

The DB landscape

Defined benefit pensions 2018

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Introduction

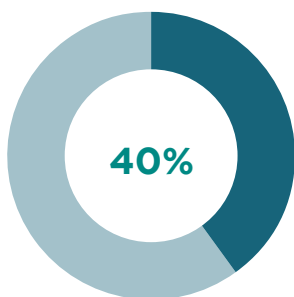
Welcome to the third edition of DB landscape publication, TPR's annual report on the defined benefit (DB) pension schemes that we regulate. We have taken this information from the pension schemes register on 31 March 2018 and included DB and hybrid occupational schemes with more than one member. Our publication differs from the PPF's Purple Book as their data includes only those DB schemes eligible for PPF.

We present the data in a variety of ways, including by membership, by scheme status and employer type. This year we've also included information on public service schemes, indexation and scheme funding valuations that meet the requirements of Part 3 of the Pensions Act 2004.

The data shows a slight fall in the proportion of schemes closed to new members and an increase in those closed to future accrual. The number of active memberships has fallen 49% since 2010.

For information on the defined contribution (DC) landscape, you can read our DC trust publication at www.tpr.gov.uk/dc-trust.

Illustrated summary

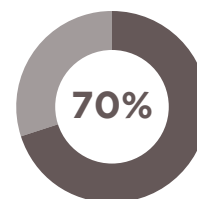
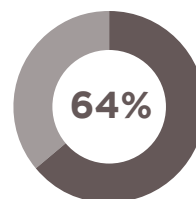


40% of schemes are now closed to future accrual, up from 22% in 2010



1.2 m

There are approximately 1.2 million active members remaining



64% of members, and 70% of active members are in schemes with 10,000 or more memberships

How we collect scheme information

All pension schemes in the UK with two or more memberships are required to register with us. At the point of registration, they need to provide us with information including:

- ▶ their scheme name and contact details
- ▶ their scheme status
- ▶ membership information
- ▶ details about the relevant employer(s), trustees and service providers

We also send the trustees a document called a scheme return, which they are legally required to complete. In addition to basic scheme information, trustees also need to answer questions on investment choices, requested transfers from DB to DC schemes and, in the case of DB schemes with DC benefits, questions on charge controls and the chair's statement.

Depending on the size of the scheme, trustees are sent a scheme return at least every three years, with larger schemes required to complete one annually.

Scheme status and memberships

Scheme status in this report is split between:

- ▶ open schemes, where new members can join the DB section of the scheme and accrue benefits
- ▶ schemes closed to new members (CTNM), in which existing members continue to accrue benefits
- ▶ schemes closed to future accruals (CTFA), where existing members can no longer accrue new years of service
- ▶ schemes that are winding up

Where schemes provide both DB and DC benefits, it is often the case that it is no longer possible to join as a member accruing defined benefits. In these cases we have adjusted the status to CTNM. 132 schemes had their status changed in this way, encompassing around 633,000 memberships.

Where such schemes have no active DB accruing memberships, the status is adjusted to CTFA. 294 schemes had their status adjusted in this way, which in total contained around 922,766 memberships.

Statuses are taken to be as submitted by the scheme.

Schemes by status

Figure 1: Distribution of schemes by status

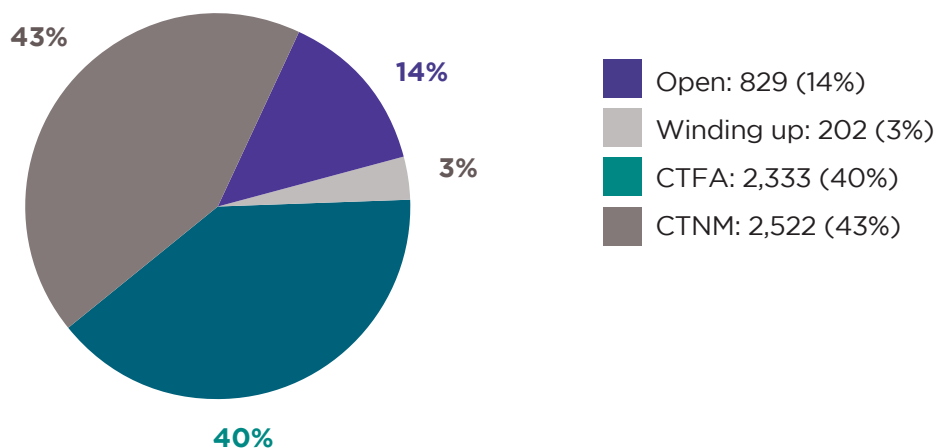


Table 1: Scheme status by year

Status	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %
Open	17	15	14	15	14	15	15	14	14
CTNM	48	47	48	47	48	47	45	44	43
CTFA	22	25	27	29	32	33	35	38	40
Winding up	13	13	11	9	7	6	5	4	3

