

# **Research report on The Pensions Regulator's defined benefit annual funding statement 2013**

November 2013

The Pensions  
Regulator

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# 1. Executive summary

## 1.1 Introduction

This document provides the findings from the quantitative survey that The Pensions Regulator (the regulator) conducted following the publication of the regulator's defined benefit (DB) annual funding statement 2013. This was the second annual funding statement published by the regulator, following the first published in 2012.

The target audiences of the survey were actuaries, trustees and employers of DB pension schemes undertaking their scheme valuations with effective dates in the period 22 September 2012 to 21 September 2013 (2013 valuations).

The main objective of the survey was to determine the extent to which the messages in the statement had reached the intended audiences and were understood. Other objectives included ascertaining perceptions of the statement and the extent to which schemes intended to apply the flexibilities in the funding framework and produce a valuation that was consistent with the regulator's expectations.

IFF research, an independent market research agency, was commissioned to conduct this study on the regulator's behalf, with interviews taking place in July 2013.

## 1.2 Key findings

### 1.2.1 Awareness of the key messages was lower among trustees and employers this year; this is because awareness of the statement itself was lower among these audiences

Prompted awareness of the 2013 statement was lower among trustees (72%, from 93%) and employers (65%, from 79%) than the levels recorded for the 2012 statement.

However, the majority of those trustees and employers who were aware of the statement were also aware of the key messages:

- 63% of trustees had awareness of at least six out of the eight main messages (cf. 72% recalling the statement)
- 50% of employers had awareness of at least six out of the eight main messages (cf. 65% recalling the statement)

Among employers and trustees two messages were not as well recalled as the others, namely 'TPR's views on acceptable approaches to the valuation process' and 'treating the pension scheme as equal priority with other financial demands'.

All actuaries interviewed were aware of statement and over nine in ten were aware of each of the key messages.

### 1.2.2 Across employers and trustees, the key messages included in the statement were well understood

The majority of the messages were understood by employers and trustees. On average across the eight key messages in the statement, 91% of employers and 96% of trustees had at least some understanding of the meaning of the messages.

As is the case with awareness of the messages, the message 'TPR's views on acceptable approaches to the valuation process' is less well understood among both trustees and employers compared to the other seven messages.

### **1.2.3 All three audiences perceived the statement to be helpful. Indeed, compared to feedback on the 2012 statement, employers and actuaries are significantly more likely to find the 2013 statement helpful**

Year-on-year increases were realised in the proportion of actuaries (82%, up from 68%) and trustees (86%, up from 75%) that considered the statement to be helpful. The proportion of actuaries rating the statement as 'very good' or 'good' also increased (from 59% in 2012 to 83% this year), with the positive ratings provided by employers (56%) and trustees (77%) in line with the levels recorded last year.

### **1.2.4 The majority of actuaries stated that the flexibilities they will be advising schemes to use are consistent with TPR's views.**

Over half of actuaries (55%) believed that the application of flexibilities they were advising all of their clients was consistent with the regulator's expectations. Nearly all the remaining actuaries (44%) believed that the advice they were giving was mostly consistent with those expectations. The results are very similar to those recorded in the 2012 survey.

### **1.2.5 To an even greater degree than last year, actuaries demonstrated an appetite for TPR continuing to publish a funding statement on an annual basis.**

Two in three actuaries (64%) felt that a funding statement should be published on an annual basis as a matter of course to help schemes that are about to go through valuations. This is an increase from 49% of actuaries that provided the same response after the 2012 statement.

### **1.2.6 The new regulatory objective was not spontaneously mentioned as being an issue for schemes, with the majority not feeling that the new objective will affect their valuation timetable.**

Across all three audiences, fewer than one in six (16% of actuaries, 10% of employers and 16% of trustees) cited new or emerging issues that affected their timings, with the regulator's new objective only spontaneously mentioned in two instances (both by actuaries).

Only a small minority stated that the regulator's new objective would have an impact on scheme valuation timetables: actuaries (15%) were more likely than employers (4%) and trustees (5%) to feel that it will slightly or significantly affect these.

## 2. Background and methodology

### 2.1 Background

This document provides the findings from the quantitative survey that The Pensions Regulator (the regulator) conducted following the publication of the regulator's defined benefit (DB) annual funding statement 2013<sup>1</sup>. The statement – the second annual statement following the first published in 2012 – was primarily aimed at trustees and employers of DB pension schemes undertaking their scheme valuations with effective dates in the period 22 September 2012 to 21 September 2013 (2013 valuations), as well as advisers supporting trustees and employers.

The statement built on key messages in the regulator's 2012 statement and set out its views on acceptable approaches to the valuation process in the current economic environment. It also outlined the regulator's approach for regulating schemes submitting their valuations.

In addition, reference was made to the development of the regulator's new statutory objective announced in the 2013 budget<sup>2</sup>.

Alongside the statement the regulator published supporting analysis of the expected positions of DB pension schemes with 2013 valuations, highlighting the impact of the change in market conditions.

As was done following last year's statement, the regulator conducted a survey in order to determine the extent to which the messages in the statement had reached the intended audiences and were understood. The research also sought to understand:

- to what extent schemes intended to apply the flexibilities in the funding framework and produce a valuation that was consistent with the regulator's expectations
- perceptions of the statement and its helpfulness in enabling the scheme produce an affordable recovery plan
- the perceived impact, if any, of the new statutory objective on schemes' timetable for completing their valuation
- use of, and reactions towards, the supporting analysis published alongside the statement.

Comparisons are made to findings from last year's survey where relevant.

1  
[www.tpr.gov.uk/docs/DB-annual-funding-statement-2013.pdf](http://www.tpr.gov.uk/docs/DB-annual-funding-statement-2013.pdf)

2  
<https://www.gov.uk/government/news/new-objective-for-regulator>

## 2.2 Methodology

IFF research, an independent market research agency, was commissioned to conduct this study on the regulator's behalf.

The methodology mirrored that of the 2012 research with respect to audiences and sample sizes. Employers and trustees associated with large and medium schemes that have a 2013 valuation, and actuaries advising schemes with a 2013 valuation, were the target audiences.

The sample for the research was extracted from the regulator's own scheme registry database. Table 1 shows the sample design.

**Table 1: Sample design**

	Actuaries	Employers	Trustees
Medium (100-999)	100	100	50
Large (1,000+)		50	100
Total	100	150	150

The data was weighted to be representative of the trustee and employer universe of scheme valuations with effective dates in the period 22 September 2012 to 21 September 2013. Actuary data was not weighted.

