Report of findings on the 2020 DC trust based pensions schemes survey

Prepared for the Pensions Regulator by OMB Research
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Contents

1. Executive summary

This report summarises results from The Pensions Regulator's (TPR's) annual survey of trust-based occupational defined contribution (DC) pension schemes[1], carried out between January and March 2020. The survey was conducted by OMB Research, an independent market research agency, on behalf of TPR.

1.1 Introduction

The growth in DC pension provision driven by automatic enrolment into pension schemes led to new legislative requirements with respect to scheme governance coming into force in April 2015. TPR regulates compliance with these requirements, while continuing to work to raise standards of governance and administration across all areas of DC scheme management.

TPR's revised code of practice for DC schemes ('the code'), which came into force in July 2016, sets out the standards that TPR expects trustees of DC schemes to meet when they are complying with the legal requirements.

1.2 Research objectives and methodology

The survey comprised quantitative interviews with individuals (such as trustees, scheme managers or in-house administrators) involved in managing 216 schemes of differing sizes, 16 of which were master trusts[2]. In this report, actions taken by the trustees or managers are referred to as being taken by the scheme.

The objectives of the research were:

- To monitor the extent to which DC schemes were meeting two of the key governance requirements (KGRs) introduced in 2015[3], as follows;
    - **KGR 2:** Trustee boards must assess the extent to which charges and transaction costs provide good value for members
    - **KGR 5:** Trustee boards must ensure the default investment strategy is suitably designed for their members *(schemes with a default strategy only)*
- To measure the extent to which DC schemes were meeting the new duties introduced by the Competition and Markets Authority (CMA) on setting strategic objectives for investment consultants and tendering for fiduciary management[4];
- To better understand current administration practices and strategies, and the relationship between trustees and scheme administrators;

[1] The survey population included hybrid pension schemes with DC members. A hybrid pension scheme includes both DB and DC benefits. For the purposes of the survey, hybrid schemes were instructed to answer questions only in relation to the DC sections of their scheme, excluding any sections offering DB benefits or DB benefits with a DC underpin.
[2] Relevant small schemes (formerly known as small self-administered schemes), Executive Pension Plans and schemes that were wound up or in the process of winding up were all excluded from the research.
[3] Details of all five KGRs, including those not covered in this survey, are provided in section 2.2 of this report.
[4] As set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

- To monitor the cyber security controls that schemes had in place and any breaches/attacks experienced;
- To measure the (self-reported) influence of TPR interactions and interventions;
- To assess awareness and perceptions of TPR's new approach to regulation;
- To explore attitudes towards TPR's approach to master trust assurance and supervision;
- To assess the extent to which consideration had been given to winding up the scheme, and any barriers to doing so;
- To monitor the proportion of schemes that had taken account of climate change in their investment approaches.

Where available, the analysis compares results with previous DC Schemes surveys.

1.3 Key findings

1.3.1 Since 2019 there has been an increase in the proportion of members in schemes meeting KGR 5 (default investment strategy) but a decrease for KGR 2 (value for members assessment).

The proportion of members in a scheme that met KGR 5 (default investment strategy) rose from 90% in 2019 to 95% in 2020. There was also an increase in the proportion of schemes that met this requirement (from 28% to 39%).

Although the proportion of schemes meeting KGR 2 (value for members assessment) was unchanged from 2019, there was a decrease in the proportion of members who were in a scheme that met this KGR, from 80% in 2019 to 58% in 2020[5].

Across both KGRs, the likelihood of meeting the requirements increased in line with scheme size.

1.3.2 Approaching half of schemes were aware of the new CMA duties and more than a quarter had read TPR's supporting guides

Overall, 45% of schemes were aware of the new CMA duties around setting objectives for providers of investment consultancy services and tendering for fiduciary management services. Over a quarter (29%) had read the guides produced by TPR to support trustees in meeting these duties. Awareness of these duties increased with scheme size, ranging from 34% of micro schemes to 94% of large schemes and master trusts.

Approaching half of schemes (45%) received investment advice that was subject to the new CMA duties, and the majority of these (55%) had set objectives for their investment advisers. The proportion setting objectives ranged from 91% of large schemes down to 33% of micro schemes.

A minority of schemes (6%) had a fiduciary manager in place, although this increased to a third (31%) of master trusts. Two-fifths (40%) of those with a fiduciary manager had selected them via competitive tender, and the main reasons for not doing this

[5] The fall in the proportion of members in a scheme that met KGR 2 was primarily because one of the larger master trusts met this KGR in 2019 but not in 2020.

were that the scheme had an established relationship with the provider or appointed them before this became a requirement.

1.3.3 Fewer than a fifth of schemes regularly discussed administration at board meetings, and a third had an administration strategy.

Overall, 16% of schemes included administration on the agenda at trustee board meetings every quarter, although 74% did so at least annually. A third (34%) of schemes had an administration strategy (rising to 57% of large schemes and 63% of master trusts).

In terms of administration, schemes indicated that high priorities were meeting TPR's expectations (86% rated this as important), implementing legislative change (81%) and addressing issues that impaired their ability to run the scheme effectively (76%).

Trustees typically became aware of new administration requirements via TPR, with 39% mentioning letters/emails and 14% the website. Other common sources of awareness included the scheme's administrator (21%) and legal advisers (15%).

1.3.4 More than a third of schemes did not measure[6] the performance of their administrators and the majority had little knowledge of their accreditations and standards.

The most common methods of measuring administrator performance were testing the accuracy of calculations (37%), auditing administration functions/systems (36%) and assessing complaints volumes/trends (35%). However, almost half of micro (47%) and a quarter of small (23%) schemes did not formally measure the performance of their administrator (or were unaware of whether or how this was done).

The majority of schemes had little or no knowledge of the accreditations held by their administrators or the standards they complied with. This lack of knowledge was most evident among micro schemes.

Overall, 8% of schemes had identified issues with the quality of their data in the previous two years, ranging from 2% of micro schemes up to 50% of master trusts. Three-quarters (75%) of those identifying issues had implemented a new or updated data improvement plan or taken other action to address the issues in the last 12 months.

1.3.5 A third of schemes had all ten of the recommended cyber security controls in place, and three-quarters had at least half of them.

Schemes were asked about 10 specific controls to protect their data and assets from cyber risk; 32% had all of these in place and 78% had at least half of them. Generally, schemes with more members had more comprehensive cyber security measures (at least half of the controls were in place for 100% of master trusts, 98% of large, 96% of medium, 83% of small and 72% of micro schemes).

[6] This includes a number of respondents who did not know whether or how the scheme measured the performance of its administrators. Please note that all survey respondents initially confirmed that they had good knowledge of how the scheme was run.

There was an increase since 2019 in the proportion of schemes with access to specialist skills and expertise to understand and manage cyber risk and in the proportion reporting that cyber risk was on the risk register and regularly reviewed.

Overall, 9% of schemes indicated that they had experienced some form of cyber attack or breach in the previous 12 months. This proportion was relatively consistent across the different sizes of scheme, but rose to almost half (44%) of master trusts. Across all sizes of scheme, the most common cyber breaches/attacks were staff receiving fraudulent emails or being directed to fraudulent websites (6%).

A third (30%) of those schemes experiencing cyber breaches/attacks reported a negative impact, equating to 3% of all schemes (i.e. when including those that did not report any breaches/attacks). The most common impacts were software or systems being corrupted or damaged (20%).

1.3.6 The most common interactions with TPR reported by schemes related to accessing information or guidance, while relatively few schemes had experienced more direct TPR interventions (e.g. requests from TPR to take action, or TPR enforcement action).

In the previous 12 months, the majority of schemes had visited the TPR website (77%), read a TPR code of practice or guidance (60%), heard about TPR carrying out enforcement action on other schemes (54%) and completed some or all of the trustee toolkit (53%). With the exception of reading a code/guidance, these proportions were all higher than in the 2019 survey.

Similar to 2019, experience of more direct TPR intervention was comparatively rare; 7% had received a scheme-specific letter or email requesting action, 4% had been subject to enforcement action, and 1% had a phone call or meeting with TPR in which they were asked to take action.

1.3.7 Direct scheme-specific interventions such as letters from TPR and recommendations from scheme advisers typically had the greatest impact (among those schemes experiencing them). However, as a much higher proportion of schemes interacted with TPR by accessing information, these interactions impacted the greatest number of schemes overall.

Across all schemes, the interactions/interventions that were most likely to result in the trustee board spending more time on governance and administration were reading a TPR code or guidance (32%), using the trustee toolkit (30%) and visiting the TPR website (29%).

However, this was largely a reflection of the greater number of schemes experiencing these interactions. When the analysis is based just on those schemes that had experienced each one, then letters and emails from TPR and adviser recommendations were most likely to prompt schemes to spend more time on governance and administration (86% and 82% respectively).

Around a quarter (27%) of those schemes that had completed a chair's statement and 17% of those completing a scheme return indicated that this had prompted the trustee board to devote more time to governance and administration (aside from the time spent simply completing these tasks).

1.3.8 Awareness of TPR’s new approach was higher than in 2019, and while most were positive about it there were some concerns about trustee burden.

More than half (55%) of schemes were aware of TPR’s new approach, up from 36% in 2019. Awareness levels increased among all sizes of scheme but fell among master trusts.

Perceptions of the higher level impacts were generally positive, with 80% agreeing that it would improve scheme governance and administration (an increase of 9 percentage points since 2019) and 59% agreeing that it would provide better outcomes for members. In addition, most believed that TPR was carrying out its new approach well (57%).

However, fewer agreed that it would change the way that their scheme was managed (35%), and 70% believed that TPR’s new approach would create a lot of extra work for trustees, an increase since 2019 (+20 percentage points). The latter change was mainly driven by micro schemes, with 73% agreeing with this statement in 2020 compared with 38% in 2019.

1.3.9 There was a broad consensus that TPR sets clear expectations and is proactive at reducing member risks.

Around two-thirds of schemes agreed that TPR clearly explained its expectations around administration (70%), trustee boards were clear on their legal requirements (66%) and TPR was proactive at reducing serious risks to members’ benefits (63%). Agreement levels were lower for TPR being effective at bringing about the right changes in behaviour among its regulated audiences (52%), although only 5% actively disagreed with this.

Every master trust agreed that TPR had been proactive in engaging with them about master trust assurance and supervision. The majority also agreed TPR had been robust in the way it pursued its objectives (88%) and clear in setting its expectations (69%).

1.3.10 Two-fifths of schemes took account of climate change when formulating their investment strategies and approach, an increase from 2019.

Schemes that had 100+ members and/or were used for automatic enrolment were asked a number of questions about climate change. Overall, 43% of this group had considered climate change in their investment strategies, up from 21% in 2019. Together these schemes covered 95% of DC members.

The main reason given for not considering climate change was that it was not felt to be relevant to their scheme (mentioned by 21%), although a similar proportion (19%) stated that they were planning to review whether they should start taking account of climate change.

1.3.11 The proportion of schemes that had considered winding up increased since 2019.

Overall, 42% of schemes reported that they had considered winding up (compared to 19% in 2019). Large schemes were least likely to have considered this (17%).

The primary reason given for considering winding up was the time and cost involved in running the scheme (31%). The main barriers to winding up were given as lack of time (20%), the decision still being under review (15%) and waiting for members to retire or leave the scheme (15%).

2. Introduction and methodology

2.1 Background and research objectives

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

Unlike defined benefit (DB) schemes, where risks are shared between the employer and the member and additional protection is given by the funding regime and compensation arrangements, in DC schemes it is members that bear the risk. Therefore, it has been a key focus for TPR to promote and improve the quality of DC arrangements.

The growth in DC pension provision driven by automatic enrolment into pension schemes led to new legislative requirements with respect to scheme governance coming into force in April 2015. TPR regulates compliance with these requirements, while continuing to work to raise standards of governance and administration across all areas of DC scheme management.

