Trustee Survey

Governance in Trust-Based Pension Schemes: Findings from the 2026 Trustee Survey

Prepared for The Pensions Regulator by OMB Research

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1. Executive summary

1.1 A baseline view of scheme governance

This report sets out the findings of a survey with trustees of defined benefit (DB) and defined contribution (DC) pension schemes which sought to establish a baseline measure of governance across the market. Responses were used to create a governance indicator score ranging from 0 to 100, providing a structured way to compare governance across schemes and monitor change over time.

The survey was conducted in early 2026 by OMB Research, an independent market research agency. It comprised 373 quantitative telephone interviews and covered micro schemes (fewer than 12 members), small schemes (12-99 members), medium schemes (100-999 members), large schemes (1,000+ members) and master trusts. The data has been weighted so that results are representative of the overall scheme population.

1.2 Overview of key findings

The findings show substantial variation in governance practices across the market. Governance scores were generally higher among larger schemes and master trusts, while lower scores were concentrated among micro and small DC schemes. However, scheme size alone does not explain the pattern as we see some smaller schemes reporting strong governance arrangements and a minority of larger schemes reporting weaker practices. This suggests that governance capability, formal structures and access to expertise are also characteristics more commonly seen among higher scoring schemes.

The survey also identified areas where governance practices are not yet consistently embedded, particularly around Effective System of Governance (ESOG) and Own Risk Assessment (ORA) activity, alignment with the General Code, trustee training and development, board recruitment and succession planning, member engagement and demonstrating improvements in member outcomes. Together these findings provide The Pensions Regulator (TPR) with a baseline for future monitoring and regulatory prioritisation.

1.3 Governance scores increased with scheme size

Scores were highest among master trusts and large schemes, and lowest among micro and small DC schemes.

This pattern was also reflected in the quartile[1] analysis. The lowest scoring quartile was dominated by smaller DC schemes, while the highest scoring quartile consisted primarily of medium and large schemes as well as master trusts[2]. That said, some medium and large schemes appeared in the lower scoring quartiles, while a minority of micro schemes achieved comparatively high scores.

[1] Schemes were allocated to four equal quartiles (at the total level) based on their indicator scores, using the weighted data.
[2] With around 9 in 10 memberships in a scheme that falls into the highest scoring quartile.

1.4 Higher scores were associated with more formal governance arrangements

However, scale[3] was not the whole story. Schemes with professional trustees generally achieved higher scores than schemes of a similar size without professional trustees. Similarly, schemes with an appointed chair, particularly a professional chair, tended to achieve stronger governance scores.

Trustee accreditation, sub-committees and access to external expertise were also characteristics more commonly seen among higher scoring schemes.

This suggests that stronger governance practices are more commonly found where governance arrangements are more formalised and supported by wider expertise and resources.

1.5 Governance risk was particularly evident in DC schemes with an individual sole trustee

Lower governance indicator scores were concentrated among micro and small DC schemes, particularly those operating with an individual sole trustee arrangement, where one person acted as the only trustee. Within the survey sample, schemes with an individual sole trustee arrangement were only found among micro and small schemes and were associated with particularly low governance scores. Compared with other schemes of a similar size, they were less likely to have mandatory trustee training, use external service providers or report having sufficient knowledge and skills.

Taken together, the findings suggest that smaller schemes are less likely to adopt a range of practices associated with effective governance. This indicates the potential for governance risk is not evenly distributed across the pensions market and may be greater among smaller schemes. This raises the question of whether their arrangements are sufficient and proportionate to support effective scheme oversight, risk management and regulatory compliance. However, it's important to note that these schemes account for a small proportion of memberships.

1.6 Some governance practices were not yet consistently embedded

For the more detailed analysis of governance practices, micro schemes are considered separately because they have a distinctive profile and make up a large share of the DC scheme population.

Across schemes other than micros, several governance practices appeared less embedded than others. These included having an ESOG and conducting an ORA, or a review of ESOG[4], alignment with the General Code, trustee training and development, board recruitment and succession planning, member engagement and

[3] In this report scale is defined by membership size. Survey data indicates that membership size is broadly aligned with assets under management, although the two are not identical.

[4] Schemes with fewer than 100 members are not required to complete an ORA but may choose to undertake one as a governance tool.

demonstrating that Value for Members assessments or reviews had led to measurable improvements in member outcomes.

These gaps were most evident among small DC schemes. They were less likely than other groups to report a good understanding of the General Code, to have compared their governance against it, or to have an ESOG and have carried out an ORA or review of ESOG. They were also less likely to have formal arrangements for trustee development and succession planning.

Most non-micro schemes described member outcomes as influencing decisions but that other priorities were equally important, for example regulatory compliance and cost. Approaching a third reported that board decisions were primarily driven by improving member outcomes.

Among DC schemes (excluding micros) that had conducted a Value for Members assessment or review, relatively few reported measurable improvements in member outcomes as a result. This was particularly evident among small DC schemes, where none reported measurable improvements.

In contrast, oversight of external advisers and administrators was generally strong, with most schemes confident in challenging advice and monitoring service provider performance.

1.7 Conclusions and implications

The governance indicator provides TPR with a baseline measure of governance across the trust-based pensions market and a framework for monitoring change over time.

The findings highlight patterns in how governance practices vary across the market. They do not seek to isolate the effect of any single feature, but they provide a clearer understanding of where stronger and weaker practices are more commonly reported.

The findings suggest that the potential for governance risk sits more in smaller DC schemes, particularly those with less formal governance arrangements and more limited access to expertise. Across the market, the results also highlight a number of areas where governance practices appear less mature, notably ESOG and ORA/review activity, trustee capability, succession planning, member engagement and demonstrating improved member outcomes.

TPR can use the governance indicator to monitor trends over time, identify where governance weaknesses are more likely to arise and inform future regulatory activity. The indicator is intended to support comparison, risk identification and market oversight rather than provide a definitive assessment of individual schemes.

The glossary in Appendix 3 provides definitions of any technical terms used in this report.

2. Background and methodology

2.1 About the survey

In early 2026, TPR surveyed trustees of DB and DC pension schemes to understand their governance structures and practices. The survey covered a wide range of topics including board composition, trustee training, engagement with the General Code, value for members, scheme policies, use of advisers and service providers, and focus on member outcomes.

The primary objective of the survey was to use the resulting data to create a baseline measure of governance (the 'governance indicator'). This will enable governance to be easily compared across different types and sizes of scheme, and to be tracked over time to assess the impact of future TPR activity.

The survey was conducted by telephone between 15 January and 6 March 2026 by OMB Research, an independent market research agency. A total of 373 schemes were interviewed (203 DB and 170 DC)[5] which represents a survey response rate of 17%. Interviews lasted an average of 23 minutes.

Each respondent completed the survey in relation to a pre-specified pension scheme. To qualify for interview, they had to be a trustee of the selected scheme, and this was confirmed at the start of the survey (with referrals sought if they were in a different role).

A disproportionate stratified sampling approach was adopted, with interlocking quotas set on scheme size (micro, small, medium, large, master trust) and type (DB/DC/hybrid) to achieve robust coverage of each stratum. The final data was weighted back to the true size/type profile of the scheme population. This ensured that findings were representative of the wider population while maintaining robust subgroup analysis.

Further details of the research methodology are provided in Appendix 1.

2.2 Why governance matters

At the time the survey was conducted, there were almost 7,000 trust-based DB and DC pension schemes, which together had around 41 million memberships[6]. As such, governance decisions made by trustees have a direct impact on the retirement outcomes of millions of members. It is therefore essential that these schemes are well run and deliver good outcomes for members.

Good governance is central to protecting members' interests. Trustee boards make decisions that affect scheme administration, investment, risk management, value and member outcomes. TPR expects schemes to have effective governance enabling them to make consistent, informed decisions that drive better outcomes and support growth in members' interests.

This baseline view of governance practices helps TPR identify where good practice is more established and where further regulatory focus may be needed.

[5] Hybrid schemes were included and classified as either DB or DC based on their characteristics.
[6] Based on the survey sample provided by TPR, after excluding any out-of-scope schemes.

2.3 Understanding the governance indicator

Through commissioned desk research, four core dimensions relevant to scheme governance were identified. These are set out below, along with a summary of the topics included within each one:

- **Processes:** Governance processes, risk management frameworks, regulatory alignment, controls and reviews
- **Structure:** Board composition, roles, skills, experience, diversity, training, committees and documented policies
- **Behaviour:** Trustee collaboration, constructive challenge, policy-led decision making, use of member insight and focus on member outcomes
- **Relationships:** Use, oversight and performance management of administrators, external advisers and external investment managers

The survey questions were designed based on the desk research and aligned to these dimensions.

For the survey questions contributing to the governance indicator, responses were assigned a score of between 0 and 1 during the analysis, with higher scores awarded for behaviours felt to be associated with stronger governance. In a small number of cases where respondents gave a "Don't know" response, the likely answer was inferred based on analysis of similar schemes who did provide a response[7], rather than applying an arbitrary fixed score to all "Don't know" responses (for example, a score of 0). This approach avoided unfairly penalising schemes for gaps in respondent knowledge/recall.

Within each of the four dimensions, questions were grouped into topic areas (for example, evaluating risks and training and development). The topic area scores were combined to create an overall score per dimension, with each topic area given an equal weight.

Finally, the four dimension scores were combined to calculate an overall governance indicator score of between 0 and 100 for each scheme, with each dimension contributing 25% of the overall score.

The approach summarised above ensured that the indicator score took account of a wide range of governance aspects and avoided over reliance on any single topic/dimension. Fuller details of how the governance indicator was created are provided in Appendix 2.

2.4 How to interpret the findings

In this report the survey results have typically been analysed by:

- **Scheme type:** DB vs. DC
- **Scheme size:** Micro (<12 members), small (12-99 members), medium (100-999 members), large (1,000+ members), master trusts[8]

[7] These cases were handled via a model-based approach using Latent Class segmentation.

[8] Although all master trusts have 1,000+ members they were treated as a separate group rather than included in the large scheme category.

However, micro and small DB schemes have been combined due to the small population (and hence low number of completed interviews) for the former.

Where mean governance indicator, dimension or topic scores are presented, these are average scores across schemes in the relevant group on a 0 to 100 scale. They are used to compare relative governance strength between groups and should not be interpreted as the percentage of schemes meeting a particular standard or adopting a specific practice.

The results are based on a sample of schemes rather than the total population. Where the report compares groups, differences discussed in the text are statistically significant at the 95% confidence level[9]. For example, if a percentage is said to be higher among large schemes than medium schemes, this means that we can be at least 95% confident that the difference is 'real' and has not just occurred by chance.

Unweighted base sizes (the number of responses from which the findings are derived) are displayed under the charts and tables to give an indication of the robustness of results. Where the base for a particular group is low (fewer than 25 respondents[10]) and results should therefore be interpreted with caution, this has been highlighted.

When reporting percentages, these have been rounded to the nearest whole percent. Please note that results in the charts and tables may not add up to 100% due to rounding and/or respondents being able to select more than one answer to a question.

To account for the disproportionate sampling approach (outlined in Section 2.1) and potential non-response bias (ie where individuals who do not participate in a survey differ in a meaningful way from those who do), the data has been weighted based on the total number of schemes in each scheme size/type category. Unless otherwise stated, all results in this report have been weighted using these scheme-level weights. However, where membership analysis has been referenced, this has been weighted separately to reflect the proportion of total memberships accounted for by each scheme type/size.

Due to the structure of the DC market, the overall scheme-weighted DC results are heavily influenced by micro schemes. This group accounts for 73% of all DC schemes (and hence 73% of the weighted total) but less than 0.5% of all DC memberships. For this reason, micro schemes have been excluded from the analysis that looks in detail at behaviours associated with higher/lower governance indicator scores (Section 6). Excluding micro schemes from these results helps to more clearly distinguish differences associated with scheme behaviours and governance structures from those that are primarily a function of scheme size.

[9] Strictly speaking, calculations of statistical significance apply only to samples that have been selected using probability sampling methods. However, in practice it is reasonable to assume that these calculations provide a good indication of significant differences in quota surveys like this one.

[10] For master trusts this applies when the base is lower than 10. This is because there were only 26 in-scope master trusts and 19 of these were interviewed for the survey. The interviewed schemes represented 73% of all master trusts and accounted for 88% of all master trust memberships.

3. Board composition

This section summarises the composition of trustee boards, including their size, structure and the use of different types of trustee.

36% of schemes had any professional trustees

- More prevalent in DB schemes (45%) than DC (21%)
- Use increased with scheme size (18% of micro, 31% of small, 44% of medium, 64% of large, 84% of master trusts)
- Overall, 27% used a professional trustee firm and 12% an independent professional trustee (3% used both)

60% had any member-nominated trustees (MNTs)

- Less common on DC boards (28%) than DB (78%)
- Presence increased with scheme size (19% of micro, 65% of small, 84% of medium, 86% of large) with the exception of master trusts (21%)

84% had any employer-appointed trustees

- Incidence was similar for DB (86%) and DC (81%) boards
- Little difference by scheme size (79% of micro, 85% of small, 88% of medium, 85% of large), although less common among master trusts (47%)

3.5 trustees on the average board

- DB boards were larger (a mean of 4.1 trustees vs. 2.5 for DC)
- Board size increased with scheme size (means of 1.9 trustees for micro, 2.8 for small, 4.3 for medium, 6.2 for large and 6.7 for master trusts)

27% of schemes used a sole trustee arrangement

- 15% used an individual sole trustee (ie one person), 6% a professional corporate sole trustee (PCST) and 6% a different corporate entity
- Individual sole trustees were only found among smaller, primarily DC schemes (47% of micro DC, 36% of small DC, 4% of micro/small DB)

35% used a corporate trustee

- Used by 89% of master trusts and 70% of large schemes (vs. 35% of medium, 37% of small, 15% of micro)
- More common among micro/small DB (40%) than micro/small DC (13%)

86% of schemes had appointed a chair

- Over a quarter of micro DC (30%) and small DC (27%) schemes did not have a chair (or didn't know if they had one)
- Also applied to 18% of medium DC and 17% of micro/small DB