Table 2 shows the weighting profile.

**Table 2: Weighting profile**

	Percentage
Medium (100-999)	72%
Large (1,000+)	28%
Total	100%

All selected records were sent an introductory letter or email from the regulator. Fieldwork took place between 3 and 30 July 2013. Interviews lasted on average seventeen minutes.

## 3. Main findings

### 3.1 Awareness of and engagement with the statement

Consistent with last year, spontaneous and prompted awareness of the statement amongst actuaries was high. However, as indicated in Table 3, awareness among employers and trustees was lower than the levels associated with the 2012 statement.

**Table 3: Awareness of statement**

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Spontaneous awareness	78%	31% (43%)	36%
Prompted awareness	100%	65% (79%)	72% (93%)

As well as awareness, the research also covered how respondents engaged with the statement.

**Table 4: Level of engagement with the statement**

	<b>Actuaries</b> (Base – all aware of statement: 100)	<b>Employers</b> (Base – all aware of statement: 98)	<b>Trustees</b> (Base – all aware of statement: 123)
Read any part of the statement	98%	73%	81%
	<b>Actuaries</b> (Base – all who read statement: 98)	<b>Employers</b> (Base – all who read statement: 71)	<b>Trustees</b> (Base – all who read statement: 104)
Read the statement in detail	77% (93%)	24% (45%)	37%
Read the statement but not in detail	14%	25%	29%
Scanned the whole statement but did not read it in full	7% (1%)	30%	26%
Scanned parts of the statement	2%	19% (6%)	7%

(Figures in brackets indicate statistically significant differences from 2012 results).

### 3. Main findings

As shown in Table 4, three in four actuaries interviewed (77%) read the statement in detail. This represents a fall from the level recorded in 2012 with more actuaries opting to scan the document this year.

Most actuaries circulated a copy (68%) and commentary (77%) of the statement to clients and included it as an agenda item in meetings with trustees (89%).

Just under three in four employers (73%) aware of the statement read any part of it.

As with actuaries, employers were more likely to scan the statement (49%) this year rather than read the statement in detail (24% – a fall from 45% in 2012). Two in five (43%) employers who had not yet read the statement in detail reported that they would do so in due course.

Level of readership of the statement was consistent year-on-year among trustees. Four in five (81%) trustees aware of the statement read it, of which 37% read the statement in detail. Similar to employers, just over two in five trustees (46%) who had not yet read the statement in detail reported they would do so in future.

Engagement with the statement also took the form of employers and trustees' discussing it with advisers – see Table 5. Across both the employer and trustee groups, around two in five have discussed the statement with advisers and identified parts of it that are most relevant. Those associated with larger schemes are more likely to have done so than those from medium schemes:

- 58% of employers with large schemes vs. 30% of employers with medium schemes
- 61% of trustees from large schemes vs. 32% of trustees from medium schemes.

**Table 5: Discussions with advisers about the statement**

	<b>Employers</b> (Base – all who read statement: 71)	<b>Trustees</b> (Base – all who read statement: 104)
HAVE discussed with advisers and identified parts of the statement that are most relevant	38%	43%
HAVE discussed with advisers but NOT YET identified parts of the statement that are most relevant	30%	25%
HAVE discussed with advisers but DO NOT INTEND to use it for valuations	0%	1%
HAVE NOT discussed with advisers but have identified parts of the statement that are most relevant	7%	3%
HAVE NOT discussed with advisers BUT EXPECT to use it to inform valuations	19%	24%
HAVE NOT discussed with advisers and DO NOT INTEND to use it for valuations	2%	0%

## 3.2 Awareness and understanding of the statement's key messages

As shown in Table 6, of those who did recall the statement, most were aware of the majority of the key messages contained within it. This is illustrated with the following summary statistics:

- All actuaries had some level of awareness of six or more of the key messages
- 50% of employers had awareness of six+ messages (cf. 65% recalling the statement)
- 63% of trustees had awareness of six+ messages (cf. 72% recalling the statement).

Among actuaries, over nine in ten were aware of each of the key messages. In the employer and trustee groups, 'TPR's views on acceptable approaches to the valuation process' and 'treating the pension scheme as equal priority with other financial demands' had slightly lower recall levels (particularly in terms of full awareness) than the other messages tested.

**Table 6: Awareness of main messages in the statement**

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Spontaneous awareness	78%	31%	36%
Prompted awareness	100%	65%	72%
% with full/some awareness of main statement messages:			
[It provides] TPR's views on acceptable approaches to the valuation process*	97%	48%	59%
TPR expects trustees to manage scheme funding, scheme investments and employer covenant in an integrated way*	99%	52%	67%
The pension scheme should be treated as an equal priority with other financial demands*	96%	46%	58%
Greater use of available flexibilities may be needed than for previous valuations	99%	57%	66%
The assumptions made for the relative returns of different asset classes may rise or fall from previous valuations	93%	48%	65%
Consideration should be given to whether the current level of contributions can be maintained	98%	57%	65%
The available flexibilities can be used to ensure the recovery plan is appropriately tailored to the scheme and employer's circumstances	99%	58%	68%
An appropriate level of risk should be allowed for that is neither overly prudent nor overly optimistic	92%	56%	62%

(Figures in brackets indicate statistically significant differences from 2012 results).

\*Message included in 2012 statement.

### 3. Main findings

As detailed in Table 7, the majority of the messages were understood by employers and trustees<sup>3</sup>. On average across the eight key messages in the statement, 91% of employers and 96% of trustees had at least some understanding of the meaning of the messages.

There is variation, however, in terms of the levels of **complete understanding** of the messages. The messages concerning 'giving consideration to whether the current level of contributions can be maintained' and 'the assumptions made for the relative returns of different asset classes may rise or fall from previous valuations' are particularly well understood.

In contrast, 'TPR's views on acceptable approaches to the valuation process' are relatively less well understood among employers and trustees. Among employers, there is a fall in complete understanding of this message from the 2012 survey.

The survey also asked all three audiences to rate the clarity with which each of the main messages in the statement was communicated. For every message, across all three audiences, at least 80% view the message as being communicated 'very clearly' or 'quite clearly.' Full results are shown in B3 in the Appendix.

<sup>3</sup>  
Actuaries were not asked this question.

