



# Professional Independent Trustee Survey 2022



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# 1 Executive Summary

Isio's professional trustee survey is back for another year. An exciting twelve months for the industry has seen the market continue to expand despite the challenges of the pandemic. This survey focuses on the dozen larger firms with over fifty appointments each, who operate alongside many smaller firms and individual trustees.



**12** large firms



**280** Independent Trustees



Representing over  
**2,000** pension schemes

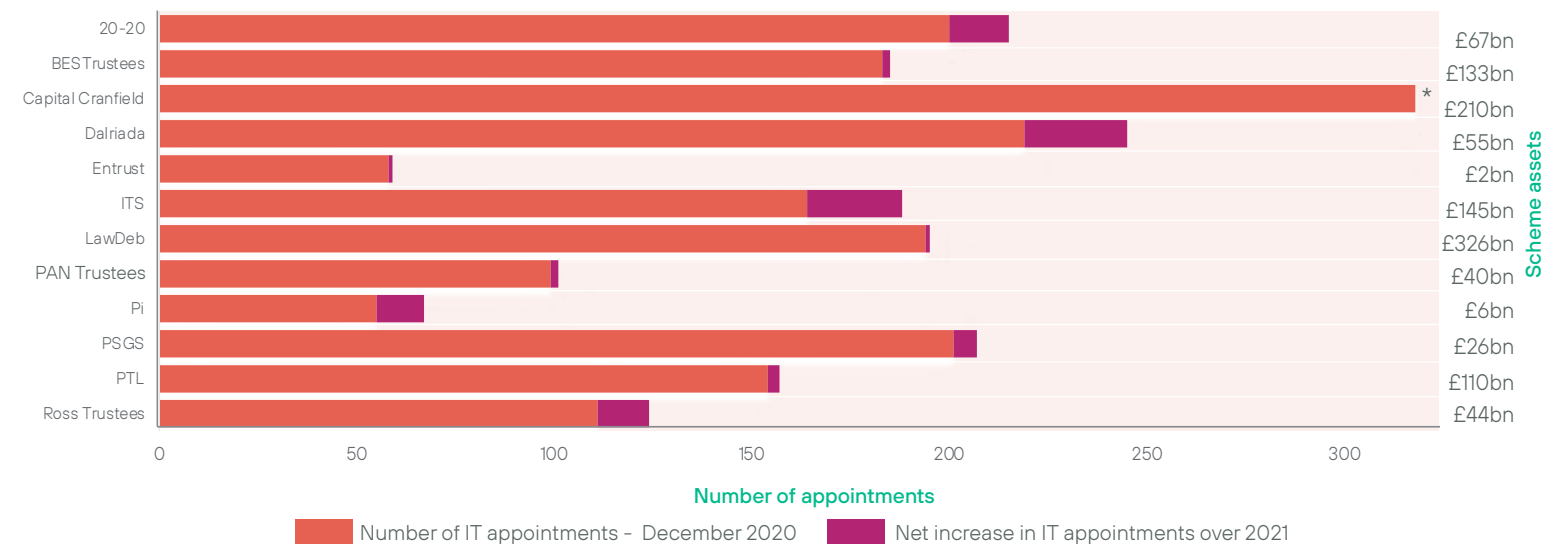


Responsible for over  
**£1,150bn** in assets



"What's going on at the moment is effectively a land-grab for clients"

Appointments and scheme assets (£bn)



\*Note this is the December 2021 figure which has fallen since last year due to scheme wind-ups.

## Key developments over 2021



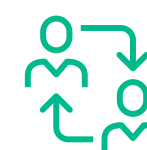
A buoyant market with over 200 new appointments and an average 20% increase in firms' revenue. Some have grown faster than others with a cadre of firms closing the gap to their largest and most established competitors.



Acceleration in Sole Corporate Trustee (SCT) roles – both new appointments and transition of existing trustee boards. The total SCT appointments rose from c. 800 last year to 860, and the number of £1bn schemes with a SCT continues to grow.



A more competitive market for new business, often with robust procurement processes and strong price competition particularly for smaller schemes. Despite this, revenue per trustee client is growing as activity levels and projects have increased and firms extend their services.



Growing differentiation in firms' trustee models, ranging from experienced "non-executive decision-makers" to provision of a "governance team" offering a deeper range of expertise and services.



## Choosing a Professional Trustee



“Selection processes have matured over the last 5 years”



It can be hard to know where to start, given that there are so many firms – and more importantly individuals – to choose from. A clear thought process can ensure you get the right result for your scheme.

### Why do you want a professional Trustee?

- What will an IT help you achieve, is it to enable faster decisions, fill a knowledge gap, improve diversity or reduce management time?

### What role do you want them to fill?

- Do you want a Sole Trustee, a chair role or are there specific areas or sub-committees that need attention?

### What do you want from the individual and/or firm?

- Skills and experience, both technical and softer skills
- Working style, hands-on and taking control or strictly non-executive? Do you want a firm with depth of resource or a sole trader?
- Individual style and fit is crucial but will usually be tested at interview

Once you’ve articulated your needs then it’s simply a case of finding the right individual and firm. With clearly defined needs, firms will be able to put forward individuals that fit the bill.

