



Sole mates or Soul mates?

Professional Corporate Sole
Trustees and their sponsors

July 2021

Professional Corporate Sole Trustees and their sponsors

The Professional Trustee market has seen an explosion of activity over the last few years, with more DB and DC schemes appointing Professional Trustees (PTs). At LCP we have seen a significant shift from one in five schemes with a Professional Trustee five years ago to nearly half now. Professional Corporate Sole Trustee (PCST) arrangements, where schemes appoint a Sole Professional Trustee and effectively contract out a trustee board are also becoming increasingly popular.

This report looks at the key drivers for the increase in PT appointments, explores the PT and PCST landscape and identifies possible links between the greater use of full-service propositions and lower governance investment solutions (eg Fiduciary management) by PCSTs.

The report will be of interest to sponsors and trustees interested in the benefits and opportunities a PCST can bring and PTs and PCSTs who are interested in benchmarking their firm against the data we have collected.

This analysis is based on data collected from 13 of the major Professional Trustee firms as well as data obtained from The Pensions Regulator (TPR) through a Freedom of Information request.

Key highlights of the report:

- Almost half of UK's DB and DC schemes employ a Professional Trustee
- Of those, one in three schemes are under a Professional Corporate Sole Trustee arrangement
- There is an increasing trend of larger schemes and those with overseas parents opting for a sole corporate trustee arrangement often driven by the need for simpler governance and cost savings
- Despite the drive for better governance, there seems to be little demand for fiduciary management solutions: PCSTs tend to focus more on streamlining services by their advisers. A quarter of all schemes with a PCST group key services with one firm for efficiencies – a trend we see continuing and spilling into demand for streamline buy-out solutions

The next few pages provide more details supporting the key points listed above. We hope you find this an interesting read and look forward to continuing the dialogue.



Jargon buster:

PT: Professional Trustee

PCST: Professional Corporate Sole Trustee

APPT: Association of Professional Pension Trustees

LCP's research reflects information of DB and DC trust based pension schemes (contract based DC such as group personal pensions are excluded from this analysis).

The Landscape

The UK DB and DC pensions landscape of schemes with a PT has changed:

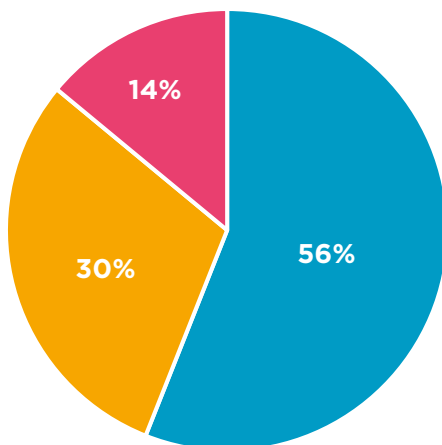
The increase of PCST appointments means that the landscape has changed and will continue to do so throughout 2021 and beyond.

Whilst demand for PTs within a firm has increased sharply, demand for Sole Traders (Professional Trustees for DB and DC schemes not part of a firm) seems to be increasing at a significantly slower rate: 4% of UK pension schemes had a Sole Trader as Professional Trustee five years ago; the number is at about 5% now.



A snapshot of the Professional Trustee landscape from our survey

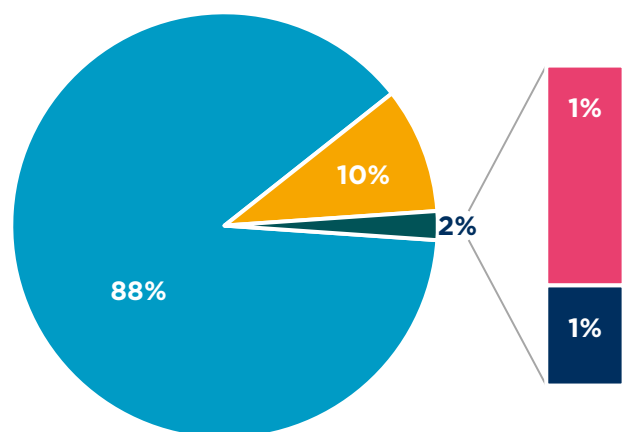
How many UK schemes have a PT and a PCST?



● UK DB & DC schemes without a PT
● Schemes with a PT ● Schemes with a PCST

Nearly half of UK's DB and DC schemes have a Professional Trustee. Of that amount 14% are with a PCST arrangement, that's one in three.

