Defined Benefit Survey 2020

Research report

Prepared for The Pensions Regulator by OMB Research
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OMB Research Limited – The Stables, Bradbourne House, East Malling, West Malling, Kent, ME19 6DZ
T: 01732 220582 E: info@ombresearch.co.uk W: www.ombresearch.co.uk

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1 Executive summary

1.1 Introduction

This report summarises results from The Pensions Regulator's (TPR's) Defined Benefit survey, carried out between October and November 2020. The survey was conducted by OMB Research, an independent market research agency, on behalf of TPR.

The survey comprised quantitative interviews with 250 individuals, primarily lay and professional trustees, involved in managing Defined Benefit (DB) pension schemes[1]. In this report, actions taken by the trustees or others running the scheme are referred to as being taken by the scheme.

The primary objectives of the survey were to provide TPR with greater understanding of schemes' administration practices and strategies, their approach to cyber security, the extent to which they were meeting the new duties introduced by the Competition and Markets Authority (CMA), and the actions they were taking in relation to climate-related risks and opportunities.

1.2 Key findings

1.2.1 Almost all DB schemes regularly discussed administration at trustee board meetings, and most had an administration strategy

Overall, 98% of schemes reported that they included administration on the agenda at trustee board meetings at least annually, and 49% did so every quarter (increasing to 89% of large schemes).

Two-thirds (65%) of schemes had an administration strategy. Over 90% described the following as important administration objectives: meeting TPR's expectations, implementing legislative change, and addressing issues that impaired their ability to run the scheme effectively.

Trustee boards reported they became aware of new administration requirements from a wide range of different sources, but the primary channel was the scheme's administrator (55%). Other common sources included actuaries (34%), legal advisers (29%), letters or emails from TPR (24%) and other advisers (22%).

1.2.2 Schemes typically used a range of methods to measure administrator performance, but most had little knowledge of the accreditations and standards held by their administrator

The most common methods of measuring administrator performance were assessing project delivery against initially agreed time and cost (81%) and performance against a service level agreement (SLA) or service schedule (80%). Over two-thirds of schemes also monitored complaints volumes and trends, audited administration functions and systems, conducted analysis of errors and tested the accuracy of calculations.

Large and medium schemes tended to use a wider range of methods to measure administrator performance, while a minority of micro schemes (13%) did not adopt any of the controls we asked about.

[1] The survey population included hybrid pension schemes, which include both Defined Benefit and Defined Contribution benefits.

The majority of respondents believed that their administrator complied with the PSIG[2] code of practice (76%) and with the PASA[3] code of conduct on administration provider transfers (56%). However, most had little or no knowledge of the other accreditations held by their administrator or the standards they complied with (ISO 9001[4], ISO 27001[5], Cyber Essentials[6], PMI accreditation[7], etc.). This lack of knowledge was evident across all sizes of scheme.

1.2.3 The vast majority of schemes identifying data issues had taken action to address them, and there was a high degree of confidence in their administrator's business continuity plans

Approaching a third of DB schemes (29%) had identified data quality issues in the previous two years, and this increased with scheme size (ranging from 6% of micro to 44% of large schemes). Among those identifying data issues, 97% had taken some form of action in the previous 12 months to address these.

Overall, 95% of schemes outsourced administration to a third-party administrator (TPA). Almost all of these schemes (98%) were satisfied that their TPA's business continuity plan was adequate.

1.2.4 A quarter of schemes offered online access to members

One in four schemes (25%) offered online access to members and most of that 25% offered online access to both active and deferred members (16%). Large schemes were most likely to offer online access (37%).

1.2.5 There was a broad consensus that TPR sets clear expectations on administration

Around nine in ten schemes (88%) agreed that TPR clearly explains its expectations of trustees around administration. Most of the remainder neither agreed nor disagreed, while less than 1% disagreed with this statement.

1.2.6 Most schemes had at least half of the recommended cyber security controls in place, and over a third had all of them

Schemes were asked about ten specific controls to protect their data and assets from cyber risk; 39% reported they had all of these in place and 95% had at least half of them. Large schemes typically had more comprehensive cyber security measures (59% had at all 10 controls in place).

Overall, 14% of schemes indicated that they had experienced some form of cyber attack or breach in the previous 12 months. Across all sizes of scheme, the most common type of cyber breach/attack was staff receiving fraudulent emails or being directed to fraudulent websites (9%).

Of those schemes that had experienced cyber breaches/attacks in the previous 12 months, almost a fifth (17%) reported a negative impact, equating to 2% of all DB schemes. The most common impacts were personal data being altered, destroyed or

[2] Pension Scams Industry Group
[3] Pensions Administration Standards Association
[4] ISO 9001 is the international standard for quality management systems
[5] ISO 27001 is the international information security standard
[6] Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats
[7] Pensions Management Institute

taken (7%), temporary loss of access to files or networks (7%) and software/systems being corrupted or damaged (5%).

1.2.7 Three-quarters of respondents were aware of the new Competition and Market Authority (CMA) duties and two-thirds had read TPR's supporting guides

Overall, 78% of respondents were aware of the new CMA duties on setting objectives for providers of investment consultancy services and tendering for fiduciary management services. A similar proportion (75%) were aware of the guides produced by TPR to support trustees in meeting these duties, and 65% had read these guides. Awareness of both the duties and the supporting guides increased with scheme size.

The vast majority (94%) of DB schemes had received investment advice that was subject to the new CMA duties, and 98% of these had set objectives for their investment advisers.

Approaching half of schemes (44%) had a fiduciary manager in place, and a further 6% were searching for one or considering fiduciary management in the next 12 months. Two-thirds (66%) of those with a fiduciary manager had selected them via competitive tender. The main reasons given by respondents for not doing this were that the scheme had an established relationship with the provider or had appointed them before this became a requirement.

1.2.8 Half of DB schemes had assessed the financial risks and opportunities of climate change, but comparatively few had taken specific actions, implemented processes to manage climate-related issues or considered this in their investment and funding strategies

Half of schemes (49%) indicated that they had allocated time or resources to assessing any financial risks or opportunities associated with climate change. The likelihood of doing so increased with scheme size, ranging from 19% of micro to 70% of large schemes.

However, a lower proportion had assessed the risks/opportunities from particular climate-related scenarios (20%), assessed their portfolio's potential contribution to global warming (13%) or tracked the carbon intensity of their portfolio (8%). Similarly, a minority had processes to manage climate-related risks and opportunities; 21% had included climate-related risks to their risk register, 19% regularly covered climate-related issues at trustee meetings, 16% included, monitored and reviewed targets in their climate policy, and 12% had assigned responsibility for climate issues to a trustee or sub-committee.

Few schemes gave significant consideration to climate change in their investment and funding strategies. Where this did occur, it was most likely to focus on the sponsoring employer's exposure to climate-related factors (30% considered this to a significant extent). Fewer schemes had devoted significant consideration to climate-related opportunities (20%), transition risks (18%) or physical risks (13%).

1.2.9 Stewardship actions on climate change were more widespread, but awareness of the Taskforce on Climate-related Financial Disclosures (TCFD) and uptake of its recommended disclosures was relatively low

Two-fifths (41%) of schemes had talked to their advisers and asset managers about how climate-related factors are built into their engagement and voting policies, and a third (34%) would do so when appointing new advisers/asset managers. Approaching one in five schemes (17%) set out their expectations on climate stewardship/approaches in legal documents when outsourcing activities.

Around one in ten schemes had participated in collaborative engagement efforts on climate change (9%) or signed the UK Stewardship Code (9%).

Approaching a third of schemes (29%) were aware of the work of the TCFD while 8% made the disclosures it recommends.

2 Background and methodology

2.1 Objectives

The objectives of the survey were to:

- Understand DB schemes' current administration practices and strategies, and the relationship between trustees and scheme administrators;
- Monitor the cyber security controls that schemes had in place and any breaches/attacks experienced;
- Measure the extent to which 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];
- Determine the extent to which schemes assessed, managed and prioritised climate-related risks and opportunities.

In addition, the survey sought to identify how the above differed between different sizes of DB schemes.

2.2 Methodology

The survey was conducted between 5 October and 2 November 2020 by OMB Research, an independent market research agency. A total of 250 telephone interviews were completed with individuals who were involved in managing DB pension schemes. The majority of those interviewed were lay trustees (78%) or professional trustees (13%). A small number of the interviews were conducted with pension scheme managers (8%) and those responsible for making decisions about the company pension scheme from the employer's perspective (1%).

Interviews lasted on average 20 minutes, with respondents completing the survey in relation to a pre-specified pension scheme that they were associated with. In this report, actions taken by the respondents are referred to as being taken by the scheme.