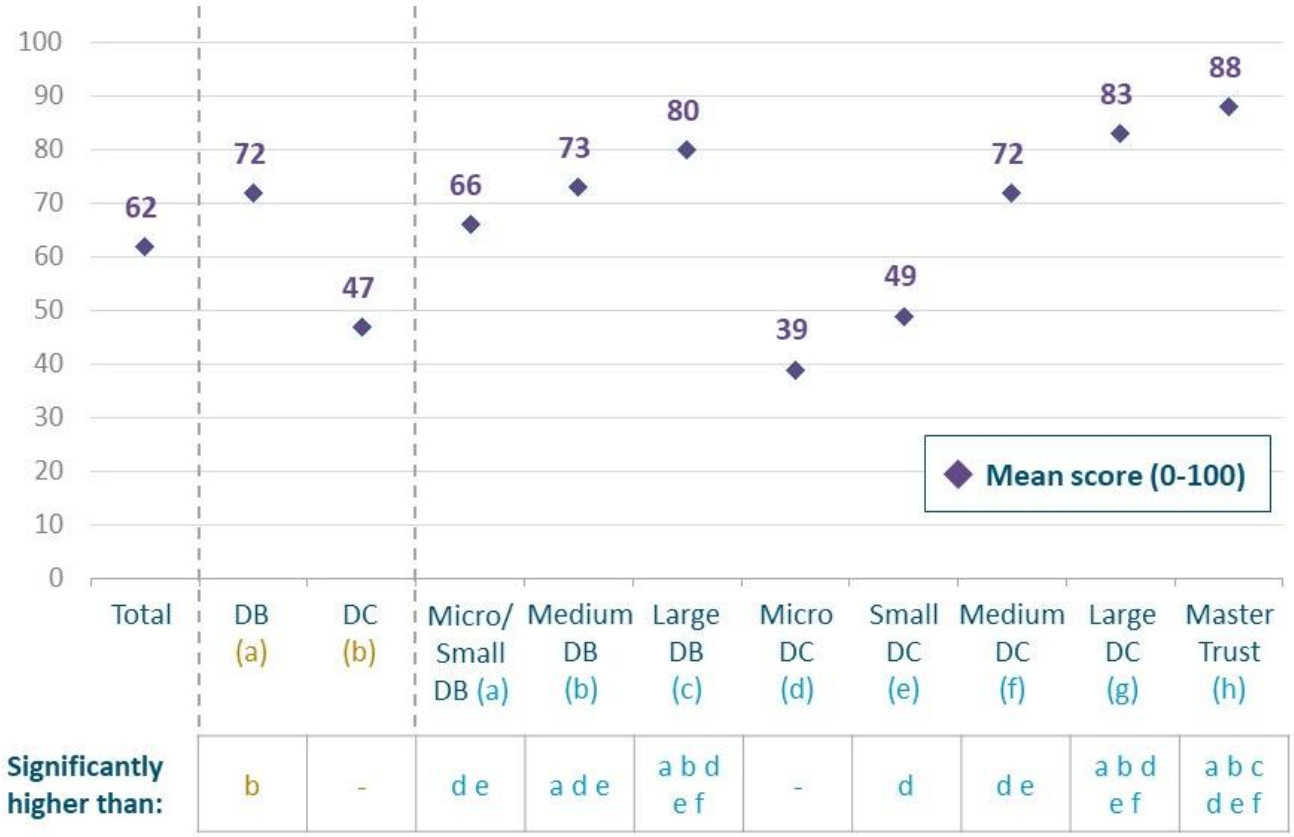
4. Overview of governance indicator results

Governance indicator mean scores increased with scheme size. Master trusts achieved the highest score at 88, followed by large DC schemes at 83 and large DB schemes at 80. Micro DC schemes had the lowest score at 39.

DB schemes had a higher score than DC schemes overall, at 72 compared with 47. However, scores were similar for large DB and large DC schemes, and for medium DB and medium DC schemes.

The overall gap between DB and DC schemes was driven by smaller schemes. Micro and small DB schemes had a score of 66, compared with 49 for small DC schemes and 39 for micro DC schemes.

Figure 4.1 Governance indicator scores



Base: All respondents - Total (373), DB (203), DC (170), Micro/Small DB (80), Medium DB (76), Large DB (47), Micro DC (49), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)
View a table showing all data from the above figure

Scores varied more among smaller DC schemes. The standard deviation (SD) indicates how much scores typically vary around the mean, with a larger SD representing greater variability. The SD was 20 for micro DC and 21 for small DC schemes, compared with an SD of between 9 and 14 for other scheme sizes/types. This means smaller DC schemes were more likely to include both very low and comparatively high scores.

Micro schemes make up almost three-quarters (73%) of all DC schemes, so they have a large effect on the overall DC result when the data is weighted to reflect the scheme population. Figure 4.2 shows the mean governance indicator scores for DB and DC schemes with and without micro schemes.

When micro schemes are included, there is a gap of 25 points between the mean DB and DC scores (72 vs. 47). However, if micros are excluded then the DC score rises to 67 and the gap between DB and DC reduces to 5 points.

The DB score is unchanged when micros are excluded, mainly because there are relatively few micro DB schemes (just 5% of all DB schemes are micro, compared with 73% of all DC schemes).

Figure 4.2 Governance indicator scores including and excluding micro schemes



Base: All respondents - DB (203), DC (170), DB excluding micro (183), DC excluding micro (121)
View a table showing all data from the above figure

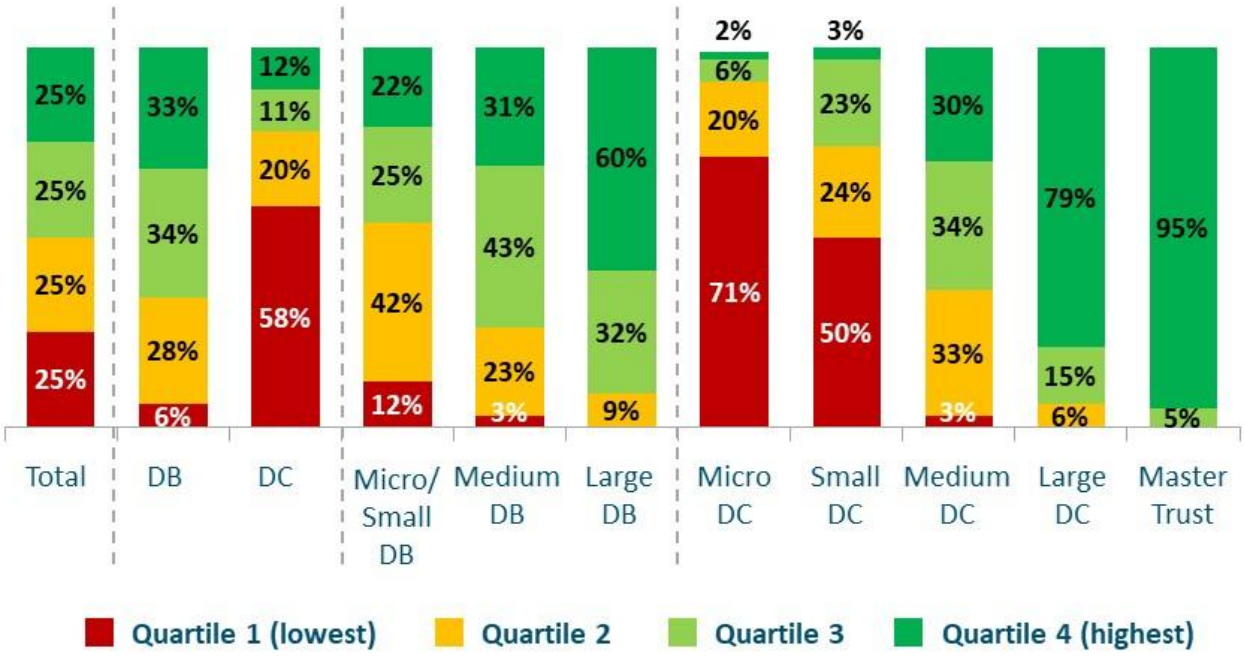
Schemes were ranked by their governance indicator score and split into four equal quartiles[11]. Figure 4.3 shows the proportions of each size and type of scheme that fell into each quartile.

The vast majority (95%) of master trusts were in Quartile 4 (the top quartile) and the remaining 5% were in Quartile 3. Most large DB and large DC schemes were also in the top quartile (60% and 79% respectively). There was more variation among medium schemes, but they typically fell into the top two quartiles (74% of DB and 64% of DC).

In contrast, almost three-quarters (71%) of micro DC and half (50%) of small DC schemes were in Quartile 1 (the bottom quartile). There was a different picture for micro/small DB schemes, with fewer (12%) in Quartile 1 and almost half (47%) in the top two quartiles.

[11] The quartiles were created based on the weighted distribution of governance indicator scores.

Figure 4.3 Governance indicator quartiles



Base: All respondents - Total (373), DB (203), DC (170), Micro/Small DB (80), Medium DB (76), Large DB (47), Micro DC (49), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)
View a table showing all data from the above figure

The membership-weighted data indicates that around nine in ten memberships were in a scheme in the top quartile, as shown below. These results were heavily influenced by master trusts, who account for 73% of all memberships.

- <0.5% in Quartile 1 (lowest)
- 3% in Quartile 2
- 9% in Quartile 3
- 88% in Quartile 4 (highest)

The table below shows the mean governance indicator scores for schemes in each quartile, along with the range (ie lowest to highest score). The mean score was 85 for Quartile 4, 73 for Quartile 3 and 60 for Quartile 2, but this fell to 32 for Quartile 1.

Table 4.1 Governance indicator scores by quartile

	Quartile 1 (lowest)	Quartile 2	Quartile 3	Quartile 4 (highest)
Mean score	32	60	73	85
Score range	6-49	49-69	69-78	78-99

Base: All respondents – Quartile 1 (64), Quartile 2 (84), Quartile 3 (93), Quartile 4 (132)

As detailed earlier, the majority of micro schemes received comparatively low scores on the governance indicator. However, this was not universally the case and one in ten micro schemes were in the top two quartiles (7% in Quartile 3 and 3% in Quartile 4). The mean score for this group was 78, compared with 41 for micro schemes overall.

While the base for micro schemes in the top two quartiles was low (8 schemes), there were still some statistically significant profile differences compared with other micro schemes (ie those in the bottom two quartiles). Specifically, they were more likely to have a professional trustee on the board (56% vs. 14% of other micros) and to use a corporate trustee (56% vs. 10%). DC schemes in this group were also more likely to be open to new entrants (75% vs. 22% of other DC micros).

5. Where lower governance indicator scores are concentrated

This section examines the characteristics and reported practices associated with lower governance indicator scores. Lower scores indicate that schemes reported fewer of the practices included in the indicator; they do not in themselves demonstrate governance failure, regulatory non-compliance or member harm. The analysis identifies associations rather than establishing that any particular scheme characteristic or governance model causes a higher or lower score.

Some of the characteristics examined, such as board structure, access to expertise and formal governance arrangements, are also reflected in the practices measured by the indicator. The relationships should therefore be interpreted as descriptive rather than causal.

5.1 Comparing the highest and lowest scoring schemes

Table 5.1.1 shows that the lowest scoring quartile was mainly made up of smaller DC schemes. DC schemes accounted for 85% of Quartile 1, and micro or small schemes accounted for 97%. In contrast, the highest scoring quartile was mainly made up of DB, medium and large schemes. DB schemes accounted for 83% of Quartile 4, and medium or large schemes accounted for 75%.

There were exceptions. Some micro and small schemes appeared in the top quartile, while some medium schemes appeared in the bottom quartile. This shows that scheme size was strongly associated with scores but did not explain them fully.

Table 5.1.1 Composition of lowest and highest quartiles

Quartile composition	Quartile 1 (lowest)	Quartile 4 (highest)
Scheme type		
DC	85%	17%
DB	15%	83%
Scheme size		
Micro	81%	4%
Small	16%	20%
Medium	3%	37%
Large	0%	38%
Master trust	0%	1%

Base: Quartile 1 (64), Quartile 4 (132)

Table 5.1.2 compares the profile of schemes in Quartiles 1 and 4 in terms of board size, composition, structure and use of external expertise. This analysis shows that higher scoring schemes typically had larger boards and were more likely to use professional or external expertise, whereas lower scoring schemes generally reported less formal and less extensive governance arrangements.

Specifically, Quartile 4 schemes had an average of 4.9 trustees (vs. 1.9 for Quartile 1 schemes), generally had a professional trustee on the board (65% vs. 9%) and were more likely to use a corporate trustee (70% vs. 10%).

Schemes in Quartile 4 were less likely to use a sole trustee arrangement than those in Quartile 1 (22% vs. 50%). However, where they did, this was exclusively a professional corporate sole trustee (15%) or a different corporate entity (7%), both of which typically have multiple trustee directors. In contrast, where Quartile 1 schemes used a sole trustee arrangement this was almost always an individual sole trustee (ie the trustee board consisted of just one person).

Table 5.1.2 Profile of schemes in lowest and highest quartiles

Scheme profile		Quartile 1 (lowest)	Quartile 4 (highest)
Number of trustees (mean)		1.9	4.9
Have any professional trustees		9%	65%
Use a corporate trustee		10%	70%
Use a sole trustee arrangement	Individual	45%	0%
	PCST	0%	15%
	Corporate entity	4%	7%
	Any sole trustee	50%	22%
Appointed a chair		67%	98%
Use any external service providers/advisers[12]		70%	100%

Base: Quartile 1 (64), Quartile 4 (132)

Quartile 1 schemes reported fewer of the practices included in the governance indicator. The largest differences within each dimension are detailed below.

Processes:

- Around a fifth (19%) of Quartile 1 schemes reported having a good understanding of the General Code (vs. 67% overall)
- Over three-quarters (78%) had not compared their governance process against the General Code (vs. 30% overall)
- A similar proportion (77%) did not have an ESOG (vs. 33% overall)

Structure:

- Quartile 1 schemes were less likely to have mandatory trustee training in the form of induction courses (18% vs. 59% overall), completion of the Trustee Toolkit (21% vs. 63%), or advanced scheme-specific learning (1% vs. 34%)
- Comparatively few maintained relevant and up-to-date training and development plans (14% vs. 60% overall)

[12] This excludes pension scheme administrators.

- They were less likely to have any trustees with a formal trustee accreditation (7% vs. 39% overall)

Behaviour:

- Around a fifth (21%) of Quartile 1 schemes said that significant board decisions were always supported/guided by the scheme's policies/procedures (vs. 56% overall)
- Almost a third (32%) did not gather member insights/views to help improve member outcomes (vs. 11% overall)

Relationships:

- Seven in ten (71%) Quartile 1 schemes did not use an external investment manager (vs. 25% overall)
- Those with an external investment manager were less likely to ensure they had adequate internal controls (48% vs. 88% overall), regularly assess performance against their mandate agreement (20% vs. 85%), and review the market to ensure the scheme was receiving high-quality service/value (18% vs. 74%)

5.2 Medium and large schemes in the bottom two quartiles

While governance indicator scores were broadly correlated with scheme size, not all medium and large schemes were in the top quartiles. Almost one in five (18%) medium/large schemes fell within Quartiles 1 and 2 (ie the lowest scoring 50%).

This group primarily consisted of DB schemes (89% vs. 11% DC) and most were medium rather than large (87% vs. 13%). Together they accounted for 2.6% of all DC/DB memberships.

In comparison to higher scoring medium/large schemes, those in Quartiles 1-2 were:

- Less likely to use a corporate trustee (19% vs. 54%)
- Less likely to have professional trustees (29% vs. 56%)
- Less likely to have sub-committees[13] (9% vs. 39%)

The mean governance indicator score for this group was 60, whereas it was 80 for other medium/large schemes. As detailed below, they received lower scores in all four dimensions.

