



ASSOCIATION OF PROFESSIONAL PENSION TRUSTEES

PRESS RELEASE

APPT calls for greater ‘proportionality’ in final DB Funding Code to ease burdens on smaller schemes

28 March 2023: The Association of Professional Pension Trustees (APPT) welcomes the Pensions Regulator’s consultation on the new Funding Code and the approach to Fast Track. Both the Funding Code and Fast Track will support our members with the work they do looking after pension schemes. However, the [APPT highlights](#) the new funding code may place additional governance burdens and costs on many smaller schemes and so calls for greater ‘proportionality’ to be given primacy throughout the Code when it is finalised.

The APPT, whose members work as trustees for over 1,500 DB schemes, notes that more than half of all DB schemes have assets of less than £50 million. Whereas the new requirements set out in the Code are in the main already followed by larger schemes with material governance budgets, for many smaller schemes the totality of the new Code may place significant additional costs on them.

Harus Rai, commenting on the APPT’s response, said:

“The new funding code provides further clarity for our members working with sponsors and pension schemes to deliver pension scheme benefits over the long term. For many larger schemes, the funding code reaffirms the direction of travel they are taking. However, for some smaller schemes, there may be a significant increase in advisory and governance requirements.

“Given this, we request that proportionality is given primacy to help manage costs. As experience develops over time, TPR should also keep the additional metrics and paperwork requirements under review and guide trustees to focus on the most valuable items in the list of compliance obligations.”

The response notes that many APPT members have worked hard to agree additional funding targets for many schemes beyond the separately agreed long-term funding obligation. This already provides additional security for member benefits. The Code should be clearly supportive of such cases, so these agreements are retained rather than reviewed or removed because the Code requires less.

The APPT adds that the general improvement in scheme funding over the last few years draws into question whether the Code’s new requirements in relation to covenant assessments needs to be adapted for well-funded schemes with well-matched investment strategies, where the reliance on sponsor covenant in future has diminished. APPT says that as schemes approach full funding on buy-out, the Code should recognise that the amount of time they spend on assessing the sponsor covenant should reduce to reflect the lower value this potentially provides to scheme members.

On the second of the two consultations, the APPT response is supportive of the Fast Track approach saying this will be particularly helpful for smaller schemes with relatively low governance budgets. APPT expects a significant proportion of DB schemes will use Fast Track and says it would be helpful for trustees to have clarity on the matters they should consider when deciding to use Fast Track, particularly as some may come under pressure from sponsors to use it to reduce compliance costs.

The main suggestions put forward in this response are:

- the provision of template documents such as for the Funding and Investment Strategy to simplify compliance, and
- the retention of responsibility of assumptions by the trustees instead of, as the Code proposes, certification by the actuary, as trustees already take advice on assumptions. It is not clear why this additional layer of governance and cost is needed for Fast Track compliance.

-ENDS-

For further information please contact:

Harus Rai, APPT Chair, at h.rai@capitalcranfield.com or 07526 167132

Vassos Vassou, APPT Council member, at Vassos_Vassou@dalriadatrustees.co.uk or 0781 6223629

David Robertson (Head of Secretariat) at david.robertson@appt.org.uk or 020 3102 6763

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 a large number of 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 £1,000 bn.

The APPT and the PMI are the 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

First Floor • 40 Gracechurch Street • London EC3V 0BT • T: 020 3102 6763 • E: secretariat@appt.org.uk

Association of Professional Pension Trustees Limited
Registered Office: 10 St James Road • Wokingham • RG40 4RT
Registered in England and Wales as a company limited by guarantee
Registered number 08203400