

Research report on our 2014 defined benefit funding code and annual funding statement

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The Pensions
Regulator

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1. Executive summary

1.1 Introduction

This document provides the findings from the quantitative survey that we conducted following the publication, in June 2014, of the second defined benefit (DB) funding code of practice. This followed the first version published in 2006.

Alongside the funding code, the annual DB funding statement was published (and associated analysis), which provides market commentary and direction for schemes with valuation dates between 22 September 2013 and 22 September 2014.

The target audiences of the survey were actuaries, trustees and employers of DB pension schemes. In terms of trustees and employers, sampling quotas were set across scheme size and scheme valuation date.

The main objective of the survey was to determine the extent to which the messages in the publications had reached the intended audiences and were understood. Other objectives included ascertaining perceptions of the publications and the extent to which they will inform, where applicable, forthcoming scheme valuations.

IFF Research, an independent market agency, was commissioned to conduct this study on our behalf, with interviews taking place in October and November 2014.

1.2 Key findings

1.2.1 Across all three audiences, awareness of the code of practice was high, while awareness of the funding statement was lower than in previous years

Prompted awareness and readership of the code of practice was relatively high among actuaries and trustees, lower among employers:

- Nearly all actuaries recalled both the code of practice (99%) and the essential guide document (93%), and had read some part of the publications (94%).
- Over four in five trustees recalled the code of practice (84%, with 63% aware of the essential guide), and three in five had read at least some part of the publications (63%).
- Two in three employers recalled the code of practice (66%, with 42% aware of the essential guide), and two in five had read at least some part of the publications (42%).

In contrast, awareness and readership of the annual funding statement was significantly lower than in the previous two years. It is likely that the code of practice being published at the same time as the funding statement resulted in awareness of the funding statement being lower:

- 90% of actuaries recalled the statement this year (100% in 2012 and 2013) and 79% read any part of it (100% in 2012, 98% in 2013).
- 72% of trustees in the current round of valuations (T9 trustees) recalled the statement this year (93% in 2012) and 52% read any part of it (83% in 2012).
- 56% of employers in the current round of valuations (T9 employers) recalled the statement this year (79% in 2012) and 32% read any part of it (62% in 2012, 47% in 2013).

1.2.2 Across all audiences, awareness of the key messages in the publications was high, with the exception of those messages that featured exclusively in the funding statement

Nearly all actuaries were aware of each of the ten key messages featured in the code of practice, ranging from 97% to 99% of actuaries. The equivalent figure for trustees was lower but still high: 82% to 90% of trustees.

Awareness of each of the ten key messages featured in the code among employers was lowest among employers, with 60% to 72% of employers aware of each of them.

The two key messages that featured exclusively in the annual funding statement were relatively less well recalled:

- 'The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected' (87% awareness among actuaries, 69% trustees, 52% employers).
- 'Trustees and employers of schemes in the current round of valuations should take into account the new code as far as it reasonable to do so' (89% awareness among actuaries, 70% trustees, 51% employers).

1.2.3 Among employers and trustees, the key messages in the publications were well understood

The majority of the messages were understood by employers and trustees. Across each of the twelve key messages tested in the survey, 96%-99% of trustees and 92%-99% of employers had at least some understanding of the meaning of the message. For both audiences, two messages stood out in particular for having the highest levels of full awareness and complete understanding:

- 'Trustees and employers should engage in an open, collaborative and transparent manner' – 85% of trustees and 67% of employers were fully aware of this message and of these, 90% of trustees and 87% of employers completely understood the meaning.
- 'Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period' – 84% of trustees and 63% of employers were fully aware of this message and of these, 92% of trustees and 88% of employers completely understood the meaning.

1.2.4 Across all three audiences, over nine in ten of those who read the code of practice found it helpful

Among those who read the code of practice, 94% of actuaries and employers and 91% of trustees rated it as 'very' or 'quite helpful'. Similarly high helpfulness ratings were provided for the annual funding statement from T9 employers (93% – significantly higher than the 2012 and 2013 statements) and T9 trustees (91%), however relatively fewer actuaries considered the statement helpful (77%).

The reasons behind the helpfulness ratings, provided in an open-ended form, were generally consistent across the three audiences. The reasons most commonly given were:

- The publications provided a good framework/starting point for scheme management and negotiations.
- The publications were useful for trustees, employers and schemes generally.
- They were detailed and comprehensive (with particular reference to the code of practice).
- They were clear, well-written and readable.
- The information and guidance provided in the publications was in line with what the respondent's scheme (or advised schemes in the case of actuaries) already does. Therefore, the publications were considered to either provide no new information and/or to validate existing arrangements and activities.

Three in four or more actuaries, trustees and employers rated the publications positively across a range of attributes.

The one attribute that rated less well was 'evidence-based' (53% of actuaries, 57% of trustees, 55% of employers). However, despite being the lowest rated attribute, the rating still represented a significant increase on the proportions who rated the annual funding statement as evidence-based in both 2012 and 2013.

Possibly linked to the higher rating on the funding statement being evidence-based, a quarter of employers and trustees (24% and 22% respectively) reported that they had read the supporting analysis published alongside the annual funding statement. The majority of actuaries said they had read it (59%). Of those employers and trustees who read the supporting analysis, 95% said they found it helpful while 86% of actuaries said this.

1.2.5 The vast majority of actuaries, T9 employers and T9 trustees have used the publications to inform scheme valuation negotiations to at least some extent

Over nine in ten actuaries (93%) stated that the code of practice and annual funding statement had, to at least some extent, informed negotiations with employers and trustees of large and medium schemes advised in the current round of valuations. Among the T9 employers and trustees that had already begun the valuation process, 89% and 83% respectively said that the publications had informed negotiations to at least some extent.

1.2.6 Case studies, examples and simple, practical guidance were the most mentioned requests (particularly by actuaries) when asked what support they would like from us

One in five actuaries (20%) who had read the publications requested that we provide (more) case studies and examples to help schemes meet the requirements of the code of practice and annual funding statement. The second most common actuary response (which was provided in an open-ended form) was for simple, clearer or more practical guidance (13%), a prominent request also among employers (8%) and trustees (7%). Other themes emerging from this question included:

- Among actuaries in particular, requests for more seminars, Q&A sessions and workshops.
- Across all audiences, for us to be available when needed, on hand to help.
- Among employers in particular, for improved and ongoing communications to reinforce the messages in the publications.

1.2.7 Nearly all employers and trustees have a collaborative and transparent relationship with each other

One of the main messages in this year's publications asserted that trustees and employers should engage in an open, collaborative and transparent manner. Virtually all trustees (99%) and employers (96%) agreed that there is such a relationship; moreover the majority (75% of trustees, 67% of employers) strongly agreed with the contention.

1.2.8 Three in five trustees indicated that their scheme fully integrates the management of scheme funding, investments and the employer covenant by stating that they manage all five specific risk activities tested in the survey

A key message featuring in all three annual funding statements concerned the expectation that trustees will manage scheme funding, scheme investments and employer covenant in an integrated way.

Three in five trustees (62%) – significantly higher than when an equivalent question featured in our 2013 (49%) and 2014 (42%) scheme governance surveys¹ – stated that they manage all five of the following activities tested when asked how they manage funding, investment and covenant risks between valuations:

- The investment strategy and funding plans are based on an updated view of the risk that can be backed by employer covenant.
- Risk taking in the investment strategy and funding plans are set following establishment of a risk appetite discussed with the employer.
- Funding and investment performance are monitored to defined tolerances.
- There are clear plans for action when tolerances are breached or on some other trigger.
- Trustees are in a position to evidence how they have taken an integrated approach to risk management.

This was more prevalent among trustees of large schemes (74%) than medium (61%) and small schemes (46%).

1
[www.tpr.gov.uk/
research](http://www.tpr.gov.uk/research)

2. Background and methodology

2.1 Background

This document provides the findings from the quantitative survey that we conducted following the publication, in June 2014, of two major documents to help trustees, employers and professionals from the wider pension community understand how they should approach funding of defined benefit (DB) pension schemes.

1. Code of practice no. 3 – Funding defined benefits

This is the second defined benefit funding code of practice that we have published, replacing the initial version published from 2006. It was developed in light of our objectives which were introduced by the Pensions Act 2004 as well as a further objective ‘to minimise any adverse impact on the sustainable growth of an employer’, introduced in 2014.

The code was developed to meet our objectives but recognises:

- **Trustee objectives:** to comply with their fiduciary duties and ensure that scheme benefits can be paid as they fall due, and
- **Employer objectives:** to run their businesses and grow them as appropriate while ensuring that they are able to provide the pensions they have promised.

In particular, the code recognises that a strong, ongoing employer alongside an appropriate funding plan is the best support for a well-governed scheme. The code also:

- encourages trustees and employers to use the flexibilities in the funding regime and work collaboratively
- recognises that trustees may take some risk in achieving their objectives while stressing that they should understand and manage that risk effectively. In particular the code encourages trustees to adopt an integrated approach to risk management across employer covenant, investment and funding related risks, and
- encourages trustees to act proportionately in carrying out their functions given their scheme’s size, complexity and level of risk.

Alongside the full revised code of practice², the regulator also published an essential guide to the code, aimed at new trustees³.