**Table 7: Understanding of the main messages in the statement**

	<b>Employers</b> (Base – all aware that message appeared in statement: range 58 to 70)		<b>Trustees</b> (Base – all aware that message appeared in statement: range 93 to 102)	
	Completely understood	At least some understanding	Completely understood	At least some understanding
% understood the following messages:				
[It provides] TPR’s views on acceptable approaches to the valuation process*	25% (45%)	87% (98%)	55%	99%
TPR expects trustees to manage scheme funding, scheme investments and employer covenant in an integrated way*	48% (66%)	87%	65%	95%
The pension scheme should be treated as an equal priority with other financial demands*	49%	90%	62% (80%)	94%
Greater use of available flexibilities may be needed than for previous valuations	26%	92%	55%	91%
The assumptions made for the relative returns of different asset classes may rise or fall from previous valuations	55%	94%	69%	97%
Consideration should be given to whether the current level of contributions can be maintained	70%	96%	72%	99%
The available flexibilities can be used to ensure the recovery plan is appropriately tailored to the scheme and employer’s circumstances	52%	91%	70%	95%
An appropriate level of risk should be allowed for that is neither overly prudent nor overly optimistic	49%	88%	57%	95%

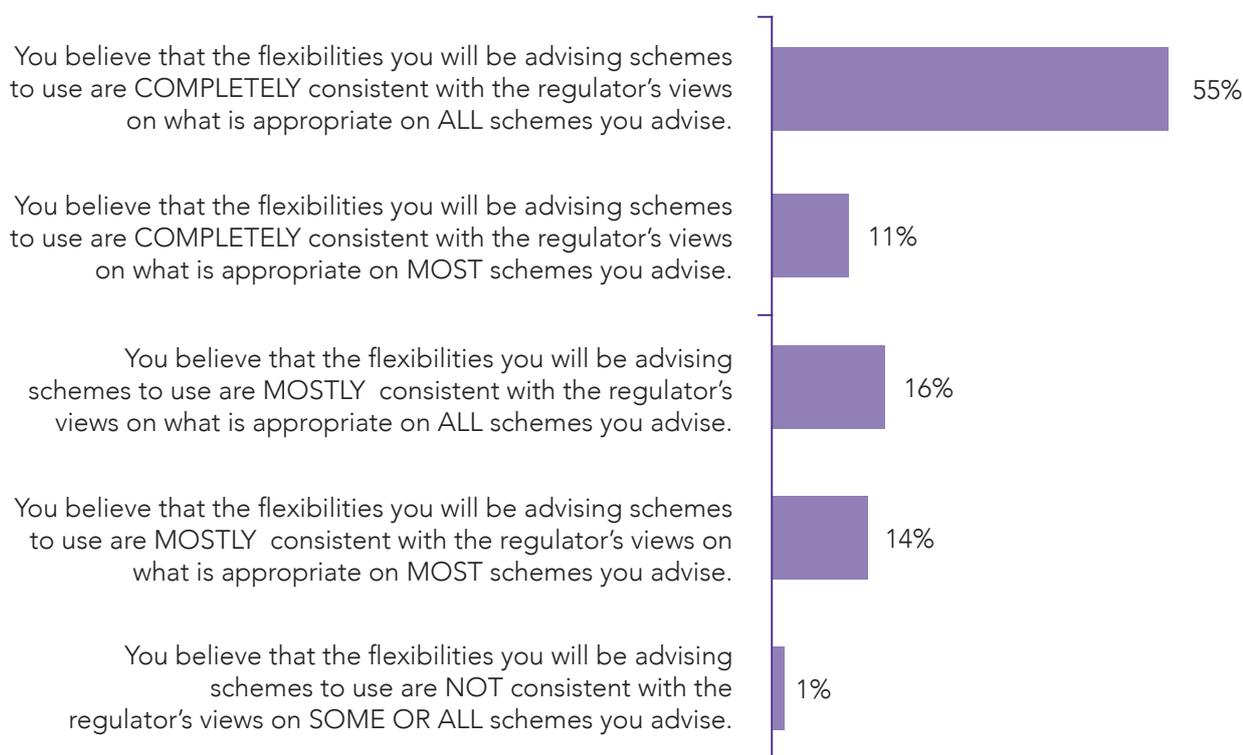
(Figures in brackets indicate statistically significant differences from 2012 results).

\*Message included in 2012 statement.

### 3.3 Planned use of the flexibilities set out in the statement

Over half of actuaries (55%) believed that the application of flexibilities they were advising all of their clients was consistent with the regulator’s expectations – see Figure 1. Nearly all the remaining actuaries (44%) believed that the advice they were giving was mostly consistent with those expectations. These results are very similar to those recorded in the 2012 survey.

**Figure 1: Consistency of actuaries’ advice in relation to the regulator’s views**



(Base – all actuaries: 100)

### 3. Main findings

Over a quarter of employers (27%) intended to employ at least four of the six flexibilities set out in the statement; this increases to 39% among the trustee group.

As shown in Table 8, of the six flexibilities, adjusting employer contributions is most likely to be used (61 of trustees, 49% of employers). A higher proportion of employers stated this year that they intend to extend their recovery plan (47%, vs. 33% in 2012). Overall, each of the flexibilities is to be used by at least three in ten employers and trustees.

**Table 8: Likelihood of employing flexibilities in statement**

	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Increased or reduced employer contributions*	49%	61%
Extended recovery plan*	47% (33%)	41%
Develop plans for risk mitigation (eg contingent assets)	31%	43%
Restructure recovery plan*	34%	43%
Increase/reduce assumptions for relative asset returns for the discount rate	41%	48%
Increase/reduce assumptions for relative asset returns for the recovery plan	41%	46%

(Figures in brackets indicate statistically significant differences from 2012 results).

\*Flexibility included in 2012 statement.

## 3.4 Overall perceptions of the statement

The statement was rated positively across all groups, particularly actuaries, among whom the proportion rating the statement as 'very good' or 'good' increased to 83% this year (from 59% in 2012 – see Table 9). The positive ratings provided by employers (56%) and trustees (77%) were in line with the levels recorded last year.

Year-on-year increases were also realised in the proportion of actuaries (82%, up from 68%) and trustees (86%, up from 75%) that considered the statement to be helpful.