Table 2: Scheme status by year excluding schemes offering DB and DC benefits

Status	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %
Open	18	17	16	16	15	15	15	15	15
CTNM	46	45	46	46	46	45	44	42	41
CTFA	21	24	27	29	32	33	35	38	40
Winding up	15	14	12	9	7	6	5	5	4

Figure 2: Schemes by status and year

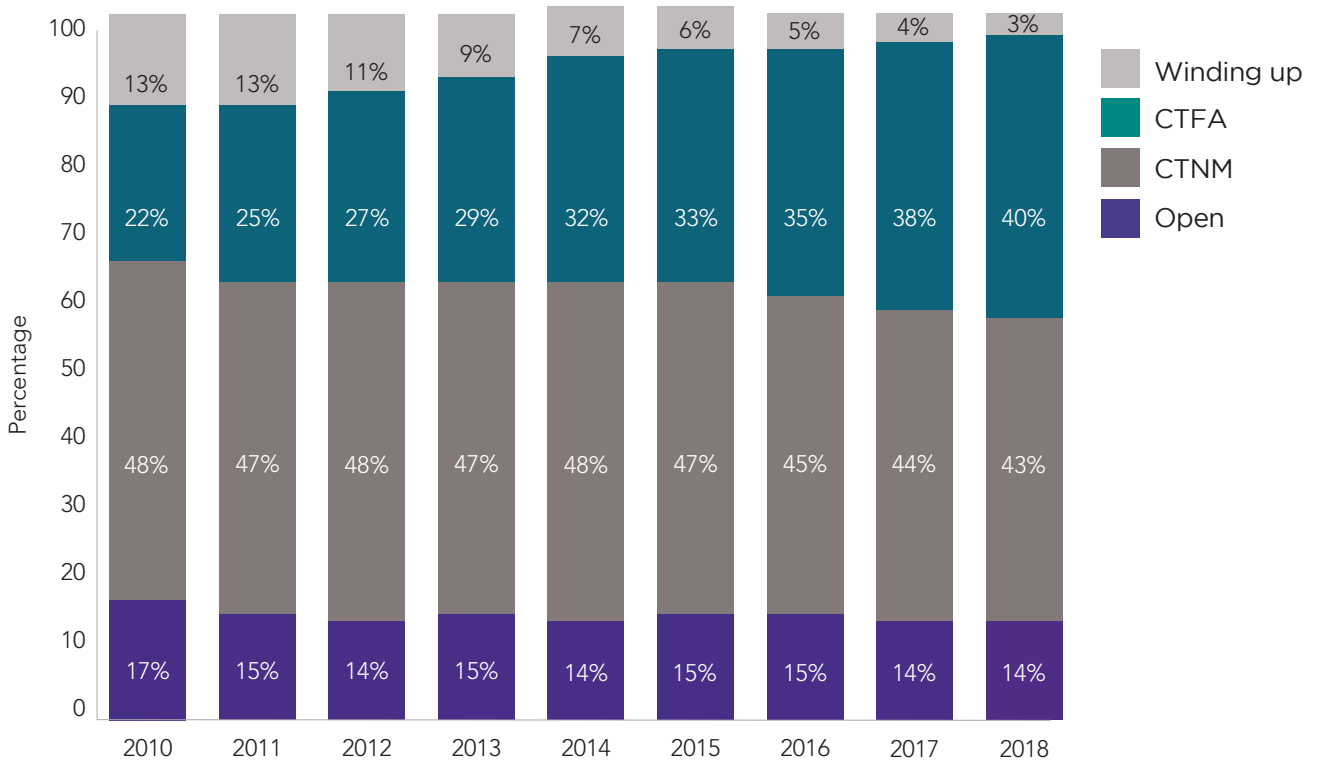
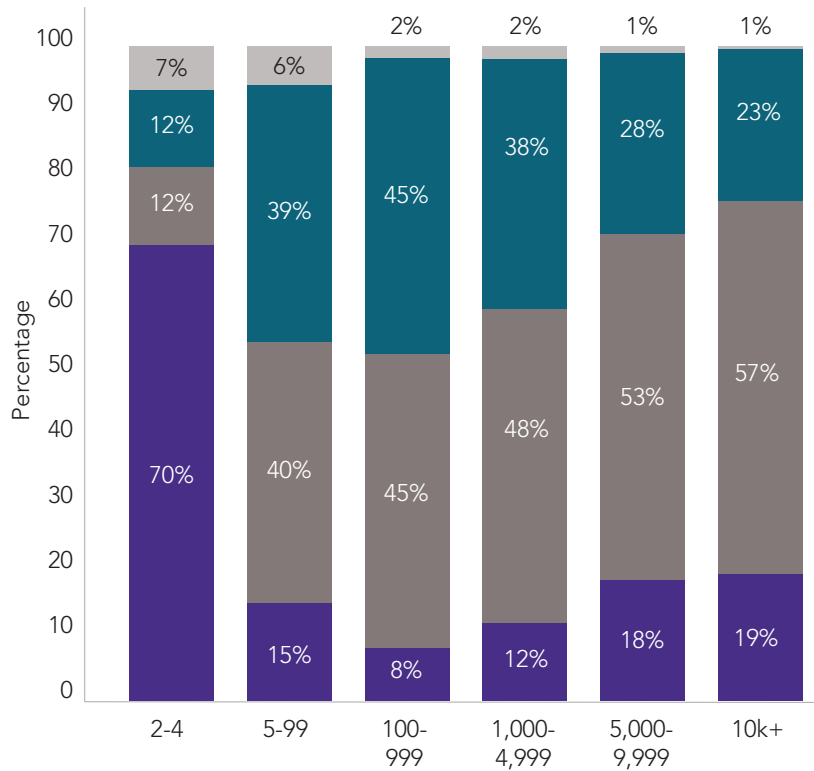


