all operational procedures to fiduciary managers, who also carried out reviews. A few schemes had not felt the need to review or change their operational procedures as their liquidity was good and/or their LDI portfolio was very small.

A minority had changed their operational procedures following their review. Changes included introducing a formal policy on the order of call down, changing LDI provider to increase capacity, and reviewing the criteria used to set collateral values. In addition, some schemes had arranged training for trustees (from investment advisors or LDI providers) to ensure sufficient understanding of LDI.

> *"The first thing we've done since October is have a lot of training so that the trustees understand what happened…as part of that process, we have revisited the criteria that the investment managers use for setting the collateral amounts and the relationships between collateralised, hedged, non-hedged, etc."* (Large Scheme, Chair, Non-Professional)

Most of these schemes had commissioned some form of stress test from their LDI advisors/managers in 2022, following the mini budget. They were all planning to repeat these on a regular basis in the future (either annually or quarterly). Some large/medium sized schemes had also done this in the past as part of their triennial valuation or when setting investment strategies. A minority had not carried out tests, explaining that the impact of the mini budget had itself effectively acted as a test, so another was not needed.

Most trustees were not aware of (or could not recall) the details of test parameters, although they explained that they wanted to understand the size of interest rate shift that could be withstood.

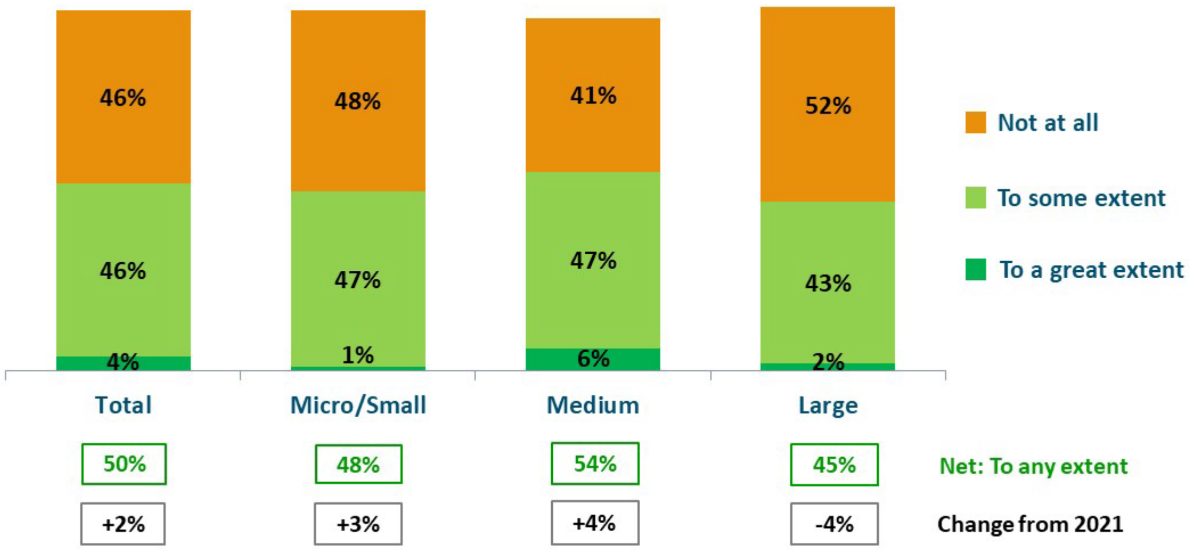
The results of tests had usually provided reassurance to schemes about the flexibility of their LDI portfolio. However, in some cases, they had prompted schemes to review or make changes to procedures (as outlined previously).

> *Both the stress test and the real experience of the mini budget confirmed that what we were doing was manageable."* (Small Scheme, Chair, Professional)

Trustees were asked the extent to which they anticipated that the scheme's approach to funding or investment strategy would have to change as a result of the new funding requirements in the Pension Schemes Act and TPR's DB Code, with results shown in Figure 3.5.3.

Half (50%) believed that their approach would need to change, although this was rarely expected to be 'to a great extent' (4%). Results were similar irrespective of scheme size.

Figure 3.5.3 Extent of changes anticipated to scheme funding or investment strategy as a result of the new requirements in the Pension Schemes Act and DB Code



Base: All respondents (Base, Don't know)
Total (250, 4%), Micro/Small (97, 3%), Medium (95, 5%), Large (58, 3%),
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

In-depth interviews: Changes for the new regime

In the in-depth interviews, trustees were asked in more detail about the type and extent of any changes they anticipated making to their funding and investment approach as a result of the new requirements.

Most trustees had not (yet) fully explored the potential impact of the new requirements, although they often anticipated greater engagement in the future once the new code is published. However, the advice of investment managers, administrators and legal advisors had reassured many that they would not need to make significant changes. In some cases, this was because they believed that they were largely already meeting the new requirements, albeit without the level of documentation and reporting required.

> *"I haven't fully read it. The way we tend to work is our advisors at every trustee meeting will go through the key points of this and we'll make sure that we are compliant with it. So, we really leave it up to our advisors."*
> (Medium Scheme, Other Trustee, Non-Professional)

Most trustees were broadly supportive of the direction of the new code (based on what they knew about it). They felt it would encourage schemes to set suitable goals and reach low dependency or buy-out more quickly. However, concerns were raised about the additional administrative burden associated with more rigorous documenting and reporting. Small schemes in particular anticipated additional costs that they felt would be better spent benefiting members.

> *"The main issue or concern is that everything is going to become hugely bureaucratic, just like the rest of the pension industry."* (Small Scheme, Chair, Non-Professional)

A small minority of trustees mentioned specific aspects of the new code that they were less sure of (extending LDI, synthetic equities, GMP, covenant visibility and dashboards). However, they had not actively searched for guidance and assumed it to already be available through TPR or their advisors.

