14 October 2022

Defined Benefit Policy: The Scheme Funding Team
DWP Consultation Coordinator
4th Floor Caxton House
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London
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Dear Sirs

Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2023

We are writing on behalf of Hymans Robertson in response to the above consultation.

Overall, we are supportive of the principles underlying the proposed legislation. We agree that most maturing schemes should be on a pathway to limiting the risk they are taking and their reliance on the employer when they become very mature. Agreeing a purposeful plan to get a scheme to a low-dependency position is what many well-run schemes have been doing for some time already.

However, we have concerns that the draft Regulations will sacrifice too much scheme-specific flexibility by going into detail that could be left for the Regulator's Code of Practice.

- We had been promised that the new funding regime would be flexible enough to take account of the circumstances of individual pension schemes. However, it is not easy to point to this flexibility in the draft Regulations beyond some limited variation in the shape of the journey plan. The consultation with the Pensions Regulator in 2020 considered a twin track funding regime – Fast Track vs. Bespoke. As drafted, these Regulations eliminate a Bespoke funding strategy once a scheme reaches significant maturity. There is little scope for a scheme to be able to rely (to any extent) on ongoing employer support once it has reached significant maturity even if the strength of the employer covenant and/or contingent assets would support it.

- We see some flexibility as essential, especially for schemes with atypical covenants (insurers, utilities, etc) where there may be greater covenant visibility over the longer term and/or those with contingent support in place. We note that the 2018 findings showed that the current regime was working well for the majority of schemes. Therefore, there seems to be a balance between the Pensions Regulator being able to regulate the minority more firmly and the new requirements unduly constraining schemes that are acting reasonably. The employer costs that would flow from these changes have not yet been considered, making it difficult to assess the full financial consequences and whether this balance is right. Nevertheless, we believe it should remain for trustees and sponsors to be able to demonstrate that their integrated risk management supports their plans in a wholly scheme-specific way.

- There are examples where the changes would not appear to achieve the intended risk reduction. For those with weaker covenants, the effect of being forced to de-risk too quickly could be to 'lock-in' a deficit with the sponsoring employer being asked for unaffordable pension contributions. Similarly, schemes that are already at or close to significant maturity when the new regime is implemented could be forced to immediately de-risk and pay significant contributions to hit a much higher low-dependency funding target. It is not clear what will happen to schemes that cannot reach a low dependency funding level by significant maturity, nor whether there will be any transitional arrangements. This needs consideration.

- On low dependency asset allocation, the Regulations go in to too much detail in dictating to pension trustees how their assets should be invested. Encouraging all schemes to have the same investment strategy and herding into certain asset classes, can push up the cost of those assets and will exacerbate systemic risks. We acknowledge that the vast majority of schemes will not be impacted given many schemes are already invested in gilts. However, in recent weeks, we've seen the systemic consequences of pension schemes being encouraged into buying gilts.

- It is essential that schemes are not forced to increase leverage beyond a manageable level to meet all competing demands (removing illiquid assets that provide stable, predictable returns while keeping employer contributions affordable). While we recognise that mandating some level of liquidity requirements will help with collateral management – there must be a balance when adding a further demand on the investment strategy.

- Another point that has not been addressed is how the requirement to agree the funding and investment strategy with the employer applies in combination with the general flexibility for trustees to set a scheme's investment strategy without requiring employer agreement.

- Leaving detail for the Regulator's Code of Practice would ensure there is broader scheme-specific flexibility and also make it easier to evolve the parameters as financial conditions change. We think the high-level principle of employer contributions not being expected once a scheme is at significant maturity should be sufficient for the Regulations. This could be expanded upon in the Code of Practice with additional prescription around what might be required to demonstrate that risk is 'supportable'.