Figure 3: Scheme status by member group



Membership by status

Figure 4: Percentage distribution of members by scheme status

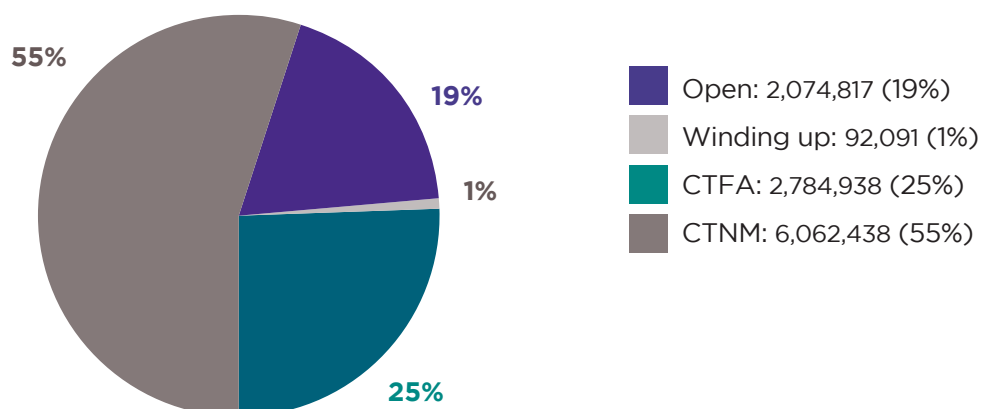


Table 3: Proportion of memberships by status and year

Status	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %
Open	35	28	25	22	22	21	19	19	19
CTNM	57	62	63	61	60	58	60	56	55
CTFA	6	8	10	15	17	19	20	23	25
Winding up	2	2	2	2	2	1	2	1	1

Table 4: Memberships by type and status

Status	Active	Deferred	Pensioner
Open	624,427	771,211	679,146
CTNM	602,765	2,813,009	2,646,664
CTFA	0	1,635,489	1,149,446
Winding up	0	39,544	52,547