[13] This refers to the proportion that had active investment, audit/risk or administration sub-committees.

Figure 5.2.1 Governance indicator dimension scores for medium/large schemes in the bottom two quartiles and top two quartiles



Base: All medium/large schemes – Quartile 1-2 (36), Quartile 3-4 (160)
View a table showing all data from the above figure

Medium and large schemes in Quartiles 1-2 scored lower than those in Quartiles 3-4 for most governance areas. The table below highlights the largest gaps within each dimension between these two groups.

Table 5.2.1 Largest gaps between medium/large schemes in the bottom two quartiles and top two quartiles

Dimension	Item	Quartiles 1-2	Quartiles 3-4	Gap
Processes	Do not have an ESOG	51%	3%	**48%**
	Not compared governance processes against the General Code	50%	9%	**41%**
Structure	Do not have effective policies/ procedures in all areas	80%	37%	**43%**
	No trustees hold formal trustee accreditation	71%	34%	**37%**
Behaviour	Do not gather member insights via direct engagement	81%	42%	**39%**
Relationships	Do not review market to ensure receiving high-quality service and value for money from investment manager	48%	9%	**39%**
	Do not review market to ensure receiving high-quality service and value for money from administrator	59%	24%	**35%**

Base: All medium/large schemes – Quartile 1-2 (36), Quartile 3-4 (160)

Within the processes dimension, the largest gaps between medium/large schemes in the bottom two and top two quartiles related to ESOG and alignment with the General Code. Around half of the former did not have an ESOG (51% vs. 3% of those in Quartiles 3-4) and a similar proportion had not compared their scheme's governance processes against the General Code (50% vs. 9%).

For the structure dimension, 80% of medium/large schemes in the bottom two quartiles did not have effective policies/procedures in all areas[14] and 71% had no trustees with a formal accreditation (compared with 37% and 34% respectively for those in the top two quartiles).

The largest gap within the behaviour dimension related to member engagement; 81% of those in the bottom two quartiles did not gather member insights through direct engagement (for example, surveys or consultations), compared with 42% of other medium/large schemes.

Within the relationships dimension, the greatest differences between medium/large schemes in the bottom two and top two quartiles related to reviewing the market to ensure the scheme was receiving high-quality service and value for money from advisers/service providers. Almost half of the former did not do this in relation to their external investment manager (48% vs. 9% of other medium/large schemes), and 59% did not do this for their administrator (vs. 24%).

[14] Schemes were asked whether they had effective polices/procedures in 11 specific areas (e.g. conflicts of interest, ensuring accuracy of data, maintaining IT systems/cyber controls).

5.3 Schemes with no professional trustees

As illustrated in Figure 5.3.1, schemes with no professional trustee on the board had a lower governance indicator score (a mean of 56, compared with 74 for those with a professional trustee). Among those with a professional trustee, results were similar irrespective of whether this was via a professional trustee firm (76) or an independent professional trustee (73).

Figure 5.3.1 Mean governance indicator scores by presence and type of professional trustee



Base: All respondents
Professional trustee firm (121), Independent (63), Either (165), No professional trustee (206)
View a table showing all data from the above figure

However, while professional trustees were associated with higher governance indicator scores, the likelihood of using a professional trustee varied widely by scheme size (18% of micro, 31% of small, 44% of medium, 64% of large, 84% of master trusts). Given that larger schemes typically achieved higher indicator scores, it is possible that the differences between schemes with/without a professional trustee were simply a function of size.

To investigate this further, analysis was conducted to compare results between schemes with a professional trustee and those of a similar size with no professional trustee. Figure 5.3.2 shows that schemes with professional trustees consistently scored higher on the indicator than similar sized schemes with no professional trustee (although the difference was not statistically significant for master trusts).

The difference in scores between schemes with and without professional trustees was largest among micro schemes, with a mean score of 57 for those with a professional trustee and 38 for those with no professional trustee.

Figure 5.3.2 Mean governance indicator scores for schemes with and without professional trustees – by size

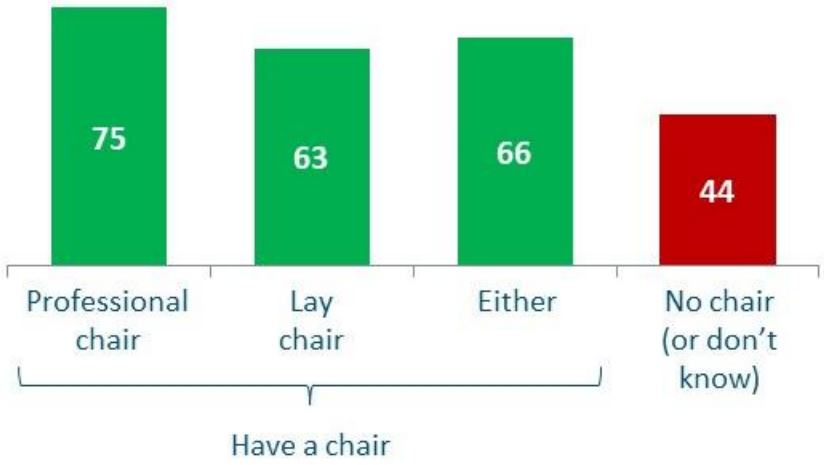


Base: All respondents (Any professional trustees / no professional trustees) – Micro (17/52), Small (25/62), Medium (50/52), Large (57/37), Master (16/3) **- Caution low base for some groups**
View a table showing all data from the above figure

5.4 Schemes with no chair

Figure 5.4.1 shows that schemes with no chair in place (or who didn't know if they had a chair) had lower indicator scores. The mean was 44, compared with 66 for those who had appointed a chair. Among those with a chair, the mean score was higher if this individual was a professional trustee (75 vs. 63 for lay chairs).

Figure 5.4.1 Mean governance indicator scores by presence and type of chair



Base: All except pilot respondents – Professional (110), Lay (212), Either (322), No chair (42)
View a table showing all data from the above figure

5.5 Schemes with an individual sole trustee

The chart below shows the mean governance indicator scores for schemes with different sole trustee arrangements, compared to those without a sole trustee.

There were clear differences in scores across the different types of sole trustee arrangement. Schemes with a professional corporate sole trustee (PCST) received the highest mean score (79), followed by those where the sole trustee was a different corporate entity[15] (70). In contrast, schemes with an individual (ie one person) acting as the sole trustee had a mean score of 37, lower than those using the other sole trustee arrangements and also lower than schemes that did not have a sole trustee (67).

Figure 5.5.1 Mean governance indicator scores by sole trustee arrangements



Base: All respondents – Individual (37), PCST (33), Corporate entity (33), No sole trustee (258)
View a table showing all data from the above figure

All schemes that used an individual sole trustee arrangement were micro or small, and most were DC (83% micro DC, 2% micro DB, 10% small DC, 5% small DB). Very few of these schemes (4%) had a trustee term limit or rotation policy.

In terms of the individuals who acted as the sole trustee, 95% were lay trustees (with 85% employer-appointed), 90% had been a trustee for more than five years, and 8% held a formal trustee accreditation.

Figure 5.5.2 focuses on survey questions that related to trustee knowledge, capabilities and resources, and compares responses from schemes with an individual sole trustee to other micro/small schemes.

This analysis clearly shows that schemes with an individual sole trustee were less likely to believe the trustee board had sufficient knowledge and skills (62% vs. 90% of other micro/small schemes), less likely to require the trustees to undertake training (28% vs. 64%) and less likely to access support/expertise from external service providers (39% vs. 77%).

[15] For example, a company set up by the employer specifically to act as the sole trustee.

Figure 5.5.2 Comparison of knowledge and resources between schemes with an individual sole trustee and other micro/small schemes



Base: All micro/small schemes – Use individual sole trustee (37), Other micro/small schemes (121)
View a table showing all data from the above figure

6. Behaviours associated with higher and lower governance scores

This section **excludes micro schemes**. This helps separate differences linked to governance behaviours from differences mainly linked to scheme size.

Micro schemes were excluded because they typically achieved lower governance indicator scores than other schemes. They also make up 73% of all DC schemes but accounted for less than 0.5% of DC memberships. This means they have a large effect on the scheme-weighted DC results but represent a very small share of memberships.

Micro schemes have less impact on the scheme-weighted DB results because they represent 5% of the DB scheme population (and less than 0.5% of DB memberships). However, for comparability, both DB and DC micro schemes have been excluded from the results in this section.

6.1 Processes

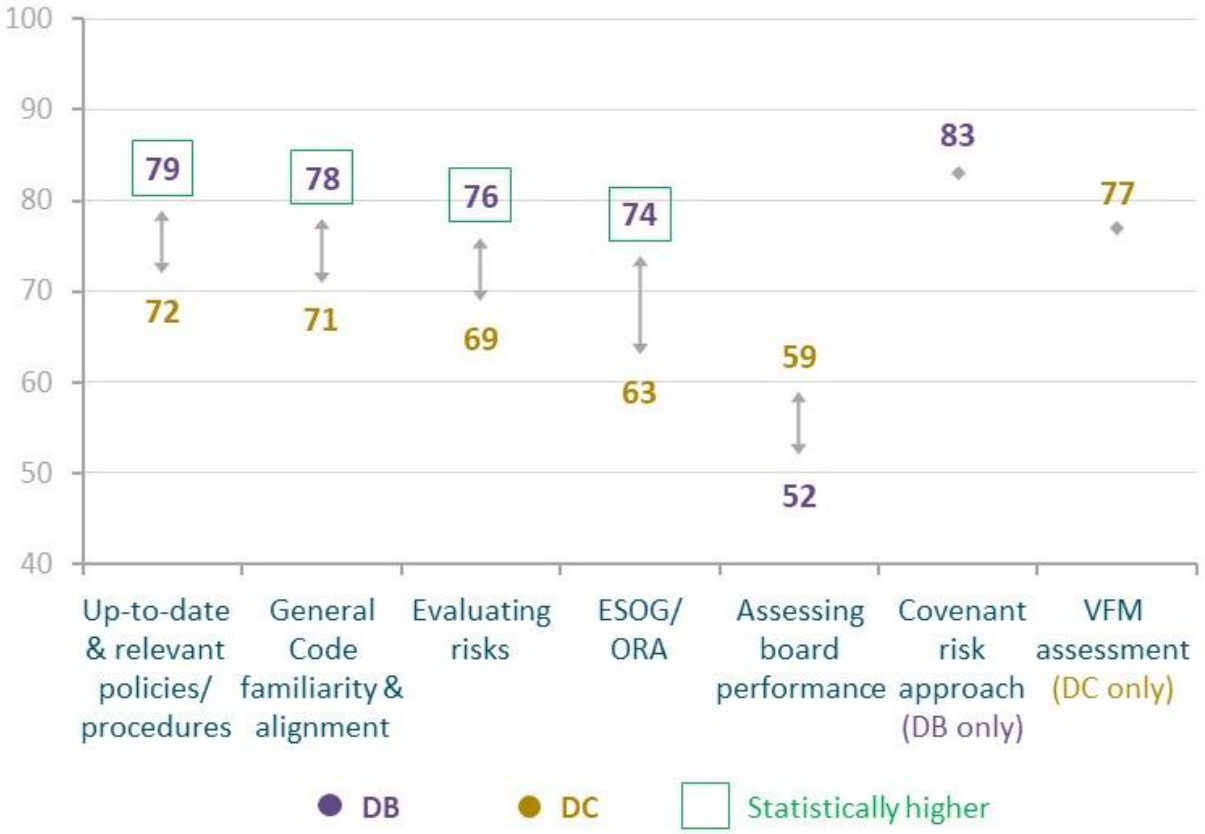
The table below summarises the topic areas and constituent survey questions that contributed to the processes dimension of the governance indicator.

Table 6.1.1 Processes dimension topics and survey questions

Topics	Questions
Up-to-date and relevant policies/ procedures	Confidence that policies/procedures are up-to-date and relevant to current governance needs
General Code familiarity and alignment	Familiarity with expectations in the General Code Whether compared governance processes with the General Code to identify any gaps
Evaluating risks	Board confidence in identifying/evaluating risks related to (a) Investment, (b) Scheme funding, (c) Climate change and Environmental, Social and Governance (ESG), (d) Cyber security, (e) Administration and data
ESOG/ORA	Whether scheme has an Effective System of Governance (ESOG) When last carried out an Own Risk Assessment (ORA) Whether reviewed their ESOG (if not done ORA)
Assessing board performance	Frequency of formally assessing the trustee board's overall performance and capabilities
Covenant risk approach (DB only)	Extent that covenant risk is taken into account when setting the (a) Long-term objective, (b) Technical provisions, (c) Recovery plan, (d) Investment strategy
Value for members (VFM) assessment (DC only)	When last conducted a VFM assessment or review

As part of the process of calculating an overall governance indicator score, schemes were allocated a score for each topic based on their responses to the constituent questions[16]. The chart below compares the mean scores received by DB and DC schemes for each topic within the processes dimension.

Figure 6.1.1 Processes dimension topic scores for DB and DC schemes *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

The highest scoring area for DB schemes was covenant risk approach (a mean of 83). For DC schemes it was VFM assessment (a mean of 77). For both groups the lowest scores were for assessing board performance, with a mean of 52 for DB and 59 for DC.

For all other topics, DB schemes scored consistently higher than DC. The largest gap between DB and DC was for ESOG/ORA (a difference of 11 points).

Table 6.1.2 provides a more detailed breakdown of results across each topic area by scheme size. For ease of interpretation, scores of 80 or above are highlighted in green, scores of between 60 and 79 are in amber and scores below 60 are in red.

Scores for each topic generally increased with scheme size, and small DC received consistently lower scores than all other groups (including small DB).

[16] Further details are provided in Technical Appendix 2. Please note that topic scores ranged from 0-1, but for clarity these have been converted to 0-100 scores in the report.

Table 6.1.2 Processes dimension topic scores – by scheme size/type *(excluding micro schemes)*

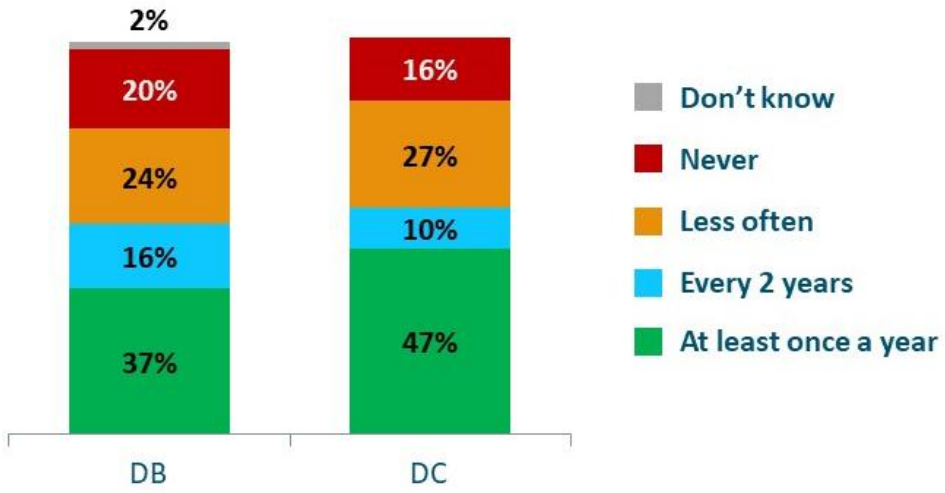
	DB			DC			
	Small	Medium	Large	Small	Medium	Large	Master trust
Up-to-date and relevant policies/procedures	77	79	83	54	78	88	97
General Code familiarity and alignment	73	78	90	44	89	93	91
Evaluating risks	73	77	80	56	74	82	88
ESOG/ORA	63	76	89	38	70	90	91
Assessing board performance	41	55	67	50	48	74	82
Covenant risk (DB only)	80	82	91	N/A			
VFM assessment (DC only)	N/A			60	85	91	100

Base: All except micro schemes - Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)

The remainder of this section focuses on selected topics in more detail (for example, the lowest scoring topics across DB and DC schemes, the topics with the biggest gap between DB and DC schemes).