Size of pension schemes with a Professional Corporate Sole Trustee



● £0 - £100M ● £500M - £1BN
● £100M - £500M ● £1BN

88% of PCST schemes are £100m or below; only 2% of PCST schemes are with assets of £500m+.

*Based on data requested from TPR through the Freedom of Information request

Why appoint a Professional Corporate Sole Trustee?

Appointing a PCST becomes particularly desirable, when:

- Individuals who are prepared to be trustees are hard to find. This could be where there is a lack of available Member Nominated Trustees and senior company personnel are reluctant to be trustees due to perceived conflicts of interest
- There are additional governance and training needs due to increasing regulatory requirements that become too onerous
- The company initiates new projects the trustee board has little experience of managing so far (e.g. buy-ins, longevity swaps, contingent funding, corporate acquisitions, disposals or refinancing)
- A scheme is well funded and working towards buy-out. Replacing a full board with a PCST can increase efficiencies in the buy-out stage through speed of decision making

The PCST would be able to:

- Provide perspective from a wide range of other schemes
- Draw upon a deep network within the industry to provide suitable support
- Provide efficiencies through streamlined decision making and without the need to take up time at trustee meetings on training and educating the trustee board
- Share experience of dealing with TPR - a helpful addition due to the Funding Code

Those arguing against the trend might claim that:

- PCSTs can be viewed as conflicted if they have been put in place by the sponsor, especially when this is timed around valuation negotiations
- The lack of diversity might result in less challenge and perspective
- The loss of scheme knowledge could cause disruption

It is therefore important that the move to a PCST is considered carefully, the firm providing this service chosen with enough due diligence and the personality fit is right.

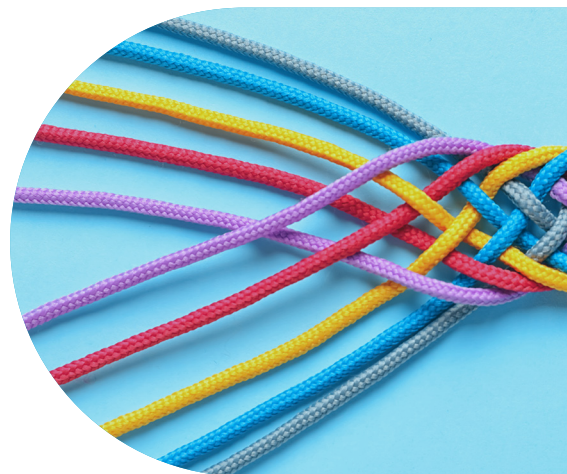
TPR's support of well-governed schemes, as indicated in The Future of Trusteeship and Governance Consultation, as well as the enhanced accreditation of Professional Trustees through the Association of Professional Pension Trustees (APPT) have been indications that the industry is heading towards a state where appointing a PT or PCST is increasingly common practice.

Increased Regulation within the Professional Trustee Industry

+ Trustee Toolkit



+ Accreditation exams for Professional Trustees: Units 1 and 2 Level 3 Certificate in Pension Trusteeship