3.6 TPR codes and guidance

Trustees were asked whether they were aware that TPR produce codes of practice, guidance and the trustee toolkit and, if so, when they last used or consulted any of these. Comparisons with the 2021 survey have been provided for TPR's codes but this is not available for guidance or the toolkit.

Table 3.6.1 shows that the vast majority (97%) of respondents were aware of TPR's codes, ranging from 100% of large schemes to 97% of micro/small schemes. Awareness levels were similar to those seen in the 2021 survey.

Around half (51%) had consulted any TPR codes in the last six months, with 34% doing so within the last three months (rising to 61% among trustees of large schemes). However, 11% had either never consulted any TPR codes or were unaware of them, with this more likely to be the case among micro/small schemes (17%).

Table 3.6.1 Awareness and use of TPR's codes of practice

	Total	Micro/ Small	Medium	Large
Aware of codes of practice	**97% (+2%)**	**97% (+6%)**	**97% (0%)**	**100% (0%)**
- In last 3 months	**34%** (+14%)	**26%** (+10%)	**30%** (+14%)	**61%** (+25%)
- 4-6 months ago	**17%** (-2%)	**16%** (-4%)	**21%** (+3%)	**8%** (-12%)
- 7-12 months ago	**16%** (-4%)	**14%** (-1%)	**20%** (-4%)	**14%** (-6%)
- Over 12 months ago	**20%** (+1%)	**23%** (+3%)	**22%** (+3%)	**9%** (-6%)
- Never used	**8%** (-5%)	**14%** (-2%)	**3%** (-12%)	**7%** (+3%)
Not aware of codes of practice	**3% (-2%)**	**3% (-6%)**	**3% (0%)**	**0% (0%)**

Base: All respondents (Base, Don't know)
Total (250, 2%), Micro/Small (97, 3%), Medium (95, 0%), Large (58, 2%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

Three-quarters (75%) of professional trustees had consulted TPR's codes within the previous three months, and these were also used more frequently by chairs of trustee boards (48% in the last three months compared with 21% of other trustees).

As detailed in Table 3.6.2, awareness of TPR's guidance was similarly high (99%) but the former was typically consulted slightly more regularly than the codes, with 59% doing so in the last six months.

Trustees of micro/small schemes were comparatively less likely to have accessed guidance in the last six months (51%) and were more likely to report that they had never used it or were unaware of it (14%).

Table 3.6.2 Awareness and use of TPR's guidance

	Total	Micro/ Small	Medium	Large
Aware of guidance	**99%**	**99%**	**98%**	**100%**
- In last 3 months	37%	35%	30%	58%
- 4-6 months ago	22%	16%	33%	7%
- 7-12 months ago	16%	15%	17%	14%
- Over 12 months ago	16%	17%	15%	14%
- Never used	7%	13%	3%	5%
Not aware of guidance	**1%**	**1%**	**2%**	**0%**

Base: All respondents (Base, Don't know)
Total (250, 1%), Micro/Small (97, 2%), Medium (95, 0%), Large (58, 2%)

As with TPR's codes, professional trustees and chairs consulted TPR's guidance most frequently (66% and 50% respectively had done this in the last three months).

In comparison to codes and guidance, trustees accessed the toolkit less frequently; a quarter had used it in the last six months (Table 3.6.3) whereas over half had consulted codes and guidance within this timeframe.

The differences by scheme size were also less pronounced, although micro/small scheme trustees were again most likely to have never used the toolkit or be unaware of it (16%, compared with 9% for medium schemes and 0% for large schemes).

Table 3.6.3 Awareness and use of TPR's trustee toolkit

	Total	Micro/ Small	Medium	Large
Aware of trustee toolkit	**96%**	**93%**	**98%**	**100%**
- In last 3 months	11%	13%	9%	14%
- 4-6 months ago	16%	12%	19%	17%
- 7-12 months ago	17%	21%	15%	17%
- Over 12 months ago	43%	35%	48%	50%
- Never used	6%	9%	7%	0%
Not aware of trustee toolkit	**4%**	**7%**	**2%**	**0%**

Base: All respondents (Base, Don't know)
Total (250, 2%), Micro/Small (97, 2%), Medium (95, 1%), Large (58, 2%)

In contrast to the picture seen for TPR's codes and guidance, there was no evidence that professional trustees and chairs accessed the trustee toolkit more regularly than other trustees.

Table 3.6.4 shows that approaching two-thirds (61%) of trustees had consulted TPR's DB code (funding defined benefits), but fewer than half (46%) had used any other TPR codes. In each case, the proportion of trustees accessing these codes increased in line with scheme size.

Trustees of large schemes were more likely to have used the DB code than in 2021 (an increase from 66% to 83%), and trustees of medium schemes were more likely to have consulted other TPR codes (an increase from 33% to 50%).

