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Defined benefit (DB) scheme running cost research

**A data report on the costs of running DB pension schemes
(quantitative survey)**

Prepared for The Pensions Regulator
By IFF Research

The Pensions
Regulator



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1. Summary

The Pensions Regulator commissioned IFF Research to undertake quantitative research to better understand the costs of administering defined benefit (DB) pension schemes. A total of 316 private sector schemes, which are the focus on this report, completed the survey.

The research was undertaken between 12 September 2013 and 1 November 2013 and used an online self-completion questionnaire to collect cost information on the following seven cost areas¹:

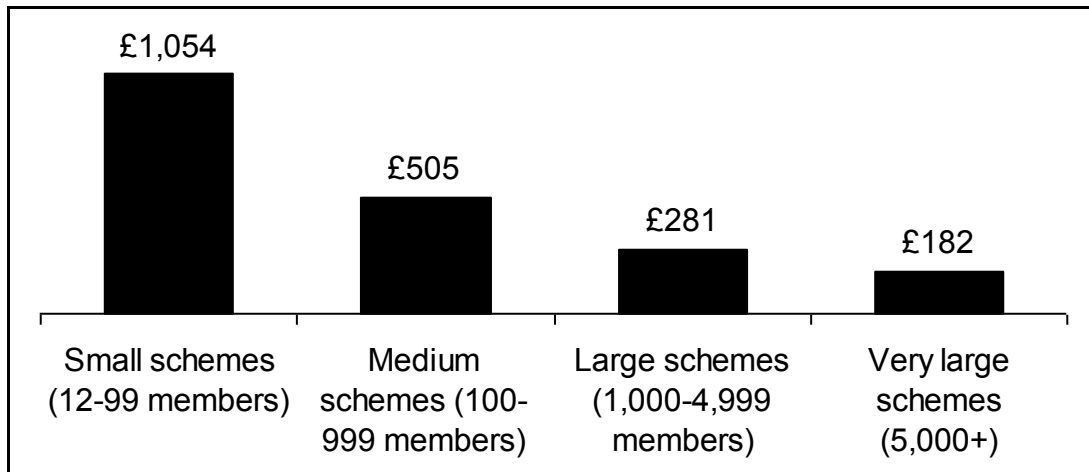
- Administration;
- Independent trustee fees;
- Actuarial;
- Legal;
- Covenant;
- Investment;
- Other external costs not included above.

Large schemes (1,000–4,999 members) were calculated to have a mean yearly running cost of £547,877. The mean annual running cost for medium schemes (100-999 members) was £154,437 while for small schemes (12-99 members) it was £52,126.

The per member annual running cost measure² shows that running costs were significantly higher amongst small schemes compared to medium and large schemes; the mean costs were £1,054, versus £505 and £281 respectively. Very large schemes had the lowest per member running cost of £182, however, due to the small sample size this is not statistically significant. Results are shown in chart 1.1.

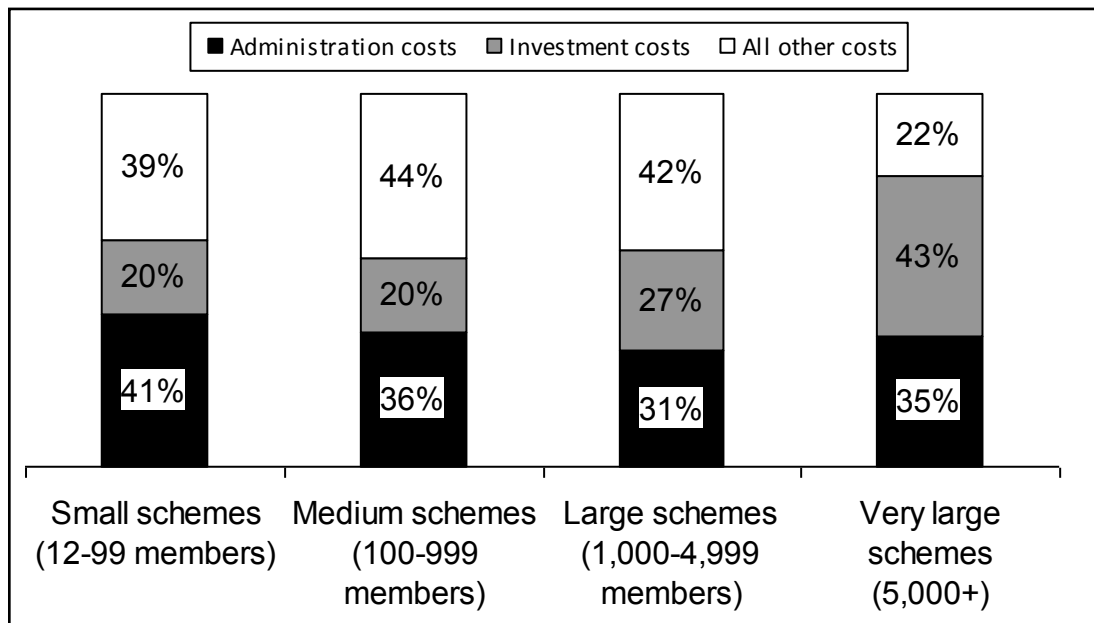
¹ Definitions used for the seven cost areas can be found in section 4

² Total scheme cost divided by the number of scheme members

Chart 1.1 – Mean per member annual running cost by scheme size³

The per member annual running cost provides a useful comparison across scheme size. However, in DB schemes all costs are underwritten by the scheme sponsor so it is they, not the member, who will be affected by high scheme running costs.

Administration and investment accounted for the highest proportion of the cost of running a scheme of scheme size. However there is some variation by scheme size as evident in chart 1.2.

Chart 1.2 Representation of main cost areas in the total cost figure, by scheme size⁴

³ Base sizes: small (89), medium (106), large (75), very large (24). Any schemes that answered 'don't know' to three or more of the seven cost areas was excluded from the total cost variable therefore base size lower than total number of schemes surveyed.

⁴ Base sizes: small (89), medium (106), large (75), very large (24)

Using the per member cost measure, a similar pattern of higher costs amongst smaller compared to larger schemes emerges. For the two main cost areas:

- The administration charges per member were significantly higher in small schemes compared to medium and large schemes (mean of £522, £172 and £89 respectively);
- The investment charges per member were significantly higher in small schemes than medium and large schemes (mean of £314, £126 and £73 respectively).

A full breakdown of all individual cost areas (administration, investment, actuarial, legal, independent trustees, covenant and other costs) can be found in section 4.

A comparison of cost requests for the scheme year end in 2012 indicates:

- Independent trustee, administration and legal fees were cost areas that schemes could most readily report their 2012 costs either as an actual spend or estimate (100%, 99% and 93% respectively).
- Actuarial and covenant fees were more variable in a scheme's ability to report; 87% and 89% of schemes could provide their 2012 costs.
- Investment fees were the least transparent cost area that schemes could report against; 40% of schemes could provide all 2012 costs⁵, 77% all or some of their costs and 23% none of their investment costs.

Additional questions that provide context to the services and activities undertaken by schemes relating to each of the costs areas is provided in section 5. The findings indicate larger schemes tend to undertake a broader range of services and/or activities in each of the cost areas explored compared to smaller schemes. Therefore, larger schemes not only have increased cost efficiencies at a per member cost level, but receive a greater number of services for that cost.

Section 6 provides a tool for schemes to compare their own costs to those outlined in this report.

⁵ For independent trustee, administration, legal, actuarial and covenant costs schemes were asked to provide a 2012 cost for each area. However, investment costs were broken down into 5 distinct categories for which costs were requested (if applicable).

2. Background and method

2.1. Background

In August 2013, The Pensions Regulator (the regulator) commissioned quantitative research into the running costs of defined benefit (DB) pension schemes.

The specific objectives of the research were:

- To understand the costs of administering a DB scheme;
- To contextualise and understand scheme costs against services received;
- To compare and contrast scheme costs by size, specifically at what size do scale efficiencies become apparent.

An online self-completion questionnaire was undertaken, which explored seven scheme cost areas:

- Administration;
- Independent trustee fees;
- Actuarial;
- Legal;
- Covenant;
- Investment;
- Other external costs not included above.

2.2. Methodology

2.2.1. Sampling

The sample for the research was extracted from the regulator's scheme registry of DB pension schemes. After sample cleaning and de-duplicating a total of 1,694 records, across DB schemes with 12 or more members, were randomly selected for the research, covering schemes of different sizes and status⁶.

