



Emerging Trends in Defined Benefits Survey 2022

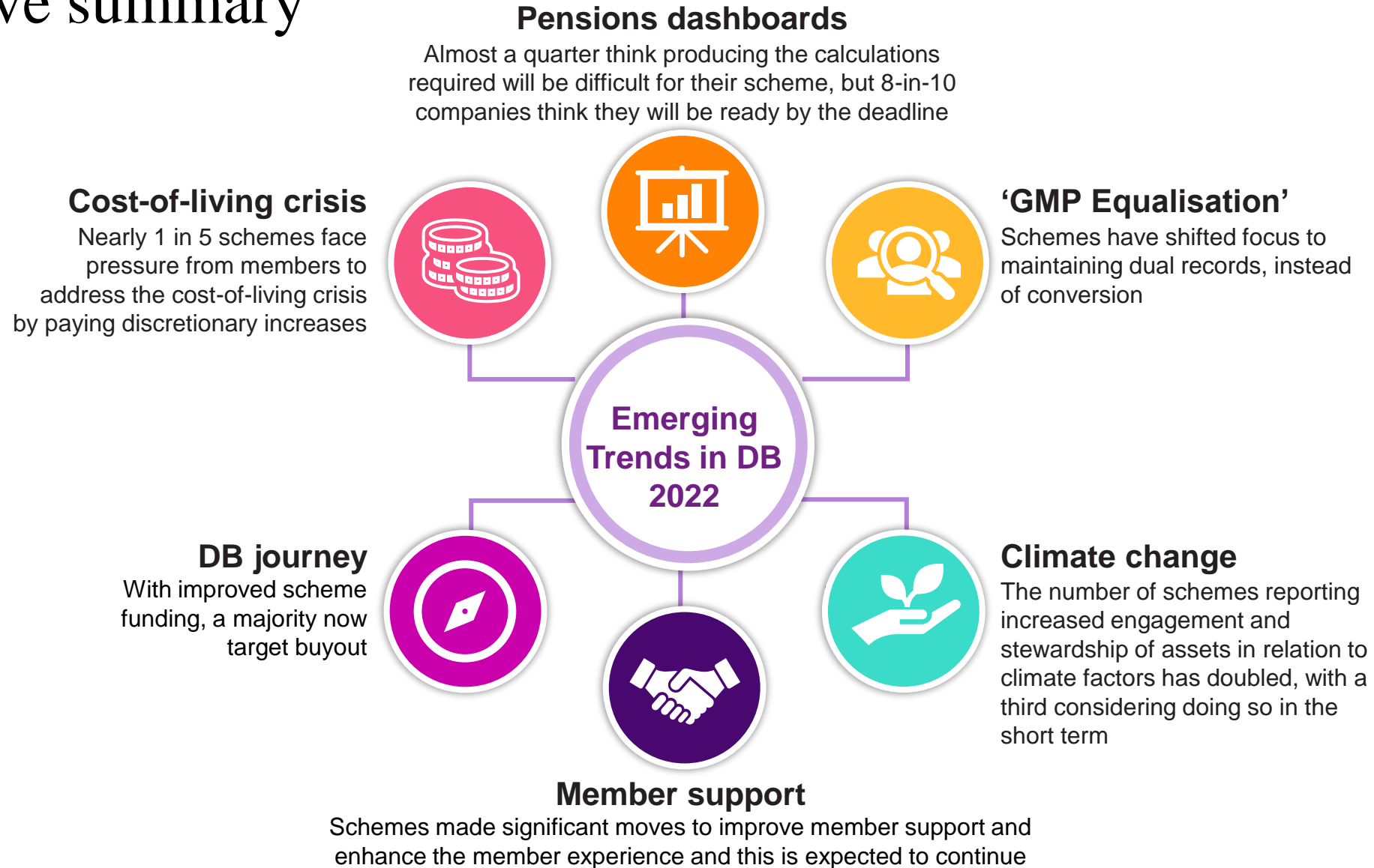
United Kingdom

November 2022

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Executive summary

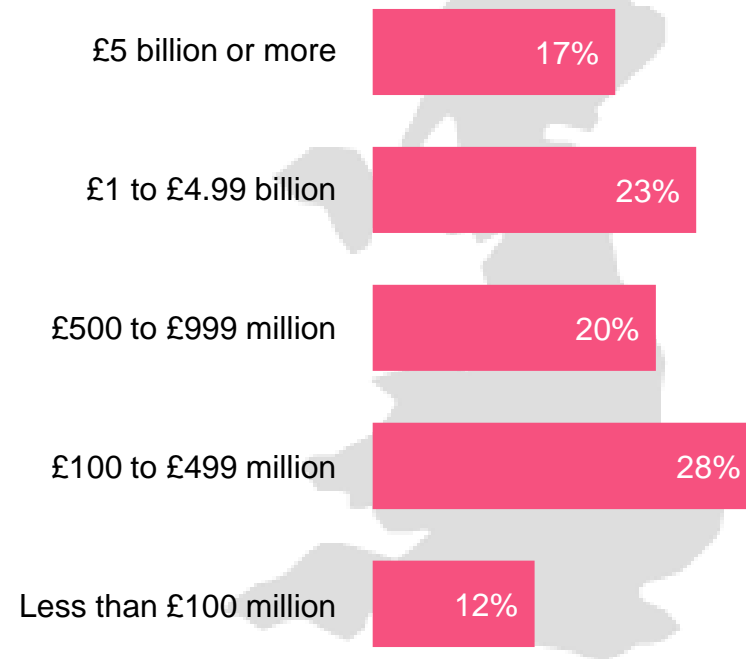


About the survey

70
responses

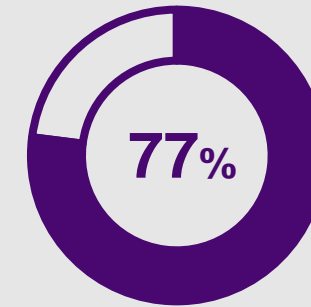
WTW conducted a survey among trustees, pension managers and other key stakeholders on the main issues facing defined benefit (DB) pension schemes in September 2022. Most respondents gave their views prior to the market turmoil that engulfed gilt markets towards the end of the month.

Assets under management

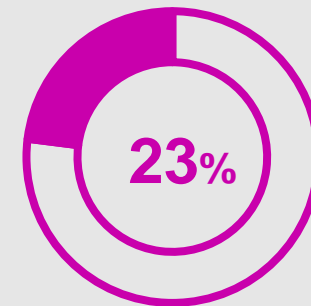


Note: Numbers may not sum to 100% due to rounding
Source: 2022 Emerging Trends in DB Pensions Survey

