

Working paper

Pension scheme administration costs

by Matthew Chatterton, Emma Smyth and Kirk Darby

Department for Work and Pensions

Working Paper No 91

Pension scheme administration costs

Matthew Chatterton, Emma Smyth and Kirk Darby

A report of research carried out by Ipsos MORI on behalf of the Department for Work and Pensions

© Crown copyright 2010.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This document/publication is also available on our website at:
<http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

Any enquiries regarding this document/publication should be sent to us at:
Department for Work and Pensions, Commercial Support and Knowledge Management Team,
Work and Welfare Central Analysis Division, 3rd Floor, Caxton House, Tothill Street, London SW1H 9NA

First published 2010.

ISBN 978 1 84712 890 4

Views expressed in this report are not necessarily those of the Department for Work and Pensions or any other Government Department.

Contents

Acknowledgements.....	v
The Authors.....	vi
Glossary of terms.....	vii
1 Introduction.....	1
1.1 Background.....	1
1.2 Objectives.....	1
1.3 Methodology.....	2
1.4 Sample design.....	2
1.5 Questionnaire.....	3
1.6 Notes on responses.....	4
2 Summary of key findings.....	5
2.1 About the schemes.....	5
2.2 Professional services.....	6
2.3 Make-up of the trustee board.....	7
2.4 Enrolling scheme members.....	8
2.5 Additional costs.....	8
2.6 Levies.....	8
2.7 Deregulation.....	9
Appendix A Tables and figures.....	11
Appendix B Sample.....	31
Appendix C Questionnaire.....	33

List of tables

Table A.1	Employer and employee contribution rate of each scheme.....	16
Table A.2	Payment of professionals employed by the trustee board	20
Table A.3	Annual cost of employing professionals.....	21
Table A.4	Annual expenditure on additional trustee-related costs.....	24
Table A.5	Annual expenditure on additional administration costs	25
Table A.6	Expenditure on levies in 2008.....	27
Table A.7	Expenditure on levies in 2008, by size of scheme	28
Table B.1	Number of each type of scheme in the original sample.....	31
Table B.2	Number of invitations to participate versus respondent profile.....	31

List of figures

Figure A.1	Type of scheme(s) managed by the trustee board.....	12
Figure A.2	Type and administration of scheme.....	13
Figure A.3	Number of members in each scheme	14
Figure A.4	Value of assets in each scheme	15
Figure A.5	Number of current staff eligible to join a scheme.....	17
Figure A.6	Percentage of trustee boards employing each of the following professionals.....	18
Figure A.7	Percentage of trustee boards employing each of the following professionals – in-house or third party	19
Figure A.8	Number of each type of trustee that sits on the trustee board.....	22
Figure A.9	Number of each type of trustee that sits on the trustee board, by size of schemes	22
Figure A.10	Annual expenditure on trustees.....	23
Figure A.11	Administrative costs of enrolling new scheme members	26
Figure A.12	Auto-enrolment of new members.....	26
Figure A.13	Perceived change to administrative cost if auto-enrolment were to be introduced	27
Figure A.14	Expenditure on PPF levy – cost per member.....	28
Figure A.15	Expenditure on General levy – cost per member.....	29
Figure A.16	Top priorities for deregulation, to help reduce the cost of running an occupational pension scheme	29

Acknowledgements

We would like to thank Richard Llewellyn-Davies at the Department for Work and Pensions for his help and contributions throughout this project and all of the participants who gave up their time to take part in the research.

The Authors

Matthew Chatterton is a Research Director at Ipsos MORI.

Kirk Darby is a Research Executive at Ipsos MORI.

Emma Smyth is a Research Manager at Ipsos MORI.

Glossary of terms

Accrual Rate	The factor used to calculate benefits in a defined benefit scheme. For example, a scheme with an accrual rate of 1/60th will provide 1/60th of pensionable salary for each year of pensionable service.
Active members	Active members are persons who are in pensionable service under the occupational pension scheme.
Cash balance schemes	Cash balance schemes are a type of hybrid scheme, where there is a single scale of benefits incorporating risk sharing between sponsor and member. These schemes may be referred to as shared risk schemes, cash balance schemes or retirement balance schemes. The member's benefit is typically an entitlement to a capital sum at retirement which is converted into an annuity in a similar fashion to defined contribution (DC) schemes. However, unlike DC schemes, the amount in the member's account is not directly related to the returns achieved on the underlying assets, but it may be guaranteed or smoothed or subject to some form of underwriting by the sponsor.
Deferred members	Deferred members are persons who have accrued rights under a pension scheme, who are no longer in pensionable service under that scheme. They will usually have left the employer. Their accrued rights remain in the scheme until they are either transferred to another pension scheme or until a pension is paid out at the scheme's normal pension age.
Defined Benefit (DB) schemes	An occupational scheme which promises a particular level of benefit, typically based on accrual rate, pensionable service and pensionable salary. For example, a scheme with an accrual rate of 1/60th, will provide 1/60th of pensionable salary for each year of pensionable service.
Defined Contribution (DC) schemes	A scheme that provides retirement benefits based on the build up of a 'pot' of money, accumulated through the investment of contributions paid by both the employee and the employer.
Employer-sponsored scheme	A pension scheme which is organised through the employer, enabling pension contributions to be made through the payroll. Often the employer will also make a contribution. An employer-sponsored scheme can either be an occupational, trust-based scheme or a contract-based, group personal pension.
Mean	The sum of all values divided by the number of these values. All data have equal influence on the mean, so it may not always be a very good measure of central tendency for data that include outlying values or which are unevenly distributed.

Median	The halfway point in an ordered series of data, where equal numbers of values are above and below it. It is often preferred to the mean as a measure of central tendency, particularly for unevenly distributed data or data that include outliers.
Occupational pension schemes	Pension schemes set up by an employer for the benefit of employees, with the employer making contributions to the scheme and generally meeting administrative costs. The pension scheme is set up as a trust and is legally separate from the employer. Types of occupational scheme can include defined benefit (DB), defined contribution (DC), or hybrid schemes that mix some elements of DB with some elements of DC to provide an income in retirement.

1 Introduction

This summary report presents findings from research into the operating costs of trust-based occupational pension schemes. The research was commissioned by the Department for Work and Pensions (DWP) and carried out by Ipsos MORI. The aims of this research were to inform DWP about the range and scale of costs that private sector employers and pension schemes face; in particular internal costs, administrative costs, expenditure on professional services, managing funds and the costs associated with having trustees.

1.1 Background

The costs of administering pension schemes are believed to be significant and have the potential to take resources away from scheme members' pensions; however, very little quantitative data has been collected from schemes to examine these costs in detail. This research aimed to collect detailed information on scheme administration costs to provide a baseline for these costs, examine which administrative overhead expenses placed the greatest burden on schemes, and to allow for a more informed discussion about action that could be taken by government or by schemes themselves to minimise administrative overheads, without undermining protection for scheme members.

The research aimed to examine the range and scale of costs that private sector employers and pension schemes face, and how these vary by size and type of scheme.

The research involved trust-based occupational pensions schemes only because regulation of these schemes falls primarily to DWP. The primary duty to implement this legislation falls to employers, who choose to provide occupational schemes, and to scheme trustees, who often manage schemes in a voluntary capacity.

Alternative models of pension provision, such as (individual) personal pensions or group personal pensions are provided by insurance and financial service providers under a contract between each individual scheme member and the provider. These schemes are regulated by the Financial Services Authority and must provide details of charges to prospective members as standard.

1.2 Objectives

The specific objectives of this research were to examine the costs of:

- running pension schemes (internal staff and other administrative expenses);
- specialised or professional advice that schemes require (such as legal advice);
- having trustees.

This research was conducted to provide a broad assessment of the scale of costs involved in the administration of pension schemes, with a view to informing DWP policy makers about these costs. This report contains indicative findings about the costs of running pensions schemes based on a sample of pension schemes.

1.3 Methodology

This survey was conducted using an online questionnaire. An online method was chosen for the following reasons:

- It is a form of self-completion data collection, which is best suited to gathering data that the respondent may not have immediate access to. With an online survey respondents can find the data from a particular source and then return to the survey and enter the data accurately. This was important as the survey asked for detailed financial information.
- An online survey is convenient for respondents, particularly busy professionals, allowing them to complete the survey at a time convenient for them, in several sittings if they would prefer, using their unique link.
- An online methodology allows control over the quality of response in a way that is not so easy via postal/paper-based surveys, allowing for complex automatic routing where needed, and does not introduce any interviewer bias.
- Online surveys are particularly useful for business-to-business research, as internet access is almost universal among Pension Fund Managers and administrators.

A postal letter was sent on behalf of Ipsos MORI and DWP notifying a selected sample of schemes about the survey prior to the start of data collection. This outlined the aims and objectives of the research and gave reassurances about anonymity and confidentiality. This letter also contained an email address and telephone number for the project executives at Ipsos MORI that respondents could contact with any queries.

Respondents were then invited to participate in the online survey via an email invitation, containing a unique link to the survey. Overall, 2,036 invitation e-mails were sent out containing unique links to the survey and reminder emails were sent out during fieldwork to encourage participation.

Response rates were also boosted by using telephone recruitment. A specialist team from Ipsos MORI contacted individuals in the sample who had not yet completed the questionnaire to try to ensure that the target of 500 responses was achieved within the time allotted for fieldwork.

Fieldwork commenced on 7 September 2009 and lasted for eight weeks, ending on 30 October 2009.

1.4 Sample design

The Pensions Regulator selected the contact details of 2,500 private sector occupational pension schemes from their database of registered schemes (the Pension Scheme Register). The Pensions Regulator's database holds contact details for approximately 55,000 schemes. Schemes with fewer than 12 members were excluded from the selection because they do not have to comply with all of the legislation applicable to larger schemes.

The sample was designed to obtain a spread of schemes by size and type; it was not designed to be nationally representative of the population of occupational schemes.

Sixty-two per cent of members of private occupational pension schemes in the UK are members of the very largest schemes, that is, schemes with 10,000 or more members. Therefore, all schemes with 10,000 or more members were included in the sample and invited to participate in the survey. Approximately three-quarters of large schemes (containing 1,000-9,999 members) were sampled (a total of approximately 900 schemes). The rest of the sample was split so that 50 per cent were medium sized schemes (100-1,000 members) and 50 per cent smaller sized schemes (12-99 members).

This was done with a view to ensure that it would be possible to analyse scheme costs for the largest schemes, accounting for the majority of occupational pension scheme members, while also allowing for analysis of how administrative overheads vary for schemes of different sizes.

The sample of schemes with fewer than 10,000 members was selected at random, but controlled to ensure a reasonable proportion of different scheme types: defined contribution (DC) schemes, hybrids and defined benefit (DB) schemes (both open and closed).

A table showing the number of schemes initially sampled, and a table showing the numbers of schemes by size and type invited to participate in the survey, and the numbers by size and type that responded to the survey, are shown in Appendix B.

The sample was cleaned by Ipsos MORI for duplicate contacts and incorrect email addresses. Each scheme in the sample had a scheme contact; a trustee, advisor or Pensions Manager. In a small number of cases the contact was someone who administered the scheme as a third party (e.g. a consultant). The questionnaire was directed at trustees, and the functionality of the online survey allowed contacts to forward the survey link on to the person, or people, best placed to answer the different sections of the questionnaire. If the respondent was unable to answer the first three questions (that is, selected 'don't know' to at least one of these questions) they were automatically directed to a page which asked them to forward their link to the survey on to someone better placed to answer the questionnaire. Some consultants took part on behalf of the trustees of a scheme where the trustees had asked for or agreed to this.

Respondents were asked to answer about all trust-based occupational pension schemes managed by trustees in their organisation. If a company had more than one trustee board overseeing pensions for their organisation then they were asked to answer the questionnaire for the trustee body managing pensions for the greatest numbers of scheme members. If the trustee board was responsible for more than five schemes then the respondent was asked to answer about the five largest schemes managed by the trustee board. In total 500 complete, valid responses were received for this survey, answering for a total of 586 schemes.

As the sample was not designed to be nationally representative, this survey provides indicative figures for expenditure on scheme internal costs, administration costs and expenditure on professional services and not national estimates for the running costs of pension schemes.

1.5 Questionnaire

The questionnaire was designed by Ipsos MORI, the DWP and pensions experts from outside the Department. Questions were split into the following sections: Background information, About the scheme(s), Professional services, Trustee expenditure, Additional costs, Enrolling new members, Levies and Deregulation.

The first half of the questionnaire asked which schemes the trustee board of the organisation was responsible for, and then asked questions about each of these schemes separately (aspects such as number of members, value of assets and so on). The second half of the questionnaire asked questions regarding the trustee board operating the scheme/s run by their company. When asked about costs throughout the survey, respondents were asked to include VAT in their answers where applicable. A copy of the questionnaire can be found in Appendix C.

1.6 Notes on responses

Only schemes with 12 or more members were invited to participate. However, trustees were requested to respond about the five largest schemes they managed. Therefore, some responses came from trustees who managed schemes containing less than 12 members as well as larger schemes. Of the 586 schemes reported on by the 500 responding trustee boards, three had fewer than 12 members. It has not been possible to disaggregate the data for the schemes with less than 12 members, so this has been included.

