



Independent Trustees

Hot Topics Survey Results 2012



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Executive summary

Introduction

The PSIT Hot Topics Survey was available for completion on the PSIT website over mid-late 2012. 16 responses were received from a range of individuals, representing both schemes and pensions professionals. A summary of the job titles of respondents is shown below:

Group Pensions Manager	Trustee	Chairman to the Trustees
Pensions Consultant	Director	Head of Research
MD	Director of Pensions	Group company Secretary
Company Secretary, Trustee	Head of Pensions	Principal

The survey was split into four key areas: market trends, funding and investment, legal and governance and hot topics.

Results summary

Market trends:

The key results in this section was the increase in adviser costs over the last two years, with no corresponding improvement in service:

- costs for actuarial and consultancy, investment consultancy and pensions legal advice have increased for 50% - 62.5% of respondents
- 50% of respondents told us there has been no change in costs for independent trusteeship, scheme secretarial services and scheme audit
- the majority of respondents said there has been no change in the quality of any of these services

Funding and investment:

68.8% of respondents are concerned about the deficit in their scheme increasing over the next two years, whilst 50% are concerned that the strength of their sponsoring employer's covenant will decrease over the same period.

Opinion was split about whether scheme trustees should consider investing their way out of a deficit by taking more risk.

Legal and governance:

The main focus of this section was the effect of the Pensions Regulator's increasing focus on defined contribution (DC) schemes. When asked about the actions they would take in response to this increased focus, the survey respondents told us:



Hot topics survey 2012

- over 53% are either definitely or likely to undertake a review of their scheme's governance structure
- one-third are likely to increase the regularity of DC governance meetings
- 46.7% are either definitely or likely to increase time spent on DC in trustee meetings
- 80% will or may review investment options other than the default with 46.7% either definitely or likely to review the default fund
- more than one-third will definitely review member communications
- over 70% will or may improve at-retirement support for members

Hot topics:

When asked what they feel are the three biggest pension challenges they will be facing over the next one to three years, the most common issues mentioned by respondents were:

- funding and investment
- auto-enrolment
- Solvency II
- member communications
- regulatory pressure and the need for increased governance