⁶ See section 2.2.3 for full selection profile

2.2.2. Fieldwork

There were three stages to the fieldwork:

- Firstly, all selected records were sent an email invitation with a link to the online survey, which included some background on the purpose and nature of the survey;
- This was followed by a telephone validation call to confirm whether the email had been received and had reached the most appropriate person. If the email invitation had not been received or had not reached the most appropriate person it was resent;
- The third stage comprised a series of reminder emails. Up to three reminder emails were sent over the course of the six week fieldwork period to those schemes that had yet to complete the online survey.

Fieldwork took place between 12 September 2013 and 1 November 2013. In total 327 schemes completed the online survey.

2.2.3. Interview profile

A total of 327 schemes took part in the research. However, the 327 interviews included 11 public schemes which were not included in the subsequent analysis due to the complexity of scheme setup and subsequent impact on costs. Therefore, the report is based on data received from private sector schemes only.

The profile of schemes reported is shown in Table 2.1. Amongst small and medium sized schemes interview targets on smaller size bands were included to ensure a spread of scheme sizes in the data. Targets were also used on scheme status to ensure a spread of data gathered. Due to small universe figures of open medium schemes no specific target was set; therefore, a combined closed / open target was applied instead.

Table 2.1 - Final interviews conducted by size of scheme (excluding public sector)

Scheme size (number of members) and Status	Number of interviews achieved
12 to 29 (Closed to new members)	9
12 to 29 (Open)	3
12 to 29 (Closed to future accrual)	9
30 to 99 (Closed to new members)	30
30 to 99 (Open)	18
30 to 99 (Closed to future accrual)	35
100 to 199 (Closed to new members / Open)	18
100 to 199 (Closed to future accrual)	15
200 to 999 (Closed to new members / Open)	49
200 to 999 (Closed to future accrual)	28
1,000 to 4,999 (Closed to new members)	34
1,000 to 4,999 (Open)	18
1,000 to 4,999 (Closed to future accrual)	25
5,000+ (Closed to new members / Open)	25
Total	316

Table 2.2 outlines the definitions of the different scheme status' that were included in the research.

Table 2.2 – Definition of scheme status

Open	Closed to new members	Closed to future accrual
New members are allowed to join the scheme.	The scheme does not admit new members.	All contributions to the scheme have stopped and no further pensionable service accrues.
Benefits continue to accrue	Existing members can continue to accrue pensionable service / benefits.	Members' benefits for earlier service continue to be held and invested in the scheme.

2.2.4. Weighting

The interviews were weighted to reflect the profile of private sector DB pension schemes with 12 or more members. The profile excludes public sector, parent schemes, hybrid schemes and those with fewer than 12 members on the regulator's scheme registry. Table 2.3 shows the profile of the population of these schemes.

Table 2.3 - Weighting profile of DB schemes (excluding public sector)

Scheme size (number of members) and Status	Population of DB schemes (excluding public sector and hybrid schemes)	Proportion of population interviewed
12 to 29 (Closed to new members)	212	5%
12 to 29 (Open)	101	2%
12 to 29 (Closed to future accrual)	160	3%
30 to 99 (Closed to new members)	603	13%
30 to 99 (Open)	166	4%
30 to 99 (Closed to future accrual)	447	10%
100 to 199 (Closed to new members / Open)	527	11%
100 to 199 (Closed to future accrual)	331	7%
200 to 999 (Closed to new members / Open)	939	20%
200 to 999 (Closed to future accrual)	453	10%
1,000 to 4,999 (Closed to new members)	310	7%
1,000 to 4,999 (Open)	114	2%
1,000 to 4,999 (Closed to future accrual)	134	3%
5,000+ (Closed to new members / Open)	199	4%
Total	4,696	100%

2.2.5. Reporting conventions

Any differences reported between sub-groups of the overall sample are statistically significant at the 95% confidence level. Schemes have been grouped into four size bands, based on the number of scheme members:

- small schemes (12 to 99 members);
- medium schemes (100 to 999 members);
- large schemes (1,000 to 4,999 members); and
- very large schemes (5,000 members or more).

The final number of interviews achieved by size groups analysed in this report are outlined in table 2.4. The base size for very large schemes is low (25 schemes), so caution should be taken when looking at these findings.

Table 2.4 – Interviews conducted by analysed groups

Scheme size (number of members)	Number of interviews achieved
Small (12 to 99)	104
Medium (100 to 999)	110
Large (1,000 to 4,999)	77
Very large (5,000+)	25
Total	316

Due to low base sizes differences by scheme status (open to new members, closed to new members, closed to contributions) have not been analysed in this report.

3. Scheme cost overview

This section of the report provides an overview of the cost of running a DB pension scheme, looking at the total cost to schemes, by considering costs across all seven cost areas.

3.1. Deriving a scheme average yearly cost

Costs for each area were derived through calculations using multiple questions. Full explanations for the calculations and the results are outlined below. However, due to the calculation method it is not meaningful to show the responses to individual questions.

Administration, independent trustee, covenant, actuarial and legal costs were derived using a similar process. Schemes were asked for each area of cost (if used) for the scheme year ending in 2012, either as an actual or estimated cost (table 3.1). However, if 2012 costs were considered atypical respondents were asked to estimate a typical yearly cost for the service. A full breakdown of which costs were used to provide a total cost calculation can be found in section 3.2.

Investment and other service costs were derived by asking about the 2012 costs for specific services relating to those cost areas.

Table 3.1 – Profile of 2012 costs provided, by scheme size

	All schemes (12+ members)	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%	%
Administration 2012 cost provided	99	99	98	99	96
Base (all schemes)	316	104	110	77	25
Independent trustee 2012 cost provided	100	100	100	100	100
Base (schemes that use independent trustees)	85	23	25	26	11
Actuarial 2012 cost provided	87	78	89	98	96
Base (all schemes)	316	104	110	77	25
Legal 2012 cost provided	93	95	91	98	96
Base (schemes that incurred 2012 legal cost)	221	42	81	73	25
Covenant 2012 cost provided	89	73	93	97	100
Base (schemes that incurred 2012 covenant advice)	84	17	28	26	13
Investment 2012 all costs provided	40	37	41	45	35
Investment 2012 all or some costs provided	77	62	82	96	91
Base (schemes that incurred 2012 investment costs)	290	90	99	78	23

The total cost figure (i.e. the typical annual cost to the scheme) was derived by summing the typical annual cost for each of the seven cost areas:

Administration fees:

- Actual / estimated administration fees in the scheme year ending in 2012 that were typical; or

- Estimated yearly administration fees where fees in the scheme year ending 2012 were unknown or atypical.

Independent trustee fees:

- Actual / estimated independent trustee fees in the scheme year ending in 2012 that were typical; or
- Estimated yearly independent trustee fees where costs in the scheme year ending 2012 were unknown or atypical.

Actuarial costs:

- Actual / estimated actuarial costs in the scheme year ending in 2012 that were typical; minus
- Actual / estimated cost of the triennial valuation in the scheme year ending in 2012; or
- Estimated yearly actuarial cost where costs in the scheme year ending 2012 were unknown or atypical.

Actuarial costs, therefore, do not include the cost of producing a triennial valuation. The triennial valuation cost is looked at separately in section 3.2.3.

Legal costs:

- Actual / estimated legal costs in the scheme year ending in 2012 that were typical; or
- Estimated yearly legal costs where costs for the scheme year ending in 2012 were atypical.

Covenant costs:

- Actual / estimated covenant costs in the scheme year ending in 2012 that were typical; or
- Estimated typical annual covenant costs, those receiving and those not receiving covenant advice in the scheme year ending in 2012.

Investment costs:

- Total cost of investment services used in the scheme year ending in 2012.

Other external costs

- Total cost of scheme trustee expenses; and

- Total cost of other external costs used in the scheme year ending in 2012.

Any schemes that answered 'don't know' to three or more of the seven cost areas was excluded from the total cost variable. Therefore 15 small, four medium, two large and one very large scheme have been excluded from the total cost analysis.

3.2. Scheme costs as a proportion of yearly spend

Table 3.2 shows how much each of the seven cost areas represent as a proportion of the total cost by scheme size. The table is based on the average of all schemes. Therefore, for certain costs where only a minority of schemes used the service, such as independent trustees or legal services, the proportion of spend would be higher amongst those that used the service and £0 amongst those that do not.

Administration fees and investment costs were the two main costs facing all schemes, across size bands. However there is some variation by scheme size:

- Administration fees (41%), investment costs (20%) and other external costs (15%) were the top three costs to small schemes;
- Administration fees (36%), investment costs (20%) and actuarial costs (20%) were the top three costs to medium schemes;
- Administration fees (31%), investment costs (27%) and other external costs (18%) were the top three costs to large schemes; and
- Investment costs (43%), administration fees (35%) and other external costs (9%) were the top three costs to very large schemes.