Some schemes that responded to the survey found it difficult to provide detailed answers to questions about expenditure on specific costs and services. This meant that the proportion of respondents who selected 'don't know' was quite high at various points in the survey including the following areas:

- **Professionals employed by the scheme through a third party** – over half of respondents said that their own organisation did not have details of the annual cost of accountants, custodians, independent financial advisers (for members), benefits consultants, tax advisers and pension fund managers.
- **Annual payroll expenditure for trustees** – around a third of respondents answered 'don't know' when asked about payroll costs for employer-nominated trustees (37 per cent), member-nominated trustees (35 per cent) and independent/professional trustees (26 per cent) (Figure A.10).
- **Annual expenditure for additional trustee costs** – relatively few schemes hold data on issues such as the cost of trustee recruitment for employer and member-nominated trustees (30 and 29 per cent answered 'don't know' respectively), training for trustees (31 per cent answered 'don't know') and other non-payroll trustee costs (36 per cent answered 'don't know') (Table A.4).
- **Additional scheme running costs (for example, communication, IT and accommodation)** – high proportions of respondents (ranging from 14 to 49 per cent) said they spent nothing on these items. For some items on this list of additional costs between 35 and 50 per cent of respondents said that they did not know the costs (Table A.5). It should be noted, however, that these costs are often covered by employers rather than schemes, which may explain this.
- **Expenditure on levies** – In contrast with the high levels of awareness of spending on the Pension Protection Fund (PPF) levy, a significant number of respondents did not have information on the costs of other more minor levies. For the Fraud Compensation levy 63 per cent of those with DB schemes answered 'don't know', for the Financial Reporting Council (FRC) levy, paid on a voluntary basis by schemes, 46 per cent (of those with at least 1,000 members) did not know and for the General Levy 40 per cent did not know the amount spent (Table A.6).

Results should, therefore, be treated with caution where a high proportion answered 'don't know' or where there is a low base size. The low response rate to some questions also means that the make up of responding schemes, in terms of scheme size and type is likely to differ for each question. For this reason the answers cannot be treated as being representative of all responding schemes and so must be treated only as indications of the amounts that schemes have paid in administrative costs or for professional services.

2 Summary of key findings

2.1 About the schemes

- The majority of respondents answering the survey managed at least one DB scheme (75 per cent), with just over a quarter (27 per cent) saying that they managed at least one DC scheme (Figure A.1).
- Over half of schemes surveyed were described as a single employer scheme (55 per cent) while around two-fifths (42 per cent) described themselves as a multiple associated employer scheme (Figure A.2).
- Responding trustee boards with a larger number of members in their schemes (10,000 or more members) were more likely to manage schemes that are administered in-house (36 per cent) than those with smaller schemes (1-999 members), while boards with medium-sized schemes (1,000-9,999 members) were more likely to manage schemes wholly contracted to a third party (48 per cent). Trustee boards responsible for schemes with 1-99 and 100-999 members were most likely to have their schemes administered partially in-house and partially by a third party (54 per cent and 47 per cent respectively) than those with a higher number of members (Figure A.2).
- Each responding trustee board managed pensions for between 12 and over 100,000 members in total. The size of assets under management ranged from £0.1 million to over £10 billion (Figure A.4).
- Overall, the mean employer contribution rate as a percentage of salary was 15.6 per cent while the mean employee contribution was 5.2 per cent. DB schemes were more likely to have a higher contribution rate for both employer and employee compared to DC schemes (19.2 and 5.7 per cent compared to 6.8 and 3.9 per cent respectively) (Table A.1).
- Among respondents that operated single employer schemes (whether DB or DC), with at least one open scheme, just under half (44 per cent) said that all staff were eligible to join one of the schemes operated by the trustees; around a further three in ten (32 per cent) said that at least half were eligible to join a scheme.
- Where available, the information provided about the number of active members and the number of employees eligible to join a scheme has been used to work out the mean proportion of eligible employees that are a member of a scheme (among single employer schemes). Proportions of zero per cent and over 100 per cent were excluded on the basis that one of the two figures provided would be incorrect. The mean was 64 per cent, with a range of eight per cent to 100 per cent. The median was 67 per cent (the base for this, however, is quite low (84 schemes) so some caution should be exercised).

2.2 Professional services

- Trustee boards were more likely to employ (either in-house or through a third party) auditors and investment managers than other types of professionals (95 per cent and 89 per cent of trustee boards reported employing these types of professionals respectively). Eighty per cent of responding trustee boards with schemes containing less than 100 members reported employing at least one auditor while all responding trustee boards with schemes with more than 1,000 members did so. Responding trustee boards were least likely to employ independent financial advisers (for members) and tax advisers (19 per cent and 21 per cent respectively) (Figure A.6).
- With the exception of pension fund managers (responsible for the day-to-day running of the scheme), all types of professionals were more likely to be employed as a third party service provider to the scheme, rather than in-house (or both). The difference was especially marked for auditors whereby 95 per cent were employed as a third party compared to just one per cent who were employed in-house (Figure A.7).
- Most professionals were paid for either by the scheme or the employer, rarely by both. The scheme and employer were most likely to share the cost for pension fund managers, with eight per cent of responding schemes doing so (Table A.2).
- Custodians were more likely to be paid for by the scheme only than other types of professional (73 per cent) while accountants and tax advisers were more likely to be paid for by the employer only (54 per cent for both). Sixteen per cent of respondents did not know who paid for independent financial advisers, representing the greatest lack of awareness for all of the professionals asked about (Table A.2).
- Respondents reported that the annual cost of employing professionals through a third party was highest for investment managers at a mean cost per member of £63 and lowest for independent financial advisers (for members) at less than £1 per member. The mean cost per member decreased with an increase in the size of scheme for both investment managers (£96 for those with 1-99 members and £59 for those with 10,000 members or more) and independent financial advisers (for members) (£11 for those with 1-99 members, and less than £1 for those with 10,000 members or more) (Table A.3).
- The proportion of respondents knowing the annual cost of professionals varied; 40 per cent stated that they 'don't know' for investment managers and 68 per cent for independent financial advisers (for members). The level of respondents stating 'don't know' for other types of services ranged from 77 per cent for pension fund managers to 12 per cent for auditors (Table A.3). For many schemes the costs of employing professionals are paid by the sponsoring employer, which may explain the high numbers of 'don't know' responses.
- The majority of respondents did not know the approximate rate charged per hour for any of the professional services asked about by the questionnaire.
- The number of specialist staff employed in-house by responding schemes was low, for example, only accountants and pension fund managers were employed in-house by at least one-in-ten of the trustee boards surveyed (30 per cent employed accountants and 17 per cent employed pension fund managers in-house). Of these, the mean number employed in-house was one accountant and one pension fund manager (Figure A.7).

2.3 Make-up of the trustee board

- Of all trustees sitting on responding trustee boards, 53 per cent were employer-nominated, 40 per cent were member-nominated and seven per cent were independent or professional trustees.
- When examining the make-up of responding trustee boards, excluding independent and professional trustees, 92 per cent had at least a third of the trustee board comprising member-nominated trustees. Forty per cent comprised of at least half member-nominated trustees.
- The mean number of trustees sitting on the trustee board was reported by respondents to be three employer-nominated trustees and two member-nominated trustees. Due to the high proportion of trustee boards with no independent/professional trustees (66 per cent), the mean number of independent/professional trustees was less than one (Figure A.9).
- Trustee boards responsible for smaller schemes (1-99 members) had a mean of two employer-nominated trustees, one member-nominated trustee and less than one independent/professional trustee, while trustee boards responsible for larger schemes (10,000 members or more) had a mean of five employer-nominated trustees, four member-nominated trustees and one independent/professional trustee (Figure A.9).
- Sixty-six per cent of trustee boards did not have any independent/professional trustees (29 per cent employed at least one). Of those that did have this type of trustee, one-quarter (25 per cent) said they did not know the annual cost of these, and 22 per cent said that they spent nothing on this.
- Forty-five per cent of respondents said that they spent nothing on member-nominated trustees and 44 per cent said that they spent nothing on employer-nominated trustees.
- Of those who said they had annual costs related to trustees, trustee boards said they spent a mean of £39,068 per annum on independent/professional trustees, £46,029 on member-nominated trustees and £105,170 on employer-nominated trustees. Considering the relatively higher number of employer-nominated trustees sitting on a board, it is no surprise the total annual expenditure for employer-nominated trustees tends to be higher than for other types (Figure A.10).
- Overall, excluding those who answered zero, responding trustee boards spent more on each employer-nominated trustee (£32,201 per trustee, per annum) than independent/professional trustees (£27,495) and member-nominated trustees (£20,071) (Figure A.10).
- Responding schemes reported that the employer was more likely to pay for employer or member-nominated trustees (73 and 71 per cent respectively) while independent/professional trustees were more likely to be paid for by the scheme (53 per cent) (Figure A.10).
- Respondents were also asked about additional trustee costs, such as recruitment and training, and were asked to provide the total cost for each of these for the last reporting year. Around one-third of respondents were unaware of the additional trustee costs for recruitment of employer and member-nominated trustees, training for trustees and other non-payroll trustee costs. Of those who were aware of the total annual expenditure for these additional trustee costs (excluding those who said they spent nothing during the last reporting year) the mean spend per annum for trustee training was £7,159, while the median was £4,450 (Table A.4).
- Over half of trustee boards surveyed reported spending nothing on trustee recruitment for employer-nominated and member-nominated trustees on an annual basis, while 45 per cent spent nothing on other non-payroll trustee costs and 26 per cent reported spending nothing on training for trustees (Table A.4).

2.4 Enrolling scheme members

- Sixty-four per cent of responding trustee boards said that the employer pays for the costs of enrolling new members, 42 per cent said the scheme pays and four per cent said that the member pays. Responding trustee boards with less than 10,000 members in their schemes were more likely to say that the employer covered the costs. However, for trustee boards with 10,000 members or more in their schemes, the scheme was more likely to do so (Figure A.11).
- One-quarter (25 per cent) of responding trustee boards with at least one open scheme said that they currently auto-enrolled new members into their pension schemes (Figure A.12).¹

2.5 Additional costs

- As well as the administration costs of pension schemes already mentioned (professional services, trustee costs and enrolling costs), trustee boards may face a variety of other administration costs for aspects such as IT and systems costs, stationery and accommodation. Respondents were asked for information regarding their annual expenditure on these other types of cost (Table A.5).
- Of those who provided an amount, responding trustee boards spent more per annum on IT and accommodation (a mean of £72,503 and £65,023 respectively) than on other types of costs (Table A.5).
- Looking at those who spend at least something on each, responding trustee boards with schemes containing smaller numbers of members (those with 1-999 members) tend to face higher additional costs per member than trustee boards with a larger total of members in their schemes (those with 1,000+ members).

2.6 Levies

- Respondents were asked how much was spent on levies in 2008. The most costly levy was the Pension Protection Fund (PPF) levy, with trustee boards paying a mean of £316,817 (Table A.6).
- Both DB and DC schemes are eligible to pay the General levy. Responding trustee boards with only DB schemes paid more, on average, than those with only DC schemes (a mean of £12,647 compared to £794). The average amount paid increased with size (in terms of the number of members in the schemes managed by the trustee board).
- Responding trustee boards responsible for schemes with between 1-99 members spend more per member on the General levy and the PPF levy than those with 100 members or more (Figures A.14 and A.15). Respondents also reported that the PPF Admin levy is more costly per member for schemes with 1-999 members compared to those with 1,000 or more members.
- When those with at least one DB scheme were asked about expenditure for the Fraud Compensation levy, 35 per cent of responding schemes said that they had spent nothing, and 63 per cent said 'don't know'. As only two per cent of responding schemes reported a figure we have not reported an expenditure figure for the Fraud Compensation levy.
- Fifteen per cent of respondents (with at least one DB scheme) did not know the cost of the PPF levy.

¹ Automatic enrolment without first obtaining an employee's consent is not currently permitted for any type of pension scheme. It is likely that those who said that they currently automatically enrol new members use some form of streamlined joining which, nonetheless, requires an employee's signature.

2.7 Deregulation

- Respondents were asked for their priorities for deregulation that they thought would help to reduce the costs of running an occupational pension scheme. Nearly three-fifths of respondents did not list any priorities for deregulation (15 per cent gave no response and 43 per cent answered 'don't know') (Figure A.16).
- The most commonly cited priority for deregulation was reducing the levies (spontaneously cited by 12 per cent), followed by reducing scheme valuation/audit requirements (10 per cent) (Figure A.16).

Appendix A

Tables and figures

A.1 Reporting conventions

This summary report contains indicative findings about the costs of running pensions schemes based on a sample survey of pension schemes. The tables and figures are structured in the same order as the questionnaire, beginning with information about the make-up of the scheme types of the respondents, following with details regarding expenditure.