²
www.tpr.gov.uk/code3

³
www.tpr.gov.uk/essential-db

2. Annual defined benefit funding statement

This is our third annual funding statement⁴, which provides market commentary and direction for trustees, employers and advisers of schemes with valuation dates between 22 September 2013 and 22 September 2014, known as 'Tranche 9' schemes.

As in the previous two years' statements, a series of key messages are outlined for schemes set to submit valuations in the coming year. These messages are of a general nature, having regard to market trends and their likely implications for scheme valuations; the statement recognises that individual schemes may have significantly different experiences.

Alongside the statement we published supporting analysis of the expected positions of DB pension schemes with 2014 valuations, highlighting the impact of the change in market conditions, and a review of submitted 2012 valuations.

The over-arching objective of the survey was to understand recall of and response to the publications, building on the research approach adopted to explore reactions to the last two years' funding statements.

Specifically, the research sought to understand:

- Levels of awareness and understanding of the key messages in the code and annual funding statement.
- Engagement with the publications and their impact on scheme negotiations.
- Any perceived information and guidance gaps.
- Perceptions of the publications and their helpfulness in enabling the scheme comply with the scheme funding requirements and, for T9 schemes, produce an affordable recovery plan.
- Any required additional interventions by us to promote greater awareness and engagement with the publications.
- The nature of the relationship between scheme trustees and employers.

Comparisons are made to findings from previous years' annual funding statement surveys, where relevant.

4
[www.tpr.gov.uk/
statements](http://www.tpr.gov.uk/statements)

2.2 Methodology

IFF research, an independent market research agency, was commissioned to conduct this study on our behalf.

To measure the response to the annual funding statement, for consistency the methodology mirrored that of the 2012 and 2013 research with respect to audiences and sample sizes. Employers and trustees associated with large and medium schemes that have a 2014 valuation, and actuaries advising schemes with a 2014 valuation, were the target audiences.

As the code of practice publications have relevance across all defined benefit schemes, the sample frame had to be extended to incorporate employers and trustees associated with schemes from other tranches along with a sample of small schemes.

The sample for the research was extracted from our own scheme registry database. Table 1 below shows the sample design.

Table 1: Sample design

Tranche	Membership size	Trustees	Employers	Actuaries
Tranche 9	100-999 DB/Hybrid (Medium)	50	103	100
	1,000+ DB/Hybrid (Large)	100	47	
All other tranches	12-99 DB/Hybrid (Small)	50	50	
	100-999 DB/Hybrid (Medium)	50	50	
	1,000+ DB/Hybrid (Large)	50	50	
	Total	300	300	

The data was weighted to be representative of the trustee and employer universe of these schemes. Actuary data was not weighted. Table 2 on page 12 shows the weighting profile.

Table 2: Weighting profile

% of schemes	Tranche 9	All other tranches
12-99 DB/Hybrid (Small)	–	33%
100-999 DB/Hybrid (Medium)	75%	46%
1,000+ DB/Hybrid (Large)	25%	21%
Total	100%	100%

All selected records were sent an introductory letter or email from us.

Fieldwork took place between 30 October and 28 November 2014.

Interviews lasted on average 17 minutes.

3. Main findings – actuaries

3.1 Awareness of and engagement with the publications

As shown in Table 3.1 below, spontaneous and prompted awareness of the code of practice was very high among actuaries. However, awareness of the annual funding statement, both at a top-of-mind and prompted level, was significantly lower than in the 2012 and 2013 surveys.

Table 3.1 Awareness of publications among actuaries

	2012 survey (Base – all: 100)	2013 survey (Base – all: 100)	2014 survey (Base – all: 100)
Spontaneous awareness of code of practice	–	–	82%
Prompted awareness of code of practice	–	–	99%
Prompted awareness of code of practice (essential guide)	–	–	93%
Spontaneous awareness of annual funding statement	88%	78%	43%
Prompted awareness of annual funding statement	100%	100%	90%

As well as awareness, the research also covered how actuaries engaged with the publications. As shown in Table 3.2 below, levels of readership were higher for the code of practice documents than for the annual funding statement, where readership was significantly lower than in the previous two years.

Table 3.2: Actuaries' readership of the publications

	2012 survey (Base – all: 100)	2013 survey (Base – all: 100)	2014 survey (Base – all: 100)
Read any part of code of practice	–	–	94%
Read any part of code of practice (essential guide)	–	–	83%
Read any part of annual funding statement	100%	98%	79%

Among those actuaries who read the respective publications, around three in five reviewed them in detail. For the funding statement, this again represented a significant fall from the previous two years – see Table 3.3 below.

Table 3.3: Actuaries' engagement with the publications

	Code of practice (full or essential guide) (Base – all who read code (guide): 95)	Annual funding statement (Base – all who read statement: 79)
Read any part of code of practice	59%	62%
Read but not in detail	29%	27%
Scanned but did not read it in full	9%	10%
Scanned parts of the publication	2%	1%

The majority of actuaries who read the publications had discussed the content with colleagues and advised schemes in the current round of valuations. Actuaries were less likely to discuss the code of practice with schemes that do not have a pending valuation:

- 98% discussed the code of practice with colleagues and discussed the content with schemes in the current round of valuations; 65% discussed with schemes not in the current round of valuations.
- 96% discussed the annual funding statement with colleagues, 87% with schemes in the current round of valuations.

Actuaries were also more likely to send copies and summaries of the publications to schemes:

- 89% sent a summary of the code of practice to schemes in the current round of valuations vs. 62% who send the annual funding statement.
- 59% send the code of practice document(s) to schemes in the current round of valuations vs. 48% who send the annual funding statement.

Awareness of twelve key messages that featured across the code of practice and annual funding statement⁵ was tested in the survey. Among those actuaries who recall the respective publications, the vast majority had at least some awareness of these key messages. Across all 100 actuaries interviewed:

- 99% were aware of the code of practice and 97% to 99% aware of each of the ten messages that appeared in the publication.
- 90% were aware of the annual funding statement and 87% to 89% aware of the two messages that only appeared in this publication.

Levels of full awareness of the key messages were in the range 80% to 99% with the exception of 'The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected', for which full awareness stood at two in three (65%) actuaries.

Further results, including full details of the twelve messages tested, can be found in B1 in the Appendix on page 39.

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Five of the twelve messages appeared in both the code of practice and the annual funding statement.

3.2 Impact of the publications on advice to schemes

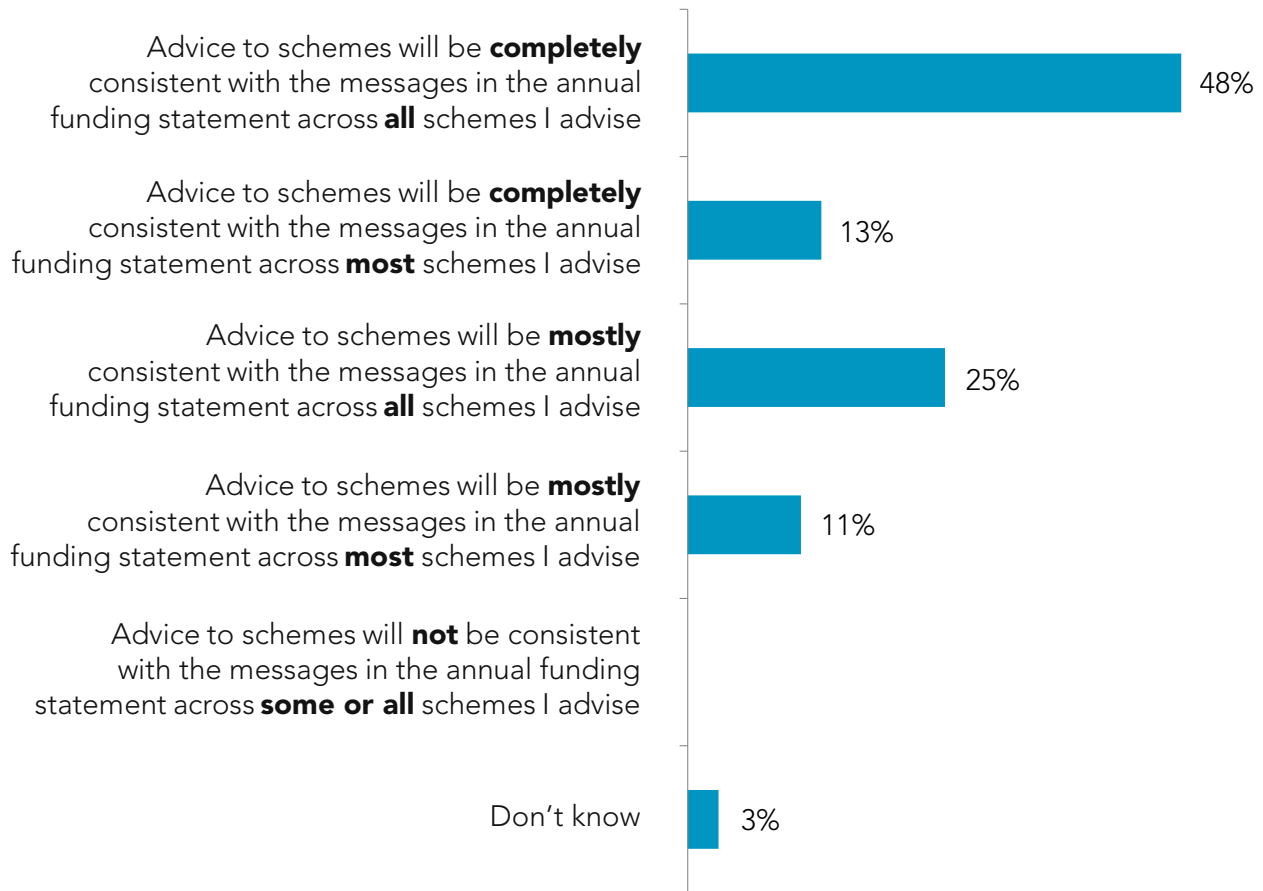
Over nine in ten actuaries (93%) stated that the publications had, to at least some extent, informed negotiations with employers and trustees of large and medium schemes advised in the current round of valuations. As shown in Table 3.4 below, the publications fully informed negotiations for around one in four actuaries.