Trustee focus



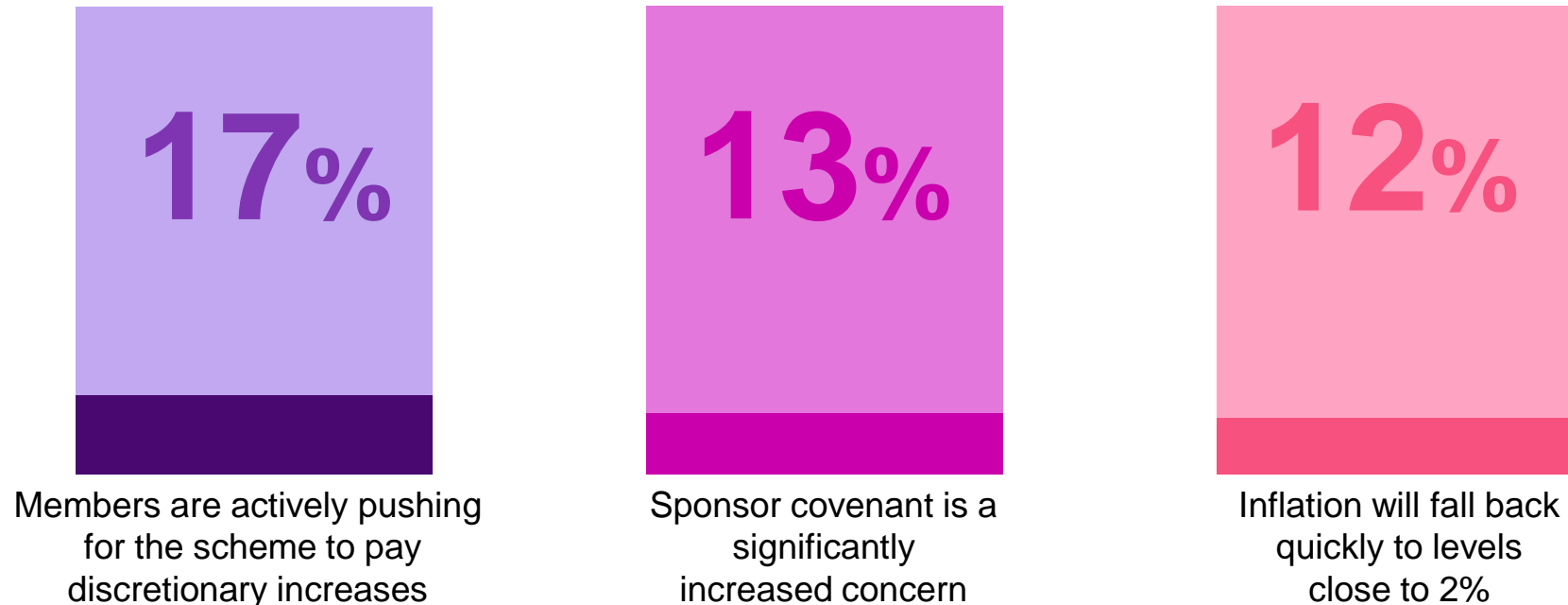
Corporate focus



Cost of living

Almost a fifth of schemes report their members are pushing for the scheme to pay discretionary increases

How strongly do you agree or disagree with the following statements about how the current economic situation is impacting your pension scheme?

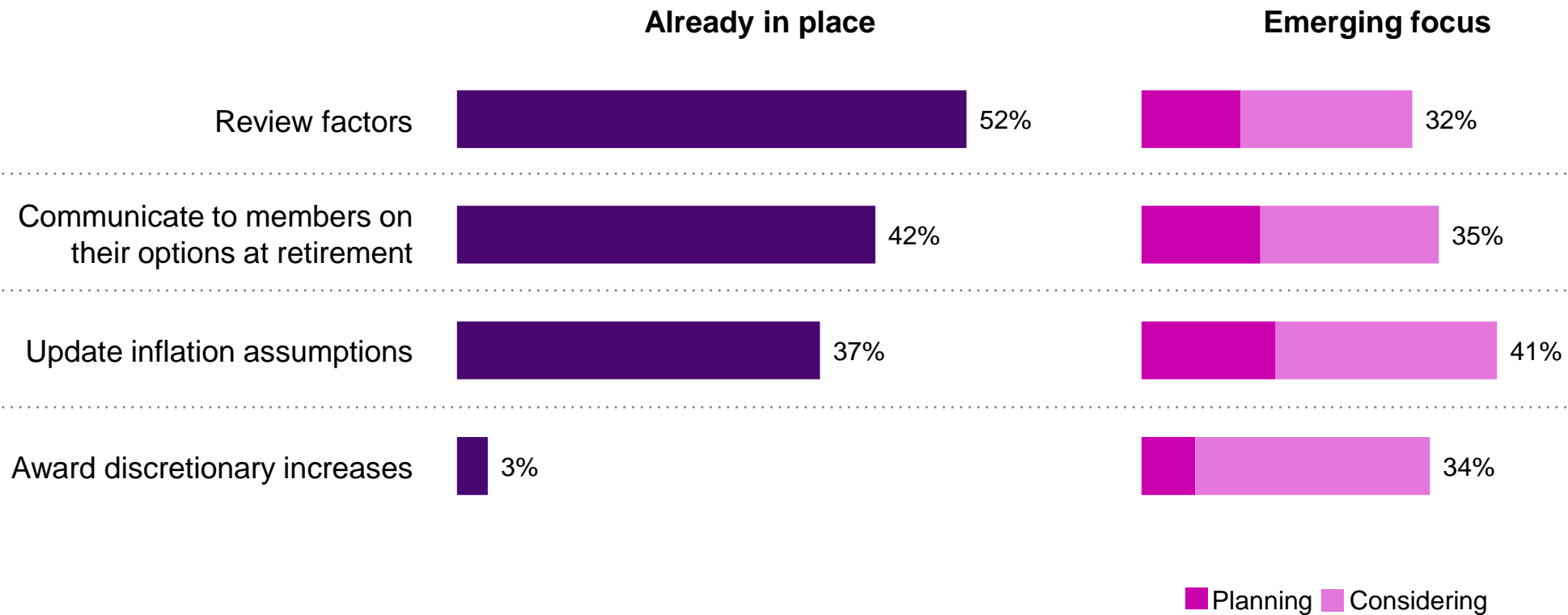


Percentage Agree, Strongly agree

Source: 2022 Emerging Trends in DB Pensions Survey

4 in 10 schemes are looking to update inflation assumptions

Has your scheme undertaken or is considering any of the following actions in response to the current economic situation and the cost-of-living crisis?



Note: Observations were weighted to allow one single response per scheme.
Source: 2022 Emerging Trends in DB Pensions Survey

Climate change

7 in 10 schemes believe their investments should support environmental considerations

How strongly do you agree or disagree with the following statements about climate change?



Trustee

Corporate

Believe investment should support environment

I believe a pension scheme's investments should support environmental considerations

72%

69%

Delivers better long-term performance

I believe investments supporting environmental considerations will perform better in the long run

63%

44%

Scheme understands climate change risk

Our pension scheme has a strong understanding of how climate change may affect the scheme

52%

56%

Sponsors pushing climate focus

Sponsors are actively demanding the scheme to take a stronger position on climate change

15%

19%

Members pushing climate focus

Members are actively demanding the scheme to take a stronger position on climate change