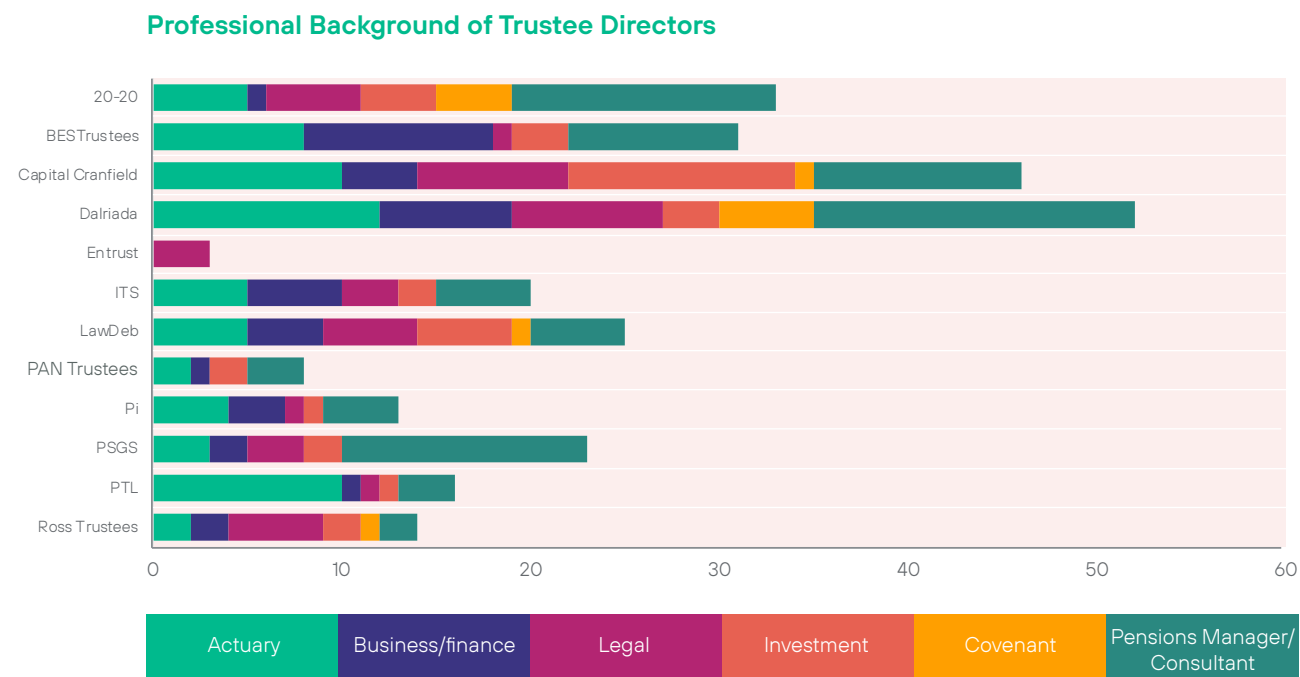
Personal recommendations are incredibly helpful for developing a shortlist. Seek a range of views to get a broad view of the market. We’ve also set out some metrics from this survey which will assist in developing your shortlist.



## 2 Choosing a Professional Trustee

### 1 Background of Professional Trustees

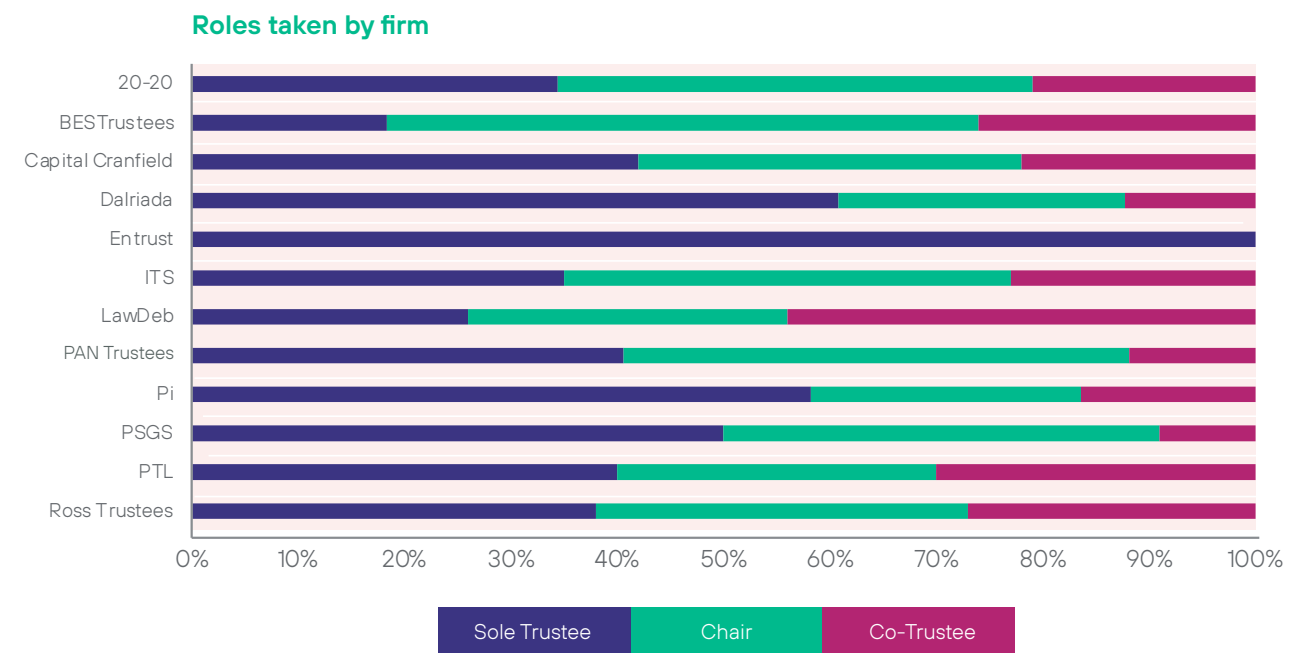
Firms have Trustee Directors with a range of backgrounds. While specialist expertise is increasingly valuable, trustees also need a broad and well-rounded perspective particularly where they are chair.