Assessing board performance was the lowest scoring area in the processes dimension for both DB and DC schemes. Figure 6.1.2 shows that over three-quarters of DB (77%) and DC (84%) schemes carried out formal and documented assessments of their trustee board's performance and capabilities. However, fewer did this on an annual basis (37% of DB and 47% of DC).

Figure 6.1.2 Frequency of assessing board performance *(excluding micro schemes)*

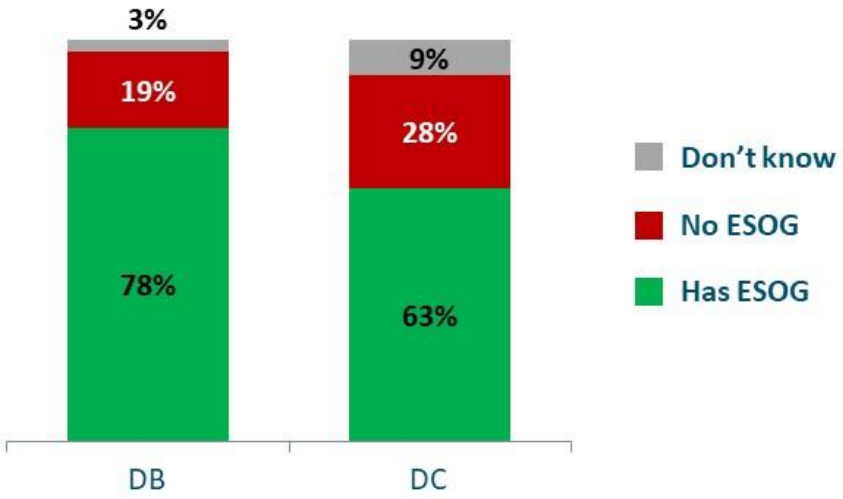


Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

Master trusts (68%) and large schemes (53%) were most likely to assess board performance annually, but this was less common among medium (37%) and small schemes (31%).

As reported earlier, the largest gap between DB and DC schemes was seen for ESOG/ORA. For this topic, schemes were first asked whether they had an Effective System of Governance (ESOG) that included internal controls and set out governance, management and scheme operations. The figure below shows that DB schemes were more likely than DC schemes to have an ESOG (78% vs. 63%).

Figure 6.1.3 Proportion of schemes with an ESOG *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

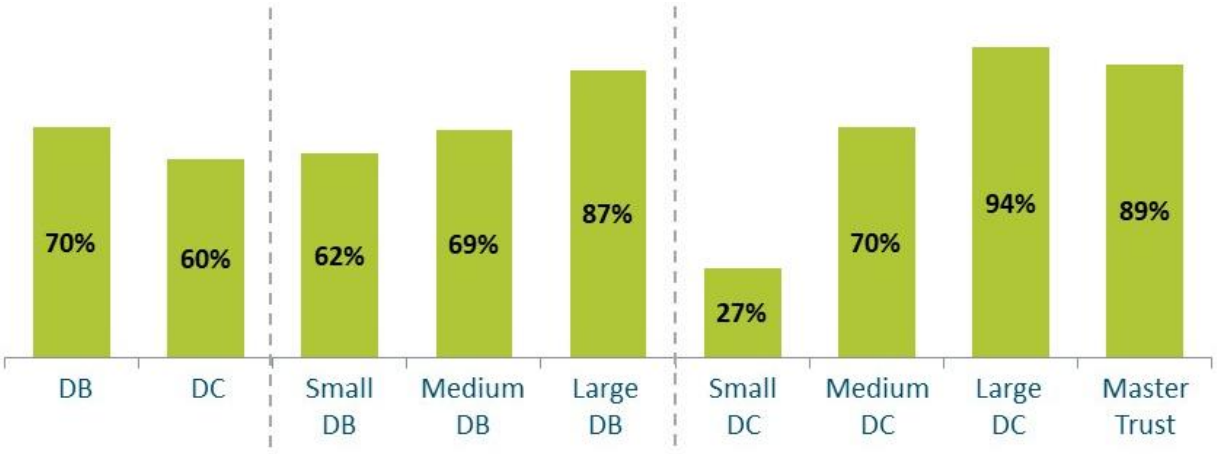
Of those schemes that did not currently have an ESOG, 39% reported that they were in the process of creating one. This was more likely among DB than DC schemes (42% vs. 24%).

Schemes with an ESOG were then asked whether the trustee board had carried out an Own Risk Assessment (ORA)[17] and, if not, whether they had conducted a review of their ESOG. Around nine in ten schemes with an ESOG had done either of these (90% of DB and 94% of DC). More specifically, 70% of DB and 56% of DC schemes had carried out an ORA.

Figure 6.1.4 summarises results to the above questions and shows that 70% of DB and 60% of DC schemes had an ESOG **and** had carried out an ORA or review. This increased with scheme size, applying to around nine in ten master trusts (89%)[18], large DB (87%) and large DC (94%) schemes. It was lowest for small DC schemes (27%).

[17] This was defined as 'a structured review of how well a pension scheme's ESOG is working in practice and how risks are managed'.
[18] The ESOG requirement does not apply to master trusts (although 74% had one). Those master trusts with no ESOG scored against this element if they had undertaken a structured, periodic review to assess how their governance system works in practice and how risks are managed.

Figure 6.1.4 Proportion that had an ESOG and had carried out an ORA/review *(excluding micro schemes)*

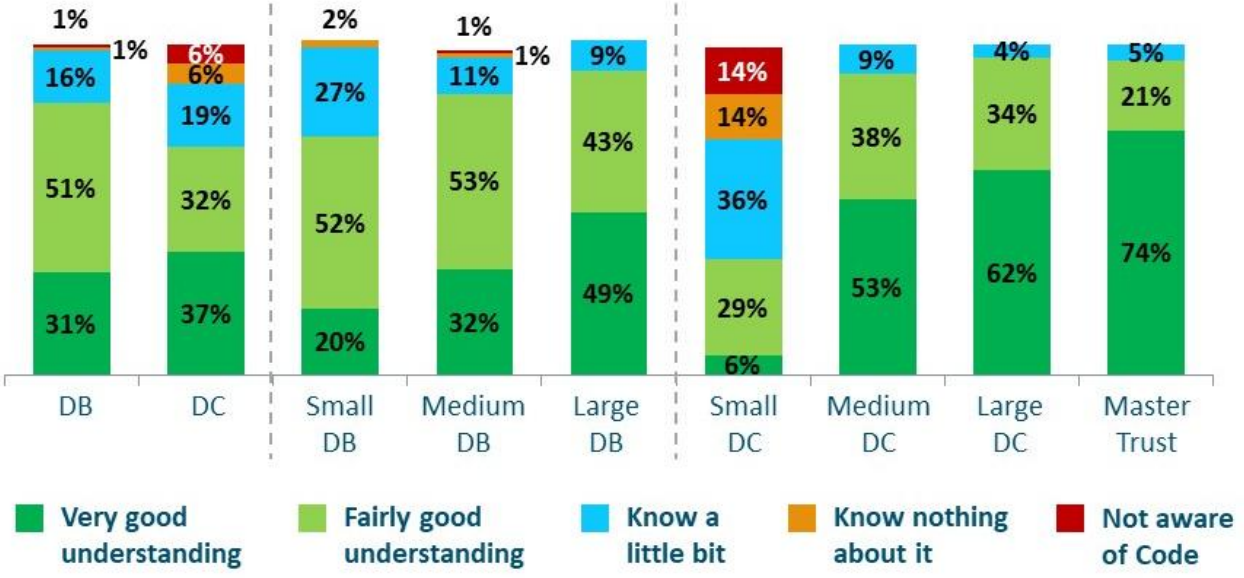


Base: All except micro schemes - DB (183), DC (121), Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)
View a table showing all data from the above figure

The scores for the General Code familiarity and alignment topic were derived from two questions. The first of these related to schemes' understanding of the expectations set out in the Code (Figure 6.1.5).

DB schemes were more likely than DC schemes to believe they had a very or fairly good understanding of the Code (82% vs. 69%). However, this difference was solely due to lower familiarity among small DC schemes (35% good understanding vs. 72% of small DB). The DB/DC results were broadly similar among larger schemes.

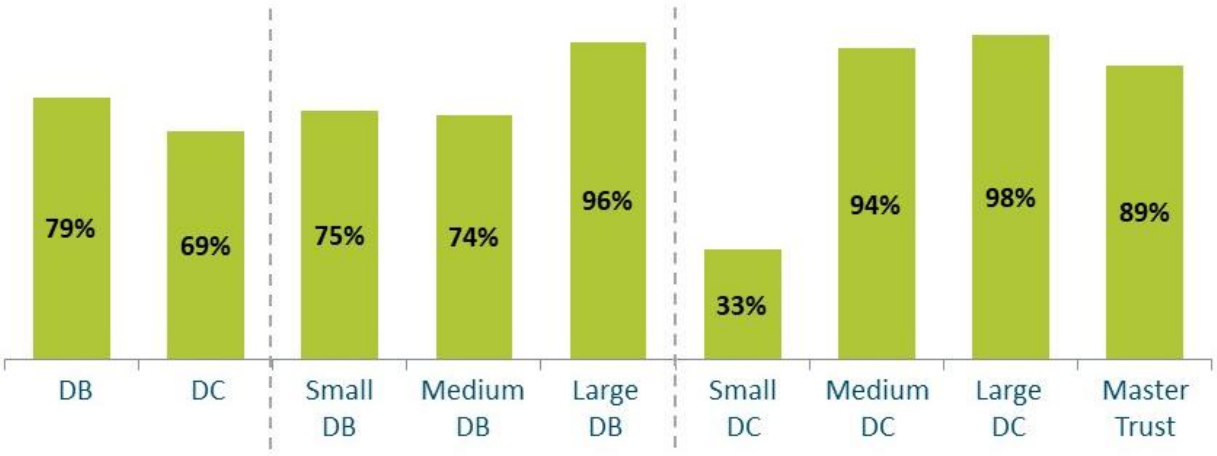
Figure 6.1.5 Familiarity with expectations set out in General Code *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121), Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)
View a table showing all data from the above figure

As set out in Figure 6.1.6, more DB schemes had compared their processes against the General Code than DC schemes (79% vs. 69%). However, the overall DC result was again pulled down by small DC schemes, who were significantly less likely to have done this (33%). In comparison, similar proportions of large DB and large DC schemes had compared their processes against the Code (96% vs. 98%), and medium DC were more likely to have done this than medium DB (94% vs. 74%).

Figure 6.1.6 Proportion that had compared scheme governance processes against the General Code *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121), Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)
View a table showing all data from the above figure

6.2 Structure

The table below summarises the topic areas and constituent survey questions that contributed to the structure dimension of the governance indicator.

Table 6.2.1 Structure dimension topics and survey questions

Topics	Questions
Effective policies/ procedures	Whether scheme has effective policies/procedures for (a) Conflicts of interest, (b) Knowledge, skills and capabilities of board to deal with decisions, (c) Identifying and reporting breaches of law, (d) Resolving contribution and payment issues, (e) Assessing and managing investment risks, (f) Assessing and managing operational risks, (g) Ensuring accuracy of scheme and member data, (h) Monitoring and managing performance of advisers and service providers, (i) Monitoring scheme investments, (j) Maintenance of IT systems and cyber controls, (k) Ensuring compliance with statutory disclosures
Board experience, skills and diversity	Extent agree that (a) Trustees have a good range of commercial and governance experience, (b) Board is diverse in terms of protected characteristics, (c) Board has the right knowledge, skills and capabilities to deal with decisions, (d) Board has a good mix of cognitive diversity
Chair experience, leadership and promoting EDI	Extent agree that chair (a) Has wider governance experience including on boards outside the pensions industry, (b) Has wider commercial or leadership experience, (c) Drives and promotes equality, diversity and inclusion (EDI) within the board
Trustee training and development	Whether scheme has mandatory trustee training in the form of (a) Induction course for new trustees, (b) Completion of TPR's Trustee Toolkit or equivalent, (c) Advanced scheme-specific learning Whether scheme maintains relevant and up-to-date training and development plans for trustees
Board governance structure	Whether scheme has appointed a chair Whether scheme has active sub-committees for (a) Investment, (b) Audit or risk, (c) Administration
Trustee accreditation	Proportion of trustees that hold a formal trustee accreditation
Board recruitment and succession planning	Whether scheme (a) Sets diversity objectives or criteria for board appointments, (b) Has a trustee term-limit or rotation policy, (c) Has a succession plan for trustees

The chart below compares the mean scores received by DB and DC schemes for each topic within the structure dimension.

Figure 6.2.1 Structure dimension topic scores for DB and DC schemes *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

The highest scoring area for both DB and DC schemes was effective policies and procedures. However, DB schemes scored significantly higher than DC on this element (means of 93 vs. 83). DB schemes also achieved higher scores for trustee training and development (70 vs. 57).

The lowest scores were for board recruitment and succession planning (43 for both DB and DC schemes). Board governance structure and trustee accreditation[19] were also comparatively lower scoring areas for both groups (in each case the mean was 53 for DB and 50 for DC).

Table 6.2.2 provides a more detailed breakdown of results by scheme size. Scores of 80 or above are highlighted in green, scores of between 60 and 79 in amber and scores below 60 in red.

[19] For trustee accreditation, schemes scored 100 if at least one trustee had formal accreditation (e.g. from PMI, APPT, etc) and scored 0 if none of the trustees had formal accreditation.

Master trusts and large schemes received the highest scores on each topic, whereas small DC were consistently lower than other groups (with a mean score of under 60 for every topic other than effective policies/procedures).