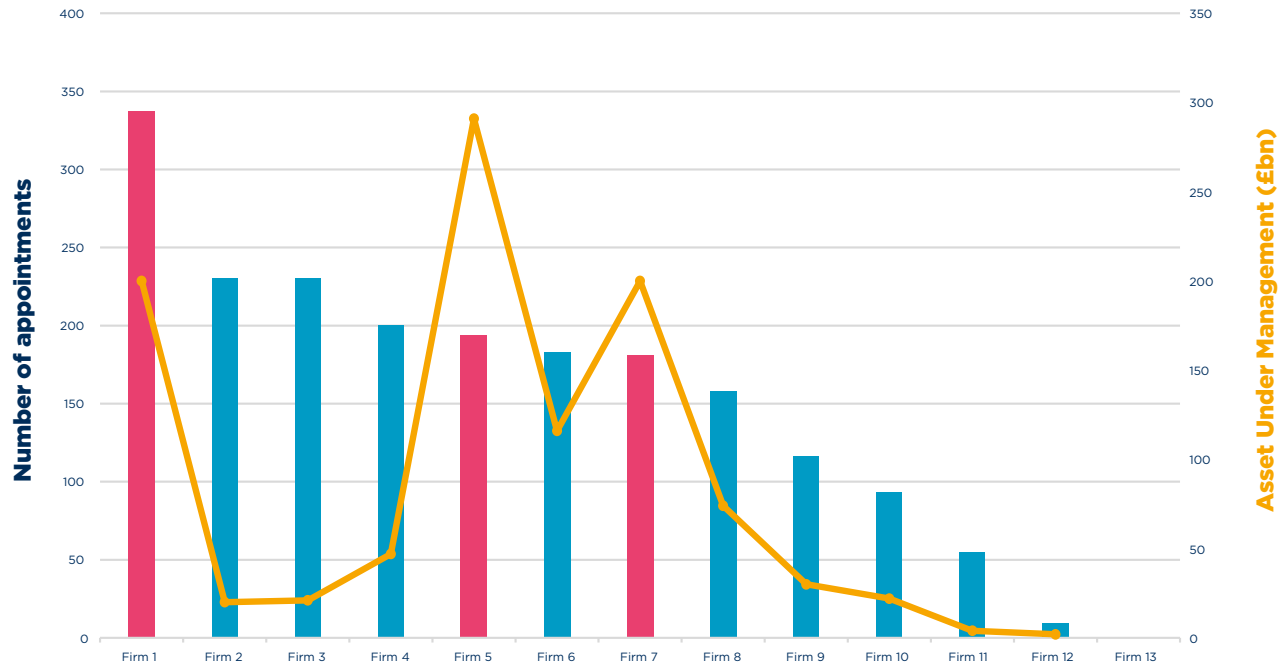


A solution for small schemes, large schemes or both?

How concentrated are the assets within the PT firms really?

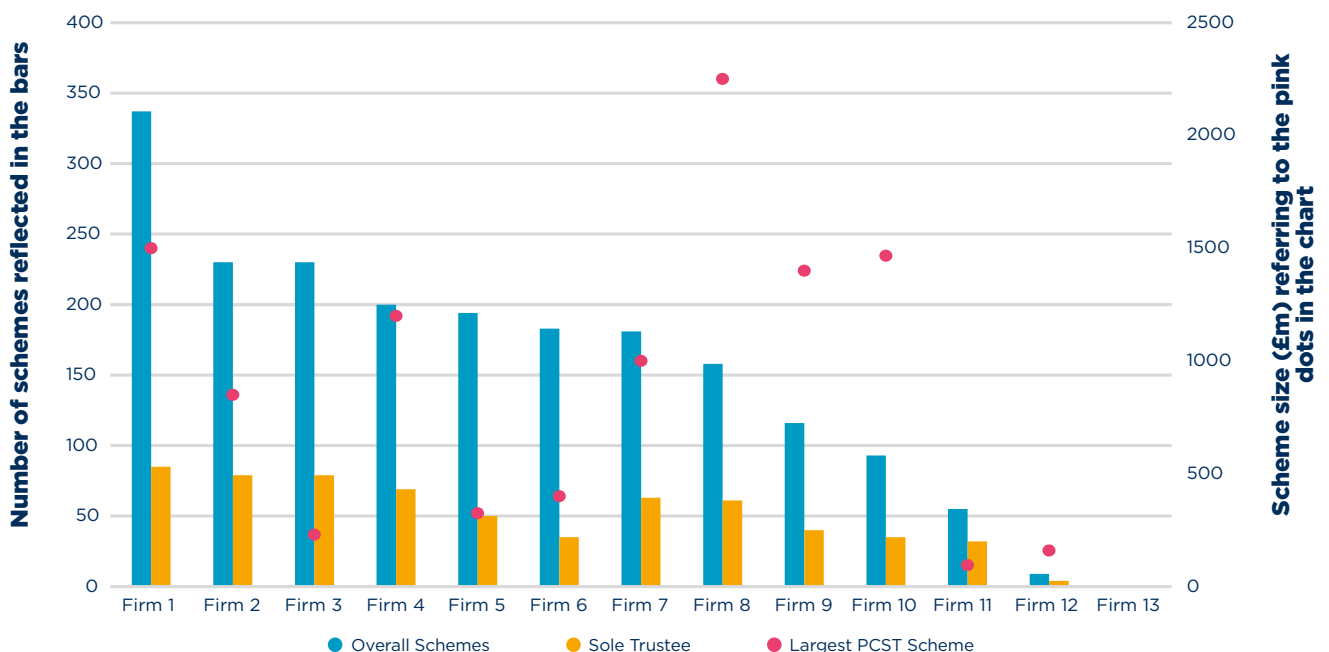
The chart below illustrates that across the 13 major PT firms surveyed, the majority of the assets are concentrated across five firms, with three of those firms looking after assets of £200bn and above (see pink bars).