In the first half of the questionnaire respondents were asked questions in regards to the individual schemes that trustee boards were responsible for. Where DB and DC schemes have been referenced in the results in relation to these questions, these results relate just to these types of scheme.

In the second half of the questionnaire respondents were asked questions in regards to the expenditure of their trustee board. Unless otherwise specified, where DB and DC scheme has been used for analysis, this refers to trustee boards responsible for at least one DB or DC scheme. Where trustee boards have both types of scheme they will be included in the analysis for both types. If the analysis references DB schemes only or DC schemes only, this is based on trustee boards that are only responsible for that type of scheme.

Respondents were asked about the latest year for which they have full accounts for their scheme (to the nearest calendar year). The survey suggested that respondents have a copy of the scheme's last annual report and accounts and a copy of the main sponsoring employer's last annual report to help them complete the survey.

Where a figure is based on a sample size of less than 50, this is reported in square brackets.

Where * has been used within the charts, this denotes that a percentage of less than 0.5 per cent but greater than zero have selected that particular answer. Where data does not add up to 100 per cent, this may be due to rounding or the inclusion of multiple responses.

Statistically significant differences have been reported on where applicable. Please note that where a cost per member figure is cited this is not necessarily a significant difference. These figures have been included as indicative findings – indications of potential areas where there may be a difference between groups.

A.2 Scheme details

Type of scheme

The respondents completing the questionnaire administered a total of 586 schemes.

Figure A.1 Type of scheme(s) managed by the trustee board

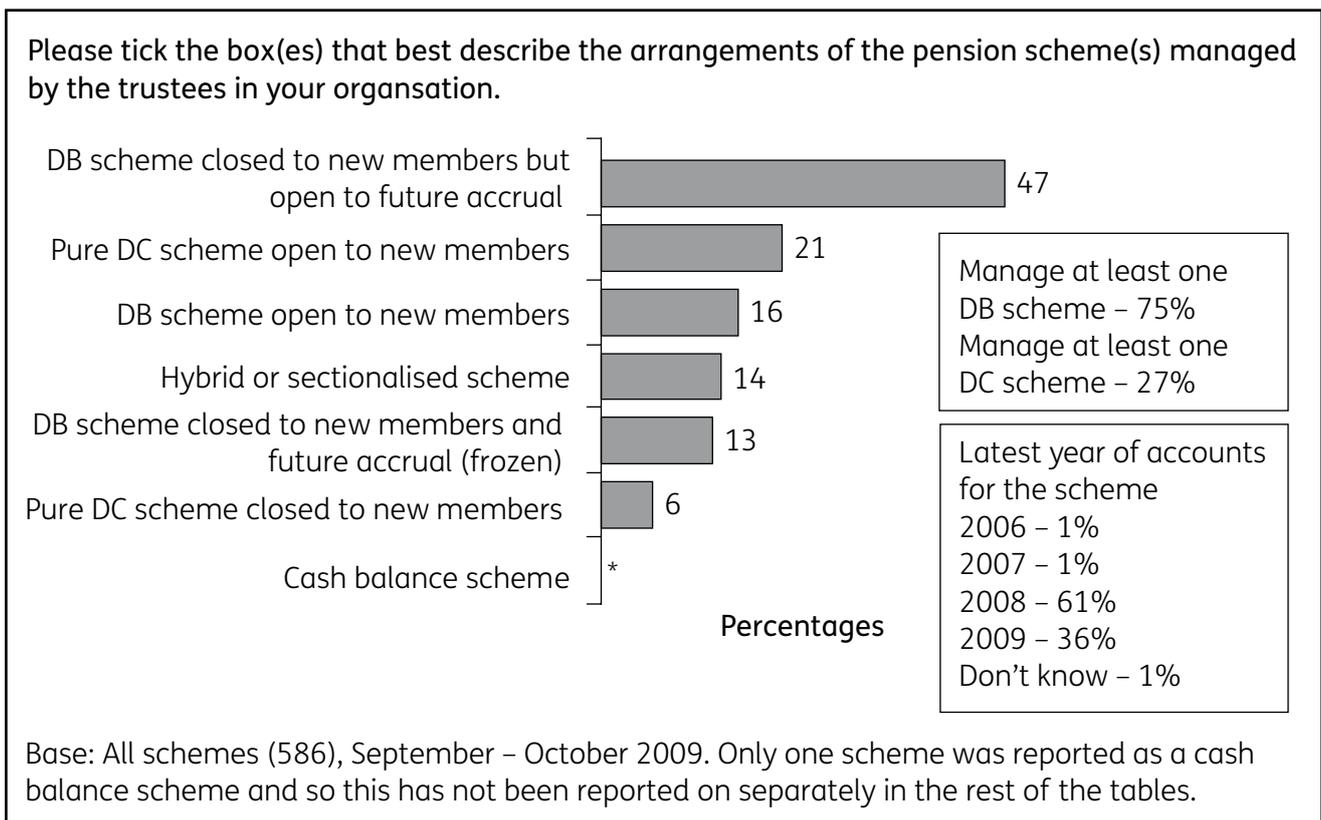
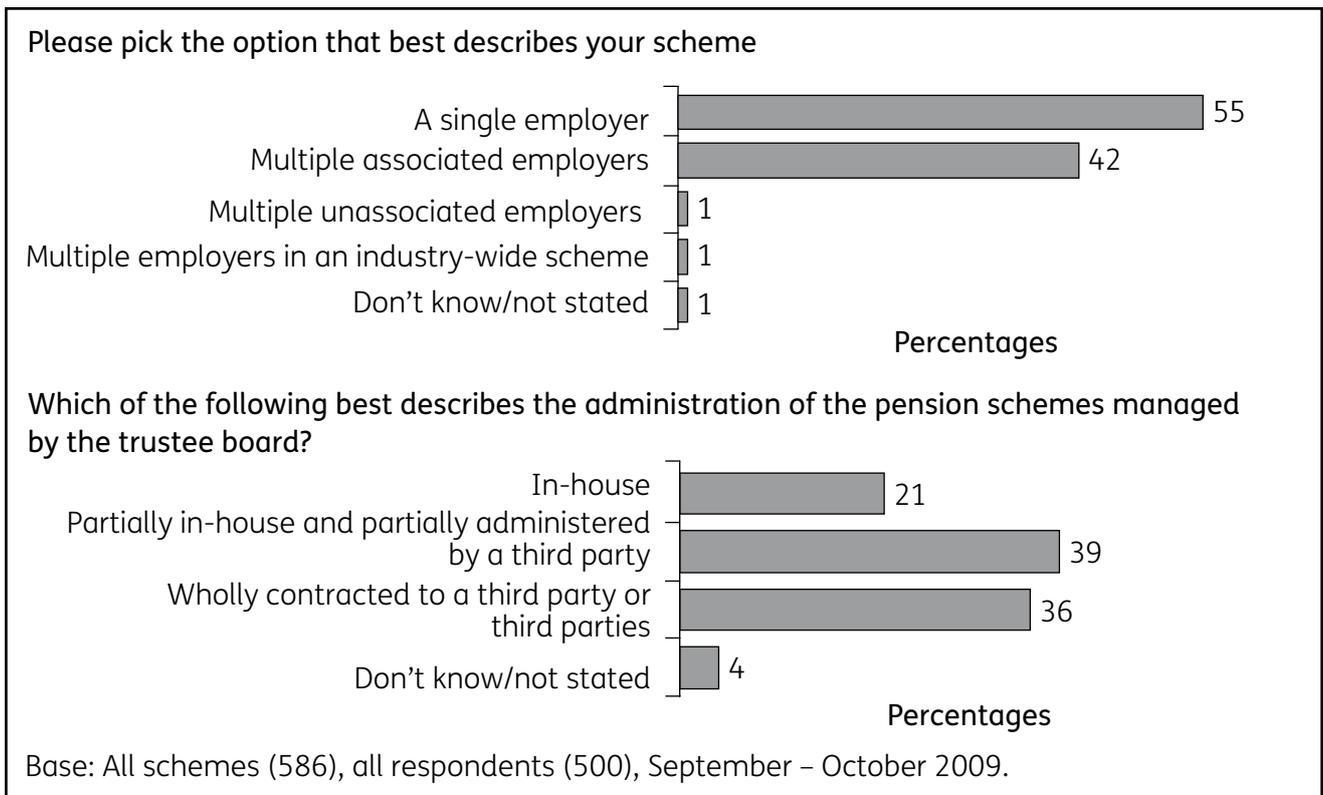


Figure A.2 Type and administration of scheme



Size of schemes in the sample

Figure A.3 Number of members in each scheme

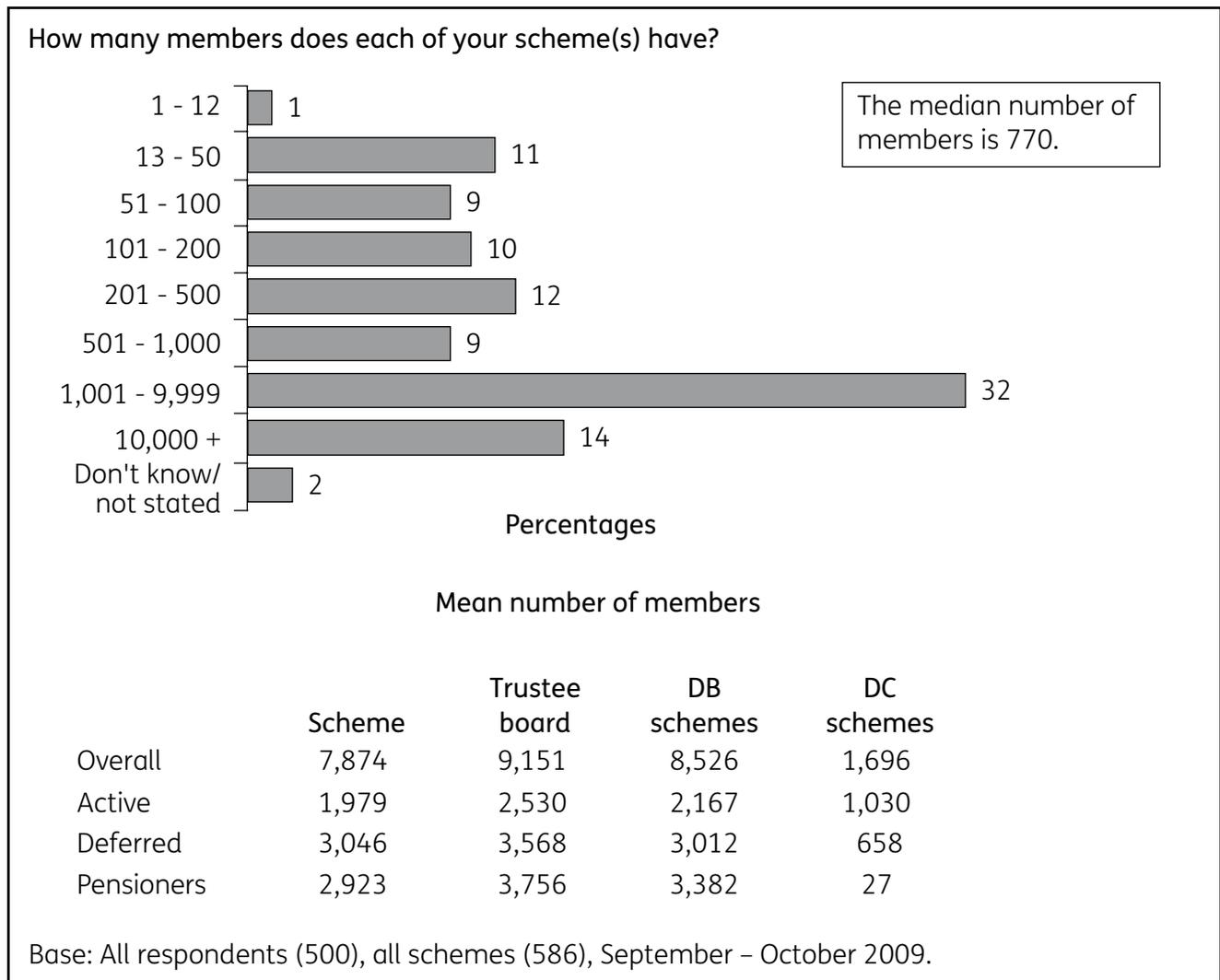
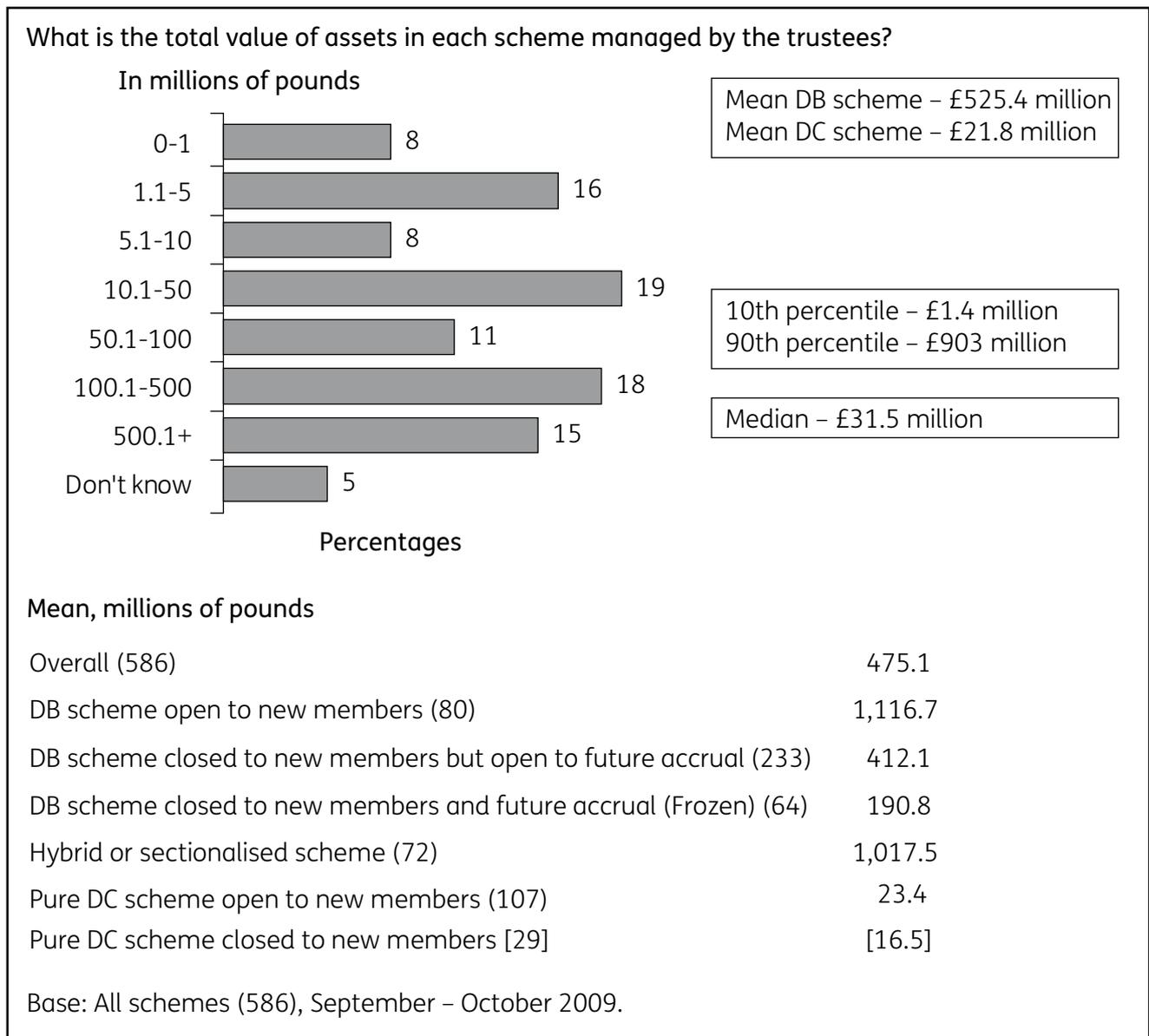