The survey sample was provided by TPR, and was de-duplicated by OMB to ensure that no individual was included more than once. The sample consisted of open, closed and paid-up schemes, as well as those that were in the process of winding up or merging with another scheme. However, schemes that had been wound up were excluded. The sample also excluded any schemes that had been selected for other recent TPR surveys in order to manage survey burden.

Quotas were set on scheme size (based on number of members) to ensure that the achieved interviews were broadly representative of the total population of DB schemes and, where possible, to allow for comparisons to be made across the different size bands.

Table 2.2.1 shows the size profile of the DB scheme population (including hybrid schemes), the available sample (after excluding those schemes contacted for other TPR surveys) and the achieved interviews.

[8] As set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Table 2.2.1 Interview profile

Scheme size	Universe		Available sample[9]		Interviews	
	Number	%	Number	%	Number	%
Micro (<12 members)	491	8%	94	8%	16	6%
Small (12-99 members)	1,721	30%	421	35%	87	35%
Medium (100-999 members)	2,388	41%	590	49%	120	48%
Large (1,000+ members)	1,206	21%	107	9%	27	11%
Total	**5,806**	**100%**	**1,212**	**100%**	**250**	**100%**

2.3 Analysis and reporting conventions

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

The responses given in the survey reflect specific approaches that have been carried out by the individual schemes.

To ensure that results are representative of the overall scheme population, all data has been weighted based on the total number of schemes in each size category. 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. Although results have been shown separately for micro schemes these are based on just 16 interviews so the results should be interpreted with caution. Similarly, some questions were only asked to a subset of the sample and the low base sizes should be considered when interpreting these results.

The data presented in this report is from a sample of DB schemes rather than the total population. This means the results are subject to sampling error. Differences between groups are typically only commented on if they are statistically significant at the 95% confidence level; this means there is no more than a five percent chance that any reported differences are not real but a consequence of sampling error[10].

Please note that the figures in individual charts and tables may not sum to 100% due to rounding and/or because respondents were able to select more than one answer to a question.

[9] The available sample was notably different than the DB universe due to schemes being contacted for other recent TPR research, with interview split being similar to this available sample. Due to this the base of micro schemes is quite low (16).

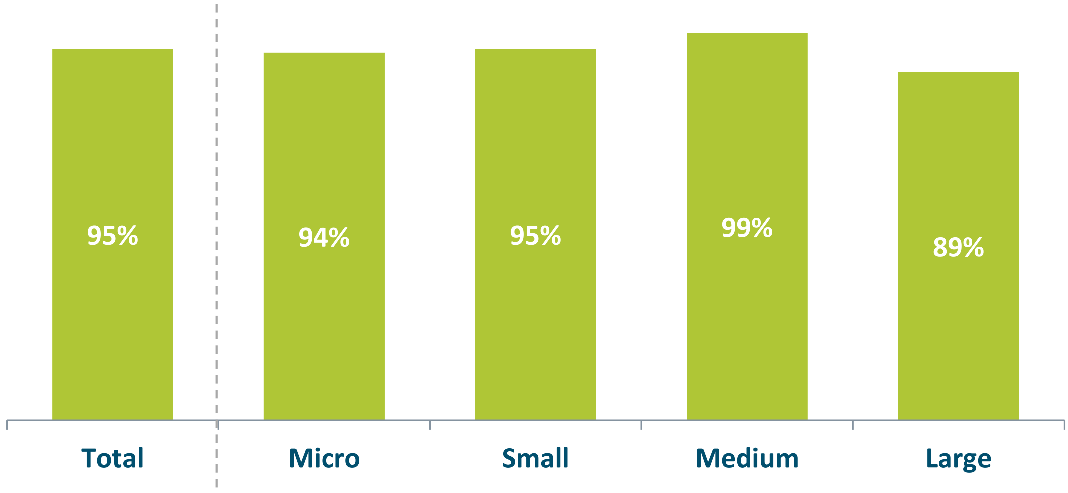
[10] Strictly speaking, calculations of statistical significance apply only to samples that have been selected using probability sampling methods. However, in practice it is reasonable to assume that these calculations provide a good indication of significant differences in quota surveys like this one.

3 Research findings

3.1 Administration

Schemes were asked if they outsourced any aspect of their administration to a third-party administrator (TPA). Figures 3.1.1 shows that the vast majority (95%) of DB schemes did so, and this was true of across all size bands (89%+).

Figure 3.1.1 Proportion using a TPA for any aspect of scheme administration

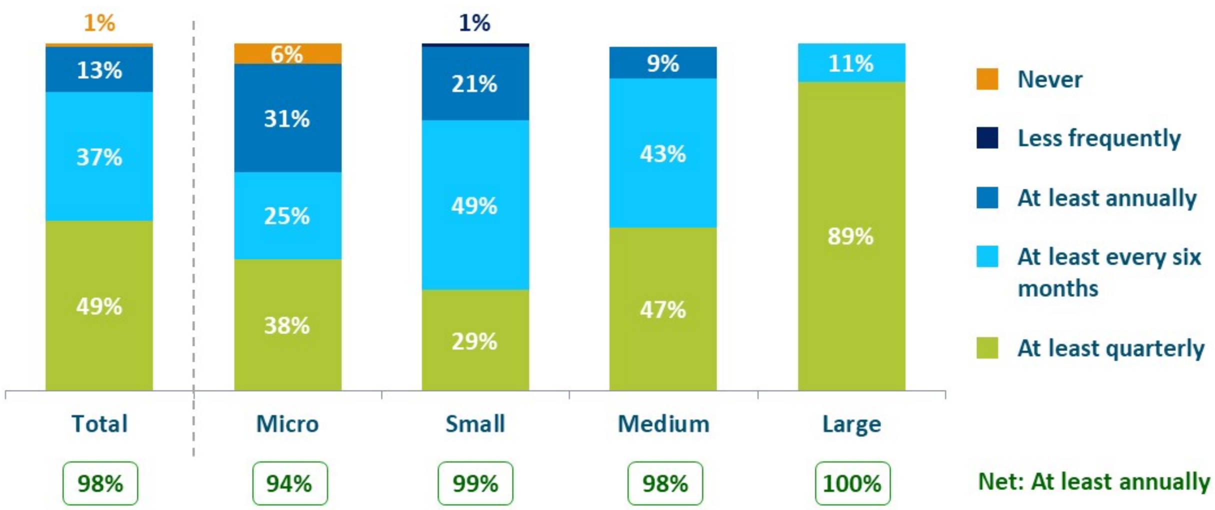


Base: All respondents (Base, Don't know)
Total (250, 0%), Micro (16, 0%), Small (87, 0%), Medium (120, 0%), Large (27, 0%)

The 5% of schemes that did not use a TPA equated to nine respondents. Two of these indicated that they expected to outsource some of their scheme administration over the next three years.

All schemes were then asked the frequency with which administration was included as a dedicated agenda item on the agenda at trustee board meetings, with results shown in Figure 3.1.2.

Figure 3.1.2 Frequency of discussing administration at trustee board meetings



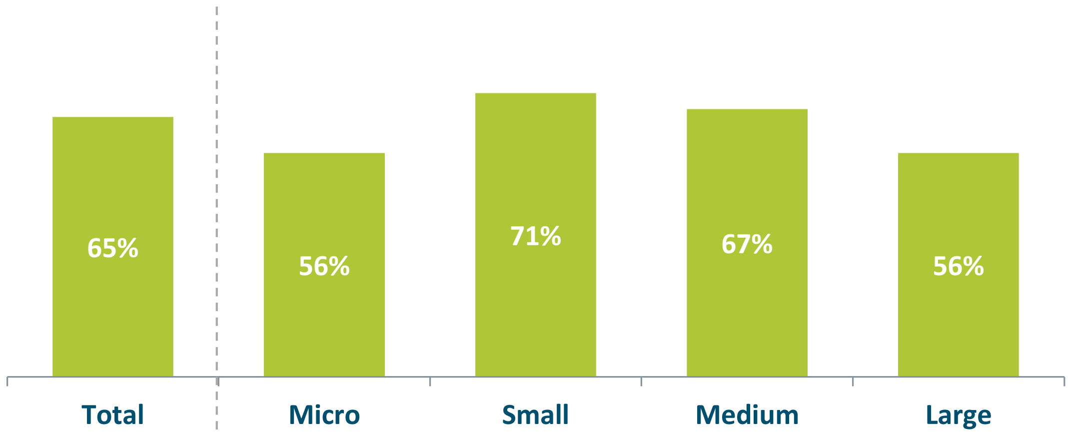
Base: All respondents (Base, Don't know)
Total (250, 1%), Micro (16, 0%), Small (87, 0%), Medium (120, 2%), Large (27, 0%)

Overall, 98% of schemes reported that they included administration on the agenda at trustee board meetings at least annually. While the proportion discussing it at least annually was similar for the different scheme sizes, large schemes were most likely to cover this every quarter (89%).