We note that firms vary in their definition of a Trustee Director so the figures shown may not be wholly consistent.

### 2 Type of appointments

Firms can be appointed as Sole Corporate Trustee, Chair or co-Trustee of a conventional Trustee board. Here's the mix of firms' business.



### 3 Approach to trustee roles

Firms are increasingly focussing on different styles of trusteeship to fit the circumstances. In simplified terms, firms' most common approach to the role is illustrated below.





# Part 1

## The market

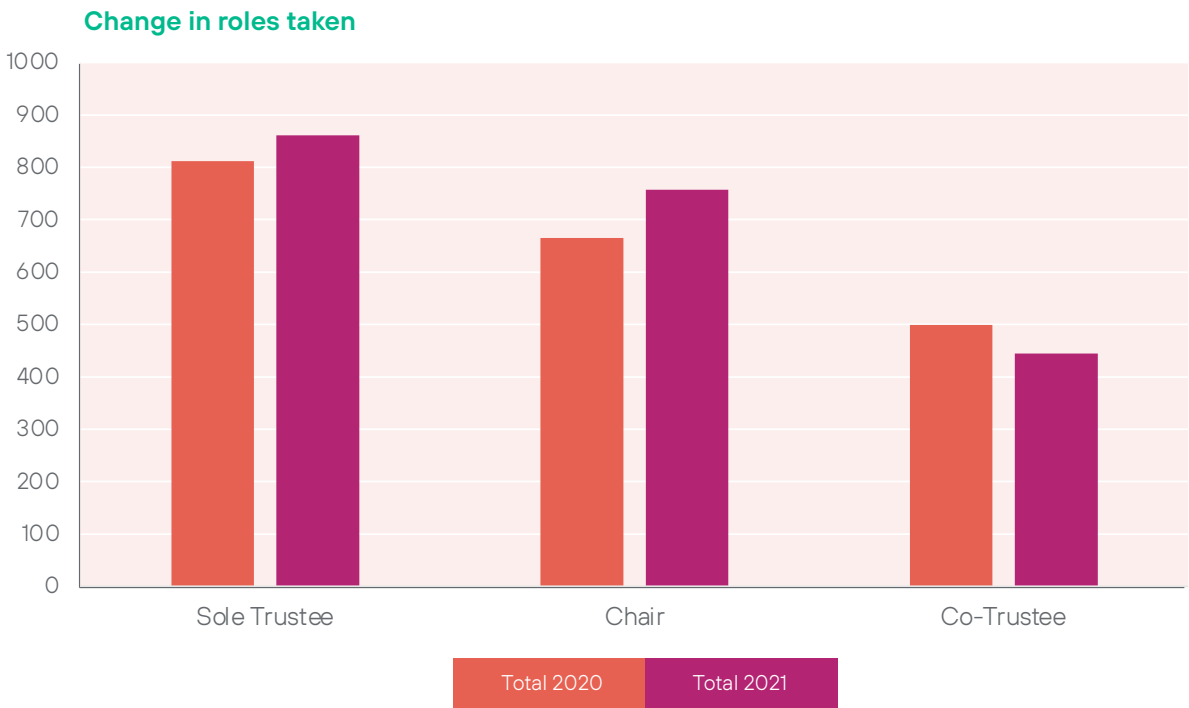


### 3 Growth in professional trustees

Despite the pandemic, there was continued growth in the firms' total appointments over 2021 – rising to over 2,000 – and an average 20% growth in revenue. Firms saw over 200 new appointments last year, which was partially offset by some roles ending as smaller pension schemes are successfully wound-up. Most of this growth still comes from pension schemes appointing a professional trustee for the first time, although replacement of existing professional trustees is starting to grow.

The drivers for professional trustees continue to be a combination of the regulatory burden on pension schemes and the fact that many defined benefit schemes are now a legacy for employers with less relevance to their current business and people.

Professional trustees are increasingly sole trustee or chair of trustees – representing three-quarters of their appointments.



"No shortage of referrals, enquiries are as busy as ever"





**224** Independent  
Trustee appointments  
won

**26** more Trustee  
Directors across the  
firms than last year

**20%** average revenue  
growth, ranging from  
7% to 34%

## About the firms

The larger firms covered by this survey are appointed to over 2,000 pension schemes with total assets of £1,150bn. Their key personnel are the 'Trustee Directors' who now number 280 across the firms, with an average of seven appointments each.

The firms are modest organisations by size with typically 50-100 total staff and revenues in the region of £10m p.a. for the largest firms. They are growing quickly, with firms reporting annual growth of 7%-34% last year. A number have had private equity investors in recent years, fuelling their appetite for growth.

Over the last year the firms have been relatively stable focussing on organic growth – the exceptions being PTL's sale by management to the private equity backed Zedra, and sole traders or smaller firms being absorbed by larger firms, e.g. 20-20's acquisition of Steve Southern Trustees.