Table 3.4: Extent to which publications informed scheme valuation negotiations

	Actuaries (Base – all who answered question: 88)
Fully	26%
To some extent	67%
Not at all	5%
Don't know	2%

Among those actuaries aware of the annual funding statement, around half (48%) believed that the advice provided to all their clients was completely consistent with the statement's messages – see Figure 3.1 on page 16. Nearly all the remaining actuaries (49%) believed that the advice they were giving was mostly consistent with these messages.

Figure 3.1: Consistency of actuaries' advice in relation to the regulator's views



3.3 Overall perceptions of the publications

The publications were rated positively by actuaries, with the code of practice particularly highly rated for its helpfulness in ensuring advised schemes to reach an appropriate funding solution – see Table 3.5 below. The ratings for the annual funding statement were broadly in line with the 2012 and 2013 surveys.

Table 3.5: Perceptions of the publications

Ratings the publications as good/poor...	Code of practice (Base – all who read code (guide): 95)	Annual funding statement (Base – all who read statement: 79)
Good/very good	80%	71%
Fair	18%	25%
Poor/very poor	2%	4%
Ratings the publications as helpful...	Code of practice (Base – all who read code (guide): 95)	Annual funding statement (Base – all who read statement: 79)
[Code: ...in ensuring your scheme complies with the scheme funding requirements] [Statement:...enabling your scheme to reach an appropriate funding solution]		
Very/quite helpful	94%	77%
Not very/not at all helpful	6%	23%

When asked to provide reasons to support their helpfulness ratings, actuaries most frequently commented on the usefulness of the publications for trustees and schemes and that they provided a good framework/starting point for scheme negotiations.

Other reasons, provided by at least 10% of actuaries were:

- The information and guidance provided in the publications was in line with their advised schemes already do.
- They were detailed and comprehensive (with particular reference to the code of practice), and
- The publications did not cover everything, but often with an acknowledgement that they could not account for every eventuality.

continued over...

3.3 Overall perceptions of the publications continued...

Actuaries were also asked to rate specific aspects of the publications. Over four in five actuaries rated the publications as 'very good/good' on 'being pitched at the right level for actuaries' (90%), 'balanced' (87%), 'clear' (86%) and 'consistent with the regulator's approach' (82%)

Although only half of actuaries considered the publications 'evidence-based' (53%), this was twice the proportion that rated the annual funding statement positively on this attribute in the last two years (26% in both 2012 and 2013). It also coincided with a significant year-on-year increase in the proportion of actuaries who read the supporting analysis and evidence document that supports the annual funding statement and found it helpful (51% in 2014, up from 36% in 2013).

3.4 Readership and helpfulness of the associated analysis published alongside the annual funding statement

Possibly linked to the higher rating on the funding statement being evidence-based, the majority of actuaries (59%) said they had read the supporting analysis. Almost nine in ten (86%) actuaries who read the analysis said they found it helpful.

3.5 Additional support to be provided by us

Actuaries that had read the publications were asked what support, if any, we can provide in helping schemes meet the requirements of the code of practice or the annual funding statement. The most common responses, which were provided in an open-ended fashion, were grouped into the following themes:

- Requests for more case studies and examples (mentioned by 20% of actuaries).
- Providing simple, clearer or more practical guidance (13%).
- Running seminars, Q&A sessions and workshops (including webinars) (11%).
- For us to provide a more consistent approach when advising and guiding schemes (8%), and
- For us to be available when needed, on hand to help (7%).

One in five actuaries (22%) felt that no extra support was needed.

4. Main findings – employers

4.1 Awareness of and engagement with the publications

As shown in Table 4.1, there were relatively low levels of top-of-mind awareness of the publications among employers. However, two in three (66%) were aware of the code of practice when prompted whilst two in five (42%) recalled the essential guide. Prompted awareness of the annual funding statement among employers in the current valuation tranche stood at 56%, significantly lower than in the 2012 and 2013 surveys.

In addition to the figures shown in Table 4.1 below, 10% of employers were aware that we had recently published something related to defined benefit schemes, but could not specifically recall what it was.

Table 4.1 Awareness of publications among employers

	2012 survey (Base – all: 150)	2013 survey (Base – all: 150)	2014 survey (Base – all: 300 unless stated)
Spontaneous awareness of code of practice	–	–	13%
Prompted awareness of code of practice	–	–	66%
Prompted awareness of code of practice (essential guide)	–	–	42%
Spontaneous awareness of annual funding statement	43%	31%	10%
Prompted awareness of annual funding statement (T9 employers only (base: 150))	79%	65%	56%

continued over...

4. Main findings – employers

4.1 awareness of and engagement with the publications continued...

In terms of readership, as shown in Table 4.2 below, across all employers interviewed two in five (42%) had read any part of the code of practice, with a slightly lower proportion having read any of the essential guide (30%). One in three T9 employers (32%) had read the annual funding statement, significantly lower than in the previous two years' surveys.

Table 4.2: Employers' readership of the publications

	2012 survey (Base – all: 150)	2013 survey (Base – all: 150)	2014 survey (Base – all: 300 unless stated)
Read any part of the code of practice	–	–	42%
Read any part of the code of practice (essential guide)	–	–	30%
Read any part of annual funding statement (T9 employers only (base: 150))	62%	47%	32%

Among those employers who read the respective publications, around one in six (15%) reviewed the code of practice documents in detail, increasing to one in four employers (24%) for the funding statement. For the funding statement, this again represented a significant fall from the 2012 survey – see Table 4.3 below.

Table 4.3: Employers' engagement with the publications

	Code of practice (full or essential guide) (Base – all who read code (guide): 150)	Annual funding statement (Base – all T9 employers who read statement: 51)
Read in detail	15%	24% (2012: 45%)
Read but not in detail	34%	37%
Scanned but did not read it in full	33%	30%
Scanned parts of the publication	17%	6%

Figures do not add to 100% owing to don't know responses.

continued over...

4. Main findings – employers

4.1 awareness of and engagement with the publications continued...

Among those employers who recall the respective publications, the vast majority had at least some awareness of these key messages that featured in them:

- 74% of employers recalled at least one of the publications; between 60% to 72% of employers were aware of each of the ten messages that appeared in the code of practice (and for some messages, also in the annual funding statement).
- 56% of T9 employers were aware of the annual funding statement; 51% and 52% respectively were aware of the two messages that only appeared in this publication.

Similarly, for each message that employers were aware of, the majority (over nine in ten) had at least some understanding of what was meant by the point.

Two messages stood out for having the highest levels of full awareness and complete understanding:

- ‘Trustees and employers should engage in an open, collaborative and transparent manner’ – 67% of employers were fully aware of this message and of these, 87% completely understood the meaning.
- ‘Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period’ – 63% of employers were fully aware of this message and of these, 88% completely understood the meaning.

Further results, including full details of the 12 messages tested, can be found in B1 and B2 in the Appendix on page 39 and page 45.

4.2 Impact on the approach to negotiations and discussions with advisers

Engagement with the publications also took the form of employers discussing it with advisers. Among those employers aware of the publications, 74% had already discussed the code of practice and/or annual funding statement in relation to their scheme, increasing to 89% of employers associated with large schemes in the current round of valuations. Most of the remaining employers (18%) planned to discuss the publications with their advisers.

For employers of T9 schemes, the publications have had an impact on forthcoming valuations. As shown in Table 4.4 below, among those employers that had begun the valuation process (and read at least one of the publications), 29% stated that the publications had fully informed their negotiations with the scheme's trustees; a further 60% said that they have informed the negotiations to some extent.

Table 4.4: Extent to which publications informed scheme valuation negotiations with trustees

	T9 employers (Base – all who have read at least one publication and begun the valuation process: 82)
Read in detail	29%
To some extent	60%
Not at all	11%
Don't know	1%

Among the same group of employers, 55% said that their approach to the forthcoming valuation will fully take into account the new code of practice; 35% said it will mostly take into account the new code.

4.3 Overall perceptions of the publications

The publications were rated positively by employers, both in terms of an overall perception rating and the extent to which they were considered helpful – see Table 4.5 below.

The ratings for the annual funding statement on both measures were significantly higher than in the 2012 and 2013 surveys.