- Sponsor affordability should remain one of the factors for trustees to consider when agreeing a recovery plan, but it shouldn't require deficits to always be recovered as quickly as possible. In the extreme this could remove any reliance on investment returns and risks imposing additional costs on strong employers at a time when businesses will be focussing on riding out the current macroeconomic turbulence. This could also increase the risk of trapped surplus. Again. we note the impact assessment does not consider the level of additional employer contributions that will flow from this proposed requirement.

- Finally, there must be flexibility for open schemes otherwise it seems inevitable we will see more schemes close. Whilst we are encouraged that open schemes will have more flexibility to take risk, for a truly open scheme which is not maturing and has adequate ongoing sponsor support, the new governance requirements are in our view disproportionate. It seems unnecessary to map out a journey to significant maturity that the scheme does not expect to take.

Our specific comments on the questions raised in the consultation can be found in the appendix to this letter. We hope you find the contents of this letter (and the appendix) helpful. We would be happy to discuss our comments with you in more detail.

Yours faithfully

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For and on behalf of Hymans Robertson LLP

Consultation questions

Scheme Maturity

Question 1: Draft regulation 4(1)(b) provides that a scheme reaches significant maturity on the date it reaches the duration of liabilities in years specified by the Pensions Regulator's revised Defined Benefit Funding Code of Practice.

i) Do you think that it would be better for the duration of liabilities at which the scheme reaches significant maturity to be set out in the Regulations rather than the Code of Practice?

No. We believe making it as easy as possible to evolve this as financial conditions change is important (see below). As such, our preference is for this to be set out in the Code of Practice rather than Regulations.

ii) If you think that the point of significant maturity should be specified in Regulations, do you agree that a duration of 12 years is an appropriate duration at which schemes reach significant maturity?

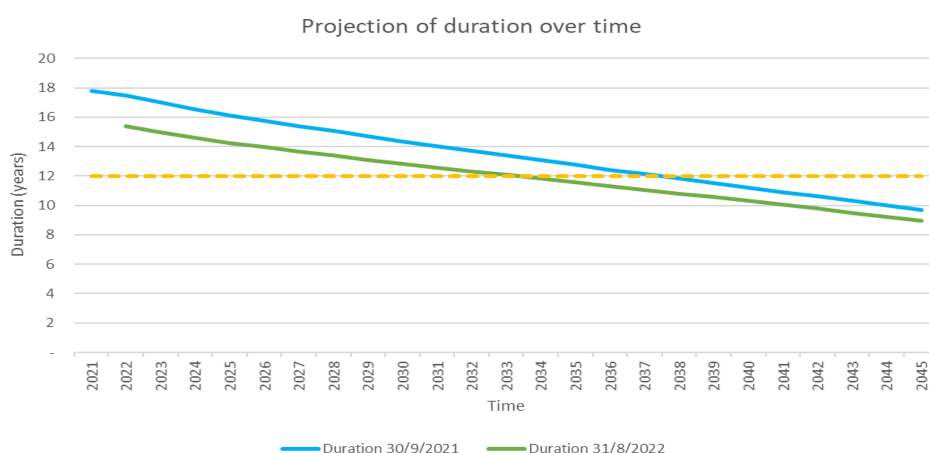
As stated above, we do not believe that the duration associated with significant maturity should be written into Regulations. Nor, however, do we believe that the duration target should necessarily be fixed as a specific point.

We accept that duration is a reasonable proxy for relative maturity, and 12 years reasonably consistent with when a scheme's members would be expected to be mostly pensioners.

However, duration is dependent on financial assumptions. As such, volatility in markets can impact the calculation of duration without really affecting how "mature" the scheme is. Although recent moves have been somewhat unprecedented, durations have fallen significantly over 2022 (see chart below). This highlights the potential issue for duration to jump around and could have meant some funding and investment strategies would need major re-work if tied into a fixed significant maturity point. Under current conditions a lower duration may now be appropriate.