Table 3.6.4 Codes of practice used/consulted

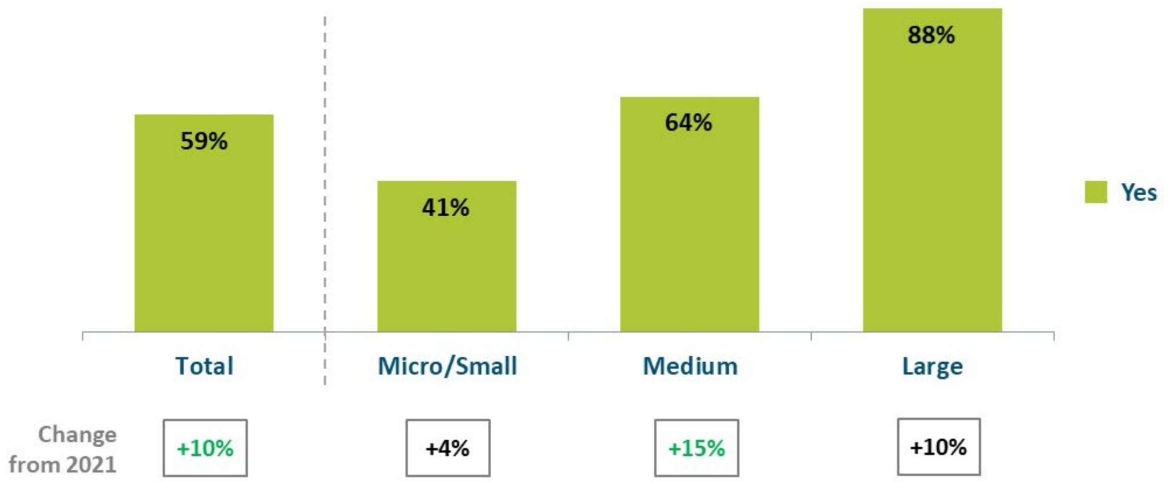
	Total	Micro/ Small	Medium	Large
Funding defined benefits (code number 3)	**61%** (+8%)	**52%** (+9%)	**60%** (+4%)	**83%** (+17%)
Any other TPR	**46%** (+8%)	**33%** (0%)	**50%** (+17%)	**66%** (+5%)
Not aware of or used Codes of Practice	**11%** (-7%)	**17%** (-8%)	**6%** (-12%)	**7%** (+3%)

Base: All respondents (Base, Don't know/Can't remember, None of these)
Total (250, 8%, 9%), Micro/Small (97, 6%, 13%), Medium (95, 12%, 9%), Large (58, 5%, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

Trustees were asked whether, prior to the interview, they were aware that most of TPR's codes of practice would soon be replaced by a new General Code. As shown in Figure 3.6.1, the majority (59%) were aware of this, an increase from 49% in the 2021 survey.

Awareness increased with scheme size, ranging from 41% of micro/small scheme trustees to 88% of large scheme trustees.

Figure 3.6.1 Proportion aware of the General Code



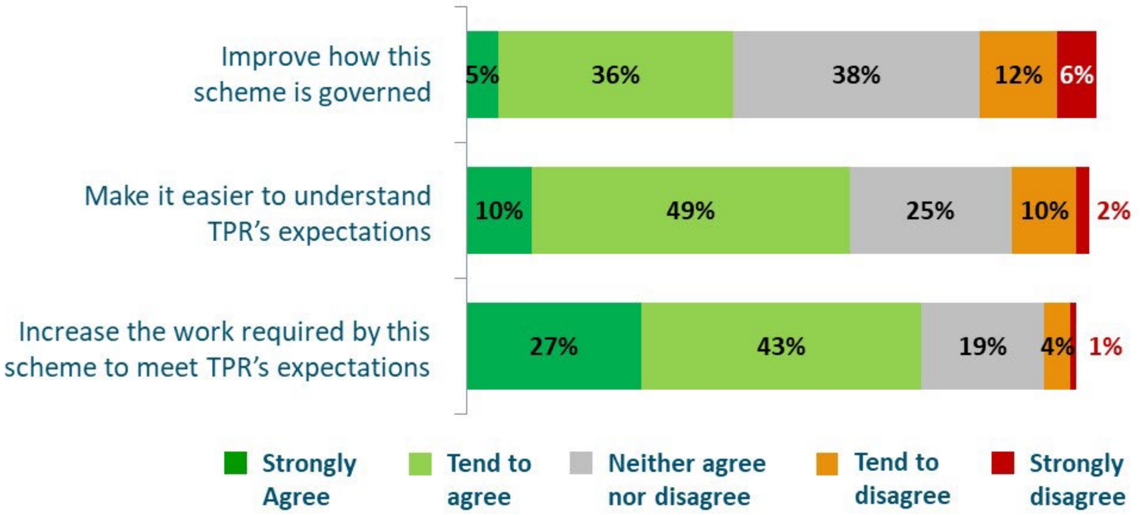
Base: All respondents (Base, Don't know)
Total (250, 1%), Micro/Small (97, 2%), Medium (95, 1%), Large (58, 0%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

View a table showing all data from the above figure

Those trustees aware of the General Code were asked the extent to which they agreed or disagreed that it would improve how their scheme was governed, make it easier to understand TPR's expectations, and increase the work required by schemes to meet TPR's expectations (Figure 3.6.2).

The majority (59%) agreed that the General Code would make it easier to understand TPR's expectations, although most (70%) anticipated that it would increase the work required by the scheme to meet these expectations. Two-fifths (41%) believed that the introduction of the General Code would improve how their scheme was governed.

Figure 3.6.2 Perceptions of the General Code



Base: All aware of General Code (Base, Don't know)
Total (153, 4-5%)

View a table showing all data from the above figure

Table 3.6.5 provides further analysis by scheme size, showing the proportion agreeing with each statement. It also includes the percentage change from the 2021 survey. The overall proportion of trustees who agreed that the General Code would improve the governance of their scheme fell from 60% in 2021 to 41% in 2023.

