



ZEDRA

DO MORE. ACHIEVE MORE.

Active Wealth

Corporate & Global Expansion

Pensions & Incentives

Funds

PLSA North London Group Issues in pensions for independent trustees

Phil Clark

14 January 2025

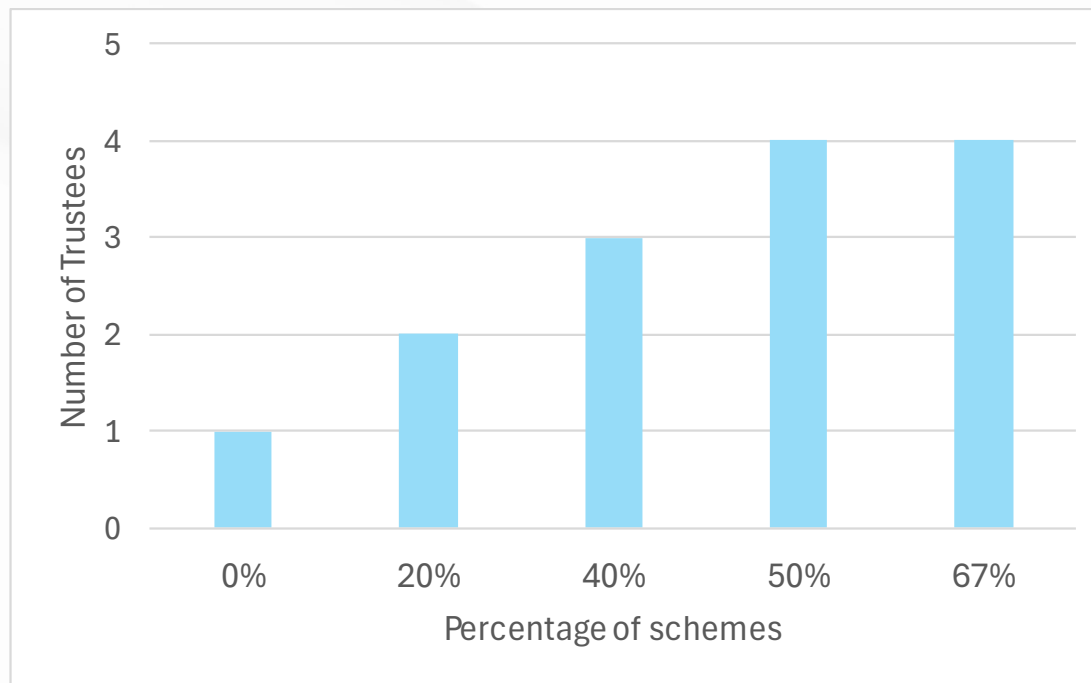
AGENDA

- **Buy-out**
- **Consolidators**
- **Run-on and surplus powers**
- **Everything else!!**



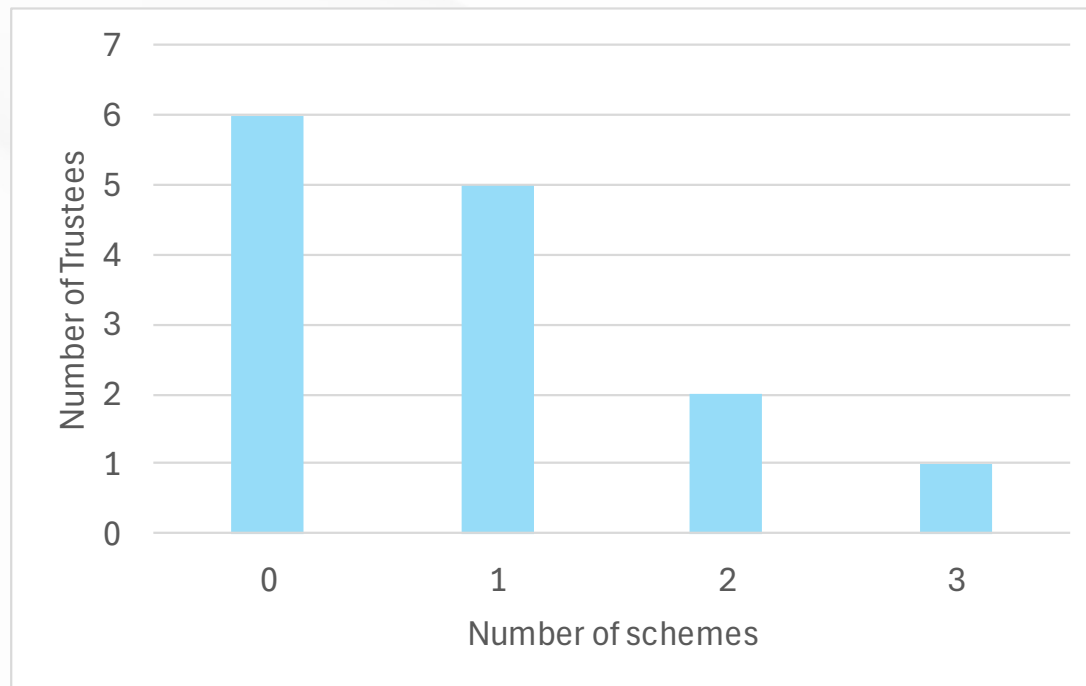
Some context – straw poll across ZGL’s Trustees

What percentage of your schemes expect to be able to afford buy-in in the next 3 years?