Table 3.2 – Representation of individual cost areas in the total cost figure, by scheme size

	All schemes (12+ members)	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%	%
Administration fees	37	41	36	31	35
Independent trustee fees	2	3	2	2	1
Actuarial costs	17	14	20	14	7
Legal costs	7	6	7	8	5
Covenant costs	1	1	2	1	1
Investment costs	22	20	20	27	43
Other external costs	14	15	12	18	9
Base	294	89	106	75	24

3.3. Total scheme running cost

Table 3.3 details the average total cost to the scheme.

The average total cost to large schemes (mean of £547,877) was significantly higher than the average total cost to small and medium schemes (mean of £52,126 and £154,437 respectively). Similarly, the average total cost to medium schemes was significantly higher than the average total cost to small schemes (mean of £154,437 versus £52,126).

Table 3.3 – Total cost to the scheme, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	36,833	122,000	425,587	1,974,410
Scheme cost (mean)	52,126	154,437	547,877	3,659,452
Base	89	106	75	24

3.4. Per member yearly running cost

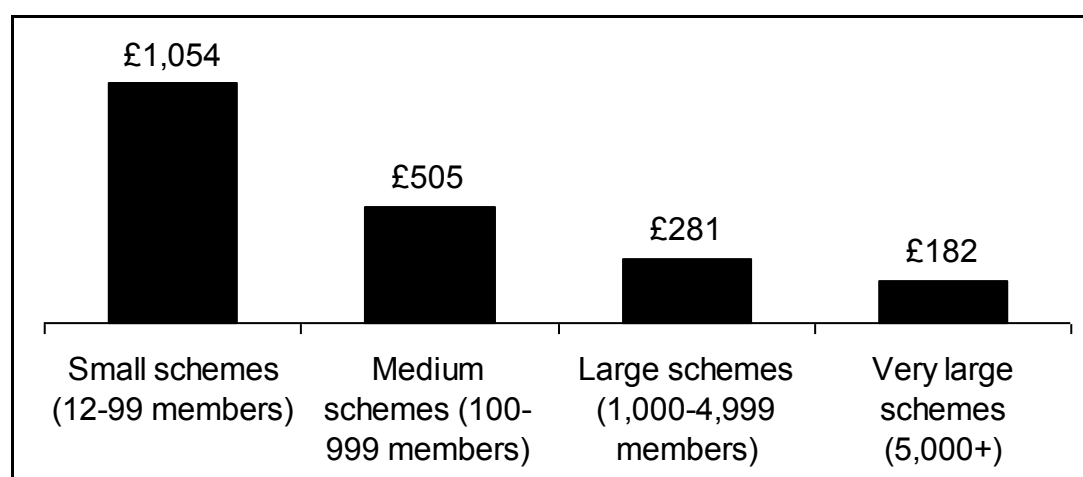
The total cost calculation was also used to work out a per member cost: total cost to the scheme (total of the seven cost areas) divided by the total number of scheme members (Table 3.4 and chart 3.1). The 'per member' calculation allows for a more direct comparison between scheme sizes.

Small schemes had a significantly higher average costs per member than medium and large schemes (mean of £1,054, versus £505 and £281 respectively). Likewise, medium schemes had a significantly higher average costs per member than large schemes (£505 versus £281). Very large schemes had the lowest per member running cost of £182, however, due to the low sample size this is not a statistically significant finding.

Table 3.4 – Total cost per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Per member cost (median)	905	411	259	177
Per member cost (mean)	1,054	505	281	182
Base	89	106	75	24

Chart 3.1 – Mean per member annual running cost by scheme size⁷



The total cost per member varied within the size bands reported. Whilst this report does not breakdown results beyond the size bands small, medium, large and very large, the scatter plot in charts 3.2 shows the variation within the data.

⁷ Base sizes: small (89), medium (106), large (75), very large (24). Any schemes that answered 'don't know' to three or more of the seven cost areas was excluded from the total cost variable therefore base size lower than total number of schemes surveyed.

Chart 3.2 – Scatter plot of total cost per member, by scheme size⁸

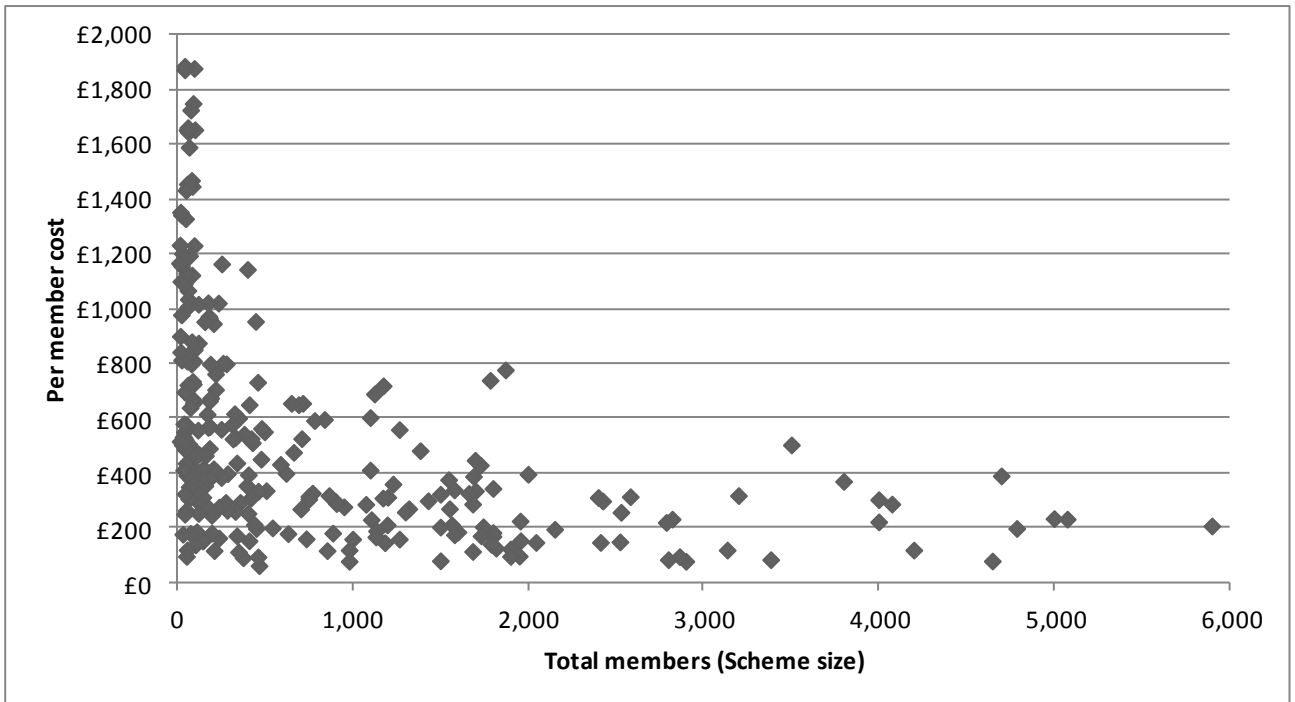
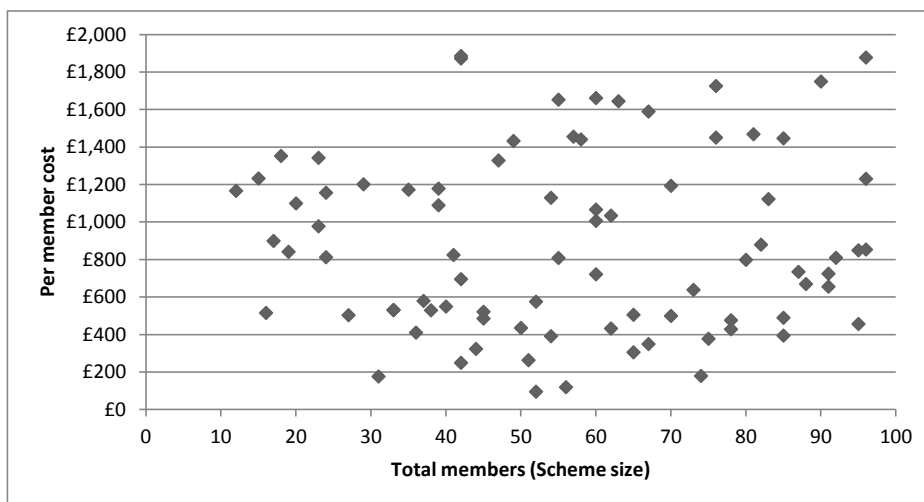


Chart 3.3 shows the cost variation within small schemes. 48% of small schemes had a per member annual cost greater than £1,000, 31% between £500 and £999 and 22% £499 or less.