TPR's revised code of practice for DC schemes ('the code'), which came into force in July 2016, sets out the standards that TPR expects trustees of DC schemes to meet when they are complying with the legal requirements. To support trustees, TPR provides further practical guidance in a series of 'how to' guides that were published alongside the code.

The key objectives of the 2020 research were:

- To monitor the extent to which DC schemes were meeting two of the key governance requirements (KGRs) introduced in 2015[7], as follows;
    - **KGR 2:** Trustee boards must assess the extent to which charges and transaction costs provide good value for members
    - **KGR 5:** Trustee boards must ensure the default investment strategy is suitably designed for their members *(schemes with a default strategy only)*
- To measure the extent to which DC schemes were meeting the new duties introduced by the Competition and Markets Authority (CMA) on setting strategic objectives for investment consultants and tendering for fiduciary management[8];
- To better understand current administration practices and strategies, and the relationship between trustees and scheme administrators;
- To monitor the cyber security controls that schemes had in place and any breaches/attacks experienced;
- To measure the (self-reported) influence of TPR interactions and interventions;
- To assess awareness and perceptions of TPR's new approach to regulation;
- To explore attitudes towards TPR's approach to master trust assurance and supervision;

[7] Details of all five KGRs, including those not covered in this survey, are provided in section 2.2 of this report.
[8] As set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

- To assess the extent to which consideration had been given to winding up the scheme, and any barriers to doing so;
- To monitor the proportion of schemes that had taken account of climate change in their investment approaches.

Where available, the analysis presented here compares results with those from the previous DC Schemes surveys.

2.2 Methodology

The survey was conducted between 28 January and 23 March 2020[9] by OMB Research, an independent market research agency, on behalf of TPR. Telephone interviews were completed with individuals (such as trustees, scheme managers or in-house administrators) who were involved in managing DC pension schemes. A total of 216 interviews were completed, including 16 with representatives of master trusts. Interviews lasted an average of 25 minutes and each respondent completed the survey in relation to a pre-specified pension scheme. In this report, actions taken by the trustees or managers are referred to as being taken by the scheme.

The survey sample consisted of five distinct sub-groups of DC schemes, namely micro schemes (those with fewer than 12 members), small schemes (12-99 members), medium schemes (100-999 members), large schemes (1,000+ members) and master trusts. Hybrid schemes were also included using the same size groupings[10]. In some cases an individual can be involved with several different pensions schemes, so the sample was de-duplicated to ensure that any such individual this was applicable to was only contacted/surveyed about one specific scheme.

The survey covered open, closed and paid-up schemes but those that were wound-up or in the process of winding up were excluded from the sample. Relevant small schemes (sometimes referred to as small self-administered schemes (SSAS)) and Executive Pension Plans (EPPs) are not subject to the key governance requirements so were also excluded. To qualify for interview, respondents had to have a good knowledge of how the scheme was run and be in particular roles[11].

The five key governance requirements (KGRs) introduced in 2015 for DC schemes are as follows.

- **KGR 1:** Trustee boards must possess or have access to the knowledge and competencies necessary to properly run the scheme
- **KGR 2:** Trustee boards must assess the extent to which charges and transaction costs provide good value for members
- **KGR 3:** Core scheme financial transactions must be processed promptly and accurately

[9] Fieldwork was halted on 16 March due to COVID-19. However, a small number of interviews were completed between 17-23 March if the scheme had already arranged a date/time to complete the survey and confirmed that they still wished to go ahead with this.
[10] Hybrid membership size was based on the total number of members in the scheme. However, these schemes were asked to answer survey questions based only on their DC sections.
[11] Chair of trustees, lay trustee, professional trustee, secretary to the board of trustees, in-house administrator, scheme manager, or an external adviser involved in running the scheme.

- **KGR 4:** Trustees of master trusts must meet independence requirements *(master trusts only)*
- **KGR 5:** Trustee boards must ensure the default investment strategy is suitably designed for their members *(schemes with a default strategy only)*

The 2020 DC Schemes survey monitored the extent to which schemes were meeting two of these requirements, namely those relating to value for members (KGR 2) and the default investment strategy (KGR 5). This was done through the use of proxy measures based on responses to relevant survey questions. This means that, for a KGR to be met in the survey, a particular answer had to be provided to a combination of these questions. The constituent questions used to calculate the presence of each KGR can be found in Section 3.1.3 of this report.

2.3 Analysis and reporting conventions

Throughout this report results have been analysed by scheme size (based on their total members), and DC and hybrid scheme results have been combined.

To account for the disproportionate sampling approach and ensure results are representative of the overall scheme population, all data has been weighted based on the total number of schemes in each size category and of each type (i.e. DC/hybrid). Where member analysis has been shown, the data has been weighted to reflect the proportion of DC members accounted for by each type of scheme. Unweighted bases (the number of responses from which the findings are derived) are displayed on tables and charts as appropriate to give an indication of the robustness of results.

Only differences which are statistically significant are mentioned in the report commentary. For example, if a percentage is said to have increased that means that it is a statistically significant increase. All significance testing referred to in this report was carried out at a 95% confidence level ($p < 0.05$)[12]. This means that we can be at least 95% confident that the change is ‘real’ rather than a function of sampling error.

Where available, equivalent results from the 2019 survey have been shown. In most cases this has been shown as the percentage point change, so an increase from 40% in 2019 to 50% in 2020 would be displayed as +10%. Any statistically significant differences over time have been highlighted in green (increase since 2019) or red (decrease since 2019) in the charts and tables.

When interpreting the data presented in this report, please note that results may not add up to 100% due to rounding and/or respondents being able to select more than one answer to a question.

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

3. Research findings

3.1 Key governance requirements

The 2020 DC Schemes Survey sought to measure the extent to which two of the five key governance requirements (KGRs) were being met and to identify the type and prevalence of the challenges that DC schemes faced in relation to these requirements. The two KGRs covered in the 2020 survey were KGR 2 (value for members assessment) and KGR 5 (default investment strategy).

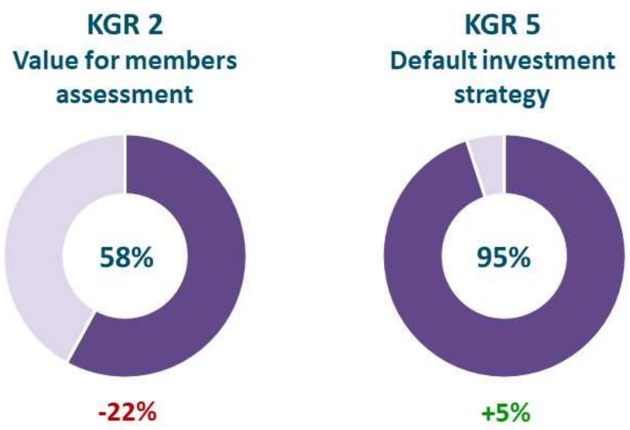
Not all of the requirements apply to all types of scheme. For the purposes of this survey, questions relating to KGR 5 were only asked of those schemes who reported that they had a default investment strategy.

Results for the constituent elements of each of KGR 2 and KGR 5 are provided in sections 3.1.3 and 3.1.4.

3.1.1 Proportion of members in a scheme meeting each of KGR 2 and KGR 5

Figure 3.1.1 shows the proportion of members in schemes meeting KGR 2 and KGR 5. The percentage point change from the 2019 survey result is shown as '+x%' or '-x%' underneath the relevant 2020 data, with statistically significant increases highlighted in green and decreases in red.

Figure 3.1.1 Proportion of members in schemes that met KGRs



Base: All schemes where KGR applies - KGR 2 (216), KGR 5 (188)
Statistically significant differences from 2019 are highlighted in red or green

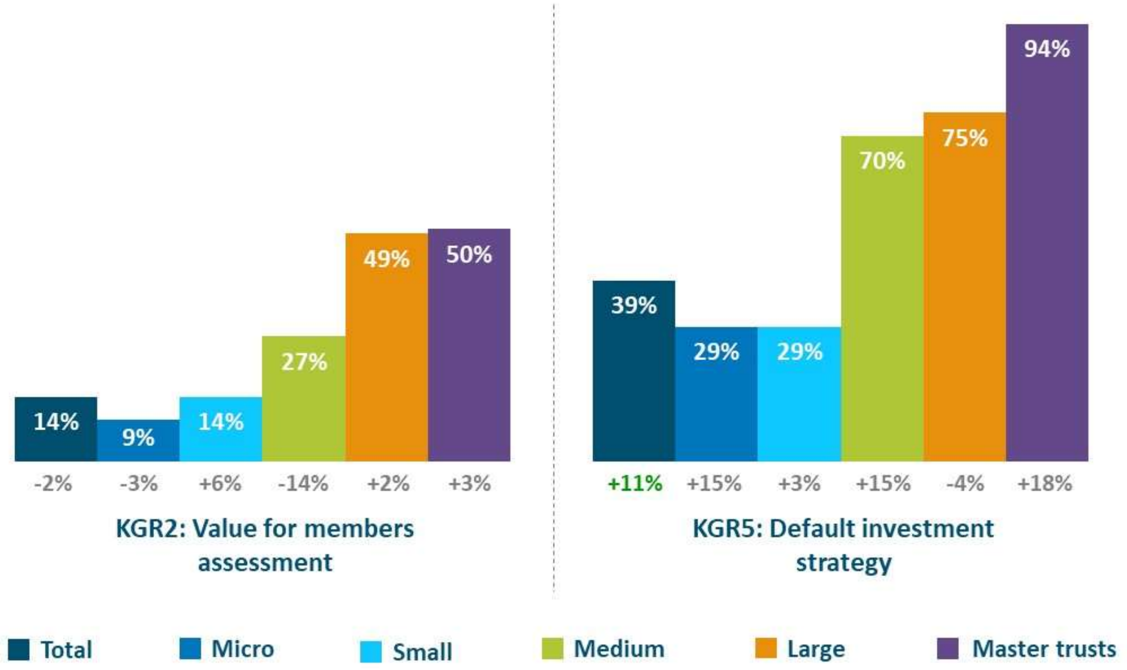
The proportion of members in a scheme which met KGR 5 (default investment strategy) increased from 90% in 2019 to 95% in 2020.

However, there was a decrease for KGR 2 (value for members assessment), with 58% of members in a scheme that met this requirement compared with 80% in 2019. This change was primarily because one of the larger master trusts met this KGR in 2019 but not in 2020.

3.1.2 Proportion of schemes meeting each of KGR 2 and KGR 5

Figure 3.1.2 below shows the proportion of schemes meeting KGR 2 and KGR 5, analysed by scheme size. The percentage point change from the 2019 survey result is shown as '+x' or '-x' underneath the relevant 2020 data.

Figure 3.1.2 Proportion of schemes that met KGRs



Base: All schemes where KGR applies
KGR 2: Total (216), Micro (48), Small (43), Med (45), Large (64), MT (16)
KGR 5: Total (188), Micro (32), Small (37), Med (42), Large (61), MT (16)
Statistically significant differences from 2019 are highlighted in red or green

At the overall level, two-fifths (39%) of schemes met the requirements of KGR 5 (default investment strategy), an increase from 28% in 2019. In comparison 14% of schemes met KGR 2 (value for members assessment), a similar level to that seen in the 2019 survey.

Across both KGRs, the likelihood of meeting the requirements increased in line with scheme size. On KGR 2 the proportion meeting the requirement ranged from 9% of micro schemes to 50% of master trusts, and on KGR 5 it ranged from 29% of micro and small schemes to 94% of master trusts.

3.1.3 KGR 2: Value for members assessment

Table 3.1.3 shows a breakdown of each of the measures making up KGR 2 (value for members assessment) and the proportion of schemes meeting each one.