Table 3.6.5 Perceptions of the General Code by scheme size

Proportion agreeing that the General Code will…	Total	Micro/ Small	Medium	Large
Improve how this scheme is governed	**41%** (-19%)	**45%** (-22%)	**41%** (-19%)	**36%** (-16%)
Increase the work required by this scheme to meet TPR's expectations	**70%** (+11%)	**60%** (-10%)	**70%** (+21%)	**79%** (+16%)
Make it easier to understand TPR's expectations	**59%** (-10%)	**61%** (-7%)	**52%** (-22%)	**68%** (+5%)

Base: All aware of Single Code of Practice (Base, Don't know
Total (153, 4-5%), Micro/Small (41, 3-14%), Medium (61, 3-8%), Large (51, 0-2%)
Statistically significant increases/decreases from 2021 are highlighted in green/red

3.7 Pensions dashboards

The survey included several questions about pensions dashboards. Dashboard requirements will be introduced in stages, with larger schemes having to meet these first, so these questions were only asked of schemes with 100 or more members.

Trustees were first asked about their awareness of the pensions dashboards and the legal requirement to provide data to savers through the dashboards, as follows:

- Government has been working on legislation to enable the development of pensions dashboards. Pensions dashboards are digital interfaces such as websites or apps etc, which will enable a person to see all their pensions in one place. Before today, had you **heard about pensions dashboards**?
- The Pensions Schemes Act 2021 contains provisions to require trustees and scheme managers to provide data to savers through pensions dashboards. Before today, were you **aware of this change to pensions law**?

Table 3.7.1 shows that awareness of the dashboards was almost universal (98%) and this had increased since the 2021 survey (86%). There was also higher awareness of the legal requirement to provide data to savers through the dashboards (93%, an increase from 68% in 2021).

Table 3.7.1 Awareness of pensions dashboards and the legal requirement to provide data to savers through pensions dashboards

	Total	Medium	Large
Aware of pensions dashboards	**98%** (+12%)	**98%** (+17%)	**100%** (+3%)
Aware of the change to pensions law (requiring trustees/scheme managers to provide data to savers through pensions dashboards)	**93%** (+25%)	**91%** (+30%)	**98%** (+12%)

Base: All schemes with 100+ members - Total (153), Medium (95), Large (58)

As detailed in Table 3.7.2, over half had read TPR's dashboards guidance but fewer had attended webinars (23%) or listened to podcasts (18%) on this topic. Over a third (38%) had engaged with other TPR dashboards material.

Table 3.7.2 Sources of TPR information about pensions dashboards

	Total	Medium	Large
Read TPR's guidance on pensions dashboards	55%	50%	66%
Attended or viewed a TPR pensions dashboards webinar	23%	17%	40%
Listened to a TPR pensions dashboards podcast	18%	15%	26%
Engaged with any other material put out by TPR regarding pensions dashboards	38%	40%	34%
None of these	24%	25%	19%
Not aware of dashboards	2%	2%	0%

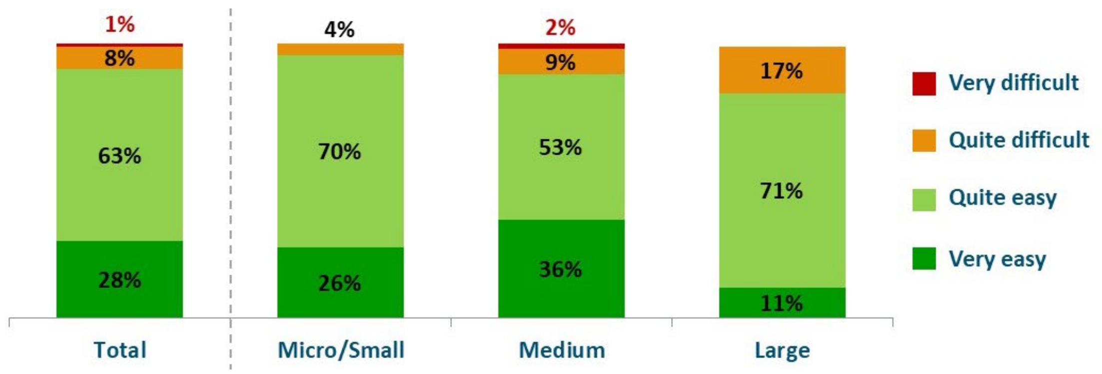
Base: All schemes with 100+ members (Base, Don't know) - Total (153, 0%), Medium (95, 0%), Large (58, 0%)

3.8 Administration

In early 2022, TPR introduced a new interface for some schemes to submit parts of their Scheme Return. All schemes should have completed their latest Scheme Return using the new interface by the time they took part in the survey (in April-May 2023).

Respondents were asked how easy they found it to input and submit their Scheme Return on the last occasion they did this (Figure 3.8.1). Overall, 91% found the process easy (with 28% describing it as 'very easy')[8].

Figure 3.8.1 Ease of completing latest Scheme Return

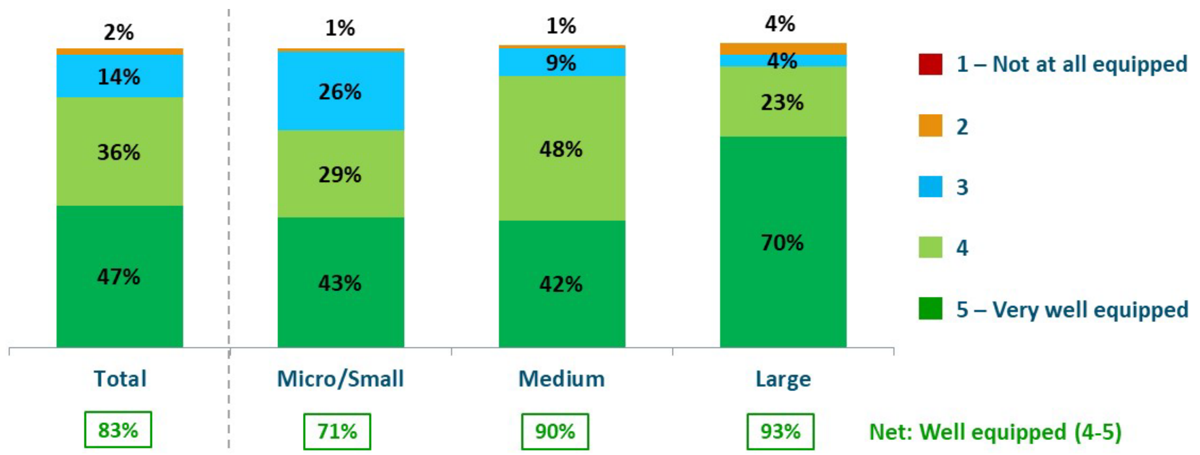


Base: All respondents except those not involved in submitting scheme return or answering 'Don't know'
Total (124), Micro/Small (56), Medium (44), Large (24)