0%

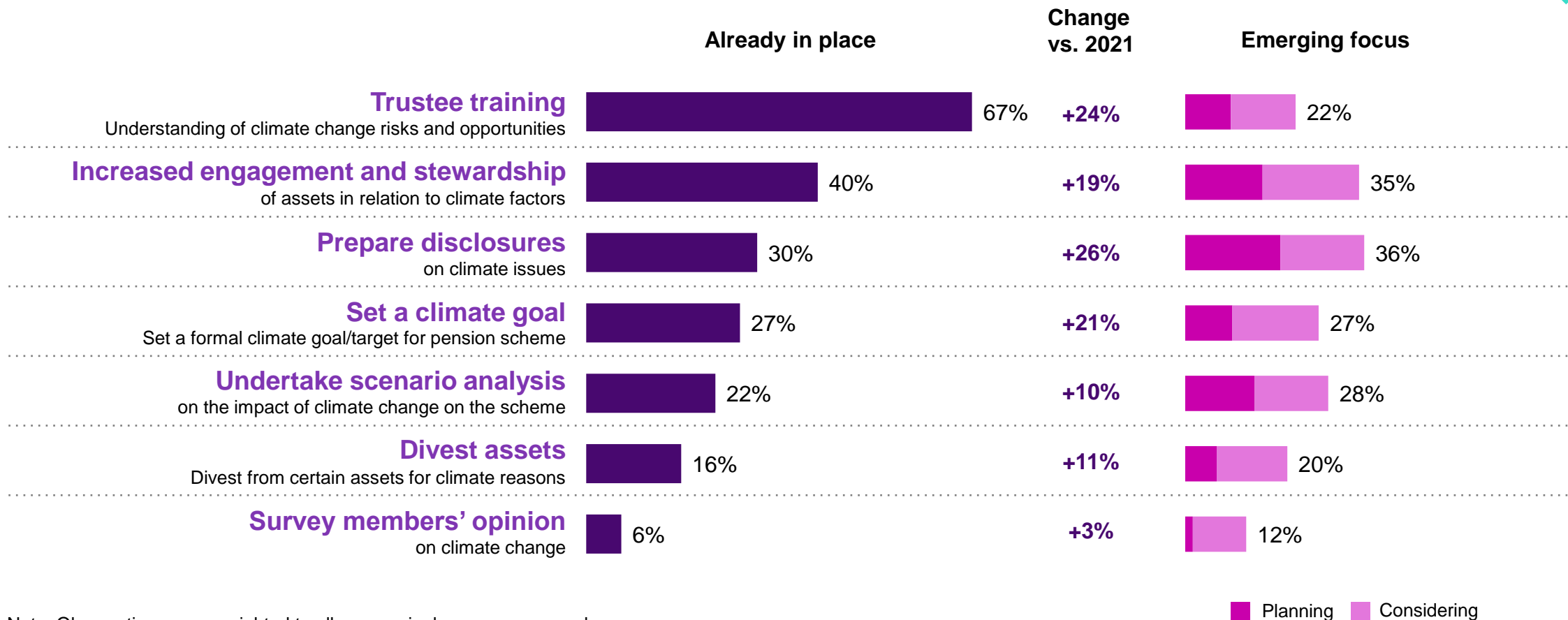
0%

Percentage Agree, Strongly agree

Source: 2022 Emerging Trends in DB Pensions Survey

Number of schemes preparing disclosures on climate issues is expected to more than double in the near future

Is your scheme taking any of the following steps to address climate change?

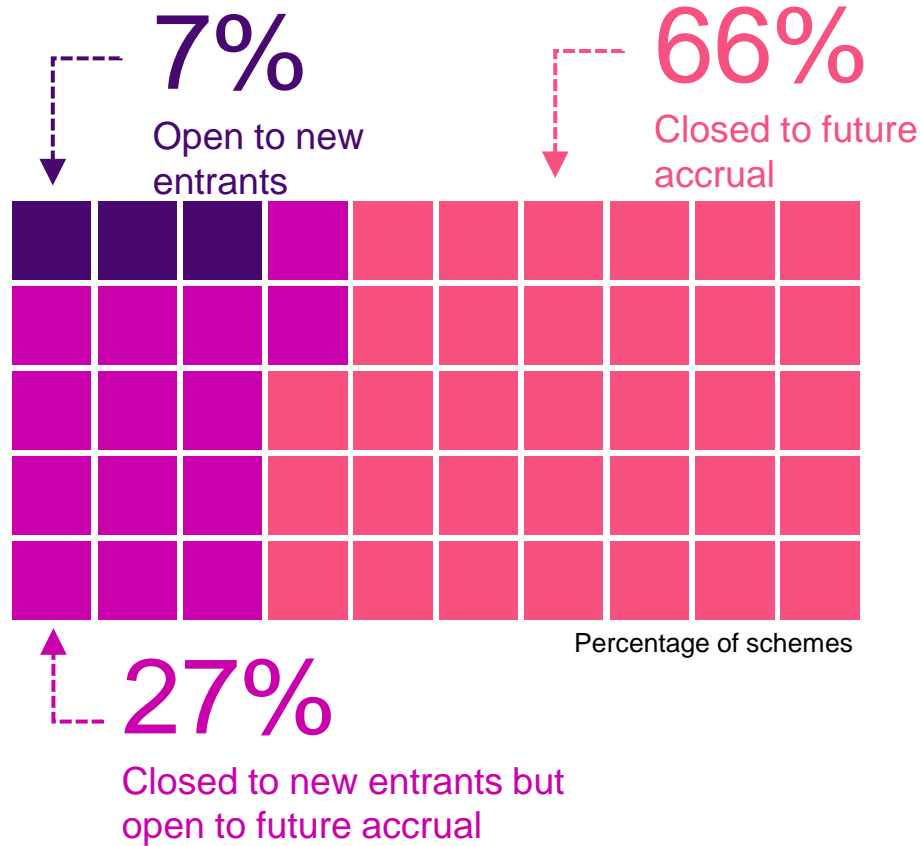


Note: Observations were weighted to allow one single response per scheme.
 Source: 2022 Emerging Trends in DB Pensions Survey

Pension change

Almost 4 in 10 schemes still accruing benefits are likely to cut generosity

DB plan status



How likely do you think it is that in the next 3 years your organisation / the sponsor will...?

Open to accrual

Reduce DB generosity
(without closing)

9%

Move to a DC plan


27%

Percentage likely, very likely, extremely likely

Note: Numbers may not sum to 100% due to rounding. Observations were weighted to allow one single response per scheme.
Source: 2022 Emerging Trends in DB Pensions Survey

Half of schemes find lifetime income an advantage for CDC

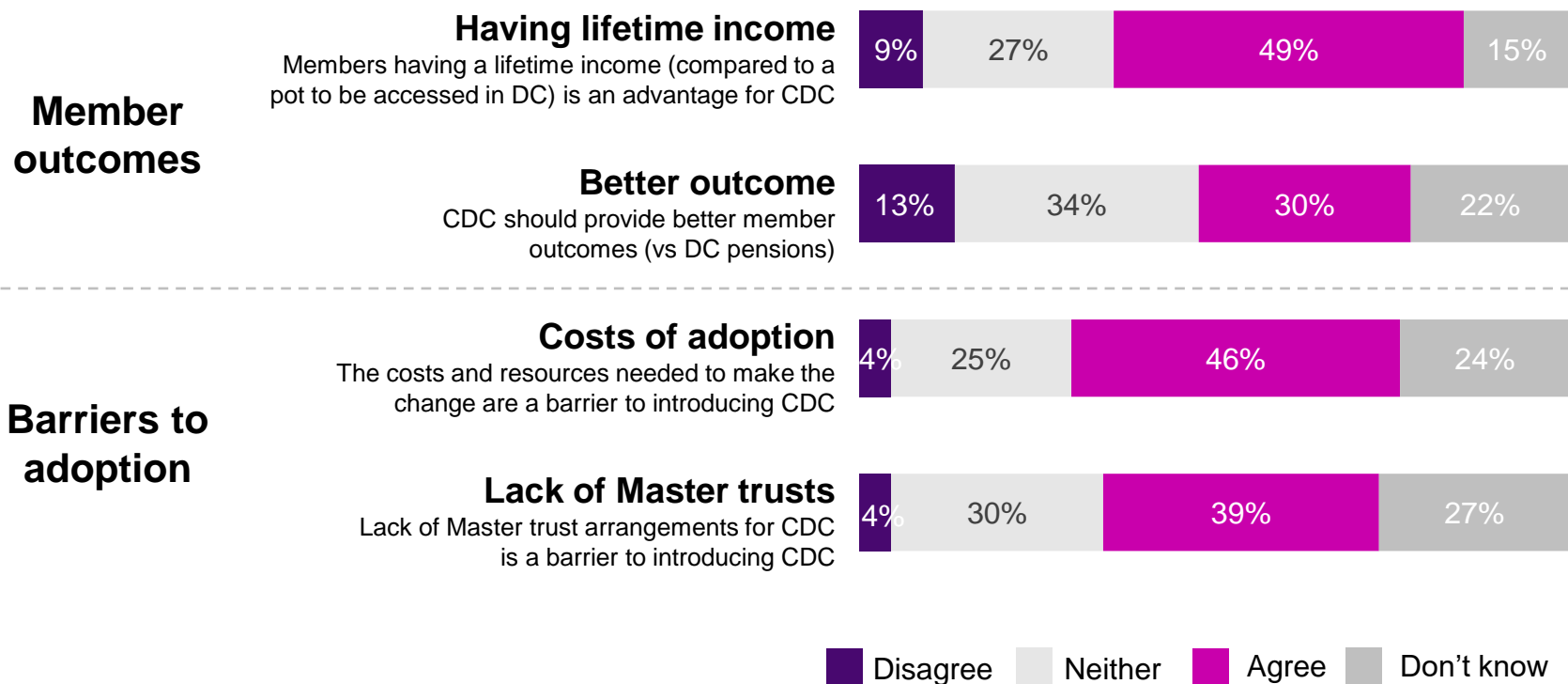
But over half find costs or lack of Master trusts arrangements as barriers for adoption



6%
Consider moving to a CDC arrangement

Percentage likely, very likely, extremely likely

How strongly do you agree or disagree with the following statements about the potential for Collective DC (CDC) arrangements in the UK?



