

abrDN pensions master trust

Helping your defined benefits pension scheme achieve its goals

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. Queue the rebirth of the defined benefit (DB) master trust.

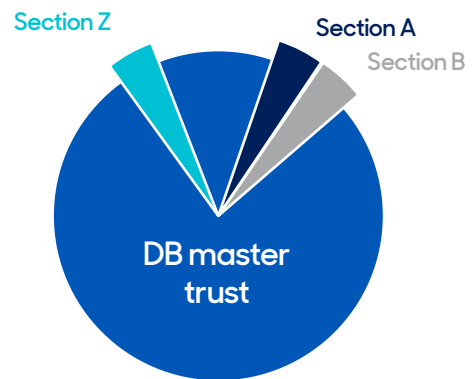
A defined benefit pension master trust – like the abrDN pensions master trust – is a multi-employer pension scheme for unconnected employers. DB master trusts pass on the benefits from the economies of scale they bring to all stakeholders of DB pension schemes. These include cost savings, governance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

While bringing together improved governance and cost efficiencies, our master trust gives access to the added benefits of an integrated funding and investment solution that has been developed from the “ground up”. In conjunction with XPS Pensions Group, abrDN has developed model investment portfolios offering a holistic and risk focused approach to setting your scheme on its journey to meeting its long-term funding objective.

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.



>800
Investment professionals

£456.6bn
Assets under management



1,400
Employees

1,500
Pension scheme clients



As at 07.03.2022.

abrDN.com

Challenges

How we can help



Improved governance

"One stop shop" for all your pension scheme needs

New regulations and guidance are raising the bar on pension scheme governance. These seem designed around larger schemes with significant resource for dealing with pensions matters, but they apply equally to smaller and medium sized schemes and hence there can be a disproportionate governance burden on those schemes.

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.

The abrdn pensions master trust will provide you with the complete governance framework in one place. It includes, investment, actuarial advice, administration, legal and professional trustee services.

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 will deliver potentially better outcomes for the Scheme's members.



Driving cost efficiencies

Fixed bps encompassing all services

The Pensions Regulator¹ (tPR) has already published detailed analysis showing that the costs of running small DB schemes are disproportionately high.

These costs are only expected to increase as small and medium schemes have to deal with new regulations and tPR guidance that is primarily designed around larger schemes, especially the impact of the Pensions Schemes Act 2021. This also has the potential to take up a disproportionate amount of management time.

In addition to the headline cost savings, the abrdn pensions master trust has the following additional advantages.

- Running costs would be paid via a fixed basis points charge levied on the Scheme's assets. The Company would no longer have to budget for, and process, invoices in relation to the Scheme.
- Freeing up management time provides additional opportunity cost savings. The operational model for the abrdn pensions master trust is streamlined, leading to fewer meetings and more efficient decision-making.



Control journey to end-game

Integration of investment componentry with advice

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.

A common concern for sponsoring employers in these circumstances is loss of control – both in risk and cost terms.

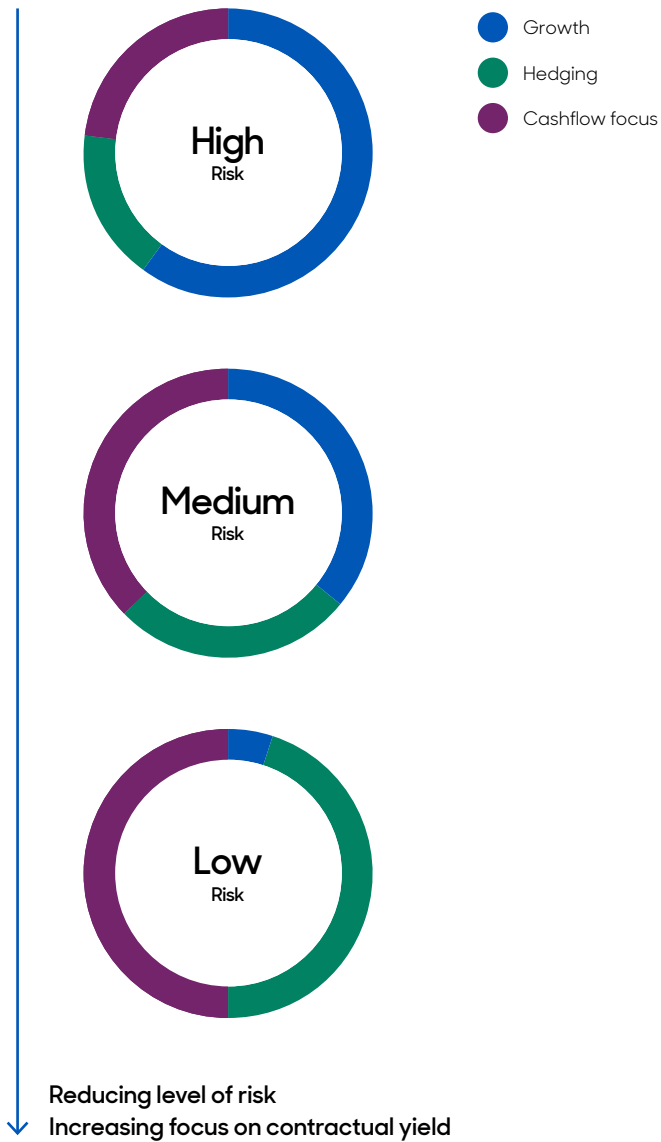
How does the employer ensure that the Scheme's trustees and service providers are effective in achieving the end-game without spiralling costs (both expenses and funding)? How can the sponsor and trustees set a long-term strategy today that will not be revisited in 3 years' time?