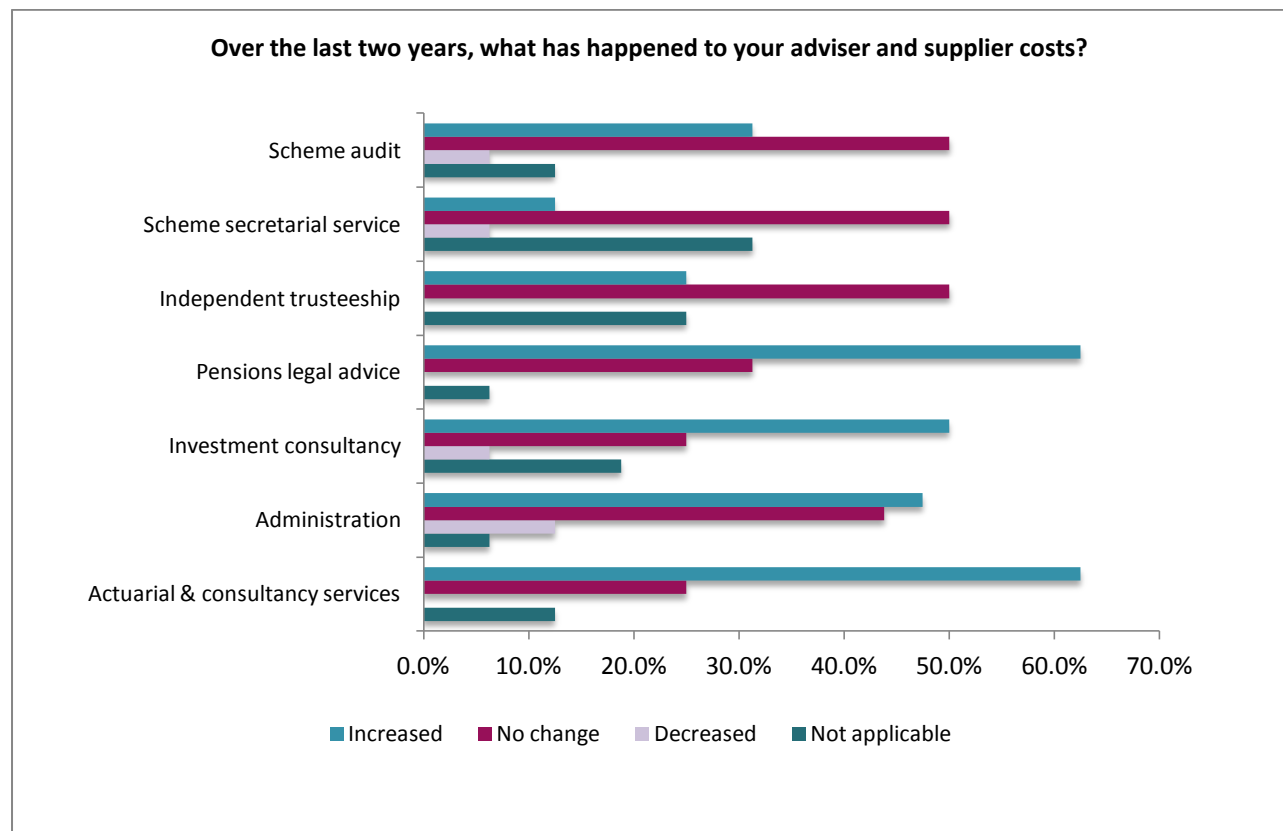
Full results analysis

A full analysis of the results from the PSIT 2012 Hot Topics survey follows.

Market trends

1. Over the last two years, what has happened to your adviser and supplier costs?

	Increased	No change	Decreased	Not applicable
Actuarial & consultancy services	62.5%(10)	25.0% (4)	0%	12.5% (2)
Administration	37.5% (6)	43.8% (7)	12.5% (2)	6.3% (1)
Investment consultancy	50.0% (8)	25.0% (4)	6.3% (1)	18.8% (3)
Pensions legal advice	62.5%(10)	31.3% (5)	0%	6.3% (1)
Independent trusteeship	25.0% (4)	50.0% (8)	0%	25.0% (4)
Scheme secretarial service	12.5% (2)	50.0% (8)	6.3% (1)	31.3% (5)
Scheme audit	31.3% (5)	50.0% (8)	6.3% (1)	12.5% (2)

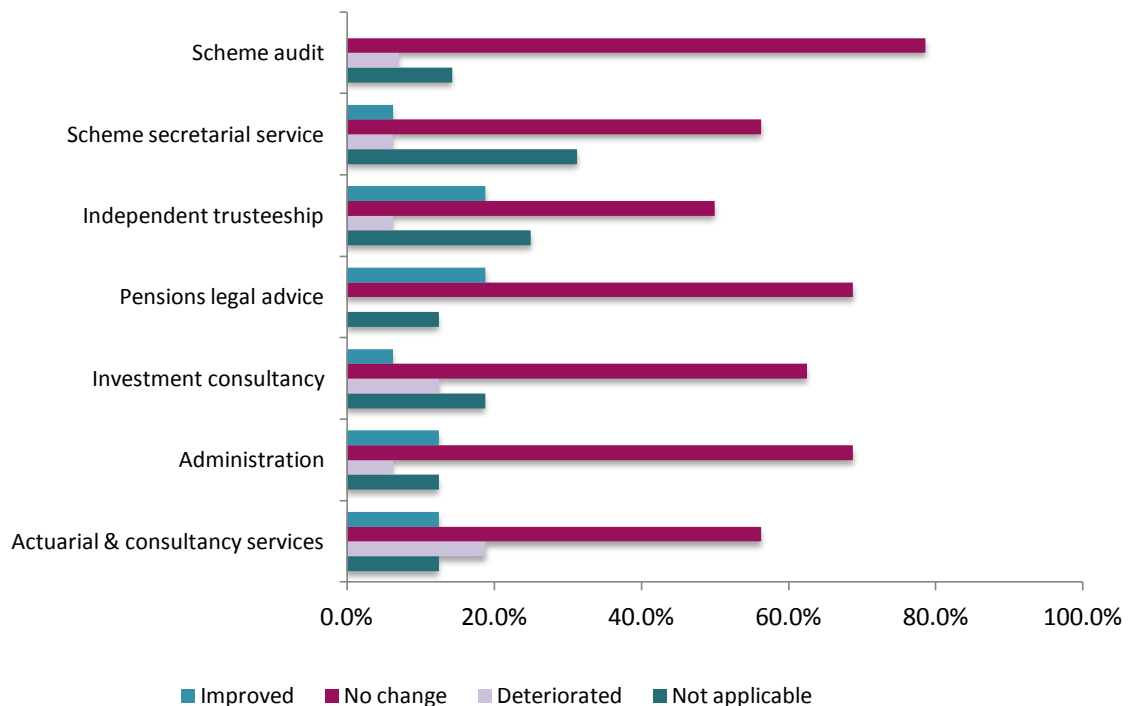


Hot topics survey 2012

2. Over the last two years, what has happened to the quality of the service delivered by your advisers and suppliers?

	Improved	No change	Deteriorated	Not applicable
Actuarial & consultancy services	12.5% (2)	56.3% (9)	18.8% (3)	12.5% (2)
Administration	12.5% (2)	68.8% (11)	6.3% (1)	12.5% (2)
Investment consultancy	6.3% (1)	62.5% (10)	12.5% (2)	18.8% (3)
Pensions legal advice	18.8% (3)	68.8% (11)	0%	12.5% (2)
Independent trusteeship	18.8% (3)	50.0% (8)	6.3% (1)	25.0% (4)
Scheme secretarial service	6.3% (1)	56.3% (9)	6.3% (1)	31.3% (5)
Scheme audit	0%	78.6% (11)	7.1% (1)	14.3% (2)

Over the last two years, what has happened to the quality of the service delivered by your advisers and suppliers?