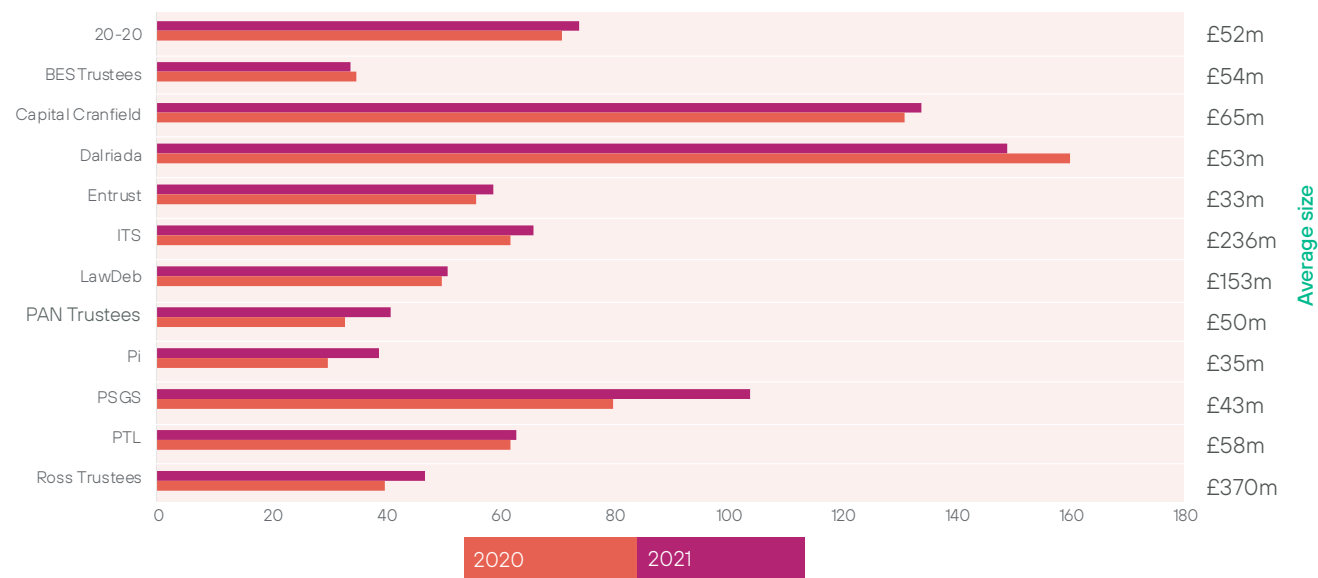


## Sole Corporate Trustee

More accurately described as a Professional Corporate Sole Trustee, the firm acts as the only trustee of the pension scheme. In practice this means that a number of staff are involved in each scheme in order to provide debate and challenge. Sole trusteeship requires different processes and governance, and some firms have a specialist centralised team that supports sole trustee clients.

The primary purpose of a Sole Corporate Trustee is typically to streamline operations, generate efficiencies and facilitate more rapid decisions with less reliance on trustee meeting schedules and need for trustee upskilling. It can be particularly relevant where firms are struggling to find appropriate individual trustees, and for schemes that are planning a risk transfer transaction such as an insurance buy-out.

Number of Sole Corporate Trustee appointments



### Size of scheme

Historically the Sole Corporate Trustee model has appealed most to very small schemes, but it has grown in credibility and is becoming increasingly popular with larger schemes too. There are now a material number of £1bn pension schemes with sole trustee and the average size of schemes is starting to grow as illustrated alongside the chart above.



“Two-thirds of our tenders are for sole trustee appointments”



## 5 Diversity and inclusion



Diversity and inclusion remains high on the agenda of the professional trustee firms and their clients. The profile of firms' teams is getting younger and more diverse as trusteeship is seen as a career in its own right.

There is still a long way to go with diversity of trustee boards as a whole, but a professional trustee is one way of supporting change. This year a number of tender processes were more direct in their requirement for a diverse candidate.

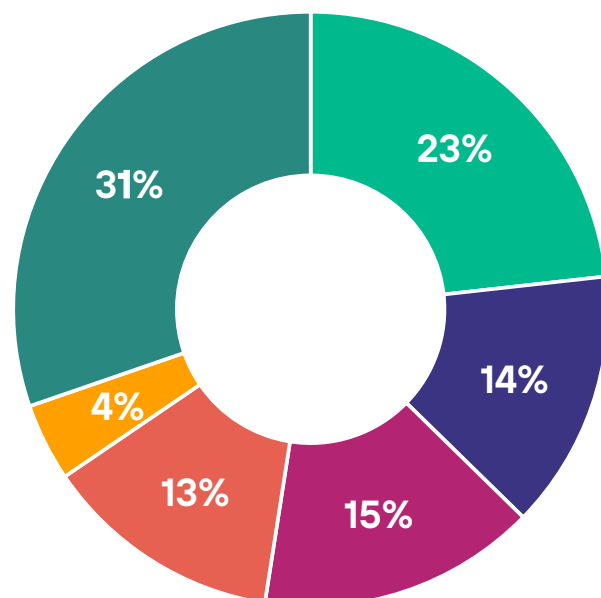
One area of diversity is in the professional background of the lead Trustee Directors. Roughly a third of professional trustees have a background as a pension manager or consultant, with a quarter coming from actuarial backgrounds. The remainder is made up of a wide range of specialities.

Firms are having to balance an appetite for specialist expertise with the breadth of experience and skills that a good professional trustee needs, with varying views from across the firms as to the value of specialist support.

