

DB Master Trust Self-Certificate



abrdn pensions master trust

Completed by	abrdn Founder Co Limited 1 George Street Edinburgh EH2 2LL
Date completed	November 2022
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Important note

The purpose of DB Master Trust Self-Certificates is to summarise factual information about a DB Master Trust. This Self-Certificate has been completed by the entity noted above. The information presented has not been audited, verified or otherwise checked by any third party. The Self-Certificate is not intended to provide comprehensive information about the DB Master Trust. Parties considering DB Master Trusts remain responsible for carrying out appropriate investigations, obtaining relevant information directly from relevant DB Master Trusts, and seeking appropriate professional advice in advance of making any decision. See "About this Self-Certificate" at the end of the document for further information.



Scheme	abrdn pensions master trust
HMRC and TPR registered	Yes
Provider	abrdn Founder Co Limited
	The abrdn pensions master trust was established in partnership between abrdn plc and XPS Pensions Group plc.
Structure	
Sectionalisation	Sectionalised master trust
Employer covenant	Preserved on transferring in
Benefit structure	Based on transferring scheme
Governance and Advisers	
Trustees	<p>The master trust has a corporate professional trustee – BESTrustees. The two trustee directors at BESTrustees who oversee the master trust are Christopher Wheeler and Rachel Brougham.</p> <p>The complementary skillsets of Christopher and Rachel, together with their significant experience of acting as professional trustees, provides a strong governance model that is both nimble and efficient.</p>
Trustee appointment	<p>Under the Trust Deed and Rules of the abrdn pensions master trust, the power to appoint and remove trustees sits with the Principal Employer, abrdn Founder Co Limited.</p> <p>abrdn Founder Co Limited is a wholly owned entity within the abrdn group and it does not have any operational responsibilities outside of the abrdn pensions master trust.</p>
Other governance processes	<p>The governance structure has been designed to be both robust and efficient. Sections of the master trust will have access to professional service providers across all service lines required to manage a defined benefit pension scheme at a competitive cost. All roles and responsibilities are clearly allocated with minimal duplication of effort.</p> <p>In addition, we note:</p> <ul style="list-style-type: none"> • The trustees of the master trust have strong credentials. They are part of one of the leading independent trustee firms in the UK market and have the experience and ability to ensure the governance policies and processes that the master trust follows are appropriate. • Secretarial and governance support is provided by XPS. • One key feature of the master trust is the use of a Scheme Strategist Team (“SST”) which is made up of professionals from abrdn and XPS. The SST works with the secretary of the master trust to implement delegated operational responsibilities in an efficient manner. For



example, agreement of the triennial valuation and implementation of investment strategy changes (within certain pre-agreed parameters).

Balance of powers

The balance of powers is between the Founder, the section employer and the trustees. Each section of the scheme is governed by its own appendix to the master trust's Trust Deed, which incorporates the incoming scheme's rules in an almost unaltered form. As a result, the balance of powers between the trustees of the ceding scheme and the employer are largely unchanged on entry to the master trust and will remain specific to each section. The exception is certain constitutional powers which remain at a master trust level, such as the power to appoint trustees or create a new section of the master trust.

An onboarding guide encompassing balance of powers is available as part of the due diligence process for scheme trustees and employers considering the abrdn pensions master trust.

Key advisers and adviser appointment

The Trustees of the master trust have the power of appointment and removal of advisers.

At the time of submission, the key advisers are as follows:

Scheme Actuary: XPS

Administrator: XPS

Scheme Secretary: XPS

Covenant Adviser: XPS

Investment Consultant: XPS

Investment Manager: abrdn

Legal adviser: Shepherd and Wedderburn



Operations and Costs

Investment

Sections are anticipated (but not mandated) to be invested in abrdn pooled fund componentry.

abrdn currently has c£460bn¹ of assets under management, including c£40bn for UK DB pension schemes. This scale gives abrdn:

- 1) significant purchasing power, which can be passed onto schemes in terms of very competitive fund charges; and
- 2) access to a wide range of investments, which can be made available to individual schemes that perhaps wouldn't have access to those investments as a standalone scheme.

abrdn and XPS's investment consulting team have developed a range of model investment portfolios, which target a set level of risk and return. The default position is that schemes that come into the master trust will use those investment portfolios to help them set and deliver a clear journey plan to a low-risk target, with triggers-based de-risking to help take advantage of market opportunities in an efficient way – see further detail in “scheme funding” section below.