Figure A.4 Value of assets in each scheme



Scheme contribution rate

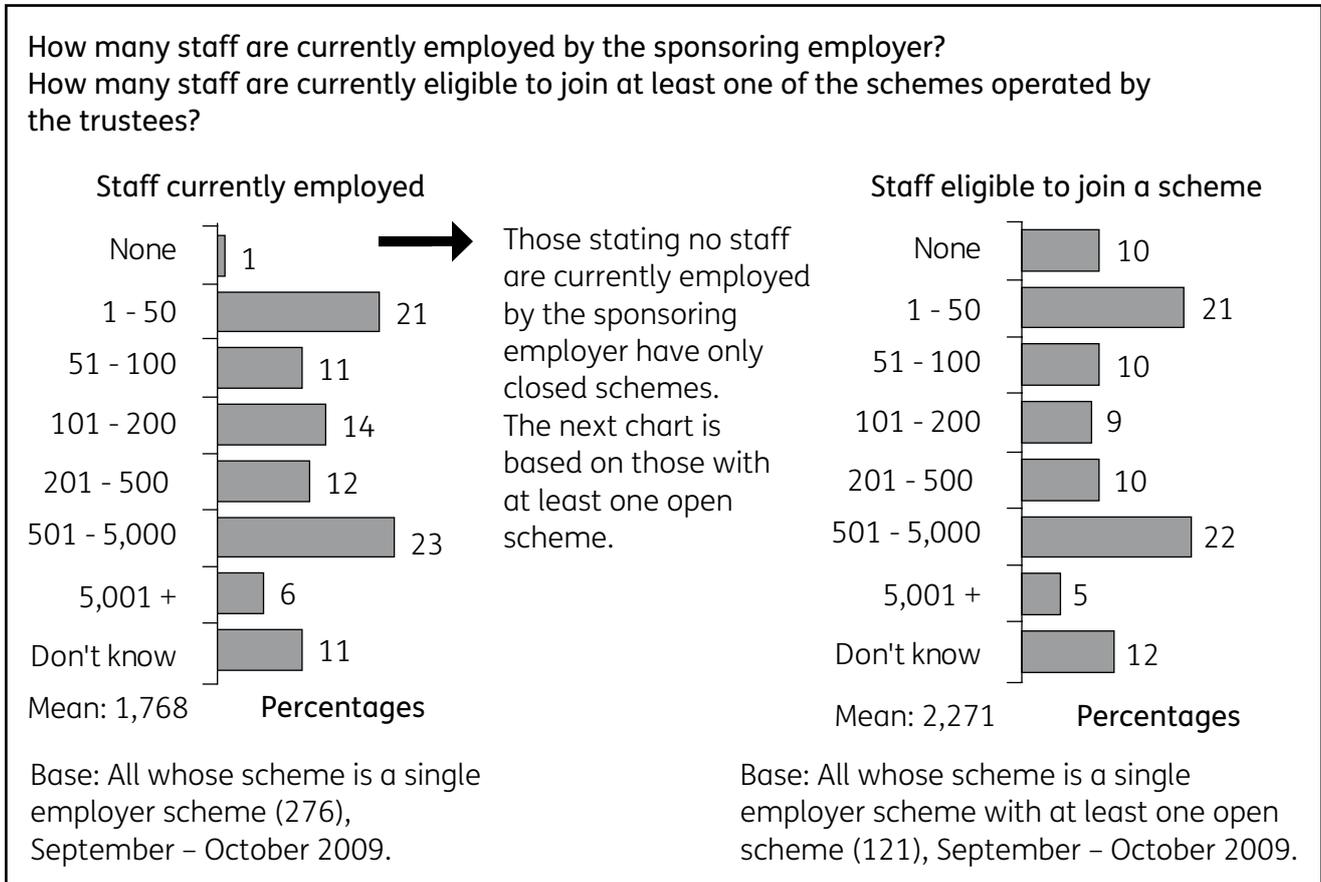
Table A.1 Employer and employee contribution rate of each scheme

What is the average contribution rate as a percentage of salary by the a) employer b) employee?				
	Employer (mean including 0s) %	Don't know employer %	Employee (mean including 0s) %	Don't know employee %
Overall (586)/(496)	15.6	7	5.2	6
DB scheme open to new members (80)/(78)	16.1	1	5.5	3
DB scheme closed to new members but open to future accrual (233)/(231)	22.0	2	5.8	4
DB scheme closed to new members and future accrual (frozen) (64)	10.4	31	N/A	N/A
Hybrid or sectionalised scheme (72)/(66)	13.5	8	5.0	8
Pure DC scheme open to new members (107)/(101)	7.0	5	4.1	9
Pure DC scheme closed to new members [29]/[19]	[6.1]	[10]	[2.8]	[16]

Base: All schemes (586), September – October 2009. Employee contribution is based on all schemes with at least one active member. It excludes DB schemes closed to new members and future accrual. Bases displayed as follows: (Employer contribution base)/(Employee contribution base).

Eligibility to join an employer pension scheme

Figure A.5 Number of current staff eligible to join a scheme



A.3 Professionals employed

The questions in this section were asked of each trustee board (500 respondents) and therefore, responses may refer to more than one scheme (586 schemes in total).

Professionals employed by trustee boards

Figure A.6 Percentage of trustee boards employing each of the following professionals

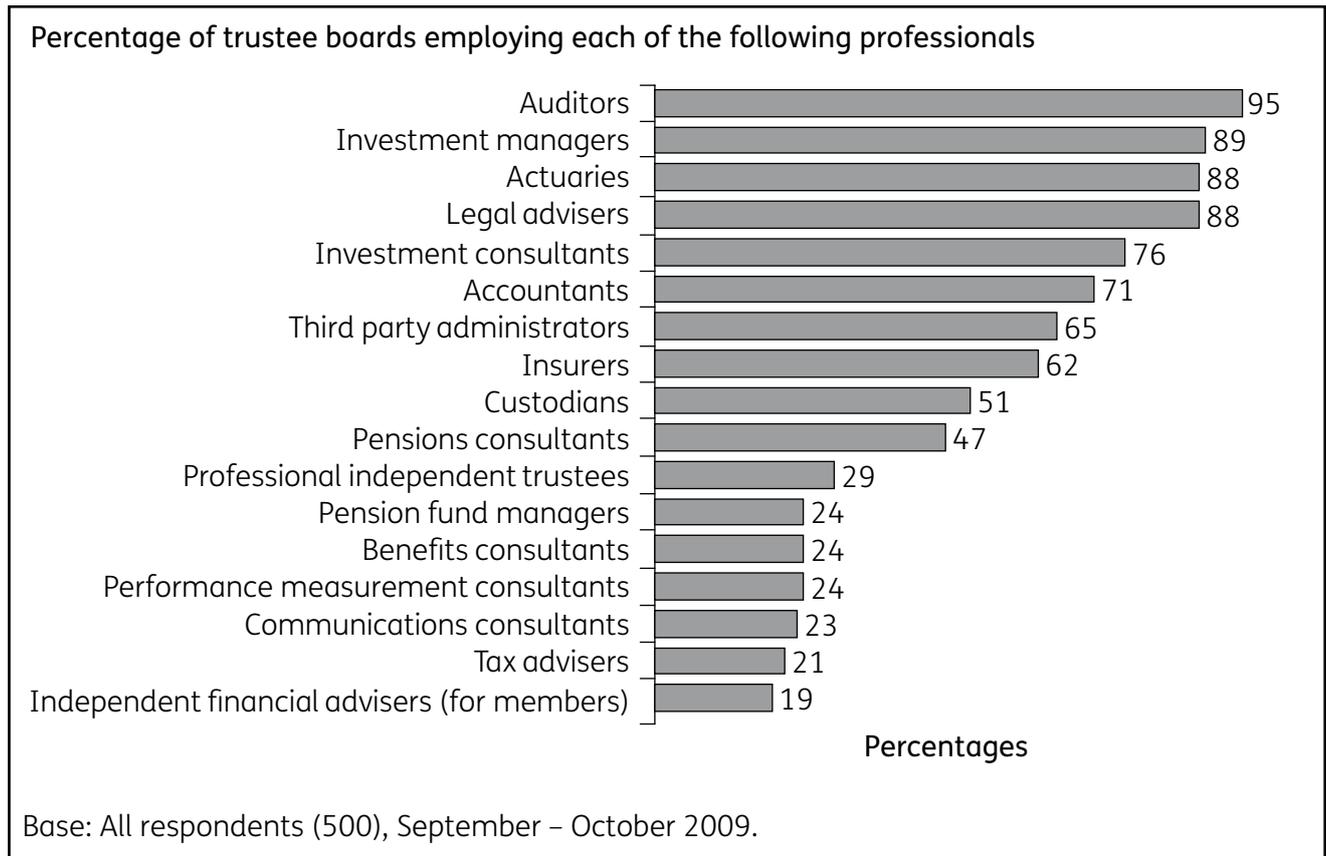
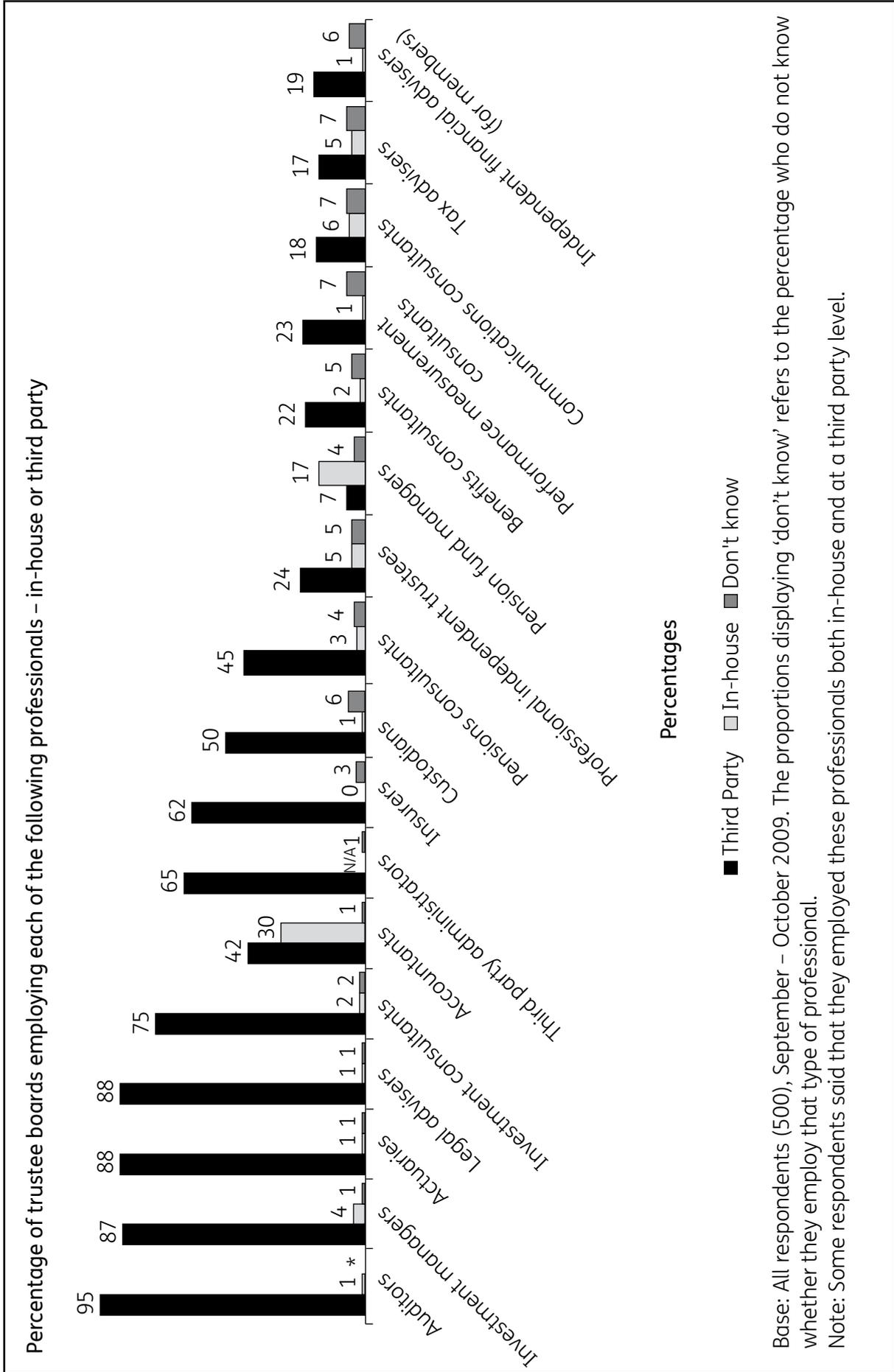