Chart 3.3 – Scatter plot of total cost per member, 12-99 sized schemes



⁸ Data extremes (21 schemes sized greater than 6,000 members and 8 smaller schemes with costs greater than £2,000) have been excluded from the graph.

4. Scheme cost areas

This section of the reports looks at the seven cost areas used to derive a total cost in detail.

To derive the total scheme cost any scheme that answered 'don't know' to three or more of the seven cost areas was excluded from the total cost variable. Therefore, the sum of the seven cost areas below is not directly comparable to the total figure outlined in section 3.

4.1. Administration fees

Administration fees were defined as fees relating to the administration of the scheme and which can include:

- data management and record keeping;
- management of member benefits including calculations;
- member communications;
- pensions payroll;
- management of scheme bank account(s);
- monitoring of risks and internal controls; and
- preparation (but not audit) of scheme annual accounts.

The typical yearly administration fee was derived from:

- Actual / estimated administration fees in the scheme year ending in 2012 that were typical; or
- Estimated yearly administration fees where fees in the scheme year ending 2012 were unknown or atypical.

Table 4.1 details the proportion of schemes where the 'typical yearly administration fee' figure is derived from, broken down by scheme size.

Table 4.1 – Profile of the typical yearly administration fee, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
2012 cost provided	99	98	99	96
2012 actual cost used in typical yearly calculation	85	85	88	84
2012 estimated cost used in typical yearly calculation	8	5	-	-
Estimated cost used in typical yearly calculation because 2012 considered atypical year	8	10	10	12
Cost information not provided	-	1	1	4
Base	104	110	77	25

Table 4.2 sets out the typical yearly administration fee for the scheme and per member, by scheme size.

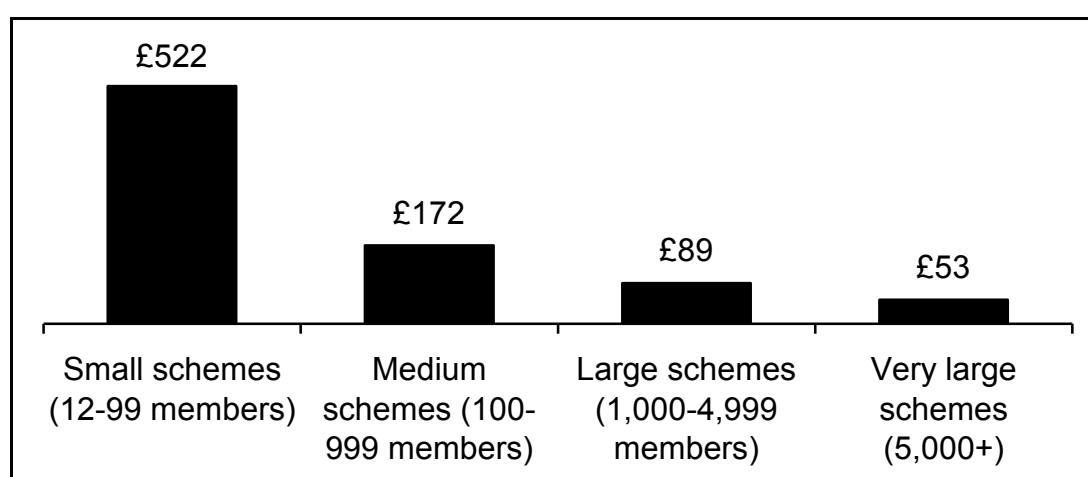
Considering administration fees at the scheme level, the average cost of administration fees to large schemes (mean of £169,592) was significantly higher than the average cost to small and medium schemes (mean of £22,155 and £55,265 respectively). Similarly, the average cost to medium schemes was significantly higher than the average cost to small schemes (mean of £55,265 versus £22,155).

Looking at the average administration fee per member (table 4.2 and chart 4.1), small schemes had significantly higher average costs than medium and large schemes (mean of £522, versus £172 and £89 respectively). The average per member cost was significantly higher for medium compared to large schemes (mean of £172 versus £89).

Table 4.2 – Typical yearly administration fees for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	12,000	38,949	121,550	526,181
Scheme cost (mean)	22,155	55,265	169,592	1,284,592
Per member cost (median)	301	140	68	42
Per member cost (mean)	522	172	89	53
Base	104	110	77	25

Chart 4.1 – Typical mean yearly administration fees for per member, by scheme size⁹



4.2. Independent trustee fees

Independent trustee fees were defined as fees relating to services provided by an independent trustee appointed to the scheme which may include provision of secretarial services via that independent trustee.

Table 4.3 sets out the proportion of schemes that reported using independent trustee services, by scheme size.

⁹ Base sizes: small (104), medium (110), large (77), very large (25).

Table 4.3 – Whether schemes use independent trustees, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Yes	22	21	35	44
No	77	79	65	56
Don't know	1	-	-	-
Base	104	110	77	25

Large schemes were significantly more likely than small and medium schemes to use independent trustee services (35%, versus 22% and 21% respectively).

Only those schemes that reported using independent trustees were asked to provide a cost. The typical yearly independent trustee fee was derived from:

- Actual / estimated independent trustee fees in the scheme year ending in 2012 that were typical; or
- Estimated yearly independent trustee fees where costs in the scheme year ending 2012 were unknown or atypical.

Table 4.4 sets out the proportion of schemes where the 'typical yearly independent trustee fee' figure is derived from, broken down by scheme size.

Table 4.4 – Profile of the typical yearly independent trustee fee, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
2012 cost provided	100	100	100	100
2012 actual cost used in typical yearly calculation	74	80	81	82
2012 estimated cost used in typical yearly calculation	4	4	4	-
Estimated cost used in typical yearly calculation because 2012 considered atypical year	22	16	15	18
Cost information not provided	-	-	-	-
Base	23	25	26	11

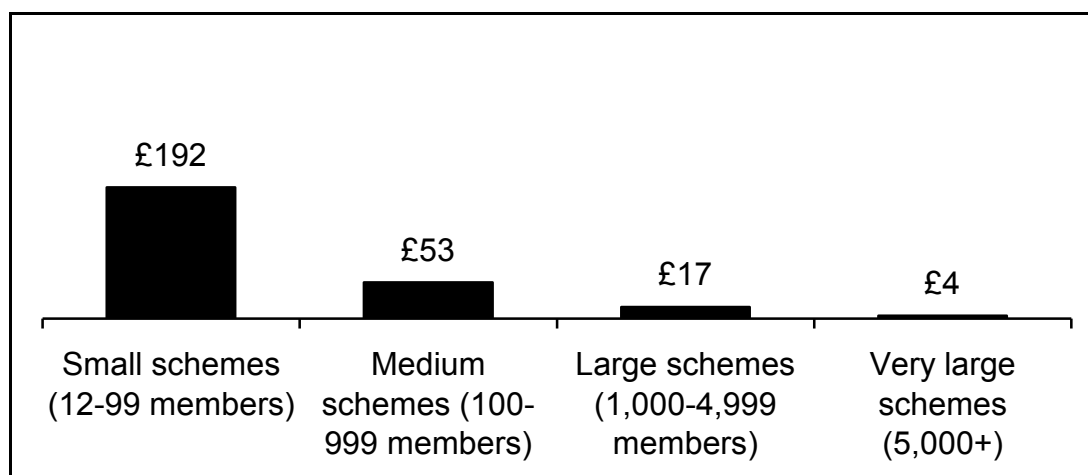
Table 4.5 and chart 4.2 below sets out the typical yearly independent trustee fee for the scheme and per member, by scheme size¹⁰, which is based on those that reported using independent trustee services.

¹⁰ Please note small base sizes. There were no significant differences by scheme size

Table 4.5 - Typical yearly independent trustee fees for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	6,367	13,888	25,000	48,765
Scheme cost (mean)	7,606	15,131	30,639	59,173
Per member cost (median)	140	38	15	3
Per member cost (mean)	192	53	17	4
Base	23	25	26	11

Chart 4.2 – Typical mean yearly independent trustee fees per member, by scheme size¹¹



4.3. Actuarial costs

Actuarial costs were defined as the costs incurred in the provision of actuarial services to the Trustees of the scheme (including the 'actuarial valuation' as defined by Section 224 of the Pensions Act 2004) but excluded any actuarial services provided to the scheme sponsor.

The typical yearly actuarial cost was derived from:

- Actual / estimated actuarial costs in the scheme year ending in 2012 that were typical; minus

¹¹ Base sizes: small (23), medium (25), large (26), very large (11).

- Actual / estimated cost of the triennial valuation in the scheme year ending in 2012; or
- Estimated yearly actuarial cost where costs in the scheme year ending 2012 were unknown or atypical.