A minority (6%) of micro schemes indicated that administration was never included on the agenda at board meetings.

Figure 3.1.3 shows that two-thirds (65%) of DB schemes had an administration strategy in place. There was no consistent pattern by scheme size in this respect.

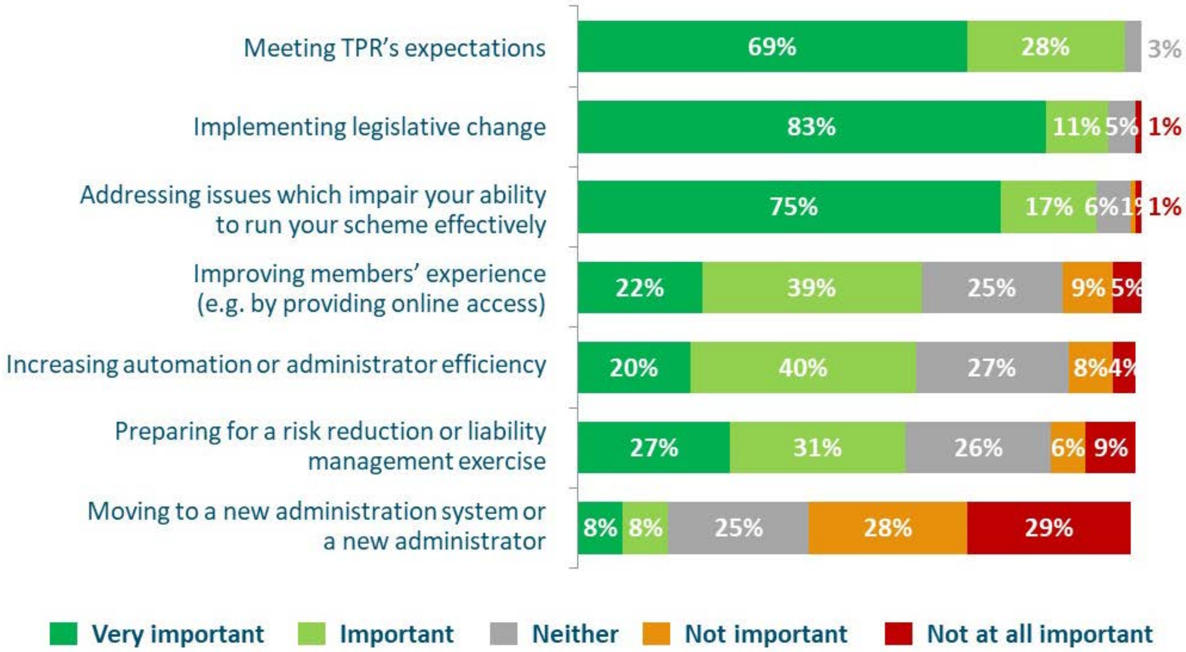
Figure 3.1.3 Proportion of schemes with an administration strategy



Base: All respondents (Base, Don't know)
Total (250, 1%), Micro (16, 0%), Small (87, 2%), Medium (120, 2%), Large (27, 0%)

Respondents were also asked about their scheme's administration objectives, as summarised in Figure 3.1.4.

Figure 3.1.4 Administration objectives



Base: All respondents (Base, Don't know)
Total (250, 0%-2%)

Almost all schemes felt that meeting TPR’s expectations (97%), implementing legislative change (94%) and addressing issues which impaired their ability to run the scheme effectively (92%) were important objectives (with most describing these as ‘very important’).

Over half of schemes also deemed improving members’ experience (61%), increasing automation or administrator efficiency (60%) and preparing for a risk reduction or liability management exercise (57%) as important. In contrast, less than a fifth (16%) of schemes were focussed on moving to a new administration system or a new administrator.

There is evidence that larger schemes were more likely to consider these objectives important (Table 3.1.1). This was particularly true of improving members’ experience (ranging from 85% of large to 38% of micro schemes) and increasing automation or efficiency (from 74% of large to 38% of micro schemes).

Table 3.1.1 Administration objectives – by scheme size

Proportion rating as important	Micro	Small	Medium	Large
Meeting TPR’s expectations	94%	94%	98%	100%
Implementing legislative change	81%	92%	99%	93%
Addressing issues which impair your ability to run your scheme effectively	75%	84%	99%	96%
Improving members’ experience	38%	41%	67%	85%
Increasing automation or administrator efficiency	38%	48%	65%	74%
Preparing for a risk reduction or liability management exercise	50%	64%	55%	56%
Moving to a new administration system or a new administrator	19%	10%	15%	26%

Base: All respondents (Base, Don’t know)
Micro (16, 0%-6%), Small (87, 0%-1%), Medium (120, 0%-3%), Large (27, 0%)

As detailed in Figure 3.1.5, DB trustee boards became aware of new administration requirements from a wide range of different sources. The primary channel was the scheme’s administrator (55%), followed by actuaries (34%), legal advisers (29%), letters or emails from TPR (24%), and other advisers (22%). When asked to provide details of the specific type of other adviser, most mentioned pension advisers/consultants (11%) or investment advisers/consultants (8%).

Approaching a fifth of schemes (18%) mentioned an ‘other’ source, and this was most likely to be in-house teams or knowledge (10%).

Figure 3.1.5 Sources of awareness of new administration requirements

Base: All respondents (Base, Don't know)
Total (250, 0%)

Table 3.1.2 shows that trustee boards of micro, small and medium schemes were all most likely to become aware of new requirements from their administrator (44-58%). While this was still an important channel for large schemes (48%), this group were more likely to be alerted to new administration requirements by their legal advisers (59%) and actuaries (56%). Large schemes also appeared less reliant on TPR letters or emails (11%, compared with 25-31% of smaller schemes).

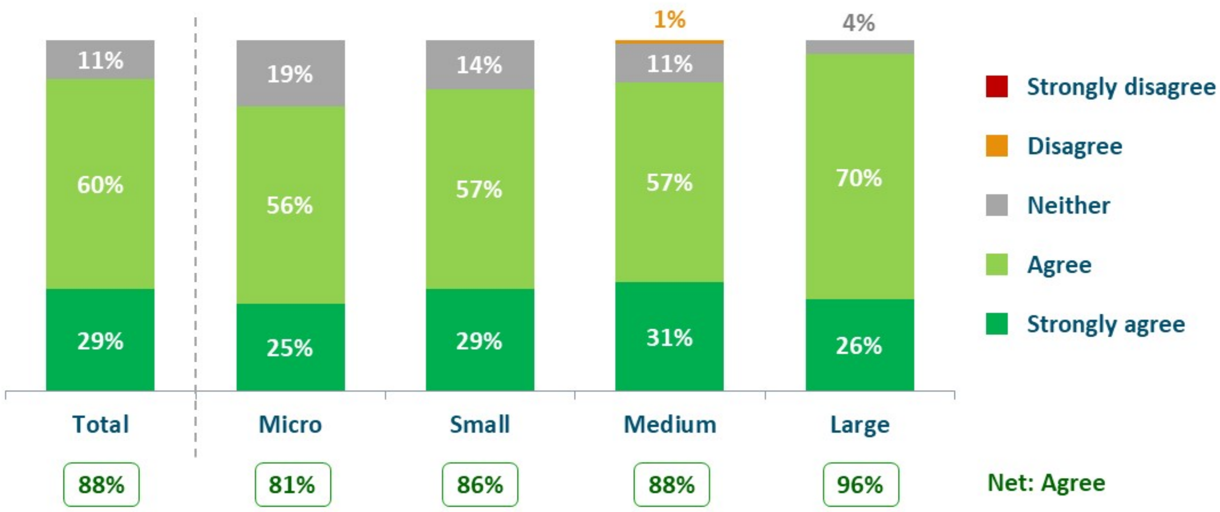
Table 3.1.2 Sources of awareness of new administration requirements – by scheme size

	Micro	Small	Medium	Large
Administrator	44%	57%	58%	48%
Actuary	25%	25%	32%	56%
Legal adviser	13%	11%	29%	59%
TPR letters / emails	31%	31%	25%	11%
Another adviser	25%	9%	28%	26%
TPR website	13%	18%	11%	15%
Professional trustee	0%	13%	10%	15%
Trade press / publications	6%	6%	3%	4%
Employee benefit consultant	0%	0%	3%	0%
Industry body	0%	2%	1%	0%
Other	25%	17%	15%	22%

Base: All respondents (Base, Don't know)
Micro (16, 0%), Small (87, 0%), Medium (120, 0%), Large (27, 0%)

Figure 3.1.6 shows that the majority of schemes (88%) agreed that 'TPR clearly explains its expectations of trustees in respect of administration'. This was true of all sizes of scheme.