Professional Trustee landscape: assets vs number of schemes



The chart below illustrates the same firms but indicates their PCST as well as PT appointments: whilst there are five major firms with strong asset concentration for PT schemes, there seems to be a more even spread of PCST appointments by number of schemes. When splitting the PCST appointments by asset size however, we notice a high concentration of PCST clients in the £100m and below range (too small to display on the graph), with only a small number of outliers (pink dots) indicating the largest PCST appointments for the time being, of £1bn and above. Recent PCST activity is likely going to skew this data further as we expect a number of schemes with assets of £1bn+ and overseas parents to enter the PCST market over the coming years. The largest PCST scheme is currently at £2.3bn.

Overview of PT and PCST split across 13 key Professional Trustee firms



Is Fiduciary Management right for your scheme?

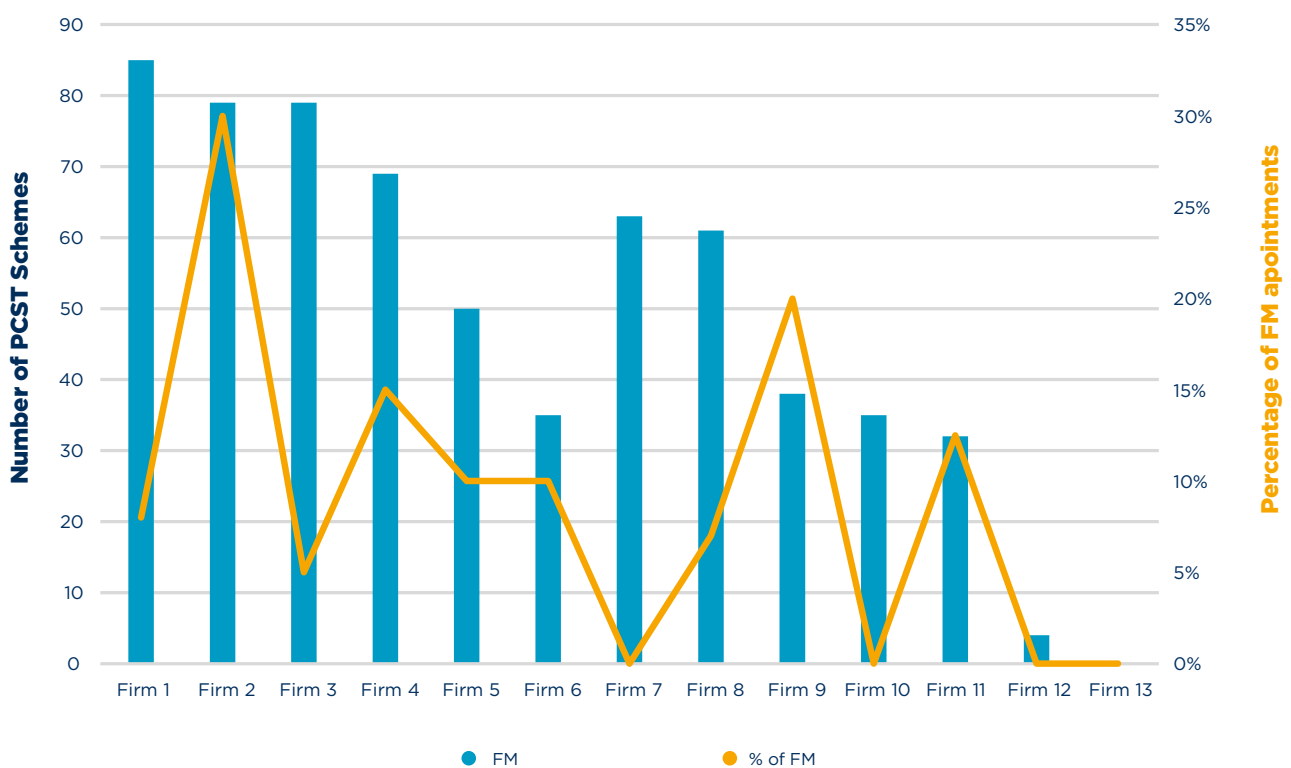
One of the key reasons for going down the PCST route is improved governance through less time spent on trustee training and trustee meetings. We have noticed an increased demand for solutions where decisions can be formed quickly, efficiently and in real time, often outside a formal trustee meeting.