Table 4.5: Perceptions of the publications

Ratings the publications as good/poor...	Code of practice (Base – all who read code (guide): 189)	Annual funding statement (Base – all T9 employers who read statement: 71)
Good/very good	85%	91%
Fair	13%	7%
Poor/very poor	–	–
Don't know	2%	2%
Ratings the publications as helpful...	Code of practice (Base – all who read code (guide): 189)	Annual funding statement (Base – all who read statement: 71)
[Code: ...in ensuring your scheme complies with the scheme funding requirements] [Statement:...enabling your scheme to reach an appropriate funding solution]		
Very/quite helpful	94%	93%
Not very/not at all helpful	3%	4%
Don't know	3%	3%

When asked to provide reasons to support their helpfulness ratings, employers most frequently commented on the publications providing a good framework/starting point for scheme management and negotiations. Other reasons, provided by at least 10% of employers were:

- The publications were useful for employers and trustees.
- They were clear, well written and readable, and
- They were detailed and comprehensive (with particular reference to the code of practice).

continued over...

4.3 Overall perceptions of the publications continued...

Employers were also asked to rate specific aspects of the publications. Around four in five employers rated the publications as 'very good/good' on all attributes with the exception of 'evidence-based' (55%). However, the rating for this attribute is significantly higher than the proportion that rated the annual funding statement positively on this attribute in the last two years (27% in 2012, 36% in 2013). Full results can be found in E8 in the Appendix on page 58.

4.4 Readership and helpfulness of the associated analysis published alongside the annual funding statement

A quarter of employers (24%) said they had read the supporting analysis. Based on small base sizes, nearly all employers who read the analysis said they found it helpful.

4.5 Additional support to be provided by us

Employers that had read the publications were asked what support, if any, we can provide in helping schemes meet the requirements of the code of practice or the annual funding statement. The most common responses, which were provided in an open-ended fashion, were grouped into the following themes:

- Improved, ongoing communications to reinforce the messages in the publications (mentioned by 9% of actuaries).
- Providing simple, clearer or more practical guidance (8%).
- For us to be available when needed, on hand to help (6%).
- Running seminars, Q&A sessions and workshops (including webinars) (4%), and
- For us to improve the website and/or have a dedicated helpline (4%).

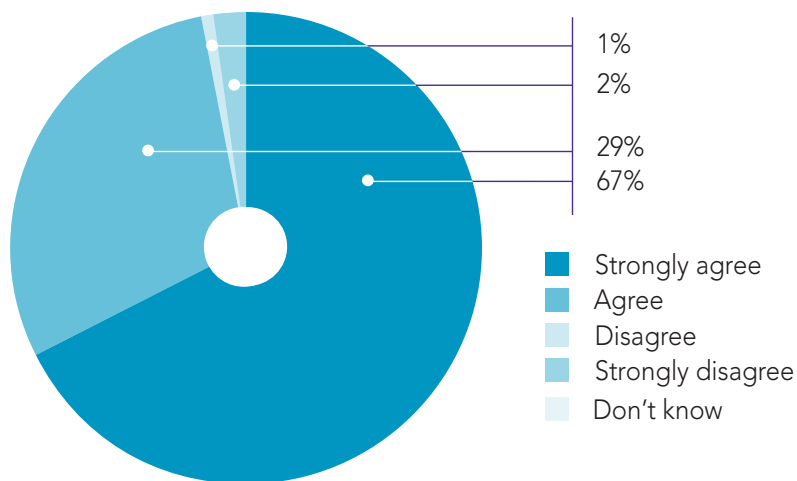
Just under half of employers (49%) felt that no extra support was needed.

4.6 Relationship with the scheme trustees

One of the main messages in this year's publications asserted that trustees and employers should engage in an open, collaborative and transparent manner. Employers were asked in the survey to what extent they agreed (or disagreed) that there is a collaborative and transparent relationship with the trustees of their scheme.

As shown in Figure 4.1 below, the vast majority (96%) of employers agreed that there is a collaborative and transparent relationship, with most (67%) strongly agreeing.

Figure 4.1 Extent to which employers agree there is a collaborative and transparent relationship with the scheme's trustees.



5. Main findings – trustees

5.1 Awareness of and engagement with the publications

As shown in Table 5.1 below, there were relatively low levels of top-of-mind awareness of the publications among employers. However, over four in five (84%) were aware of the code of practice when prompted whilst over three in five (63%) recalled the essential guide. Prompted awareness of the annual funding statement among trustees in the current valuation tranche stood at 72%, in line with the 2013 survey.

In addition to the figures shown in Table 5.1, 5% of trustees were aware that we had recently published something related to defined benefit schemes, but could not specifically recall what it was.

Table 5.1 Awareness of publications among trustees

	2012 survey (Base – all: 150)	2013 survey (Base – all: 150)	2014 survey (Base – all: 300 unless stated)
Spontaneous awareness of code of practice	–	–	17%
Prompted awareness of code of practice	–	–	84%
Prompted awareness of code of practice (essential guide)	–	–	63%
Spontaneous awareness of annual funding statement	38%	36%	13%
Prompted awareness of annual funding statement (T9 trustees only (base: 150))	93%	72%	72%

5. Main findings – trustees

In terms of readership, as shown in Table 5.2 below, across all trustees interviewed three in five (42%) had read any part of the code of practice, with a slightly lower proportion having read any of the essential guide (51%). Around half of T9 employers (52%) had read the annual funding statement, significantly lower than the 2013 survey.

Table 5.2: Trustees’ readership of the publications

	2012 survey (Base – all: 150)	2013 survey (Base – all: 150)	2014 survey (Base – all: 300 unless stated)
Read any part of the code of practice	–	–	63%
Read any part of the code of practice (essential guide)	–	–	51%
Read any part of annual funding statement (T9 trustees only (base: 150))	83%	58%	52%

Among those trustees who read the respective publications, around one in four reviewed the code of practice (27%) and funding statement (28%) documents in detail. For the funding statement, this again represented a significant fall from the 2012 survey – see Table 5.3 below.

Table 5.3: Trustees’ engagement with the publications

	Code of practice (full or essential guide) (Base – all who read code (guide): 216)	Annual funding statement (Base – all T9 trustees who read statement: 78)
Read in detail	27%	28% (2012: 45%)
Read but not in detail	32%	33%
Scanned but did not read it in full	27%	29%
Scanned parts of the publication	14%	10%

Figures do not add to 100% owing to don’t know responses.

5. Main findings – trustees

Among those trustees who recall the respective publications, the vast majority had at least **some awareness** of these key messages that featured in them:

- 92% of trustees recalled at least one of the publications; between 82% to 90% of trustees were aware of each of the ten messages that appeared in the code of practice (and for some messages, also in the annual funding statement).
- 92% of T9 trustees were aware of the annual funding statement; 69% and 70% respectively were aware of the two messages that only appeared in this publication.

Similarly, for each message that employers were aware of, the majority (96%-99%) had at least **some understanding** of what was meant by the point. Two messages stood out for having the highest levels of **full awareness** and **complete understanding**:

- ‘Trustees and employers should engage in an open, collaborative and transparent manner’ – 85% of trustees were fully aware of this message and of these, 90% completely understood the meaning.
- ‘Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period’ – 84% of trustees were fully aware of this message and of these, 92% completely understood the meaning.

Further results, including full details of the twelve messages tested, can be found in B1 and B2 in the Appendix on page 39 and page 45.

5.2 Impact on the approach to negotiations and discussions with advisers

Engagement with the publications also took the form of trustees discussing it with advisers. Among those trustees aware of the publications, 73% had already discussed the code of practice and/or annual funding statement in relation to their scheme, increasing to 87% of trustees in the current round of valuations. Most of the remaining trustees (17%) planned to discuss the publications with their advisers.

For trustees of T9 schemes, the publications have had an impact on forthcoming valuations. As shown in Table 5.4 below, among those trustees that had begun the valuation process (and read at least one of the publications), 32% stated that the publications had fully informed their negotiations with the scheme's trustees; a further 51% said that they have informed the negotiations to some extent.

Table 5.4: Extent to which publications informed scheme valuation negotiations with employers

	T9 trustees (Base – all who have read at least one publication and begun the valuation process: 116)
Fully	32%
To some extent	51%
Not at all	15%
Don't know	2%

Among the same group of trustees, two in three (66%) said that their approach to the forthcoming valuation will fully take into account the new code of practice; 32% said it will mostly take into account the new code.

5.3 Overall perceptions of the publications

The publications were rated positively by trustees, both in terms of an overall perception rating and the extent to which they were considered helpful – see Table 5.5 on page 30. The ratings for the annual funding statement were significantly higher than in the 2012 and 2013 surveys for the extent to which it was considered good, and higher than the 2012 survey for its perceived helpfulness.

Table 5.5: Perceptions of the publications

Ratings the publications as good/poor...	Code of practice (Base – all who read code (guide): 255)	Annual funding statement (Base – all T9 trustees who read statement:101)
Good/very good	86%	88%
Fair	11%	7%
Poor/very poor	1%	–
Don't know	3%	5%
Ratings the publications as helpful... [Code: ...in ensuring your scheme complies with the scheme funding requirements] [Statement:...enabling your scheme to reach an appropriate funding solution]	Code of practice (Base – all who read code (guide): 255)	Annual funding statement (Base – all who read statement: 101)
Very/quite helpful	91%	91%
Not very/not at all helpful	7%	7%
Don't know	3%	1%

When asked to provide reasons to support their helpfulness ratings, trustees most frequently commented on the publications providing a good framework/starting point for scheme management and negotiations. Other reasons commonly provided by trustees were:

- The publications were useful for employers and trustees.
- They were clear, well written and readable.
- They were detailed and comprehensive (with particular reference to the code of practice), and
- The publications were in line with what the scheme already does, and therefore validates existing arrangements and activities.