The model investment portfolios target an increasing allocation to contractual yield as the underlying section matures and progresses along its path to its long-term target. ESG factors are integrated within the investment process of all the underlying component funds and a number of the funds have explicit sustainability criteria within the investment benchmark.

The investment strategies and accompanying investment governance model is a key feature of the abrdn pensions master trust and further detail is provided in the onboarding guide ahead of a new section being created.

1. At FY 31 December 2021

Scheme funding

Aligned with the model investment portfolios, abrdn and XPS have developed a range of model funding strategies which are consistent with the covenant strength, maturity and investment strategy of the incoming scheme.

The default position is that schemes that come into the master trust will use those funding strategies, in conjunction with the model investment portfolios described above, to help them set and deliver a clear journey plan to their long-term target.

These model strategies have been formed through close integration of XPS's actuarial expertise and abrdn's investment management expertise, with additional scrutiny from the master trust's professional trustee.

This approach also makes for a supremely efficient implementation of the funding strategies – the triennial valuation becomes a largely automated process based on principles that employers coming into the master trust, and the trustees operating the master trust, have already bought into.

It also brings the benefit of a fully transparent approach to funding and investment. The principles underlying the formation of funding and investment strategies are not expected to change, which can provide comfort to scheme sponsors on entry.



Costs and charges

Pension scheme costs are complex. Those considering a DB Master Trust are encouraged to contact providers for information on the costs which would apply to their particular scheme.

Cost savings are expected to be generated for schemes coming into the master trust through economies of scale, and a supremely efficient operational model for governance and strategy. This applies not only to “business as usual” services (for example ongoing scheme administration, triennial valuations and annual accounts), but also to “project” services (for example member communications exercises, liability management exercises and insurance buyout planning).

Each employer coming into the master trust ultimately remains responsible for ongoing costs and charges of their section of the master trust, as would have been the case outside of the master trust. The ‘hassle factor’ of dealing with ongoing costs is dealt with by the master trust – the default position is that all adviser costs and investment management costs are paid out of the assets of each section, but there is the option of the employer of each section meeting them directly if preferred.

The abrdn pensions master trust provides fee certainty at outset for the core service offering through four separate components:

- Investment Management Charges, expressed in bps and levied on section assets at a discounted rate card for the part of assets invested with abrdn.
- An enhanced reporting and investment management fee, expressed in bps and levied on section assets, covering the enhanced investment governance operating model.
- A Founder Fee, expressed in bps and covering professional trustee, legal and audit services
- An XPS service fee, expressed in £s and covering administration, scheme actuarial, scheme secretarial, investment consultancy and covenant services.

Other costs

Some non-advisory costs, such as PPF levies or death-in-service insurance premiums for schemes with in-service members, would be payable in addition to the above costs. Each employer remains responsible for their own costs incurred in this respect, i.e. there is no cross subsidy between sections.

Provider and trustees’ remuneration

The Provider (abrdn Founder Co Ltd) receives a “Founder Fee” as mentioned above. The Provider also meets the costs of trustee, legal and audit providers and the Founder Fee is structured to be sufficient to meet these costs. The Provider is not expected to profit from this arrangement. The commercial interest is elsewhere in the abrdn group, through provision of investment management services.

Joining and Leaving

Entry process and costs

Schemes join the abrdn pensions master trust via a bulk transfer of assets and liabilities. As there are no changes to member benefits or employer covenant,



the actuarial certification and legal considerations to facilitate the bulk transfer are relatively simple. Legal adherence to the master trust is achieved via a simple Deed of Participation.

The Trustee of the abrdn pensions master trust has delegated the transition process to the Scheme Strategist Team, which has a detailed project plan for ensuring a smooth and cost-effective onboarding.

Exit process and costs

Each section of the master trust is able to exit the master trust without the consent of the trustees or the consent of other sections of the master trust. No exit fee is payable to the master trust, but the employer of the exiting section could face other exit costs, such as professional advice costs and investment transition costs.