The typical actuarial costs, therefore, do not include the cost of producing a triennial valuation. The triennial valuation cost is looked at separately in table 4.7.

Table 4.5 below sets out the proportion of schemes where the 'typical yearly actuarial cost' figure is derived from, broken down by scheme size.

Table 4.5 – Profile of the typical yearly actuarial cost, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
2012 cost provided	78	89	98	96
2012 actual cost used in typical yearly calculation	49	61	65	68
2012 estimated cost used in typical yearly calculation	7	3	1	-
Estimated cost used in typical yearly calculation because 2012 considered atypical year	27	25	32	28
Cost information not provided	17	12	1	4
Base	104	110	77	25

If a scheme stated that their 2012 costs included, either full or partial, triennial valuation expenses they were asked to state the value. The triennial valuation cost was then removed from the 'typical yearly actuarial cost' to allow schemes at different stages of the valuation cycle to be compared on a like for like basis. Table 4.6 sets out the proportion of schemes with a triennial valuation cost included in the scheme year ending in 2012 figures that were provided.

Table 4.6 – Profile of those with triennial valuation costs in 2012, which were removed to derive ‘typical yearly actuarial cost’, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Triennial valuation charge in 2012 cost provided	47	57	68	81
Estimate of triennial valuation charge in 2012 cost provided	33	23	18	13
Cost information not provided	20	20	14	6
Base	49	56	44	16

Table 4.7 details the typical yearly actuarial cost for the scheme and per member, by scheme size.

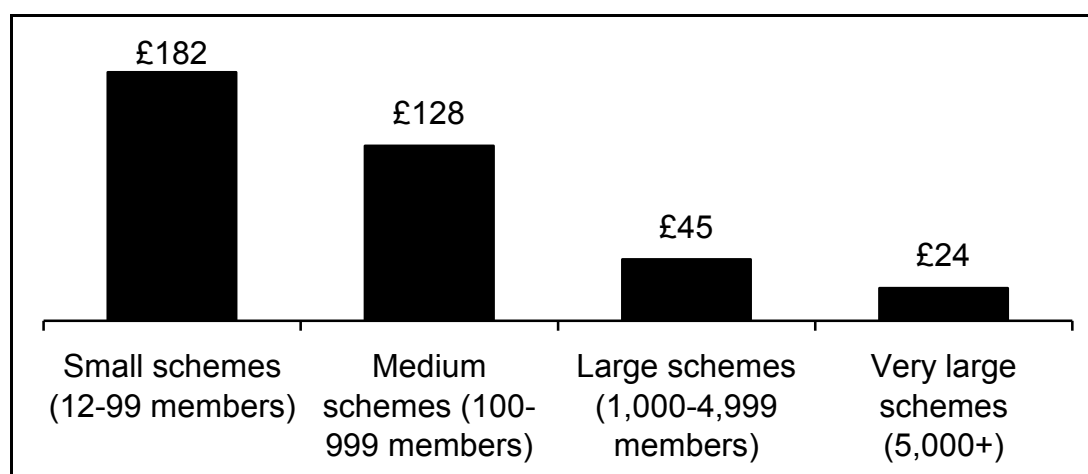
At the scheme level, the average cost of actuarial services to large schemes (mean of £83,890) was significantly higher than the average cost to small and medium schemes (mean of £8,759 and £37,703 respectively). The average cost of actuarial services to medium schemes was significantly higher than the average cost to small schemes (mean of £37,703 versus £8,759)

In terms of the average actuarial cost per member (table 4.7 and chart 4.3), small schemes had significantly higher average costs than medium and large schemes (mean of £182, versus £128 and £45 respectively). The average actuarial cost per member was also significantly higher for medium compared to large schemes (mean of £128 versus £45).

Table 4.7 - Typical yearly actuarial costs for the scheme and per member excluding triennial valuation costs, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	5,000	26,608	71,801	260,502
Scheme cost (mean)	8,759	37,703	83,890	287,730
Per member cost (median)	107	89	36	19
Per member cost (mean)	182	128	45	24
Base	104	110	77	25

Chart 4.3 – Typical mean yearly actuarial cost per member excluding triennial valuation costs, by scheme size¹²



All schemes, regardless of whether they had triennial valuation costs in the scheme year ending 2012, were asked about the cost of their most recent triennial valuation (Table 4.8).

At the scheme level, large schemes had significantly higher average triennial valuation costs than small and medium schemes (mean of £102,860, versus £16,694 and £39,556 respectively). Medium schemes also had significantly higher average costs than small schemes (mean of £39,556 versus £16,694)

In terms of the average cost per member, small schemes had significantly higher than average triennial valuation costs than medium and large

¹² Base sizes: small (104), medium (110), large (77), very large (25).

schemes (mean of £394, versus £135 and £52 respectively). Medium schemes also had significantly higher average costs than large schemes (mean of £135 versus £52).

Table 4.8 – Cost of the most recent triennial valuation, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	15,000	32,440	62,248	286,986
Scheme cost (mean)	16,694	39,556	102,860	240,858
Per member cost (median)	366	108	31	15
Per member cost (mean)	394	135	52	20
Base	104	110	77	25

4.4. Legal costs

Legal costs were defined as costs associated with legal advice, including any costs spent on external legal advice, which could include advice on:

- The interpretation of scheme documents;
- Legislation;
- Member disputes;
- Legal support in respect of funding negotiations; or
- Advice on an employer restructuring or refinancing.

It was made explicit to include all legal costs that the scheme had received (whether paid for directly by the scheme or by the scheme sponsor/employer on the scheme's behalf). However, costs did not include any legal costs that the scheme sponsor/employer has taken for their own advice on an employer restructuring or refinancing.

The typical yearly legal cost was derived from:

- Actual / estimated legal costs in the scheme year ending in 2012 that were typical; or
- Estimated yearly legal costs where costs for the scheme year ending in 2012 were atypical.

Table 4.9 sets out the proportion of schemes where the 'typical yearly legal cost' figure is derived from, broken down by scheme size.

Table 4.9 – Profile of the typical yearly legal cost, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
2012 cost provided	95	91	98	96
Base (schemes that incurred 2012 legal cost)	42	81	73	25
2012 actual cost used in typical yearly calculation	23	43	53	60
2012 estimated cost used in typical yearly calculation	-	4	-	-
Estimated cost used in typical yearly calculation because 2012 considered atypical year	15	24	40	36
Estimated typical cost used in typical yearly calculation because no legal services used in 2012	35	18	4	-
Cost information not provided	27	12	3	4
Base: all schemes	104	110	77	25

Table 4.10 details the typical yearly legal cost for the scheme and per member, by scheme size.

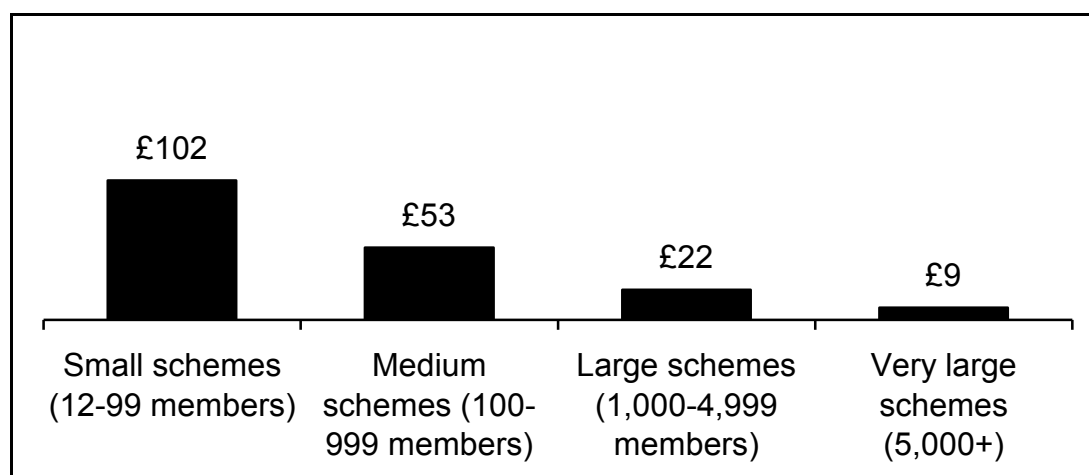
The average legal cost to large schemes was significantly higher than the average cost to small and medium schemes (mean of £46,638, versus £5,193 and £14,134 respectively). In a similar vein, the average legal cost to medium schemes was significantly higher than the average cost to small schemes (mean of £14,134 versus £5,193).