Background of Trustee Directors

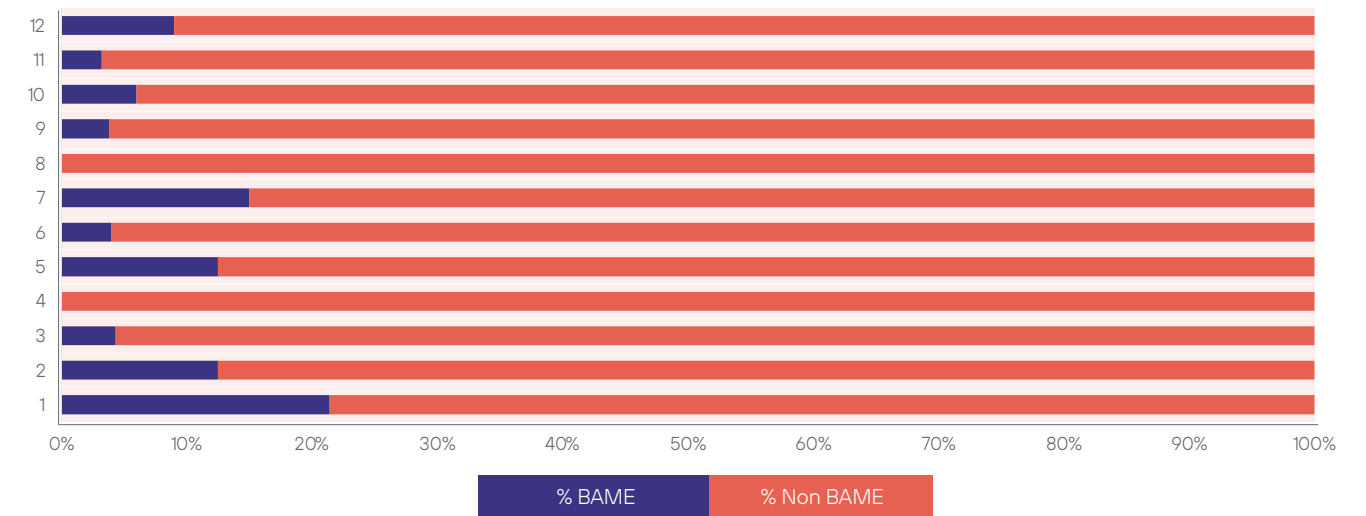


"People are much more alive to D&I on trustee boards"

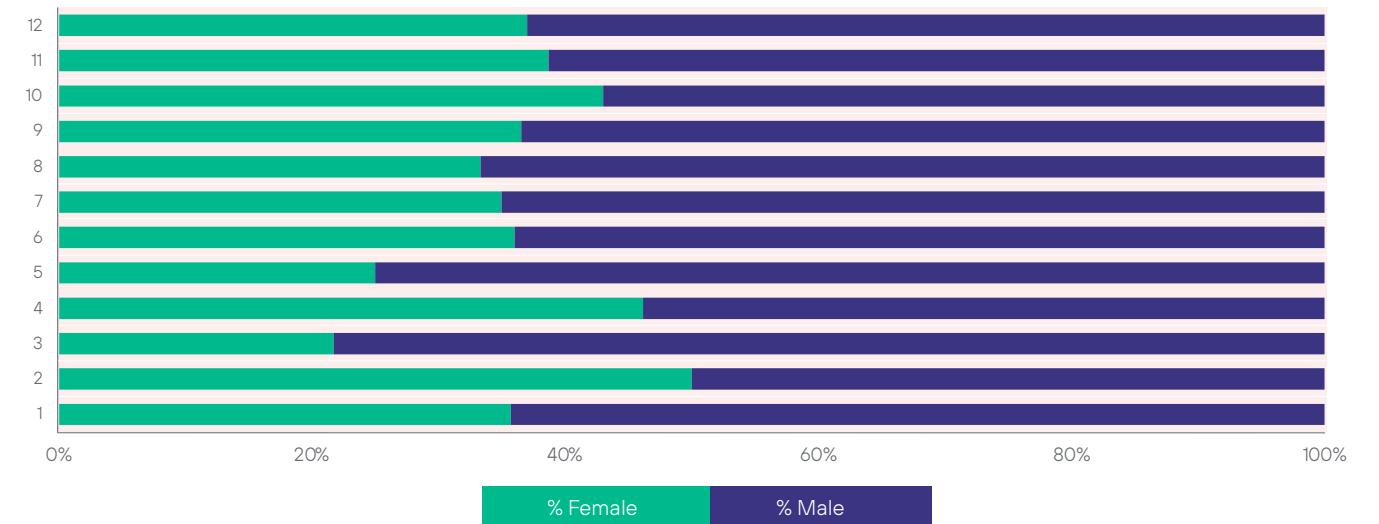


Two other easily measured aspects of diversity are gender and race. We asked firms about their mix of Trustee Directors on those metrics. Given that firms draw many of their senior people from the broader pensions industry (which has its own diversity challenges), some have also recruited from other areas in order to offer a more diverse range of trustees.