The exit process for each section would be similar to the joining process – i.e. a bulk transfer of assets and liabilities would need to be made.

Over time, it is expected that some sections may wish to exit the master trust via a full buyout with an insurance company. Indeed, a key focus of the integrated funding and investment strategies within the master trust is to give employers the option of setting a journey plan towards an insurance buyout – if that is the employer's objective – and as a result accelerating that timeframe to buyout via the many efficiencies offered through consolidation within the master trust. The costs of exiting the master trust through an insurance buyout would be met from the assets of the relevant section of the master trust (noting that those costs would be clearly factored into any plan to reach full buyout with an insurance company).



Provider Summary

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.

The master trust will use abrdn's investment expertise and scale, and XPS's high-quality service delivery, to help small and medium-sized schemes set their pensions strategy and then deliver this within an efficient operational model.

The key benefits are as follows:

- 1) A focus on investment diversification, return and risk management, translating to greater control over funding cost.
- 2) A strong investment governance model – one that is nimble and efficient – across cashflow / liquidity management and de-risking decisions.
- 3) Improved governance across the whole pensions management process and a reduced hassle factor through a professional trustee and a 'one stop shop' for all your DB pension scheme needs.
- 4) Cost efficiencies through economies of scale and a supremely efficient operational model.
- 5) An efficient stepping stone to buyout. Through scale the master trust expands the number of providers and offers regular information flow to mitigate over-funding risk.
- 6) An enhanced member experience through an award-winning administration service and access to free financial education via abrdn financial planning.

abrdn and XPS would be pleased to discuss with schemes the benefits of the abrdn pensions master trust. Contact details are included on the front page of this Self-Certificate. Further information can also be found on our website below.

[abrdn pensions master trust | abrdn](#)

About this Self-Certificate

Important note

All information in this Self-Certificate is provided by the entity shown on the front cover as having completed the Self-Certificate. No reliance should be placed on this information and parties considering defined benefit (“DB”) Master Trusts remain responsible for carrying out appropriate investigations, obtaining relevant information directly from relevant DB Master Trusts, and seeking appropriate professional advice in advance of making any decision.

The template for this Certificate was created by the Defined Benefit Master Trusts working group. At the time the template was issued, the working group comprised the Department for Work and Pensions (“DWP”), the Pensions and Lifetime Savings Association (“PLSA”), Abrdn, Deloitte, Hymans Robertson, Mercer, the Pensions Management Institute, Punter Southall, TPT and Travers Smith (henceforth called “the working group”). The PLSA have kindly agreed to host completed Self-Certificates on their website.

For the avoidance of doubt the working group does not audit, verify or otherwise check the information presented in DB Master Trust Self-Certificates.

Self-Certificate version number

This Self-Certificate is based on template version number 1, issued by the working group on 27 October 2021.

Purpose of the Self-Certificate

The Self-Certificate is intended to summarise factual information to assist DB scheme trustees and employers to understand the key features of DB Master Trusts which are available to accept transfers of DB pension schemes. It is not intended to provide comprehensive information on the DB Master Trust.

DWP support the creation of this template, to encourage the consolidation of DB pension schemes where it can benefit the schemes by reducing costs, enabling more effective investment strategies and improving governance.

Schemes the Self-Certificate applies to

The Self-Certificate is for registered UK occupational defined benefit pension schemes that offer to accept transfers of the defined benefit pension assets and liabilities of non-associated employers while maintaining the transferring employers’ responsibilities for the liabilities. The template is not for superfunds or other arrangements where the link with the sponsoring employers is severed.

Guidance

The working group has published “Guidance for Completing a DB Master Trust Self-Certificate”. Self-Certificates should be considered in conjunction with the Guidance, which contains information on how entities are expected to complete the various fields.

Location of Self-Certificates

Completed Self-Certificates are published online subject to certain acceptance criteria summarised in the Guidance. Self-Certificates together with the template and Guidance can be found at this location:

<https://www.plsa.co.uk/Policy-and-Research/Defined-Benefit/DB-Master-Trust-Self-Certificates>

Questions about Self-Certificates

Any queries should be raised with the entity that has completed the Self-Certificate using the contact details provided on the front cover.