Active memberships by year

Table 8: Active memberships by year

Active memberships								
2010	2011	2012	2013	2014	2015	2016	2017	2018
2,421,255	2,284,918	2,091,143	1,922,891	1,842,083	1,778,001	1,650,491	1,330,126	1,227,192

Figure 5: Active memberships by year

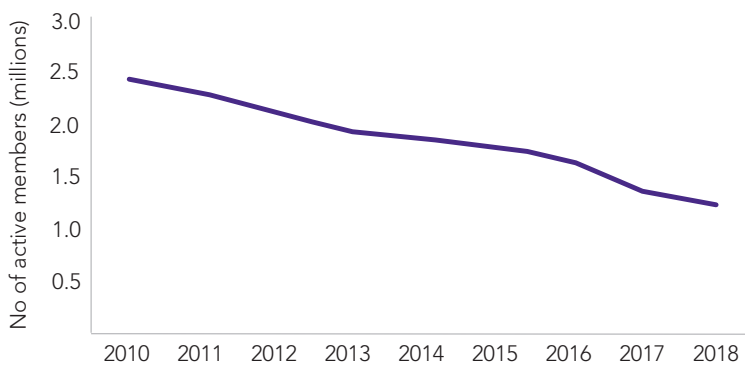
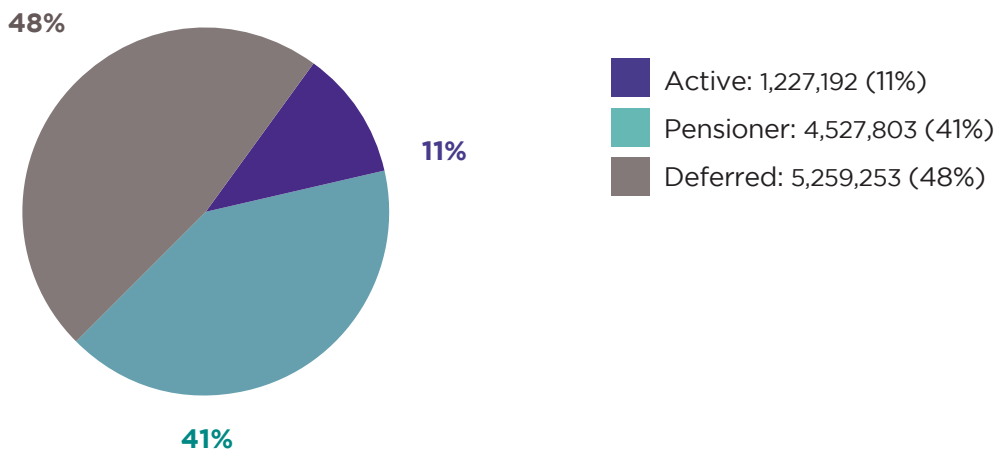


Figure 6: Membership by type



Concentration of memberships

Table 9: Percentage of active memberships by size band and year

% by size band memberships	2012	2013	2014	2015	2016	2017	2018
02 to 4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
05 to 99	0.7	0.7	0.6	0.6	0.5	0.6	0.5
100 to 999	7.7	7.2	6.7	6.0	5.6	6.0	5.5
1000 to 4999	14.9	14.8	14.4	13.1	12.8	13.7	12.6
5000 to 9999	10.8	10.9	10.3	9.0	9.2	10.6	10.9
10,000+	65.9	66.5	68.0	71.3	71.9	69.1	70.4

Table 10: Percentage of total members by size band and year

% by size band memberships	2012	2013	2014	2015	2016	2017	2018
02 to 4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
05 to 99	0.9	0.9	0.9	0.8	0.8	0.8	0.8
100 to 999	8.6	8.4	8.1	7.8	8.0	7.9	7.8
1000 to 4999	15.3	15.2	15.3	14.9	15.4	15.6	15.9
5000 to 9999	10.8	11.0	10.7	10.2	10.8	10.9	11.1
10,000+	64.4	64.5	65.0	66.2	65.0	64.9	64.4

Schemes by principal employer type

Table 11: Proportion of schemes by status and principal employer type

% by status	Open	CTNM	CTFA	Winding up	All
College or education institution	37	33	29	0	100
Government / public body	25	13	63	0	100
Limited liability partnership	3	40	52	5	100
Other	18	45	36	1	100
Overseas Company	0	36	58	6	100
Partnership	2	53	36	9	100
Private limited company	10	44	45	2	100
Public limited company	7	52	39	3	100
Registered charity	6	46	47	2	100
Sole trader	17	33	50	0	100