Table 6.2.2 Structure dimension topic area scores – by scheme size/type *(excluding micro schemes)*

	DB			DC			
	Small	Medium	Large	Small	Medium	Large	Master trust
Effective policies/ procedures	93	92	94	72	84	96	97
Board experience, skills and diversity	77	79	82	59	81	88	87
Chair experience, leadership and EDI	67	82	81	56	67	87	91
Training and development	56	73	88	32	59	84	86
Governance structure	44	53	69	38	44	66	78
Trustee accreditation	48	50	72	27	56	73	84
Recruitment and succession planning	32	43	62	27	36	66	79

Base: All except micro schemes - Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)

Table 6.2.3 provides more detail on board recruitment and succession planning, showing the proportion of schemes who adopted each practice.

Table 6.2.3 Board recruitment and succession planning *(excluding micro schemes)*

	DB	DC	Small	Medium	Large	Master trust
Trustee term-limit or rotation policy[20]	52%	39%	26%	60%	73%	63%
Succession plan for trustees	42%	48%	41%	34%	62%	84%
Set diversity objectives/criteria for board appointments	32%	37%	23%	31%	50%	89%
Do any of these	**74%**	**73%**	**57%**	**82%**	**87%**	**100%**
Do all of these	**11%**	**16%**	**4%**	**8%**	**32%**	**58%**

Base: All except micro schemes – DB (183), DC (121), Small (89), Medium (102), Large (94), Master Trust (19)

[20] For master trusts there are legal/statutory maximum terms for trustees so were asked whether they had a trustee term-limit or rotation policy 'in addition to or outside of the statutory requirements'.

Most schemes had structured processes in place around trustee recruitment and succession planning, with around three-quarters adopting at least one of these (74% of DB and 73% of DC). However, comparatively few schemes used all three of these approaches (11% of DB and 16% of DC).

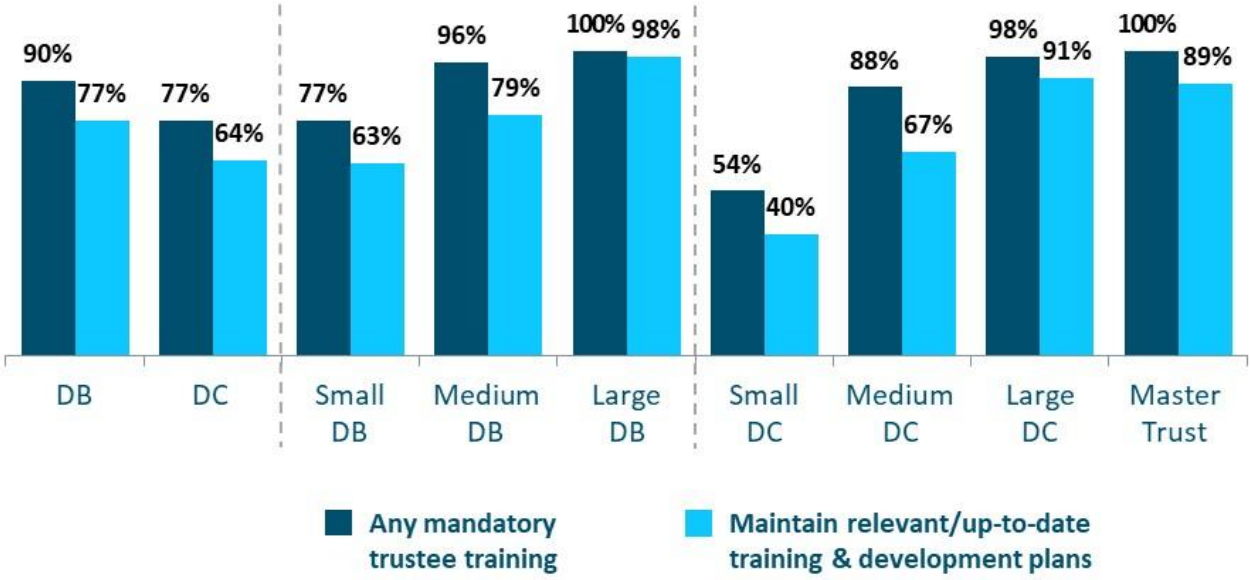
DB schemes were more likely than DC to have a trustee term-limit or rotation policy (52% vs. 39%), but results were similar for these two groups for the other approaches. There was also considerable variation by scheme size. Over half of master trusts (58%) adopted all of these approaches, as did around a third of large schemes (32%). However, this applied to fewer medium (8%) and small (4%) schemes. In particular, comparatively few small schemes set diversity objectives/criteria for board appointments (23%) or had trustee term limits/rotation polices (26%).

Compared to the other practices, fewer master trusts had a trustee term-limit or rotation policy (63%). However, it should be noted that master trusts are subject to statutory maximum term limits for trustees, so were asked about a term-limit or rotation policy 'in addition to or outside of the statutory requirements'.

Trustee accreditation was also one of the lowest scoring topics. Around half of DB (51%) and DC (49%) schemes had any trustees with a formal trustee accreditation. This was more common among larger schemes (84% of master trusts, 72% of large schemes, 38% of medium schemes, 42% of small schemes).

Figure 6.2.2 shows the proportion of schemes that mandated training for their trustees (covering induction courses for new trustees, completion of TPR's Trustee Toolkit, or advanced scheme-specific learning), along with the proportion that maintained relevant and up-to-date training and development plans for trustees.

Figure 6.2.2 Proportion with mandatory trustee training and relevant/up-to-date training and development plans *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121), Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)
View a table showing all data from the above figure

DB schemes were more likely than DC to have mandatory training (90% vs. 77%) and ongoing training and development plans (77% vs. 64%). However, this was mainly because these were more common among small DB schemes than small DC schemes (77% vs. 54% for mandatory training, 63% vs. 40% for training and development plans). The DB/DC results were similar for medium and large schemes.

Further details on the board experience, skills and diversity topic are provided in Table 6.2.4. While agreement levels were higher for DB than DC schemes, the vast majority of both groups felt their board had the right knowledge, skills and capabilities (99% DB vs. 91% DC) and a good range of commercial and governance experience (98% DB vs. 90% DC). Most also reported a good mix of cognitive diversity (83% DB vs. 71% DC).

However, there was less consensus when it came to diversity on protected characteristics; 52% of DB schemes and 57% of DC agreed with this.

Table 6.2.4 Perceptions of trustee board *(excluding micro schemes)*

% agreeing that the…	DB	DC
Board has the right knowledge, skills and capabilities	99%	91%
Trustees have a good range of commercial and governance experience	98%	90%
Board has a good mix of cognitive diversity	83%	71%
Board is diverse in terms of protected characteristics	52%	57%

Base: All except micro schemes – DB (183), DC (121)

Agreement with each of the above statements increased with scheme size (for example, every master trust and large scheme felt their board had the right knowledge/skills and good commercial/governance experience). Schemes with mandatory trustee training also reported better board knowledge/skills (99% vs. 87% of those with no mandatory training).

For all scheme sizes/types, agreement was lowest for protected characteristic diversity. Among DB schemes there was little difference by size in this respect (small 50%, medium 53%, large 55%), whereas small DC schemes reported less diverse boards (small 37%, medium 66%, large 72%, master trust 79%). The proportion agreeing that their board was diverse on protected characteristics also increased among larger boards (60% for 4+ trustees, compared with 49% for 3 trustees and 42% for 1-2 trustees).

Respondents were also asked to answer about their perceptions of the chair (as opposed to trustee board as a whole), with results summarised in Table 6.2.5.

Table 6.2.5 Perceptions of chair *(excluding micro schemes)*

% agreeing that the…	DB	DC
Chair has wider commercial or leadership experience	89%	83%
Chair has wider governance experience on boards outside the pensions industry	77%	61%
Net: Chair has wider commercial/leadership and governance experience	**75%**	**60%**
Chair drives and promotes EDI within the board	70%	69%

Base: All except micro schemes – DB (183), DC (121)

Most chairs (89% of DB and 83% of DC schemes) were perceived to have wider commercial or leadership experience. In addition, over three-quarters (77%) of DB schemes agreed that their chair had wider governance experience on boards outside the pensions the industry, but this was less likely among DC schemes (61%).

DB schemes were more likely to have a chair with both commercial/leadership and governance experience (75% vs. 60% for DC). Broadly similar proportions of master trusts (84%), large schemes (78%) and medium schemes (80%) had a chair with commercial/leadership and governance experience, but this applied to fewer small schemes (60%).

Seven in ten schemes agreed that the chair drives equality, diversity and inclusion (EDI) within the pension board (70% of DB and 69% of DC).

6.3 Behaviour

The table below summarises the topic areas and constituent survey questions that contributed to the behaviour dimension of the governance indicator.

Table 6.3.1 Behaviour dimension topics and survey questions

Topics	Questions
Board collaboration	Extent to which board discussions and decisions are collaborative
Policy-led decision making	Extent to which significant board decisions are supported and guided by the scheme's policies and procedures
Member outcomes driving board focus	Extent to which board decisions are driven by improving member outcomes
Board use of member insights	Whether the board gathers member insights via (a) Direct engagement (member panels/focus groups, surveys, consultations/Q&As), (b) Research and analysis of member data/trends, (c) Member-nominated trustees, (d) Regular reviews of complaints/data errors
Value for members (VFM) improvements in member outcomes (DC only)	Extent to which the scheme's most recent VFM assessment/review helped to improve member outcomes

The chart below compares the mean scores received by DB and DC schemes for each topic within the behaviour dimension.

Figure 6.3.1 Behaviour dimension topic scores for DB and DC schemes *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

The highest scoring topic for both DB and DC schemes was board collaboration (means of 85 and 84 respectively). This was followed by policy-led decision-making, the only topic where there was a statistically significant difference between DB and DC schemes (81 vs. 72).

However, scores were lower for the three remaining topics, which all related to member outcomes. This was particularly true of VFM improvements in member outcomes, where the mean score among DC schemes was 38 (this topic was not applicable to DB schemes).

Table 6.3.2 provides a more detailed breakdown of results by scheme size. Scores of 80 or above are highlighted in green, scores of between 60 and 79 in amber and scores below 60 in red.

There was little variation by DB scheme size, and the only statistically significant difference was that large DB scored higher than small and medium DB on board use of member insights. However, among DC schemes the scores were typically higher among master trusts and large schemes than among small and medium schemes.

VFM improvements in member outcomes was the lowest scoring topic for all sizes of DC scheme, with mean scores ranging from 61 for master trusts down to 14 for small DC.

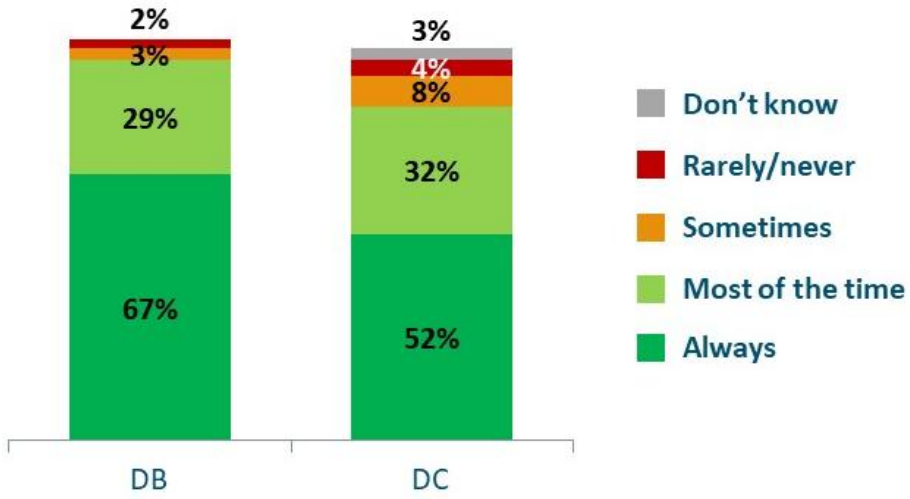
Table 6.3.2 Behaviour dimension topic scores – by scheme size/type *(excluding micro schemes)*

	DB			DC			
	Small	Medium	Large	Small	Medium	Large	Master trust
Board collaboration	86	82	92	79	81	91	96
Policy-led decision making	79	83	82	68	68	81	78
Member outcomes driving focus	66	59	62	54	64	73	82
Board use of member insights	57	65	73	41	62	84	79
VFM improvements in member outcomes (DC only)	N/A			14	50	57	61

Base: All except micro schemes - Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)

Figure 6.3.2 provides more detail on the policy-led decision-making results, which was the only topic where there was a statistically significant difference in the mean scores between DB and DC schemes.

Figure 6.3.2 Extent that significant board decisions are supported and guided by scheme policies and procedures *(excluding micro schemes)*



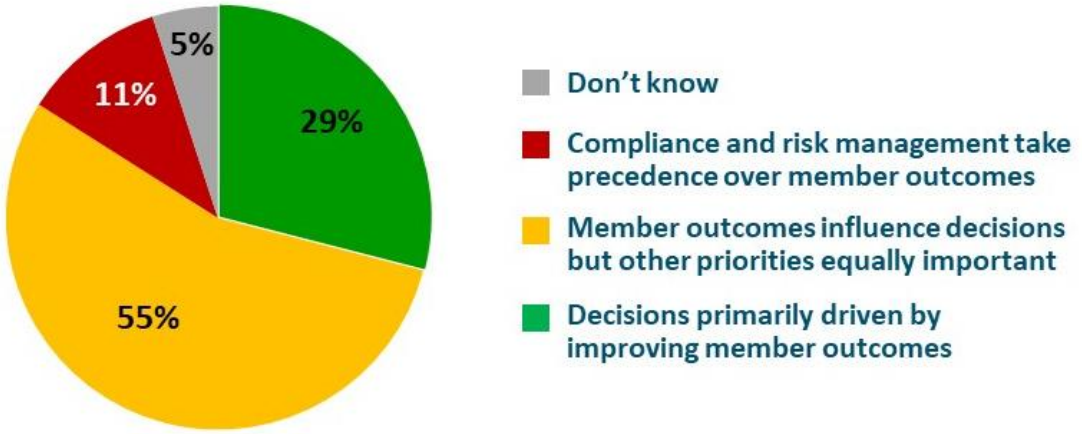
Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

Two-thirds (67%) of DB schemes stated that significant decisions by the trustee board were 'always' supported and guided by the scheme's policies and procedures. In comparison, this was the case for half (52%) of DC schemes. A further 29% of DB and 32% of DC schemes reported that this happened 'most of the time'.

However, similar proportions of medium and large DB/DC schemes said that significant board decisions were supported by policies/procedures 'always' or 'most of the time' (between 94% and 96%). As such, the difference between DB and DC was primarily due to small schemes; 93% of small DB answered 'always' or 'most of the time' but this fell to 71% of small DC.

In terms of the board's focus on member outcomes, Figure 6.3.3 shows that over half of schemes (55%) reported that member outcomes influenced decisions but other priorities (for example, regulatory compliance or cost) were equally important. A further 29% said that decisions were primarily driven by the goal of improving member outcomes, whereas 11% said that compliance and risk management took precedence over member outcomes.