To manage this sort of volatility, we think it would be more helpful to define 'significant maturity' as a range that is acceptable, so that the projected target remains more stable if yields rise/fall Or perhaps the calculation of significant maturity should be linked to something other than the liabilities – e.g., benefits or membership, which would be more stable in volatile market conditions (market-based inflation assumptions aside). The Regulator should also have the flexibility to review and calibrate this in response to changing financial conditions. As an example, principles could be set out in the Code of Practice with the target communicated as part of the annual funding statement.

Of course, when it comes to defining any specified significant maturity point, transitional arrangements for schemes that are already deemed significantly mature when the new regime is implemented will be relevant. Similar provisions could also be required in instances of, for example, bulk transfers where there could be a significant, immediate impact on duration.



Low dependency investment allocation

Question 2: Do you think that the definition of low dependency investment allocation provided by draft regulation 5 is appropriate and will it be effective?

We are supportive of the inclusion of investment risk in a maturity-based framework. However, the Regulations go in to too much detail and will unnecessarily restrict flexibility.

The definition, as drafted, implies that by the time of significant maturity there is little scope for schemes to run investment risk, regardless of the strength of the employer covenant and/or whether there are supporting contingent assets. De-risking has effectively become mandatory.

Mandating that assets are "highly resilient to short-term adverse changes" and cash flow matched means having little exposure to traditional growth assets like equities and will drive schemes towards asset classes such as gilts and corporate bonds. Herding into the same assets, can push up the cost of those assets and create unintended systemic risks from the concentration, both within schemes and across the industry. In recent weeks, we've seen the systemic consequences of pension schemes being encouraged into buying gilts.

More diverse investment strategies should be allowed where these are adequately supported, and the legislation should be flexible enough to allow this.

We think the high-level principle of employer contributions not being expected should be sufficient for the Regulations. This could then be expanded upon in the Code of Practice. For example, what we envisaged from the Regulator's first consultation was prescription for schemes following the 'Fast-Track' regime and principles for what might be required to demonstrate that risk is 'supportable' under the 'Bespoke' approach.

Low dependency funding basis

Question 3: Do you think that the definition of low dependency funding basis provided by draft regulation 6 is appropriate and will it be effective?

The definition makes it clear that funding and investment are explicitly linked; a low dependency funding basis is driven by the returns on a low-risk investment strategy. However, similar to our answer to question 2, we have concerns about whether this low dependency investment allocation and funding basis equates to an appropriate target for all schemes and the lack of flexibility.

Although expenses are not mentioned explicitly in these draft Regulations, it would potentially read as though they are to be included. We suggest that potential approaches to expenses are covered by the Code of Practice so they are in effect carved out of the requirement that "further employer contributions would not be expected".

Strength of the employer covenant

Question 4:
i) Do you agree with the way that the strength of employer covenant is defined?

The definition appears to be in line with the current definition – albeit with a focus now on the ability rather than the willingness. The inclusion of legally binding contingent assets is welcome.

ii) Are the matters which trustees or managers must take into account when assessing it, as provided by draft regulation 7, the right ones?

These seem reasonable.

The provisions appear to be in line with existing industry practice. We agree the definition should be left wide enough to take account of other factors that may affect the development of the employer's business to be set out in the Code of Practice.

There are limitations of any approach that focuses on too narrow a set of factors as it will likely overlook nuances within specific covenants (e.g., charity or not-for-profit organisations). Whilst the two factors explicitly set out in the Regulations are important and we support their inclusion alongside broader guidance, rather than rules, in the Code of Practice.

iii) Does draft regulation 7(4)(c) effectively capture the employer's broader business prospects?

It is difficult to comment without the draft Code.

Relevant date

Question 5: Does it work in practice to set a minimum requirement for the relevant date to be no later than the end of the scheme year that the scheme is estimated to reach significant maturity?

Linking significant maturity to the scheme year seems practical, we do not see any issue with this in principle. However, as per our answer to question 1, we do believe the relevant date should be a range / flexible enough to cope with changing market conditions. Volatility – where plans need to be accelerated or decelerated because the calculation of duration has changed – will not be helpful to schemes.