Trustees were also asked to rate specific aspects of the publications. Over three in four trustees rated the publications as 'very good/good' on all attributes with the exception of 'evidence-based' (57%). However, the rating for this attribute is significantly higher than the proportion that rated the annual funding statement positively on this attribute in the last two years (40% in 2012, 39% in 2013). Full results can be found in E8 in the Appendix on page 58.

5.4 Readership and helpfulness of the associated analysis published alongside the annual funding statement

A fifth of trustees (22%) said they had read the supporting analysis. Based on small base sizes, nearly all trustees who read the analysis said they found it helpful.

5.5 Additional support to be provided by us

Trustees that had read the publications were asked what support, if any, we can provide in helping schemes meet the requirements of the code of practice or the annual funding statement. The most common responses, which were provided in an open-ended fashion, were grouped into the following themes:

- Providing simple, clearer or more practical guidance (mentioned by 7% of trustees).
- Improved, ongoing communications to reinforce the messages in the publications (6%).
- For us to be available when needed, on hand to help (6%), and
- For us to provide a more consistent approach when advising and guiding schemes (4%).

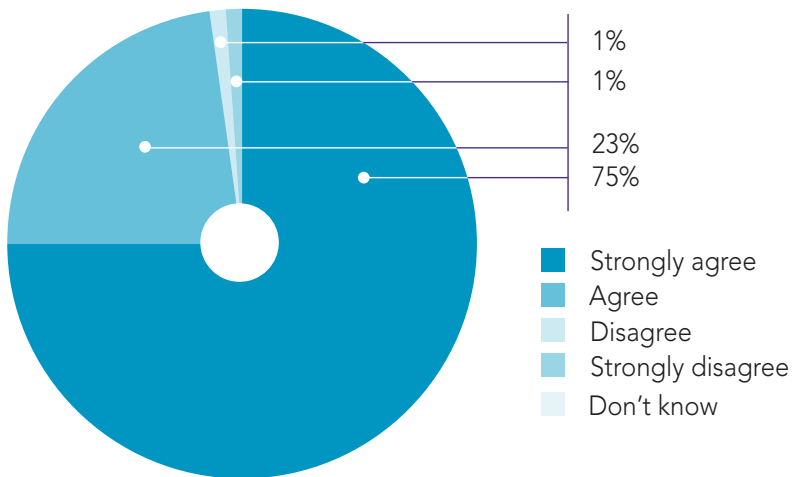
Just under half of trustees (48%) felt that no extra support was needed.

5.6 Relationship with the scheme’s sponsoring employer

One of the main messages in this year’s publications asserted that trustees and employers should engage in an open, collaborative and transparent manner. Trustees were asked in the survey to what extent they agreed (or disagreed) that there is a collaborative and transparent relationship with the sponsoring employer of their scheme.

As shown in Figure 5.1 below, virtually all (99%) trustees agreed that there is a collaborative and transparent relationship, with most (75%) strongly agreeing.

Figure 5.1 Extent to which employers agree there is a collaborative and transparent relationship with the scheme’s sponsoring employer



5.7 Integrated risk management

A key message featuring in all three annual funding statements concerned the expectation that trustees will manage scheme funding, scheme investments and employer covenant in an integrated way.

In this year's survey, trustees were asked how they manage funding, investment and covenant risks between valuations. Table 5.6 below shows the proportion of trustees that said their scheme manage each of five specific risk management activities tested, together with the total number managed.

As shown, three in five (62%) stated that they manage all five of the specified risk activities, significantly higher than when an equivalent question featured in our 2013 (49%) and 2014 (42%) scheme governance surveys. This was more prevalent in large schemes (74%) than in medium (61%) and small schemes (46%).

Table 5.6: Trustees' management of funding, investment and covenant risks between valuations

	All trustees (Base – all: 300)
The investment strategy and funding plans are based on an updated view of the risk that can be backed by employer covenant	88%
Risk taking in the investment strategy and funding plans are set following establishment of a risk appetite discussed with the employer	88%
Funding and investment performance are monitored to defined tolerances	84%
There are clear plans for action when tolerances are breached or on some other trigger	75%
Trustees are in a position to evidence how they have taken an integrated approach to risk management	87
None of these	3%
Manage all 5 activities	62%
Manage at least 4 activities	81%
Manage at least 3 activities	89%
Manage at least 2 activities	93%

Appendix: Full results from the DB code of practice and Annual funding statement quantitative research

This section outlines the full survey results question by question.

Section A: Awareness

A1: Are you aware of any recent publications from The Pensions Regulator [If Trustee or Employer: which may impact on the [Scheme name]] [If Actuary: in relation to the regulation and pending valuations of DB schemes]?

	Actuaries (Base – all: 300)	Employers (Base – all: 300)		Trustees (Base – all: 300)	
		T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
Yes	99%	56%	51%	69%	52%
No	1%	44%	47%	31%	45%
Don't know	–	–	3	*	3%

*Less than 0.5%

A2: What publications can you recall?

	Actuaries (Base – all aware at A1: 99)	Employers (Base – all aware at A1: 162)		Trustees (Base – all aware at A1: 186)	
		T9 scheme (87)	Non-T9 scheme (75)	T9 scheme (109)	Non-T9 scheme (77)
Mentions of code of practice	83%	26%	23%	27%	30%
Mentions of annual statement	43%	18%	15%	19%	24%
	Actuaries (Base – all: 100)	Employers (Base – all: 300)		Trustees (Base – all: 300)	
		T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
Mentions of code of practice	82%	15%	12%	18%	15%
Mentions of annual statement	43%	10%	7%	13%	12%

A3: Can you please tell me if you are aware of the following defined benefit publications, published by The Pensions Regulator in June 2014...?

	Actuaries (Base – all: 100)	Employers (Base – all: 300)		Trustees (Base – all: 300)	
		T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
A revised defined benefit code of practice (Code of practice number 3)	99%	73%	57%	86%	83%
An essential guide to the code of practice, providing a higher level overview of the code	93%	49%	33%	58%	66%
An annual funding statement for schemes and advisers due to go through the valuation process in the coming months	90%	56%	43%	72%	60%
[ONLY ASK IF ABOVE NOT SELECTED] Aware that The Pensions Regulator published something related to defined benefit schemes, but cannot specifically recall what it was	–	10%	10%	3%	7%
Not aware of any publications	1%	11%	22%	3%	3%
Don't know	–	1%	1%	–	–

A4: Did you read any part of...?

	Actuaries (Base – all aware of publication 90-99)	Employers (Base – all aware of publication 133-202)		Trustees (Base – all aware of publication 194-255)	
		T9 scheme (78-111)	Non-T9 scheme (55-91)	T9 scheme (92-130)	Non-T9 scheme (92-125)
The full DB code of practice	95%	64%	65%	76%	73%
The essential guide to the DB code of practice	89%	70%	77%	83%	79%
The annual DB funding statement	88%	58%	59%	72%	60%
	Actuaries (Base – all: 100)	Employers (Base – all: 300)		Trustees (Base – all: 300)	
		T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
The full DB code of practice	94%	47%	37%	65%	60%
The essential guide to the DB code of practice	83%	35%	25%	48%	52%
The annual DB funding statement	79%	32%	25%	52%	36%

A5: (Ask if generally aware at A3)

Did you read any part of these publications?

	Actuaries (Base – all generally aware of publications: –)	Employers (Base – all generally aware of publications: 30)		Trustees (Base – all generally aware of publications: 14)	
		T9 scheme (14)	Non-T9 scheme (16)	T9 scheme (4)	Non-T9 scheme (10)
Yes	–	19%	13%	63%	37%
No	–	72%	87%	37%	41%
Don't know	–	8%	–	–	22%

A6: (Employers and Trustees only, aware of specific publications at A3)

Did you read a summary of the following from your adviser?

	Employers (Base – all aware of DB code: 206, AFS: 151)		Trustees (Base – all aware of DB code: 263, AFS: 202)	
	T9 scheme (114, 85)	Non-T9 scheme (92, 66)	T9 scheme (133, 110)	Non-T9 scheme (130, 92)
The DB code of practice	79%	74%	86%	77%
The annual DB funding statement	70%	75%	90%	72%

A7: (Employers and Trustees only, generally aware of publications at A3) Did you read a summary of these publications from your adviser?

	Employers (Base – all generally aware of publications: 30)		Trustees (Base – all generally aware of publications: 14)	
	T9 scheme (14)	Non-T9 scheme (16)	T9 scheme (4)	Non-T9 scheme (10)
Yes	53%	61%	26%	59%
No	47%	39%	74%	41%
Don't know	–	–	–	–

Section B: Understanding

B1: I am going to read out a number of statements. I'd like you to tell me if you are aware that these messages were in the [DB code of practice/annual DB funding statement/DB code of practice or annual DB funding statement]*? *As appropriate, based on awareness of publications at A3.