Figure A.7 Percentage of trustee boards employing each of the following professionals – in-house or third party



Cost of professionals

Table A.2 Payment of professionals employed by the trustee board

Who bears the cost of the following services?				
	Paid by the scheme only %	Paid by the employer only %	Paid by scheme and employer %	Don't know %
Custodians (256)	73	21	0	5
Investment managers (445)	69	25	2	3
Performance measurement consultants (118)	69	22	1	8
Actuaries (441)	57	38	4	1
Investment consultants (379)	56	36	1	6
Third party administrators (323)	55	41	2	2
Communications consultants (116)	54	36	3	7
Auditors (476)	52	46	1	1
Legal advisers (439)	51	42	4	3
Insurers (309)	47	47	3	4
Professional independent trustees (146)	45	45	1	9
Pensions consultants (237)	43	49	3	6
Accountants (355)	42	54	1	3
Pension fund manager (120)	40	46	8	6
Tax advisers (107)	35	54	2	9
Benefits consultants (118)	32	53	3	12
Independent financial advisers (for members) (97)	29	52	3	16

Base: All who employ each professional (base for each in brackets). September – October 2009.

Table A.3 Annual cost of employing professionals

What is the annual cost of employing these professionals?			
	Third party (mean £s)	Third party (median £s)	Cost per member (mean £s)
Auditors (418)	19,330	8,644	2
Accountants (86)	13,377	3,700	1
Actuaries (363)	142,295	83,209	12
Investment managers (259)	1,027,157	137,572	63
Legal advisors (342)	79,158	27,850	6
Investment consultants (239)	176,726	45,795	10
Third party administrators (264)	241,287	86,150	32
Professional independent trustees (98)	35,565	24,250	2
Custodians (109)	171,970	46,500	5
Independent financial advisors (for members) [30]	[5,771]	[625]	[*]
Insurers (175)	134,259	31,711	12
Pensions consultants (123)	53,344	17,969	3
Benefits consultants [36]	[24,707]	[9,600]	[1]
Performance measurement consultants (71)	33,087	13,750	1
Communications consultants (56)	41,306	26,667	1
Tax advisers [37]	[22,716]	[1,250]	[1]
Pension fund manager [8]	[47,489]	[7,500]	[2]

Base: All who employ each professional through a third party (base in brackets), September – October 2009.

Notes:

1. The proportion answering don't know at this question varies from 12 to 77 per cent. The bases shown in brackets are therefore the bases used to calculate the mean.
2. The number employing professionals in-house was low and so these figures have not been reported on further, apart from for accountants and pension fund managers. In-house costs for accountants is, on average, £55,021 per year (base: 92). In-house costs for pension fund managers is, on average, £99,716 per year (base: 65).

The questionnaire asked respondents the approximate rate charged per hour for employing these professionals. The number of respondents who answered 'don't know' was very high. Due to the low base sizes here this is not expanded on further.

Specialist staff employed in-house

Trustee boards have the option of employing specialist staff in-house. However, the number employing these types of specialist staff in-house was low; for most types less than 30 respondents said that they employed them in-house, therefore, this is not reported on further.

A.4 Trustees on the trustee board

Number and cost of trustees

Figure A.8 Number of each type of trustee that sits on the trustee board

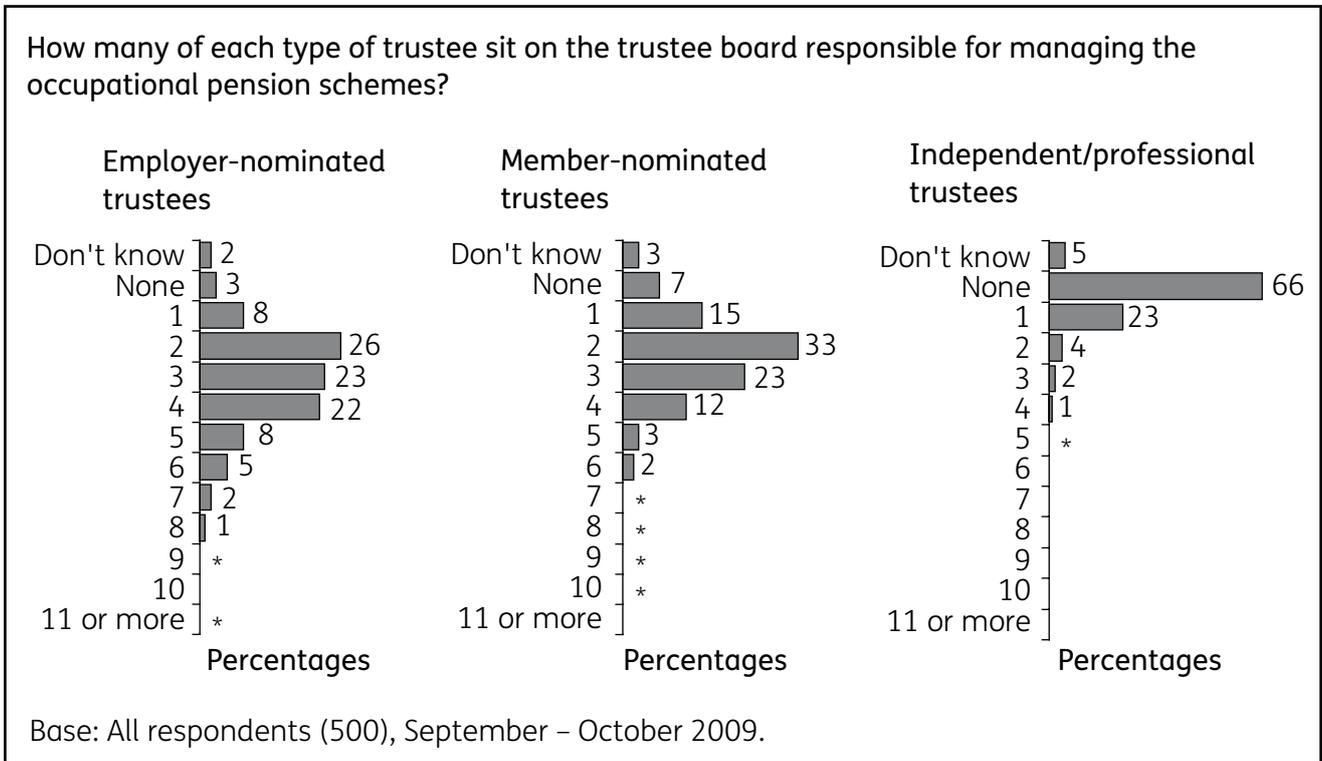


Figure A.9 Number of each type of trustee that sits on the trustee board, by size of schemes

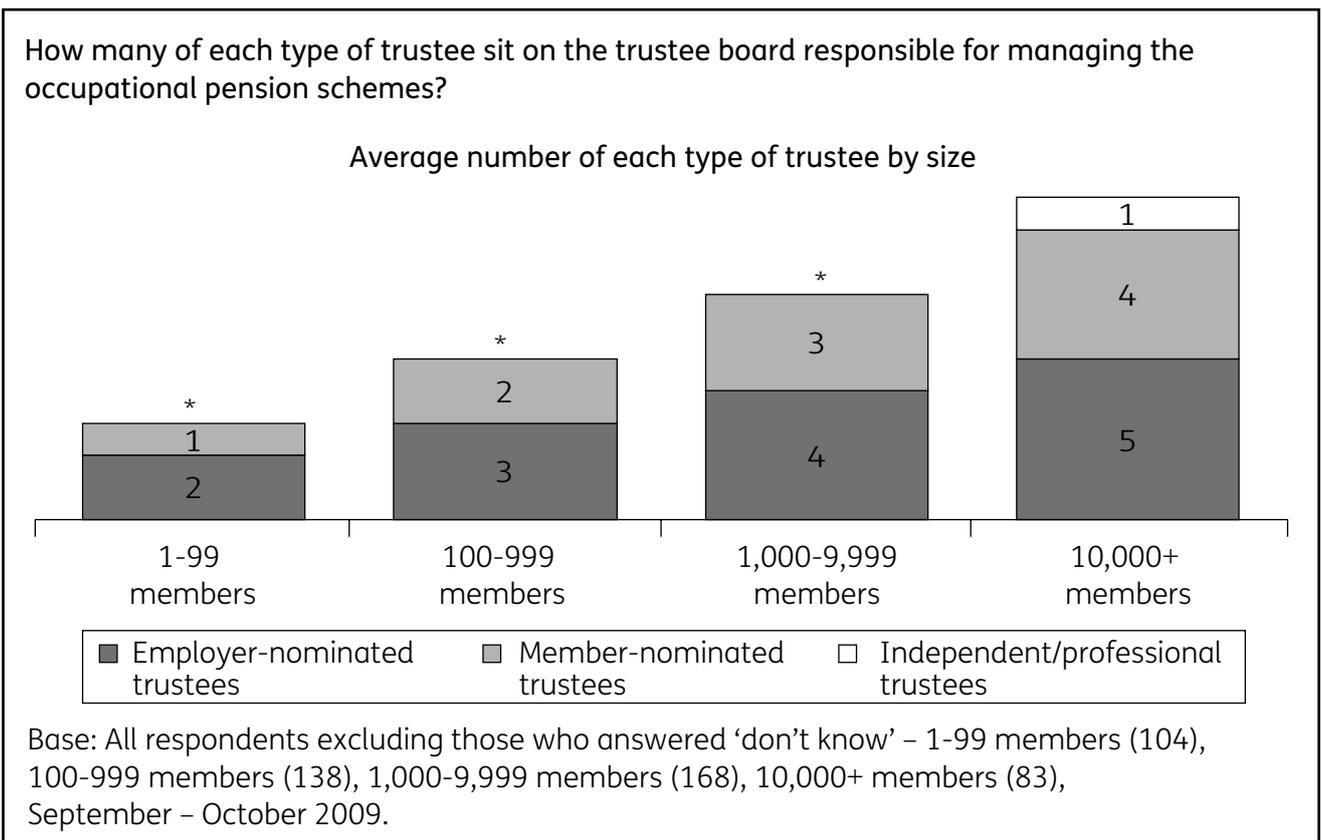
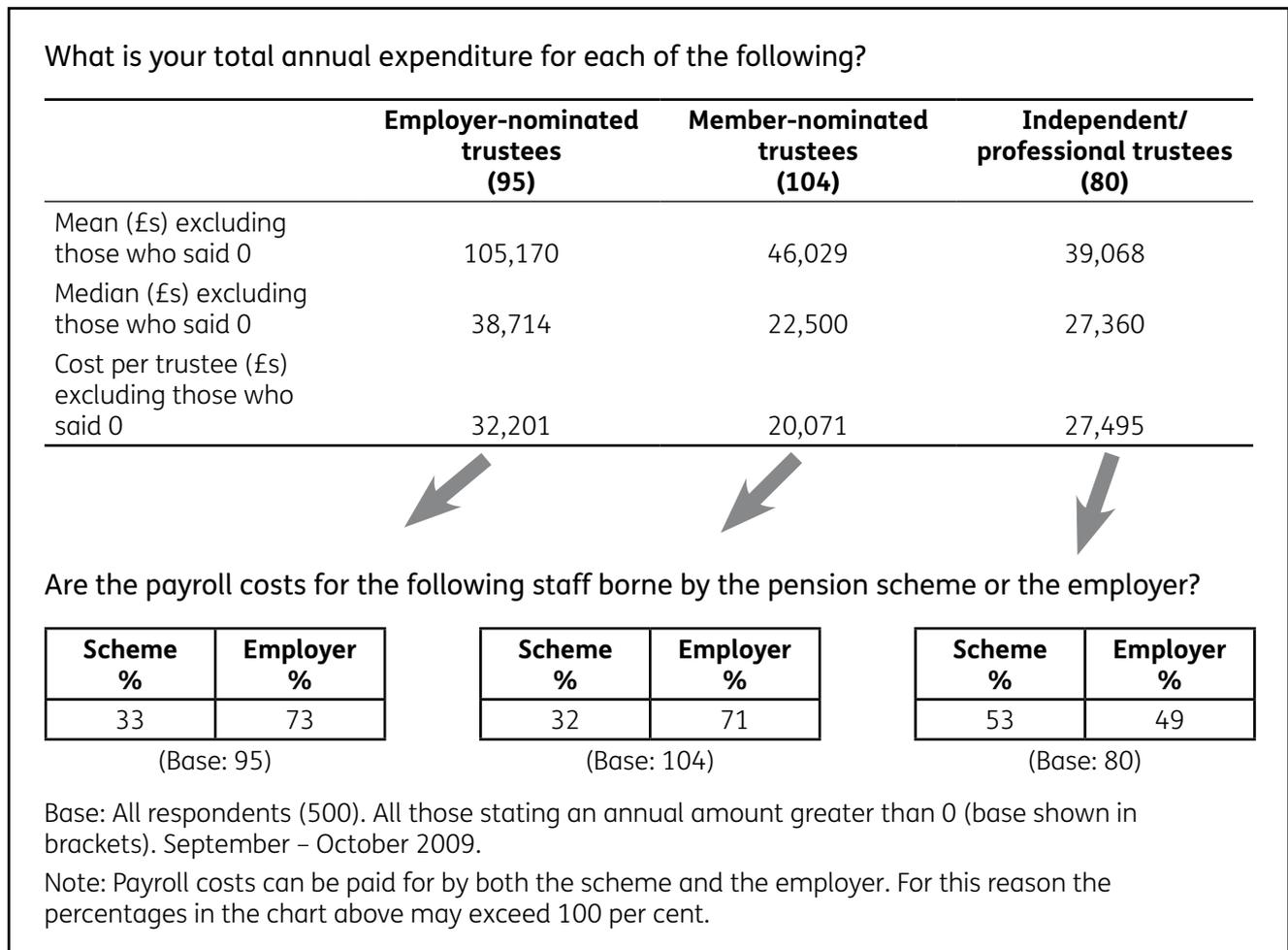


