Strengthening member protection through a PCST appointment

Client Context

IGG was appointed as Chair of Trustee, to support the negotiation and agreement of the actuarial valuation with the sponsoring employer of a small-medium sized pension scheme. The scheme was underfunded on a Technical Provisions basis and there was material deterioration in the covenant of its sponsoring employer during the valuation process. This resulted in a funding support package being agreed as part of the valuation.

Challenge

The Trustee was concerned about the deterioration of the covenant and the potential for the sponsoring employer to enter an insolvency process if it were to deteriorate further. Due to the unique structure of the sponsoring employer, there was a concern that, in the event of the sponsoring employer becoming insolvent, an insolvency practitioner could challenge the funding or mitigation agreed between the Trustee and sponsoring employer on the basis that the Trustee could be considered a connected party. This would have been highly detrimental for the Scheme and its members.

With a funding support package being agreed as part of the valuation process, the Trustee and sponsoring employer needed to address this concern and ensure the Trustee's position in relation to the agreed funding was appropriately protected.

At a glance

Scheme size

£135m

UK pension scheme

Membership

800

members

Governance model

Professional Corporate Sole Trustee

Driver for appointment

Legal considerations

IGG Independent Governance Group

Solution

Having taken legal advice on the options available, the Trustee and sponsoring employer agreed to move to a Professional Corporate Sole Trustee ("PCST") model. The appointment of a PCST would have the effect of breaking any potential connection between the Trustee and sponsoring employer when agreeing the funding package.

IGG's existing involvement as Chair of Trustee provided continuity throughout the transition. Having already been involved in negotiating the funding package with the sponsoring employer, IGG retained the knowledge required to progress agreement of the funding package and actuarial valuation in short order following the change in governance structure.

Result

The appointment of IGG as PCST addressed the concern around the Trustee's ability to access the agreed funding and mitigation put in place during the valuation process, in the event of sponsor insolvency, strengthening the position for members.

IGG's existing involvement as Chair of Trustee ensured continuity of knowledge and maintenance of relationships with advisers and the sponsoring employer, avoiding any disruption to the ongoing operation of the Scheme.

Members were informed of the appointment of IGG as PCST as part of a joint communication from the Trustee and sponsoring employer, also announcing the agreed funding support package.

The move therefore addressed the specific legal consideration that had prompted the governance change, strengthening the protection of members' benefits, without delaying the agreement of the valuation or disrupting the ongoing operation of the Scheme.

IGG Delivered

- Transition to a Professional Corporate Sole Trustee model
- Scheme specific knowledge retained
- Continuity from Chair of Trustee to PCST
- Removal of the potential connected-party concern

Why This Matters for Pension Schemes

Pension schemes are operating in an increasingly complex environment, with rising regulatory expectations, greater technical complexity and growing pressure to deliver outcomes at pace.

For many schemes, this can increase the time burden on trustees, sponsors and advisers, while making efficient and agile decision-making increasingly important. PCST provides additional capacity, experience and independence, helping schemes navigate these demands while maintaining strong governance and a clear focus on member outcomes.

IGG's role

IGG is one of the UK's leading providers of PCST services, with over 150 appointments across schemes ranging from the very smallest to multi-billion pound arrangements.

Our team-based approach brings together accredited industry experts with diverse skills and experience to provide:

- ✓ Professional trusteeship and clear accountability
- ✓ Deep technical and governance expertise
- ✓ Efficient oversight and coordination of advisers
- ✓ Continuity and resilience through periods of change
- ✓ Quick action for complex and time-critical decisions

The result is a professional governance model designed to provide greater clarity, efficiency and confidence.

The value

PCST can provide a clearer, more efficient and resilient governance framework, giving schemes access to professional expertise while reducing unnecessary governance friction.

With IGG as PCST, schemes can benefit from:

- Faster, more agile decision-making
- Reduced management burden
- Continuity and resilience
- Deeper professional expertise
- Stronger sponsor engagement
- Potential cost efficiencies

Whether navigating complex funding or covenant matters, preparing for a transaction, managing conflicts or addressing trustee succession, PCST provides the capacity and experience to support effective governance and member outcomes.



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