We would also note that the Regulations appear to assume schemes will reach significant maturity at some future date. However, the time to reach significant maturity will vary considerably between schemes. It is unclear whether there will be any transitional arrangements for schemes that are at (or are close to) significant maturity when the new regime is implemented. Will they be forced to immediately de-risk and pay significant contributions to hit a much higher low-dependency funding target?

Other areas of uncertainty include what happens if a deficit emerges once a scheme is at significant maturity, or if the new requirement for schemes to achieve 'low dependency' by the relevant date results in a level of employer contributions that is unaffordable.

These would be examples of why the proposed Regulations are insufficiently flexible and could drive outcomes that are worse for members.

Question 6: Does your scheme already have a long-term date and how is it calculated?

Hymans Robertson advise a number of schemes. A large proportion of our clients have a target date by which they aim to have achieved their long-term objective. There are a number of different methods used to determine this date, but the majority align with the period over which there is assessed to be covenant visibility, and the time by which a significant proportion of the liabilities are in respect of pensioners.

We believe that prescribing a target date for all schemes removes the vital flexibilities of the scheme-specific funding regime that our clients currently enjoy. It will increase systematic risks by pushing all schemes towards the same assets at the same pace.

Question 7: Where the funding and investment strategy is being reviewed out of cycle with the actuarial valuation, would it be more helpful to require it to align with the most recent actuarial report?

Practically there may be circumstances in which alignment with the most recent actuarial report would be preferable. We suggest the Regulations should have flexibility for either approach to be adopted. Notwithstanding this, in line with our comments above, our preference would be for the relevant date to be able to remain relatively stable. This would reduce the need for changes between actuarial valuations except where a scheme has genuinely matured.

Minimum requirements on and after the relevant date

Question 8: Do you think that these minimum requirements are sensible and will provide additional protection for the accrued pension rights of scheme members?

No – we do not support the Regulations as drafted. As outlined above, we have concerns that the minimum requirements are too restrictive and prescriptive. Trustees and Sponsors should be able to maintain their scheme specific funding plans, to ensure the most appropriate for their circumstances is put in place. Details on the principles the Pensions Regulator will follow to utilise their powers could be included in the Code of Practice via the proposed 'Fast-Track' and 'Bespoke' framework.

In principle, we agree that by the time a typical scheme reaches significant maturity it would be appropriate for the scheme to have achieved full funding on a lower dependency basis and for the investment portfolio to be resilient to risk. However, there are circumstances, for example where contingent assets are available, where it may be appropriate for schemes to take more risk than what is permissible under the minimum requirements.

In addition, there don't appear to be any transitional arrangements for schemes that already are (or are close to) significantly mature and not yet meeting these requirements, or that fall below this level after significant maturity.

Question 9:
i) Should such limited additional risk at and after significant maturity be permitted, if supported by contingent assets? If so, to what percentage of total liabilities should this be limited?

Yes – additional risk at and after significant maturity should be permitted if supported by contingent assets and the covenant is not sufficient on its own.

If the risk can be supported – either by long covenant visibility or contingent security – it is not clear to us that there needs to be a prescribed limit. Instead of setting limits, we suggest that guidance is issued on what might be required to demonstrate that risk is "supportable" e.g., what constitutes an appropriate contingent asset. As such, any additional risk permitted would be scheme specific, depending on the level of support available.

ii) What additional risks to members' benefits might be posed as a result, and what safeguards should apply to protect members?

There should not be any material risk to members' benefits if the contingent assets are sufficient to support the risk being taken e.g., assets are appropriately valued, legally enforceable and realisable at their necessary value when required. Guidance should be included in the Code of Practice on the required conditions.

However, there are potential unintended detriment to members in other ways from overly prescriptive regulations, which place greater weight on the security of accrued benefits than is currently the case. For example: reduced likelihood of schemes providing discretionary benefits and additional strain on sponsors for contributions (with potential knock-ons of under-investment, lower pay rises, loss of jobs and in extremis insolvency).