In conjunction with XPS, abrdn has developed model investment portfolios for each stage in a scheme's funding journey which can be flexed based on your scheme's maturity and backing sponsor covenant in order to meet the expected pension regulators requirements.

Note these portfolios do not need to precisely match fast track parameters. They are set based on an underlying belief that schemes should take risk only when rewarded. There are efficiencies to be gained when the asset manager works closely with not just the investment consultant, but also the Scheme Actuary to ensure consistency of liability measurement basis with the underlying investment solution.

Through collaborating on the integrated solution for the abrdn pensions master trust, we believe abrdn and XPS have done just that, embedding a truly integrated risk management approach.

¹ Source: The Pensions Regulator, April 2014.



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



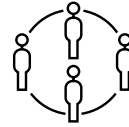
Solutions experience and expertise

>£100bn

Strategic asset allocation mandates

>150

Asset class experts



A trusted partner for UK DB pension schemes

>£35bn

UK pension scheme assets

>600

UK pension scheme clients

Pensions Specialism

Speaking your language



Liability, Buy & Maintain Credit and cashflow matching

>£34bn

Notional in Liability Aware mandates

>£30bn

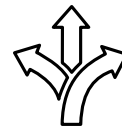
Buy & Maintain Credit mandates

>60

LDI pension scheme clients

CDI Manager of the Year 2022

Pensions Age



Implementation

>870

Investment professionals

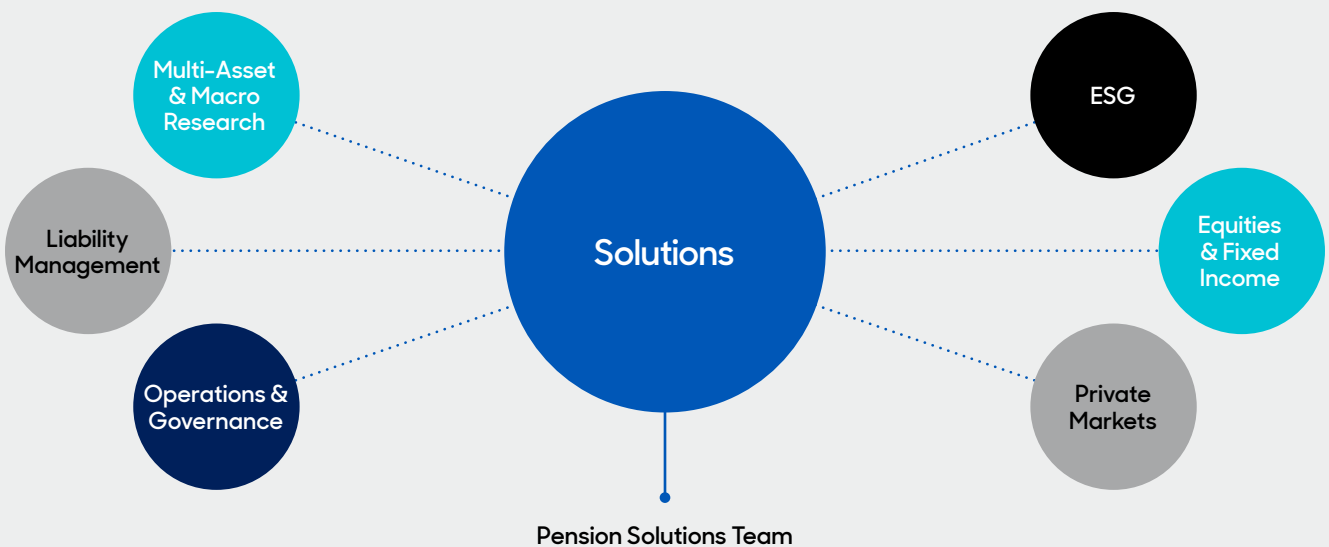
>250 funds

Approved across traditional assets

ESG

Integrated into process

Source: abrdn, 2022.



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

Figures accurate as at 07.03.2022.
Source: abrdn, 2022.

Leading UK Pensions Experts

XPS Pensions Group is the largest pure pensions consultancy in the UK, specialising in actuarial, covenant, investment consulting and administration. XPS Pensions Group undertake pensions administration for over 948,000 members and provide advisory services to schemes of all sizes including 47 with over £1bn of assets.

1,500 Pension scheme clients	£128m Revenue (March 2021)	1,400 Employees	16 Locations ¹
--	--------------------------------------	---------------------------	-------------------------------------

¹ Belfast, Birmingham, Bristol, Chelmsford, Edinburgh, Guildford, Leeds, London, Manchester, Middlesbrough, Newcastle, Perth, Reading, Stirling, Wokingham, Portsmouth.

Awards



Feedback from XPS clients


In June 2019, XPS undertook a Client Insight survey. 180 trustee and employer clients participated. The survey was conducted by an independent firm, Brand Research Development.

94%	of clients expressed they were satisfied or better with their overall relationship
9/10	clients are likely to recommend XPS
97%	of clients say XPS are collaborative in their approach and have created an environment in which they enjoy working with XPS.



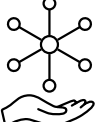
Market leading administration