Figure 3.1.6 Agreement that 'TPR clearly explains its expectations of trustees in respect of administration'



Base: All respondents (Base)
Total (250, 0%), Micro (16, 0%), Small (87, 0%), Medium (120, 1%), Large (27, 0%)

Respondents were asked which methods they used to measure the performance of the scheme's administrator (Table 3.1.3).

Table 3.1.3 Measurement of administrator performance

	Total	Micro	Small	Medium	Large
Assessing project delivery against initially agreed time and cost	**81%**	69%	74%	84%	89%
Performance against a service level agreement or service schedule	**80%**	75%	66%	84%	96%
Complaints volumes and trends	**74%**	56%	54%	82%	93%
Auditing administration functions and systems	**70%**	56%	67%	73%	78%
Analysis of errors	**69%**	44%	66%	72%	78%
Testing the accuracy of calculations	**67%**	56%	54%	67%	93%
Member satisfaction ratings	**45%**	56%	30%	46%	59%
Volumes of re-work required	**41%**	38%	39%	38%	52%
Benchmarking against the market	**39%**	50%	40%	40%	30%
'Right first time' statistics	**34%**	31%	30%	37%	37%
None of these (or don't know)	**3%**	13%	6%	2%	0%

Base: All respondents (Base)
Total (250), Micro (16), Small (87), Medium (120), Large (27)

The most widespread approaches were assessing project delivery against initially agreed time and cost (81%) and performance against an SLA or service schedule (80%).

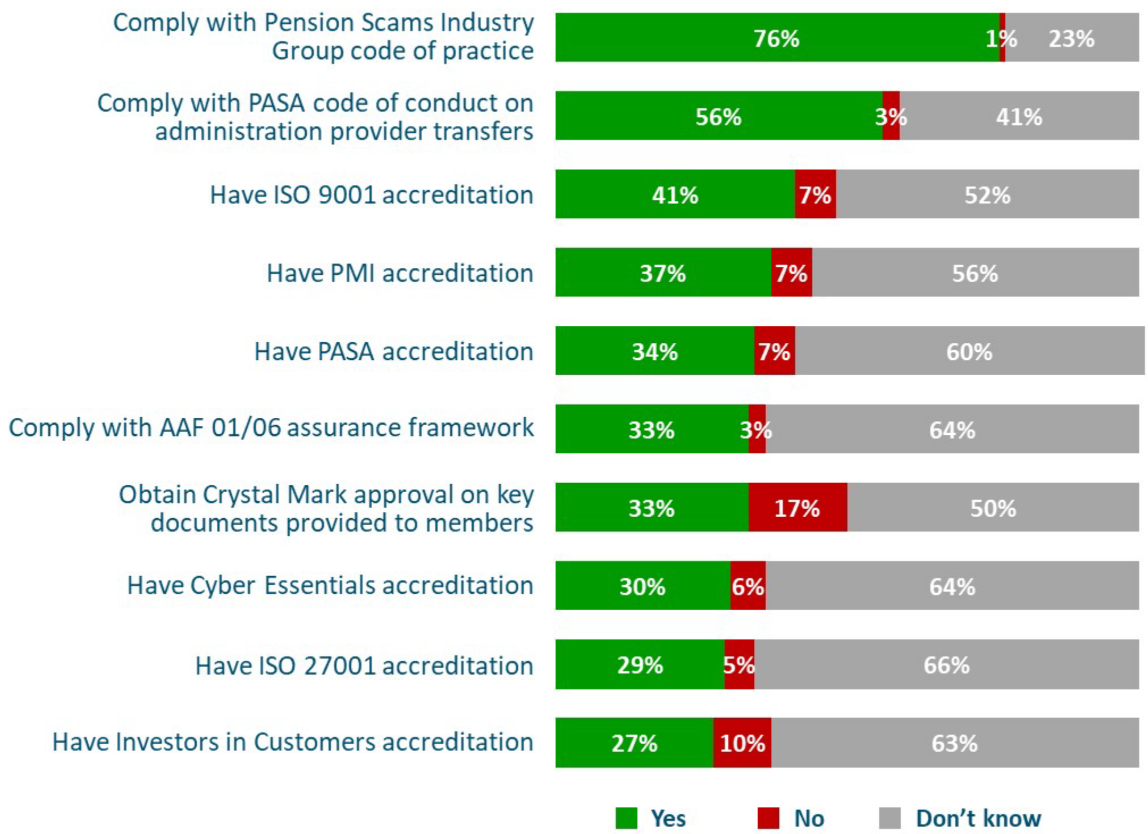
At least two-thirds of schemes also monitored complaints volumes and trends (74%), audited administration functions and systems (70%), conducted analysis of errors (69%) and tested the accuracy of calculations (67%).

Large and medium schemes tended to use a wider range of methods than micro and small schemes. Large schemes were particularly likely to monitor administrator performance by checking performance against an SLA or service schedule (96%), complaints volumes and trends (93%) and testing the accuracy of calculations (93%).

A minority of micro schemes (13%) did not adopt any of the specified methods to measure administrator performance (or were unaware whether they did so). This was also the case for 6% of small and 2% of medium schemes.

Respondents were also asked whether the scheme's administrator held various accreditations and standards, with results shown in Figure 3.1.7.

Figure 3.1.7 Administrator accreditations and standards



Base: All respondents (250)

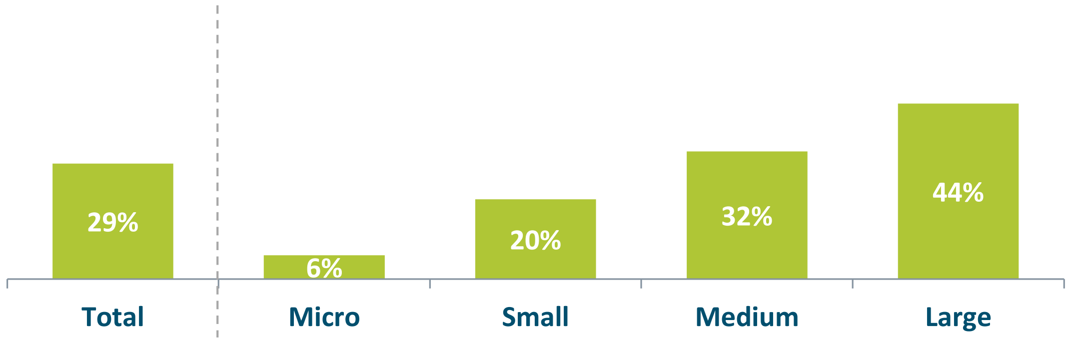
Most schemes had little or no knowledge of the accreditations held by their administrator or the standards they complied with, as demonstrated by the high proportion of "don't know" responses at this question (ranging from 23% to 66% for the various accreditations/standards).

However, notwithstanding the high levels of respondent uncertainty, the majority believed that their administrator complied with the Pension Scams Industry Group (PSIG) code of practice (76%) and with the Pensions Administration Standards Association (PASA) code of conduct on administration provider transfers (56%). For all of the other accreditations/standards, schemes were more likely than not to indicate that their administrator held or complied with these (although the majority of respondents were unsure).

The lack of knowledge about their administrator's accreditations and standards (i.e. high levels of "don't know" responses) was evident for all sizes of scheme, and there were few consistent differences in the proportions reporting that their administrator held or complied with each one. The one exception to this was the PSIG code of practice; every large scheme (100%) indicated that their administrator complied with this, compared with 63% of micro, 64% of small and 74% of medium schemes.

Figure 3.1.8 shows the proportion of schemes that had identified any issues with the quality of their data in the previous two years. Approaching a third of all schemes (29%) indicated that this was the case, and the likelihood of identifying data issues broadly reflected the total number of scheme members (6% of micro, 20% of small, 32% of medium and 44% of large schemes).