Racial diversity by firm



Gender diversity by firm





# Part 2

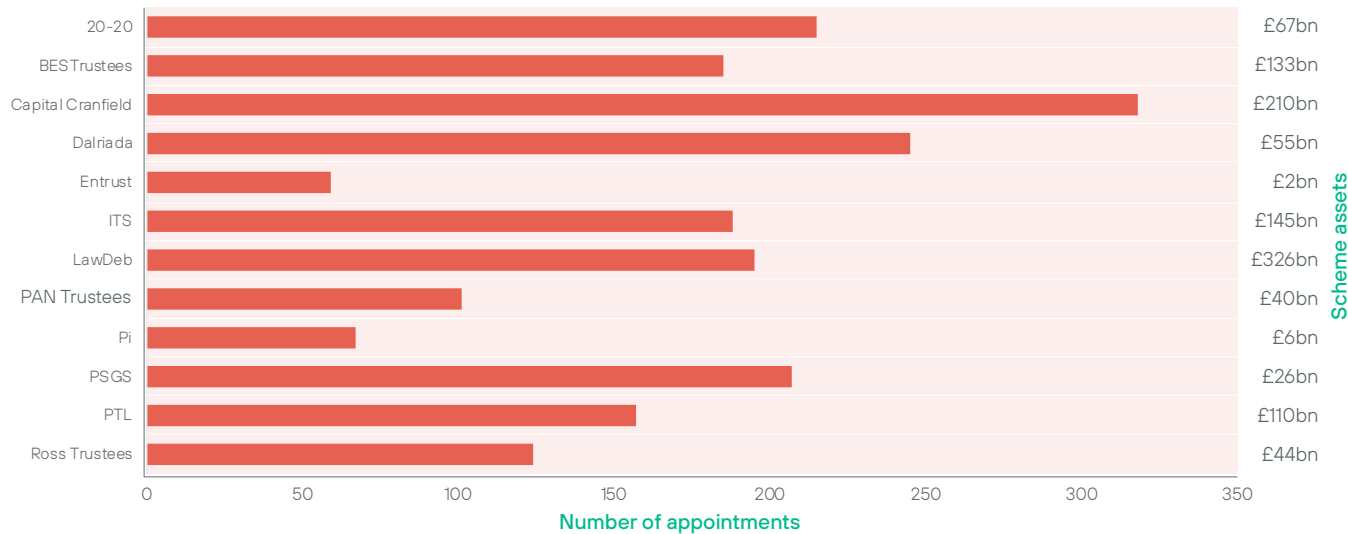
## The firms compared



“We aim to be very good at trusteeship, not a trojan horse to sell other services”

## 6 Clients and services

### Appointments and schemes assets

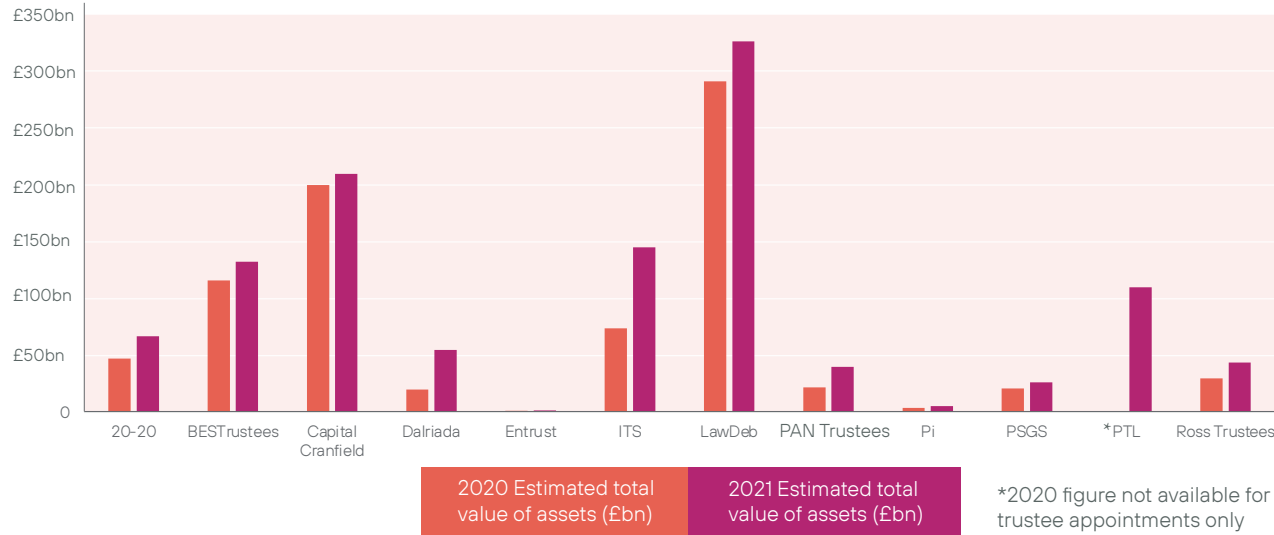


The chart shows the number of pension trustee appointments held by each firm together with an estimate of the total assets in those pension schemes. Naturally, the asset figures are heavily influenced by appointments to the very largest schemes, and there will be a few duplicates for those large schemes who have multiple professional trustees.

Firms generally have a wide variety of pension scheme clients ranging from very small to large, although they often have greater experience in specific areas for historic reasons.

A handful have a greater share of very large schemes leading to high total scheme assets. But other firms are winning large scheme appointments too and of course big doesn't necessarily equate to better.

