DB Funding Code Survey results

In total 108 respondents by due date. Not all answered all questions.

Table 1: Schemes sizes in sample

	Percentage
Under £20 million	22%
£20-£100 million	21%
£101-£500 million	29%
Over £500 million	28%

Table 2: Role of respondents

	Percentage
Scheme sponsors and trustees	24%
Professional Trustees	22%
Scheme Advisers	54%

Table 3: Do you think the new funding regime will improve outcomes for the members of your scheme?

	Total	Sponsor/Trustee	PT	Adviser
Yes	**19%**	15%	18%	21%
No	**45%**	31%	55%	48%
Unsure	**36%**	54%	27%	31%

Table 4: What impact will the proposed new regime have on schemes open to future accrual?

	Total	Sponsor/Trustee	PT	Adviser
Not applicable	**26%**	27%	23%	28%
Positive	**4%**	4%	9%	2%
Neutral	**21%**	31%	9%	21%
Negative	**49%**	38%	59%	49%

Table 5: Will the proposed new funding regime increase employer contributions for your scheme?

	Total	Sponsor/Trustee	PT	Adviser
Yes	**15%**	12%	5%	21%
Not immediately*	**22%**	15%	32%	21%
No	**41%**	23%	50%	45%
Unsure	**22%**	50%	13%	13%

***(but probably longer-term as scheme matures)**

Table 6: Do you envisage that the new regime will lead to new constraints on your sponsor business relating to, for example, dividends, other covenant leakage or business investment plans?

	Total	Sponsor/Trustee	PT	Adviser
Yes	**32%**	27%	27%	36%
No	**49%**	41%	59%	48%
Unsure	**19%**	32%	14%	16%

Table 7: Are you likely to use the Fast Track compliance option?

	Total	Sponsor/Trustee	PT	Adviser
Yes	**20%**	9%	27%	21%
Likely	**23%**	41%	23%	17%
Unlikely	**19%**	9%	18%	22%
No	**22%**	18%	18%	25%
Not sure	**16%**	23%	14%	15%

Table 8: Will your current long-term plans for investment allocation need significant changes?

	Total	Sponsor/Trustee	PT	Adviser
Yes	**20%**	32%	32%	10%
No	**38%**	36%	27%	43%
Unsure	**36%**	23%	36%	41%
No plan in place	**6%**	9%	5%	6%

Table 9: Will your current timescale to reach your long-term target need significant amendment?

	Total	Sponsor/Trustee	PT	Adviser
Yes	**21%**	27%	29%	16%
No	**48%**	41%	57%	48%
Unsure	**27%**	27%	9%	33%
No current plan	**4%**	5%	5%	3%

Table 10: Do you think the new regime will impact on systemic risk?

	Total	Sponsor/Trustee	PT	Adviser
Likely to increase	**26%**	36%	18%	26%
No impact	**28%**	46%	27%	22%
Likely to reduce	**5%**	-	9%	5%
Unsure	**41%**	18%	46%	47%

Table 11: What level of changes are you likely to have to make to comply with the new funding regime?

	Total	Sponsor/Trustee	PT	Adviser
None	**7%**	9%	9%	5%
Some changes, relatively minor impact	**66%**	68%	55%	69%
Material changes – significant impact	**20%**	9%	27%	21%
Unsure	**7%**	14%	9%	5%

Free Text Comments on last two questions:

What benefits do you see from the new regime?

Emphasis on long term planning should sharpen up schemes that are lagging behind the emerging "norm" in the market - many well advised schemes will see no real difference but those on the margins or poorly run should feel the impact and have to improve governance quality.

Marginally strengthens the trustees' hand in negotiating recovery plan with the sponsor.

None - 8

Unclear

Brings sponsors to the table where they have been reluctant in the past.

Greater justification for the Trustees to request more money from sponsor.

The benefit I see is that the proposed new regime will drive the move towards self-sufficiency.

Greater focus on journey planning and the end game for closed schemes.

Regulator getting tough in managing the run-off of DB schemes. Clear expectations of what will be needed from trustees and sponsors.

Simplification of Fast track for those already aligned with principles and well progressed on journey plan.

None - it has been drawn up in response to BHS / Carilloon that happened 6 years ago but which are yesterday's issues not today's.