Figure 6.3.3 Board focus on improving member outcomes *(excluding micro schemes)*



Base: All except micro schemes (304)
View a table showing all data from the above figure

At the total level, results were similar for DB and DC schemes in this respect. However, there were some differences by scheme size:

- Most master trusts (63%) said that decisions were driven by member outcomes
- Large and medium schemes typically said outcomes were balanced against other priorities (62% and 63% respectively)
- There was less consensus among small schemes (35% driven by member outcomes, 42% balanced against other priorities, 17% focused on compliance and risk management)

Table 6.3.3 provides more detail on how schemes gathered member insights and views to help improve member outcomes. The vast majority did this by reviewing complaints and errors (89% of DB and 80% of DC). Member-nominated trustees were also a widely used channel, particularly for DB schemes (72% vs. 51% of DC). However, direct engagement with members was less common, used by around half of schemes (48% of DB and 56% of DC).

Generally, the larger the scheme the more likely it was to use each of these approaches. However, reflecting the fact that few master trusts had any member-nominated trustees on their board (see Section 3), they were least likely to generate member insight and views via this channel.

Over a quarter (28%) of small DC schemes did not gather any member insights to help improve outcomes. In comparison, this was the case for no more than 10% of other scheme types/sizes.

Table 6.3.3 How schemes gathered member insights/views to help improve outcomes *(excluding micro schemes)*

	Total		DB			DC			
	DB	DC	Small	Med	Large	Small	Med	Large	Master trust
Reviews of complaints and data errors	89%	80%	78%	94%	98%	62%	87%	98%	100%
Via member-nominated trustees	72%	51%	62%	79%	74%	30%	46%	87%	21%
Direct engagement[21]	48%	56%	47%	46%	53%	38%	55%	74%	100%
Research and analysis of member data/trends	45%	55%	40%	40%	68%	34%	57%	77%	95%
Any of these	**96%**	**86%**	**90%**	**99%**	**100%**	**72%**	**90%**	**100%**	**100%**

Base: All except micro schemes – DB (183), DC (121), Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)

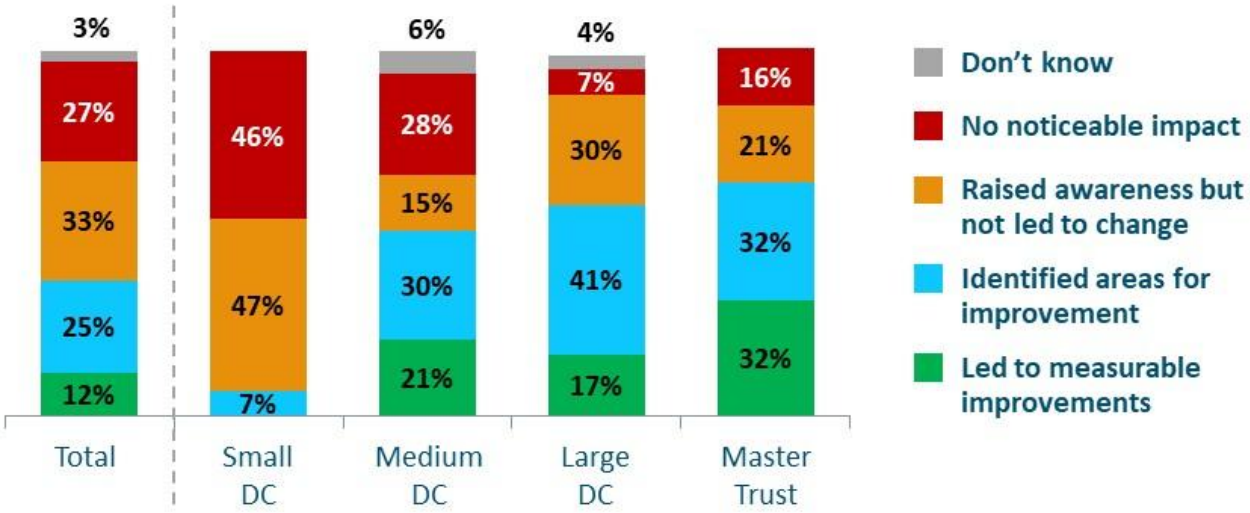
VFM improvements in member outcomes only applied to DC schemes and was the lowest scoring topic in the behaviour dimension. As set out in Figure 6.3.4, relatively few DC schemes (12%) reported that their most recent VFM assessment/review had led to measurable improvements in member outcomes.

Among the remainder, there was a fairly even split between those who felt it had identified areas for improvement (25%), those who said it had raised awareness but not led to change (33%) and those who reported no noticeable impact (27%).

VFM assessments had the least impact among small DC schemes. The vast majority of these schemes said it had no noticeable impact (46%) or raised awareness but did not lead to change (47%), and none reported measurable improvements in member outcomes.

[21] Member panels/focus groups, surveys or open consultations/Q&As

Figure 6.3.4 Extent that last VFM assessment/review helped to improve member outcomes *(excluding micro schemes)*



Base: All DC that had conducted a VFM assessment (except micro schemes)
Total (115), Small DC (24), Medium DC (26), Large DC (46), Master Trust (19)
View a table showing all data from the above figure

6.4 Relationships

The table below summarises the topic areas and constituent survey questions that contributed to the relationships dimension of the governance indicator.

Table 6.4.1 Relationships dimension topics and survey questions

Topics	Questions
Oversight of administrator	Whether scheme (a) Ensures they have adequate internal controls, (b) Regularly assesses performance against key performance indicators or service level agreements, (c) Periodically reviews contract to deliver scheme specific improvements, (d) Periodically reviews market to ensure scheme is receiving high-quality service and value for money
Use and oversight of external advisers	Whether scheme uses any external advisers Extent agree that (a) Scheme regularly scrutinises advice from advisers, (b) Scheme is confident in ability to challenge advice, (c) Advice received is always fit for the purpose set out in request
Use and oversight of external investment managers	Whether scheme uses an external investment manager or custodian Whether scheme (a) Ensures they have adequate internal controls, (b) Regularly assesses performance against their mandate agreement, (c) Periodically reviews market to ensure scheme is receiving high-quality service and value for money

The topics in the relationship dimension related to administrators, external advisers and external investment managers. For context, Table 6.4.2 shows the proportions of schemes that used each of these.

Table 6.4.2 Use of administrators, external advisers and external investment managers *(excluding micro schemes)*

	Total		DB			DC			
	DB	DC	Small	Med	Large	Small	Med	Large	Master trust
Use an in-house administrator	11%	27%	15%	7%	13%	38%	14%	17%	63%
Use a third-party administrator (TPA)	93%	77%	88%	99%	87%	62%	89%	91%	47%
Use any external advisers (excluding administrator)	100%	94%	100%	100%	100%	86%	100%	100%	100%
Use an external investment manager	92%	69%	92%	92%	91%	39%	94%	87%	100%

Base: All except micro schemes – DB (183), DC (121), Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)

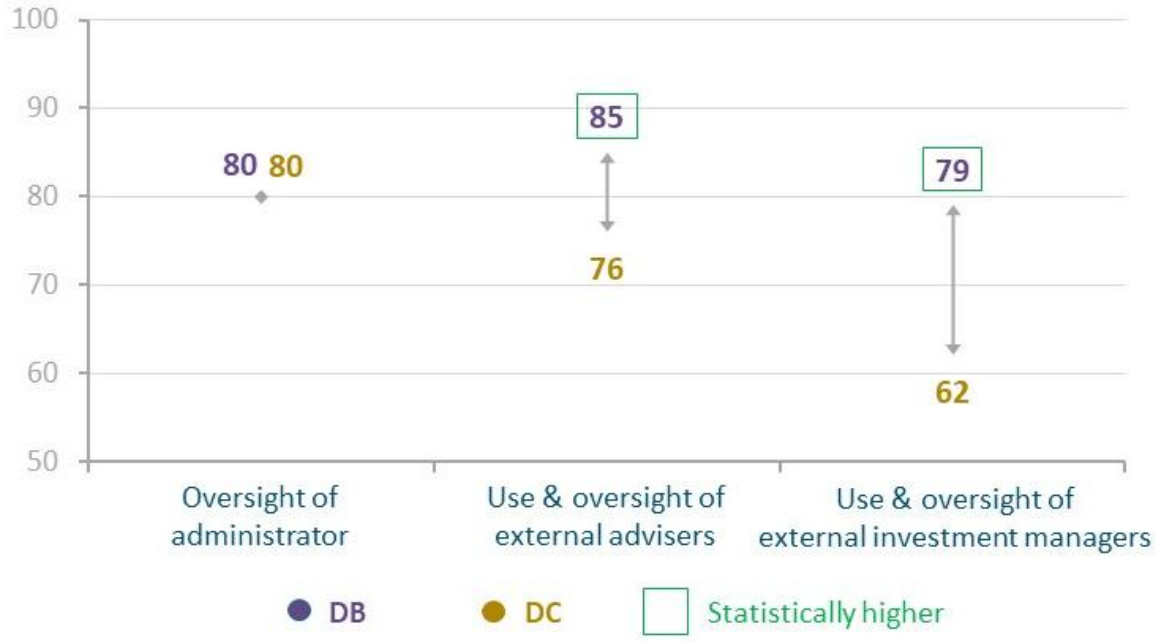
The majority of schemes used a third-party administrator rather than an in-house administrator (93% DB, 77% DC)[22]. The one exception to this was master trusts, 63% of which were administered in-house.

With the exception of small DC, all schemes used external advisers and around nine in ten had an external investment manager. However, 14% of small DC did not use any external advisers, and 61% did not use an external investment manager.

[22] A small number of schemes (5%) used both a TPA and an in-house administrator.

The chart below compares the mean scores received by DB and DC schemes for each topic within the relationships dimension.

Figure 6.4.1 Relationships dimension topic scores for DB and DC schemes *(excluding micro schemes)*



Base: All except micro schemes - DB (183), DC (121)
View a table showing all data from the above figure

DB and DC schemes both received mean scores of 80 for oversight of administrator. However, DB schemes scored significantly higher than DC for use and oversight of external advisers (85 vs. 76) and use and oversight of external investment managers (79 vs. 62).

It is important to note that schemes that did not use external advisers or investment managers automatically received a score of zero for these topics. This had a notable impact on the DC results for external investment managers as almost a third (31%) of DC schemes did not use one, compared with 8% of DB schemes. There was a similar but less pronounced difference for advisers, with 6% of DC schemes not using any external advisers compared with 0% of DB schemes.

Table 6.4.3 provides a more detailed breakdown of results across each topic area by scheme size. Scores of 80 or above are highlighted in green, scores of between 60 and 79 in amber and scores below 60 in red.

For both DB and DC, small schemes generally achieved the lowest scores on all of the relationships dimension topics. In particular, small DC schemes received a score of 28 for use and oversight of external investment managers. As noted above, this was primarily because only a minority of this group (39%) used an external investment manager (compared with between 87% and 100% of other scheme types/sizes).

Table 6.4.3 Relationships dimension topic scores – by scheme size/type *(excluding micro schemes)*

	DB			DC			
	Small	Medium	Large	Small	Medium	Large	Master trust
Oversight of administrator	75	81	87	65	89	93	96
Use and oversight of external advisers	83	86	90	61	80	92	92
Use and oversight of external investment managers	73	82	86	28	89	84	95

Base: All except micro schemes - Small DB (60), Medium DB (76), Large DB (47), Small DC (29), Medium DC (26), Large DC (47), Master Trust (19)

Table 6.4.4 shows results for the individual survey questions on oversight of external investment managers. This analysis is based solely on schemes that reported using one (92% of DB and 69% of DC schemes).

Around nine in ten schemes ensured their external investment manager had adequate internal controls (91% DB, 88% DC) and regularly assessed their performance against the mandate agreement (88% DB, 86% DC). The majority also periodically reviewed the market to ensure the scheme was receiving quality service and value for money (75% DB, 85% DC). There were no statistically significant differences between DB and DC schemes in this respect.

Table 6.4.4 External investment manager - Proportion of schemes taking each action *(excluding micro schemes)*

	DB	DC
Ensure they have adequate **internal controls**	91%	88%
Regularly **assess performance** against their mandate agreement	88%	86%
Periodically **review market** to ensure receiving high-quality service and value for money	75%	85%
Do all of these	**68%**	**77%**

Base: All with an investment manager (except micro schemes) – DB (168), DC (96)

While not shown in the above table, large schemes and master trusts were most likely to take all three of these actions in relation to their external investment manager (small 56%, medium 71%, large 85%, master trust 84%).

As summarised in Table 6.4.5, the pattern of results for oversight of administrators was broadly similar to that for investment managers. Again, the vast majority of schemes ensured their administrator had adequate internal controls (95% DB, 97% DC) but they were least likely to review the market to ensure they were receiving quality/value (64% DB, 72% DC).

The only statistically significant difference between DB and DC schemes was that the former were more likely to assess administrator performance against key performance indicators or service level agreements (86% vs. 75%).

Table 6.4.5 Administrator - Proportion of schemes taking each action *(excluding micro schemes)*

	DB	DC
Ensure they have adequate **internal controls**	95%	97%
Regularly **assess performance** against key performance indicators or service level agreements	86%	75%
Periodically **review contract** to deliver scheme specific improvements	71%	65%
Periodically **review market** to ensure receiving high-quality service and value for money	64%	72%
Do all of these	**49%**	**50%**

Base: All except micro schemes – DB (183), DC (121)

Master trusts were most likely to take all four of the above actions in relation to their administrator (84%), followed by large schemes (65%). In comparison, fewer than half of medium (46%) and small (41%) schemes took all four actions.

Schemes that used a third-party administrator were more likely than those with an in-house administrator to regularly assess their performance (86% vs. 63%). There were no other differences in this respect.

Table 6.4.6 summarises results to the survey questions relating to oversight of external advisers. Almost all schemes agreed that the advice received was always fit for purpose (98% DB, 95% DC) and were confident in challenging advice where required (98% DB, 94% DC). However, 17% of small DC schemes did not feel confident in challenging advice.

While 96% of DB schemes also regularly scrutinised the advice received, this fell to 88% of DC schemes. However, this difference was solely because 25% of small DC schemes did not agree that that they regularly scrutinised advice. The DB/DC results were consistent for medium and large schemes.

Table 6.4.6 External advisers – Quality and scrutiny of advice *(excluding micro schemes)*

% agreeing that…	DB	DC
The advice we receive is always **fit for the purpose** we set out in our request	98%	95%
We are confident in our ability to **challenge** advice from advisers	98%	94%
We regularly **scrutinise** the advice from advisers	96%	88%

Base: All with external advisers (except micro schemes) – DB (183), DC (117)

Appendix 1: Further information on the research methodology

Sampling approach

The sample frame for this research was a comprehensive list of DC and DB trust-based occupational pension schemes, extracted from TPR's data based on scheme returns. The survey population included hybrid pension schemes, and these were allocated to either the DB or DC sample based on their characteristics[23].

The survey covered open, closed and paid-up schemes but those that were wound-up or in the process of winding up were excluded from the sample. Relevant small schemes (broadly similar to the former small, self-administered schemes) and executive pension plans (EPPs) are not subject to the key governance requirements so were also excluded. Screening questions were included at the start of the survey to identify and remove any ineligible schemes that were not picked up during the initial sample processing phase.