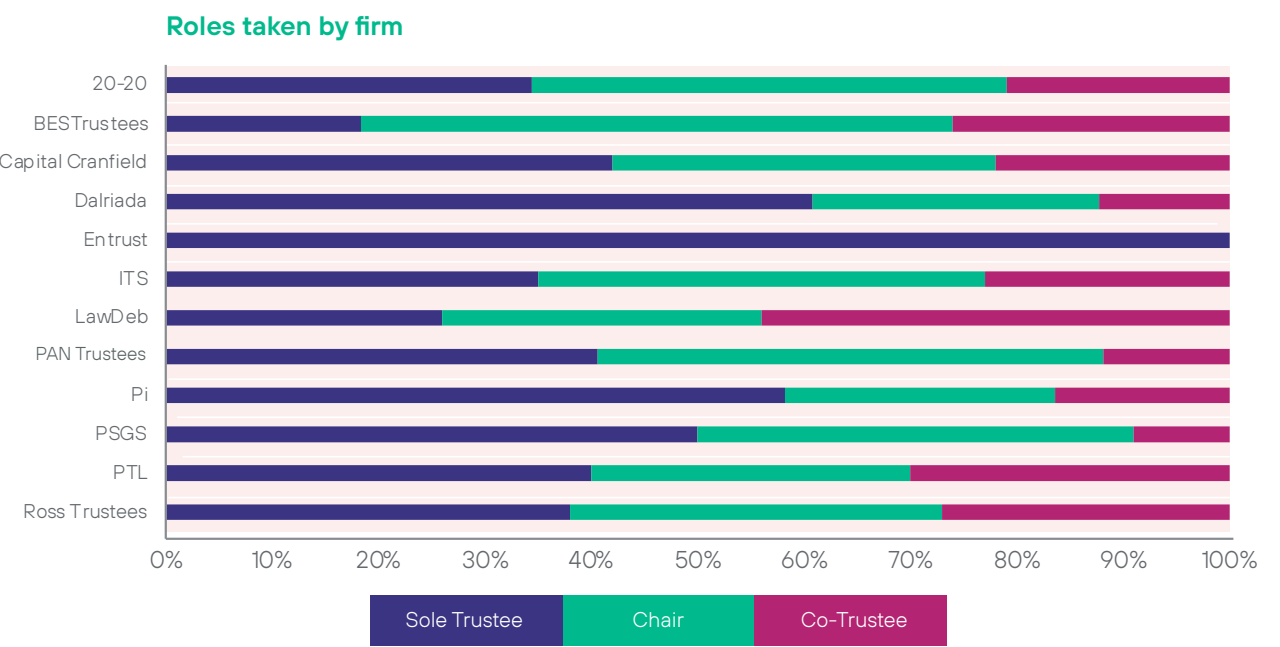
### Total assets for IT appointments this year vs last year





Types of role

Firms can be appointed as Sole Corporate Trustee, as Chair of a bigger trustee board or as ‘co-trustee’ – one of a number of trustees on a board (but not acting as Chair).



Most firms have a broadly similar mix equally split between the three, although there are differences driven by their business models and history. Over the last year there has been a continued drift to chair or sole trustee roles across the industry.

Exceptions include Entrust which focuses on sole trusteeship – primarily via a consolidator vehicle for which it is sole trustee. For a number of other firms such as Dalriada, Pi and PSGS half their business is sole trustee appointments.

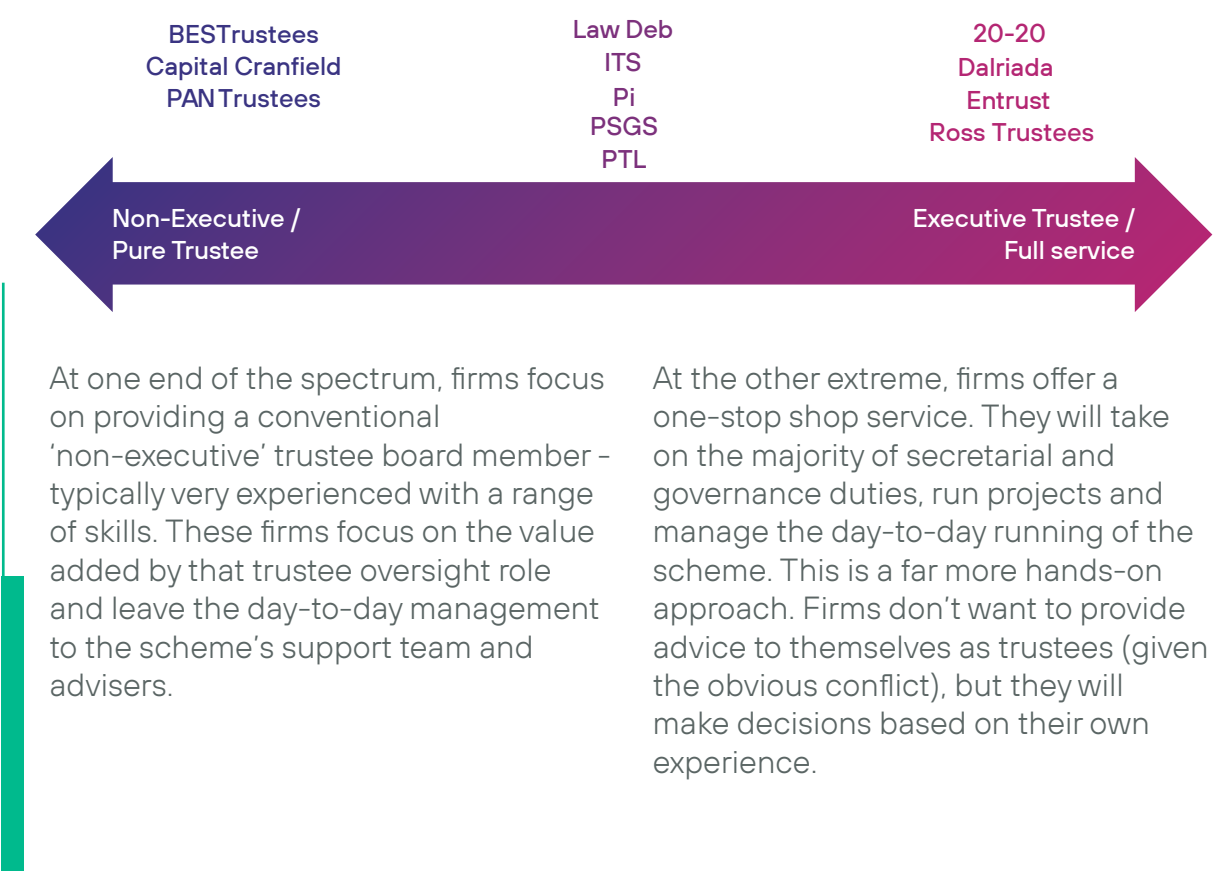
Law Debenture stand out for having most focus on co-trustee roles, perhaps reflecting its bias towards large schemes where larger trustee boards – and even multiple professional trustees – are more common.

