Supporting a run-on strategy through a more efficient PCST model

Client Context

A very large UK pension scheme was fully funded on a buy-out basis. Rather than pursuing buy-out, the sponsor wanted to run on the Scheme and use surplus assets to meet DB accrual and DC contributions, while also creating a new DC section for new hires. Against this backdrop, the sponsor was considering whether the existing governance model remained appropriate for the Scheme's evolving requirements.

Challenge

The Scheme was entering a period of significant strategic change. The former Trustee Board had already agreed with the sponsoring employer for surplus assets to be used to meet DB accrual and DC contributions for existing members. However, a framework for surplus use needed to be agreed, providing guardrails against any material deterioration in the Scheme's funding. Alongside the agreement of a surplus framework, the sponsor wanted to introduce a new DC section - an area that would have been new to the existing Trustees.

At the same time, the legal and regulatory environment was becoming increasingly complex, particularly in relation to run-on and the use of surplus. The sponsor wanted a simpler and more efficient governance structure that could consider these complex matters while taking a more nimble approach to decision-making and reducing costs.

The existing Trustee Board comprised more than ten trustees and relied on advisers for training. This could make decision-making slow, while annual operating costs were high. Against this combination of strategic, regulatory and operational considerations, the appointment of a PCST was considered a more appropriate governance model for the Scheme.

At a glance

Scheme size

£2bn

UK pension scheme

Membership

8,000

members

Governance model

Professional Corporate Sole Trustee

Driver for appointment

Run-on, regulatory complexity and greater efficiency

Solution

IGG was initially appointed as co-trustee, creating a transition period ahead of the move to Professional Corporate Sole Trustee. This enabled IGG to develop a complete understanding of the Scheme's history and projects already in progress, while coordinating with advisers and fund managers to support a seamless transition to the new governance structure.

All novation documentation was agreed in advance and signed on the same day that the PCST appointment took effect. This mitigated the risk of the Trustee being unable to act immediately following appointment.

Result

The appointment of IGG as PCST addressed the sponsor's desire for a more efficient governance model, enabling the Trustee to consider complex matters within a developing regulatory environment while streamlining all aspects of governance.

The transition also ensured continuity across the Scheme's existing activities, with IGG's initial appointment as co-trustee providing the opportunity to understand the Scheme's history and ongoing projects before assuming the PCST role.

The resulting governance structure provided the more streamlined approach sought by the sponsor as the Scheme progressed its run-on strategy and considered the evolving requirements associated with surplus and the introduction of a new DC section.

IGG Delivered

- Transition from Co-Trustee to PCST
- Complex projects subsequently completed at pace
- Continuity of Scheme knowledge through the transition
- Advance coordination of novation documentation

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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