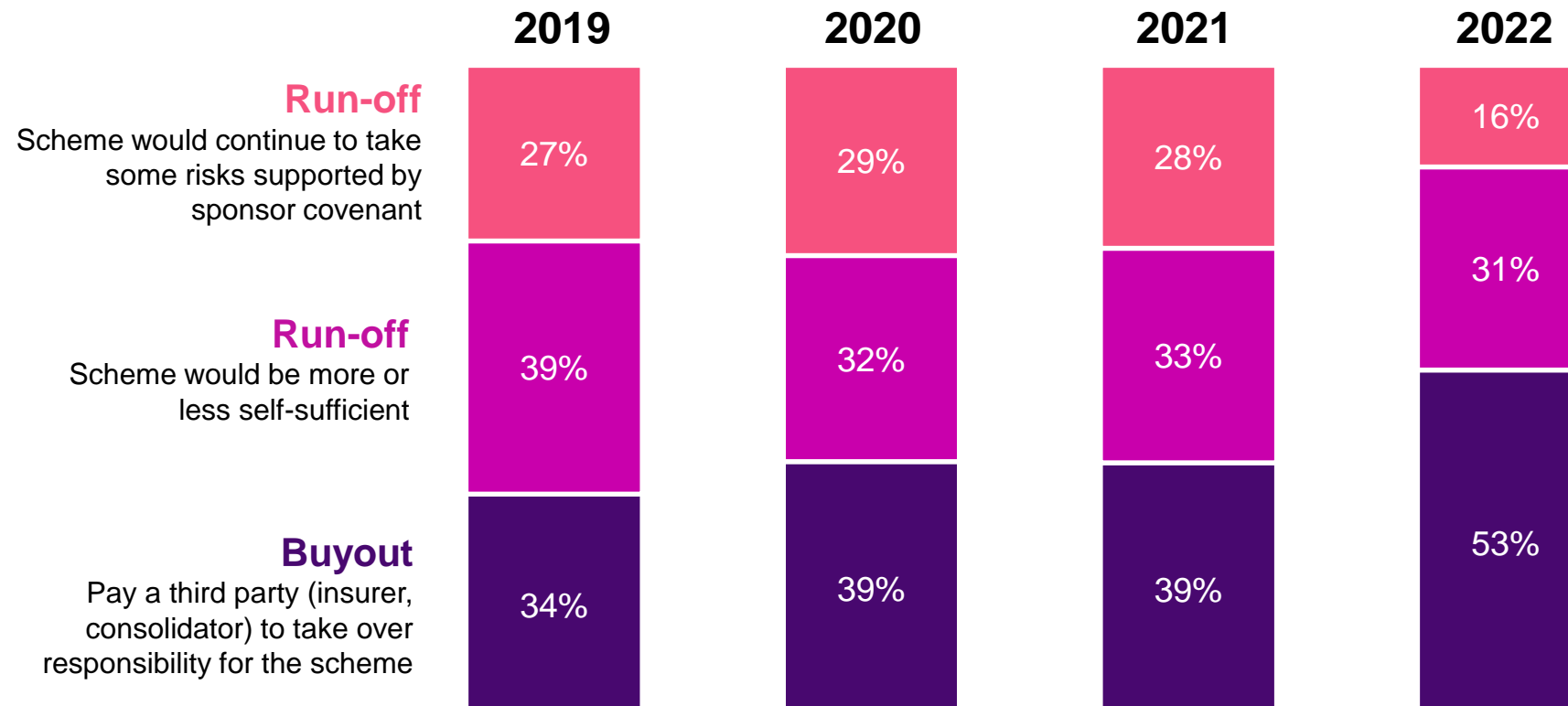
Note: Numbers may not sum to 100% due to rounding.
Source: 2022 Emerging Trends in DB Pensions Survey

DB journey

A majority now target buyout

Fewer schemes expect to run off the scheme supported by the sponsor

Which best represents the long-term strategy or target for the DB scheme?



Note: 'Don't know' responses are excluded. Numbers may not sum to 100% due to rounding.
Source: 2019-2022 Emerging Trends in DB Pensions Survey

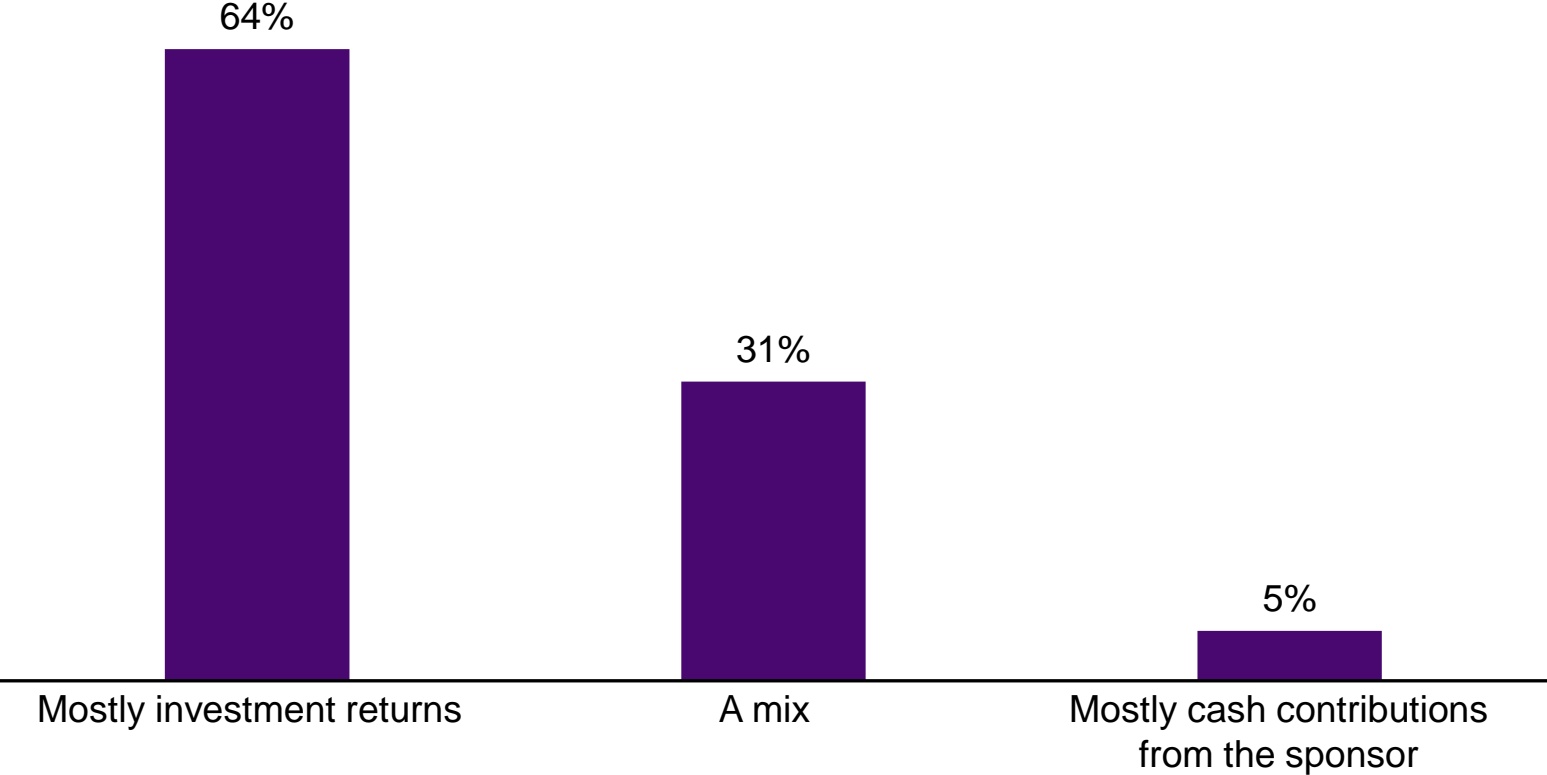
1 in 5 see a need to change their scheme's long-term objective in response to the new funding regime