Table 12: Proportion of memberships by status and principal employer

% by status	Open	CTNM	CTFA	Winding up	All
College or education institution	80	16	4	0	100
Government/public body	10	1	90	0	100
Limited liability partnership	0	46	54	0	100
Other	13	65	22	0	100
Overseas Company	0	24	68	8	100
Partnership	0	36	63	1	100
Private limited company	16	49	34	1	100
Public limited company	12	57	30	1	100
Registered charity	26	41	32	0	100
Sole trader	2	47	51	0	100

Table 13: Schemes – percentage of status by employer type

% by employer type	Open	CTNM	CTFA	Winding up
College or education institution	4	1	1	0
Government/public body	0	0	0	0
Limited liability partnership	0	1	2	4
Other	17	9	8	4
Overseas Company	0	1	1	2
Partnership	0	1	1	4
Private limited company	69	70	74	71
Public limited company	6	11	8	12
Registered charity	3	5	6	4
Sole trader	0	0	0	0
All	100	100	100	100

Table 14: Memberships – percentage of status by employer type

% by employer type	Open	CTNM	CTFA	Winding up
College or education institution	8	1	0	0
Government/public body	0	0	1	0
Limited liability partnership	0	1	1	0
Other	8	12	7	4
Overseas Company	0	0	1	2
Partnership	0	0	0	0
Private limited company	52	46	54	53
Public limited company	29	40	35	41
Registered charity	3	1	2	1
Sole trader	0	0	0	0
All	100	100	100	100

Scheme funding

These funding figures represent the schemes' Part 3 funding valuations on a common date of end March, 2018. A funding valuation is a calculation made by an actuary of the assets needed for the scheme to meet the statutory funding objective. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by other members and beneficiaries, which will become payable in the future.

We have processed the numbers so they are 'rolled forward' to a common date. The 'roll forward' model is designed to estimate rolled forward individual scheme specific data from different dates (eg scheme specific date of actuarial valuations) to a single date for all schemes.

The model estimates changes in the amounts of liabilities for individual schemes between their latest valuation date (as reported by the trustees in their scheme return) and a common date by tracking changes in fixed interest and index linked gilt yields. It also measures corresponding changes in asset positions by tracking the performance of the relevant indices.

The model simply tracks the effect of changed market conditions between these two dates on a consistent basis for all schemes. It does not consider any other changes to scheme's asset and liability profile due to scheme experience, benefit changes, post valuation benefit accrual, demographic changes, curtailments, settlements, changes in asset strategy, scheme specific investment performance, contingent assets, contribution strategy or covenant support.

Overview of Part 3 funding

Table 15: All valuations

Status	Assets (bn)	Liabilities (bn)	Balance (part three) (bn)
Open	288.62	316.89	-28.27
CTNM	995.72	1082.04	-86.32
CTFA	365.67	403.36	-37.68
Total	1650.02	1802.29	-152.27

Table 16: Schemes in deficit

Status	Assets (bn)	Liabilities (bn)	Balance (part three) (bn)
Open	216.04	247.93	-31.89
CTNM	679.20	783.23	-104.04
CTFA	270.73	312.68	-41.95
Total	1165.97	1343.85	-177.88

Table 17: Schemes in surplus

Status	Assets (bn)	Liabilities (bn)	Balance (part three) (bn)
Open	72.58	68.96	3.62
CTNM	316.53	298.80	17.72
CTFA	94.95	90.68	4.26
Total	484.05	458.45	25.60