Is Fiduciary Management (FM) common with a PCST?

The data suggests that 13% of all PCST appointments have an FM in place to manage the assets with a preference for FM solutions and investment platforms varying significantly between PCST firms.

Anecdotal evidence shows that preferred efficiencies are gained through simplified investment structures which are monitored more frequently by the PCST often with the help of real time dashboards reducing complexity and costs and providing the PCST with real time information.

Percentage of schemes with a PCST managed on a fiduciary basis



This chart indicates 13 different PT firms, the number of pension schemes they are sole trustees of and the percentage of FM vs traditional investment advisory solutions.

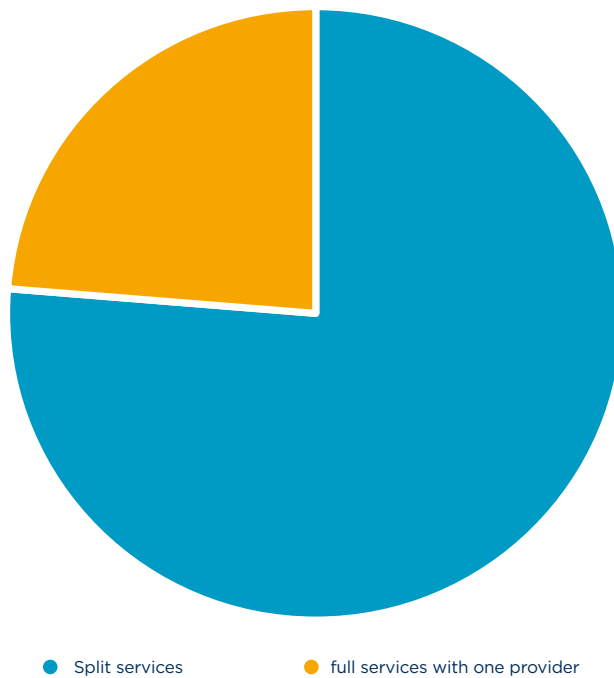


Enhancing efficiencies

LCP has surveyed the firms about their preferred use of full service providers for actuarial, investment and administration services, which would enable them to benefit from further efficiencies.

The survey data suggests that only a quarter of all PCST schemes receive all key services from the same firm. This is probably a reflection of limited funds to run a selection exercise, adviser relationships PCSTs have inherited or the lack of catalyst to consolidate advisers. This suggests that PCSTs have further room to grow in delivering efficiencies through the services they receive from their advisers. [LCP Advance](#) is one of several streamlined governance propositions currently offered in the market.

Number of PCST schemes which have chosen a full service proposition from one adviser



Only 24% of PCST schemes have used a streamlined service from their advisers. 76% have more than one adviser.



What's next?

The Professional Trustee industry has grown significantly over the last few years – a trend that is expected to continue over the coming years with PCST appointments and transitions expected to grow in size and frequency.

Trustee's perspective:

- **Appointing a Professional Trustee** to your trustee board can have a number of advantages, such as independence, perspective on what other schemes in similar industries or situations might be focused on, improving existing processes or running new projects. Guidance from TPR and increased scrutiny around Professional Trustee Accreditation to provide better governed schemes has led to a strong focus on appointing a PT and reviewing them regularly to ensure value for money is achieved. LCP's Professional Trustee programme ensures we are well placed to recommend the right fit for you and could assist you in the selection process.
- If your board is being **replaced with a PCST**, driven by the sponsor, and you'd like to understand what this means for you, feel free to reach out to the LCP team.