View a table showing all data from the above figure

Respondents were then asked several questions about the trustee board's scrutiny of reports provided by its administrator. Figure 3.8.2 shows that the majority (83%) believed the trustees were well-equipped to scrutinise and challenge these reports, although this was less likely to be the case among micro/small schemes (71%).

Figure 3.8.2 Ability to scrutinise and challenge administrator reports



Base: All respondents (Base, Don't know, Do not receive reports from administrator)
Total (250, 1%, 0%), Micro/Small (97, 2%, 0%), Medium (95, 0%, 0%), Large (58, 0%, 0%)

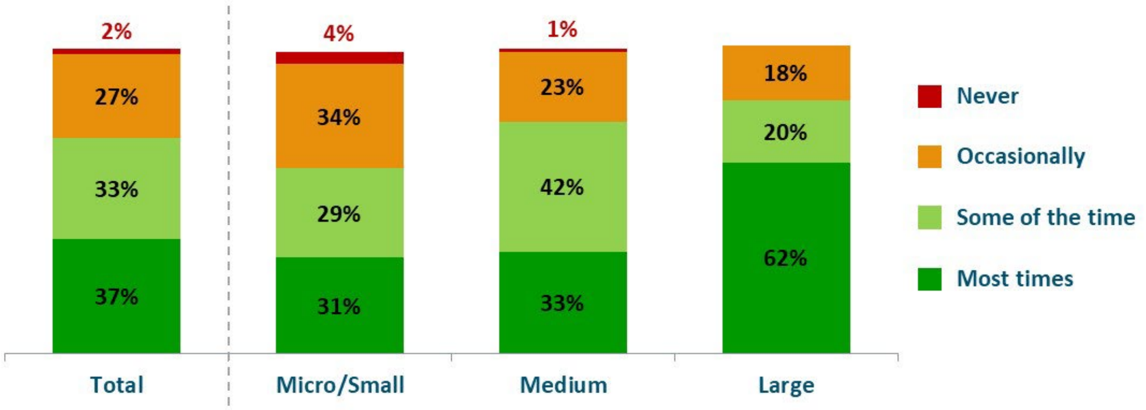
View a table showing all data from the above figure

[8] Please note that 49% of DB survey respondents were unable to answer because they were not personally involved in submitting the last Scheme Return, and a further 2% didn't know. These respondents have been excluded from the analysis.

When asked how often the trustee board challenged or questioned the reports provided by its administrator, 37% indicated that this happened ‘most times’ and 33% ‘some of the time’ (Figure 3.8.3). A further 27% challenged reports ‘occasionally’ but only 2% never did this.

Large schemes typically challenged these reports more frequently, with 62% doing this ‘most times’ (compared with 33% of medium and 31% of micro/small schemes).

Figure 3.8.3 Frequency of challenging administrator reports



Base: All respondents (Base, Don’t know)
Total (250, 1%), Micro/Small (97, 2%), Medium (95, 1%), Large (58, 0%)

View a table showing all data from the above figure

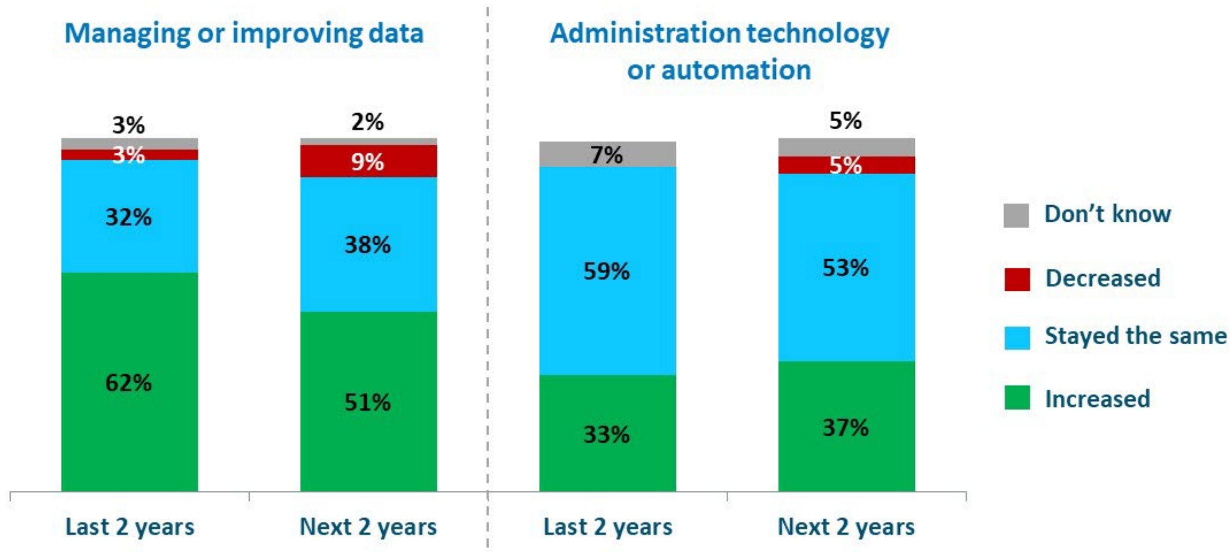
Three-quarters (75%) of those who felt the board was well-equipped to scrutinise administrator reports said that the trustees challenged these most or some of the time, compared with 46% of those who did not believe the board was well equipped.