Funding by status

Figure 7: Funding by status

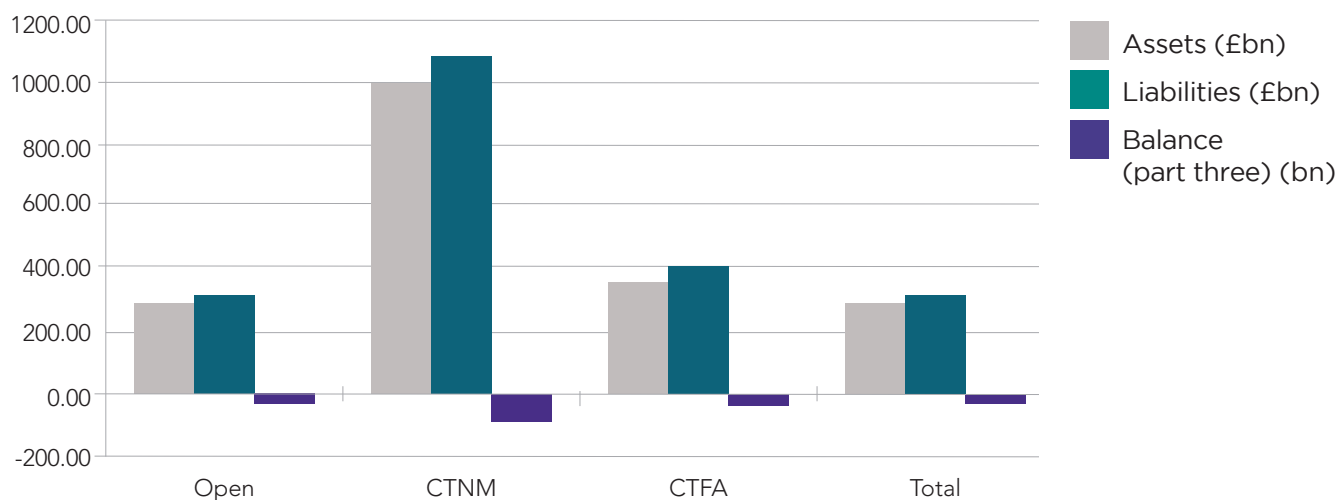


Table 18: Schemes by funding and status

Schemes	Funding level				
	0<50%	50-75%	75-100%	>100%	No info
Open	-	44	419	188	178
CTNM	15	295	1,579	604	29
CTFA	33	404	1,410	441	45

Funding by size band

Table 19: Funding by size

Members	Total assets (bn)	Liabilities (bn)
2 to 4	0.48	0.67
5 to 99	15.11	16.42
100 to 999	141.99	159.05
1,000 to 4,999	273.58	301.67
5,000 to 9,999	203.74	222.52
over 1,000	1015.12	1101.97
Total	0.48	0.67