**Table 9: Perceptions of the statement**

	<b>Actuaries</b> (Base – all who read statement: 98)	<b>Employers</b> (Base – all who read statement: 89)	<b>Trustees</b> (Base – all who read statement: 119)
Very good/good	83% (59%)	56%	77%
Fair	14%	34%	23%
Very poor/poor	3%	3%	0%
	<b>Actuaries</b> (Base – all who read statement: 98)	<b>Employers</b> (Base – all who read statement: 71)	<b>Trustees</b> (Base – all who read statement: 104)
Very/quite helpful	82% (68%)	74%	86% (75%)
Not very/not at all helpful	16% (32%)	19%	14% (25%)

(Figures in brackets indicate statistically significant differences from 2012 results). Where figures do not add to 100%, this is owing to 'Don't know' responses.

Conversely, fewer actuaries and trustees rated the statement as unhelpful this year, and across all three groups, fewer than one in five provided this rating. The main reasons why this minority of respondents believed the statement was not helpful were:

- that it was perceived to be too vague
- that it did not offer anything new
- that it did not affect any decisions regarding their scheme valuation, and
- that they did not agree with all aspects of it and that it was based too much on the recovery plan.

### 3. Main findings

Respondents were also asked to rate specific aspects of the statement. High scores were given for the statement's clarity (79% of actuaries rated this aspect as 'very good/good', 63% of employers, 80% of trustees), ease of understanding (87%, 59% and 74% respectively) and consistency with the regulator's approach (70%, 62% and 84% respectively). Relatively lower scores are given for the statement being evidence based (26%, 36% and 39% respectively) – with a rating of 'fair' most commonly provided for this aspect. Full results are shown in G3 in the Appendix.

The majority of respondents across all audiences perceived the statement to have been about the right length (Table 10). Around one in five trustees (20%) and employers (19%) felt that the statement was too long; typically, these respondents were more likely to have scanned the statement or scanned parts of it (27% employers, 30% trustees), rather than read it in detail (6% employers, 12% trustees).

**Table 10: Rating of the length of the statement**

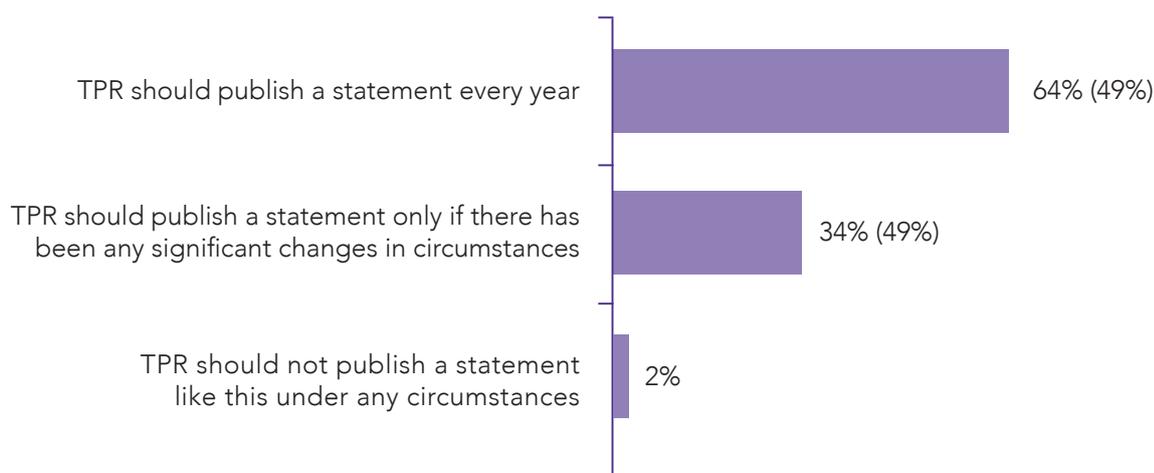
	<b>Actuaries</b> (Base – all who read statement: 98)	<b>Employers</b> (Base – all who read statement: 89)	<b>Trustees</b> (Base – all who read statement: 119)
Too short (much too short/ a little too short)	9%	4%	3%
About right	81%	60%	73%
Too long (much too long/ a little too long)	8%	19%	20%

Where figures do not add to 100%, this is owing to 'Don't know' responses.

## 3.5 Appetite for an annual scheme funding statement

Actuaries, to an even greater degree than last year, demonstrated an appetite for an annual published statement. As shown in Figure 2, two in three actuaries (64%) felt that a funding statement should be published on an annual basis as a matter of course to help schemes that are about to go through valuations.

**Figure 2: Actuaries' views on whether funding statement should be published annually**



(Figures in brackets indicate statistically significant differences from 2012 results).

## 3.6 Views on supporting analysis and evidence

Respondents were asked whether they had any part of the 'supporting analysis and evidence' that accompanied the statement, and if so, how helpful it had been in understanding how the regulator's messages were developed – see Table 11.

Around half of actuaries (47%) had read this document; of these, three in four (77%) found it helpful in understanding the development of our messages. As may be expected given the technical nature of the document, readership was lower among employers (12%) and trustees (21%), although most of those who did read the analysis found it helpful.

**Table 11: Readership and helpfulness of 'Supporting analysis and evidence'**

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Read any part of the 'supporting analysis and evidence'	47%	12%	21%
	<b>Actuaries</b> (Base – all who read supporting analysis: 47)	<b>Employers</b> (Base – all who read supporting analysis: 18)	<b>Trustees</b> (Base – all who read supporting analysis: 36)
Found the 'supporting analysis and evidence' very/quite helpful	77%	68%	88%

### 3.7 The regulator's new objective

The survey asked respondents whether they had encountered any new or emerging issues this year that affected their timetable for completing schemes valuation and submitting to the regulator.

Across all three audiences, fewer than one in six (16% of actuaries, 10% of employers and 16% of trustees) cited new or emerging issues that affected their timings, with the regulator's new objective only spontaneously mentioned in two instances (both by actuaries). Issues specifically concerning the sponsoring business (eg managerial and structural changes) were more commonly mentioned.

Mentions of the new statutory objective were low despite high levels of awareness, even among trustees and employers, of it. As shown in Table 12, the majority of employers (71%) and trustees (83%) were at least vaguely aware of the regulator's new objective.