Table 3.1.3 KGR 2 – proportion of schemes reporting that they met the constituent measures

	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
Good understanding of investment transaction costs	59% +7%	51% +5%	67% +10%	80% -1%	90% +10%	88% +12%
Good understanding of costs/charges deducted from members' funds in default arrangements *(All with default)*	65% 0%	55% +1%	68% +2%	92% -4%	96% +2%	100% 0%
Good understanding of costs/charges deducted from members' funds in self-select options *(All with self-select)*	66% -16%	50% -26%	52% -18%	88% -9%	94% +1%	100% 0%
Assesses annually that charges/costs represent value	60% -2%	53% -4%	58% +1%	89% +1%	92% -1%	100% 0%
Researches members and takes into account when assessing VFM[13]	32% +1%	28% 0%	28% +13%	39% -11%	62% +1%	63% -2%
Able to obtain information needed for VFM assessment	82% -6%	79% -8%	81% 0%	98% +3%	92% -1%	94% +6%
Meets KGR 2	**14%** **-2%**	**9%** **-3%**	**14%** **+6%**	**27%** **-14%**	**49%** **+2%**	**50%** **+3%**

Statistically significant differences from 2019 are highlighted in red or green

Around eight-in-ten schemes (82%) believed they could obtain the information required to carry out a value for members assessment.

The majority also believed that the trustee board had a good understanding of costs (59% for investment transaction costs, 65% for member costs/charges in default arrangements, 66% for member costs/charges in in self-select options) and assessed and reported at least annually the extent to which charges and costs represent value for members (60%).

The main barrier to meeting KGR 2 was that schemes did not research and take account of what members value. This requirement was met by 32% of schemes.

Master trusts, large and medium sized schemes were more likely to meet each of these requirements than smaller schemes.

While the overall proportion meeting KGR 2 was similar to 2019, there were decreases in the understanding of member costs/charges in self-select options (-16 percentage

[13] This element was constructed from responses to several different survey questions..

points) and being able to obtain the information needed for a value for members assessment (-6 percentage points).

3.1.4 KGR 5: Default investment strategy

Table 3.1.4 shows a breakdown of each of the measures making up KGR 5 (default investment strategy) and the proportion of schemes meeting each one.

Table 3.1.4 KGR 5 – proportion of schemes reporting that they met the constituent measures

	Total	Micro	Small	Med	Large	Master
Base: All with a default strategy	*188*	*32*	*37*	*42*	*61*	*16*
Member analysis/research contributed to design of investment strategy for default arrangement[14]	42% +8%	32% +10%	32% +4%	70% +12%	79% -5%	94% +18%
Reviews suitability of default investment strategy at least every 3 years	71% +5%	61% +4%	83% +19%	93% +3%	94% +1%	100% 0%
Reviews performance of default arrangement at least every 3 years	72% +2%	61% -1%	80% +11%	96% +5%	98% -1%	100% 0%
Meets KGR 5	**39%** **+11%**	**29%** **+15%**	**29%** **+3%**	**70%** **+15%**	**75%** **-4%**	**94%** **+18%**

Statistically significant differences from 2019 are highlighted in red or green

Approaching three-quarters of schemes with a default investment arrangement reviewed its suitability (71%) and performance (72%) at least every three years. The proportion of small schemes reviewing the suitability of the default investment strategy at least every three years has increased since 2019 (+19 percentage points).

The primary barrier to meeting this KGR was the requirement that the design of the default investment strategy should be influenced by member analysis or research (met by 42% of schemes).

Across all three constituent elements of KGR 5, micro and small schemes were less likely to meet the requirement than larger schemes.

[14] This element was constructed from responses to several different survey questions..

3.2 New CMA requirements

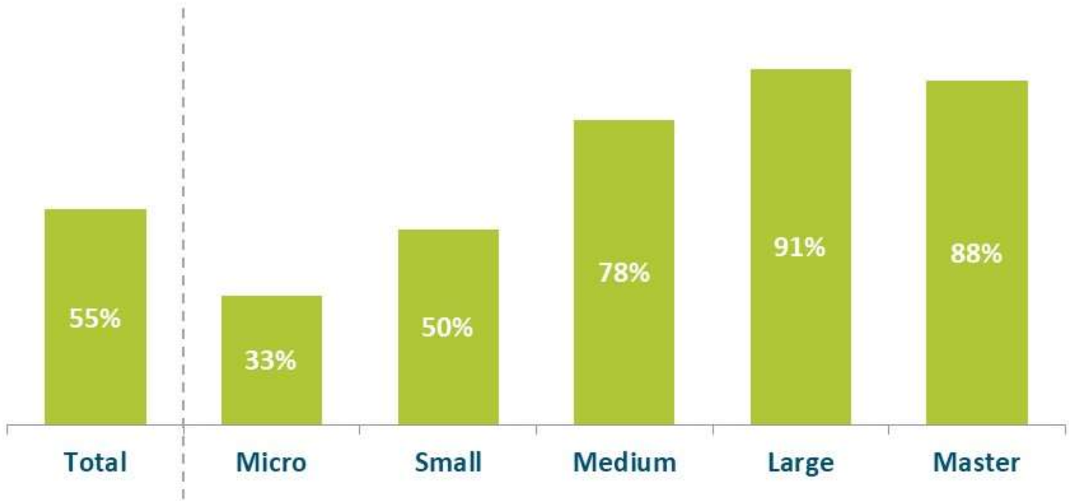
Approaching half (45%) of schemes received investment advice that was subject to the new Competition and Markets Authority (CMA) requirements on investment consultancy services (as set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019).

For a quarter of schemes (26%) this advice was provided by an investment consultant. A further fifth (19%) did not obtain advice from an investment consultant but received relevant investment advice[15] from an alternative source such as an IFA, investment manager or actuary. Overall, 45% of schemes therefore received investment advice that was subject to the new CMA duties.

The proportion of schemes that received investment advice subject to the new CMA duties increased with scheme size (32% of micro schemes, 54% of small, 92% of medium and 100% of large schemes and master trusts).

Those that received investment advice covered by the CMA requirements were asked whether their scheme had set objectives for its investment advisers, with results detailed in Figure 3.2.1.

Figure 3.2.1 Proportion that had set objectives for investment advisers



Base: All schemes that had received investment advice subject to CMA requirements (Base, Don't know)
Total (160, 5%), Micro (15, 7%), Small (24, 5%), Med (41, 4%), Large (64, 3%), MT (16, 0%)

Over half (55%) of these schemes had set objectives for their investment advisers, ranging from a third of micro schemes (33%) to nine-in-ten large schemes (91%) and master trusts (88%).

Those schemes that had not set objectives for their investment advisers were asked for their reasons. Over a quarter (28%) felt it was not necessary (e.g. because the scheme was small or had guaranteed investments) and a fifth (18%) said that they did not see it as important (18%). A further fifth (18%) explained that the adviser only provided ad hoc advice rather than doing this on an ongoing basis.

[15] Advice on investment strategy, investments that may be made, preparation of the SIP, strategic asset allocation or investment manager selection.

Schemes were also asked about their approach to fiduciary management, with results summarised in Table 3.2.1.

Table 3.2.1 Use of fiduciary management

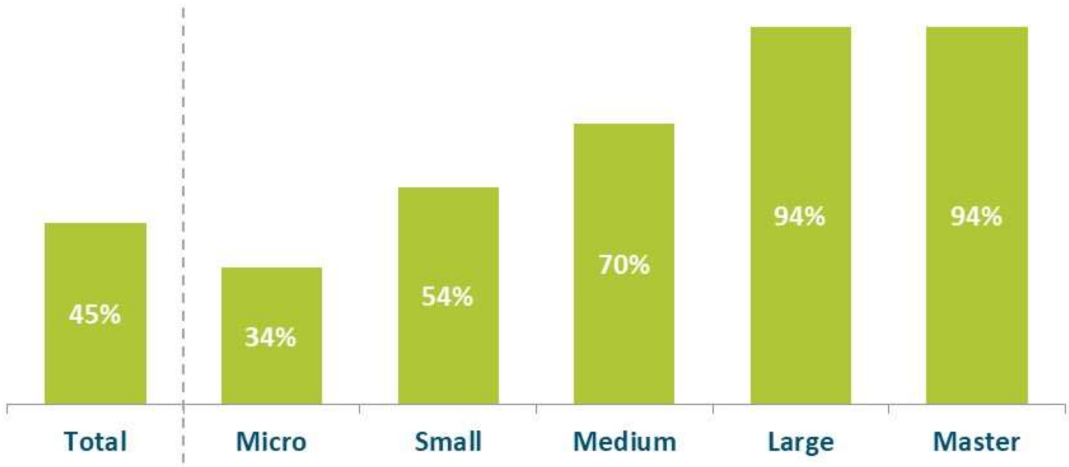
	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
Currently have a fiduciary manager	6%	0%	20%	22%	16%	31%
Currently searching for a fiduciary manager	0%	0%	0%	0%	2%	0%
Considering fiduciary management in the next 12 months	2%	2%	1%	6%	2%	0%
It’s not something you are considering in the next 12 months	88%	94%	73%	66%	77%	69%
Don’t know	4%	4%	5%	6%	3%	0%

The vast majority of schemes (88%) did not use fiduciary management and were not considering this in the next 12 months. However, 6% of schemes had a fiduciary manager in place, ranging from 0% of micro schemes up to 31% of master trusts. A further 2% were searching for a fiduciary manager or considering appointing one.

Two-fifths (40%) of those with a fiduciary manager in place ran a competitive tender process before selecting them. When those not using a competitive tender were asked the reasons for this, approaching half (44%) stated that they already had a relationship with their provider. A further 20% explained that they had appointed a fiduciary manager before the competitive tender requirement came into force, 10% said they were unaware that it was a requirement and 10% did not see it as important.

Respondents were asked whether, before the interview, they were aware that the CMA had introduced new duties for trustees from December 2019 in relation to setting objectives for providers of investment consultancy services and tendering for fiduciary management services. Results are summarised in Figure 3.2.2.

Figure 3.2.2 Proportion aware of new CMA duties

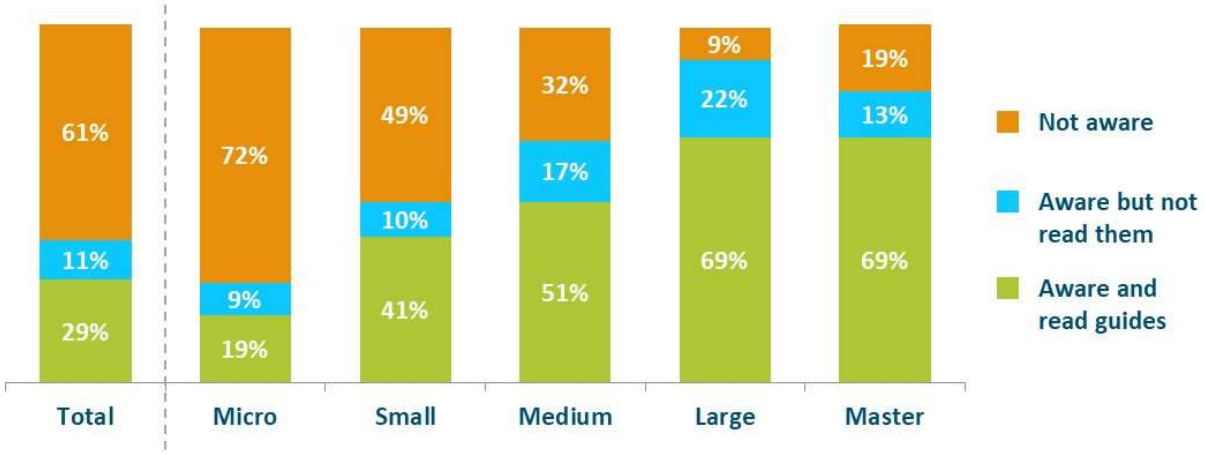


Base: All schemes (Base, Don’t know)
Total (216, 0%), Micro (48, 0%), Small (43, 0%), Med (45, 0%), Large (64, 0%), MT (16, 0%)

Overall, 45% of respondents were aware of the new CMA duties. Awareness increased in line with scheme size, ranging from 34% of micro schemes to 94% of large schemes and master trusts.