Figure 8: Funding by size band

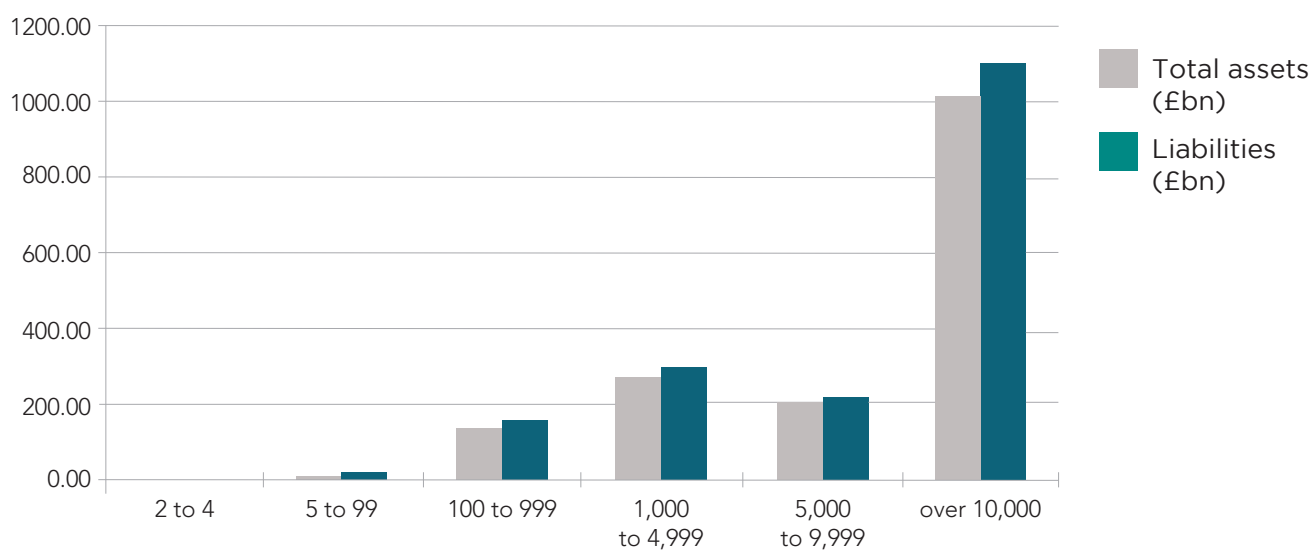


Table 20: Number of schemes by funding level and size

Schemes	0<50%	50-75%	75-100%	>100%	No info
2 to 4	-	9	33	33	160
5 to <99	28	264	1,060	484	199
100 to <999	13	367	1,532	489	64
1,000 to <4,999	-	80	521	146	23
5,000 to <9,999	-	15	119	37	-
10,000+	-	8	143	44	6

Note that '-' represents five or less entities

Coverage of funding figures

Not all schemes had rolled forward valuation data available at the date where the data was taken. Schemes in wind up are not processed in this way, for instance, and there may be instances where a scheme is not liable to prepare part three valuations or where certain items of data used in the calculation were not available. The data set used in this document has rolled forward funding information for 97% of the relevant memberships.

Indexation information

Schemes can adopt a variety of approaches to increases to pensions in payment. Indexation types can include:

- ▶ fixed increases
- ▶ a percentage of the increase in inflation
- ▶ full indexing with inflation
- ▶ index linking with inflation up to a maximum
- ▶ index linking with inflation with a maximum and a minimum
- ▶ no indexation

The index used can be RPI (retail price index) or CPI (consumer price index). RPI has historically been higher than CPI. In addition schemes will have one approach for pre-97 accruals and one for accruals after 1997. We collect this information from schemes – see below.

Indexation types

Table 21: Indexation pre-April 1997 – schemes

	CPI	N/A	RPI	Unknown
Fixed interest value	-	1,814	-	-
Full indexing in line	246	-	211	-
Maximum and minimum	15	-	246	-
Not applicable	7	1,231	8	80
Percentage increase	-	-	19	-
Up to maximum	195	-	1,605	-

Table 22: Indexation pre-April 1997 – % of memberships

	CPI	N/A	RPI	Unknown
Fixed interest value	-	10.1	-	-
Full indexing in line	10.7	-	5.8	-
Maximum and minimum	0.1	-	4.9	-
Not applicable	0.0	13.7	0.0	2.0
Percentage increase	0.0	-	0.8	-
Up to maximum	5.0	-	47.0	-

Table 23: Indexation post April 1997 – schemes

	CPI	N/A	RPI	Unknown
Fixed interest value	-	254	-	-
Full indexing in line	243	-	206	-
Maximum and minimum	157	-	584	-
None	-	131	-	11
Percentage increase	-	-	-	-
Up to maximum	802	-	3,287	-

-

Table 24: Indexation post April 1997 – % of memberships

	CPI	N/A	RPI	Unknown
Fixed interest value	-	0.4	-	-
Full indexing in line	7.4	-	3.3	-
Maximum and minimum	1.1	-	5.3	-
None	-	4.5	.	0.1
Percentage increase	-	-	0.0	-
Up to maximum	13.9	-	64.1	-

Public service schemes

Public service pension schemes provide pensions for civil servants, the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces. These schemes cover over 16.5 million memberships, and 24,000 employers.

Until 2015, pension provision in the public sector was provided on a defined benefit basis. Since then, however, workers in all open public service schemes have accrued benefits on a Career Average (CARE) basis.

There are 21 public service pension schemes. Of these, the local government pension scheme, fire & rescue service pension scheme and police pension scheme are locally administered. We treat each of the locally administered sections as a separate scheme and therefore regard the public service landscape as having 208 schemes.

Public service pension schemes are governed differently from other occupational pension schemes. They do not have trustees - instead the overall management and/or administrative responsibility for the schemes sits with scheme managers. Scheme managers are supported by pension boards, which assist them in complying with their legal duties. The local government pension schemes and some existing public body schemes are funded, but the others all operate on a 'pay as you go' basis.