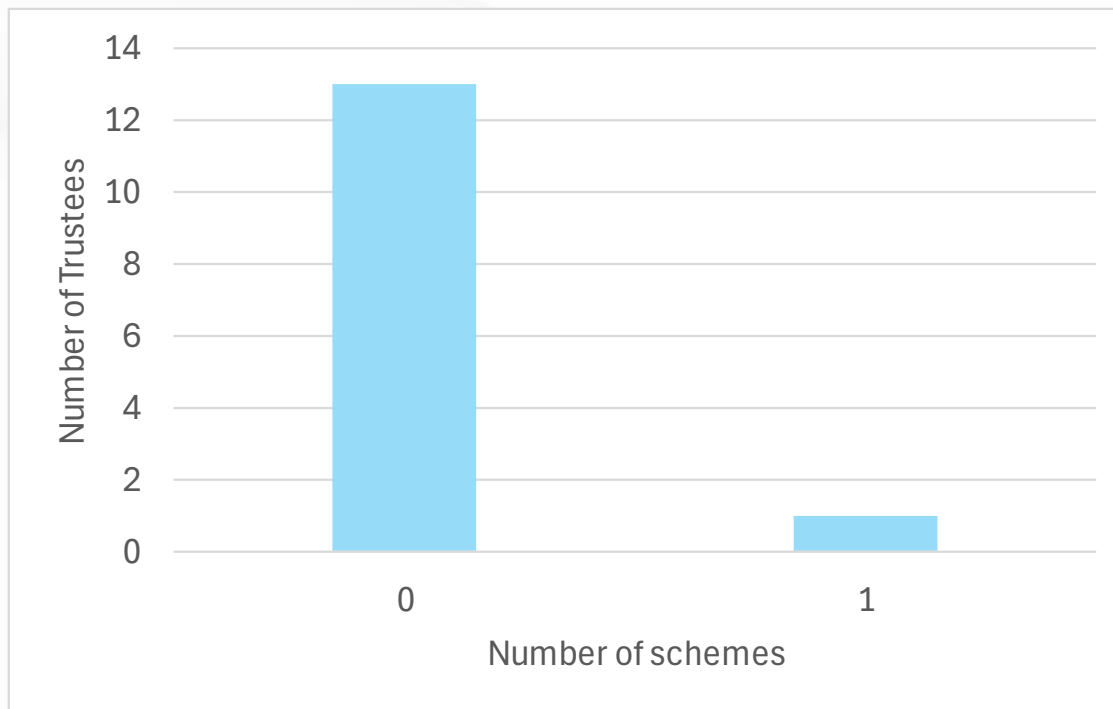
Some context – straw poll across ZGL's Trustees

How many of your schemes are seriously considering run-on?



Some context – straw poll across ZGL’s Trustees

How many of your schemes are seriously considering a consolidator?



Buy-in and buy-out

- Gold standard?
- Plenty of capacity in the market - £50bn in 2024, £50-60bn anticipated in 2025
- Limited players at the smaller end of the market
- New entrants to the market
- Preparation is key – benefit specification, codifying discretions, data work
- Lots of factors in choosing an insurer – price, administration service, member engagement, ESG credentials
- Barriers – company accounting, admin resource, illiquid assets, section 37, insurer capacity
- Escrow gaining interest
- Run-off insurance vs sponsor indemnity

Consolidators

- Not a popular alternative to date
- Expect this will change over time
- Attractive to schemes where
 - sponsor can't afford to close buy-out deficit
 - covenant of consolidator is better than the sponsor
 - capital injection from provider improves member security
- Will a national consolidator emerge?

Run-on

- As a Trustee, why would you?
- Sponsors view – is it worth it?
- If sponsor wanted to, as Trustee would have a duty to consider – is it in members interests?
- How can the sponsor protect / strengthen the covenant to the scheme
- Can risk be sufficiently reduced – with investment risk largely mitigated, other risks become more material:
 - Longevity, cyber, operational – what will be the next GMPE / s37?
- Trustee duty to secure promised benefits, and not to negotiate better benefits for members
- How do you share surplus fairly between all members
 - DC – not our members!
 - Discretionary pension increases – pensioners only

What else is keeping us busy

Gilt yields

Hedging levels

Dashboards

Member
engagement

Funding code

Cashflow
management

GMP equalisation
and data projects

ESOG & ORA

Managing costs

Transitions to sole
trustee

DC consolidation

Fiduciary management



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