Note: 'Don't know' responses are excluded.
Source: 2022 Emerging Trends in DB Pensions Survey

2 in 3 schemes expect to rely solely on investment returns to reach their long-term objective

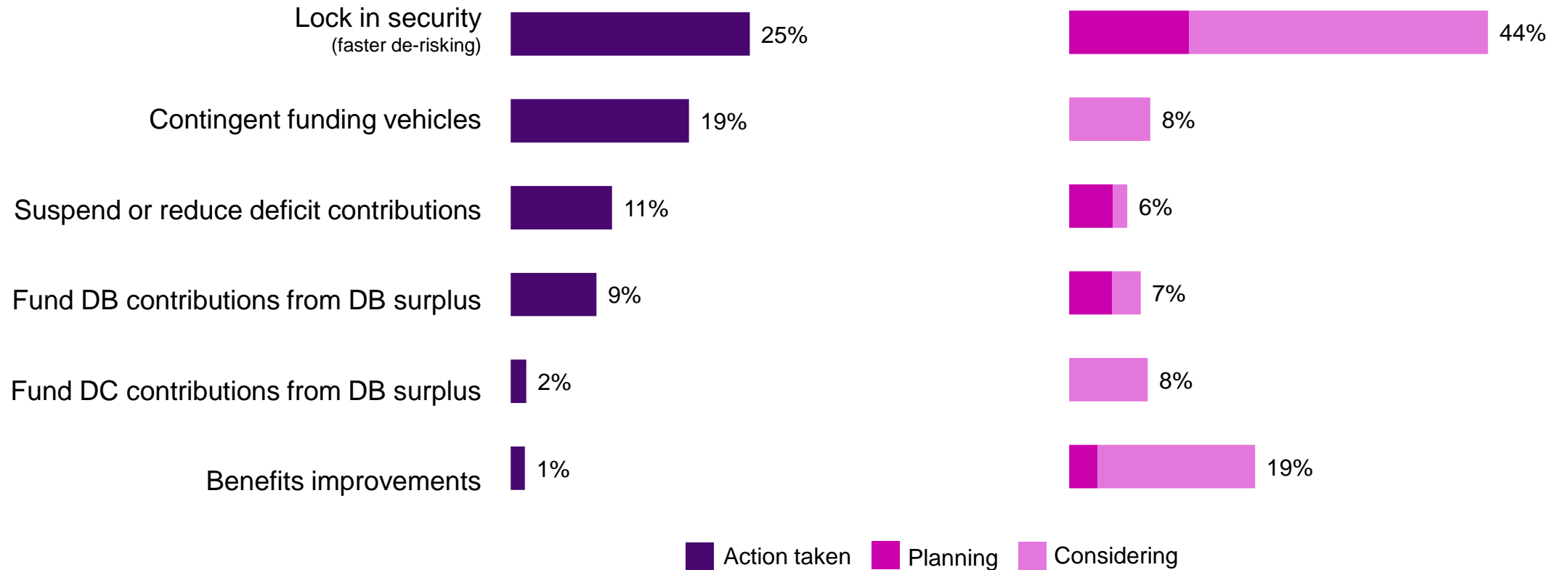
What will be the mix of investment returns and cash contributions from the sponsor expected to reach its long-term objective?



Sample: Schemes that did not achieve their long-term objective yet
Note: 'Don't know' responses are excluded.
Source: 2022 Emerging Trends in DB Pensions Survey

Faster de-risking is the most likely response to improvements in scheme funding

Is your scheme exploring any of the following in response to improving scheme funding?

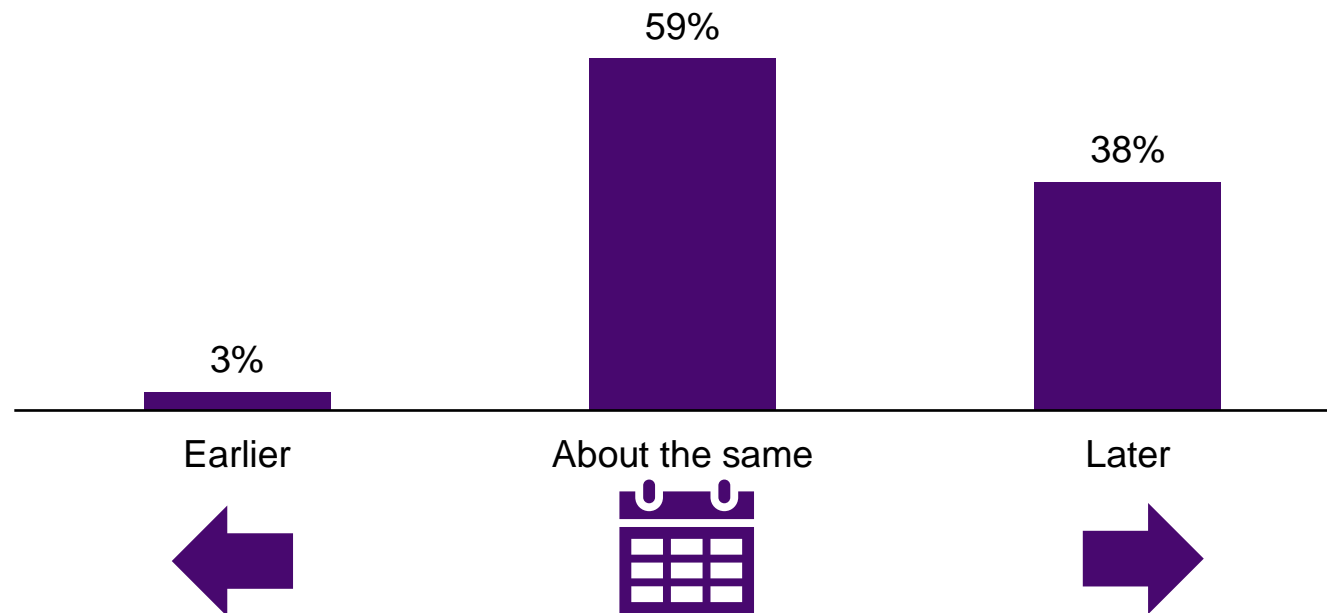


Note: 'Don't know' responses are excluded.
Source: 2022 Emerging Trends in DB Pensions Survey

‘GMP equalisation’

4 in 10 schemes expect to complete the bulk of 'GMP equalisation' later than they thought one year ago

How has the date by which you anticipate the scheme will complete the bulk of 'GMP equalisation' changed in the last year?