Figure 3.1.8 Proportion of schemes identifying issues with the quality of data

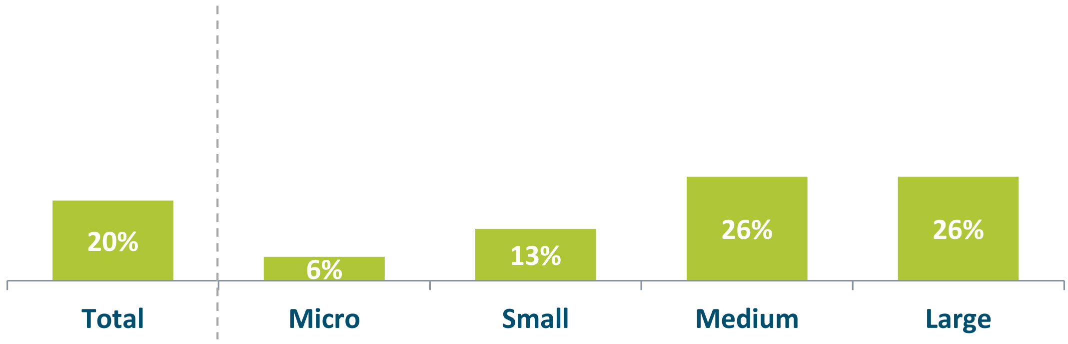


Base: All respondents (Base)
Total (250, 1%), Micro (16, 0%), Small (87, 0%), Medium (120, 2%), Large (27, 0%)

Among those that had identified data quality issues, 97% had taken some form of action in the previous 12 months to address these; 75% had implemented a new or updated data improvement plan and 96% 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.

As set out in Figure 3.1.9, a fifth of DB schemes (20%) offered members access to a free-standing Additional Voluntary Contribution (AVC) product. This applied to around a quarter (26%) of large and medium schemes but was less common among small and micro schemes (6% and 13% respectively).

Figure 3.1.9 Proportion of schemes offering access to a free-standing AVC product



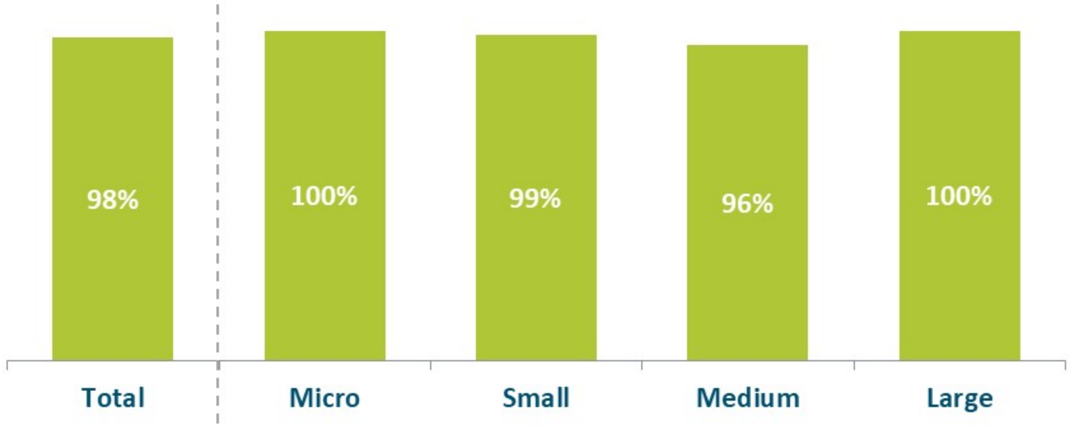
Base: All respondents (Base)
Total (250, 2%), Micro (16, 6%), Small (87, 3%), Medium (120, 0%), Large (27, 0%)

Among those schemes that offered access to a free-standing AVC product, the main providers used were Utmost Life & Pension (14%), Legal & General (13%), Aviva (12%), Prudential (9%), Aegon (8%) and Standard Life (7%). Around a third (30%) did not know who their provider was.

Two-thirds (65%) of this group monitored the performance of their AVC provider(s) via general performance reports, over half (55%) used benchmarking against the market and a third (35%) used performance reports specific to the scheme's members. One in ten (10%) did not use any of these methods to monitor provider performance.

Schemes that used a third-party administrator were asked if the trustee board was satisfied with the adequacy of its TPA's business continuity plan. As detailed in Figure 3.1.10, the vast majority (98%) agreed that their TPA's plan was adequate, with little difference by scheme size.

Figure 3.1.10 Proportion of schemes satisfied that their TPA's business continuity plan is adequate



Base: All with TPA (Base, Don't know)
Total (241, 1%), Micro (15, 0%), Small (83, 0%), Medium (119, 2%), Large (24, 0%)

Six of the nine respondents that did not use a TPA stated that the scheme had a documented business continuity plan in place.

As detailed in Table 3.1.5, a quarter (25%) of all schemes offered online access to members, ranging from 16% of small schemes to 37% of large schemes. In most cases this was available for both active and deferred members (16%), although large schemes were more likely to only offer online access to the latter (19%).

Table 3.1.5 Online access for members – by scheme size

	Total	Micro	Small	Medium	Large
Yes	**25%**	**25%**	**16%**	**26%**	**37%**
- For both active & deferred members	**16%**	19%	13%	18%	15%
- Just for active members	**3%**	6%	1%	3%	4%
- Just for deferred members	**7%**	0%	2%	5%	19%
No	**69%**	**69%**	**70%**	**73%**	**59%**

Base: All respondents (Base, Don't know)
Total (250, 6%), Micro (16, 6%), Small (87, 14%), Medium (120, 1%), Large (27, 4%)

3.2 Cyber security

Respondents were asked whether their scheme had ten specific controls in place to protect their data and assets from cyber risk, with results shown in Table 3.2.1.

Table 3.2.1 Scheme cyber controls

	Total	Micro	Small	Medium	Large
System controls & access restrictions in place	**93%**	88%	92%	94%	96%
Trustees assured themselves of third party providers' controls	**93%**	94%	90%	93%	100%
Critical systems & data regularly backed up	**90%**	81%	87%	92%	96%
Access to specialist skills & expertise to understand & manage risk	**88%**	94%	89%	84%	93%
Policies on data access, protection & the acceptable use of devices	**87%**	81%	84%	87%	93%
Cyber risk is on risk register & regularly reviewed	**85%**	81%	77%	86%	96%
Assessed which systems & parties are at risk	**80%**	81%	75%	80%	89%
Trustees receive regular updates on cyber risks, incidents & controls	**78%**	69%	69%	78%	96%
Incident response plan to deal with any incidents which occur	**76%**	81%	69%	73%	89%
At least one person with clear responsibility for cyber resilience	**70%**	75%	72%	66%	74%
All 10 of the cyber controls in place	**39%**	38%	26%	38%	59%
At least half of the cyber controls in place (5+)	**95%**	94%	91%	96%	100%
Mean number of cyber controls in place	**8.4**	8.3	8.0	8.3	9.2

Base: All respondents (Base, No controls or don't know)
Total (250, 1%), Micro (16, 0%), Small (87, 3%), Medium (120, 1%), Large (27, 0%)

DB schemes typically used a wide range of controls; 95% had at least half of the specified measures in place and over a third (39%) had all ten. The average was 8.4.

At least 90% of schemes reported that they had system controls and access restrictions in place, the trustees' assured themselves of third-party providers' controls, and critical systems and data were regularly backed up. While the other controls were also widely used, 30% of schemes had not allocated responsibility for cyber resilience to a particular individual and 24% did not have an incident response plan.

Every large scheme (100%) had implemented at least half of the specified cyber controls, and they were most likely to have all ten of these in place (59%, compared with 26-38% of smaller schemes). The difference between large schemes and other scheme sizes were most evident for including cyber risk on their risk register, trustees receiving regular updates on cyber issues, and having an incident response plan.

Respondents were also asked if the scheme had experienced any cyber breaches or attacks over the past 12 months (including at their TPA where applicable). As shown in Table 3.2.2, 14% of schemes had experienced some form of cyber breach or attack in this period, and this was most likely to have involved staff receiving fraudulent emails or being directed to fraudulent websites (9%). None of the other types of cyber security incident were experienced by more than 3% of schemes in the previous 12 months.