Figure A.10 Annual expenditure on trustees



Additional trustee costs

Over half of trustee boards surveyed spent nothing in the last reporting year on trustee recruitment for employer-nominated and member-nominated trustees (68 per cent and 58 per cent respectively), while 45 per cent spent nothing on other non-payroll trustee costs and 26 per cent spent nothing on training for trustees.

Table A.4 Annual expenditure on additional trustee-related costs

What is the total annual expenditure on each of the following additional trustee costs?				
	Total cost for the last reporting year excluding 0s (mean £s)	Total cost for the last reporting year excluding 0s (median £s)	Total cost for the last reporting year excluding 0s (range £s)	Don't know %
Trustee recruitment for member-nominated trustees (64)	7,265	2,172	79,955	29
Training for trustees (217)	7,159	4,450	99,990	31
Other non-payroll trustee costs (94)	9,301	1,930	283,380	36

Base: All respondents (500). September – October 2009. Bases in brackets are calculated excluding those who say 0 and those who say don't know. Trustee recruitment for employer-nominated costs had a base of eight and so this has not been reported on.

Note: recruitment was defined as the cost of selecting and hiring trustees, including the cost of member elections or recruitment consultancies. It does not include payroll costs.

A.5 Additional pension scheme administration costs

From the list we provided, respondents were asked to cite how much trustee boards spent per annum on each cost.

Table A.5 Annual expenditure on additional administration costs

What is your total annual expenditure on the additional costs below?							
Type of additional cost (median, means and cost per member exclude those who say 0)	Overall median £	Overall mean £	Single employer mean £	Multiple employer mean £	Cost per member £	Nothing %	Don't know %
IT and systems costs (112)	16,528	72,503	30,476	102,690	3.48	33	44
e-communications [46]	[6,000]	[29,250]	[5,547]	[60,206]	[1.26]	44	46
Training for in-house staff (other than trustees) (94)	1,940	5,452	2,697	7,076	0.21	41	41
Printing costs (167)	1,933	13,087	5,879	19,668	0.88	23	44
Accommodation costs (74)	1,900	65,023	5,642	97,253	2.37	47	38
Other communications to members (93)	1,375	18,437	5,594	30,044	1.12	32	50
Stationery (141)	886	4,595	1,621	7,298	0.31	25	47
Staff travel costs (144)	883	5,938	1,304	9,366	0.35	34	37
Association membership fees (137)	844	2,488	1,484	3,099	0.13	37	35
Postal costs (189)	583	10,013	1,919	19,848	0.78	14	48
Subscriptions to online information services (54)	498	35,657	886	50,302	1.12	49	40
Subscriptions to pensions/finance magazines (74)	494	2,919	776	4,235	0.13	48	37

Base: All respondents (500). September – October 2009. Bases in brackets are calculated excluding those who say 0 and those who say don't know.

Costs of enrolling new members

Of those trustee boards with an open scheme, around half (48 per cent) reported a figure for the cost of enrolling new scheme members. About a quarter of those who gave a figure reported a cost of between zero and £5 (26 per cent). At the opposite end, a few schemes reported a figure upwards of £500. The average reported cost was £152. However, the wide range in reported costs for enrolling new members into a scheme may suggest that the question was interpreted differently by different schemes and that the resulting average cannot, therefore, be viewed as an accurate reflection of the true administrative cost of enrolling a new member into a scheme.

Figure A.11 Administrative costs of enrolling new scheme members

Taking account of third party and internal costs, what do you estimate the current administrative costs to be of enrolling new scheme members?

	All trustee boards (mean)	Don't know %
Per member (£s)	152	52
How many members did your scheme enrol in 2008?	584	13

Who pays for these administrative costs?

	1-99 members	100-999 members	1,000- 9,999 members	10,000+ members	All trustee boards	Those who do auto- enrol	Those do not auto- enrol
Member (%)	[3]	3	3	6	4	3	4
Scheme (%)	[18]	24	43	74	42	52	39
Employer (%)	[69]	83	68	33	64	56	68

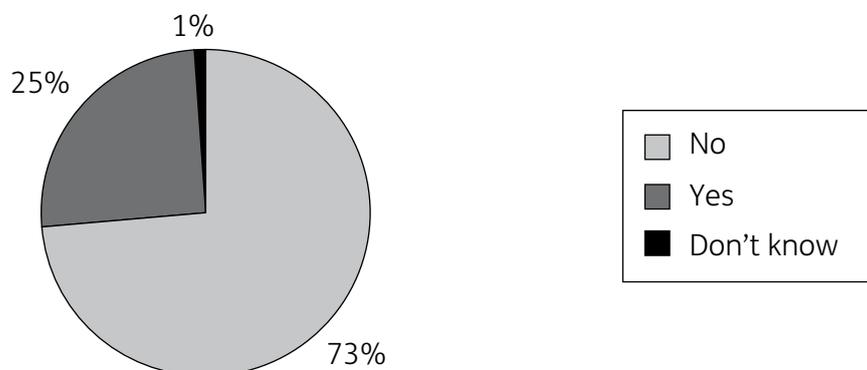
Base: All open trustee boards (252), 1-99 members [39], 100-999 members (59), 1,000-9,999 members (95), 10,000+ members (54), Those who auto-enrol (64), Those who do not auto-enrol (185), September – October 2009.

Note: Five per cent did not know who paid for these costs.

Auto-enrolment

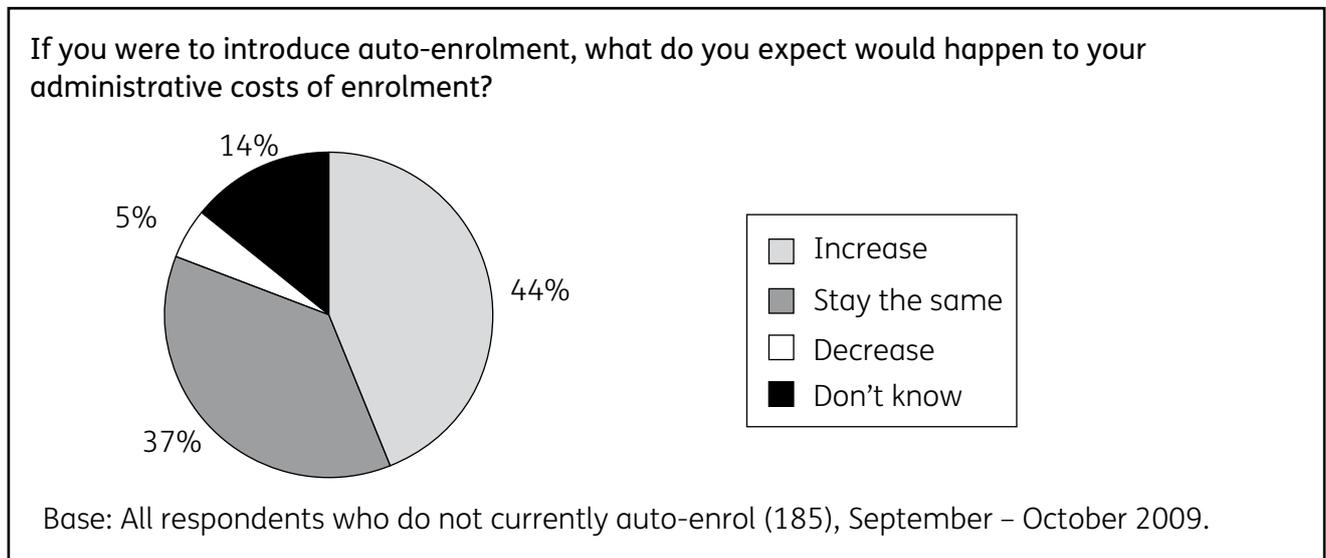
Figure A.12 Auto-enrolment of new members

Do you currently auto-enrol new members into your pension scheme?



Base: All respondents with an open scheme (252), September – October 2009.

Figure A.13 Perceived change to administrative cost if auto-enrolment were to be introduced



Cost of levies

Both DB and DC schemes are eligible to pay for the General levy; however, only DB schemes are eligible to pay for the PPF levy, the PPF Admin levy and the Fraud Compensation levy. Schemes with 1,000 members or more are eligible to pay for the Financial Reporting Council levy.

Table A.6 Expenditure on levies in 2008

	How much did you pay on the following levies in 2008?			
	Overall median £	Overall mean £	Nothing %	Don't know %
General levy	1,485	12,703	8	40
Financial Reporting Council levy	96	603	9	46
PPF levy	32,662	316,817	4	15
PPF Admin levy	2,925	19,651	8	33

Base: General levy; all respondents (500), Financial Reporting Council levy; trustee boards with at least one scheme of 1,000+ members (243), PPF levy; trustee boards with at least one DB scheme (377), PPF Admin levy; trustee boards with at least one DB scheme (377). September – October 2009.

Note: When asked about expenditure for the Fraud Compensation levy, 35 per cent said that they had spent nothing, and 63 per cent said ‘don’t know’. The base size is therefore too small to report mean and median expenditure figures.

Table A.7 Expenditure on levies in 2008, by size of scheme

	How much did you pay on the following levies in 2008?							
	12-99 members (median) £	100-999 members (median) £	1,000- 9,999 members (median) £	10,000 or more members (median) £	12-99 members (mean) £	100-999 members (mean) £	1,000- 9,999 members (mean) £	10,000 or more members (mean) £
General levy	137	678	5,047	25,508	265	1,216	7,774	56,915
Financial Reporting Council levy	N/A	N/A	67	425	N/A	N/A	241	1,237
PPF levy	2,286	7,779	96,773	406,413	10,221	38,270	241,970	1,297,921
PPF Admin levy	209	999	6,742	31,000	275	3,266	12,374	86,644

Base: General levy; all respondents (500), Financial Reporting Council levy; trustee boards with at least one scheme of 1,000+ members (243), PPF levy; trustee boards with at least one DB scheme (377), PPF Admin levy; trustee boards with at least one DB scheme (377). September – October 2009.