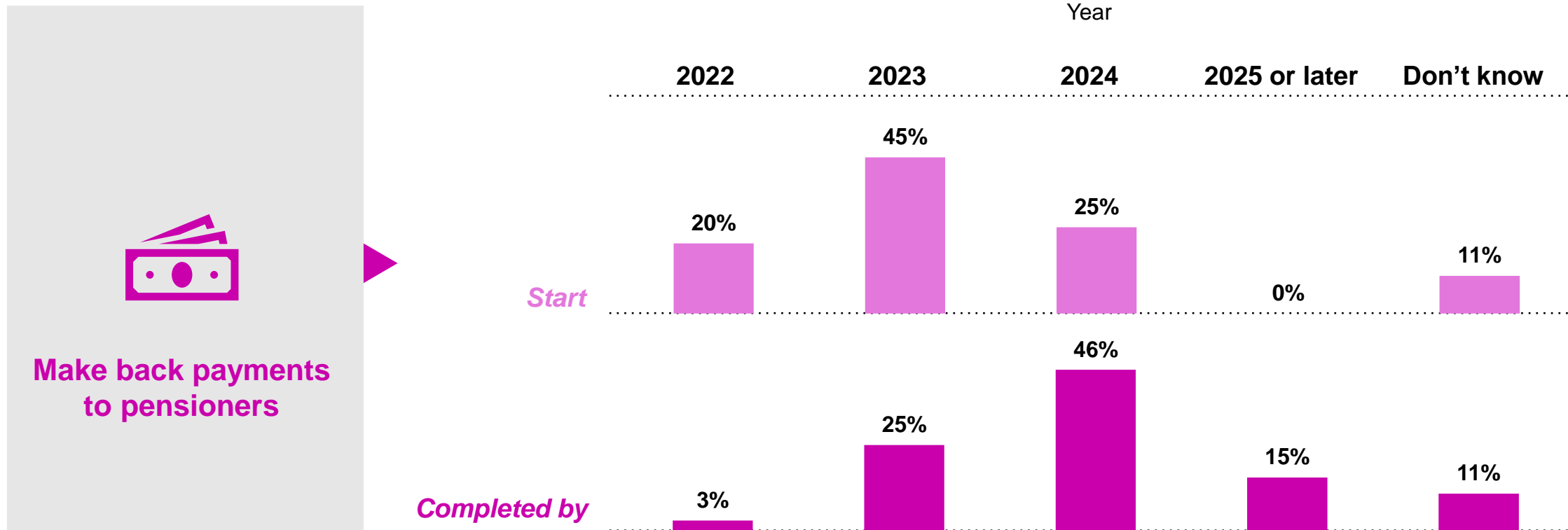
Sample: Schemes that need to equalise their GMPs only

Note: 'Don't know' responses are excluded. Numbers may not sum to 100% due to rounding.

Source: 2022 Emerging Trends in DB Pensions Survey

3 in 4 companies expect all 'GMP equalisation' back payments to have been completed by 2024

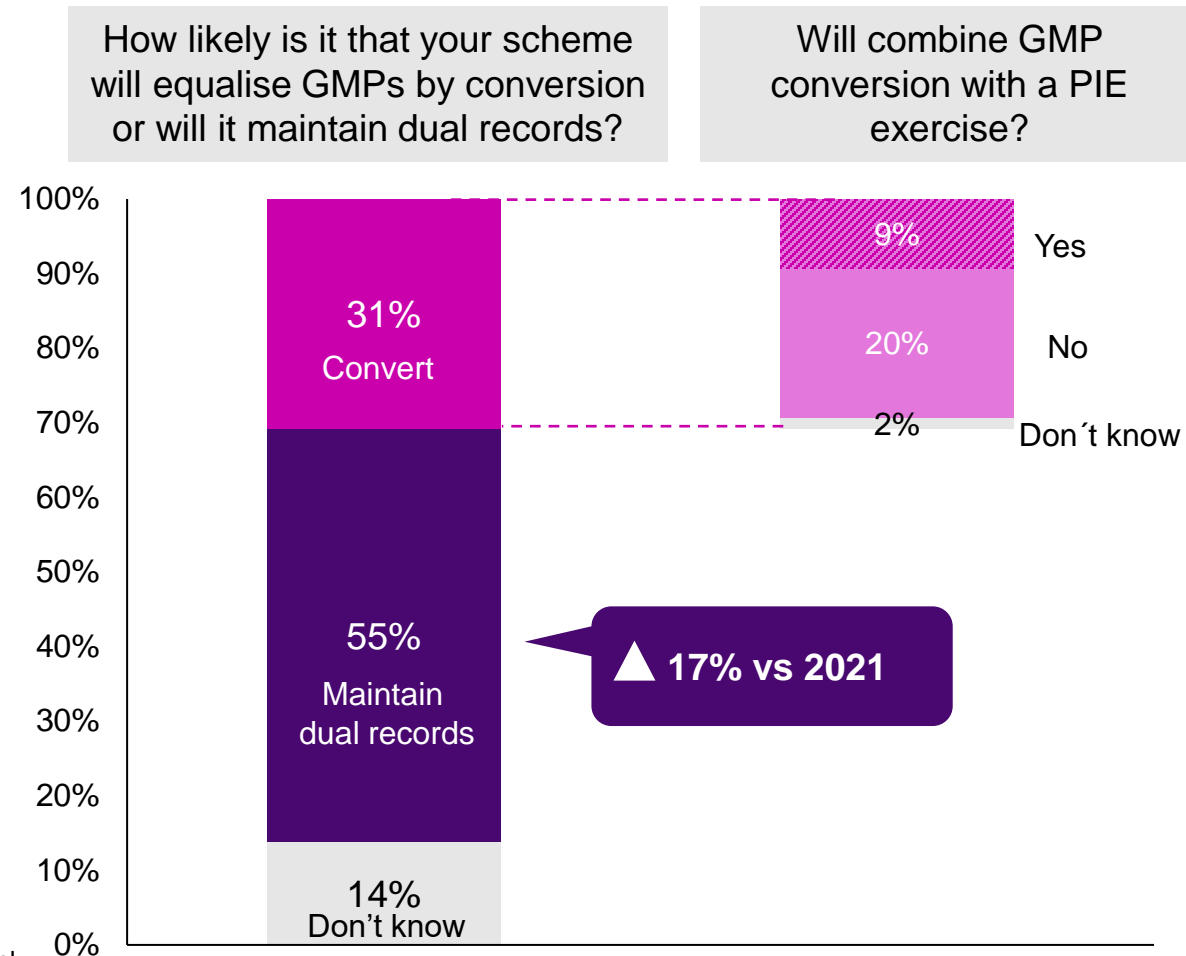
When do you expect your scheme to complete the following?