Table 3.2.2 Cyber breaches/attacks in last 12 months

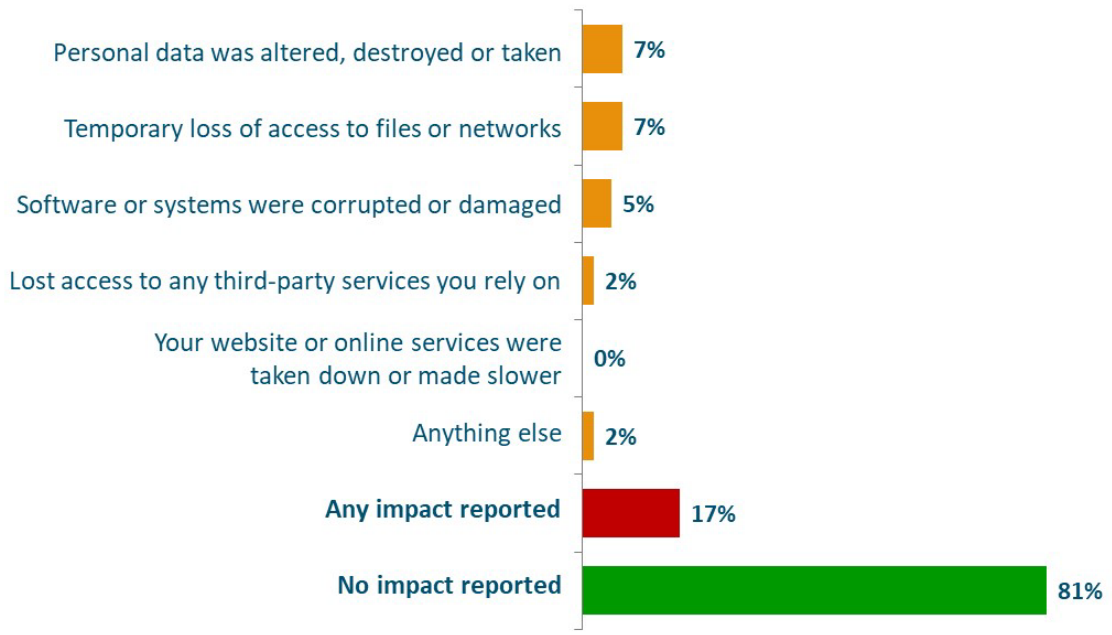
	Total	Micro	Small	Medium	Large
Staff receiving fraudulent emails/ being directed to fraudulent websites	**9%**	6%	13%	7%	11%
People within organisation impersonating key decision makers in emails	**3%**	6%	2%	2%	4%
Computers becoming infected with viruses, spyware or malware	**2%**	0%	3%	3%	0%
People impersonating your scheme externally in emails or online	**2%**	6%	2%	1%	0%
Attacks that try to take down your website or online services	**2%**	0%	2%	3%	0%
Computers becoming infected with ransomware	**1%**	0%	1%	2%	0%
Unauthorised use of computers, networks or servers by staff	**1%**	0%	0%	3%	0%
Any other types of cyber breaches or attacks	**2%**	0%	0%	3%	4%
Any cyber breaches/attacks in last 12 months	**14%**	6%	17%	12%	19%

Base: All respondents (Base)
Total (250) Micro (16), Small (87), Medium (120), Large (27)

Those schemes that had been subject to any cyber breaches or attacks were asked what, if anything, had happened as a result. Figure 3.2.1 shows that 17% of these schemes reported a negative impact. This equates to 2% of all DB schemes (as 14% reported any cyber security incidents in the previous 12 months).

The most commonly reported impacts were personal data being altered, destroyed or taken (7%), temporary loss of access to files or networks (7%) and software or systems being corrupted or damaged (5%). This equates to 1% of all DB schemes experiencing each of these impacts.

Figure 3.2.1 Impact of cyber breaches/attacks



Base: All experiencing cyber breaches/attacks (Base, Don't know)
Total (35, 2%)

3.3 New CMA requirements

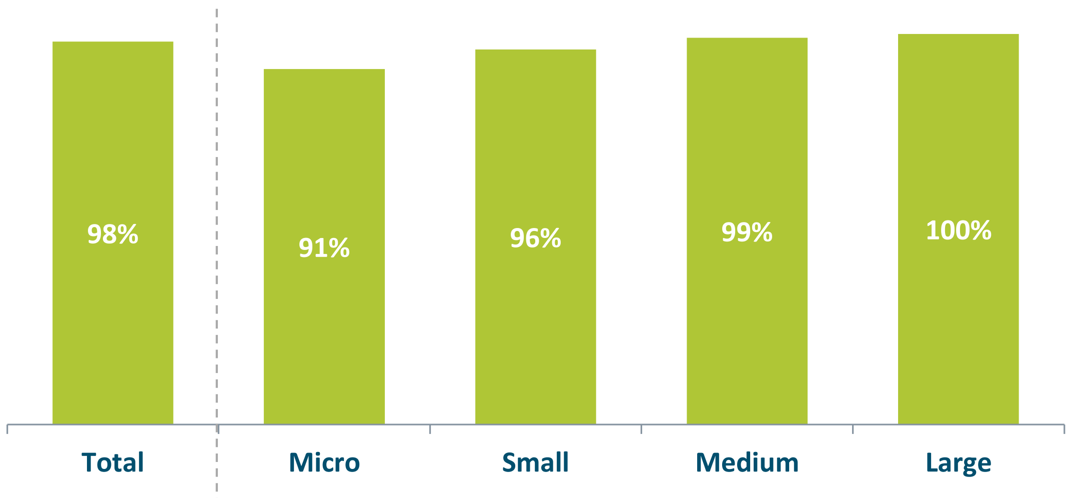
Overall, 94% of DB schemes received investment advice that was subject to the new Competition and Markets Authority (CMA) requirements on investment consultancy services[11].

For three-quarters of schemes (76%) this advice was provided by an investment consultant. A further 18% did not obtain advice from an investment consultant but received relevant investment advice[12] from an alternative source such as an actuary, investment manager or IFA. The remaining 6% of schemes either did not receive any investment advice or indicated that the advice received did not cover areas that were subject to the new CMA requirements.

Micro schemes were least likely to receive investment advice subject to the new CMA duties (69%, compared with 87% of small schemes and 100% of medium and large schemes).

Those that received investment advice covered by the CMA requirements were asked whether their scheme had set objectives for its investment advisers, with results shown in Figure 3.3.1 below.

Figure 3.3.1 Proportion setting objectives for investment advisers



Base: All receiving investment advice subject to CMA requirements (Base, Don't know)
Total (234, 1%), Micro (11, 9%), Small (76, 0%), Medium (120, 0%), Large (27, 0%)

The vast majority (98%) of those receiving investment advice subject to the new CMA duties had set objectives for their advisers. This ranged from 91% of micro schemes to 100% of large schemes.

[11] The CMA 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 (as set out in the Investment Consultancy and Fiduciary Management Market Investigation Order 2019).
[12] 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 3.3.1.

Table 3.3.1 Use of fiduciary management

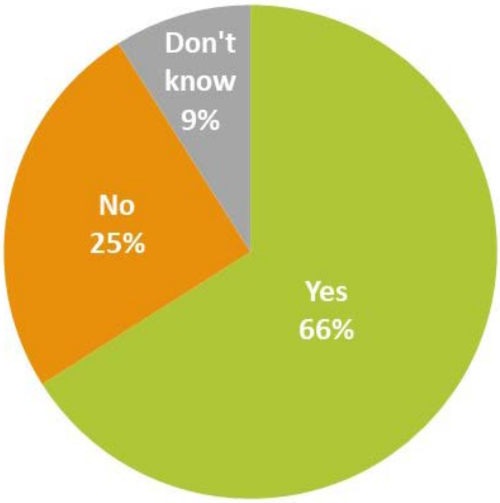
	Total	Micro	Small	Medium	Large
You currently have a fiduciary manager	**44%**	25%	45%	49%	41%
You are currently searching for a fiduciary manager	**1%**	0%	1%	1%	4%
You are considering fiduciary management in the next 12 months	**5%**	0%	5%	5%	7%
It's not something you are considering in the next 12 months	**45%**	69%	47%	40%	44%

Base: All respondents (Base, Don't know)
Total (250, 4%), Micro (16, 6%), Small (87, 2%), Medium (120, 5%), Large (27, 4%)

Approaching half of schemes (44%) currently had a fiduciary manager, and a further 6% were either searching for one or were considering fiduciary management in the next 12 months. This was less common among micro schemes, two-thirds (69%) of which did not have a fiduciary manager and were not considering appointing one.

Figure 3.3.2 details the proportion of those schemes with a fiduciary manager that had run a competitive tender process before selecting them.

Figure 3.3.2 Proportion that ran a competitive tender process before selecting a fiduciary manager



Base: All that currently had a fiduciary manager (113)

As shown above, two-thirds (66%) of those with a fiduciary manager had appointed them via a competitive tender process. Larger schemes were more likely to have done this (74% of medium/large schemes vs. 50% of micro/small).