**Table 12: Awareness of new statutory objective**

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Fully aware	89%	16%	30%
Some awareness	8%	30%	31%
Vaguely aware	3%	29%	21%
Not aware	0%	25%	17%

When prompted as to the effect of the new statutory objective on scheme valuation timetables, only a small minority stated that it would have an impact – see Table 13. Actuaries (15%) were more likely than employers (4%) and trustees (5%) to feel that it will slightly or significantly affect valuation timetables. It is also important to note, however, that around a quarter of respondents feel the impact of the objective is yet to be determined.

**Table 13: Extent to which new statutory objective will affect timetable for scheme valuation**

	<b>Actuaries</b> (Base – all aware of new TPR objective: 100)	<b>Employers</b> (Base – all aware of new TPR objective: 113)	<b>Trustees</b> (Base – all aware of new TPR objective: 134)
It will significantly affect valuation timetable	2%	0%	2%
It will slightly affect valuation timetable	13%	4%	3%
It will not affect valuation timetable	59%	61%	65%
It is yet to be determined whether it will affect valuation timetable	26%	34%	28%

# Appendix: Full results with respect to awareness of, engagement with and understanding of the messages in the statement

This section outlines the full survey results question by question.

## Section A: Awareness

**A1:** Are you aware of any statements that The Pensions Regulator has published this year which may impact on [IF TRUSTEE OR EMPLOYER: the [SCHEME NAME] IF ACTUARY: the medium-sized and large schemes in the current round of valuations]?

	<b>Actuaries</b> (Base - all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Yes	100%	51%	61%
No	0%	49%	36%
Don't know	0%	0%	3%

**A2:** What statements can you recall that were relevant to the [IF TRUSTEE OR EMPLOYER: [SCHEME NAME] IF ACTUARY: the medium-sized and large schemes you advise in the current round of valuations]?

	<b>Actuaries</b> (Base – all aware of statements TPR has published: 100)	<b>Employers</b> (Base – all aware of statements TPR has published: 78)	<b>Trustees</b> (Base – all aware of statements TPR has published: 93)
Mentions of annual statement	78%	60%	72%
	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Mentions of annual statement	78%	31%	36%

**A3:** Can you please tell me if you are aware of the statement published by The Pensions Regulator in May 2013 for schemes and advisers which are due to go through the valuation process in the coming months? The statement's title was 'Defined benefit annual funding statement 2013'.

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Yes	100%	65%	72%
No	0%	35%	28%
Don't know	0%	1%	0%

**A4:** Did you read any part of the statement?

	<b>Actuaries</b> (Base – those aware of the statement published by TPR: 100)	<b>Employers</b> (Base – those aware of the statement published by TPR: 98)	<b>Trustees</b> (Base – those aware of the statement published by TPR: 123)
Yes	98%	73%	81%
No	2%	24%	16%
Don't know	0%	3%	2%

**A5: (TRUSTEES AND EMPLOYEES ONLY)** Did you read a summary of the statement from your adviser?

	<b>Employers</b> (Base – those aware of the statement published by TPR: 98)	<b>Trustees</b> (Base – those aware of the statement published by TPR: 123)
Yes	67%	81%
No	29%	16%
Don't know	3%	2%

## Section B: Understanding

**B1:** I am now going to read out a number of statements which draw on the main points that the statement intended to make. I'd like you to tell me firstly, if you are aware that these messages were in the statement, secondly how clearly you think the statement communicated each of them and lastly, how good you would say your understanding is of what is meant by each one. Firstly, please tell me whether you:

- are fully aware that this message is in the statement
- have some awareness that this message is in the statement
- are vaguely aware that this message is in the statement
- aren't aware that this message is in the statement.

	Actuaries		Employers		Trustees	
	(Base – all: 100)	(Base – all aware of statement: 100)	(Base – all: 150)	(Base – all aware of statement: 98)	(Base – all: 150)	(Base – all aware of statement: 123)
% with full/some awareness of main statement messages:						
[It provides] TPR's views on acceptable approaches to the valuation process	97%	97%	48%	75%	59%	83%
TPR expects trustees to manage scheme funding, scheme investments and employer covenant in an integrated way	99%	99%	52%	80%	67%	94%
The pension scheme should be treated as an equal priority with other financial demands	96%	96%	46%	71%	58%	82%
Greater use of available flexibilities may be needed than for previous valuations	99%	99%	57%	88%	66%	93%

continued...

**B1:** continued...

	<b>Actuaries</b>		<b>Employers</b>		<b>Trustees</b>	
	(Base – all: 100)	(Base – all aware of statement: 100)	(Base – all: 150)	(Base – all aware of statement: 98)	(Base – all: 150)	(Base – all aware of statement: 123)
% with full/some awareness of main statement messages:						
The assumptions made for the relative returns of different asset classes may rise or fall from previous valuations	93%	93%	48%	74%	65%	91%
Consideration should be given to whether the current level of contributions can be maintained	98%	98%	57%	88%	65%	91%
The available flexibilities can be used to ensure the recovery plan is appropriately tailored to the scheme and employer's circumstances	99%	99%	58%	89%	68%	95%
An appropriate level of risk should be allowed for that is neither overly prudent nor overly optimistic	92%	92%	56%	86%	62%	87%

**B2:** Would you say that the statement communicated this point very clearly, quite clearly, not very clearly or not at all clearly?

	<b>Actuaries</b>	<b>Employers</b>	<b>Trustees</b>
% saying message was communicated very/quite clearly:	(Base – all aware message was in statement: 95-98)	(Base – all aware message was in statement: 58-70)	(Base – all aware message was in statement: 93-102)
[It provides] TPR's views on acceptable approaches to the valuation process	92%	82%	95%
TPR expects trustees to manage scheme funding, scheme investments and employer covenant in an integrated way	88%	83%	90%
The pension scheme should be treated as an equal priority with other financial demands	93%	81%	97%
Greater use of available flexibilities may be needed than for previous valuations	96%	91%	99%
The assumptions made for the relative returns of different asset classes may rise or fall from previous valuations	94%	90%	93%
Consideration should be given to whether the current level of contributions can be maintained	96%	90%	96%
The available flexibilities can be used to ensure the recovery plan is appropriately tailored to the scheme and employer's circumstances	92%	93%	99%
An appropriate level of risk should be allowed for that is neither overly prudent nor overly optimistic	82%	86%	91%

**B3. (TRUSTEES AND EMPLOYEES ONLY)** And lastly, I'd like you to tell me how good you would say your understanding is of what was meant this point. Please tell me whether you:

- completely understood the meaning (1)
- had some understanding of the meaning (2)
- had a limited understanding of the meaning (3)
- did not understand the meaning (4).