In terms of the average legal cost per member (table 4.10 and chart 4.4), small schemes had significantly higher costs than medium and large schemes (mean of £102, versus £53 and £22 respectively). The average legal cost per member was also significantly higher for medium schemes than large schemes (mean of £53 versus £22).

Table 4.10 - Typical yearly legal costs for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	2,136	9,000	20,336	75,000
Scheme cost (mean)	5,193	14,134	46,638	180,904
Per member cost (median)	52	27	11	7
Per member cost (mean)	102	53	22	9
Base	104	110	77	25

Chart 4.4 – Typical mean yearly legal cost per member, by scheme size¹³



Entering £0 was a valid answer if the scheme did not typically have any legal advice costs.

4.5. Covenant costs

Covenant advice was defined as advice taken from an independent assessor regarding the strength of the employer's covenant to support the

¹³ Base sizes: small (104), medium (110), large (77), very large (25).

scheme or, where applicable, the impact on this covenant of particular events (e.g. change of control, changes to secured debt, material distributions to shareholders, etc.)

The typical yearly covenant cost was derived from:

- Actual / estimated covenant costs in the scheme year ending in 2012 that were typical; or
- Estimated typical annual covenant costs, those receiving and those not receiving covenant advice in the scheme year ending in 2012.

Table 4.11 below sets out the proportion of schemes where the 'typical yearly covenant cost' figure is derived from, broken down by scheme size.

Table 4.11 – Profile of the typical yearly covenant cost, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
2012 cost provided	73	93	97	100
Base (schemes that incurred 2012 covenant advice)	17	28	26	13
2012 actual cost used in typical yearly calculation	11	18	22	20
2012 estimated cost used in typical yearly calculation	-	2	1	4
Estimated cost used in typical yearly calculation because 2012 considered atypical year	2	4	28	28
Estimated typical cost used in typical yearly calculation because no covenant services used in 2012	40	37	40	40

Cost information not provided	47	39	8	8
Base: all schemes	104	110	77	25

Table 4.12 sets out the typical yearly covenant cost for the scheme and per member, by scheme size.

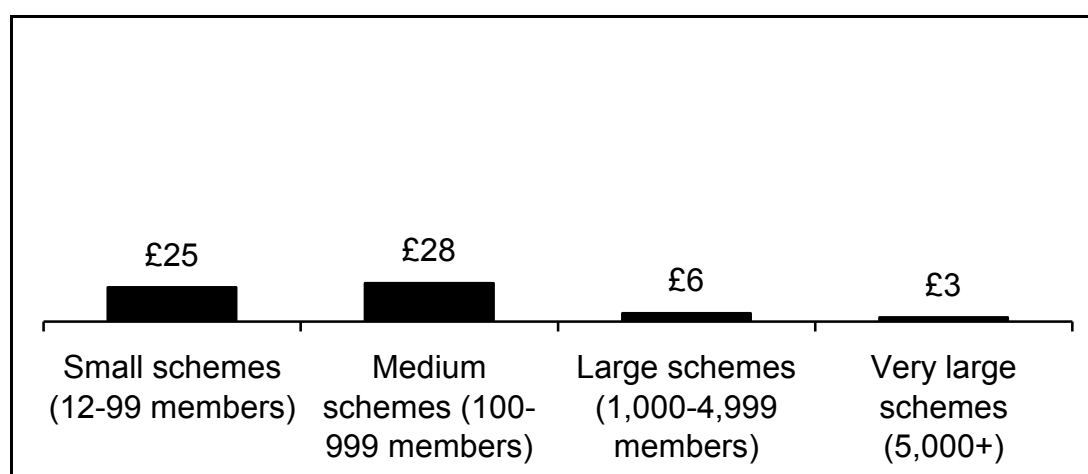
Looking at the average covenant cost to the scheme, the cost to large schemes was significantly higher than the average cost to small schemes (mean of £11,121 versus £915). The average legal cost was also significantly higher for medium schemes than small schemes (mean of £6,161 versus £915).

Considering the average covenant costs per member (table 4.12 and chart 4.5), small schemes had significantly higher costs than large schemes (mean of £25 versus £6).

Table 4.12 - Typical yearly covenant cost for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	0	1,500	6,013	27,500
Scheme cost (mean)	915	6,161	11,121	55,682
Per member cost (median)	0	3	3	3
Per member cost (mean)	25	28	6	3
Base	104	110	77	25

Chart 4.5 – Typical mean yearly covenant cost per member, by scheme size¹⁴



Entering £0 as a cost was a valid answer if the scheme did not typically have any distinct covenant services. However, it does not necessarily imply that the scheme did not receive any covenant advice, but that the services / costs may not have been sufficiently distinct from other services included in the survey to report separately.

4.6. Investment costs

Investment costs were based on the total cost of investment services used in the scheme year ending in 2012.

The five investment costs explored were defined as the following:

- **Investment consultants & advisors:** all consultants and advisors that were used to provide investment advice, including fiduciary managers; advisors retained to carry out market searches; specialist advisors for specific asset classes (e.g. hedge funds, private equity, property etc.); and risk management advisors.
- **Investment managers:** all managers who are investing monies or managing assets on behalf of the scheme. This includes investment mandates, funds of funds and comingled funds.
- **Custody & Administration:** any fees paid directly by the fund for the custody and investment administration of its assets. Do not include any fees paid for managed account or risk management platforms (see below).
- **Platform fees:** any fees paid by the scheme for stand-alone managed account platforms (e.g. for hedge funds) or risk management platforms (e.g. third-party risk analytics). If the platform formed part of a wider

¹⁴ Base sizes: small (104), medium (110), large (77), very large (25).

advisory or investment management service, any fees were to be included in other headings as appropriate.

- **Hedging, including LDI (liability driven investment) advice:** fees paid to managers and advisors solely for hedging services. It included all hedging, including but not limited to the hedging of inflation, interest rates, currency, credit and tail risks. All fees paid were included such as advice, execution and active management, where appropriate.

Table 4.13 shows the proportion of schemes using particular investment services in the scheme year ending in 2012, by scheme size.

Table 4.13 – Investment services used in the scheme year ending in 2012, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Investment consultants and advisors	37	68	96	100
Investment managers	73	80	87	100
Custody & Administration	24	32	45	88
Platform fees	3	2	5	4
Hedging, including LDI	1	6	22	48
Base	104	110	77	25

Large schemes were significantly more likely than small and medium schemes to report using investment consultants and advisors (96%, versus 37% and 68% respectively), while medium schemes were significantly more likely than small schemes to report using investment consultants and advisors (68% versus 37%).

Large schemes were significantly more likely than small and medium schemes to report using hedging, including liability driven investment (LDI) (22% versus 1% and 6% respectively). Medium schemes were also significantly more likely than small schemes to report using hedging including LDI (6% versus 1%).

Table 4.14 sets out for each investment service that a scheme stated they used in 2012, the proportion that were able to provide a cost, by scheme size.

Table 4.14 – Proportion of schemes that could provide an investment cost if they had incurred the cost, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Investment consultants and advisors	71	70	93	92
Base	38	76	74	25
Investment managers	64	63	78	92
Base	75	90	67	25
Custody & Administration	7	31	26	55
Base	27	36	35	22
Platform fees	0	0	0	0
Base	3	3	4	1
Hedging, including LDI	0	0	0	17
Base	1	7	17	12

Table 4.15 sets out the proportion of schemes that were able to provide all, some or none of the investments costs they stated they had incurred in 2012.

It should be noted schemes who reported they had incurred multiple costs had to provide a greater number of figures to achieve 'could report all costs incurred in 2012' status compared to scheme that stated they only incurred one or two costs.