Sample: Schemes that need to equalise their GMPs only
 Note: Numbers may not sum to 100% due to rounding.
 Source: 2022 Emerging Trends in DB Pensions Survey

Schemes are more likely to maintain dual records

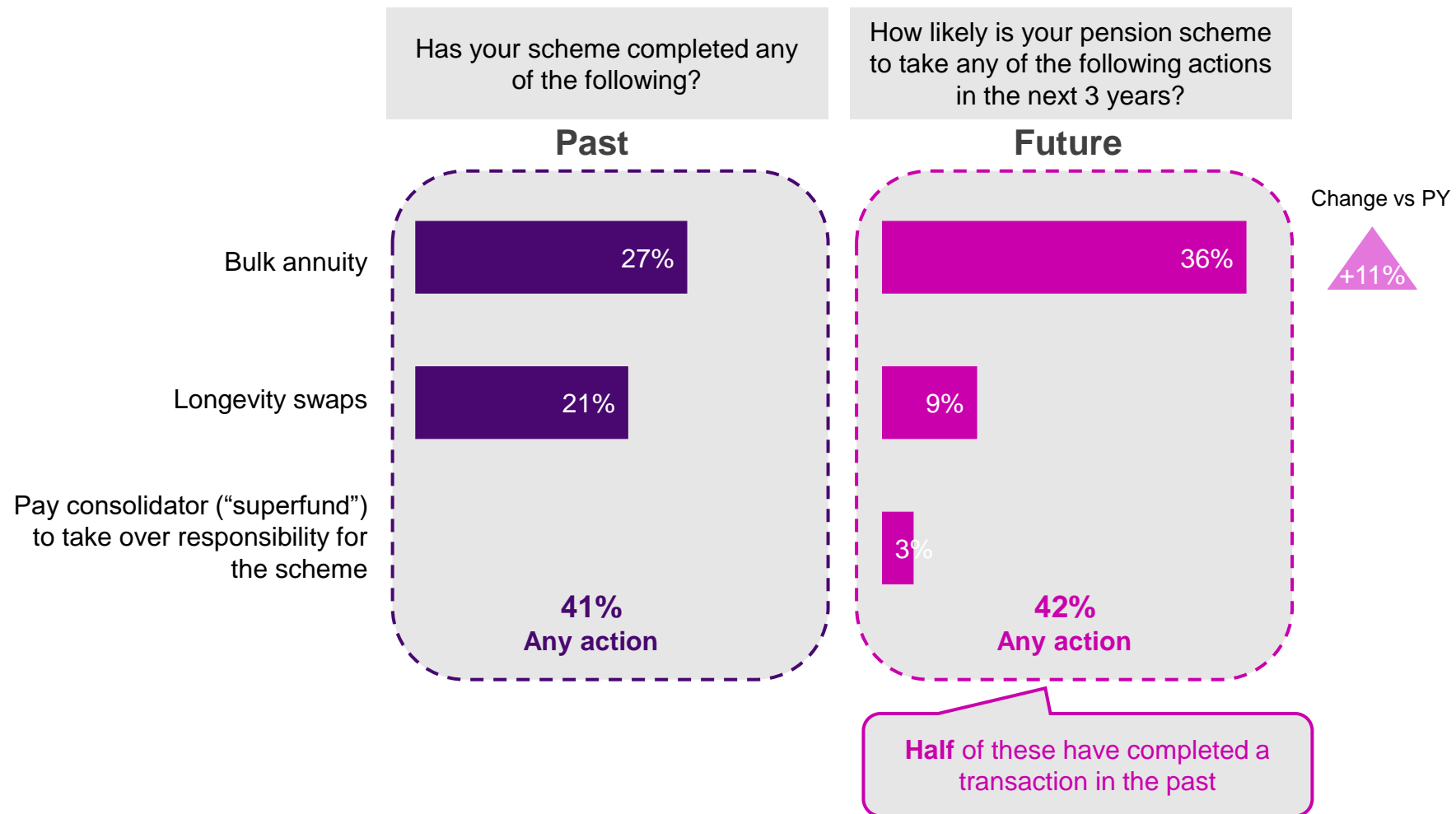
Of those converting around 7 in 10 aren't likely to combine GMP conversion with a PIE exercise



Sample: Schemes that need to equalise their GMPs only
Note: Numbers may not sum to 100% due to rounding.
Source: 2022 Emerging Trends in DB Pensions Survey

Transactions and consolidation

1 in 3 are likely to complete a bulk annuity transaction in the next 3 years



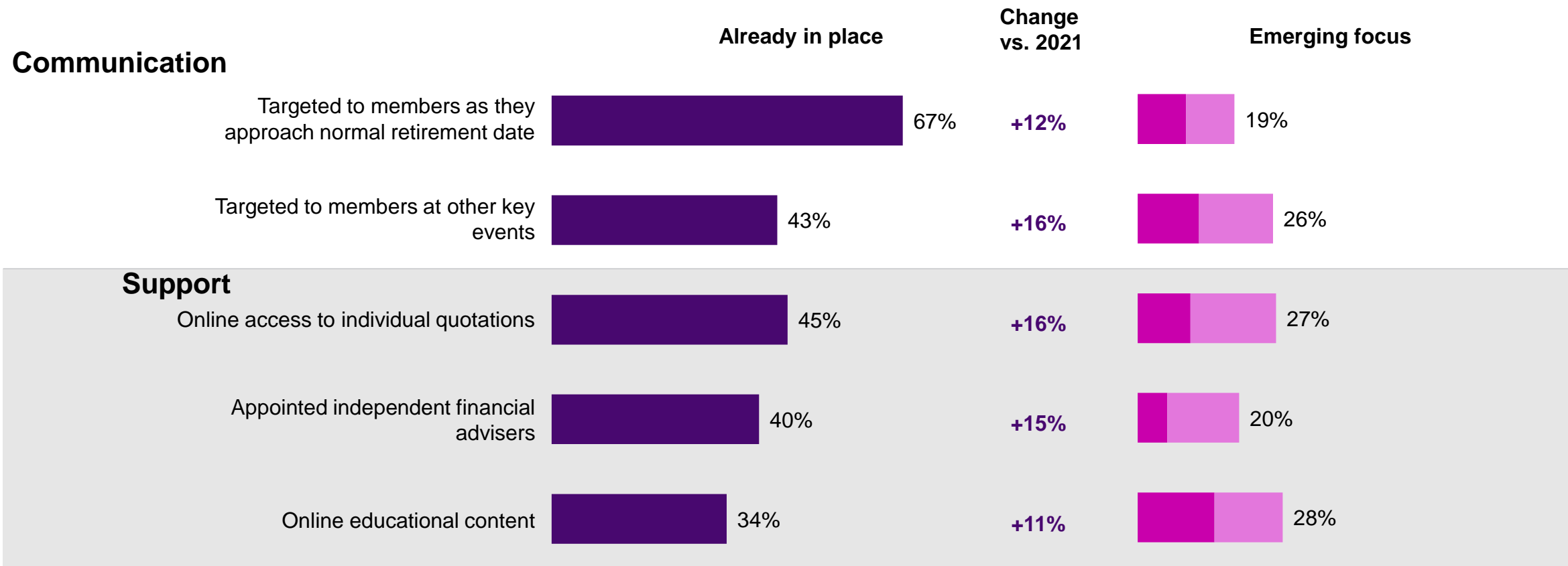
Note: 'Don't know' responses are excluded. Observations were weighted to allow one single response per scheme. "Future" is percentage likely, very likely or extremely likely
Source: 2022 Emerging Trends in DB Pensions Survey

Member experience, communications and support

There have been significant steps to enhance the member experience

Online educational content is expected to double

Is your scheme taking any of the following steps to enhance member experience and/or support?