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	
% with full/some awareness of messages: [Publication message appears in]	(Base – all: 100)	(Base – all answering [aware of publication message appears in]: 90-99)
Trustees are expected to assess the ability of the employer to address a range of likely adverse outcomes over an appropriate period [DBC/AFS]	97%	98%
Trustees should seek an appropriate funding outcome that reflects a reasonable balance between the need to pay promised benefits and minimising any adverse impact on an employer's sustainable growth [DBC/AFS]	99%	100%
Trustees can use the flexibilities available in the funding regime to set funding strategies that are appropriately tailored to the scheme's and employer's circumstances [DBC/AFS]	99%	100%
Trustees and employers should engage in an open, collaborative and transparent manner [DBC/AFS]	99%	100%
Trustees are expected to manage scheme funding, scheme investments and employer covenant in an integrated way [DBC/AFS]	99%	100%

continued over...

Section B: Understanding B1 continued...

	Actuaries continued...	
% with full/some awareness of messages: [Publication message appears in]	(Base – all: 100)	(Base – all answering [aware of publication message appears in]: 90-99)
Trustees' decisions should be consistent with their long-term funding and investment targets and their view of the employer covenant [DBC]	99%	100%
The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected [AFS]	87%	97%
Trustees should adopt good governance standards in relation to the scheme's funding [DBC]	99%	100%
Trustees should act proportionately in carrying out their functions given their scheme's size, complexity and level of risk [DBC]	99%	100%
Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period [DBC]	98%	99%
The scheme should be treated fairly amongst competing demands on the employer in a manner consistent with its equivalent creditor status [DBC]	98%	99%
Trustees and employers of schemes in the current round of valuations should take into account the new code as far as it reasonable to do so [AFS]	89%	99%

continued over...

Section B: Understanding B1 continued...

	Employers			
	(Base – all: 300)		(Base – all answering [aware of publication message appears in and if AFS only message, T9]: 85 – 224)	
% with full/some awareness of messages: [Publication message appears in]	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (85-119)	Non-T9 scheme (92-105)
Trustees are expected to assess the ability of the employer to address a range of likely adverse outcomes over an appropriate period [DBC/AFS]	72%	62%	91%	92%
Trustees should seek an appropriate funding outcome that reflects a reasonable balance between the need to pay promised benefits and minimising any adverse impact on an employer's sustainable growth [DBC/AFS]	76%	64%	96%	95%
Trustees can use the flexibilities available in the funding regime to set funding strategies that are appropriately tailored to the scheme's and employer's circumstances [DBC/AFS]	76%	59%	96%	88%
Trustees and employers should engage in an open, collaborative and transparent manner [DBC/AFS]	78%	64%	99%	95%
Trustees are expected to manage scheme funding, scheme investments and employer covenant in an integrated way [DBC/AFS]	75%	61%	95%	90%
Trustees' decisions should be consistent with their long-term funding and investment targets and their view of the employer covenant [DBC]	72%	56%	96%	97%

continued over...

Section B: Understanding B1 continued...

	Employers continued...			
% with full/some awareness of messages: [Publication message appears in]	(Base – all: 300)		(Base – all answering [aware of publication message appears in and if AFS only message, T9]: 85 – 224)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (85-119)	Non-T9 scheme (92-105)
The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected [AFS]	52%	–	92%	–
Trustees should adopt good governance standards in relation to the scheme’s funding [DBC]	71%	55%	95%	95%
Trustees should act proportionately in carrying out their functions given their scheme’s size, complexity and level of risk [DBC]	69%	53%	91%	92%
Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period [DBC]	74%	56%	98%	98%
The scheme should be treated fairly amongst competing demands on the employer in a manner consistent with its equivalent creditor status [DBC]	65%	53%	87%	91%
Trustees and employers of schemes in the current round of valuations should take into account the new code as far as it reasonable to do so [AFS]	51%	–	91%	–

continued over...

Section B: Understanding B1 continued...

	Trustees			
	(Base – all: 300)		(Base – all answering [aware of publication message appears in and if AFS only message, T9]: 110 – 276)	
% with full/some awareness of messages: [Publication message appears in]	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (110-141)	Non-T9 scheme (130-135)
Trustees are expected to assess the ability of the employer to address a range of likely adverse outcomes over an appropriate period [DBC/AFS]	90%	86%	96%	96%
Trustees should seek an appropriate funding outcome that reflects a reasonable balance between the need to pay promised benefits and minimising any adverse impact on an employer's sustainable growth [DBC/AFS]	94%	86%	100%	96%
Trustees can use the flexibilities available in the funding regime to set funding strategies that are appropriately tailored to the scheme's and employer's circumstances [DBC/AFS]	94%	86%	100%	96%
Trustees and employers should engage in an open, collaborative and transparent manner [DBC/AFS]	93%	87%	99%	98%
Trustees are expected to manage scheme funding, scheme investments and employer covenant in an integrated way [DBC/AFS]	91%	86%	97%	96%
Trustees' decisions should be consistent with their long-term funding and investment targets and their view of the employer covenant [DBC]	89%	84%	100%	98%

continued over...

Section B: Understanding B1 continued...

	Trustees continued...			
% with full/some awareness of messages: [Publication message appears in]	(Base – all: 300)		(Base – all answering [aware of publication message appears in and if AFS only message, T9]: 85 – 224)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (85-119)	Non-T9 scheme (92-105)
The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected [AFS]	69%	–	97%	–
Trustees should adopt good governance standards in relation to the scheme’s funding [DBC]	87%	85%	98%	99%
Trustees should act proportionately in carrying out their functions given their scheme’s size, complexity and level of risk [DBC]	85%	80%	95%	93%
Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period [DBC]	89%	85%	100%	98%
The scheme should be treated fairly amongst competing demands on the employer in a manner consistent with its equivalent creditor status [DBC]	86%	79%	97%	92%
Trustees and employers of schemes in the current round of valuations should take into account the new code as far as it reasonable to do so [AFS]	70%	–	98%	91%

B2: (Employers and Trustees only, aware that message featured in publication): I'd also like you to tell me how good you would say your understanding is of what was meant by this point. Please tell me whether you:

- completely understood the meaning
- had some understanding of the meaning
- had a limited understanding of the meaning
- did not understand the meaning.

	Employers			
% understood the following messages: [Publication message appears in]	(Base – all aware of message: 84 – 222)			
	Completely understood		At least some understanding	
	T9 scheme (84-118)	Non-T9 scheme (89-104)	T9 scheme (84-118)	Non-T9 scheme (89-104)
Trustees are expected to assess the ability of the employer to address a range of likely adverse outcomes over an appropriate period [DBC/AFS]	65%	57%	94%	95%
Trustees should seek an appropriate funding outcome that reflects a reasonable balance between the need to pay promised benefits and minimising any adverse impact on an employer's sustainable growth [DBC/AFS]	79%	82%	95%	99%
Trustees can use the flexibilities available in the funding regime to set funding strategies that are appropriately tailored to the scheme's and employer's circumstances [DBC/AFS]	64%	66%	96%	94%
Trustees and employers should engage in an open, collaborative and transparent manner [DBC/AFS]	86%	87%	98%	100%

continued over...

Section B: Understanding B2 continued...

	Employers continued...			
% understood the following messages: [Publication message appears in]	(Base – all aware of message: 84 – 222)			
	Completely understood		At least some understanding	
	T9 scheme (84-118)	Non-T9 scheme (89-104)	T9 scheme (84-118)	Non-T9 scheme (89-104)
Trustees are expected to manage scheme funding, scheme investments and employer covenant in an integrated way [DBC/AFS]	67%	67%	98%	93%
Trustees' decisions should be consistent with their long-term funding and investment targets and their view of the employer covenant [DBC]	84%	76%	95%	97%
The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected [AFS]	78%	-	95%	-
Trustees should adopt good governance standards in relation to the scheme's funding [DBC]	71%	70%	96%	94%
Trustees should act proportionately in carrying out their functions given their scheme's size, complexity and level of risk [DBC]	70%	67%	94%	93%
Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period [DBC]	88%	88%	98%	99%
The scheme should be treated fairly amongst competing demands on the employer in a manner consistent with its equivalent creditor status [DBC]	72%	67%	95%	96%
Trustees and employers of schemes in the current round of valuations should take into account the new code as far as it reasonable to do so [AFS]	61%	-	92%	-

continued over...

Section B: Understanding B2 continued...

	Trustees			
% understood the following messages: [Publication message appears in]	(Base – all aware of message: 109-275)			
	Completely understood		At least some understanding	
	T9 scheme (109-141)	Non-T9 scheme (123-134)	T9 scheme (109-141)	Non-T9 scheme (123-134)
Trustees are expected to assess the ability of the employer to address a range of likely adverse outcomes over an appropriate period [DBC/AFS]	70%	67%	97%	96%
Trustees should seek an appropriate funding outcome that reflects a reasonable balance between the need to pay promised benefits and minimising any adverse impact on an employer's sustainable growth [DBC/AFS]	89%	80%	100%	97%
Trustees can use the flexibilities available in the funding regime to set funding strategies that are appropriately tailored to the scheme's and employer's circumstances [DBC/AFS]	77%	75%	100%	97%
Trustees and employers should engage in an open, collaborative and transparent manner [DBC/AFS]	89%	90%	99%	98%
Trustees are expected to manage scheme funding, scheme investments and employer covenant in an integrated way [DBC/AFS]	81%	76%	100%	96%
Trustees' decisions should be consistent with their long-term funding and investment targets and their view of the employer covenant [DBC]	85%	85%	100%	98%

continued over...