Respondents were also told that, in November 2019, TPR published a number of guides to support trustees in meeting these new CMA duties. Figure 3.2.3 details respondents' awareness and use of these guides.

Figure 3.2.3 Awareness and use of TPR supporting guides



Base: All schemes (Base, Don't know)
Total (216, 0%), Micro (48, 0%), Small (43, 0%), Med (45, 0%), Large (64, 0%), MT (16, 0%)

Two-fifths (39%) of respondents were aware of the supporting guides, with 29% having read them. Both awareness and use of the TPR guides increased in line with scheme size, ranging from 19% of micro schemes to 69% of large schemes and master trusts.

3.3 Administration

Schemes were asked how often the trustee board include administration as a dedicated item on the agenda at board meetings. Table 3.3.1 shows the results, including the net proportion that did this at least annually.

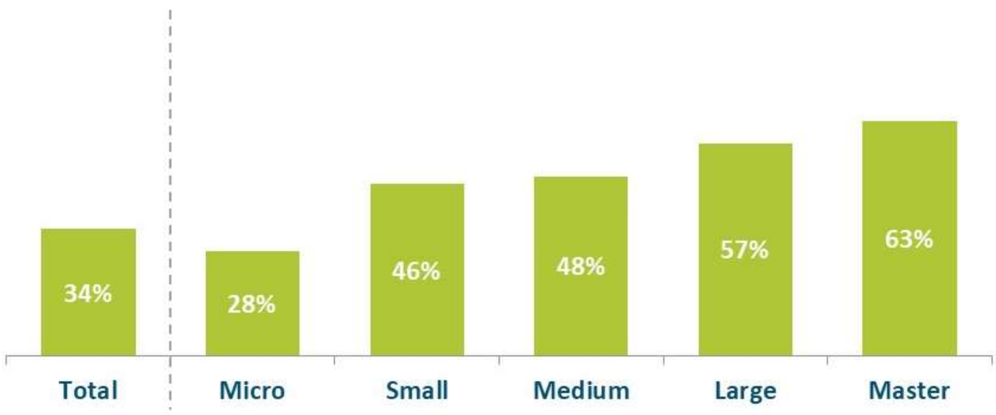
Table 3.3.1 Frequency of discussing administration at trustee board meetings

	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
At least quarterly	16%	6%	14%	33%	80%	100%
At least every six months	14%	9%	25%	44%	16%	0%
At least annually	44%	51%	49%	16%	5%	0%
Less frequently	5%	6%	3%	2%	0%	0%
Never	18%	23%	9%	3%	0%	0%
Net: At least annually	**74%**	**66%**	**88%**	**93%**	**100%**	**100%**

Three-quarters (74%) of schemes included administration as a dedicated item on the agenda at board meetings at least annually. Fewer schemes (16%) covered administration quarterly, although all master trusts and 80% of large schemes did so. Approaching a quarter (23%) of micro schemes never included administration as a dedicated item on the agenda at board meetings.

Schemes were also asked whether they had an administration strategy, with results shown in Figure 3.3.1.

Figure 3.3.1 Proportion with an administration strategy

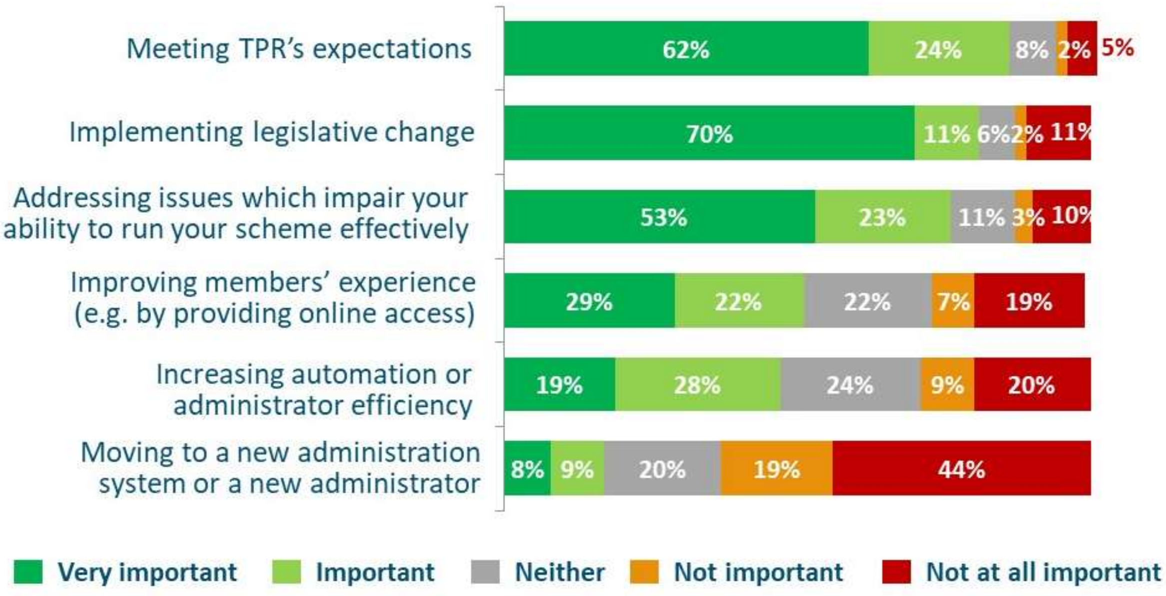


Base: All schemes (Base, Don't know)
Total (216, 1%), Micro (48, 0%), Small (43, 0%), Med (45, 11%), Large (64, 5%), MT (16, 0%)

A third (34%) of schemes had an administration strategy. The larger the scheme the more likely it was to have an administration strategy in place, ranging from 63% of master trusts down to 28% of micro schemes.

Schemes were asked about the importance of a number of administration objectives, as summarised in Figure 3.3.2.

Figure 3.3.2 Administration objectives



Base: All schemes (216, Don't know 0-1%)

The majority of schemes identified meeting TPR's expectations (86%), implementing legislative changes (81%) and addressing issues which impaired their ability to run the scheme (76%) as important objectives.

Improving members' experience and increasing automation or administrator efficiency were seen as important objectives by around half of schemes (51% and 47% respectively). Few schemes were focussed on moving to a new administration system or a new administrator, with 17% of schemes rating this as important.

Table 3.3.2 provides further analysis by scheme size, showing the proportion that rated each objective as important or very important.

Table 3.3.2 Administration objectives – by scheme size

Proportion rating as important	Micro	Small	Med	Large	Master
Base: All schemes	*48*	*43*	*45*	*64*	*16*
Meeting TPR's expectations	83%	90%	90%	97%	100%
Implementing legislative change	77%	86%	97%	96%	100%
Addressing issues which impair your ability to run your scheme effectively	72%	74%	89%	94%	100%
Improving members' experience	47%	31%	66%	95%	100%
Increasing automation or administrator efficiency	45%	44%	44%	70%	94%
Moving to a new administration system or a new administrator	15%	19%	20%	23%	31%

Meeting TPR's expectations, implementing legislative change and addressing issues which impair their ability to run the scheme effectively were rated important objectives by the majority of schemes, regardless of size (at least 72%).

Larger schemes were generally more likely to view each administration objective as important. This pattern was particularly evident for improving members' experience, which was viewed as important by 47% of micro and 31% of small schemes, compared with 95% of large schemes and 100% of master trusts.

Schemes were asked how the trustee board typically became aware of new requirements which affected the administration of the scheme, with the most common responses (3%+) shown in Table 3.3.3.

Table 3.3.3 Sources of awareness of new administration requirements

Top mentions (3%+)	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
TPR letters/emails	39%	47%	27%	8%	15%	19%
Administrator	21%	17%	19%	34%	35%	75%
Legal adviser	15%	9%	24%	29%	44%	56%
TPR website	14%	17%	3%	5%	14%	19%
Pension provider	11%	13%	12%	0%	2%	0%
IFA	9%	11%	10%	0%	0%	0%
Trade press/publications	6%	6%	3%	11%	6%	13%
Pensions adviser/consultant	6%	4%	6%	13%	15%	0%
Professional trustee	6%	4%	9%	15%	6%	13%
Employee benefit consultant	4%	2%	9%	4%	14%	6%
External adviser/third party (unspecified)	4%	2%	5%	13%	13%	0%
Accountant	3%	4%	3%	0%	0%	0%

Many trustee boards relied on TPR to find out about new administration requirements, with 39% mentioning letters/emails and 14% the website. Other common sources of awareness included the scheme's own administrator (21%) and legal advisers (15%).

However, this varied by scheme size. Master trusts, large and medium schemes were most likely to be informed by their administrator or legal adviser, whereas micro schemes (and to a lesser extent small schemes) were more reliant on TPR communications.

Schemes were asked which methods they use to measure the performance of their administrators, with results shown in Table 3.3.4.

Table 3.3.4 Methods of measuring administrator performance

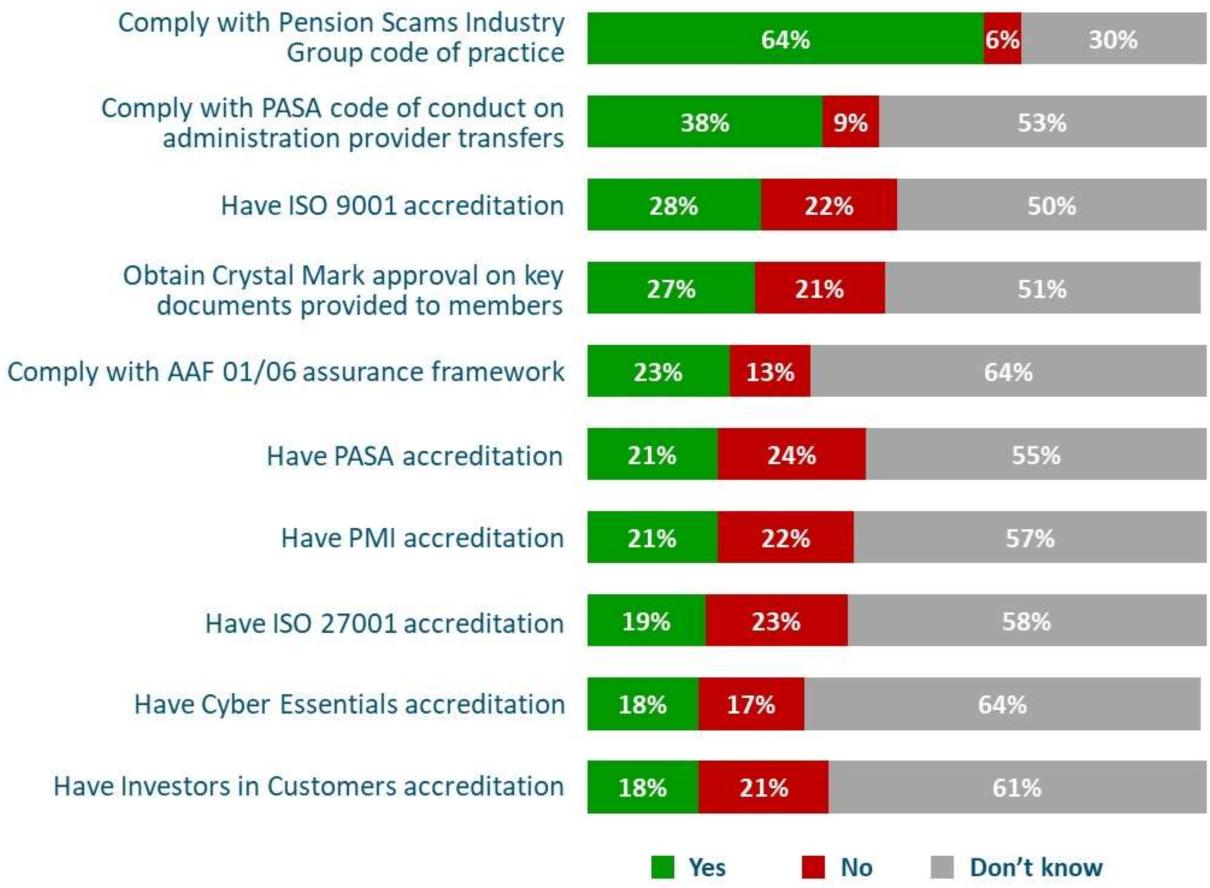
	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
Testing the accuracy of calculations	37%	32%	36%	51%	64%	81%
Auditing administration functions & systems	36%	26%	42%	64%	85%	94%
Complaints volumes and trends	35%	21%	47%	85%	86%	100%
Performance against a service level agreement or service schedule	30%	13%	43%	86%	94%	100%
Analysis of errors	27%	13%	46%	65%	79%	94%
Assessing project delivery against initially agreed time and cost	26%	13%	36%	61%	89%	88%
Member satisfaction ratings	26%	19%	24%	50%	55%	75%
Benchmarking against the market	24%	19%	22%	45%	49%	50%
'Right first time' statistics	14%	9%	24%	30%	29%	25%
Volumes of re-work required	12%	4%	18%	41%	42%	31%
None of these (or don't know)	37%	47%	23%	4%	3%	0%