	<b>Actuaries</b>	<b>Employers</b>	<b>Trustees</b>
% saying message was communicated very/quite clearly:	(Base – all aware message was in statement: 95-98)	(Base – all aware message was in statement: 58-70)	(Base – all aware message was in statement: 93-102)
[It provides] TPR's views on acceptable approaches to the valuation process	92%	82%	95%
TPR expects trustees to manage scheme funding, scheme investments and employer covenant in an integrated way	88%	83%	90%
The pension scheme should be treated as an equal priority with other financial demands	93%	81%	97%
Greater use of available flexibilities may be needed than for previous valuations	96%	91%	99%
The assumptions made for the relative returns of different asset classes may rise or fall from previous valuations	94%	90%	93%
Consideration should be given to whether the current level of contributions can be maintained	96%	90%	96%
The available flexibilities can be used to ensure the recovery plan is appropriately tailored to the scheme and employer's circumstances	92%	93%	99%
An appropriate level of risk should be allowed for that is neither overly prudent nor overly optimistic	82%	86%	91%

## Section C: Engagement

**C1:** You said earlier that you had read the statement. Which of the following best describes whether you read the statement in detail or scanned it?

	<b>Actuaries</b> (Base – all who read any part of the statement published by TPR: 98)	<b>Employers</b> (Base – all who read any part of the statement published by TPR: 71)	<b>Trustees</b> (Base – all who read any part of the statement published by TPR: 104)
I read the statement in detail	77%	24%	37%
I read the statement but not in detail	14%	25%	29%
I scanned the whole statement but did not read it in full	7%	30%	26%
I scanned parts of the statement	2%	19%	7%
Can't remember	0%	2%	0%

**C2:** Will you read the statement in the future?

	<b>Actuaries</b> (Base – all who have not read the statement in detail: 25)	<b>Employers</b> (Base – all who have not read the statement in detail: 133)	<b>Trustees</b> (Base – all who have not read the statement in detail: 103)
Yes, I will read the statement in detail	40%	43%	46%
Yes, I will read the statement but not in detail	24%	15%	24%
Yes, I will scan the whole statement but will not read it in full	16%	14%	14%
Yes I will I scan parts of the statement	8%	13%	9%
I will not read it	8%	11%	5%
Don't know	4%	5%	2%

**C3: (ACTUARIES ONLY)** Which of the following did you do in relation to the statement?

	<b>Actuaries</b> (Base – all actuaries that have read the statement: 98)
Sent the statement onto trustees of schemes that I advise	68%
Sent a summary of the statement to trustees of schemes that I advise	77%
Discussed the content of the statement with colleagues	89%
Discussed the content of the statement with trustees of schemes that I advise	97%
None of the above	1%
Don't know	0%

**C4a: (TRUSTEES AND EMPLOYERS ONLY)** And can you please tell me if you have discussed the statement with advisers in relation to the [SCHEME NAME]?

	<b>Employers</b> (Base – all who read any part of the statement published by TPR: 71)	<b>Trustees</b> (Base – all who read any part of the statement published by TPR: 104)
You have discussed the statement with advisers	68%	72%
You have NOT discussed the statement with advisers	30%	28%
Can't remember	2%	0%
Don't know	0%	0%

**C4b: (ACTUARIES ONLY)** And can you please tell me if you have discussed the statement with the large and medium-sized schemes you advise in the current round of valuations?

	<b>Actuaries</b> (Base – All who read any part of the statement published by TPR: 98)
You have discussed the statement with all schemes in the current round of valuations	54%
You have discussed the statement with some schemes in the current round of valuations	38%
You have NOT discussed the statement with any schemes in the current round of valuations	8%
Can't remember	0%
Don't know	0%

**C5: (TRUSTEES AND EMPLOYERS ONLY)** And can you please tell me which of the following best describes the stage you are at, if relevant, in working out what are the relevant parts of the regulator's statement to consider for the valuation of [SCHEME NAME]?

	<b>Employers</b> (Base – all that have discussed the statement with their scheme advisers: 49)	<b>Trustees</b> (Base – all that have discussed the statement with their scheme advisers: 88)
You have discussed the statement with advisers and identified the parts of the statement that are most relevant	56%	59%
You have discussed the statement with advisers but have NOT YET identified the parts of the statement that are most relevant	44%	35%
You have discussed the statement with advisers and do not intend to use it to inform valuations	0%	2%
Can't remember	0%	4%
Don't know	0%	0%

**C6:** (TRUSTEES AND EMPLOYERS ONLY) And can you please tell me which of the following best describes the stage you are at, if relevant, in working out what are the relevant parts of the regulator's statement to consider for the valuation of [SCHEME NAME]?

	<b>Employers</b> (Base – all that have not discussed the statement with their scheme advisers: 21*)	<b>Trustees</b> (Base – all that have not discussed the statement with their scheme advisers: 16*)
You have NOT discussed the statement with advisers but have identified the parts of the statement that are most relevant	24%	12%
You have NOT discussed the statement with advisers but expect to use it to inform the valuation	62%	86%
You have NOT discussed the statement with advisers and DO NOT expect to use it to inform the valuation	5%	2%
Can't remember	0%	0%
Don't know	9%	0%

\*Caution: small base size

## Section D: Stage in valuation process

**D1a:** (TRUSTEES AND EMPLOYERS ONLY) Which of the following best describes the stage of the scheme valuation process that [SCHEME NAME] is at?

	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base –all: 150)
You have yet to start the process	8%	14%
You have begun planning to start the valuation	18%	9%
You have only just started the valuation process	17%	18%
You are in discussions to agree the valuation assumptions and outcomes	40%	43%
You are finalising your valuation and will submit it to the regulator shortly	11%	10%
You have completed the valuation and have submitted it to the regulator	4%	3%
Don't know	1%	3%

**D1b: (ACTUARIES ONLY)** Which of the following describe what stages of the scheme valuation process you are at across the large and medium-sized schemes you advise in the current round of valuations?

	<b>Actuaries</b> (Base – all: 100)
You have yet to start the process	24%
You have begun planning to start the valuation	60%
You have only just started the valuation process	57%
You are in discussions to agree the valuation assumptions and outcomes	87%
You are finalising your valuation and will submit it to the regulator shortly	30%
You have completed the valuation and have submitted it to the regulator	4%
Don't know	1%

**D2a: (TRUSTEES AND EMPLOYERS ONLY)** And thinking now about specific tasks you may have conducted, which of the following have you done?