Section B: Understanding B2 continued...

	Trustees continued...			
% understood the following messages: [Publication message appears in]	(Base – all aware of message: 84 – 222)			
	Completely understood		At least some understanding	
	T9 scheme (84-118)	Non-T9 scheme (89-104)	T9 scheme (84-118)	Non-T9 scheme (89-104)
The continuing low interest rate environment means that schemes may need to plan for a longer period of low yields than previously expected [AFS]	85%	–	98%	–
Trustees should adopt good governance standards in relation to the scheme's funding [DBC]	88%	78%	100%	97%
Trustees should act proportionately in carrying out their functions given their scheme's size, complexity and level of risk [DBC]	76%	70%	98%	94%
Having agreed an appropriate funding target, trustees should agree funding to eliminate any deficit over an appropriate period [DBC]	93%	91%	100%	98%
The scheme should be treated fairly amongst competing demands on the employer in a manner consistent with its equivalent creditor status [DBC]	78%	72%	98%	97%
Trustees and employers of schemes in the current round of valuations should take into account the new code as far as it reasonable to do so [AFS]	79%	–	99%	–

Section C: Engagement

C1: You said earlier that you had read the [full code of practice and/ or essential guide to the code of practice].* Which of the following best describes whether you read the publication(s) in detail or scanned it/them?

*As appropriate, based on readership of publications at A4.

	Actuaries (Base – all who read full code/essential guide: 95)	Employers (Base – all who read full code/essential guide: 150)		Trustees (Base – all who read full code/essential guide: 216)	
		T9 scheme (82)	Non-T9 scheme (68)	T9 scheme (111)	Non-T9 scheme (105)
I read in detail	59%	14%	17%	30%	24%
I read but not in detail	29%	38%	29%	33%	31%
Don't know	9%	31%	36%	24%	30%
I scanned parts	2%	16%	18%	12%	15%
I did not read	–	2%	–	–	–
Can't remember/ Don't know	–	–	–	1%	–

C1A: You said earlier that you had read the annual funding statement. Which of the following best describes whether you read the annual funding statement in detail or scanned it?

	Actuaries (Base – all who read annual funding statement: 79)	Employers (Base – all who read annual funding statement: 91)		Trustees (Base – all who read annual funding statement: 132)	
		T9 scheme (51)	Non-T9 scheme (40)	T9 scheme (78)	Non-T9 scheme (54)
I read in detail	62%	24%	27%	28%	35%
I read but not in detail	27%	37%	28%	33%	35%
Don't know	10%	30%	31%	29%	25%
I scanned parts	1%	6%	13%	10%	3%
I did not read	–	3%	–	–	3%
Can't remember/ Don't know	–	–	–	–	–

C2A: (Actuaries only) Which of the following did you do in relation to the code of practice?

	Actuaries (Base – all who read full code/ essential guide: 95)
Sent on the code of practice to trustees of schemes in the current round of valuations	59%
Sent a summary to trustees of schemes in the current round of valuations	36%
Sent a summary to trustees of schemes <u>not</u> in the current round of valuations	89%
Discussed the content with colleagues	71%
Discussed the content with trustees of schemes in the current round of valuations	98%
Discussed the content with trustees of schemes <u>not</u> in the current round of valuations	65%
None of the above	–
Don't know	–

C2B: (Actuaries only) And which of the following did you do in relation to the annual funding statement?

	Actuaries (Base – all who read annual funding statement: 79)
Sent on the annual funding statement to trustees of schemes in the current round of valuations	48%
Sent a summary to trustees of schemes in the current round of valuations	62%
Discussed the content with colleagues	96%
Discussed the content with trustees of schemes in the current round of valuations	87%
None of the above	–
Don't know	–

C3: (Employers and Trustees only) And can you please tell me if you have discussed the [code of practice/annual funding statement]* with advisers in relation to your scheme? *As appropriate, based on readership of publications at A4.

	Employers (Base – all who read code or AFS: 205)		Trustees (Base – all who read code or AFS: 271)	
	T9 scheme (114)	Non-T9 scheme (91)	T9 scheme (141)	Non-T9 scheme (130)
Discussed with advisers	76%	70%	87%	61%
NOT discussed with advisers but plan to	17%	20%	9%	24%
NO plans to discuss with advisers	5%	10%	3%	12%
Can't remember/Don't know	1%	–	*	3%

*Less than 0.5%

Section D: Stage in valuation process

D1: (T9 Trustees and Employers only) Which of the following best describes the stage of the scheme valuation process that [Scheme name] is at?

	Employers (Base – all T9: 150)	Trustees (Base – all T9: 150)
You have yet to start the process	8%	2%
You have begun planning to start the valuation	10%	7%
You have only just started the valuation process	5%	2%
You are in discussions to agree the valuation assumptions and outcomes	34%	46%
You are finalising your valuation and will submit it to the regulator shortly	36%	39%
You have completed the valuation and have submitted it to the regulator	3%	2%
Don't know	6%	2%

continued over...

D2: (T9 Trustees and Employers who have started valuation process and Actuaries aware of publications) To what extent has the publications informed your negotiations with the [Trustee: employer, Employer: trustees, Actuary: employer and/or trustees of large or medium schemes you advise in the current round of valuations]?

	Actuaries (Base – all answering: 88)	Employers (Base – all T9 who have started valuation process: 82)		Trustees (Base – all T9 who have started valuation process: 116)	
Fully	26%	29%	32%	28%	35%
To some extent	67%	60%	51%	33%	35%
Not at all	5%	11%	15%	29%	25%
Don't know	2%	1%	3%	10%	3%

D3: (Actuaries only) With regard to the annual funding statement, can you tell me which of the following applies to you most closely for the large and medium-sized schemes you advise in the current round of valuations?

	Actuaries (Base – all who read annual funding statement: 79)
Advice to schemes will be completely consistent with the messages in the annual funding statement across all schemes I advise	48%
Advice to schemes will be completely consistent with the messages in the annual funding statement across most schemes I advise	13%
Advice to schemes will be mostly consistent with the messages in the annual funding statement across all schemes I advise	25%
Advice to schemes will be mostly consistent with the messages in the annual funding statement across most schemes I advise	11%
Advice to schemes will not be consistent with the messages in the annual funding statement across some or all schemes I advise	–
Refused to answer	–
Don't know	3%

D4: (T9 Trustees and Employers only who have read DB code) I am now going to read out four options relating to the DB code of practice. Can you tell me which most closely reflects your approach to preparing for your forthcoming valuation, will you...?

	Employers (Base – all T9 who read code of practice: 82)	Trustees (Base – all T9 who read code of practice: 111)
Fully take into account the new DB code of practice	55%	66%
Mostly take into account the new DB code of practice	35%	32%
Take into account the new DB code of practice to a limited degree	6%	2%
Not take into account the new DB code of practice at all	–	1%
Don't know	5%	*

*Less than 0.5%

Section E: Perceptions of the publications

E1: How would you rate the code of practice overall?

	Actuaries (Base – all who read code of practice: 95)	Employers (Base – all who read code of practice: 189)		Trustees (Base – all who read code of practice: 255)	
		T9 scheme (104)	Non-T9 scheme (85)	T9 scheme (131)	Non-T9 scheme (124)
Very good	16%	15%	13%	25%	24%
Good	64%	75%	64%	65%	58%
Fair	18%	7%	21%	9%	12%
Poor	2%	–	–	1%	1%
Very poor	–	–	–	–	–
Don't know	–	4%	2%	–	5%

E2: (T9 Trustees and Employers only and all Actuaries) How would you rate the annual funding statement overall?

	Actuaries (Base – all who read AFS: 79)	Employers (Base – all T9 who read AFS: 71)		Trustees (Base – all T9 who read AFS: 101)	
		T9 scheme (104)	Non-T9 scheme (85)	T9 scheme (131)	Non-T9 scheme (124)
Very good	13%	10%	26%	25%	24%
Good	58%	82%	62%	65%	58%
Fair	25%	7%	7%	9%	12%
Poor	4%	–	–	1%	1%
Very poor	–	–	–	–	–
Don't know	–	2%	5%	–	5%

E3: How would you rate the publications overall?

	Actuaries (Base – all with general awareness of publications: -)	Employers (Base – all with general awareness of publications: 16)		Trustees (Base – all with general awareness of publications: 10)	
		T9 scheme (7)	Non-T9 scheme (9)	T9 scheme (3)	Non-T9 scheme (7)
Very good	–	16%	–	–	–
Good	–	53%	29%	41%	60%
Fair	–	–	27%	59%	–
Poor	–	–	–	–	–
Very poor	–	–	–	–	–
Don't know	–	32%	45%	–	40%

E4: How helpful has the code of practice been, or will be, in ensuring [All Trustees/All Employers: your scheme complies] [Actuaries: the schemes you advise comply] with the scheme funding requirements?