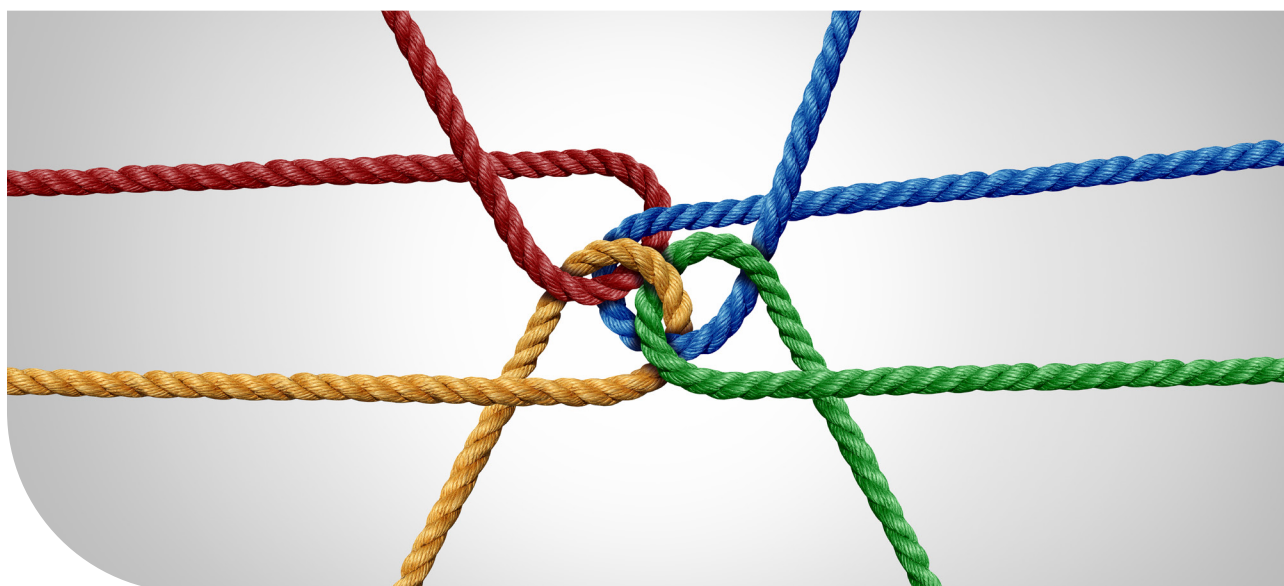
Sponsor's perspective:

- As this report shows, there is an increase in PT and PCST models and you might be interested in exploring how appointing an independent firm to provide Professional Trustee or Professional Corporate Sole Trustee services could help you.



LCP's Professional Trustee Programme :

- Given the strong growth of the PT industry over the last year, increased competition requires your firm and PCST offering to remain innovative and forward looking. [LCP Professional Trustee Programme](#) could enhance your proposition by offering access to industry roundtables, LCP University sessions for your new joiners, and deep dives into enhanced governance solutions for some of the schemes you are appointed to.



Contact us

For further information please contact our team.



Nathalie Sims
Partner, Head of Strategic Pension Relationships

Nathalie.Sims@lcp.uk.com
+44 (0)20 7432 6773



Holly McArthur
Partner

Holly.McArthur@lcp.uk.com
+44 (0)20 3824 7420



Lorraine Porter
Principal

Lorraine.Porter@lcp.uk.com
+44 (0)20 7432 3066



Laura Amin
Principal

Laura.Amin@lcp.uk.com
+44 (0)20 3824 7331



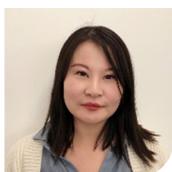
Olivia Buah
Senior Consultant

Olivia.Buah@lcp.uk.com
+44 (0)20 7432 7772



Mathew Witherwick
Consultant

Mathew.Witherwick@lcp.uk.com
+44 (0)20 7432 3077



Fangni Wang
New Business Executive

Fangni.Wang@lcp.uk.com
+44 (0)20 3824 7437

At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in energy, pensions, investment, insurance, financial wellbeing and business analytics.

Lane Clark & Peacock LLP
London, UK
Tel: +44 (0)20 7439 2266
enquiries@lcp.uk.com

Lane Clark & Peacock LLP
Winchester, UK
Tel: +44 (0)1962 870060
enquiries@lcp.uk.com

Lane Clark & Peacock
Ireland Limited
Dublin, Ireland
Tel: +353 (0)1 614 43 93
enquiries@lcpireland.com

Lane Clark & Peacock
Netherlands B.V.
Utrecht, Netherlands
Tel: +31 (0)30 256 76 30
info@lcpnl.com

All rights to this document are reserved to Lane Clark & Peacock LLP ("LCP"). This document may be reproduced in whole or in part, provided prominent acknowledgement of the source is given. We accept no liability to anyone to whom this document has been provided (with or without our consent).

Lane Clark & Peacock LLP is a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK (Regd. TM No 2315442) and in the EU (Regd. TM No 002935583). All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London W1U 1DQ, the firm's principal place of business and registered office. The firm is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities. The firm is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are licensed by the Institute and Faculty of Actuaries. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.

© Lane Clark & Peacock LLP 2021