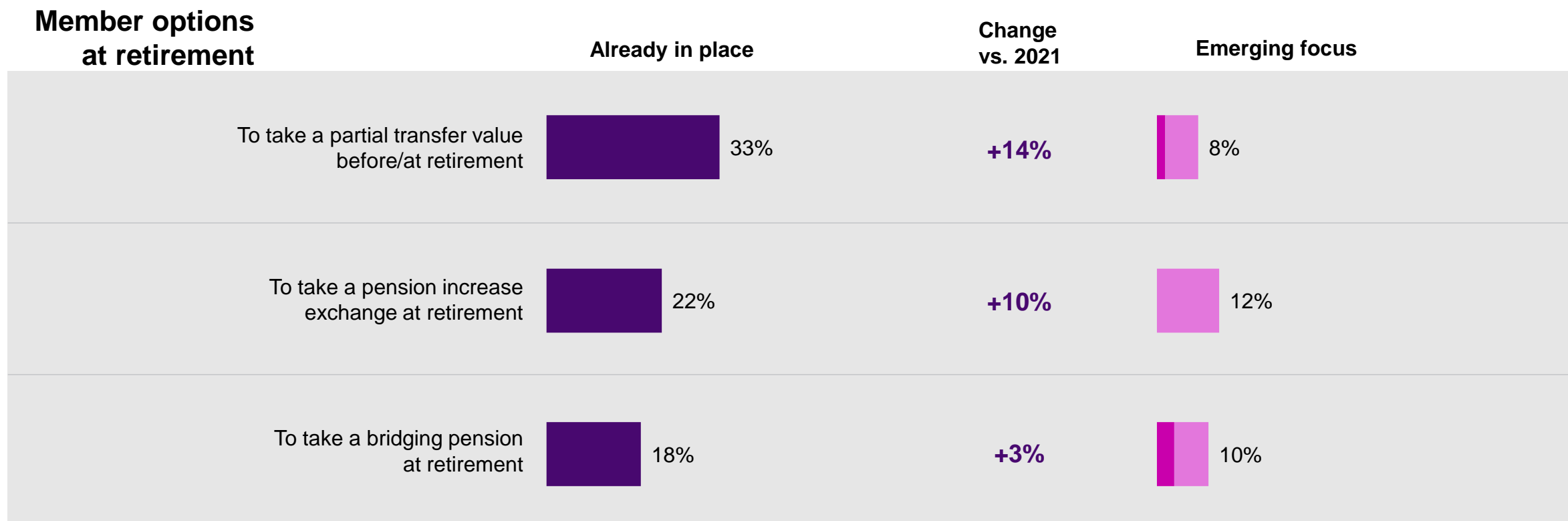
■ Planning ■ Considering

Note: 'Don't know' responses are excluded. Observations were weighted to allow one single response per scheme.

Source: 2022 Emerging Trends in DB Pensions Survey

Schemes continue to expand the options for members at retirement

Is your scheme taking any of the following steps to enhance member experience and/or support?



■ Planning ■ Considering

Note: 'Don't know' responses are excluded. Observations were weighted to allow one single response per scheme.
Source: 2022 Emerging Trends in DB Pensions Survey

1 in 10 schemes have seen an increase in early retirements

1 in 5 have seen an increase in members transferring out

Has your scheme seen more or less of the following activity over the last 12 months?



13%

More early retirements



16%

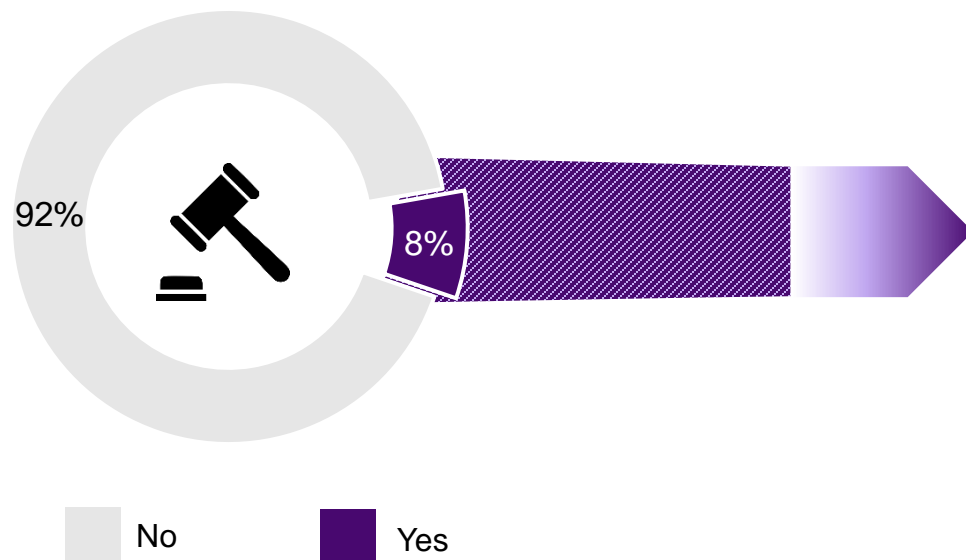
More members transferring out

Note: Percentages indicate 'More' or 'Significantly more'
Source: 2022 Emerging Trends in DB Pensions Survey

Nearly 1 in 10 report their scheme has received legal advice to not pay a transfer during the last year

Has your pension scheme received legal advice not to pay a transfer (at all) in the last year?

Reasons for the legal advice:



Non-statutory transfer

'Refer a friend' incentive from the receiving scheme

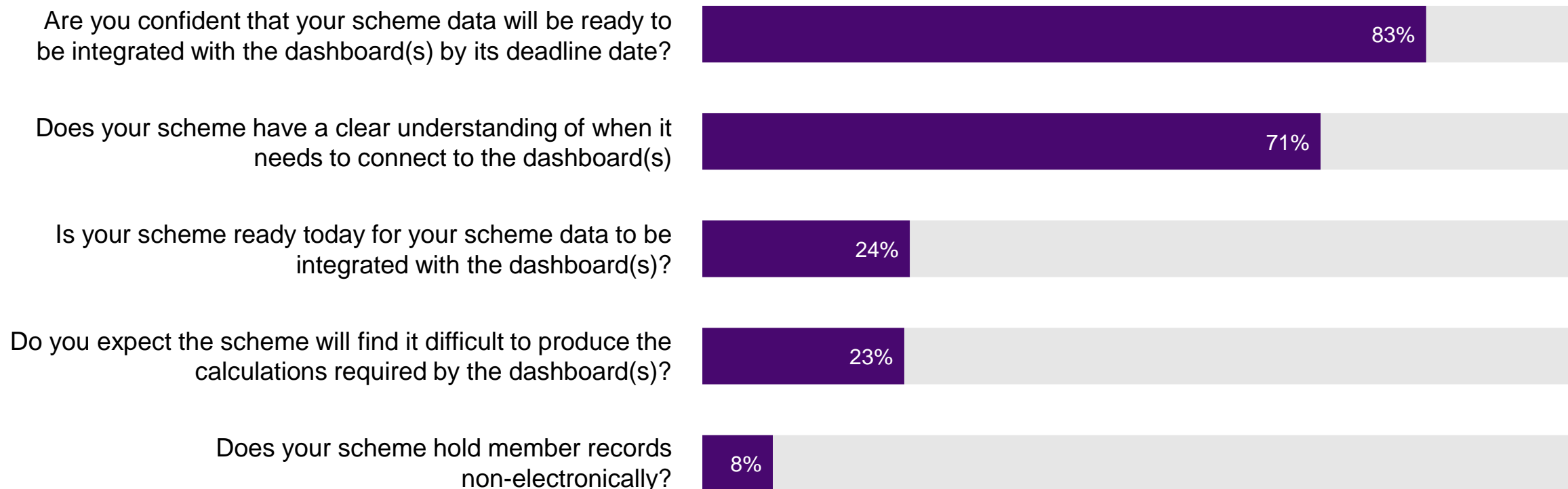
Receiving arrangement has significant proportion of overseas investments

Note: 'Don't know' responses are excluded.
Source: 2022 Emerging Trends in DB Pensions Survey

Pensions dashboards

Most schemes are confident their data will be integrated with the dashboards by its deadline date, but few are currently ready

About the steps your pension scheme is taking to allow members to connect their pension information to the Pensions dashboard.
To what extent ...?



Note: Percentages indicate 'to a great extent' or 'very great extent'. Not sure option excluded.
Source: 2022 Emerging Trends in DB Pensions Survey

Disclaimer

This report has been prepared for general purposes only and does not purport to be and is not a substitute for specific professional advice. While the matters identified are believed to be generally correct, before any specific action is taken, specific advice on the circumstances in question should be obtained.

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WTW41151/0522