Schemes were asked whether the budget spent on managing or improving data had changed over the previous two years and was expected to change over the next two years. They were then asked the same questions about their investment in administration technology or automation. Results are summarised in Figure 3.8.4.

Most schemes reported that their budget for managing/improving data had increased over the previous two years (62%), and half said it was expected to increase over the next two years (51%).

In comparison, there was less evidence of greater investment in administration technology/automation, with a third (33%) indicating that this had increased in the previous two years and a similar proportion (37%) anticipating an increase in the next two years. However, there still appeared to be a net increase in each time period (i.e. more schemes reporting/predicting an increase than a decrease).

Figure 3.8.4 Changes in investment in managing/improving data and administration technology/automation



Base: All respondents (250)

View a table showing all data from the above figure

Table 3.8.1 Shows the proportion of schemes that had increased their investment in the previous two years and/or expected to do so in the next two years, including analysis by scheme size.

Overall, 36% of schemes indicated that their budget for managing/improving data had increased in the previous two years and was expected to further increase in the next two years. However, this was less likely among micro/small schemes (28%), with 29% of this group stating that they had not increased budgets and did not expect to do so.

A fifth of schemes (20%) had increased investment in administration technology/automation over the previous two years and expected this to increase in the next two years. This again increased by scheme size (31% of large, 23% of medium and 11% of micro/small). Approaching two-thirds of micro/small schemes (63%) and half of medium schemes (47%) reported no change in either period, compared with a quarter of large schemes (24%).

Table 3.8.1 Summary of increased investment in managing/improving data and administration technology/automation

	Total	Micro/Small	Medium	Large
Budget for managing or improving data				
Increased in last 2 years and expected to increase in next 2 years	36%	28%	41%	42%
Increased in last 2 years but not expected to increase in next 2 years	26%	26%	24%	31%
Not increased in last 2 years but expected to increase in next 2 years	15%	17%	13%	16%
Not increased in last 2 years and not expected to increase in next 2 years	23%	29%	22%	12%
Investment in administration technology or automation				
Increased in last 2 years and expected to increase in next 2 years	20%	11%	23%	31%
Increased in last 2 years but not expected to increase in next 2 years	14%	9%	16%	19%
Not increased in last 2 years but expected to increase in next 2 years	17%	17%	14%	26%
Not increased in last 2 years and not expected to increase in next 2 years	49%	63%	47%	24%

Base: All respondents (Base)
Total (250), Micro/Small (97), Medium (95), Large (58)

Those schemes that had increased their budget for managing or improving data in the previous 2 years were asked the reasons for this (Table 3.8.2). A wide range of factors were cited but the most common was to deliver special projects (75%, rising to 98% of large schemes). This was followed by de-risking (47%), preparing for pensions dashboards (46%), delivering improved services to members (41%) and due to improved understanding of the risks facing the scheme (38%).

Table 3.8.2 Reasons for increased budgets for managing/improving data in last 2 years

	Total	Micro/ Small	Medium	Large
Deliver other special projects	**75%**	54%	80%	98%
De-risking	**47%**	44%	50%	45%
Prepare for the pensions dashboards	**46%**	23%	56%	64%
Deliver improved services to members	**41%**	26%	45%	59%
Improved understanding of the risks facing the scheme	**38%**	30%	47%	31%
Reduce errors and complaints	**33%**	19%	38%	43%
Address issues identified through a data review, complaint or audit	**27%**	8%	35%	41%
Increased focus or scrutiny by TPR	**26%**	16%	34%	26%
Drive efficiencies and cost savings	**26%**	20%	24%	40%
Prepare for winding up the scheme and transferring members	**26%**	23%	27%	29%
Prepare for transition to a new administrator	**12%**	15%	6%	19%
Other reasons	**28%**	40%	20%	27%

Base: All who had increased spend on managing/improving data in last 2 years (Base, Don't know)
Total (155, 0%), Micro/Small (51, 0%), Medium (62, 0%), Large (42, 0%)

Those schemes that had increased investment in administration technology or automation in the previous two years were also asked for their reasons. As shown in Table 3.8.3, the primary reasons were to deliver improved services to members (65%) and prepare for pensions dashboards (62%), followed by driving efficiencies/cost savings (51%) and reducing errors/complaints (47%). All these factors were more common among larger schemes, whereas micro/small schemes were most likely to highlight greater scrutiny by TPR (52%).

Table 3.8.3 Reasons for increased investment in administration technology/ automation in last 2 years

	Total	Micro/ Small	Medium	Large
Deliver improved services to members	**65%**	40%	64%	89%
Prepare for pensions dashboards	**62%**	46%	67%	68%
Drive efficiencies and cost savings	**51%**	40%	51%	58%
Reduce errors or complaints	**47%**	31%	45%	65%
Increased focus or scrutiny by TPR	**29%**	52%	25%	17%
Implement digital identity or biometric checks	**6%**	0%	8%	7%
Other reasons	**31%**	28%	27%	41%

Base: All who had increased investment in administration technology or automation in last 2 years (Base, Don't know)
Total (85, 3%), Micro/Small (19, 11%), Medium (37, 0%), Large (29, 0%)

Schemes that had increased their investment in managing/improving data or in administration technology/automation in the previous two years were asked whether this had resulted in various outcomes (Table 3.8.4).