	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
You have obtained preliminary figures from the actuary to get an initial view of the deficit	53%	60%
You have considered the covenant and whether you need to review it	78%	84%
You have reviewed the scheme's investments and expected investment returns	77%	89%
You have considered prudence	82%	87%
You have negotiated with the [TRUSTEE: employer EMPLOYER: trustee]	33%	43%
None of the above	5%	0%
Don't know	0%	0%

**D2b:** (ACTUARIES ONLY) Thinking about all of the large and medium-sized schemes you advise in the current round of valuations, please can you tell me the specific tasks you have completed across these schemes?

	<b>Actuaries</b> (Base – all: 100)
You have provided preliminary figures to the scheme to get an initial view of the deficit	75%
The trustees have considered the covenant and whether you need to review it	90%
The trustees have reviewed the scheme’s investments and expected investment returns	78%
You have considered prudence	90%
You have negotiated with the employer and/or trustee	42%
None of the above	0%
Don’t know	0%

**D3:** To what extent did the statement inform your negotiations with the [TRUSTEE: employer, EMPLOYER: trustees, ACTUARY: employer and/or trustees]?

	<b>Actuaries</b> (Base – all who have negotiated with employer/trustees: 42)	<b>Employers</b> (Base – all who have negotiated with trustees: 49)	<b>Trustees</b> (Base – all who have negotiated with employer: 60)
Fully	19%	35%	45%
To some extent	71%	34%	31%
Not at all	10%	15%	19%
Don’t know	0%	16%	5%
Can’t remember	0%	2%	0%

## Section E: Use of flexibilities in statements

**E1:** I am now going to read out a list of the flexibilities in the funding framework which are set out in the statement. For each one can you please tell me how likely it is that you will employ this with regard to [SCHEME NAME]?

	<b>Employers</b> (Base – all: 150)			<b>Trustees</b> (Base –all: 150)		
	Definitely/ probably employ	May or may not employ	Definitely/ probably not employ	Definitely/ probably employ	May or may not employ	Definitely/ probably not employ
Increased or reduced employer contributions	49%	22%	22%	61%	17%	15%
Extended recovery plan	47%	27%	19%	41%	28%	28%
Restructure recovery plan	34%	25%	29%	43%	19%	31%
Develop plans for risk mitigation eg use of contingent assets	31%	25%	38%	43%	20%	35%
Increase or reduce assumptions for relative asset returns for the discount rate	41%	33%	16%	48%	25%	19%
Increase or reduce assumptions for relative asset returns for the recovery plan	41%	34%	16%	46%	28%	21%

Figures do not total 100% due to respondents answering: do not understand the statement, can't remember or don't know.

**E2:** TPR's statement sets out the circumstances when it believes it is appropriate for the flexibilities in the funding framework to be used. I'm going to read out five options. Can you tell me which applies to you most closely for the large and medium-sized schemes you advise in the current round of valuations?

	<b>Actuaries</b> (Base – all: 100)
You believe that the flexibilities you will be advising schemes to use are COMPLETELY consistent with the regulator's views on what is appropriate on ALL schemes you advise	55%
You believe that the flexibilities you will be advising schemes to use are COMPLETELY consistent with the regulator's on MOST schemes you advise	11%
You believe that the flexibilities you will be advising schemes to use are MOSTLY consistent with the regulator's views on ALL schemes you advise	16%
You believe that the flexibilities you will be advising schemes to use are MOSTLY consistent with the regulator's views on MOST schemes you advise	14%
You believe that the flexibilities you will be advising schemes to use are NOT consistent with the regulator's views on SOME OR ALL schemes you advise	1%
Refused to answer	1%
Don't know	2%

## Section F: Perceptions of statement

**F1:** How would you rate the statement overall?

	<b>Actuaries</b> (Base – all who read, or read a summary of, the statement: 98)	<b>Employers</b> (Base – all those who read, or read a summary of, the statement: 89)	<b>Trustees</b> (Base – all those who read, or read a summary of, the statement: 119)
Very good	21%	14%	10%
Good	61%	42%	67%
Fair	14%	34%	23%
Poor	2%	3%	0%
Very poor	1%	0%	0%
Don't know	0%	7%	0%

**F2:** How helpful has the statement been, or will be, in enabling [TRUSTEES/EMPLOYERS/: the scheme to produce an affordable recovery plan ACTUARIES: the schemes you advise to produce affordable recovery plans?]

	<b>Actuaries</b> (Base – all those who read, or read a summary of, the statement: 98)	<b>Employers</b> (Base – all those who read, or read a summary of, the statement: 89)	<b>Trustees</b> (Base – all those who read, or read a summary of, the statement: 119)
Very helpful	18%	13%	18%
Quite helpful	63%	61%	67%
Not very helpful	12%	13%	11%
Not at all helpful	4%	6%	3%
Don't know	2%	7%	0%
Don't know	0%	7%	0%

**F2a:** Why do you say that? [OPEN-ENDED]

	<b>Actuaries</b> (Base – all who thought the statement was not helpful: 16*)	<b>Employers</b> (Base – all who read, or read a summary of, the statement: 17*)	<b>Trustees</b> (Base – all who read, or read a summary of, the statement: 22*)
Too vague/no substance	50%	28%	24%
Doesn't offer anything new	44%	12%	24%
We have our own approach to this /hasn't affected our decisions	25%	59%	26%
It doesn't take into account all circumstances	6%	12%	3%
Not enough flexibility	0%	6%	0%
Didn't agree with all aspects of it	0%	0%	24%
It bases too much on the recovery plan	0%	0%	18%
Other	0%	12%	6%

These were the coded responses from the open question above.

