



ASSOCIATION OF PROFESSIONAL PENSION TRUSTEES

PRESS RELEASE: OPTIONS FOR DB SCHEMES

APPT supports surplus recovery but with strong safeguards.

18 April 2024: The Association of Professional Pension Trustees (APPT) in its response to the DWP consultation on *Options for Defined Benefit Schemes* has given its support to surplus recovery subject to satisfactory funding, sponsor covenant strength/security, and member sharing, if appropriate. On the public sector consolidator proposal the response adds that this sounds useful, particularly for those smaller schemes unable to access insurers at a reasonable cost.

APPT Chair, Harus Rai, commented:

“Surpluses should be able to be returned at various times over the remaining life of a Scheme subject to satisfactory funding positions, sponsor covenant strength / security, and member sharing if appropriate. The trustees’ job is to ensure that the collateral plus covenant support is sufficient to meet benefit commitments.

“Use of surplus should be subject to a prudent buffer aimed at removing risk of a deficit arising rather than attempting to claw back any surplus paid back to employer previously – which may prove complex, and the covenant protections mentioned. If it is made more straightforward for companies to take a surplus refund, that may better balance the symmetry of risk.”

The APPT response says where pension increases are limited under the rules, for example, do not provide full inflationary increases or there are other discretions that would typically be exercised, we suggest consideration is given by trustees and sponsors as to whether surplus could be used to augment benefits instead of or that surplus be shared with sponsor.

Any statutory override needs to consider scheme rules where trustees have sole power to determine use of surplus and not reduce trustee powers in those instances.

On the public sector consolidator, APPT says this sounds useful, particularly for those smaller schemes unable to access insurers at a reasonable cost.

We support changes that make it realistically possible to actuarially convert all benefits to a standardised benefit structure (without consents) to make them easy to insure/ move to a consolidator.

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Notes to editors:

The **Association for Professional Pension Trustees (APPT)** is the industry body for professional trustees of occupational pension schemes, working to encourage best practice within the sector and promote the interests of its members. Our members work as professional trustees at over 2,000 schemes of all types, including many trustee boards for defined benefit and defined contribution schemes including DC master trusts. Our members each typically work on multiple appointments and in total are responsible for managing schemes with assets of over £1,200 bn.

The APPT is one of the two recognised accreditation bodies for professional trustees, responsible for promoting and maintaining high standards amongst practitioners. Every year, members have to renew their accreditation, confirming they are working to the standards required and evidencing they have pursued their professional development over the preceding 12-months.

Association of Professional Pension Trustees

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