The most widespread methods of measuring administrator performance were testing the accuracy of calculations (37%), auditing administration functions and systems (36%) and analysing complaints volumes and trends (35%).

However, over a third (37%) of schemes did not adopt any of the specified methods to measure administrator performance (or were unaware whether they did so), with this proportion driven by micro and small schemes (47% and 23% respectively). Master trusts, large and medium schemes generally used a wider range of approaches to measure performance.

Respondents were asked whether the scheme's administrator held various accreditations and standards, with results shown in Figure 3.3.3.

Figure 3.3.3 Administrator accreditations and standards



Base: All schemes exc. pilot respondents (196)

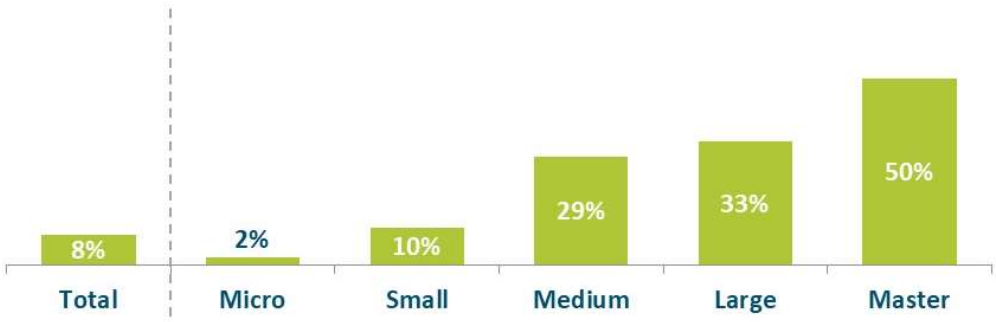
Most schemes had little or no knowledge of the accreditations held by their administrator or the standards they complied with, as demonstrated by the high proportion of "don't know" responses at this question. This lack of knowledge was most evident among micro schemes.

However, the responses from those who were able to answer suggest that the majority of administrators complied with the Pension Scams Industry Group code of practice and with the PASA code of conduct on administration provider transfers. Similarly, more schemes indicated that their administrator complied with the AAF 01/06 framework than reported that they did not comply with this.

For the other accreditations and standards, there was typically a more even split between those who held and did not hold these.

Schemes were asked whether they had identified any issues with the quality of data in the last two years (Figure 3.3.4).

Figure 3.3.4 Proportion that had identified data quality issues in last 12 months



Base: All schemes (Base, Don't know)
Total (216, 0%), Micro (48, 0%), Small (43, 0%), Med (45, 3%), Large (64, 0%) Master (16, 0%)

Approaching one in 10 schemes (8%) had identified data quality issues in the last two years This proportion increased to 29% of medium schemes, 33% of large schemes and 50% of master trusts.

Among those that had identified data quality issues, three-quarters (75%) had taken some form of action in the last 12 months to address these; 45% had implemented a new or updated data improvement plan and 72% had (also) taken other action. It is not possible to provide robust analysis of this by scheme size, due to the small number of schemes that had identified data issues.

Schemes were asked whether they offered members online access, for example to check the value of their pension or their personal details. Results are shown in Table 3.3.5.

Table 3.3.5 Online access for members

	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
Yes	37%	28%	31%	59%	91%	100%
For both active & deferred members	*26%*	*17%*	*22%*	*40%*	*81%*	*100%*
Just for active members	*7%*	*9%*	*4%*	*7%*	*3%*	*0%*
Just for deferred members	*4%*	*2%*	*5%*	*11%*	*8%*	*0%*
No	57%	64%	64%	41%	9%	0%
Don't know	7%	9%	5%	0%	0%	0%

Over a third (37%) of schemes offered online access, typically to both active and deferred members. Online access was more common among larger schemes; 100% of master trusts and 91% of large schemes offered this, compared with 28% of micro and 31% of small schemes

3.4 Cyber security

Schemes were asked whether they had ten specific controls in place to protect their data and assets from cyber risk. Figure 3.4.1 shows the results, including any changes since the 2019 survey.

Table 3.4.1 Proportion of schemes with cyber controls in place

	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
Access to specialist skills/expertise to understand and manage the risk	84% +9%	83% +12%	81% -1%	94% +6%	90% 0%	100% 0%
System controls & access restrictions in place	84% +4%	81% +5%	88% +5%	97% -1%	96% 0%	100% 0%
Critical systems and data regularly backed up	82% +2%	79% +3%	86% +4%	92% -7%	91% -4%	100% 0%
Policies on data access, protection and acceptable use of devices	79% +4%	74% +3%	88% +11%	87% -7%	92% -1%	100% 0%
Trustees have assured themselves of third party providers' controls[16]	78% +1%	73% +1%	69% -8%	97% +2%	96% 0%	94% +6%
Cyber risk on risk register & regularly reviewed	72% +40%	66% +44%	81% +51%	88% +17%	95% +8%	100% +6%
At least one person with clear responsibility for cyber resilience	71% +3%	72% +6%	67% -7%	58% -12%	76% +10%	100% +6%
Trustees receive regular updates on cyber risks, incidents & controls	66% -	62% -	68% -	78% -	85% -	94% -
Assessed which systems and parties are at risk	65% +3%	57% -1%	73% +7%	85% +3%	93% +12%	94% +6%
Incident response plan to deal with any incidents which occur	62% +6%	55% +4%	64% +5%	84% +11%	92% +14%	94% -6%
All 10 of these cyber controls in place	**32%**	**28%**	**38%**	**35%**	**58%**	**75%**
At least half of these cyber controls in place (5+)	**78%**	**72%**	**83%**	**96%**	**98%**	**100%**

Statistically significant differences from 2019 are highlighted in red or green

A third (32%) of schemes had all ten of the specified controls in place to protect their data and assets from cyber risk, and three-quarters (78%) had at least half of them.

[16] Schemes that did not use external advisers or service providers were not asked about this control, and the analysis is therefore based just on the 197 schemes that it applied to.

Generally, schemes with more members had a greater degree of cyber security; at least half of the controls were in place for 100% of master trusts, 98% of large, 96% of medium, 83% of small and 72% of micro schemes.

There was an increase since 2019 in the proportion of schemes with access to specialist skills and expertise to understand and manage risk (+9 percentage points). There were also increases in the proportion of large schemes that had assessed which systems and parties were at risk (+12) and had an incident response plan (+14).

While there was also an increase in the proportion of schemes reporting that cyber risk was on the risk register and regularly reviewed (from 32% in 2019 to 72% in 2020), this is likely to be at least partly down to changes to the questionnaire[17].

Schemes were also asked whether they had experienced any cyber breaches or attacks in the previous 12 months, with results summarised in Table 3.4.2.

Table 3.4.2 Proportion of schemes experiencing any cyber security breaches or attacks in the previous 12 months

	Total	Micro	Small	Med	Large	Master
Base: All schemes	*216*	*48*	*43*	*45*	*64*	*16*
Staff receiving fraudulent emails or being directed to fraudulent websites	6% -1%	4% -2%	8% -6%	8% -1%	14% +7%	38% -9%
Computers becoming infected with other viruses, spyware or malware	3% +1%	2% 0%	4% 0%	3% 0%	4% +4%	6% 0%
Attacks that try to take down your website or online services	1% -1%	0% -2%	1% 0%	3% +1%	2% +1%	19% -22%
People impersonating your scheme externally in emails or online	0% -3%	0% -4%	0% 0%	0% -1%	3% +2%	13% +1%
Computers becoming infected with ransomware	0% -3%	0% -3%	1% -2%	0% -1%	2% +2%	0% 0%
People within the organisation impersonating key decision makers in emails in an attempt to facilitate fraud	0% -1%	0% 0%	3% -1%	0% 0%	2% +2%	0% 0%
Unauthorised use of computers, networks or servers by staff, even if accidental	0% 0%	0% 0%	0% 0%	2% +2%	0% 0%	0% 0%
Any other types of cyber breaches or attacks	0% -1%	0% -2%	0% -1%	0% 0%	1% 0%	0% -6%
Any cyber breaches or attacks in the previous 12 months	**9%** -5%	**6%** -9%	**15%** -1%	**16%** +6%	**15%** +8%	**44%** -32%

Statistically significant differences from 2019 are highlighted in red or green

[17] In 2019 this question was only asked to the 38% of schemes that had earlier indicated they had a risk register. In 2020 the initial question on risk registers was removed, so all schemes were asked whether cyber risk was on the risk register and regularly reviewed. The difference in results suggests that in the 2020 survey some schemes indicated that cyber risk was on their risk register and regularly reviewed even though they did not have a formal risk register.

Overall, 9% of schemes reported experiencing some form of cyber attack or breach in the previous 12 months. This proportion was relatively consistent across the different sizes of scheme, but rose to 44% of master trusts. Almost all (94%) of the latter had incident response plans in place (as seen in Table 3.4.1) so may have more rigorous processes for recording cyber incidents.

Across all sizes of scheme, the most common cyber breaches or attacks were staff receiving fraudulent emails or being directed to fraudulent websites. Master trusts were most likely to report this type of incident (38%), along with attacks that tried to take down their website or online services (19%).

Those schemes that had experienced any cyber security breaches or attacks in the previous 12 months were asked what, if anything, had happened as a result. Due to the low base of respondents reporting any cyber incidents, Figure 3.4.1 only shows results at the total level (with the figures in brackets showing the change since 2019).

Figure 3.4.1 Impact of cyber security breaches or attacks experienced in the previous 12 months

Base: All schemes that had experienced cyber breaches/attacks (36)
Statistically significant differences from 2019 are highlighted in red or green

A third (30%) of the schemes that experienced cyber breaches or attacks reported a negative impact. This equates to 3% of all schemes (as only 9% of schemes reported any cyber incidents in the previous 12 months).

The most common impact was software or systems being corrupted or damaged (20%). Compared with 2019, fewer schemes had seen their website or online services disrupted (4%, a decrease of 14 percentage points).