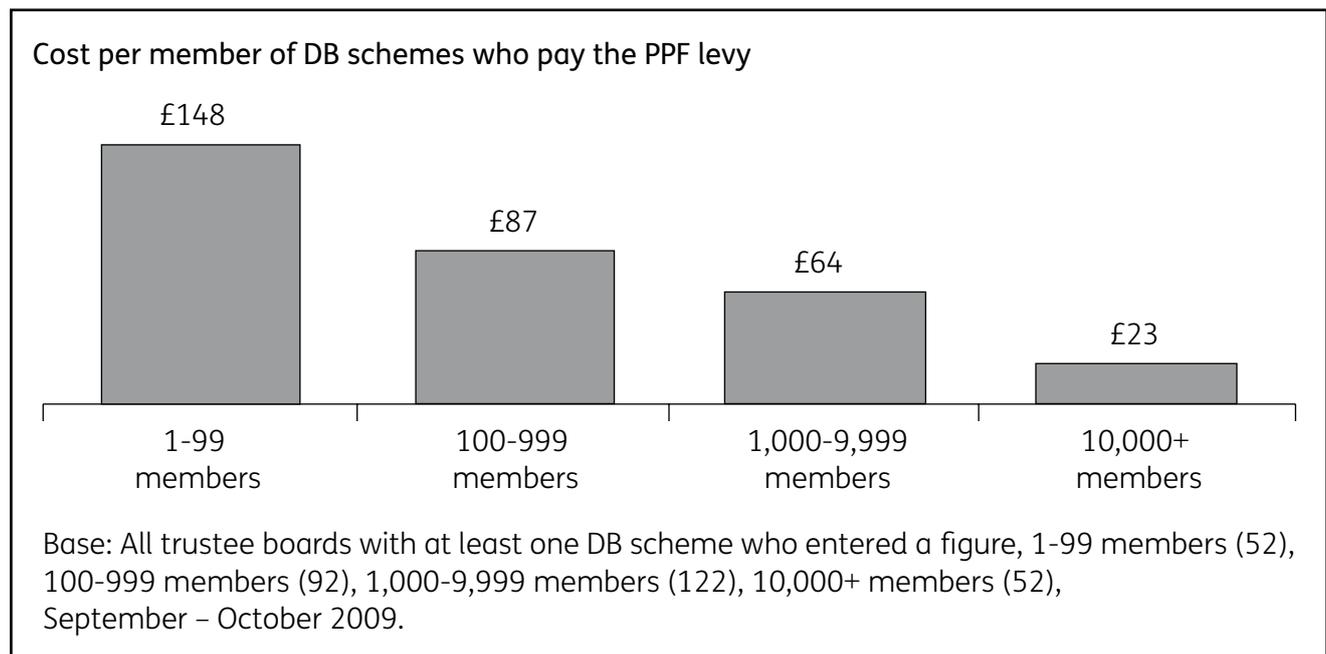
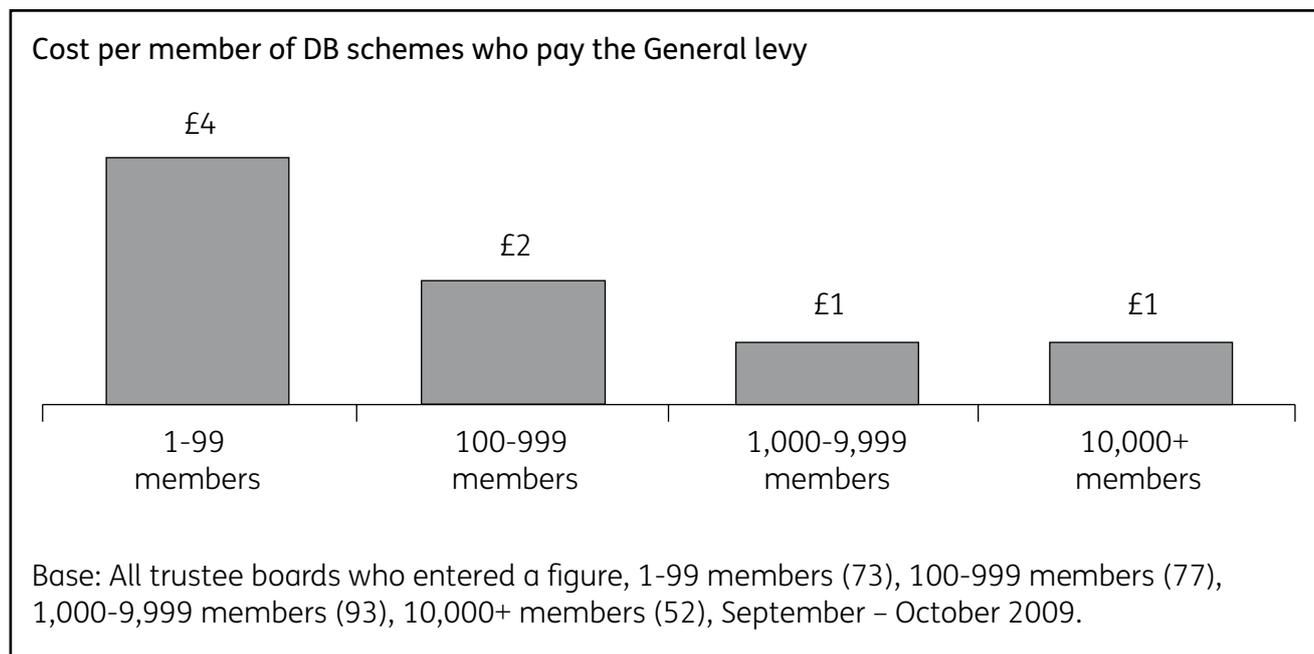
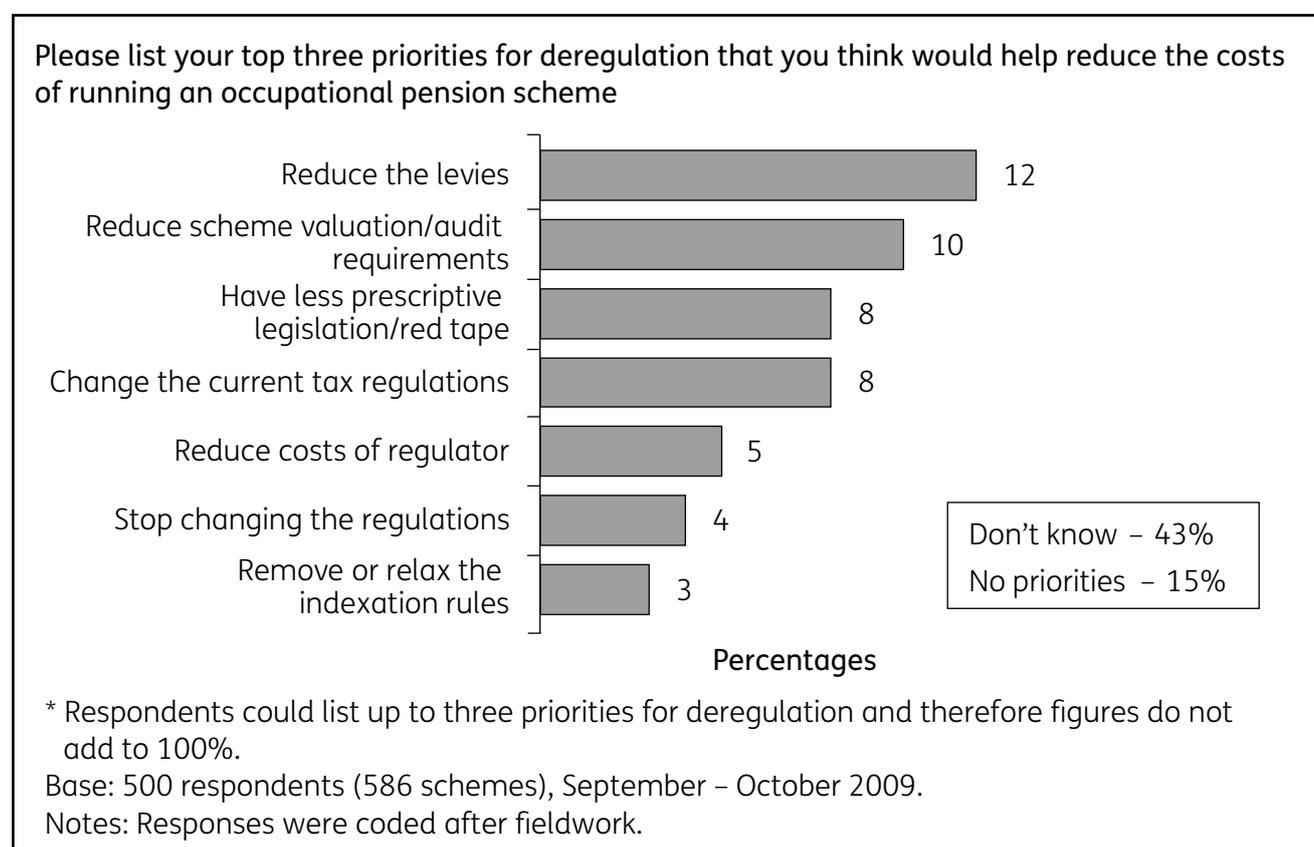
Figure A.14 Expenditure on PPF levy – cost per member

Figure A.15 Expenditure on General levy – cost per member



A.6 Deregulation

Figure A.16 Top priorities for deregulation, to help reduce the cost of running an occupational pension scheme



Appendix B

Sample

Table B.1 Number of each type of scheme in the original sample

	DB open to new members	DB open to new accrual (but not new members)	Hybrid/ sectionalised	DC (including Cash Balance schemes)
Very large schemes >10,000 members	62	78	124	12
Large schemes 1,000 – 9,999 members	155	315	341	123
Medium schemes 100 – 999 members	109	280	135	121
Small schemes 12 – 99 members	79	206	40	319

Table B.2 Number of invitations to participate versus respondent profile

Size of scheme	12-99 members	100-999 members	1,000-9,999 members	10,000+ members
Total number of schemes on the Pensions Regulator Database	5,597	4,394	1,401	278
Invitations to participate	588	554	665	237
Respondent profile	122	180	187	84

Type of scheme	Defined Benefit	Defined Contribution	Hybrid
Total number of schemes on the Pensions Regulator Database	6,024	3,898	1,746
Invitations to participate	1,043	471	530
Respondent profile	377	137	72

Base: All schemes (586). September – October 2009.

*13 respondents did not know the size of the schemes the trustee boards were responsible for.

Note: The sample was cleaned for duplicate contacts prior to invitation emails being sent out. If a contact appeared in the sample for more than one scheme they were only sent one invitation.

Appendix C

Questionnaire

Scheme costs questionnaire

September 2009

This research aims to inform the Department for Work and Pensions about the range and scales of costs that private sector employers and pension schemes face, in particular internal costs, administrative costs and expenditure on professional services. It aims to investigate cost variations between different types and sizes of scheme. The research will be used by the Department for Work and Pensions (DWP) to inform future policy development.

Useful documents

Some of the questions ask you to enter numbers. You may find it easier to answer these if you have:

- A copy of the scheme's last annual report and accounts.
- A copy of the main sponsoring employer's last annual report.

Please be assured that Ipsos MORI abides by standard market research industry Codes of Conduct. None of the answers that you give us will be personally attributable to you or your scheme. The research report will only present data in aggregate form and your individual answers will remain confidential and anonymous.

Notes

Please only answer about scheme(s) which are managed by trustees in your organisation (i.e. trust-based occupational pension schemes only).

Please provide a best estimate of amounts where it is not possible to give an exact figure.

Where third party professional services are concerned, please include VAT in the costs.

The postpone function at the top of the screen allows you to save your answers, so you do not need to complete the survey in one go. To get back into your survey just relick on your unique link. The questions that you have previously answered will all be saved.

If you feel that you are not best placed to answer this survey, please forward the link to someone within your organisation who may be better able to complete this.

If you have any queries about this survey please contact scheme_costs_survey@ipsos-mori.com

Section 1. Background

Q1. How many schemes are the trustees responsible for in your organisation? (Please answer about trust-based occupational pension schemes only)

Please select a number from 1-5

If you have more than one Trustee board overseeing pensions for your organisation then please answer the questionnaire for the trustee body managing pensions for the greatest numbers of scheme members

Q2. Please tick the box/es that best describe the arrangements of the pension schemes(s) managed by the Trustees in your organisation.