Those schemes that did not run a competitive tender process when appointing their fiduciary manager were asked the reasons for this (Table 3.3.2). Around half of this group (47%) stated that they already had an established relationship and were happy with their provider, and a quarter (25%) had appointed their fiduciary manager before the competitive tender requirement came into force. Other reasons given included a perception that it was not relevant or applicable to their scheme (12%) and other priorities and/or a lack of time (6%).

Table 3.3.2 Reasons for not running a competitive tender process

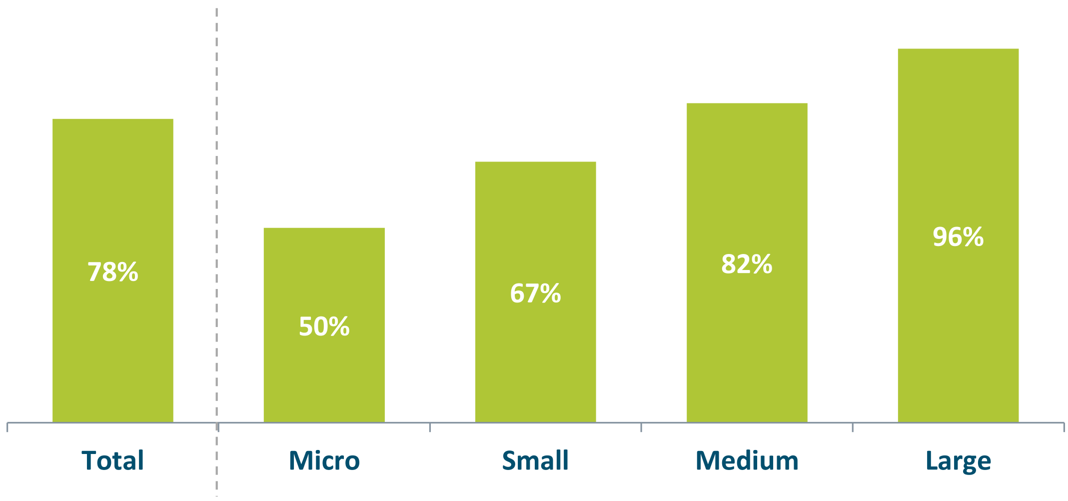
	Total
Had established relationship / happy with provider	**47%**
Appointed fiduciary manager before this became a requirement	**25%**
Not relevant / applicable to our scheme	**12%**
Other priorities / not enough time	**6%**
Other reason	**13%**

Base: All who appointed a fiduciary manager without using competitive tender process (Base, Don't know)
Total (29, 3%)

The 15 schemes that were considering fiduciary management or searching for a fiduciary manager were asked if they intended to run a competitive process if/when they decided to appoint one. Of these, 89% intended to use a competitive tender.

Respondents were asked whether, prior to the survey, 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 (Figure 3.3.3).

Figure 3.3.3 Proportion aware of new CMA duties



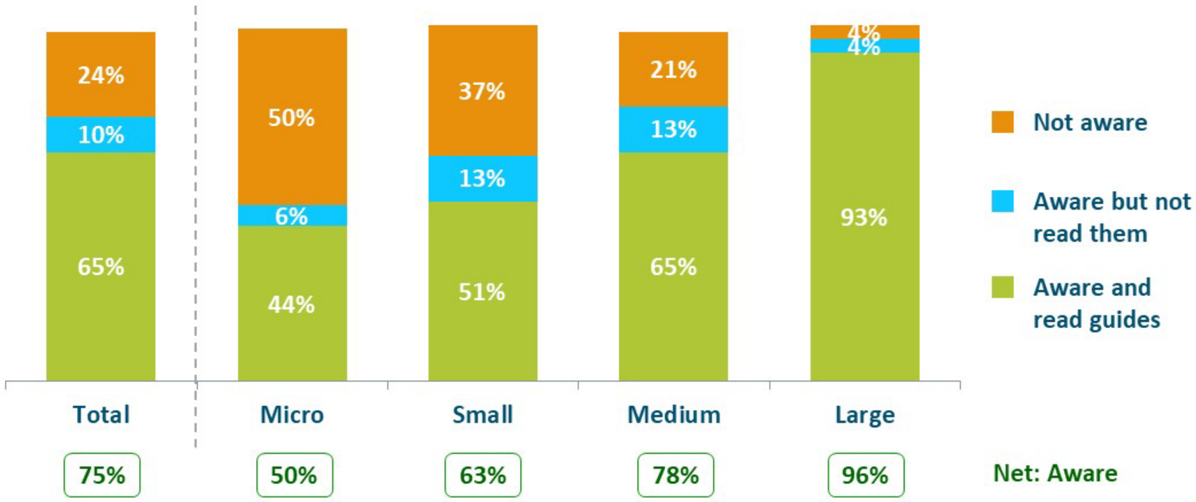
Base: All respondents (Base, Don't know)
Total (250, 2%), Micro (16, 6%), Small (87, 1%), Medium (120, 2%), Large (27, 0%)

Over three-quarters (78%) were aware of the new CMA duties. Awareness increased with scheme size, ranging from 50% of micro schemes to 96% of large schemes.

Those schemes that were engaged in activities subject to the new CMA duties (i.e. received relevant investment advice and/or had a fiduciary manager) were also more likely to be aware of these duties (79%, compared with 54% of those that were not subject to the new CMA requirements).

In November 2019, TPR published a number of guides to support trustees in meeting the new CMA duties. Respondents were asked if they were aware of these guides before the survey, with results shown in Figure 3.3.4.

Figure 3.3.4 Awareness & use of TPR supporting guides



Base: All respondents (Base, Don't know)
Total (250, 1%), Micro (16, 0%), Small (87, 0%), Medium (120, 2%), Large (27, 0%)

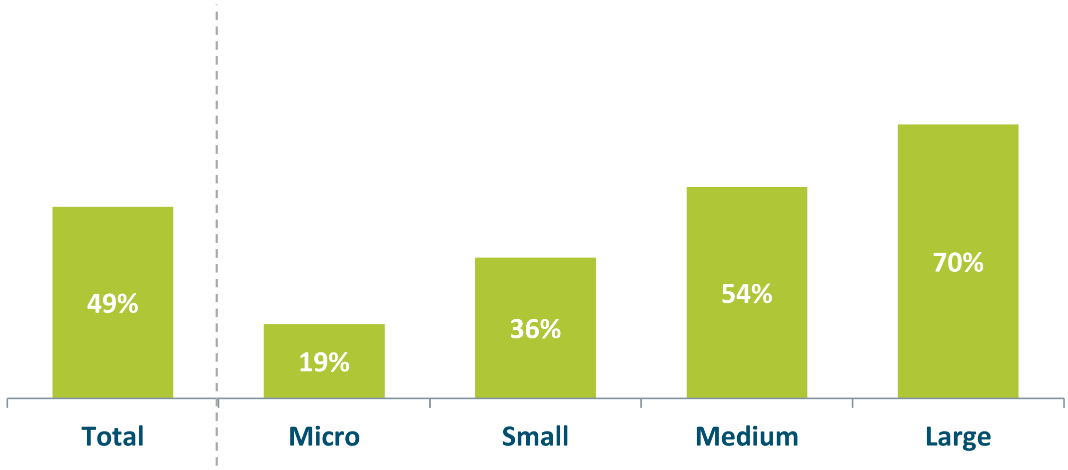
Three-quarters of respondents (75%) were aware of the TPR guides and two-thirds (65%) had read them.

Awareness of the guides increased with scheme size, ranging from 50% of micro schemes to 96% of large schemes. A similar pattern was seen when it came to the proportion had had read the guides (from 44% of micro to 93% of large schemes).

3.4 Climate change

Respondents were asked if their scheme had allocated time or resources to assessing any financial risks and opportunities associated with climate change. Figure 3.4.1 shows that half (49%) of all DB schemes had done so, and this increased with scheme size (19% of micro, 36% of small, 54% of medium and 70% of large schemes).

Figure 3.4.1 Proportion allocating time or resources to assessing any financial risks and opportunities associated with climate change



Base: All respondents (Base, Don't know)
Total (250, 3%), Micro (16, 13%), Small (87, 6%), Medium (120, 1%), Large (27, 1%)

Respondents were also asked whether their scheme had taken three specific actions on climate change. Please note that the 51% of schemes that had not allocated time or resources to assessing the financial risks/opportunities associated with climate change were not asked this question but have been included in the analysis base and shown separately in Table 3.4.1 below.