Hot topics survey 2012

Funding and investment

3. Are you concerned about the deficit in your scheme increasing over the next two years?

	Response %
Yes	68.8% (11)
No	12.5% (2)
Not sure	6.3% (1)
Not applicable	12.5% (2)

4. Are you concerned that the strength of your sponsoring employer's covenant will decrease over the next two years?

	Response %
Yes	25.0% (4)
No	50.0% (8)
Not sure	12.5% (2)
Not applicable	12.5% (2)

5. Do you think scheme trustees should consider investing their way out of a deficit by taking more risk?

	Response %
Yes	31.3% (5)
No	31.3% (5)
In certain circumstances	31.3% (5)
Don't know	6.3% (1)

If you answered 'in certain circumstances' what would those circumstances be?

"Diversification."

"Against the employer making contributions for a recovery of the deficit."

"When the covenant is strong"

"This would be very scheme specific and depend on the schemes approach to risk"



Legal and Governance

6. The Pensions Regulator's focus on defined contribution (DC) scheme governance has increased dramatically over the last few years, with their latest suggested best practice material being published in June 2012. What, if any, action will you be taking in response to this increased focus?

	Definitely	Likely	Maybe	Not very likely	Definitely not	Not applicable
Undertake a review of the scheme's governance structure	26.7% (4)	26.7% (4)	20.0% (3)	13.3% (2)	13.3% (2)	0%
Increase regularity of DC governance meetings	13.3% (2)	33.3% (5)	20.0% (3)	20.0% (3)	13.3% (2)	0%
Increase time spend on DC in trustee meetings	6.7% (1)	40.0% (6)	26.7% (4)	6.7% (1)	13.3% (2)	6.7% (1)
Review the scheme's default fund	26.7% (4)	20.0% (3)	40.0% (6)	6.7% (1)	6.7% (1)	0%
Review other investment options	20.0% (3)	20.0% (3)	40.0% (6)	13.3% (2)	6.7% (1)	0%
Review member communications	35.7% (5)	14.3% (2)	35.7% (5)	7.1% (1)	7.1% (1)	0%
Assess management information in more details	13.3% (2)	26.7% (4)	46.7% (7)	6.7% (1)	6.7% (1)	0%
Improve at-retirement support for members	20.0% (3)	26.7% (4)	26.7% (4)	20.0% (3)	6.7% (1)	0%

7. Have recent Pensions Ombudsman rulings, such as the Mrs S Earle v Michelin Pension case, led you to review the trustee discretion process followed for your scheme?

	Response %
Yes	6.7% (1)
Not yet but will do	26.7% (4)
No	60.0% (9)
Not applicable	6.7% (1)



Hot topics

8. Auto-enrolment is certainly a dominant topic at the moment. Has your organisation decided on which scheme it will use for auto-enrolment?

	Response %
Yes	46.2% (6)
No	38.5% (5)
Don't know	15.4% (2)

If you are a scheme trustee, has the sponsoring employer discussed their auto-enrolment strategy with you?

	Response %
Yes	42.9% (3)
No	14.3% (1)
Not applicable	42.9% (3)

9. What do you feel are the three biggest pension challenges you will be facing over the next one to three years?

Responses:

"Investment growth of the DB fund. More pressure from the Regulator. More costs associated with the DC and DB schemes."

"Deficit. Strength of employer to sustain the fund. Responsibility of the Financial Services eg: Banks, FSA etc."

"Investment allocation. Funding discount rate used for liability calculation."

"Funding, funding and funding."

"The detail of auto-enrolment (much too complicated!), the DB scheme deficits and the increased governance of the DC schemes."

"Scheme deficit, communications, auto-enrolment."

"Solvency II. Risk and funding management. Cost control."

"Shifting investment management to a cash generation basis from the current asset allocation focus."

"Auto-enrolment, funding of deficits, solvency 2."



“AE, Member Education, On Line Benefits Management”

“Investment returns; member communications; AE, RTI and UC interface”

“Administration of auto enrolment keeping focused on the ‘old’ schemes as new ones increase burdens ensure all Trustees remain compliant in the face of ever changing legislation”

“Liability management, member communication, data quality”