\*Caution: small base size

**F3:** And how would you rate the statement on the following aspects?

	<b>Actuaries</b> (Base – all who read any part of the statement: 98 )			<b>Employers</b> (Base – all who read any part of the statement: 71)			<b>Trustees</b> (Base – all who read any part of the statement: 104)		
	Very good/ Good	Fair	Poor/ Very poor	Very good/ Good	Fair	Poor/ Very poor	Very good/ Good	Fair	Poor/ Very poor
Clear	79%	15%	4%	63%	27%	4%	80%	19%	0%
Easy to understand	87%	11%	1%	59%	30%	6%	74%	26%	0%
Balanced	77%	20%	1%	70%	23%	3%	68%	30%	1%
Authoritative	49%	45%	5%	70%	20%	4%	77%	22%	1%
Evidence-based	26%	54%	17%	36%	42%	6%	39%	44%	2%
Provides enough detail	51%	35%	13%	54%	29%	14%	66%	29%	2%
Provides enough guidance	59%	30%	10%	59%	27%	10%	58%	39%	2%
Consistent with the regulator's approach	70%	18%	8%	62%	20%	7%	84%	15%	0%
Pitched at the right level for scheme [ACTUARIES actuaries EMPLOYERS: employers TRUSTEES: trustees]	74%	20%	4%	65%	28%	4%	75%	25%	0%

Figures do not total 100% due to respondents answering 'Don't know.'

**F4:** Would you say the statement is...?

	<b>Actuaries</b> (Base – all who read, or a read a summary of, the statement: 98)	<b>Employers</b> (Base – all who read, or a read a summary of, the statement: 89)	<b>Trustees</b> (Base – all who read, or a read a summary of, the statement: 119)
Much too long	2%	1%	1%
A little too long	6%	18%	19%
About the right length	81%	60%	73%
A little too short	9%	3%	3%
Much too short	0%	1%	0%
Don't know	2%	16%	4%
It bases too much on the recovery plan	0%	0%	18%
Other	0%	12%	6%

**F5: (ACTUARIES ONLY)** Which of these phrases best describes whether you think a funding statement like this one should be published on an annual basis to help guide schemes that are about to go through the valuation process?

	<b>Actuaries</b> (Base – all aware of the statement: 100)
TPR should publish a statement every year	64%
TPR should publish a statement <u>only</u> if there have been any significant changes in circumstances	34%
TPR should <u>not</u> publish a statement like this <u>under any circumstances</u>	2%
Don't know	0%
You believe that the flexibilities you will be advising schemes to use are NOT consistent with the regulator's views on SOME OR ALL schemes you advise	1%
Refused to answer	1%
Don't know	2%

**F6:** Did you read any part of the 'Supporting analysis and evidence' document that accompanied the statement?

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Yes	47%	12%	21%
No	52%	84%	76%
Don't know	1%	4%	4%

**F7:** How helpful do you think the supporting analysis and evidence has been in understanding how our messages were developed?

	<b>Actuaries</b> (Base – all who read the supporting analysis and evidence: 47)	<b>Employers</b> (Base – all who read the supporting analysis and evidence: 18*)	<b>Trustees</b> (Base – all who read the supporting analysis and evidence: 36)
Very helpful	21%	5%	28%
Quite helpful	55%	63%	60%
Not very helpful	21%	15%	5%
Not at all helpful	2%	0%	0%
Don't know	0%	17%	7%

\*Caution: small base size.

## Section G: Risk management (trustees and employers only)

**G1:** To what extent do you integrate the management of the following risks to the [SCHEME NAME]: scheme funding, scheme investments and employer covenant?

	<b>Employers</b> (Base – all:150)	<b>Trustees</b> (Base – all: 150)
Fully	55%	69%
To some extent	36%	28%
Not at all	3%	0%
Don't know	5%	3%

**G2:** At the last valuation of the [SCHEME NAME] can you tell me whether the scheme was in...?

	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Surplus	9%	9%
Deficit	89%	91%
Don't know	3%	0%

**G3:** Do you think the funding position of the [SCHEME NAME] at the last valuation will have improved or deteriorated by the next valuation date?

	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all 150)
Improved significantly	10%	22%
Improved a little	20%	21%
No change	6%	8%
Deteriorated a little	30%	24%
Deteriorated significantly	30%	20%
Don't know	5%	6%

**G4:** How confident are you that [EMPLOYER: you OTHERS: the sponsoring employer] will be able to recover the [SCHEME NAME]'s deficit in a reasonable period?

	<b>Employers</b> (Base – all employers who think the funding position of the scheme will have deteriorated by the next valuation date: 92)	<b>Trustees</b> (Base – all trustees who think the funding position of the scheme will have deteriorated by the next valuation date: 74)
Very confident	34%	38%
Fairly confident	58%	44%
Not very confident	2%	12%
Not at all confident	4%	6%
Don't know	2%	0%
Don't know	5%	6%

## Section H: The regulator's new statutory objective

**H1:** Have you encountered any new or emerging issues this year which have affected your timetable for completing the scheme valuation and submitting to the regulator?

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
Yes	16%	10%	16%
No	84%	90%	83%
Don't know	0%	1%	1%

**H2:** In the 2013 budget, the government announced that they intend to legislate to give the regulator a new additional statutory objective: To support scheme funding arrangements that are compatible with sustainable growth for the sponsoring employer and fully consistent with the 2004 funding legislation. Precise wording will be set out in legislation that will be published by the DWP later in 2013. To what extent are you aware of this new objective?

	<b>Actuaries</b> (Base – all: 100)	<b>Employers</b> (Base – all: 150)	<b>Trustees</b> (Base – all: 150)
I am fully aware of the new objective	89%	16%	30%
I have some awareness of the new objective	8%	30%	31%
I am vaguely aware of the new objective	3%	29%	21%
I am not aware of the new objective	0%	25%	17%
Don't know	0%	0%	0%

**H3:** To what extent, if at all, will the new objective affect your timetable for completing the scheme valuation and submitting to the regulator?

	<b>Actuaries</b> (Base – all who are aware of the new objective: 100)	<b>Employers</b> (Base – all who are aware of the new objective: 113)	<b>Trustees</b> (Base – all who are aware of the new objective: 134)
It will significantly affect the scheme valuation timetable	2%	0%	2%
It will slightly affect the scheme valuation timetable	13%	4%	3%
It will not affect the scheme valuation timetable	59%	61%	65%
It is yet to be determined whether it will affect the scheme valuation timetable	26%	34%	28%
Don't know	0%	1%	2%

## Section I: Profiling

**I1:** (ACTUARIES ONLY) And finally, for profiling purposes...

Thinking only about medium-sized or large schemes in the current round of valuations, could you tell me whether you advise just one scheme or more than one scheme?

	<b>Actuaries</b> (Base – all: 100)
One scheme	11%
2- 5 schemes	50%
6-10 schemes	24%
More than 10 schemes	15%
Don't know	0%

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### **Research report on The Pensions Regulator's defined benefit annual funding statement 2013**

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