



# abrdn pensions master trust

Helping your defined benefit pension scheme achieve its goals

January 2024

For professional investors only – Not for use by retail investors or advisers.

## Executive Summary

The recent raft of additional governance requirements and their associated cost of compliance, not to mention the remediation powers within the Pension Regulator's armoury means that many companies are reconsidering how best to deliver their legacy defined benefit pension promise. Cue the re-emergence of the defined benefit (DB) master trust as an optimal solution for many sponsors.

A defined benefit pension master trust – like the abrdn pensions master trust – is a multi-employer pension scheme for unconnected employers. DB master trusts pass on the benefits from the economies of scale they bring to all stakeholders of DB pension schemes. These include cost savings, governance improvements and an opportunity to increase member benefit security (i.e. through an acceleration of de-risking plans).

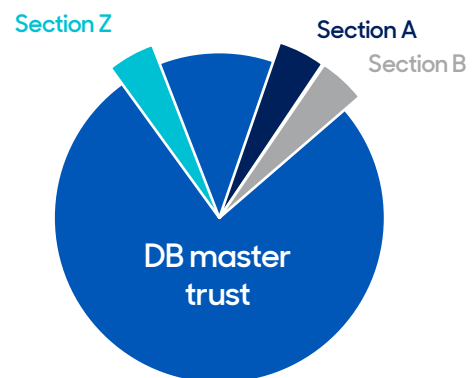
The abrdn pensions master trust gives access to:

- A robust governance and trustee succession solution
- Outsourced investment management
- Control of cash funding cost through efficient investment
- Reduced running expenses
- Efficient path to buyout
- Enhanced member experience

## The abrdn pensions master trust

The abrdn pensions master trust is a multi-employer DB pension scheme primarily aimed at small to medium sized pension schemes.

The link to the employer is not severed and member benefits remain unchanged. Assets and liabilities remain segregated, enabling schemes to pool together to benefit from the economies of scale, while avoiding cross-subsidies with other schemes.



We believe the abrdn pensions master trust is the first mainstream UK DB master trust to be launched by an asset manager in conjunction with an independent pensions consultancy. A summary of some of the benefits this brings is provided overleaf.



>700  
Investment  
professionals

£367.6bn  
Assets under  
management




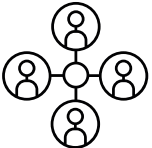



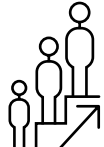
4998  
Employees

511  
Pension scheme  
clients

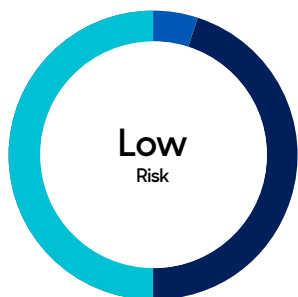
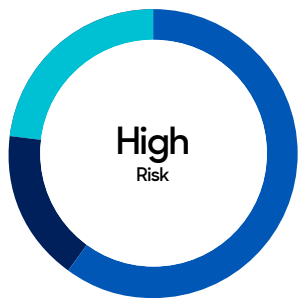


As at 30 June 2023.

[abrdn.com](https://abrdn.com)

