



PRESS RELEASE

Employers spell out strong support for DB Funding Code ‘wish list’ in survey results

29 November 2021: In the third of a series of reports outlining the findings of the ACA’s 2021 *Pension trends survey*¹, the Association of Consulting Actuaries (ACA) has found strong support for ‘**Seven Key Elements**’ to be contained in the promised second consultation on a new DB Funding Code, expected in the next few months.

Support for ‘Seven Key Elements’ of DB Funding Code

Regarding the Fast Track and Bespoke framework:

- **96%** want a genuinely flexible bespoke option.
- **72%** do not want to benchmark a bespoke option against fast-track.
- **89%** say it must remain clear that trustees have absolute discretion over investment decisions.
- **78%** say covenant should continue to be recognised in funding requirements, even for significantly mature schemes.

Regarding how contributions and investment returns interact:

- **91%** want to be able to allow for anticipated additional returns in recovery plans.
- **69%** say contributions should not be required to bridge the gap between technical provisions and long-term funding targets, where additional returns are anticipated.
- **54%** say it should be possible to allow for anticipated additional returns when determining future service contributions (26% undecided).

Commenting on the DB Funding Code findings, Patrick Bloomfield, Chair of the ACA, said:

“The ACA’s survey underscores several messages that have already been fed back through TPR’s earlier consultation. What may come as a surprise is how unified and strong industry opinion is: ‘Bespoke’ must mean bespoke. ‘Fast Track’ journeys must not raid employers for cash that is already expected to come from investment returns.”

“Presuming employer support ceases to exist once a scheme is mature wouldn’t be realistic. I’m confident TPR has heard these messages, but it’s a timely reminder as we head towards the next consultation and TPR’s parameters for Fast Track.

“As an industry we find ourselves between a rock and a hard place on getting the new DB funding regulations finished, after the understandable delays caused by Brexit and Covid-19. TPR is clear that we’re to operate under the current regulations in the meantime, but the reality is an awkward limbo, with an eye to what is coming down the track. Having waited this long, the ACA urges TPR to continue listening to industry feedback, so that its new funding code doesn’t repeat mistakes of the past, like the disastrous Minimum Funding Requirement.”

Commenting on the DB Funding Code findings, Peter Williams, Chair of the ACA Pension Schemes Committee, said:

“It is clear that there is very strong support for maintaining genuine flexibility in the new funding regime, and the consensus is against using fast-track as a mandatory benchmark. One of the more detailed findings is the similarly strong support for maintaining the ability to use anticipated additional returns as part of a scheme’s recovery plan, which may be in some doubt – the consultation on the new Code of Practice on scheme funding will set out TPR’s proposals.

“Respondents were also clear that trustees should maintain absolute discretion over investment decisions – hopefully the anticipated regulations on the funding and investment strategy provisions of the Pension Schemes Act will help to clarify that this will continue to be the case.”

Further reports on the 2021 Pension trends survey’s findings are due to be published over the next two months and a final report early in the New Year.

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¹ The ACA 2021 Pension trends survey was conducted in the summer of this year and attracted 212 responses from employers of all sizes, running over 400 different schemes