Over half (58%) felt that this had led to improved services for members, with 42% reporting that it had resulted in reduced errors or complaints, 33% efficiencies and cost savings and 27% greater member engagement.

Large schemes were most likely to have experienced these outcomes, whereas 29% of micro/small schemes and 20% of medium schemes felt that their increased expenditure had not yet delivered any benefits.

Table 3.8.4 Outcomes of increased spend on managing/improving data or administration technology/automation in the last 2 years

	Total	Micro/ Small	Medium	Large
Improved services to members	**58%**	47%	56%	81%
Reduced errors or complaints	**42%**	29%	45%	55%
Efficiencies and cost savings	**33%**	32%	28%	45%
Greater member engagement	**27%**	14%	22%	59%
Other benefits	**23%**	18%	21%	36%
None of these	**20%**	29%	20%	4%

Base: All who had increased spend on improving/managing data or administration technology/automation (Base, Don't know)
Total (174, 1%), Micro/Small (56, 2%), Medium (71, 0%), Large (47, 0%)

As set out in Table 3.8.5, approaching two-thirds (63%) of schemes had performed a benefit audit within the previous two years, but 8% had never done this and 14% didn't know when/if this had last happened.

The larger the scheme, the more likely it was to have completed a benefit audit in the previous year (ranging from 50% of large schemes to 36% of micro/small schemes).

Table 3.8.5 When the scheme last performed a benefit audit

	Total	Micro/ Small	Medium	Large
Within last year	40%	36%	40%	50%
1-2 years ago	23%	25%	21%	26%
3-5 years ago	13%	15%	13%	11%
More than 5 years ago	2%	1%	2%	2%
Never	8%	12%	5%	7%
Don't know	14%	12%	19%	5%

Base: All respondents (Base)
Total (250), Micro/Small (97), Medium (95), Large (58)

3.9 Scheme and respondent profile

Respondents were asked to provide the approximate split of the scheme's membership across active, deferred and pensioner members. Table 3.9.1 shows the mean percentage of members of each type.

DB schemes typically had few active members, with this group accounting for an average of 7% of the total membership base. Half (50%) of members were pensioners and the remaining 43% were deferred members.

This pattern was broadly consistent across the different sizes of scheme.

Table 3.9.1 Proportion of active, deferred and pensioner members

Mean % of memberships	Total	Micro/ Small	Medium	Large
Active members	7%	8%	6%	8%
Deferred members	43%	41%	45%	42%
Pensioner members	50%	52%	49%	50%

Base: All respondents
Total (250), Micro/Small (97), Medium (95), Large (58)

As set out in Table 3.9.2, the majority of schemes were closed to new entrants and closed to future accrual (69%). A further 25% were closed to new entrants but open to future accrual, and 4% were open to new entrants (rising to 9% of large schemes).

Table 3.9.2 Scheme status

	Total	Micro/ Small	Medium	Large
Closed to new entrants and **closed** to future accrual	69%	65%	77%	57%
Closed to new entrants and **open** to future accrual	25%	28%	19%	35%
Open to new entrants and **open** to future accrual	4%	3%	4%	9%

Base: All respondents (Base, Don't know)
Total (250, 1%), Micro/Small (97, 3%), Medium (95, 0%), Large (58, 0%)

Table 3.9.3 shows that 43% of schemes had any professional trustees on the trustee board, increasing to 66% of large schemes. Overall, 18% of respondents were themselves a professional trustee.

Table 3.9.3 Professional trustees

	Total	Micro/ Small	Medium	Large
Scheme has professional trustee(s)	43%	36%	41%	66%
- Respondent is a professional trustee	18%	13%	16%	38%
Scheme does not have professional trustee(s)	57%	64%	59%	34%

Base: All respondents
Total (250), Micro/Small (97), Medium (95), Large (58)

As detailed in Table 3.9.4, there was a broadly even split among survey respondents between chairs (47%) and other trustees (53%). Respondents from large schemes were comparatively more likely to be the chair (74%).

Table 3.9.4 Respondent role

	Total	Micro/ Small	Medium	Large
Chair to the board of trustees	47%	34%	48%	74%
Other trustee	53%	66%	52%	26%

Base: All respondents
Total (250), Micro/Small (97), Medium (95), Large (58)

4. Appendix: Underlying data for all figures/charts

This annex provides the underlying data for each of the figures/charts shown in the main body of this report.

Where comparisons with the 2021 survey are available, these have been shown as the percentage point change (i.e. an increase from 40% in 2021 to 50% in 2023 would be displayed as +10%). Any statistically significant differences over time have been highlighted in green font (increase since 2021) or red font (decrease since 2021).

Data for 'Figure 3.1.1 Proportion of schemes with an LTO'

	Total	Micro/small	Medium	Large
Yes	92%	89%	95%	91%
Change from 2021 survey	+4%	+7%	+5%	+4%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.1.2 Proportion of schemes with a long-term investment strategy'

	Total	Micro/small	Medium	Large
Yes	76%	70%	77%	85%
Change from 2021 survey	+17%	+12%	+19%	+22%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.1.3 Whether the long-term objective involves targeting a specific discount rate'

	Total	Micro/small	Medium	Large
Yes, related to gilts	37%	20%	40%	68%
Yes, not related to gilts	2%	3%	2%	0%
No	51%	63%	49%	26%
Don't know	9%	13%	8%	6%
Net: Targeting discount rate	**40%**	**24%**	**43%**	**68%**

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.1.4 Link between the LTO and scheme funding'

	Total	Micro/small	Medium	Large
Drives the funding	66%	61%	69%	71%
At least partly aspirational	28%	31%	26%	25%
Don't know	6%	8%	6%	4%
Change from 2021 survey (drives the funding)	-2%	+2%	-2%	-4%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.2.1 Extent to which covenant risk is considered when setting the LTO, technical provisions, recovery plan and investment strategy'