Better signposting for poorly run schemes as to what is expected. Requirement for professional trustees likely to increase given difficulty of getting lay volunteers and issues caused by the recent LDI events which were highly stressful for MNTs.

Hard to quantify with scheme pending buy out in March 23.

Easier to understand TPR scrutiny, many schemes will merge towards meeting fast track criteria and I think that will involve strengthening funding basis and shortening recovery plans and so perhaps improving funding in general.

More prescription for valuations will introduce more consistency for trustees and employers. Useful if schemes are able to comply with fast track quickly and easily.

Easier for TPR to regulate and less risk for PPF.

Gives some structure to the funding approach to all schemes across the industry.

What concerns/issues do you see arising from the new regime?

Regulatory bandwidth to properly scrutinise what schemes do. Still might not be simple enough for lay people to follow (either within corporates or lay trustees). Hard for lay parties to conceptualise TPs funding and long term objectives - can feel like aiming at two goals

Unclear what teeth the code will have.

Further regulation at a time when both corporates and trustees are addressing significant upticks in compliance and not just from U.K. regulators. Increased adviser costs on tasks from which derived value is questionable.

Cost, this is going to do is increase the cost of valuations under the new regime for no benefit.

TPR moving the goalposts is unwelcome. Schemes and employers have been moving towards a reasonable equilibrium in funding over the past 10 years and the proposed new rules just put unnecessary pressure on employers to pay more funds into schemes.

None yet.

Significantly increased regulatory pressure and expectations, with unintended consequences e.g. taking unnecessary risk today in order to have "planned de-risking" and to reduce arbitrarily the reliance on covenant.   Much of the draft code is "expectations" which are not always justified or consistent with the draft regulations.

More protracted valuation negotiations as there is more to agree and Trustees need more from Employers. Can imagine time needed to complete covenant assessments under the new framework will increase substantially.

A lot more work for Trustees to understand complexities of new requirements around low dependancy and duration, and work through bespoke vs fast track options with more fees for actuarial and covenant without any material change to the contributions being paid or the length of the journey plan.

The concern I have is that the new funding regime relies on the UK gilt market to function in a crisis.

Overhead and compliance reporting. The normal tension of having to force-fit charities into a framework designed for the corporate world.

The rise of maturity as being the key driver to funding and investment is unwelcome. Employer strength is relegated to playing less of a role in funding and investment, limited to pre significant maturity in reality, and then probably having limits applied to covenant visibility. This is a shame as employer strength rather than maturity was one of the keen components of the current regime that brought about better scheme management and member outcomes in my view. Very prescriptive investment approaches are not to be welcomed.

It remains to be seen how much flexibility they apply. It feels like a very prescriptive regime with little scope for true variation to reflect scheme circumstances. Very directive on investment - the answer is bonds, now what was the question. Will lead to greater concentration in long term bond holdings - could be another LDI crisis in the (longer term) making.

Increased bureaucracy for some schemes, use of duration resulting in inflexibility in investment strategy and potential increased burden on sponsors.

Schemes open to new members forced unnecessarily to de-risk and possibly to close to new members Schemes with illiquid investments forced to sell at a discount.

Potential for TPR to overstep the mark in terms of interference with investment policy and perhaps (already observed in one case) unrealistic expectations of the sponsor - e.g. as to the use of rights issue proceeds or dividend policy.

Large increases in scheme funding requirements without any real reduction in risk. Whilst the scheme might be better funded the employer will be put at risk by the increased liability put upon it with a consequent risk of sponsor failure which negates the benefit of increasing the funding in the scheme. By adding the administrative costs of buy-out / insurance you reduce the money available for the scheme members and increase strain on the sponsor

Investment contraints at significant maturity will require immediate changes for schemes already there.

Mature schemes may not be able to comply with fast track resulting in significant time and effort and cost for smaller schemes to complete valuation process.

Could increase risk of sponsor failure.

Material concern that sponsor will wish to weaken the current funding and investment strategy, given the perceived 'benchmark' created by fast-track.

Pressure for sponsors not to support anything stronger than fast-track. Further, significant cost that schemes will not see value for.

The additional cost burden placed on smaller schemes, for the extra associated calculations and advice necessary surrounding the valuation process.