Challenges facing DB schemes	How we can help
<p><b>Robust governance and trustee succession solution</b></p>  <p>New regulations and guidance are raising the bar on pension scheme governance. Some of these have already been adopted by large schemes with significant resource. However – equal application to their smaller, less well-resourced counterparts could prove disproportionate and burdensome.</p> <p>As the governance burden increases and the number of scheme members employed by the company decreases, it can be difficult to find trustees who are willing to do the job, let alone able to meet the onerous requirements on trustees.</p>	<p>Within the abrdn pensions master trust your scheme will be managed by professional trustees and other service professionals, taking away the day to day hassle of managing this obligation.</p> <ul style="list-style-type: none"> <li>Investment Management: abrdn Investment Management Limited</li> <li>Actuarial Advice, Investment Consultancy, Administration, Scheme Secretary and Covenant Advice: XPS Pensions Group</li> <li>Professional Trustee: BESTrustees Limited</li> <li>Legal Advice: Shepherd and Wedderburn LLP</li> <li>Audit: RSM UK Group LLP</li> </ul> <p>This would remove the governance burden entirely from the current trustees and provide reassurance to the company that the scheme is being run in a professional manner and is set up to target better outcomes for members.</p>
<p><b>Outsourced investment management</b></p>  <p>For many small and medium sized DB pension schemes, their investment strategy is implemented through a combination of pooled funds.</p> <p>Once a strategy has been implemented, trustees typically review performance and positions on a regular basis during trustee meetings.</p> <p>However market conditions during 2022, particularly the period following the 23rd September "mini budget", illustrated the problems which can arise without a nimble investment governance framework.</p>	<p>The abrdn pensions master trust gives your scheme access to a diversified range of assets in private and public markets with ESG considerations embedded throughout.</p> <p>We use a holistic approach to portfolio management. With a common trustee, investment adviser and asset manager, together with well-defined delegations, our efficient investment governance model gives us the ability to act quickly when decisions are required (be that in de-risking decisions or cashflow management), helping your scheme navigate through volatile markets and meet your long term objectives.</p>
<p><b>Control cash funding cost through efficient investment</b></p>  <p>Most schemes are closed to new members and future accrual. The new funding regime means all schemes will need to set a long-term funding objective and requires technical provisions consistent with a journey plan to reaching that objective.</p> <p>A common concern for employers in these circumstances is loss of control – both in risk and cost terms.</p> <p>How does the employer ensure that the trustees and service providers are effective in achieving the endgame without spiralling costs? How can the employer and trustees set a long-term strategy today that will not be revisited in 3 years' time?</p>	<p>The expected return from your pension scheme's investments can materially impact the cash cost to the employer of funding the benefit provision. Implementing an improved investment strategy can reduce funding costs and give employers more control over the timing of payments that may be required to close funding gaps.</p> <p>The abrdn pensions master trust offers access to a range of investment solutions that are often beyond the reach of small and medium sized schemes. Coupled with a funding approach that reflects these underlying investments and is expected to align with the new funding code, it is possible to improve control of cash funding costs.</p>
<p><b>Reduced running expenses</b></p>  <p>The Pensions Regulator<sup>1</sup> has already published detailed analysis showing that the costs of running small DB schemes are disproportionately high.</p> <p>These costs are only expected to increase as small and medium sized schemes have to deal with new regulations and tPR guidance that is primarily designed around larger schemes. This also has the potential to take up a disproportionate amount of management time.</p>	<p>Significant economies of scale are accessible via a master trust that are just not possible through appointing standalone counterparts such as independent trustees, actuaries and administrators.</p> <p>The abrdn pensions master trust has greater purchasing power than small and medium sized schemes possess on their own and is also able to avoid duplication of effort between sections and therefore deliver synergies.</p> <p>These synergies and economies of scale are passed on to the end client in the form of low fixed running costs.</p>
<p><b>Efficient path to buyout</b></p>  <p>Demand exceeds supply in the buyout market. Small schemes often struggle to get adequate attention from providers and may therefore pay a higher price than the larger schemes.</p>	<p>Through our size and relationships with insurers and broader network, we are able to offer sections a more competitive and smoother buyout process which can reasonably be expected to deliver accelerated risk transfer at a lower cost.</p> <p>Moreover, all sections will receive granular information in relation to the cost of buyout relative to their current assets, thus reducing the risk of overfunding.</p>
<p><b>Enhanced member experience</b></p>  <p>It is crucial (for financial planning purposes) that members understand their pension – both before and after retirement. For many people, their defined benefit pension will be their largest source of income in retirement. A poor member experience can lead to frustration and bad decision-making.</p>	<p>The abrdn pensions master trust provides its members with an award winning pension administration service from XPS, including online servicing.</p> <p>In addition, free financial education from abrdn financial planning is offered to all members.</p>

<sup>1</sup>Source: The Pensions Regulator, April 2014.



Reducing level of risk  
 Increasing focus on contractual yield

- Growth
- Hedging
- Cashflow focus

## More on the investment solution – integration with the new funding code

For too long the focus of running a pension scheme has been on actuarial funding assumptions and how this translates into funding requirements on the scheme sponsor. Inconsistent approaches at successive triennial actuarial valuations has, for many schemes, led to a step change in risk or funding every three years.