Table 3.4.1 Actions taken on climate change

	Total	Micro	Small	Medium	Large
Assessed the risks and opportunities for your scheme from particular climate-related scenarios	**20%**	13%	10%	18%	41%
Assessed your schemes portfolio's potential contribution to global warming	**13%**	6%	6%	14%	22%
Tracked the carbon intensity of your scheme's portfolio	**8%**	6%	5%	8%	15%
None of these (or don't know)	**24%**	6%	18%	30%	26%
Not allocated any time/resources to climate change	**51%**	81%	64%	46%	30%

Base: All respondents (Base)
Total (250), Micro (16), Small (87), Medium (120), Large (27)

Schemes were most likely to have assessed the risks and opportunities arising from particular climate-related scenarios (20%). Lower proportions had assessed their portfolio's potential contribution to global warming (13%) and tracked its carbon intensity (8%). Large schemes were most likely to have taken each of these actions.

Around a quarter of schemes (24%) indicated that they had allocated time or resources to climate related risks/opportunities but had not taken any of these specific actions (or were unsure if they had done so).

Schemes were also asked about the processes they used to manage climate-related risks and opportunities, with results shown in Table 3.4.2.

Table 3.4.2 Processes used to manage climate-related risks and opportunities

	Total	Micro	Small	Medium	Large
Add climate-related risks to your risk register	**21%**	13%	13%	24%	30%
Include climate-related issues as a regular agenda item at trustee meetings	**19%**	0%	11%	24%	26%
Include, monitor and review targets in the scheme's climate policy	**16%**	6%	6%	19%	30%
Assign responsibility for climate related issues to a trustee or sub-committee	**12%**	19%	7%	12%	19%
None of these (or don't know)	**15%**	0%	15%	14%	22%
Not allocated any time/resources to climate change	**51%**	81%	64%	46%	30%

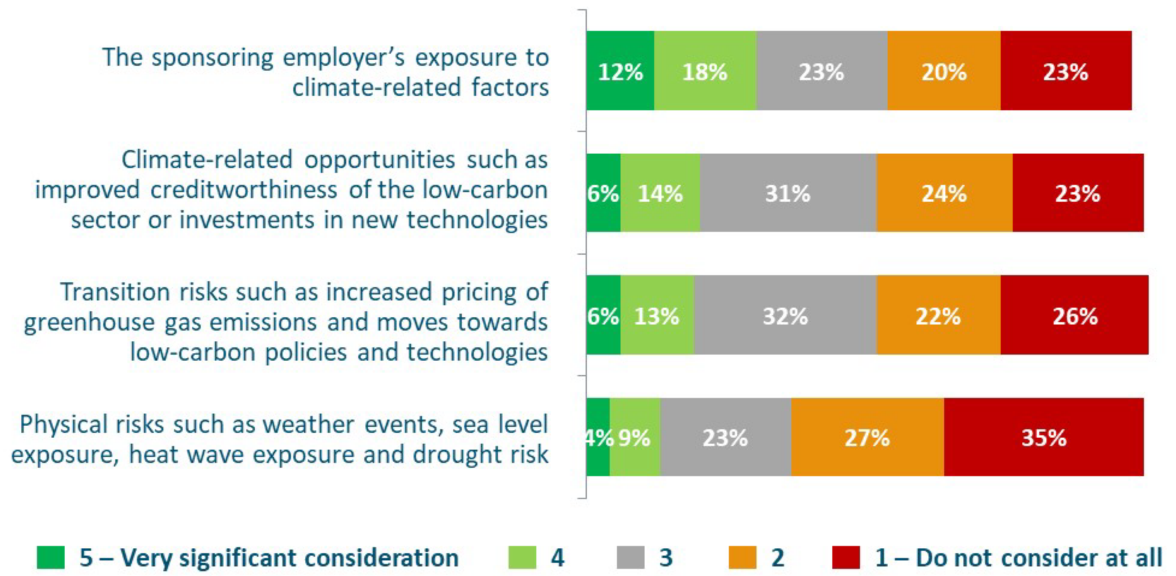
Base: All respondents (Base)
Total (250), Micro (16), Small (87), Medium (120), Large (27)

A fifth of schemes had added climate-related risks to their risk register (21%) and regularly included climate-related issues on the agenda at trustee meetings (19%). In addition, 16% included, monitored and reviewed targets in their climate policy and 12% had assigned responsibility for climate issues to a trustee or sub-committee.

These processes were generally more prevalent among large and medium schemes, with the exception of assigning responsibility to a trustee/sub-committee (which was equally prevalent among micro schemes as large schemes).

Figure 3.4.2 shows the extent to which schemes considered climate change in their investment and funding strategies.

Figure 3.4.2 Consideration of climate change in investment and funding strategy



Base: All respondents (Base, Don't know)
Total (250, 2%-4%)

Many schemes devoted little or no thought to these issues, with 62% giving a score of 1-2 out of 5 for the extent to which they considered physical risks and approaching half (44-48%) giving this score for their consideration of transition risks, climate-related opportunities and the sponsoring employer's exposure.

Where these issues were given significant consideration (i.e. 4-5 out of 5) this was most likely to relate to the sponsoring employer's exposure to climate-related factors (30%) and least likely to focus on physical risks (13%).

When looking at these results by scheme size (Table 3.4.3), larger schemes were typically most likely to have considered these issues in their investment and funding strategies.

Table 3.4.3 Consideration of climate change in investment and funding strategy – by scheme size

Net: Significant consideration (4-5)	Micro	Small	Medium	Large
The sponsoring employer's exposure to climate-related factors	31%	23%	29%	41%
Climate-related opportunities such as improved creditworthiness of the low-carbon sector or investments in new technologies	25%	14%	17%	33%
Transition risks such as increased pricing of greenhouse gas emissions and moves towards low-carbon policies and technologies	25%	8%	15%	37%
Physical risks such as weather events, sea level exposure, heat wave exposure and drought risk	6%	9%	13%	22%

Base: All respondents (Base, Don't know)
Micro (16, 0%-6%), Small (87, 3%), Medium (120, 3%-7%), Large (27, 0%)

Schemes were asked whether they had taken various actions on stewardship to help with their management of climate risks, with results shown in Table 3.4.4. Again, those schemes that had not allocated time or resources to assessing the financial risks/opportunities associated with climate change were not asked this question but have been included in the analysis base.

Table 3.4.4 Stewardship actions taken to help manage climate risks

	Total	Micro	Small	Medium	Large
Talked to advisers and asset managers about how climate-related risks and opportunities are built into their engagement and voting policies	**41%**	19%	22%	46%	67%
When appointing new asset managers, asked the prospective manager how they include climate factors in engagement and voting behaviour	**34%**	13%	24%	38%	52%
When outsourcing activities, set out in legal documents your expectations on climate stewardship and approaches	**17%**	6%	7%	20%	30%
Joined collaborative engagement efforts on climate change	**9%**	13%	6%	7%	19%
Signed the UK Stewardship Code	**9%**	6%	5%	13%	7%
None of these (or don't know)	**5%**	0%	**8%**	**5%**	**4%**
Not allocated any time/resources to climate change	**51%**	81%	64%	46%	30%

Base: All respondents (Base, None of these/don't know)
Total (250, 5%), Micro (16, 0%), Small (87, 8%), Medium (120, 5%), Large (27, 4%)

Two-fifths (41%) of schemes had talked to their advisers and asset managers about how climate-related factors are built into their engagement and voting policies, and a third (34%) indicated that they would do so when appointing new advisers/asset managers.

Approaching one in five schemes (17%) set out their expectations on climate stewardship and approaches in legal documents when outsourcing activities, and around one in ten had participated in collaborative engagement efforts on climate change (9%) and signed the UK Stewardship Code (9%).

Large schemes were most likely to have taken any of these stewardship actions, with the exception of signing the UK stewardship code (where there was little difference by scheme size).

Finally, respondents were asked if they were aware of the work of the Taskforce on Climate-related Financial Disclosures (TCFD) and, if so, whether their scheme made disclosures as recommended by the TCFD.

Table 3.4.5 Awareness of TCFD and uptake of recommended disclosures

	Total	Micro	Small	Medium	Large
Aware of TCFD	**29%**	**25%**	**23%**	**29%**	**41%**
- Scheme makes disclosures as recommended by the TCFD	**8%**	6%	8%	9%	7%
- Scheme does not make disclosures as recommended by the TCFD	**16%**	6%	10%	16%	30%
- Don't know	**5%**	13%	5%	4%	4%
Not aware of TCFD	**71%**	**75%**	**77%**	**71%**	**59%**

Base: All respondents (Base)
Total (250), Micro (16), Small (87), Medium (120), Large (27)

As set out in Table 3.4.5, almost three-quarters (71%) were unaware of the TCFD. Approaching one in ten schemes (8%) made the recommended disclosures, equating to around a quarter of those aware of the TCFD.