Investment risks on journey plan

Question 10: Do you think that the provisions of paragraph 4 of Schedule 1 will allow appropriate open schemes to continue to invest in growth assets as long as that risk is appropriately supported?

Yes – the Regulations seem to be clear that immature schemes with a long period to significant maturity can take more risk in their investment strategy, subject to the strength of the employer covenant. A truly open scheme which is not maturing should not therefore, need to de-risk. The Code of Practice will be needed to see the full picture, including how open scheme characteristics (e.g., future accrual) can be considered in the projection of maturity.

However, we question whether the new governance requirements are proportionate and whether it is necessary for open schemes to need to set out a de-risking journey to low dependency if it is not expected they will ever get there. Given schemes are expected to review their funding and investment strategies following a material change in circumstances, any closure to accrual and maturing of the scheme would be picked up at that point. Until then they could be exempt from the more onerous requirements.

Risk in relation to calculation of liabilities on journey plan

Question 11: Do you think that the principles in paragraphs 4 and 5 of Schedule 1, requiring funding risks and investment risks to be linked primarily to the strength of the employer covenant, are sensible?

Funding and investment risks actually appear to be linked primarily to maturity rather than covenant. Covenant becomes less important as a scheme moves towards significant maturity. There is little scope for a scheme to be able to rely (to any extent) on ongoing employer support once it has reached significant maturity even if the strength of the employer covenant would support it. As noted above, we would support more flexibility – similar to the current scheme specific funding regime which allows more risk to be taken where the covenant supports it.

While the principles are sensible there will be unintended consequences. For those with weaker covenants, the effect of de-risking too quickly could be to 'lock-in' a deficit with the sponsoring employer being asked for unaffordable pension contributions. It is not clear what will happen to schemes that cannot reach a low dependency funding level by significant maturity.

Liquidity

Question 12: Do you think that the new liquidity principle set out in paragraph 6 of Schedule 1 is a sensible addition to the existing liquidity requirement of regulation 4(3) of the Occupational Pension Schemes (Investment) Regulations 2005?

It is sensible to have guidelines around the liquidity of the scheme assets to enable the scheme to meet expected cash flow requirements. However, before significant maturity, we think this requirement should consider expected employer and employee contributions.

Investment in assets that are illiquid, but provide a stable and predictable income stream, should not be altogether prohibited as a consequence of this principle. Indeed, a cash flow driven investment ('CDI') type strategy that includes illiquid assets should be an acceptable investment route should the covenant support this.

It is essential that schemes are not forced to increase leverage beyond a manageable level to meet all competing demands (removing illiquid assets that provide stable, predictable returns while keeping employer contributions affordable). While we recognise that mandating some level of liquidity requirements will help with collateral management – there must be a balance when adding a further demand on the investment strategy. Question 13: Will the matters and principles set out in Schedule 1 enable the scheme specific funding regime to continue to apply flexibly to the circumstances of different schemes and employers, including those schemes that remain open to new members?

No, the draft Regulations unnecessarily sacrifice too much flexibility and overwrite the scheme specific funding regime with a "one size fits all" objective. The proposed regime is certainly much less accommodating to the circumstances of individual schemes than the status quo, or what we were promised as part of the consultation with the Pensions Regulator in 2020.

The Regulations place a great deal of emphasis on the maturity of schemes – essentially mandating that schemes reduce risk towards low dependency funding as significant maturity draws closer. There is little scope for a scheme to be able to take investment risk once it has reached significant maturity even if the strength of the employer covenant and/or contingent assets would support it.