Balance of membership types

Figure 9: Balance of membership types in public service schemes

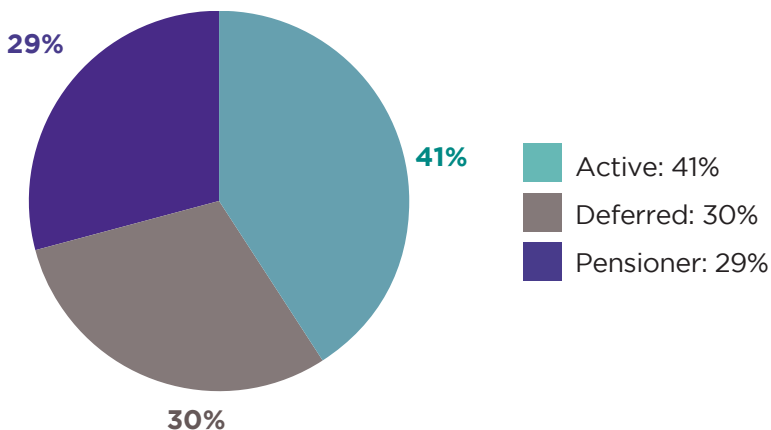
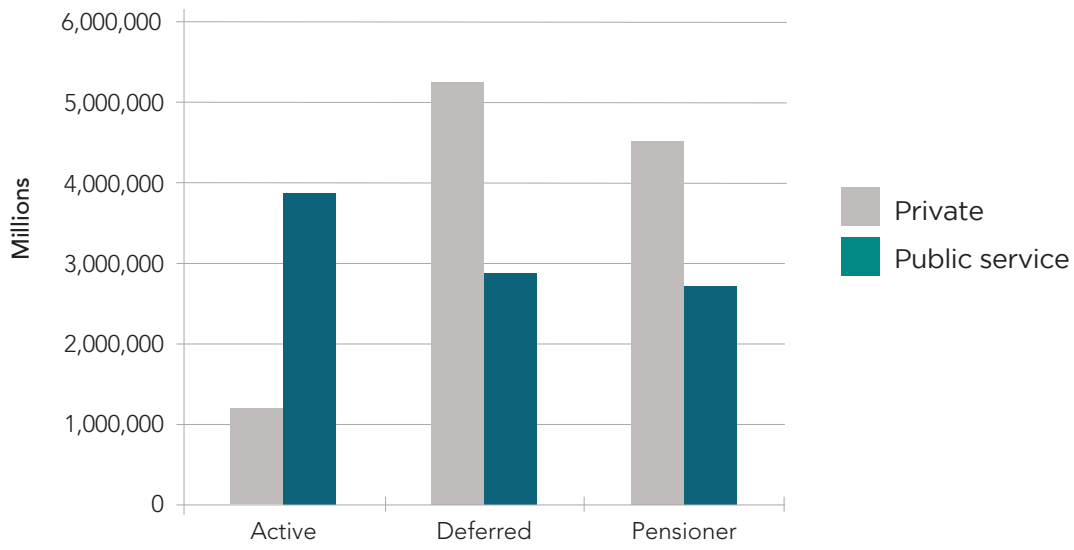


Figure 10: Comparison of balance of membership types – public service and private DB/hybrid



Appendix 1

Data set

The data set used in this publication is primarily based on an extract from the pension schemes register as of 31 March 2018. This aims to include registrable DB and hybrid occupational schemes with more than one member. As such this differs from the PPF's Purple Book data set in that the latter includes only those schemes eligible for PPF. PPF eligibility is explained at www.pensionprotectionfund.org.uk/About-Us/eligibility/Pages/Eligibility.aspx.

The schemes in this data set that don't appear in the Purple Book will include SSAS (small, self-administered schemes) type schemes, schemes to which a minister of the Crown has given a guarantee and others with features prohibiting PPF eligibility.

The additional schemes make up a relatively small proportion of the sample by membership and assets:

Table 25: Proportion of memberships in data set absent from Purple Book, by status

% of memberships	Open	CTNM	CTFA	Winding up
DB landscape only	0.09	5.85	0.29	0.05
In Purple and DB landscape	18.75	49.19	24.99	0.78

Table 26: Proportion of assets in data set absent from Purple Book, by status

% of assets	Open	CTNM	CTFA	Winding up
DB landscape only	0.1	0.1	0.2	N/A
In Purple and DB landscape	17.4	60.3	21.9	N/A

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The pensions landscape

Defined benefit pensions 2018

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