	Actuaries (Base – all who read code of practice: 95)	Employers (Base – all who read code of practice: 189)		Trustees (Base – all who read code of practice: 255)	
		T9 scheme (104)	Non-T9 scheme (85)	T9 scheme (131)	Non-T9 scheme (124)
Very helpful	23%	32%	30%	36%	33%
Quite helpful	71%	63%	62%	59%	54%
Not very helpful	6%	–	6%	2%	5%
Not at all helpful	–	–	1%	2%	3%
Don't know	–	5%	-	1%	4%

E5: (T9 Trustees and Employers only and all Actuaries) How helpful has the annual funding statement been, or will be, in enabling [T9 Trustees/T9 Employers: your scheme to reach an appropriate funding solution] [Actuaries: the schemes you advise to reach an appropriate funding solution]?

	Actuaries (Base – all who read AFS: 79)	Employers (Base – all T9 who read AFS: 71)		Trustees (Base – all T9 who read AFS: 101)	
Very helpful	8%	17%	33%	36%	33%
Quite helpful	70%	75%	59%	59%	54%
Not very helpful	22%	4%	7%	2%	5%
Not at all helpful	1%	–	1%	2%	3%
Don't know	–	4%	1%	1%	4%

E6: How helpful have the publications been, or will be, in ensuring [All Trustees/All Employers: your scheme complies] [Actuaries: the schemes you advise comply] with the scheme funding requirements?

	Actuaries (Base – all with general awareness of publications: -)	Employers (Base – all with general awareness of publications: 16)		Trustees (Base – all with general awareness of publications: 10)	
		T9 scheme (7)	Non-T9 scheme (9)	T9 scheme (3)	Non-T9 scheme (7)
Very helpful	–	16%	7%	20%	–
Quite helpful	–	53%	49%	80%	73%
Not very helpful	–	16%	16%	–	–
Not at all helpful	–	–	–	–	13%
Don't know	–	16%	29%	–	13%

E7: Why do you say that about the code of practice and the annual funding statement[?]

Open-ended – responses provided in own words.

E8: And how would you rate the [code of practice and/or annual funding statement*] on the following aspects? (*as appropriate dependent on readership and tranche).

	Actuaries (Base – all answering: 96)	Employers (Base – all answering: 170)		Trustees (Base – all answering: 233)	
% Very good/good		T9 scheme (88)	Non-T9 scheme (82)	T9 scheme (123)	Non-T9 scheme (110)
Clear	84%	83%	82%	85%	82%
Balanced	86%	86%	81%	82%	86%
Authoritative	73%	87%	78%	81%	78%
Evidence-based	52%	61%	46%	61%	54%
Provides enough detail	73%	78%	81%	82%	74%
Provides enough guidance	75%	84%	79%	81%	79%
Consistent with the regulator's approach	80%	91%	78%	90%	81%
[Trustees only]: Pitched at the right level for scheme trustees	–	–	–	75%	76%
[Employers only]: Pitched at the right level for employers	–	82%	77%	–	–
[Actuaries only]: Pitched at the right level for scheme actuaries	88%	–	–	–	–

E9: Is there anything else that you'd have liked to have seen in the publication(s)?

Open-ended – responses provided in own words.

E10: What, if any, support can the Regulator provide in helping schemes meet the requirements of the code of practice or the annual funding statement?

Open-ended – responses provided in own words.

E11: (T9 Trustees and Employers only and all Actuaries) Did you read any part of the 'supporting analysis and evidence' document that accompanies the annual funding statement?

	Actuaries (Base – all: 100)	Employers (Base – all T9: 150)		Trustees (Base – all T9: 150)	
Yes	59%	24%	22%	85%	82%
No	37%	67%	69%	82%	86%
Don't know	4%	9%	9%	81%	78%

E12: How helpful do you think the supporting analysis and evidence has been in understanding how the content and messages within the code were developed?

	Actuaries (Base – all who read supporting analysis: 59)	Employers (Base – all T9 who read supporting analysis: 35)		Trustees (Base – all T9 who read supporting analysis: 32)	
Very helpful	8%	24%	20%	85%	82%
Quite helpful	78%	71%	74%	82%	86%
Not very helpful	10%	5%	6%	81%	78%
Not at all helpful	–	–	–	–	–
Don't know	3%	–	–	–	–

Section F: Risk management

Please answer the following questions specifically in relation to your DB scheme, the [Scheme name].

F1: (Employers and Trustees only) To what extent are scheme funding, scheme investments and employer covenant risks integrated?

	Employers (Base – all: 300)		Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
Fully	61%	60%	79%	70%
To some extent	33%	32%	18%	23%
Not at all	1%	–	1%	3%
Don't know	5%	9%	2%	4%

F2: (Employers and Trustees only) [I would now like to ask you about the way in which these risks are integrated.../Whilst the risks are not integrated...] How do you manage funding, investment and covenant risks between valuations? Please tell me which of the following apply.

	Employers (Base – all: 300)		Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
The investment strategy and funding plans are based on an updated view of the risk that can be backed by employer covenant	83%	80%	92%	84%
Risk taking in the investment strategy and funding plans are set following establishment of a risk appetite discussed with the employer	84%	79%	92%	82%
Funding and investment performance are monitored to defined tolerances	81%	79%	92%	85%
There are clear plans for action when tolerances are breached or on some other trigger (If necessary add: Action could include convening sub-committee to decide action)	78%	76%	87%	81%
Trustees are in a position to evidence how they have taken an integrated approach to risk management	71%	58%	79%	73%
None of these	3%	1%	*	4%
Don't know	4%	5%	2%	–

F3: (Employers and Trustees only) Do you have a journey plan or long-term target for [Scheme name]?

	Employers (Base – all: 300)		Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
Yes	75%	79%	82%	75%
No	19%	18%	17%	25%
Don't know	6%	4%	1%	–

F4: (Employers and Trustees only) What is the scheme's aim for this plan?

	Employers (Base – all with a journey plan: 227)		Trustees (Base – all with a journey plan: 240)	
	T9 scheme (111)	Non-T9 scheme (116)	T9 scheme (125)	Non-T9 scheme (115)
To reach technical provisions	65%	63%	79%	61%
To reach self-sufficiency	68%	66%	70%	62%
To operate independently of the sponsoring employer	36%	34%	29%	31%
To progressively de-risk	80%	73%	83%	70%
To buy out	35%	43%	32%	39%
To pay members' benefits	87%	82%	89%	83%
None of these	1%	–	3%	1%
Don't know	1%	–	–	–

F5: (Employers and Trustees only) Do you think the funding position of the [Scheme name] at the last valuation will have improved or deteriorated by the next valuation date?

TPR has no definition of 'significant' and therefore we shall leave this for your interpretation.

	Employers (Base – all: 300)		Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
Improved significantly	13%	21%	17%	26%
Improved a little	35%	42%	45%	36%
No change	8%	12%	12%	15%
Deteriorated a little	20%	7%	17%	12%
Deteriorated significantly	12%	3%	6%	2%
Don't know	13%	15%	3%	10%

F6: (Employers and Trustees only) How confident are you that [All Employers: you] [All trustees: the sponsoring employer] will be able to recover the [Scheme name]'s deficit in a reasonable period?

	Employers (Base – all with a deteriorating funding position: 58)		Trustees (Base – all with a deteriorating funding position: 52)	
	T9 scheme (42)	Non-T9 scheme (16)	T9 scheme (34)	Non-T9 scheme (18)
Very confident	37%	38%	64%	62%
Fairly confident	41%	39%	29%	18%
Not very confident	9%	16%	5%	14%
Not at all confident	8%	7%	–	–
Don't know	5%	–	2%	7%

F7: (Employers and Trustees only) To what extent do you agree or disagree that there is a collaborative and transparent relationship with the [All Employers: trustees] [All Trustees: the sponsoring employer] of the [Scheme name]?

	Employers (Base – all: 300)		Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)	T9 scheme (150)	Non-T9 scheme (150)
Strongly agree	68%	67%	74%	76%
Agree	29%	29%	26%	21%
Disagree	–	3%	–	2%
Strongly disagree	1%	–	–	–
Don't know	3%	1%	–	1%

Section G: Profiling

G1: (Actuaries only) 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?

	Actuaries (Base – all: 100)
One scheme	10%
2-5 schemes	59%
6-10 schemes	19%
More than 10 schemes	10%
Don't know	2%

G2: (Trustees only) How many lay trustees and how many professional trustees are on the trustee board of [Scheme name]?

	Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)
Lay trustees – None	2%	6%
Lay trustees – 1 to 2	16%	15%
Lay trustees – 3 to 4	30%	36%
Lay trustees – 5 to 6	38%	30%
Lay trustees – 7 to 8	7%	5%
Lay trustees – > 8	6%	6%
Don't know	*	1%
Professional trustees – None	54%	64%
Professional trustees – 1	29%	27%
Professional trustees – 2	10%	5%
Professional trustees – > 2	3%	2%
Don't know	3%	1%

G3: (Trustees only) Does your scheme have a training plan in place for its trustees?

	Trustees (Base – all: 300)	
	T9 scheme (150)	Non-T9 scheme (150)
Yes	86%	77%
No	14%	23%
Don't know	–	–

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