Please tick all that apply

DB scheme open to new members	
DB scheme closed to new members but open to future accrual	
DB scheme closed to other new members and future accrual	
Hybrid or sectionalised scheme (i.e. it provides benefits on both a DB and a DC basis)	
Cash balance scheme	
Pure DC scheme open to new members	
Pure DC scheme closed to new members	

Q3. About the Scheme

	Description of scheme selected at Q2	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)
Scheme name/s					
Which is the latest year for which you have full accounts for this scheme, to the nearest calendar year?	PLEASE SELECT A YEAR FROM 2006-2009	PLEASE SELECT A YEAR FROM 2006-2009	PLEASE SELECT A YEAR FROM 2006-2009	PLEASE SELECT A YEAR FROM 2006-2009	PLEASE SELECT A YEAR FROM 2006-2009

Section 2. About the scheme(s)

Q4. Please pick the option that best describes your scheme

Please select one option per *description of scheme* selected at Q2

	Description of scheme selected at Q2	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)
A single employer					
Multiple associated employers					
Multiple unassociated employers					
Multiple employers in an industry-wide scheme					
Don't know (please also tick if you are a multi-employer scheme)					

Q5. What is the average contribution rate as a percentage of salary of the employer/employee:

Please approximate the employer contribution as a percentage of the member's salary if you do not have a precise figure

	Description of scheme selected at Q2	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)
Employer					
Employee					

Q6. How many members does each of your scheme(s) have?					
	Description of scheme selected at Q2	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)
Active					
Deferred					
Pensioners* For DC schemes here: *'Pensioner' members are those who are being paid an annuity from scheme funds. Do not include those who have purchased an annuity from an external annuity provider. If all scheme members have to purchase an annuity from an external provider upon retirement then the number of pensioner members should be zero.					

<p>Q7. If you are a single employer scheme then how many staff are currently employed by the sponsoring employer?</p> <p>PLEASE ONLY ANSWER IF YOU SELECTED 'A SINGLE EMPLOYER' AT Q4</p>

Q8. How many staff are currently eligible to join at least one of the schemes operated by the trustees?

PLEASE ONLY ANSWER IF YOU SELECTED 'A SINGLE EMPLOYER' AT Q4

Q9. What is the total value of assets in each scheme managed by the trustees?

Please answer in millions of pounds, giving the most up-to date figure you have available. For example, if assets in your scheme total £72,100,000, please answer '72.1'. If you are unable to provide a precise figure, please supply an estimate. Decimal points can be used for this answer. Please give the most precise figure that you can easily provide.

	Description of scheme selected at Q2	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)	Description of scheme selected at Q2 (if applicable)
Millions of pounds					

The following questions ask about the trustee board operating the scheme(s) operated by your company.

Q10. Which of the following arrangements best describes the administration of the pension schemes managed by the trustee board?

Please select one option only

In house	
Partially in house and partially administered by a third party or third parties	
Wholly contracted to a third party or third parties	

Section 3. Professional services

Q11. Which of the following professionals does your scheme employ?

	In-house	Third party
Auditors		
Accountants		
Actuaries		
Investment managers		
Legal advisers		
Investment consultants		
Third party administrators		
Professional independent trustees		
Custodians		
Independent financial advisers (for members)		
Insurers		
Pensions consultants		
Benefits consultants		
Performance measurement consultants		
Communications consultants		
Tax advisers		
Pension fund managers (Please only select this option if your Pension fund manager is not the same person as your Investment manager)		
Other staff (please specify)		

Q12. Who bears the cost of the following services?
PLEASE ONLY ANSWER FOR PROFESSIONAL SERVICES SELECTED AT Q11
 Please select paid by the scheme (or scheme members), paid by the employer, or enter a percentage split between scheme and employer

	Paid by the scheme (or scheme members)	Paid by the employer	Split between scheme and employer (% split)	
			Please enter a number only for the percentages funded by the scheme and the employer.	
			Scheme	Employer
Auditors				
Accountants				
Actuaries				
Investment managers				
Legal advisers				
Investment consultants (do not include fund management costs)				
Third party administrators				
Professional independent trustees				
Custodians				
Independent financial advisers (for members)				
Insurers				
Pensions consultants				
Benefits consultants				
Performance measurement consultants				
Communications consultants				
Tax advisers				
Pension fund manager				
Other staff				

Q13. What is the annual cost of employing these professionals? (in GBP)

PLEASE ONLY ANSWER HERE FOR PROFESSIONS EMPLOYED IN-HOUSE (SELECTED AT Q11)

Your individual answers will be treated as completely confidential and anonymous.

Please answer in whole pounds.

If you do not know the exact amount please estimate. Where third party professional services are concerned, please include VAT in the costs.

	In-house	Don't know	In-house Approximate rate changed per hour	Don't know
Auditors				
Accountants				
Actuaries				
Investment managers				
Legal advisers				
Investment consultants (do not include fund management costs)				
Third party administrators				
Professional independent trustees				
Custodians				
Independent financial advisers (for members)				
Insurers				
Pensions consultants				
Benefits consultants				
Performance measurement consultants				
Communications consultants				
Tax advisers				
Pension fund manager				
Other staff				

Q14. What is the annual cost of employing these professionals? (in GBP)
PLEASE ONLY ANSWER HERE FOR PROFESSIONS EMPLOYED BY A THIRD PARTY (SELECTED AT Q11)
Your individual answers will be treated as completely confidential and anonymous.
Please answer in whole pounds.
If you do not know the exact amount please estimate. Where third party professional services are concerned, please include VAT in the costs.

	Third party (consultants)	Don't know	Third party (consultants) Approximate rate changed per hour	Don't know
Auditors				
Accountants				
Actuaries				
Investment managers				
Legal advisers				
Investment consultants (do not include fund management costs)				
Third party administrators				
Professional independent trustees				
Custodians				
Independent financial advisers (for members)				
Insurers				
Pensions consultants				
Benefits consultants				
Performance measurement consultants				
Communications consultants				
Tax advisers				
Pension fund manager				
Other staff				

**Q15. How many of the following types of specialist staff does your scheme employ in house?
PLEASE ONLY ANSWER FOR PROFESSIONAL SERVICES SELECTED AT Q12**

<p>Auditors</p> <p>Accountants (separate from auditors)</p> <p>Actuaries</p> <p>Investment managers</p> <p>Legal advisers</p> <p>Investment consultants</p> <p>Third party administrators</p> <p>Professional independent trustees</p> <p>Custodians</p> <p>Independent financial advisers (for members)</p> <p>Insurers</p> <p>Pensions consultants</p> <p>Benefits consultants</p> <p>Performance measurement consultants</p> <p>Communications consultants</p> <p>Tax advisers</p> <p>Pension fund manager</p> <p>Other staff</p>	
--	--

Section 4. Trustee expenditure

Please answer the following questions for trust-based occupational pensions schemes provided to staff within your organisation. If different staff pension schemes are managed by totally different trustee boards then please answer for the board with responsibility for the largest number of staff pensions.

Q16. How many of each type of trustee listed below sit on the trustee board responsible for managing the occupational pension schemes?

Employer-nominated trustees

Member-nominated trustees

Independent/professional trustees

Q17. What is your total annual expenditure on each of the following?

Please answer in whole pounds.

If you do not know the exact amount please estimate

Payroll costs for employer-nominated trustees

Payroll costs for member-nominated trustees

Payroll costs for independent/professional trustees

Q18. Are the payroll costs for the following staff borne by the pension scheme or the employer?

PLEASE ANSWER IF YOU ENTERED A NUMBER GREATER THAN 0 FOR EACH RESPONSE AT Q17

	Scheme	Employer
Employer-nominated trustees		
Member-nominated trustees		
Independent/professional trustees		

Q19. What is the total annual expenditure on each of the following additional trustee costs? (Recruitment is the cost of selection and hiring of trustees and would include costs of member elections or recruitment consultancies. It does not include payroll costs.)

Please answer in whole pounds.

If you do not know the exact amount please estimate

Where third party professional services are concerned, please include VAT in the costs

	Total cost for the last reporting year	Total cost per trustee
Trustee recruitment for employer-nominated trustees		
Trustee recruitment for member-nominated trustees		
Training for trustees		
Other non-payroll trustee costs		

Section 5. Additional costs

Q20. Still answering about the trustee board operating the scheme(s) operated by your company (i.e. not about each scheme separately), what is your total annual expenditure on the additional costs below?

(please estimate costs if the exact figure is unavailable)

Please answer in whole pounds.

Where third party professional services are concerned, please include VAT in the costs

<p>IT and Systems costs</p> <p>Postal costs</p> <p>e-communications (including website running costs)</p> <p>Subscriptions to online information services</p> <p>Subscriptions to pensions/finance magazines</p> <p>Association membership fees</p> <p>Training for in-house staff (other than trustees)</p> <p>Accommodation costs</p> <p>Staff travel costs</p> <p>Printing costs</p> <p>Stationery</p> <p>Other communications with members</p>	
--	--

Q21. Does your scheme incur any other administration costs not covered elsewhere?	
Yes/No	
If yes Please specify what these costs are and what your total annual expenditure on these is. Please answer in whole pounds.	

Section 6. Enrolling and discharging members	
Q22. Taking account of third party and internal costs (as relevant), what do you estimate the current administrative costs to be of enrolling new scheme members? (please estimate costs if you do not have the precise figure) Please answer in whole pounds. PLEASE ONLY ANSWER IF YOU SELECTED OPEN SCHEMES AT Q2 (e.g. DB Scheme open to new members, hybrid or sectionalised scheme, cash balance scheme or pure DC scheme open to new members)	
Per member	
How many new members did your scheme enrol in 2008?	

Q23. Who pays for these administrative costs? PLEASE ONLY ANSWER IF YOU SELECTED OPEN SCHEMES AT Q2 (e.g. DB Scheme open to new members, hybrid or sectionalised scheme, cash balance scheme or pure DC scheme open to new members)	
Member	
Scheme	
Employer	

Q24. Do you currently auto-enrol new members into your pension scheme?	
PLEASE ONLY ANSWER IF YOU SELECTED OPEN SCHEMES AT Q2 (e.g. DB Scheme open to new members, hybrid or sectionalised scheme, cash balance scheme or pure DC scheme open to new members)	
Yes	
No	

PLEASE ONLY ANSWER IF YOU SELECTED NO AT Q24 AND IF YOU SELECTED OPEN SCHEMES AT Q2	
Q25a. If you were to introduce auto-enrolment, what do you expect would happen to your administrative costs of enrolment?	
They would increase	
They would stay the same	
They would decrease	
PLEASE ANSWER Q25B IF YOU THINK THESE COSTS WOULD INCREASE AT Q25A	
Q25b. How much do you think that the administrative costs of enrolment would increase by?	
They would increase by up to 5%	
They would increase by 5-10%	
They would increase by 11-20%	
They would increase by 21-30%	
They would increase by 31% or more	
PLEASE ANSWER Q25C IF YOU THINK THESE COSTS WOULD DECREASE AT Q25A	
Q25c. How much do you think that the administrative costs of enrolment would decrease by?	
They would decrease by up to 5%	
They would decrease by 5-10%	
They would decrease by 11-20%	
They would decrease by 21-30%	
They would decrease by 31% or more	

Q26. Taking account of third party and internal costs (as relevant), what do you estimate the current administrative costs to be of discharging scheme members? (please estimate the cost if you do not have the precise figure)

‘Discharging’ refers to refunding a member’s contributions if they are leaving the scheme before the vesting period has elapsed.

Please answer in whole pounds.

Where third party professional services are concerned, please include VAT in the costs

Per member	
How many members did your scheme discharge in 2008?	
How many members did your scheme transfer out in 2008?	

Section 7. Levies

Q27. How much did you pay on the following levies in 2008?

Please answer in whole pounds.

Where third party professionals are concerned, please include VAT in the costs

General Levy	
Fraud Compensation Levy	
Financial Reporting Council Levy	
PPF Levy	
PPF Admin Levy	

Section 8. Deregulation

Q28. In the box provided, please list your top three priorities for deregulation that you think would help to reduce the costs of running an occupational pensions scheme?

1.	
2.	
3.	

Section 9. Further comments

Q29. Would you like to receive a copy of this report by e-mail once it is published?

Yes
No

Q30. To send you this report, can we take your e-mail address?

PLEASE ANSWER IF YOU SELECTED TO RECEIVE A COPY OF THIS REPORT

--

Q31. Would you like to add any further comments on the issues covered in this questionnaire?

--

Q32. Would you be willing to take part in future research on this subject?

Yes

No

Thank you for taking the time to complete this survey.

This summary report presents findings from a 2009 survey exploring the operating costs of trust-based occupational pension schemes. The report contains indicative figures on the range and scale of administrative costs that private sector employers and pension schemes face.

If you would like to know more about DWP research, please contact:
Paul Noakes, Commercial Support and Knowledge Management Team,
Work and Welfare Central Analysis Division, 3rd Floor, Caxton House,
Tothill Street, London SW1H 9NA.
<http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

DWP Department for
Work and Pensions

Published by the
Department for Work and Pensions
November 2010
www.dwp.gov.uk
Working paper no. 91
ISBN 978-1-84712-890-4