The survey sample consisted of micro schemes (those with fewer than 12 members), small schemes (12-99 members), medium schemes (100-999 members), large schemes (1,000+ members) and master trusts[24]. A disproportionate stratified sampling approach was adopted, with quotas set on scheme size and type (ie DB/DC/hybrid) to achieve robust coverage of each strata. The final data was weighted back to the true size/type profile of the scheme population, as described later in this appendix.

Where multiple contacts were provided for the same scheme just one of these was selected in the final sample, although in some cases alternative contacts were loaded during the fieldwork period (for example, if the original contact was found to be unusable) and in other cases we were referred to a different trustee who was better placed to complete the survey. Individual trustees can be involved with several different pension schemes, so the sample was de-duplicated to ensure that any such individual this was applicable to was only contacted/surveyed about one specific scheme.

Data collection

The survey was conducted between 15 January and 6 March 2026 by OMB Research, an independent market research agency. The majority of the interviews were conducted via Computer Assisted Telephone Interviewing (CATI) by a team of experienced business-to-business interviewers. However, due to their limited number and high importance (in terms of membership numbers), the master trust interviews were conducted by OMB Research executives.

Where an email address was available, potential respondents were sent an introductory email by TPR prior to being telephoned for the survey. This explained the purpose of the research, provided reassurances about its bona fide and

[23] Hybrid schemes were allocated to the DC survey if they were the DC section of dual-section hybrid schemes (ie those with separate DB and DC sections). Those allocated to the DB survey were typically mixed benefit hybrid schemes or DB schemes with a DC top-up.
[24] Although all master trusts have 1,000+ members they were treated as a separate group rather than included in the large scheme category.

confidential nature, and introduced OMB Research as an independent market research agency that had been appointed by TPR to conduct the survey.

Each respondent completed the survey in relation to a pre-specified pension scheme. To qualify for interview, they had to be a trustee of the scheme, and this was confirmed at the start of the survey (with referrals sought if they were in a different role).

A total of 373 interviews were completed, lasting an average of 23 minutes. The table below shows the final number of interviews achieved with each type and size of scheme.

Interview profile

Scheme type and size		Number of interviews	% of interviews
DB schemes	Micro (<12 members)	20	5%
	Small (12-99 members)	60	16%
	Medium (100-999 members)	76	20%
	Large (1,000+ members)	47	13%
	DB total	**203**	**54%**
DC schemes	Micro (<12 members)	49	13%
	Small (12-99 members)	29	8%
	Medium (100-999 members)	26	7%
	Large (1,000+ members)	47	13%
	Master trust	19	5%
	DC total	**170**	**46%**
Total		**373**	**100%**

Hybrid schemes were allocated to the above size bands based on the total number of members in the scheme.

In total, 69% of respondents were the chair to the board of trustees and 31% were other trustees (ie not the chair). Over a quarter (28%) were professional trustees.

Response rates

As set out in the table below, a total of 2,728 schemes were called during the course of the survey. Of these, 596 records were unusable (for example, incorrect contact details or ineligible schemes), resulting in a usable sample of 2,132 records. From this, a total of 373 interviews was achieved.

The response rate was therefore 17%. This has been calculated as the proportion of completed interviews among all eligible cases, in line with industry-standard definitions[25].

[25] As defined by the American Association for Public Opinion Research (AAPOR)

Fieldwork outcomes and survey response rate

Outcome	Total
Schemes called	2,728
Unusable records (incorrect contact details, ineligible for interview)	596
Usable records	2,132
- Refusals	373
- Live sample not interviewed	1,386
- Interviews achieved	373
Response rate	**17%**

The table below shows that the overall response rate was similar for DB and DC schemes (17% vs. 19%). For DB schemes the response rate was broadly similar irrespective of size (between 15% and 20%). However, this varied widely among DC schemes, ranging from 76% for master trusts down to 9% for micro DC schemes.

Response rates by scheme type/size

Scheme type and size		Response rate
DB schemes	Micro (<12 members)	20%
	Small (12-99 members)	15%
	Medium (100-999 members)	16%
	Large (1,000+ members)	18%
	DB total	**17%**
DC schemes	Micro (<12 members)	9%
	Small (12-99 members)	20%
	Medium (100-999 members)	30%
	Large (1,000+ members)	35%
	Master trust	76%
	DC total	**19%**

A total of around 19,000 calls were made to achieve the 373 interviews, at an average of seven calls per record. However, significantly more calls were required for DC schemes than DB schemes (an average of 10.7 and 3.4 calls per record respectively).

Weighting

The final survey data was weighted to ensure the survey results were representative of the in-scope population of DB and DC pension schemes. Weighting grids were constructed with interlocking categories of scheme size and benefit type. Scheme size (micro/small/medium/large/master trust) was derived from survey responses, based on how trustees classified their scheme. In contrast, benefit type

(DB/DC/hybrid) was taken from sample, as this information was not collected during the survey and was unlikely to differ from the information held by TPR.

Weights were calculated by comparing the proportion of schemes in each interlocking category within the overall scheme population to the proportion interviewed in the survey. This approach ensured that under or over-represented groups were adjusted to reflect their true population distribution.

The table below provides full details of the scheme population, interview numbers, weights and the weighted base once these weights are applied.

Scheme weights

Size/Type		Scheme population		Interviews		Scheme weights	Weighted base
		Number	%	Number	%		
DB	Micro	218	3.3%	18	4.8%	0.68	12.2
	Small	1,365	20.6%	58	15.5%	1.32	76.7
	Medium	1,667	25.1%	68	18.2%	1.38	93.7
	Large	582	8.8%	36	9.7%	0.91	32.7
	Micro hybrid	5	0.1%	2	0.5%	0.14	0.3
	Small hybrid	44	0.7%	2	0.5%	1.24	2.5
	Medium hybrid	144	2.2%	8	2.1%	1.01	8.1
	Large hybrid	175	2.6%	11	2.9%	0.89	9.8
	DB total	**4,200**	**63.3%**	**203**	**54.4%**	**1.16**	**236**
DC	Micro	1,764	26.6%	49	13.1%	2.02	99.1
	Small	256	3.9%	25	6.7%	0.58	14.4
	Medium	58	0.9%	7	1.9%	0.47	3.3
	Large	55	0.8%	12	3.2%	0.26	3.1
	Micro/small hybrid[26]	29	0.4%	4	1.1%	0.41	1.6
	Medium hybrid	90	1.4%	19	5.1%	0.27	5.1
	Large hybrid	160	2.4%	35	9.4%	0.26	9.0
	Master trusts	26	0.4%	19	5.1%	0.08	1.5
	DC total	**2,438**	**36.7%**	**170**	**45.6%**	**0.81**	**137**
Total (DB and DC)		**6,638**	**100%**	**373**	**100%**	**1.00**	**373**

DB schemes accounted for 63.3% of the scheme population but 54.4% of the completed interviews. As a result, responses from these schemes were up-weighted by a factor of 1.16, resulting in a weighted base of 236 (compared with an unweighted base of 203).

Conversely, DC schemes accounted for 36.7% of the population but 45.6% of the completed interviews. Responses were therefore down-weighted by a factor of 0.81, giving a weighted base of 137 (compared with an unweighted base of 170).

[26] Micro and small DC hybrid schemes were weighted as one group as no interviews were achieved with micro DC hybrids (due to the very small population).

Across the various scheme types/sizes, the largest weight was applied to micro DC schemes (2.02) as they accounted for 26.6% of all schemes but only 13.1% of the achieved interviews. The smallest weight was for master trusts (0.08) as they were over-represented in the achieved sample, accounting for 5.1% of interviews but just 0.4% of the scheme population.

Unless otherwise stated, all results in this report have been weighted using the scheme-level weights detailed above. However, an alternative set of **membership-level weights** was also developed to reflect the proportion of total memberships accounted for by each size/type of scheme. Membership-weighted data has been referenced on occasion in the report to provide an alternative perspective (ie the proportion of memberships that are in schemes with particular characteristics or behaviours).

These membership-weights were calculated in a similar way to the main scheme-weights detailed above, but were based on the number of memberships (rather than schemes) in each strata. It is important to note that the membership-weighted results are heavily influenced by master trusts and large schemes, as these groups accounted for 73% and 25% of all memberships respectively (ie only 2% of memberships were in micro, small or medium schemes).

Design effects and confidence intervals

Weighting survey data reduces the statistical reliability of the results as some respondents count for more than others. This is measured and accounted for by the **effective base size**. For this survey, the unweighted (and weighted) base was 373, but the application of scheme weights reduced the effective base size to 276.

Effective base sizes

Scheme type and size		Unweighted base	Effective base[27]
DB schemes	Micro (<12 members)	20	19
	Small (12-99 members)	60	60
	Medium (100-999 members)	76	75
	Large (1,000+ members)	47	47
	DB total	**203**	**193**
DC schemes	Micro (<12 members)	49	49
	Small (12-99 members)	29	29
	Medium (100-999 members)	26	24
	Large (1,000+ members)	47	47
	Master trust	19	19
	DC total	**170**	**87**
Total		**373**	**276**

[27] Effective bases are calculated independently for sub-groups and are not additive, so the sum of the sub-group effective bases may not equal the effective base for the total sample.

As shown above, the effective base was similar to the unweighted base for DB schemes (193 vs. 203) because the weights applied were relatively minor. In contrast, the effective base was much lower than the unweighted base for DC schemes (87 vs. 170) as more substantial weights were required (for example, a weight of 2.02 for micro DC).

At an individual size/type level there was almost no difference between the unweighted and effective base sizes. This is because the weights were calculated for each size/type strata, so their effect on the statistical reliability is only felt when different strata are combined.

All statistical significance testing and confidence intervals used in this report have been calculated using the effective base, rather than the achieved sample size.

Confidence intervals quantify the level of statistical uncertainty associated with survey estimates, reflecting that results are based on a sample of schemes rather than the full population. A 95% confidence interval indicates that, if the survey were repeated multiple times under the same conditions, the estimated result would be expected to fall within the stated range in 95 out of 100 instances.

For this survey, if 50% of schemes agreed with a statement then the 95% confidence interval would be ±5.9 percentage points, based on the effective sample size of 276. This indicates that the proportion of all in-scope schemes agreeing with the statement is likely to lie between 44.1% and 55.9%.

Margins of error vary for subgroups depending on the effective base size for each individual group. Results based on fewer schemes are subject to greater uncertainty and should be interpreted with appropriate caution.

Appendix 2: Further information on the governance indicator

Introduction

This appendix provides a brief technical description of the process by which the TPR governance indicator was developed from TPR's 2026 Trustee Survey.

The governance indicator was designed to provide a consistent, repeatable and survey-based measure of scheme governance. It converts selected survey responses into an overall score, allowing governance to be reviewed across a common framework and tracked over time.

Following an initial stage of desk research, four core dimensions of good governance were identified to underpin the overall indicator: processes, structure, behaviour and relationships. For each dimension, survey questions were developed based on the desk research, previous TPR research and internal consultation. These dimensions reflected themes identified in existing evidence on what good governance looks like.

1. **Processes** captures the characteristics and maturity of governance systems and practices, including alignment with regulatory expectations, risk management, internal controls, reviews, board assessment, value assessment and keeping policies current.
2. **Structure** reflects the formal design, composition and capability of the trustee board and its governance framework, including roles, committees, skills, experience, diversity, trustee development and documented policies.
3. **Behaviour** reflects how the board operates in practice, including collaboration, active engagement, constructive challenge, evidence-led and policy-led decision-making, and a focus on improving member outcomes.
4. **Relationships** considers the elements of oversight and working relationships with advisers, administrators, investment managers and other service providers, including scrutiny, challenge, performance review, controls and clarity of responsibilities.

Responses to the survey questions within each dimension were allocated different scores, with higher scores suggesting stronger governance practices (as measured through the survey). The scores for each of the four dimensions were then combined into an overall governance indicator score of between 0 and 100 for every surveyed scheme. The score should be interpreted as a structured, survey-based indicator rather than a definitive assessment of all aspects of governance quality.

The approach used to construct the indicator involved a number of different stages, as summarised below.

Step by step summary of approach

1. Desk research and other existing evidence identified four dimensions of good governance.
2. Survey questions were designed based on the desk research and aligned to these dimensions.
3. Responses were scored, with higher scores awarded to behaviours deemed by subject matter experts to be associated with stronger governance.
4. "Don't know" responses were allocated scores based on response patterns from similar schemes.
5. Questions were grouped into topic areas (e.g. evaluating risks, training and development) and each topic area was given an equal weight within each dimension.
6. The four dimension scores were combined to give each scheme an overall governance indicator score of between 0 and 100, with each dimension contributing 25% of the overall score.

The remainder of this appendix provides more detail on key aspects of the analysis approach used to calculate the indicator scores. This approach can be easily replicated in future surveys.

Data recoding

The survey questions included in the governance indicator were recoded and (where appropriate) combined into composite items. The rationale for this was to:

- Ensure that each item (bar 'don't know' responses) had a response from the entire sample base.
- Consolidate items with multiple components into a single item

The relatively small number of 'don't know' responses were temporarily recoded as missing categories[28], to be interpolated later.

The example below shows the recoding undertaken on the questions relating to sub-committees.

Item	Questions	Original codes	Recoded
Investment, audit/risk or administration sub-committees	Does your trustee board have any sub-committees?	1. Yes 2. No 3. Don't know	Number of investment, audit/risk or administration sub-committees 1. None 2. One 3. Two 4. Three 5. Don't know
	Which of the following active sub-committees do you currently have?	1. Investment 2. Audit or risk 3. Administration 4. Other 5. Don't know	

[28] Specifically, they were left as System Missing values in the SPSS platform which was used to create the indicator.

Item scoring and weighting

Each recoded item was assigned a **standardised score between 0 and 1** where:

- 0 represents the lowest level of governance quality
- 1 represents the highest level
- Intermediate categories were typically assigned evenly spaced values (for example, values of 0.25, 0.50, 0.75 and 1.0), unless a strong rationale justified alternative spacing

The example below shows the scores allocated to different responses to the survey question that asked about frequency of formally assessing board performance.

Dimension	Processes			
Item	Frequency of carrying out a formal assessment of board performance/capability			
Code	Never/not documented	Less often	Every two years	At least once a year
Score	0	0.25	0.50	1

Standardisation was needed because survey questions had different response scales. At this stage, 'don't know' values were left as missing.

Items were grouped into topic areas (for example, evaluating risks or training and development), and the data was weighted so that each topic area within a dimension had an equal weight. This means that each topic made an equal contribution to the overall score for the dimension (ie to prevent topics that consisted of a greater number of questions from having a disproportionately high influence on the overall dimension score).

The scoring framework combined evidence from desk research, survey data and subject matter expertise. This ensured that the governance indicator was both analytically consistent and grounded in TPR's understanding of good governance practice. The topic area groupings, item scores and weights were reviewed and agreed by TPR's subject matter experts and an independent consultant with experience in pension policy and research.