We see more flexibility as essential, especially for schemes with atypical covenants and contingent support in place. The 2018 findings showed that the current regime was working well for the majority of schemes. There is a balance between the Pensions Regulator being able to regulate the minority more firmly and the new requirements unduly constraining schemes that are acting reasonably. It should remain for trustees and sponsors to be able to demonstrate that their integrated risk management supports their plans in a wholly scheme-specific way. From the Regulator's first consultation we had envisaged the "Bespoke" approach to compliance would permit this. It is difficult to see how the proposed twin track funding regime can be implemented in the form that was envisaged, as these Regulations only allow a Bespoke journey plan, but to the same end point for all schemes.

For open schemes, it appears they will have greater flexibility on the level of risk that can be taken as a result of not maturing. However, the Code of Practice will be needed to see the full picture.

Funding and investment strategy – level of detail

Question 14: Is the level of detail required for the funding and investment strategy by draft regulation 12 reasonable and proportionate?

This seems broadly reasonable.

Question 15: Do you think the requirement for high level information on expected categories of investments will impact trustees' independence in making investment decisions in the interests of scheme members?

Yes, there is a risk that this impacts on the trustees' unfettered control over selecting and making investments.

It remains unclear how the sponsor's agreement to the funding and investment strategy, which includes details on expected investment allocations, sits alongside the broader position that trustees should not be required to obtain employer consent when selecting and making investments.

We are supportive of limiting the information on scheme investments to be included in the funding and investment strategy to the high-level proportion of assets that the trustees expect to allocate to different categories of investment (e.g., equities, corporate bonds, gilts) rather than anything more detailed on actual scheme investments. However, this could still have the potential to constrain trustees from acting swiftly to make decisions or capture opportunities that are in members' best interests. There needs to be flexibility for investment strategies to be refined as a result of changing market conditions.

We appreciate the issue stems from the Pension Schemes Act 2021 requirement, but further clarification would be beneficial.

Determination, review and revision of funding and investment strategy

Question 16: Are the requirements and timescales for determining, reviewing and revising the funding and investment strategy in draft regulation 13 realistic?

This seems reasonable but we suggest that arrangements are put in place to allow flexibility on timescales for the first valuation undertaken under the new Regulations and Code. This could be discussed and agreed with TPR on a case-by-case basis.

Statement of strategy

Question 17: Are there any other assessments or explanations that trustees should evidence in Part 2 of the statement of strategy?

Not that we can think of at the current time.

Requirements for chair of trustees

Question 18: Do you agree that these are the appropriate requirements for the scheme trustee board when appointing a chair? Are there any other conditions that should be applied?

The requirements seem reasonable. However, proposed regulation 17(d) links in effect to the Nest scheme which does not seem to be relevant for DB schemes.

Actuarial valuations and reports

Question 19: We would like to know if you think these requirements will work in practice?

The information to be set out in the valuation report (scheme maturity, when the scheme is expected to reach significant maturity, and the low dependency funding level as at the valuation date) seems reasonable.

We question whether the requirement to quote the expected maturity at the relevant date is necessary, given the requirement to calculate when the scheme is expected to become significantly mature and to set the relevant date within a short period of this date.

Recovery plan

Question 20: Do you consider that the matters prescribed by regulation 8(2) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005 remain relevant for trustees or managers to take account of when determining or revising recovery plans? If so, why and how are they relevant to the setting of appropriate recovery plans?

Yes, the factors set out in regulation 8(2) remain reasonable.

- The risk profile – trustees should consider the range of risks associated with a given plan.

- Liquidity requirements – to ensure the scheme has access to sufficient funds to pay benefits as they fall due.
- The age profile of the members – in general, less mature schemes have longer horizons and can tolerate more risk to the extent that the covenant can support this.

Rather than the proposed new affordability principle, we would be supportive of referencing the broader range of employer covenant related matters that would also be practically considered. This would include the affordability of contributions, the impact of the proposed level of contributions on the sustainable growth of the employer and any contingent security offered.

Question 21: Do you consider that the new affordability principle at draft regulation 20(8) should have primacy over the existing matters, if they do remain relevant?