No schemes reported that personal data had been altered, destroyed or taken in the previous 12 months.

Table 3.4.3 shows an alternative analysis of the cyber security questions, based on members rather than schemes.

Table 3.4.3 Cyber security – member analysis

Proportion of members in a scheme that…	Total
Base: All schemes	*216*
Had all 10 cyber controls in place	87%
Had over half of the cyber controls in place (5+)	100%
Had experienced any cyber breaches/attacks in the previous 12 months	75%
Reported any negative impact of cyber breaches/attacks in the previous 12 months	40%

Overall, 87% of DC members were in a scheme that had all ten cyber controls in place (and 100%[18] were in a scheme that had at least five of the controls). Three-quarters (75%) of members were in a scheme that had experienced any cyber breaches or attacks in the last 12 months and 40% were in a scheme that reported a negative impact of these incidents.

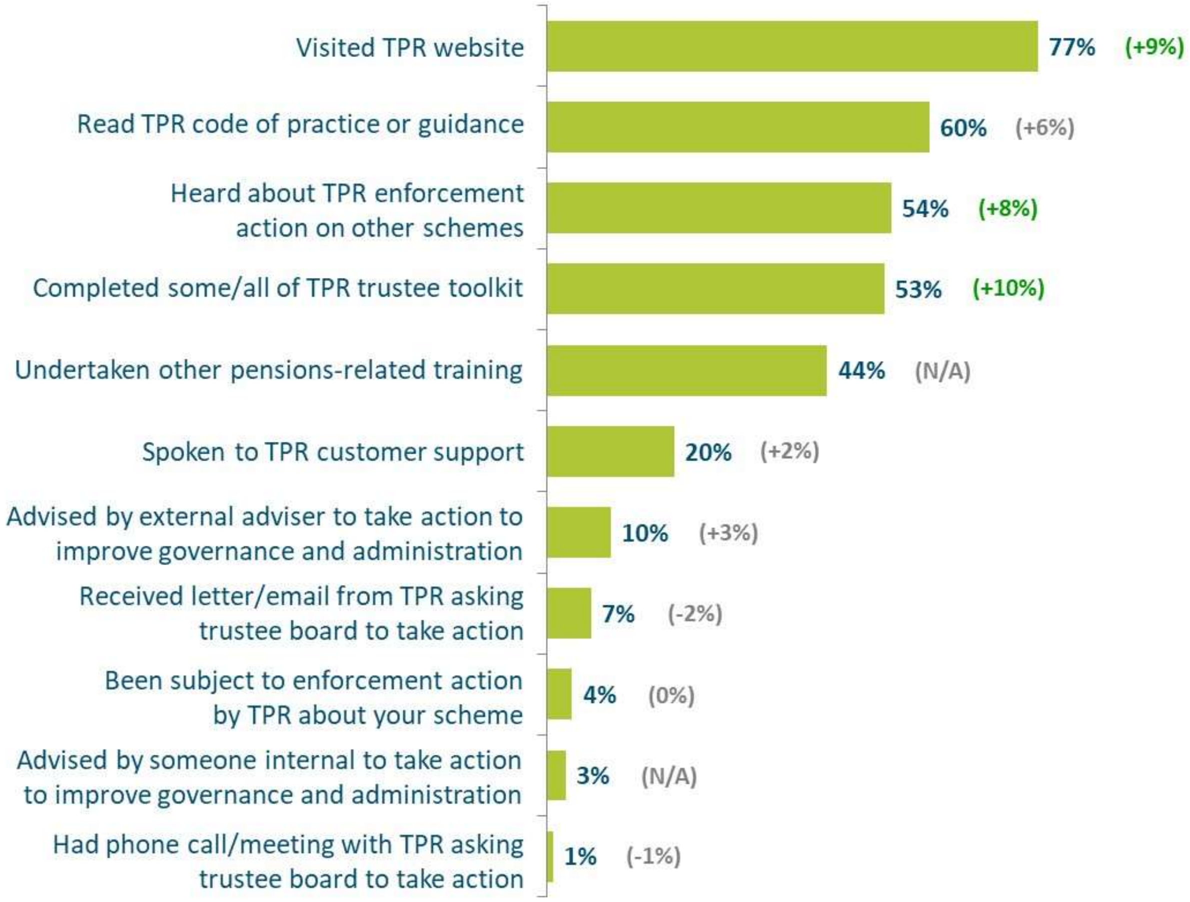
[18] 99.7% when shown to 1 dcp

3.5 Experience and reported impact of TPR interactions and interventions

3.5.1 Experience of TPR interventions and interactions

Respondents were asked whether they or any of the scheme's trustees had experienced various interactions with TPR in the previous 12 months[19]. The results are summarised in Figure 3.5.1.1 below, along with any changes since the 2019 survey (in brackets).

Figure 3.5.1.1 Proportion of schemes experiencing each interaction in the previous 12 months



Base: All schemes (216)
Statistically significant differences from 2019 are highlighted in red or green

The most common interactions related to accessing information or guidance from TPR, with 77% visiting the website in the previous 12 months, 60% reading a code of practice or guidance, and 53% completing some or all of the trustee toolkit. In addition, 54% had heard about TPR enforcement action on other schemes (e.g. issuing fines

[19] For TPR letters/emails, phone calls and meetings respondents were asked to focus solely on scheme-specific contact and exclude anything about their scheme return, triennial valuation or general TPR information.

or taking legal action). Aside from reading a code of practice or guidance, the proportion experiencing each of these interactions increased since 2019.

As in 2019, experience of direct TPR interventions was comparatively rare; 7% had received a scheme-specific letter or email asking the trustee board to take action, 4% had been subject to enforcement action and 1% had a phone call or meeting in which the scheme was asked to take action.

Table 3.5.1.1 shows the proportion of schemes of each size that had experienced the various interactions/interventions.

Table 3.5.1.1 Proportion of schemes experiencing each interaction in the previous 12 months – by scheme size

	Micro	Small	Med	Large	Master
Base: All schemes	*48*	*43*	*45*	*64*	*16*
Visited TPR website	72%	85%	90%	95%	100%
Read TPR code of practice or guidance	51%	68%	89%	96%	100%
Heard about TPR enforcement action on other schemes	47%	56%	77%	89%	88%
Completed some/all of TPR trustee toolkit	49%	38%	73%	81%	94%
Undertaken other pensions-related training	32%	50%	86%	99%	100%
Spoken to TPR customer support	23%	6%	19%	9%	31%
Advised by external adviser to take action to improve governance and administration	11%	9%	9%	9%	6%
Received letter/email from TPR asking trustee board to take action	6%	12%	3%	10%	38%
Been subject to enforcement action by TPR about your scheme	4%	4%	0%	1%	6%
Advised by someone internal to the scheme to take action to improve governance and administration	0%	13%	14%	8%	6%
Had phone call/meeting with TPR asking trustee board to take action	0%	4%	0%	1%	13%

In comparison to other scheme sizes, micro schemes were less likely to have visited the TPR website, read TPR codes of practice or guidance, undertaken other pensions training or heard about TPR enforcement on other schemes.

While small schemes were more likely than micro schemes to have experienced most of the above interactions, the proportions doing so were generally lower than those seen for master trusts, large and medium schemes.

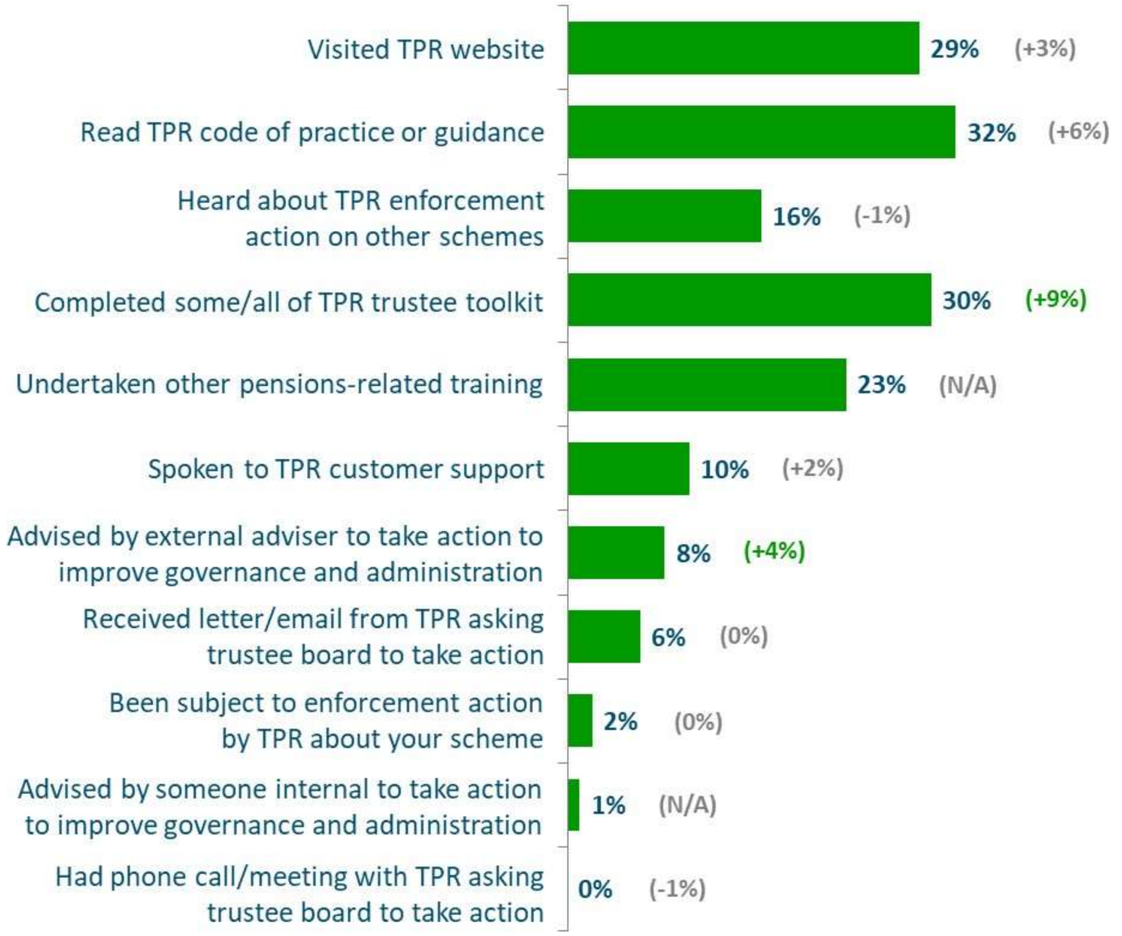
There were no statistically significant changes by scheme size since 2019 in the proportion experiencing each interaction or intervention.

3.5.2 Reported impact of TPR interactions and interventions

Respondents were then asked whether each of the interactions or interventions that they had experienced had prompted their trustee board to spend more time on scheme governance and administration.

The results are summarised in Figure 3.5.2.1 below. Please note that this analysis is based on all schemes (i.e. those that had not experienced the interaction/intervention are included in the analysis but classified as no impact).

Figure 3.5.2.1 Proportion of schemes reporting increased time spend on governance and administration as a result of each interaction (based on all schemes)



Base: All schemes (216)

Statistically significant differences from 2019 are highlighted in red or green

Approaching a third of all schemes had increased the time spent on governance and administration as a direct result of reading a TPR code or practice or guidance (32%), completing the trustee toolkit (30%) or visiting the TPR website (29%).

The next most common drivers of improved governance and administration were undertaking other pensions-related training (23%) and hearing about TPR enforcement action on other schemes (16%).

While no more than one in ten schemes had spent more time on governance and administration as a result of the other types of interactions and interventions, this was largely a reflection of the relatively low proportion that had experienced each one in the previous 12 months.