Table 4.15 – Proportion of schemes that could provide costs in relation to all the costs they stated they had incurred, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
could report all costs incurred in 2012	37	41	45	35
could report some but not all costs incurred in 2012	25	41	50	57
could not report any costs incurred in 2012	38	18	4	9
Base	90	99	78	23

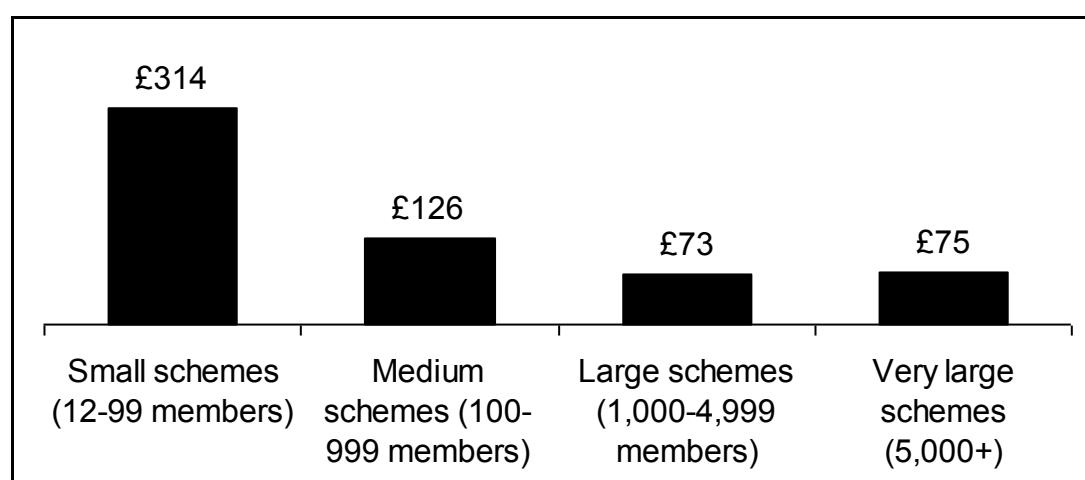
Table 4.16 details the typical yearly investment cost for the scheme and per member, by scheme size, which is based on all schemes using at least one investment service in the scheme year ending 2012. Investment services included: investment consultants and advisors, investment managers, custody and administration, platform fees and hedging including LDI.

In terms of the average investment cost to the scheme, large schemes had significantly higher costs than small and medium schemes (mean of £157,369, versus £16,313 and £42,604 respectively). The average investment cost to medium schemes was also significantly higher than the cost to small schemes (£42,604 versus £16,313).

Looking at the average investment cost per member (table 4.16 and chart 4.6), small schemes had a significantly higher average cost than medium and large schemes (mean of £314, versus £126 and £73 respectively). The average investment cost per member was also significantly higher for medium schemes than large schemes (mean of £126 versus £73).

Table 4.16 - Typical yearly investment cost for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	11,232	30,113	101,832	665,823
Scheme cost (mean)	16,313	42,604	157,369	1,674,732
Per member cost (median)	231	93	61	44
Per member cost (mean)	314	126	73	75
Base	58	78	73	23

Chart 4.6– Typical mean yearly investment cost per member, by scheme size¹⁵

4.7. Other external costs

Scheme costs not covered in the six cost areas reported above were explored, including:

- Total cost of scheme trustee expenses; and
- Total cost of other external costs used in the scheme year ending in 2012.

Table 4.17 sets out the proportion of schemes able to provide a cost figure for scheme trustee expenses, by scheme size.

¹⁵ Base sizes: small (58), medium (78), large (73), very large (23).

Table 4.17 – Profile of other external costs, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Cost of scheme trustee expenses	87	84	92	84
Base	104	110	77	25

Table 4.18 details the cost of scheme trustee expenses for the scheme and per member, by scheme size.

The average cost of scheme trustee expenses was significantly higher amongst large schemes compared to small and medium schemes (mean of £66,483, versus £2,162 and £5,334 respectively).

Table 4.18 – Cost of scheme trustee expenses for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	£0	£108	£2,814	£54,523
Scheme cost (mean)	£2,162	£5,334	£66,483	£188,266
Per member cost (median)	£0	£0	£2	£3
Per member cost (mean)	£55	£16	£39	£14
Base	104	110	77	25

Table 4.19 outlines the proportion of schemes who had extra external costs that were not included in the six cost areas outlined earlier in the survey.

Table 4.19 – Other external costs in the scheme year ending in 2012, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Auditor	82	90	91	84
Annual cost of secretary to the trustees	11	14	23	32
Independent Financial Advisors / Employee Benefit Consultants	13	5	6	8
Annual cost of pension manager	2	5	8	28
Other cost not included in survey questions	18	17	23	44
Base	104	110	77	25

The average cost of other external costs (Table 4.20) used in the scheme year ending in 2012, was significantly higher amongst large schemes than small and medium schemes (mean of £31,254, versus £5,387 and £14,155 respectively). In a similar vein, medium schemes had significantly higher costs than small schemes (mean of £14,155 versus £5,387).

Looking at the average cost of other external costs per member, small schemes had significantly higher average costs than medium and large schemes (mean of £117, versus £52 and £15 respectively), while medium schemes had significantly higher average costs per member than large schemes (mean of £52 versus £15).

Table 4.20 – Cost of other external costs used in the scheme year ending in 2012 for the scheme and per member, by scheme size

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	£	£	£	£
Scheme cost (median)	£3,000	£6,300	£15,877	£59,881
Scheme cost (mean)	£5,387	£14,155	£31,254	£154,811
Per member cost (median)	£68	£23	£9	£3
Per member cost (mean)	£117	£52	£15	£13
Base	104	110	77	25

5. Contextual questions results

This section details the findings of questions asked in each of the seven cost sections of the questionnaire. They provide some context to the cost data for each of the seven key cost areas.

5.1. Administration fees

Table 5.1 Which of the following is the main provider of administration services for the scheme?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Third party administrators	61	79	72	52
In-house administration	14	7	16	40
Combination of third part and in-house administration	25	15	13	8
Base	104	110	77	25

Table 5.2 Which of the following services did the administrator provide in the scheme year ending 2012?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Maintenance of member records e.g. updating details	87	99	100	100
Benefit calculations / implementation	82	97	98	100
Transfer in and out calculations and quotations and processing of these	78	90	95	96
Liaison with investment managers, consultants or annuity providers	71	77	67	76
Production and distribution of annual benefit statements, member communications	74	83	93	96
Pensions payroll	63	80	77	92
Maintenance of scheme bank account and cash-flow monitoring	54	78	89	96
Preparation of scheme accounts	56	72	79	88
An annual data review exercise for members	52	62	80	84
Web access for members	4	4	19	44

Other	15	9	20	12
Base	104	110	77	25

5.2. Independent trustee fees

Table 5.3 Does the scheme use independent trustee services?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Yes	22	21	35	44
No	77	79	65	56
Don't know	1	-	-	-
Base	104	110	77	25

Table 5.4 Which of the following services were provided by the independent trustee(s)?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Attending a fixed number of meetings per annum	69	88	80	91
One off project related services	60	57	61	55
Monitoring / reviewing scheme advisors	58	52	41	45
A monthly retainer fee that includes a range of services	50	24	36	45
Secretarial support	28	7	18	-
Other	8	19	15	9
None of the above	-	-	3	9
Base	23	25	26	11

Table 5.5 You said that the independent trustees attend a fixed number of meetings with trustees per annum. How many meetings did they attend in the scheme year ending in 2012?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
1	27	5	-	-
2 to 4	65	81	42	-
5 to 6	8	5	40	-
7 plus	-	10	18	100
Base	18	22	21	10

5.3. Actuarial costs

Table 5.6 Which of the following features does the scheme have in place that may affect the complexity of actuarial calculations?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Different accrual rates for different periods of service	39	51	54	60
Different retirement ages for different periods of service	29	45	60	64
Pensionable salary definition is more complex than simply gross or basic earnings	15	36	58	64
Main retirement benefit is subject to underpin	8	17	27	48
Other	10	9	14	20
None of the above	41	22	12	16
Base	104	110	77	25

Table 5.7 How many membership sections does the scheme have?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
1 section	51	44	28	28
2 to 3 sections	30	38	38	32
4 to 5 sections	4	6	17	20
6 or more sections	2	3	11	20
Don't know	13	10	6	-
Base	104	110	77	25

Table 5.8 How many different types of increase to pensions in payment does the scheme have?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
1 increase type	20	7	6	8
2 to 3 increase type	31	37	22	28
4 to 5 increase type	20	33	41	40
6 or more increase type	4	11	23	12
Don't know	25	13	8	12
Base	104	110	77	25

5.4. Legal costs

Table 5.9 Which of the following matters did the scheme receive legal advice on in the scheme year ending in 2012? Or (if no 2012 costs incurred) which of the following matters are included in the estimated average cost you have provided?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Interpretation of scheme rules	58	82	77	92
Interpretation of new legislation	33	48	54	68
Scheme changes	27	28	40	60
New scheme documentation	20	28	41	44
Equalisation of benefits	17	22	23	20
Member communications	13	17	33	52
Trustee constitution issues	21	13	31	32
Employer changes (e.g. restructuring)	12	20	23	40
Member complaints	2	7	14	56
Agreeing security	2	8	15	24
Tax issues	2	7	14	16
Other	10	12	19	24
None of the above	16	7	-	-
Base	78	101	76	25