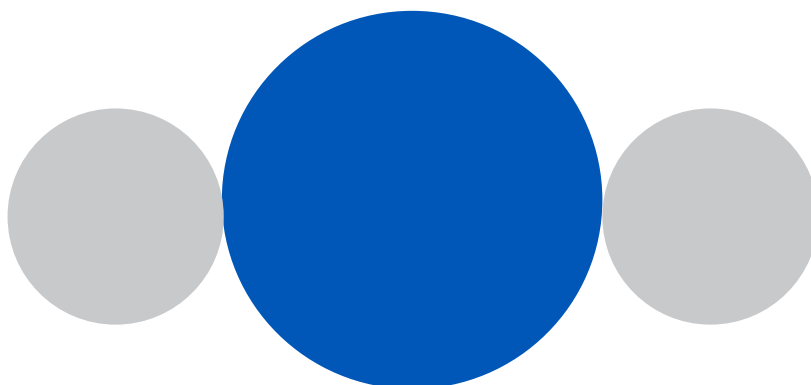
The new funding code (anticipated later in 2022) is expected to require schemes to articulate how their funding and investment strategy fits with a path to reaching a long-term objective. In this context, long term objective is expected to be either low-dependency or risk transfer (usually insurance buy out). Without careful planning, this has the potential to drive through further uncertainty.

We believe the new funding code presents a perfect opportunity to reset funding approaches – away from actuarial assumptions – to focus on the investment solution that can be expected to deliver the underlying member benefit promise. Through close collaboration with XPS Pensions Group, we have developed model investment portfolios appropriate for each stage in a scheme’s journey to its long-term objective.

The principle is simple and not a new one. As a scheme matures and its funding level increases, the reliance on contractual yield (providing a match for underlying benefit cashflows) increases. This means a gradual rebalancing from growth asset classes such as equities into fixed income assets through time.

Where the abrdn pensions master trust excels is in the implementation. It provides small to medium sized pension schemes with access to a diversified range of fixed income assets – across private as well as public markets. Mapped to each of the investment solutions are funding assumptions truly linked to the underlying fund characteristics – meaning appropriate, and not overly excessive or inadequate prudence margins can be made.

With Environmental, Social and Governance considerations embedded into investment decisions within all our funds, together with aggregate portfolio reporting, our master trust provides you with a clear picture of your progress to end-game together with information on how your investments are making a difference.