Table 3.5.2.1 provides an alternative analysis of the impact of these interactions/interventions, this time based just on those schemes that had experienced each one. Please note that few respondents had received TPR letters/emails, been advised by an external adviser to take action, or been advised by someone internal to the scheme to take action, so the analysis bases are very low (21, 19 and 16 respectively). These results should be treated as indicative only[20].

Table 3.5.2.1 Proportion of schemes reporting increased time spend on governance and administration as a result of each interaction (based on those schemes experiencing each one)

	Total	*Base*
Received letter/email from TPR asking board to take action	86%	*21*
Advised by external adviser to take action	82%	*19*
Completed some/all of TPR trustee toolkit	57%	*138*
Read TPR code of practice or guidance	52%	*171*
Undertaken other pensions-related training	51%	*154*
Spoken to TPR customer support	49%	*35*
Visited TPR website	37%	*189*
Heard about TPR enforcement action on other schemes	29%	*151*
Advised by someone internal to take action	27%	*16*

When based just on those experiencing each interaction/intervention, letters and emails from TPR and external adviser recommendations were most likely to prompt schemes to spend more time on governance and administration (86% and 82% respectively).

[20] Results for being subject to enforcement action and TPR phone calls/meetings asking the board to take action have not been shown, as the base sizes were too low for meaningful analysis (just 6 and 5 interviews respectively).

Table 3.5.2.2 shows the proportion of schemes of each size that had increased the time spent on governance and administration as a result of each interaction/intervention. This analysis is based on all schemes (i.e. those that had not experienced the interaction/intervention are included in the analysis but classified as no impact).

Table 3.5.2.2 Proportion of schemes reporting increased time spend on governance and administration as a result of each interaction – by scheme size (based on all schemes)

	Micro	Small	Med	Large	Master
Base: All schemes	*48*	*43*	*45*	*64*	*16*
Visited TPR website	26%	30%	41%	42%	38%
Read TPR code of practice or guidance	23%	36%	64%	61%	75%
Heard about TPR enforcement action on other schemes	11%	21%	34%	32%	38%
Completed some/all of TPR trustee toolkit	32%	18%	30%	31%	6%
Undertaken other pensions-related training	13%	28%	60%	60%	50%
Spoken to TPR customer support	13%	1%	6%	0%	0%
Advised by external adviser to take action to improve governance and administration	9%	9%	9%	6%	6%
Received letter/email from TPR asking trustee board to take action	6%	6%	3%	5%	31%
Been subject to enforcement action by TPR about your scheme	2%	4%	0%	1%	6%
Advised by someone internal to take action to improve governance and administration	0%	3%	6%	2%	0%
Had phone call/meeting with TPR asking trustee board to take action	0%	4%	0%	0%	13%

In comparison with larger schemes, micro and small schemes were generally less likely to have increased the time spent on governance and administration as a result of visiting TPR's website, reading a TPR code or guidance, hearing about enforcement on other schemes, or undertaking other pensions-related training.

3.5.3 Reported impact of the scheme return and chair's statement

Overall, 76% of schemes indicated that they had completed a scheme return in the previous 12 months, and 58% had provided a chair's statement. These schemes were asked whether this had prompted the trustee board to spend more time on governance and administration (aside from the time taken to complete these tasks).

Table 3.5.3.1 Proportion of schemes reporting increased time spend on governance and administration as a result of completing a scheme return and chair's statement (based on those schemes experiencing each one)

	Total	*Base*
Scheme return	17%	*191*
Chair's statement	27%	*176*

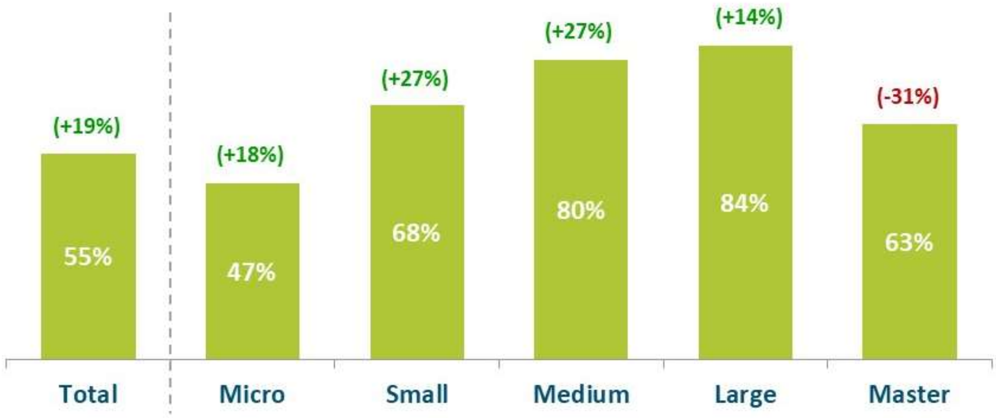
Over a quarter (27%) of schemes that had produced a chair's statement indicated that this had resulted in the trustees devoting more time to governance and administration. This proportion was lower for the scheme return (17%).

There was little difference in reported impact of the scheme return by size of scheme. Larger schemes were more likely to state that the chair's statement had led to increased time spent on governance and administration (56% of master trusts, 47% of large and 50% of medium vs. 18% of micro and 19% of small schemes). However, there was little difference by size of scheme when it came to reported impact of the scheme return.

3.6 Awareness and perceptions of TPR's new approach to regulation

Respondents were informed during the interview that TPR has recently changed how it regulates workplace pensions, and now proactively asks schemes to confirm how they are meeting their obligations. If they do not confirm they meet these obligations then TPR will take action, including enforcement activity where appropriate. They were asked whether they were aware of this change prior to the interview, and the results are shown in Figure 3.6.1 (along with the change since 2019 in brackets).

Figure 3.6.1 Proportion aware of TPR's new approach to regulating schemes

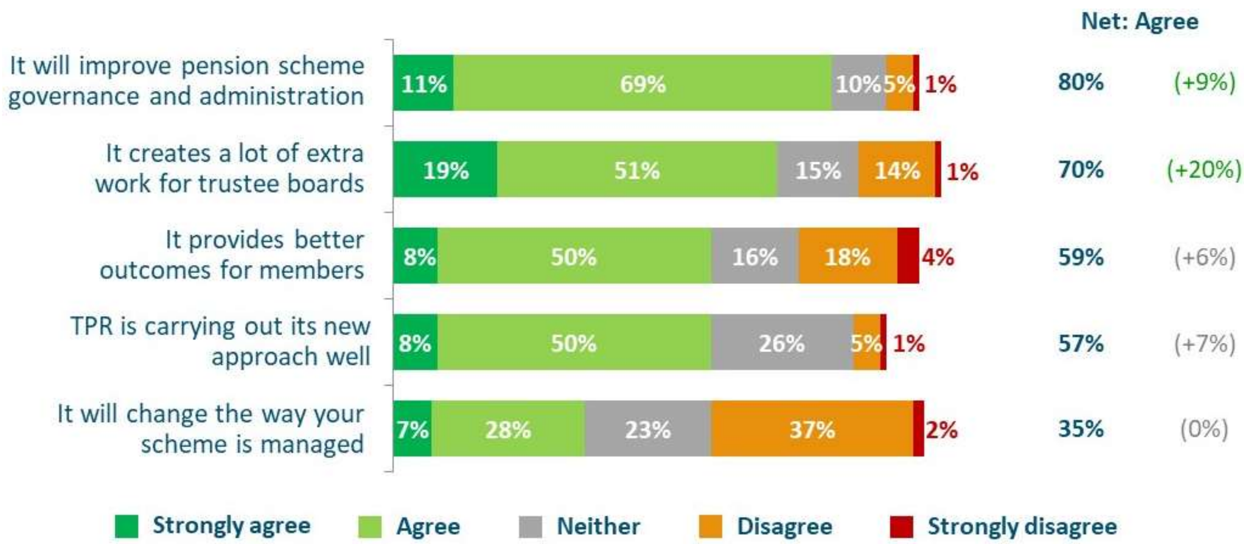


Base: All schemes - Total (216), Micro (48), Small (43), Med (45), Large (64), MT (16)
Statistically significant differences from 2019 are highlighted in red or green

Over half (55%) of schemes were aware of the new approach being adopted by TPR, up from 36% in 2019. Awareness increased for all sizes of scheme, with the exception of master trusts (-31 percentage points).

Those aware of TPR's new approach were asked the extent to which they agreed with various statements about it, as set out in Figure 3.6.2.

Figure 3.6.2 Perceptions of TPR's new approach to regulating schemes



Base: All aware of TPR's new approach (150, Don't know 1-11%)
Statistically significant differences from 2019 are highlighted in red or green

Perceptions of the higher-level impacts of TPR's new approach were generally positive, with 80% agreeing that it would improve scheme governance and administration (an increase of 9 percentage points since 2019) and 59% agreeing that it would provide better outcomes for members.

In addition, most believed that TPR was carrying out its new approach well (57% agreed vs. 6% disagreed).

However, fewer agreed that it would change the way that their scheme was managed (35%), with a similar proportion actively disagreeing with this (39%). It was also the case that 70% believed that TPR's new approach would create a lot of extra work for trustees, an increase since 2019 (+20 percentage points). This change was mainly driven by micro schemes, with 73% agreeing with this statement in 2020 compared with 38% in 2019.

Table 3.6.1 provides further analysis by scheme size, showing the proportion that agreed with each statement.

Table 3.6.1 Perceptions of TPR's new approach to regulating schemes – by scheme size

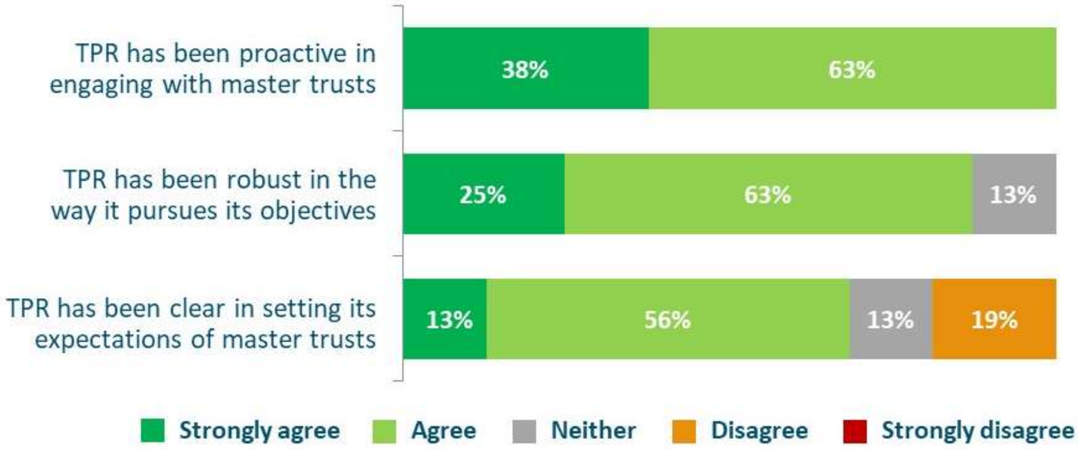
Proportion agreeing that…	Micro	Small	Med	Large	Master
Base: All aware of TPR's new approach	*22*	*29*	*36*	*53*	*10*
It will improve pension scheme governance and administration	82%	74%	85%	71%	90%
It creates a lot of extra work for trustee boards	73%	68%	78%	56%	20%
It provides better outcomes for members	55%	66%	66%	62%	90%
TPR is carrying it out well	59%	47%	65%	53%	90%
It will change the way our scheme does things	36%	43%	37%	19%	10%

Micro, small and medium schemes were comparatively more likely to indicate that TPR's new approach would change the way the scheme did things, but were also more likely to believe that it would create extra work for trustees.