No. Sponsor affordability should remain one of the factors for trustees to consider when agreeing a recovery plan, but it shouldn't require recovery plans to always be as short as possible. In the extreme this could remove any reliance on investment returns and risks imposing additional costs on strong employers at a time when businesses will be focussing on riding out the current macroeconomic turbulence. It could also increase the risk of trapped surpluses.

In principle, it makes sense to require schemes with a stronger employer covenant to have shorter recovery plans, achieved by higher contributions in a shorter period of time. However, this must be balanced against sustainability.

To some extent, the impact will depend on how the term "reasonably" can be interpreted. However, using the words "as soon as" would suggest "very quickly" and imply that trustees should seek contributions from the employer in line with what *can* be paid rather than what *should* be paid. In contrast we think the emphasis for reasonable affordability should be less on repaying deficits as quickly as reasonably affordable and more about considering the appropriate period in which to do so in view of the risks to the scheme and the impact on the employer. The assessment of affordability should balance other reasonable needs for cash – i.e., business growth which will ensure the long-term survival of the employer.

This presentation would be clearer and better aligned with the focus on understanding and managing risks and the Regulator's statutory objective to "minimise any adverse impact on the sustainable growth of an employer".

Multi-employer schemes

Question 22: Will the requirements in draft regulations 20(9) work in practice for all multi-employer pension schemes?

The changes seem appropriate.

Business burdens and regulatory impacts

Question 23: Do you agree with the information presented in the impact assessment for the funding and investment strategy?

No. While we appreciate that estimating the costs involved is challenging, in our view the impact assessment is not complete without considering the level of additional employer contributions or advisory costs that will flow from the requirements.

You acknowledge the 2018 findings showed that the current regime was working well for the majority of schemes. Therefore, there is a balance between the Pensions Regulator being able to regulate the minority more firmly and the new requirements unduly constraining schemes that are acting reasonably. Understanding the extent to

which these proposed measures would come at significant additional cost is key to understanding whether this balance is right. One might anticipate that for the majority of schemes there should be little change.

We agree the most significant impact will be for those schemes that are not yet on the path to achieving low dependency funding at significant maturity i.e., those schemes that need to strengthen technical provisions or are currently taking too much unsupported risk. This would extend to schemes that are (or are close to) significantly mature when the new regime is implemented if they are forced to immediately de-risk and pay significant contributions to hit a much higher low-dependency funding target.

There would also be an impact from strengthening any requirement to remove deficits “as soon as the employer can reasonably afford” which is not addressed (as far as we can see) in the impact assessment.

An impact assessment on the changes to deficit repair contributions should be a key component of the Regulator’s consultation on the revised Defined Benefit Funding Code of Practice. Clearly it would be difficult to fully assess the proposals without knowing the costs involved.

Question 24: Do you expect the level of detail required for the funding and investment strategy to increase administrative burdens significantly?

Yes, there will be work – at least initially, or when circumstances change – for trustees and their advisers to map out their future strategy in the depth required. That will bring, perhaps significant, additional costs for schemes.

It will be more onerous, and disproportionately expensive, for smaller schemes who tend not to have access to the same resources as their larger counterparts. The result of these Regulations could be to accelerate the consolidation of small schemes – is this the intention the Department for Work and Pensions had when drafting these?

We note that the increased administrative costs will be in addition to possible increased employer contributions as a result of forced de-risking. The combination of these increased outlays could threaten the sustainability of businesses and jobs of the sponsors of UK defined benefit schemes. This is an essential consideration that is missing from the impact assessment.

Question 25: Do you agree with information presented in the impact assessment for the statement of strategy, referenced in paragraph 6.1?

No – the impact assessment is incomplete as it does not include any quantification of the possible impact on employer contributions. This is a fundamental issue for any scheme’s strategy. Nor is there any estimation of the costs associated with developing a Statement of Strategy.

We agree there will be minimal costs to schemes attached to the appointment of a Chair. Most DB trustee boards we work with already have a Chair, and where they don’t, we expect most would be able to appoint one of their existing trustees.