613 schemes administered	948,000 members benefits administered
770 administration staff	No. 1 Third Party Administrator in 5 of the last 7 years*




Independent, agile investment consulting

350+ schemes advised	£140bn+ client assets advised
75 investment advisors	ESG embedded within research



Robust, distinctive actuarial expertise

530+ schemes advised	131 qualified actuaries
342 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.

4,600 cases	1,200 red flag cases
£1.1bn of transfers protected	250+ schemes protected

* XPS Pensions Group was rated the top Third-Party Administrator in the Professional Pensions Survey in five of the past seven years.

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 pension.solutions@aberdeen-asset.com. Email is not a secure form of communication so please do not send any personal or sensitive information.



Mark Foster
Global Head –
Pension Solutions



Brian Denyer
Senior Solutions Director –
Pension Solutions



Greg Morris
Head of UK Institutional Business
Development – UK Client Group

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.

The above marketing document is strictly for information purposes only and should not be considered as an offer, investment recommendation, or solicitation, to deal in any of the investments mentioned herein and does not constitute investment research.

abr dn does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials. Any research or analysis used in the preparation of this document has been procured by abr dn for its own use and may have been acted on for its own purpose. The results thus obtained are made available only coincidentally and the information is not guaranteed as to its accuracy. Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions and actual events or results may differ materially. The reader must make their own assessment of the relevance, accuracy and adequacy of the information contained in this document and make such independent investigations, as they may consider necessary or appropriate for the purpose of such assessment. This material serves to provide general information and is not meant to be investment, legal or tax advice for any particular investor. No warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document. abr dn reserves the right to make changes and corrections to any information in this document at any time, without notice. This material is not to be reproduced in whole or in part without the prior written consent of abr dn.

abr dn is a global business providing a range of services to help clients and customers plan, save and invest. abr dn group uses different legal entities to meet different client and customer needs. Some elements of the abr dn client experience may contain previous brand names until all brand name changes have completed.

United Kingdom (UK): abr dn Investment Management Limited registered in Scotland (SC123321) at 1 George Street, Edinburgh, EH2 2LL. Authorised and regulated in the UK by the Financial Conduct Authority.

For more information visit abr dn.com

GB-070322-167193-1

abr dn.com

STA0222391308-001