	Long-term objective *(only asked of those with LTO)*	Technical provisions	Recovery plan *(only asked of those with RP)*	Investment strategy
To a great extent	48%	39%	57%	45%
To some extent	41%	44%	37%	42%
Not at all	9%	12%	5%	12%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.2.2 Influence of scheme maturity on level of risk taken'

	Technical provisions	Investment strategy
To a great extent	38%	47%
To some extent	51%	44%
Not at all	6%	6%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.2.3 Proportion looking at deficit volatility to measure the level of risk the covenant can support'

	Total	Micro/small	Medium	Large
Yes	76%	72%	77%	85%
Change from 2021 survey	+8%	+11%	+7%	+9%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.3.1 Proportion of schemes with a journey plan'

	Total	Micro/small	Medium	Large
Yes	67%	53%	74%	79%
Change from 2021 survey	-3%	-5%	-1%	-2%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.3.2 Understanding with employer about action taken to support any downside'

	Total	Micro/small	Medium	Large
Yes, formal understanding	35%	32%	36%	39%
Yes, informal understanding	56%	57%	57%	50%
No	9%	11%	6%	11%
Net: Any understanding	**91%**	**89%**	**93%**	**89%**

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.3.3 Proportion of schemes where the journey plan assumes reliance on the employer covenant will reduce over time'

	Total	Micro/small	Medium	Large
Yes	71%	70%	73%	70%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.3.4 Proportion of schemes where the technical provisions are consistent with the investment strategy'

	Total	Micro/small	Medium	Large
Yes	95%	96%	96%	92%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.4.1 Proportion of schemes with a recovery plan'

	Total	Micro/small	Medium	Large
Yes	67%	68%	67%	67%
Change from 2021 survey	-4%	-8%	-2%	+4%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.4.2 Factors considered in structure of recovery plan'

	Affordability of the employer	Maturity of the scheme	Value, terms & enforceability of contingent assets *(only asked of those with contingent assets)*	Impact on the employer and its business investment plans
To a great extent	50%	44%	33%	31%
To some extent	43%	44%	49%	52%
Not at all	5%	8%	17%	15%

	Post-valuation experience	Likelihood of employer insolvency	Investment outperformance
To a great extent	27%	24%	21%
To some extent	50%	46%	59%
Not at all	17%	28%	17%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.5.1 Frequency of monitoring key risks'

	Total	Micro/small	Medium	Large
More than once a year	59%	47%	58%	81%
Annually	34%	42%	35%	19%
Less frequently	3%	8%	1%	0%
Only when triggers are breached	3%	3%	6%	0%
Never	0%	0%	0%	0%
Net: At least annually	**93%**	**90%**	**93%**	**100%**

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.5.2 Plans for remedial action when the risk triggers are breached'

	Total	Micro/small	Medium	Large
Yes, agreed with the employer	19%	18%	17%	23%
Yes, but subject to employer's agreement	33%	33%	37%	21%
Yes, some actions agreed & other subject to agreement	19%	7%	22%	33%
No	28%	40%	21%	21%
Net: Any plans for remedial action	**70%**	**59%**	**77%**	**77%**

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.5.3 Extent of changes anticipated to scheme funding or investment strategy as a result of the new requirements in the Pension Schemes Act and DB Code'

	Total	Micro/Small	Medium	Large
To a great extent	4%	1%	6%	2%
To some extent	46%	47%	47%	43%
Not at all	46%	48%	41%	52%
Net: To any extent	**50%**	**48%**	**54%**	**45%**
Change from 2021 survey (to any extent)	+2%	+3%	+4%	-4%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.6.1 Proportion aware of the General Code'

	Total	Micro/small	Medium	Large
Yes	59%	41%	64%	88%
Change from 2021 survey	+10%	+4%	+15%	+10%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.6.2 Perceptions of the General Code'

	Improve how this scheme is governed	Make it easier to understand TPR's expectations	Increase the work required by this scheme to meet TPR's expectations
Strongly agree	5%	10%	27%
Tend to agree	36%	49%	43%
Neither agree nor disagree	38%	25%	19%
Tend to disagree	12%	10%	4%
Strongly disagree	6%	2%	1%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.8.1 Ease of completing latest Scheme Return'

	Total	Micro/small	Medium	Large
Very easy	28%	26%	36%	11%
Quite easy	63%	70%	53%	71%
Quite difficult	8%	4%	9%	17%
Very difficult	1%	0%	2%	0%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.8.2 Ability to scrutinise and challenge administrator reports'

	Total	Micro/small	Medium	Large
5 – Very well equipped	47%	43%	42%	70%
4	36%	29%	48%	23%
3	14%	26%	9%	4%
2	2%	1%	1%	4%
1 – Not at all equipped	0%	0%	0%	0%
Net: Well equipped (4-5)	**83%**	**71%**	**90%**	**93%**

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.8.3 Frequency of challenging administrator reports'

	Total	Micro/small	Medium	Large
Most times	37%	31%	33%	62%
Some of the time	33%	29%	42%	20%
Occasionally	27%	34%	23%	18%
Never	2%	4%	1%	0%

Return to the corresponding figure in the main body of the report

Data for 'Figure 3.8.4 Changes in investment in managing/improving data and administration technology/automation'

	Managing or improving data		Administration technology or automation	
	Last 2 years	Next 2 years	Last 2 years	Next 2 years
Increased	62%	51%	33%	37%
Stayed the same	32%	38%	59%	53%
Decreased	3%	9%	0%	5%
Don't know	3%	2%	7%	5%

Return to the corresponding figure in the main body of the report