Treatment of missing values

The data used to calculate the governance indicator was collected via a survey, with the respondent (a trustee) answering on behalf of the scheme. As such, the data included a small number of 'missing' values (ie where the trustee who took part in the survey did not know the answer to a particular question).

Rather than applying an arbitrary fixed score to all missing values (for example, a score of 0), the likely response was inferred based on analysis of similar schemes who did provide a response to that item.

Specifically, missing values were handled using a model-based approach based on Latent Class segmentation. This approach estimates likely responses by identifying groups of cases with similar response patterns across the observed items.

For each dimension, eight segments were created based on the patterns of responses to its underlying items[29]. Every case in the data was assigned a probability of membership to each segment. Cases with missing values were allocated to their closest segment based on the items which were fully answered, making use of all available partial information. At case level, these probabilities allowed the accurate scoring (using the scoring system set out previously) of an expected value on any item where a case had missing data (a 'don't know'). This expected value can be thought of as an average score for the case on that item, given the case's segment membership probabilities. To illustrate:

Example 1 – Missing value calculation

- Scheme A answered 'don't know' when asked how confident they were in the board's ability to evaluate cyber security risks.
- Based on the responses they provided to the other questions in the 'processes' dimension, Scheme A was allocated to segment 2.
- Of the schemes within segment 2 who provided a response to this question, 17% were very confident (score of 1.0), 77% were fairly confident (score of 0.5) and 6% were not at all/not particularly confident (score of 0). The average score among segment 2 schemes for this question was 0.553.
- The missing value for Scheme A was therefore allocated a score of 0.553.

The above is a simple example, but schemes were not necessarily allocated to just one segment. Instead, every scheme was assigned a probability of membership to each segment, as this provided a more sensitive and accurate means of interpolating missing values. For example, a scheme might have a 70% probability of being in segment 2, 20% probability of being in segment 7 and 10% probability of being in segment 8. In this scenario, the missing value score was calculated proportionally based on these segment membership probabilities. To illustrate:

[29] Segments were developed independently of the specific scoring systems discussed earlier using multinomial and ordinal logistic linking models, depending on dimension.

Example 2 – Missing value calculation

- Scheme B answered 'don't know' when asked how confident they were in the board's ability to evaluate cyber security risks.
- Based on the responses they provided to the other questions in the 'processes' dimension, Scheme B's segment membership was 70% segment 2, 20% segment 7 and 10% segment 8.
- The average scores for this question were 0.553 for segment 2, 0.494 for segment 7 and 0.104 for segment 8.
- The missing value for Scheme B was therefore allocated a score of 0.496
    - (0.7 x 0.553) + (0.2 x 0.494) + (0.1 x 0.104) = 0.496

The use of probabilistic segment membership to interpolate 'don't know' responses provides a consistent and evidence-based method to estimate the likely responses (and associated scores) for missing values.

Calculating the overall governance indicator score

Following the interpolation of missing values, each case in the data had a score for every item. The scores for each dimension were obtained by combining the individual item scores and weights (as described earlier).

Although the number of items and topic areas varied across the four dimensions, the dimension scores were combined using a simple (unweighted) average to provide an overall score. This means that each dimension made an equal contribution to the governance indicator score.

The scoring system was designed so that scores for the individual dimensions and overall metric were all bounded by 0 and 100 and produce a smooth, continuous distribution across all cases.

Assurance and interpretation

The governance indicator was developed using a transparent and structured methodology, with extensive testing to ensure results are stable, proportionate and suitable for regulatory and analytical use. Question selection, scoring, weighting and the treatment of missing responses were designed to minimise bias and unintended distortion, while maintaining comparability across schemes.

A range of approaches were used to validate the resulting data, including:

- Meaningful differentiation: to assess whether the indicator produced a plausible spread of scores and meaningful differentiation between schemes
- Known groups validation: to check whether observed patterns held across scheme type and size (ie the indicator differentiated in ways consistent with expectations)
- Weighting sensitivity: to test whether conclusions changed under alternative plausible topic/dimension weights

The scores, topic groupings and weights were all reviewed by TPR's subject matter experts. Independent oversight was also provided by Jackie Wells, an external pension policy and research consultant. Jackie was involved in the initial desk research undertaken by Daniela Silcock Pensions Research (DSPR), which informed the survey development, and subsequently reviewed the statistical approach used to calculate the governance indicator. She concluded that the process of constructing the indicator was transparent and robust with extensive challenge and questioning from the TPR team, and the resulting scores should provide TPR with a strong basis for measuring scheme governance and a baseline against which future changes can be assessed.

It is important to note that the indicator is based on self-reported survey data and therefore reflects trustees' understanding and disclosure at the point of response. It is also restricted to behaviours that can be accurately captured in a telephone survey. While mitigation is applied for missing or uncertain answers, the indicator does not replace detailed scheme-specific supervision or qualitative judgement.

The governance indicator is intended to be used as a directional and comparative indicator, supporting risk identification, prioritisation and trend analysis, rather than as a definitive measure of individual scheme performance in isolation.

Appendix 3: Glossary

Defined benefit (DB) scheme
A pension scheme where members' benefits are usually based on salary and length of service.

Defined contribution (DC) scheme
A pension scheme where members build up individual pots based on contributions and investment returns.

Master trust
A multi-employer occupational pension scheme. In this report, master trusts are treated as a separate category from large schemes.

Scheme size
Schemes are grouped by number of members: micro: fewer than 12; small schemes: 12-99; medium: 100-999; and large: 1,000 or more.

AUM (Assets Under Management)
The total market value of investments that a fund manager, financial institution, or organisation manages on behalf of clients.

Governance indicator
A survey-based score from 0 to 100, used to provide a baseline measure of scheme governance. Higher scores indicate stronger governance practices as measured through the survey.

Governance dimensions
The four areas used to structure the governance indicator: processes, structure, behaviour and relationships.

EDI (Equality, Diversity and Inclusion)
An approach that promotes fair access to opportunities, values and respects differences, and creates environments where everyone feels welcomed, respected and able to participate fully.

Effective System of Governance (ESOG)
A scheme's system for governing, managing and operating the scheme, including internal controls.

Own Risk Assessment (ORA)
A review of the risks facing the scheme and the effectiveness of its governance arrangements.

General Code
TPR's code setting out expectations for the governance and administration of occupational pension schemes.

Value for Members (VFM)
An assessment or review of whether a DC scheme provides value for members.

Professional trustee
A trustee appointed in a professional capacity, including those from professional trustee firms and independent professional trustees.

Lay trustee
A trustee who is not acting in a professional capacity.

Member-nominated trustee (MNT)
A trustee nominated by scheme members.

Employer-appointed trustee
A trustee appointed by the sponsoring employer.

Corporate trustee
A company or corporate entity appointed to act as trustee.

Sole trustee arrangement
An arrangement where the scheme has a single trustee, either an individual or a corporate entity.

Professional corporate sole trustee (PCST)
A professional trustee firm or corporate entity appointed as the sole trustee of a scheme.

Third-party administrator (TPA)
An external organisation appointed to provide administration services for the scheme.

Quartiles
Four groups created by ranking schemes by their governance indicator score. Quartile 1 is the lowest scoring quarter and Quartile 4 is the highest scoring quarter.

Weighted data
Survey results adjusted so they are representative of the wider scheme population.

Unweighted base
The actual number of survey responses on which a result is based.

Appendix 4: Underlying data for all figures/charts

This appendix provides the underlying data for each of the figures/charts shown in the main body of this report.

Data for 'Figure 4.1 Governance indicator scores'

	Total	DB	DC	Micro/ Small DB	Med DB	Large DB	Micro DC	Small DC	Med DC	Large DC	Master trust
Mean score (0-100)	62	72	47	66	73	80	39	49	72	83	88

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Data for 'Figure 4.2 Governance indicator scores including and excluding micro schemes'

	DB schemes	DC schemes	DB schemes excluding micros	DC schemes excluding micros
Mean score (0-100)	72	47	72	67
Gap between DC and DB	25		5	

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Data for 'Figure 4.3 Governance indicator quartiles

	Total	DB	DC	Micro/ Small DB	Med DB	Large DB	Micro DC	Small DC	Med DC	Large DC	Master trust
Quartile 1 (lowest)	25%	6%	58%	12%	3%	0%	71%	50%	3%	0%	0%
Quartile 2	25%	28%	20%	42%	23%	9%	20%	24%	33%	6%	0%
Quartile 3	25%	34%	11%	25%	43%	32%	6%	23%	34%	15%	5%
Quartile 4 (highest)	25%	33%	12%	22%	31%	60%	2%	3%	30%	79%	95%

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Data for 'Figure 5.2.1 Governance indicator dimension scores for medium/large schemes in the bottom two quartiles and top two quartiles'

	Processes	Structure	Behaviour	Relationships
Medium/large in quartiles 1-2	59	56	56	68
Medium/large in quartiles 3-4	82	75	72	89

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Data for 'Figure 5.3.1 Mean governance indicator scores by presence and type of professional trustee'

	Professional trustee firm	Independent professional trustee	Either professional trustee firm or independent	No professional trustee
Mean score (0-100)	76	73	74	56

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Data for 'Figure 5.3.2 Mean governance indicator scores for schemes with and without professional trustees – by size'

	Micro	Small	Medium	Large	Master Trust
Any professional trustees	57	71	76	83	88
No professional trustees	38	61	70	78	84

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Data for 'Figure 5.4.1 Mean governance indicator scores by presence and type of chair'

	Professional chair	Lay chair	Either professional or lay chair	No chair (or don't know)
Mean score (0-100)	75	63	66	44

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Data for 'Figure 5.5.1 Mean governance indicator scores by sole trustee arrangements'

	Individual sole trustee	PCST	Corporate entity	No sole trustee
Mean score (0-100)	37	79	70	67

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Data for 'Figure 5.5.2 Comparison of knowledge and resources between schemes with an individual sole trustee and other micro/small schemes'

	Agree board has right knowledge, skills and capabilities	Any mandatory trustee training	Good understanding of General Code	Use external service providers	Use external advisers
Individual sole trustee	62%	28%	35%	39%	68%
Other micro/small	90%	64%	54%	77%	83%

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Data for 'Figure 6.1.1 Processes dimension topic scores for DB and DC schemes (excluding micro schemes)'

	Up-to-date and relevant policies/ procedures	General Code familiarity and alignment	Evaluating risks	ESOG/ ORA	Assessing board perfor-mance	Covenant risk approach (DB only)	VFM assess-ment (DC only)
DB	79	78	76	74	52	83	-
DC	72	71	69	63	59	-	77

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Data for 'Figure 6.1.2 Frequency of assessing board performance (excluding micro schemes)'

	DB schemes	DC schemes
At least once a year	37%	47%
Every two years	16%	10%
Less often	24%	27%
Never	20%	16%
Don't know	2%	0%

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Data for 'Figure 6.1.3 Proportion of schemes with an ESOG (excluding micro schemes)'

	DB schemes	DC schemes
Has ESOG	78%	63%
No ESOG	19%	28%
Don't know	3%	9%

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Data for 'Figure 6.1.4 Proportion that had an ESOG and had carried out an ORA/review (excluding micro schemes)'

	DB	DC	Small DB	Med DB	Large DB	Small DC	Med DC	Large DC	Master trust
Proportion with ESOG and carried out ORA/review	70%	60%	62%	69%	87%	27%	70%	94%	89%

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Data for 'Figure 6.1.5 Familiarity with expectations set out in General Code (excluding micro schemes)'

	DB	DC	Small DB	Med DB	Large DB	Small DC	Med DC	Large DC	Master trust
Very good understanding	31%	37%	20%	32%	49%	6%	53%	62%	74%
Fairly good understanding	51%	32%	52%	53%	43%	29%	38%	34%	21%
Know a little bit	16%	19%	27%	11%	9%	36%	9%	4%	5%
Know nothing about it	1%	6%	2%	1%	0%	14%	0%	0%	0%
Not aware of General Code	1%	6%	0%	1%	0%	14%	0%	0%	0%

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Data for 'Figure 6.1.6 Proportion that had compared scheme governance processes against the General Code (excluding micro schemes)'

	DB	DC	Small DB	Med DB	Large DB	Small DC	Med DC	Large DC	Master trust
Proportion that had compared scheme governance processes against Code	79%	69%	75%	74%	96%	33%	94%	98%	89%

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Data for 'Figure 6.2.1 Structure dimension topic scores for DB and DC schemes (excluding micro schemes)'

	Effective policies/ procedures	Board experience, skills and diversity	Chair experience, leadership and promoting EDI	Trustee training and development	Board governance structure	Trustee accred-itation	Board recruitment and succession planning
DB	93	79	76	70	53	53	43
DC	83	74	70	57	50	50	43

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Data for 'Figure 6.2.2 Proportion with mandatory trustee training and relevant/up-to-date training and development plans (excluding micro schemes)'

	DB	DC	Small DB	Med DB	Large DB	Small DC	Med DC	Large DC	Master trust
Any mandatory trustee training	90%	77%	77%	96%	100%	54%	88%	98%	100%
Maintain relevant/up-to-date training and development plans	77%	64%	63%	79%	98%	40%	67%	91%	89%

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Data for 'Figure 6.3.1 Behaviour dimension topic scores for DB and DC schemes (excluding micro schemes)'

	Board collaboration	Policy-led decision making	Member outcomes driving board focus	Board use of member insights	VFM improvements in member outcomes (DC only)
DB	85	81	62	63	-
DC	84	72	63	61	38

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Data for 'Figure 6.3.2 Extent that significant board decisions are supported and guided by scheme policies and procedures (excluding micro schemes)'

	DB schemes	DC schemes
Always	67%	52%
Most of the time	29%	32%
Sometimes	3%	8%
Rarely/never	2%	4%
Don't know	0%	3%

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Data for 'Figure 6.3.3 Board focus on improving member outcomes (excluding micro schemes)'

	All schemes except micro
Decisions primarily driven by improving member outcomes	29%
Member outcomes influence decisions but other priorities equally important	55%
Compliance and risk management take precedence over member outcomes	11%
Don't know	5%

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Data for 'Figure 6.3.4 Extent that last VFM assessment/review helped to improve member outcomes (excluding micro schemes)'

	Total	Small DC	Medium DC	Large DC	Master Trust
Led to measurable improvements	12%	0%	21%	17%	32%
Identified areas for improvement	25%	7%	30%	41%	32%
Raised awareness but not led to change	33%	47%	15%	30%	21%
No noticeable impact	27%	46%	28%	7%	16%
Don't know	3%	0%	6%	4%	0%

Return to the corresponding figure in the main body of the report

Data for 'Figure 6.4.1 Relationships dimension topic scores for DB and DC schemes (excluding micro schemes)'

	Oversight of administrator	Use and oversight of external advisers	Use and oversight of external investment managers
DB	80	85	79
DC	80	76	62

Return to the corresponding figure in the main body of the report