5.5. Covenant costs

Table 5.10 Which of the following services did the scheme receive advice on in the scheme year ending in 2012? Or (if not 2012 covenant costs incurred) Which of the following services are included in the average estimate you have provided?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Annual update of covenant	15	29	19	48
Review of covenant affordability as part of triennial valuation	44	43	62	65
Restructuring advice	4	10	11	17
Refinancing advice	3	4	7	17
Change of control advice	1	6	1	22
Assistance with negotiations with employer	9	13	22	35
Other	44	40	25	26
Base	59	69	60	23

Table 5.11 Could you provide an indication of your covenant strength, in your opinion?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Very strong	45	42	49	40
Fairly strong	28	33	27	28
Neither strong nor weak	14	15	14	12
Fairly weak	3	1	6	-
Very weak	2	1	1	-
Prefer not to say	8	7	4	20
Base	104	110	77	25

5.6. Investment costs

Table 5.12 Retrospectively, what percentage of the scheme's investments were active in 2012?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
0%	30	30	9	12
1% to 25%	10	11	9	16
26% to 50%	14	22	22	28
51% to 75%	11	11	24	16
76% to 99%	10	9	19	24
100%	25	17	16	4
Base	104	110	77	25

Table 5.13 Retrospectively, what percentage of the scheme's investments were passive in 2012?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
0%	26	19	18	12
1% to 25%	13	10	19	28
26% to 50%	12	17	29	20
51% to 75%	12	17	20	24
76% to 99%	8	9	7	12
100%	29	27	8	4
Base	104	110	77	25

5.7. Other external costs

Table 5.14 In scheme year ending in 2012 was the scheme involved with any of the following activities that made the scheme costs atypical from an average year?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
De-risking	3	10	14	36
Scheme closure / redesign	5	8	9	20
Employer restructuring / other corporate activity	3	8	12	16
Taking contingent security	-	3	5	8
Incentive exercised	-	1	1	4
None of the above	91	73	67	36
Base	104	110	77	25

Table 5.15 Due to the activities undertaken how much higher do you believe your total scheme costs were from an average year?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
Not higher	-	4	-	7
1% to 25% higher	53	80	74	80
26% to 50% higher	47	15	18	7
51% to 75% higher	28	-	5	7
76% to 99% higher	-	-	8	7
100% higher	-	5	-	7
Don't know	21	39	33	6
Base	10	30	25	16

Table 5.16 Of the six cost areas discussed (administration, independent trustees, actuarial, legal, covenant and investment), how many providers did the scheme use?

	Small schemes (12-99 members)	Medium schemes (100-999 members)	Large schemes (1000-4999 members)	Very large schemes (5000+ members)
	%	%	%	%
1 provider	14	7	3	-
2 providers	17	20	5	-
3 providers	26	27	23	8
4 providers	26	22	19	4
5 providers	4	9	16	24
6 providers	10	14	34	56
Don't know	3	1	1	8
Base	104	110	77	25

6. Calculating scheme costs to compare against report findings

The figures provided in the report are based on a typical yearly cost. The details for how each cost area expenses were calculated are outlined in section 3. In order to calculate your own scheme costs to compare against this report a simplified version of the questionnaire is provided below.

For each cost area outlined below a typical yearly cost is requested. For the survey, costs for the scheme year ending in 2012 were requested. However, respondents were then asked a series of additional questions to remove any atypical costs within the reported year (for example if there was a specific event or one off cost). Therefore, if using the questions below it is recommended that costs are taken for a specific scheme year, but that any atypical costs in that period are factored out.

All figures should relate to a 12 month period.

6.1. Administration Fees

Administration fees are defined as fees relating to the administration of the scheme and are likely to include:

- data management and record keeping;
- management of member benefits including calculations;
- member communications;
- pensions payroll;
- management of scheme bank account(s);
- monitoring of risks and internal controls; and
- preparation (but not audit) of scheme annual accounts.

What is the typical annual cost for the administration of the scheme? If the administration is managed in-house or by the scheme sponsor and there is no invoiced cost to the scheme provide an estimate e.g. by calculating the number of individuals who work on scheme administration multiplied by their salary.

Typical annual administration cost	£
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6.2. Independent Trustee Fees

Independent trustee fees are defined as fees relating to services provided by an independent trustee appointed to the scheme and may include provision of secretarial services via that independent trustee.

Answer only if the scheme uses independent trustee services.

What is the typical annual cost of independent trustee(s) services? These costs may be available in scheme accounts or from your independent trustees directly.

Typical annual independent trustee fee	£
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6.3. Actuarial Fees

Actuarial costs are defined as the costs incurred in the provision of actuarial services to the Trustees of the scheme (including the 'actuarial valuation' as defined by Section 224 of the Pensions Act 2004) but exclude any actuarial services provided to the scheme sponsor.

What is the typical annual cost of actuarial services? Exclude any triennial valuation costs.

Typical annual actuarial fee	£
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What was the total cost of producing your most recent triennial valuation? The total cost may have been paid in a single financial year or smoothed out over a number of years.

Most recent triennial valuation cost	£
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6.4. Legal Fees

Costs associated with legal advice, including any costs spent on external legal advice, which could include advice on:

- The interpretation of scheme documents;
- Legislation;
- Member disputes;
- Legal support in respect of funding negotiations; or
- Advice on an employer restructuring or refinancing.

It is understood that legal costs for schemes can vary considerably from year to year, depending on the services contracted or the activities undertaken. Therefore, to provide a typical cost you may have to consider what the average spend has been over a number of scheme years.

What is the typical annual cost of legal advice? These costs may be available in scheme accounts or from your legal advisors.

Please include all legal costs that the scheme has received (whether paid for directly by the scheme or by the scheme sponsor/employer on the scheme's behalf). However, do not include any legal costs that the scheme sponsor/employer has taken for their own advice.

Typical annual legal costs	£
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6.5. Covenant Costs

Covenant advice is advice taken from an independent assessor regarding the strength of the employer's covenant to support the scheme or, where applicable, the impact on this covenant of particular events (e.g. change of control, changes to secured debt, material distributions to shareholders, etc.)

It is understood that covenant costs for schemes can vary considerably from year to year, depending on the services contracted or the activities undertaken. Therefore, to provide a typical cost you may have to consider what the average spend has been over a number of scheme years.

What is the typical annual cost of covenant advice? These costs may be available in scheme accounts or from your covenant provider.

Please do not include costs from administrators, independent trustees, legal advisers or actuaries that have already been considered in previous sections.

Typical annual covenant costs	£
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6.6. Investment Costs

What is the typical annual cost of the following investment services? These costs may be available in scheme accounts or from your investment providers. Not all schemes will have costs associated with the five investment services outlined below.

Investment consultants & advisors. Please include all consultants and advisors that were used to provide investment advice, including fiduciary managers; advisors retained to carry out market searches; specialist advisors for specific asset classes (e.g. hedge funds, private equity, property etc.); and risk management	£
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advisors.	
Investment managers. Please include all managers who are investing monies or managing assets on behalf of the scheme. This includes investment mandates, funds of funds and comingled funds.	£
Custody & Administration. Please include here any fees paid directly by the fund for the custody and investment administration of its assets. Do not include any fees paid for managed account or risk management platforms (see below).	£
Platform fees. Please included here any fees paid by the scheme for stand-alone managed account platforms (e.g. for hedge funds) or risk management platforms (e.g. third-party risk analytics). If the platform forms part of a wider advisory or investment management service, any fees should be included above where appropriate.	£
Hedging, including LDI (liability driven investment) advice. Please include fees paid to managers and advisors solely for hedging services. This includes all hedging, including but not limited to the hedging of inflation, interest rates, currency, credit and tail risks. All fees paid should be noted, including advice, execution and active management, where appropriate.	£
Total typically annual investment cost. Sum of 5 investment costs.	£

6.7. Other External Costs

This final section explores additional scheme costs not included in the preceding six cost areas.

What is the typical annual cost of the following services and expenses?

Trustee expenses. Do not include any independent trustee costs.	£
Annual cost of secretary to the trustees	£
Annual cost of pension manager	£
Independent Financial Advisors or Employee Benefit Consultants	£
Auditor	£
Other. All other relevant costs	£
Total additional annual costs. Sum of 6 additional costs.	£

6.8. Annual scheme running cost

To calculate the total annual running cost combine the costs calculated in sections 6.1 – 6.8. However, in order to be directly comparable do not include triennial valuation fees in calculation below (these are analysed separately in section 4.3).

Typical annual administration cost	£
Typical annual independent trustee fee	£
Typical annual actuarial fee	£
Typical annual independent trustee fee	£
Typical annual actuarial fee	£
Total typically annual investment cost	£
Total additional annual costs	£
Total typical scheme yearly cost. Sum of all cost areas.	£
Number of scheme members	
Typical per member annual running cost. Total typical yearly cost divided by number of scheme members.	£