3.7 Perceptions of master trust assurance and supervision

The 16 master trusts interviewed in the survey were asked the extent to which they agreed or disagreed with three statements about TPR's approach to master trust assurance and supervision. The results are shown in Figure 3.7.1.

Figure 3.7.1 Perceptions of TPR's approach to master trust assurance and supervision



Base: All master trusts (16, Don't know 0%)

All the master trusts surveyed agreed that TPR had been proactive in engaging with them and the vast majority (88%) also agreed TPR had been robust in the way it pursued its objectives.

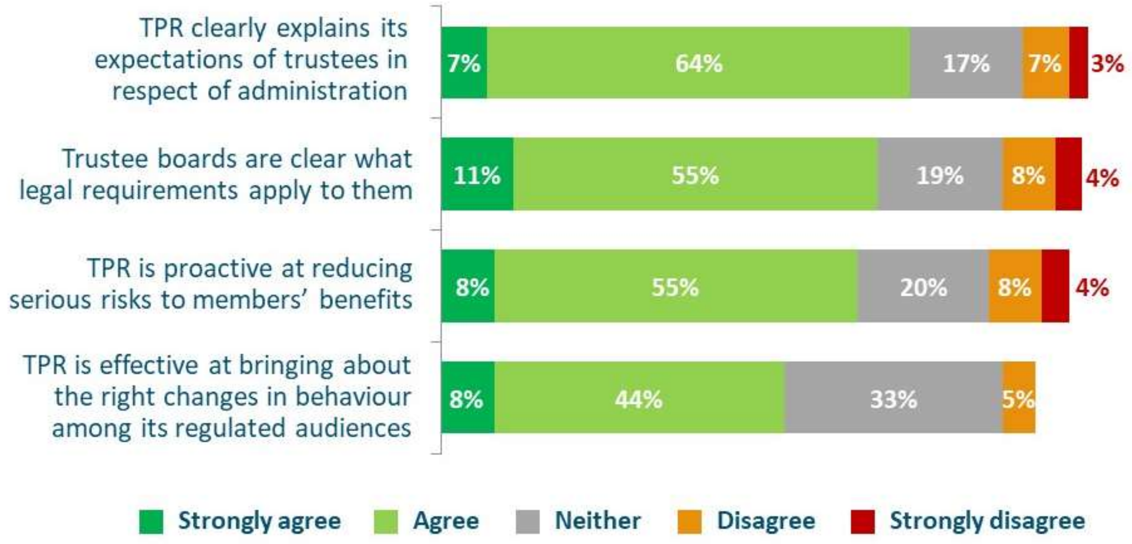
Agreement levels were lower for TPR being clear in setting its expectations of master trusts (69%), and around a fifth (19%) disagreed with this.

There were no changes in perceptions of master trust assurance and supervision since the 2019 survey.

3.8 Overall perceptions of TPR

Schemes were asked the extent to which they agreed or disagreed with four statements relating to TPR's approach and effectiveness, with results shown in Figure 3.8.1 below.

Figure 3.8.1 Overall perceptions of TPR



Base: All schemes (216, Don't know 2-9%)

Around two-thirds of schemes agreed that TPR clearly explained its expectations around administration (70%), trustee boards were clear on their legal requirements (66%) and TPR was proactive at reducing serious risks to members' benefits (63%). Agreement levels were lower for TPR being effective at bringing about the right changes in behaviour among its regulated audience (52%), although only 5% actively disagreed with this.

Table 3.8.1 provides analysis of agreement levels by scheme size.

Table 3.8.1 Overall perceptions of TPR – by scheme size

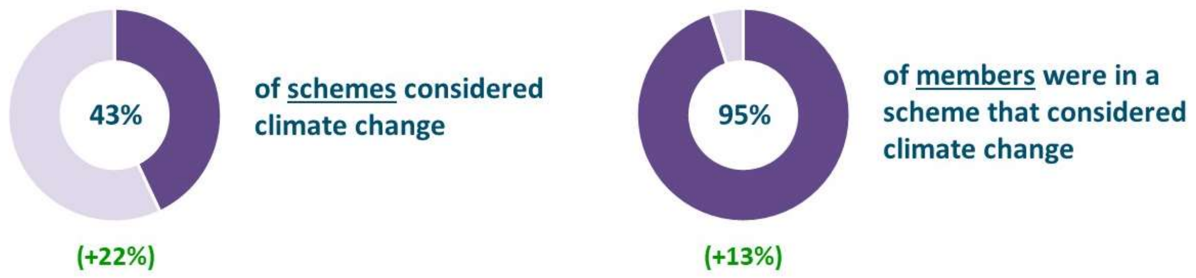
Proportion agreeing that…	Micro	Small	Med	Large	Master
Base: All schemes	*48*	*43*	*45*	*64*	*16*
TPR clearly explains its expectations of trustees in respect of administration	68%	71%	78%	82%	81%
Trustee boards are clear what legal requirements apply to them	60%	73%	89%	87%	81%
TPR is proactive at reducing serious risks to members' benefits	60%	66%	75%	76%	75%
TPR is effective at bringing about the right changes in behaviour among its regulated audiences	49%	55%	61%	66%	75%

Master trusts, large and medium schemes generally had a more positive perception of TPR, particularly in comparison to micro schemes.

3.9 Consideration of climate change

Larger schemes with 100+ members and all schemes currently used for automatic enrolment were asked whether they took climate change into account when formulating their investment strategies and approach (Figure 3.9.1).

Figure 3.9.1 Consideration of climate change in investment strategies



Base: All schemes with 100+ members or used for AE (Base, Don't know)
Scheme total (140, 10%), Member total (140, 0%)
Statistically significant differences from 2019 are highlighted in red or green

Two-fifths of schemes (43%) took climate change into account when formulating their investment strategies and approach, but 95% of all members were in a scheme that did so. This is because the vast majority of members are in master trusts, and 94% of master trusts took account of climate change (compared with 70% of large schemes, 49% of medium schemes and 8% of small and micro schemes used for automatic enrolment).

The proportion of schemes that considered climate change increased since 2019 (+22 percentage points), equating to an increase of +13 percentage points in the proportion of members that were in a scheme that did this.

Schemes that took account of climate change were asked what actions they had taken in this regard, as summarised in Table 3.9.1.

Table 3.9.1 Actions taken in relation to climate change

	Total	
Base: All that took account of climate change	*87*	
Discussed at a board meeting or with the trustees	97%	+22%
Discussed with an adviser	92%	+30%
Discussed with the administrator or service provider	54%	-4%
Added climate-related risks to your risk register	48%	+5%
Engaged with members on how the scheme is responding to climate change and its implications	26%	-5%
Assigned responsibility for climate-related issues to trustee or sub-committee	22%	-2%
Any other actions	26%	+7%
Don't know	2%	-14%

Statistically significant differences from 2019 are highlighted in red or green

Almost all schemes that took climate change into account had discussed the matter with trustees (97%) and advisers (92%), and in both cases this had increased since 2019. In addition, around half of schemes had discussed climate change with their administrators/service providers (54%) and had added climate related risks to their risk register (48%).

However, fewer had engaged with members on the topic (26%) or allocated responsibility for climate-related issues to a particular trustee or sub-committee (22%).

Those schemes that did not take account of climate change in their investment strategies were asked for their reasons, with the results set out in Table 3.9.2 below.

Table 3.9.2 Reasons for not considering climate change in the scheme's investment strategies

	Total	
Base: All that did not take account of climate change	*46*	
Not relevant to our scheme	21%	-14%
Preparing/planning to review this	19%	+12%
Not thought about it	9%	0%
Other priorities / not enough time	5%	-9%
No demand from members to consider it	5%	+3%
Not an option for our scheme (e.g. investment choice too narrow)	4%	+2%
Not required to do this	4%	-11%
Would provide lower return on investment for members	3%	-1%
Planning to wind up scheme	3%	+1%
Other reason	26%	+18%
Don't know	7%	-1%

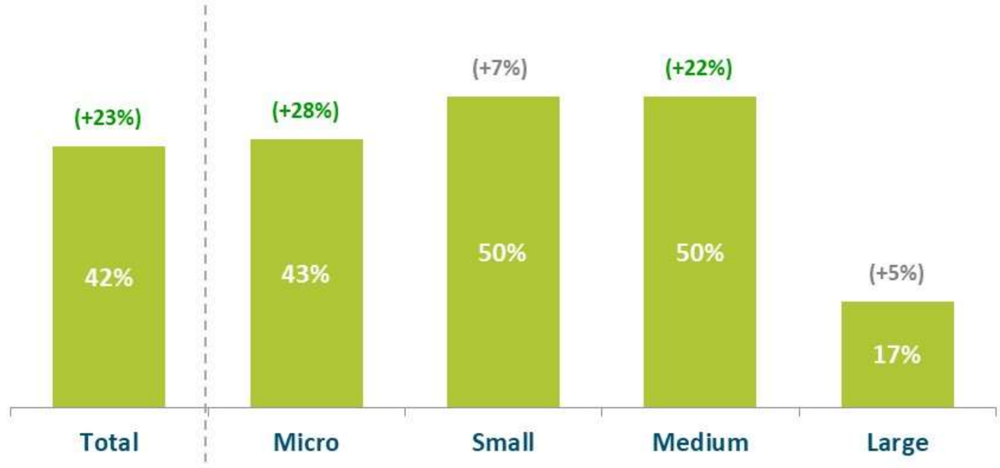
Statistically significant differences from 2019 are highlighted in red or green

The primary reasons given for not considering climate change were that it was not felt to be relevant to their scheme (mentioned by 21%) or that they were planning to review it (19%, an increase of +12 percentage points from 2019).

3.10 Consideration of scheme wind up

The survey sample excluded schemes that had wound up or were in the process of winding up. However, schemes were asked whether their trustee board had ever considered winding up the scheme, and Figure 3.10.1 shows the proportion that had done so. Please note that master trusts were not asked this question.

Figure 3.10.1 Proportion of schemes that had considered winding up



Base: All except master trusts (Base, Don't know)
Total (200, 0%), Micro (48, 0%), Small (43, 0%), Med (45, 0%), Large (64, 0%)

Two-fifths (42%) of these schemes had considered winding up, an increase of +23 percentage points since 2019, mainly driven by micro and medium schemes. Large schemes were least likely to have considered winding up (17%).

Table 3.10.1 shows that the reasons for considering winding up were similar to those given in 2019, with the main driver being the time and cost required to manage and run the scheme (mentioned by 31%).

Table 3.10.1 Reasons for considering winding up

Top mentions (3%+)	Total	
Base: All that had considered winding up	*77*	
Time/cost required to manage & run the scheme	31%	+1%
Scheme is closed/paid-up/an old scheme	19%	+5%
Unable to meet required governance standards	16%	+8%
Don't feel scheme provides value for members	15%	-12%
Too few members	14%	-2%
Original employer no longer operating / scheme was an acquisition	6%	-6%

Statistically significant differences from 2019 are highlighted in red or green

As detailed in Table 3.10.2, when asked why they had not yet wound up the scheme the main barriers were identified as time constraints (20%), the decision still being considered (15%) and waiting for members to retire or leave the scheme (15%).

Table 3.10.2 Barriers to winding up

Top mentions (3%+)	Total	
Base: All that had considered winding up	*77*	
Lack of time	20%	-3%
Still under review / consideration	15%	+9%
Waiting for members to retire / leave the scheme	15%	+15%
Haven't got round to it / triggered it yet (& no other reason)	10%	0%
Sponsoring employer cannot afford wind up costs	6%	-10%
Financial reasons	6%	+6%
Difficulty tracking down members / gaining consent to be transferred	5%	-10%
Difficulty dealing with providers / obtaining required info from providers	4%	+4%
Scheme is invested in 'with profits' funds & members would incur penalties	3%	-3%

Statistically significant differences from 2019 are highlighted in red or green