# About abrdn

## A focus on solutions



**Solutions experience and expertise**

**>£88bn**

Strategic asset allocation mandates

**>110**

Asset class experts



**A trusted partner for UK DB pension schemes**

**>£24bn**

UK pension scheme assets

**>500**

UK pension scheme clients

**Pensions Specialism**

Speaking your language



**Liability, Buy & Maintain Credit and cashflow matching**

**>£20bn**

Notional in Liability Aware mandates

**>£22bn**

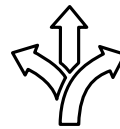
Buy & Maintain Credit mandates

**>40**

LDI pension scheme clients

**CDI Manager of the Year 2022**

Pensions Age



**Implementation**

**>700**

Investment professionals

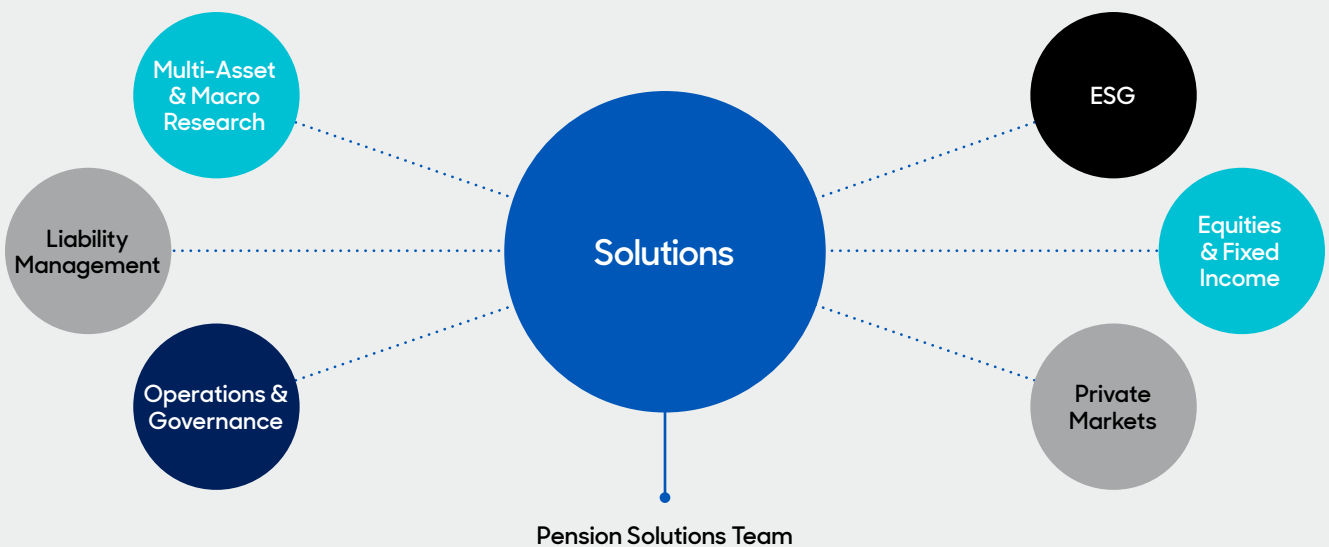
**>250 funds**

Approved across traditional assets

**ESG**

Integrated into process

Source: abrdn, 2023.



Depth of pensions experience having worked previously as actuarial & Investment consultants.

Figures accurate as at 30 June 2023.  
Source: abrdn, 2023.

## Leading UK Pensions Experts

XPS Pensions Group is a leading pensions consulting and administration business focussed on UK pension schemes. XPS combines expertise, insight and technology to address the needs of over 1,500 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over one million members and provide advisory services to schemes of all sizes, including 81 with assets over £1bn.

<b>1,500</b> Pension scheme clients	<b>£167m</b> Revenue (March 2023)	<b>1590</b> Employees	<b>15</b> Locations <sup>1</sup>
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<sup>1</sup> Belfast, Birmingham, Bristol, Chelmsford, Edinburgh, Guildford, Leeds, London, Manchester, Middlesbrough, Newcastle, Perth, Reading, Stirling, Portsmouth.

## Feedback from XPS clients

In 2022, XPS undertook a Client Insight survey in which 219 clients participated. The survey was conducted by an independent firm, Brand Research Development.

<b>99%</b>	agree XPS are collaborative in their approach and have created an environment in which they enjoy working with XPS
<b>9/10</b>	clients are likely to recommend XPS
<b>94%</b>	of clients expressed they were satisfied or better with their overall relationship

## Award winning

### Pensions advisory



### Investment consulting



### Corporate



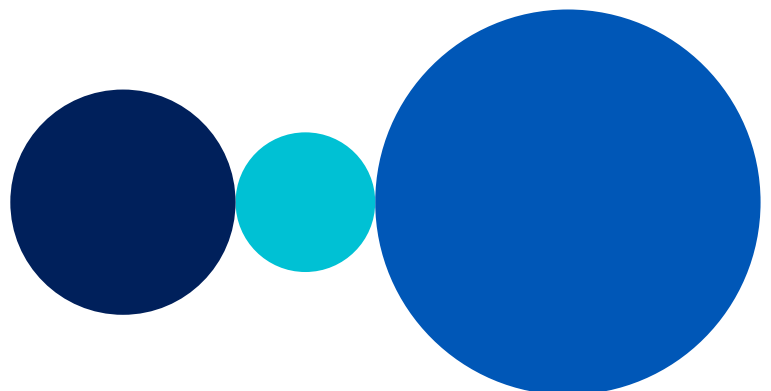
### Administration



### Technology



### Culture and Sustainability





### Market leading administration

**600+**

schemes administered

**994,000**

members benefits administered

**890**

administration staff

**99%**

of clients agree XPS are collaborative in their approach and enjoy working with them



### Independent, agile investment consulting

**400**

schemes advised

**£113bn**

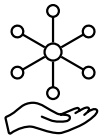
client assets advised

**85**

investment advisors

**ESG**

embedded within research



### Robust, distinctive actuarial expertise

**530+**

schemes advised

**138**

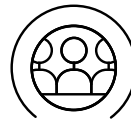
qualified actuaries

**420**

consultants

#### Innovative and distinctive advice:

Invest in technology and expertise to challenge the market



### A strong focus on members

Committed to helping members achieve good retirement outcomes. Over 5 years experience in protecting members against pensions scams.

**5,200**

cases

**1,200**

red flag cases

**£1.3bn**

of transfers protected

**250+**

schemes protected

## Contact us

If you would like to find out more to help decide whether transferring your defined benefit pension scheme to a master trust could help your business, please contact one of our pension solutions specialists at [DBmastertrust@abrdn.com](mailto:DBmastertrust@abrdn.com). Email is not a secure form of communication so please do not send any personal or sensitive information.



**Brian Denyer**

Senior Solutions Director – Pension Solutions



**Toby Rockingham**

Director – UK Institutional

## Important Information

**Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.**

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