Approach to trustee roles

Firms portfolios’ of trustee appointments are all different, and they have built up correspondingly varied approaches to service clients. There is now an increasing divergence in how firms typically approach the appointment as trustee and how they see their role in the governance of the pension scheme.

Some firms seek to provide what is effectively an outsourced combination of trusteeship and management – using a team of people to actively manage the governance of the scheme. Others see the trustee role as a traditional non-executive appointment and would not “bundle” this with any other services.

It’s worth noting that some firms offer broader services such as pensions executive roles independently of any trustee appointment and we touch on these on the next page.





Range of other services

All firms now offer secretarial services in response to market demand, and also have sole trustee propositions which typically involve a package of services including acting as scheme secretary.

A number of firms - but not all - are also providing broader pension governance services, particularly pension executive support which can include day-to-day management, projects, supplier management and procurement.

Some firms see these broader services as an integral part of their preferred trustee service, such as Ross and Dalriada. Other firms provide these as distinct additional services which are available to schemes where they are not trustee - for example Law Debenture's Pegasus team and the Pi Consulting arm which sits alongside their independent trustee business.

Specific appointments for other trustee services are shown below although direct comparisons are difficult given the mix of "bundled" or independent appointments that some firms have.



There are some firms that are notable for their focus on the core independent trustee role, for example BESTrustees, Capital Cranfield, PAN Trustees and PTL.

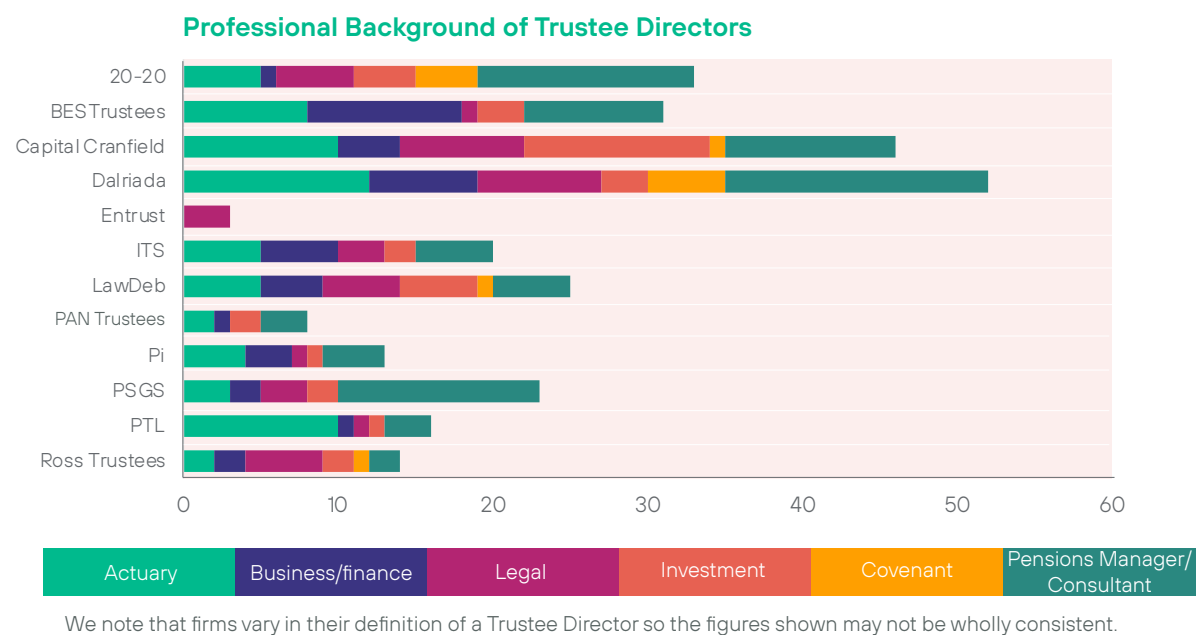




## 7 Trustee Directors

The key personnel at firms are the Trustee Directors (some firms use other titles). These are the face of the organisation at trustee meetings and in sponsor discussions. All firms give the lead Trustee Director significant autonomy and responsibility for their individual schemes.

These Trustee Directors typically come from a professional background and many have deep pensions expertise. This is not surprising given the Pension Regulator's expectations for professional trustees.



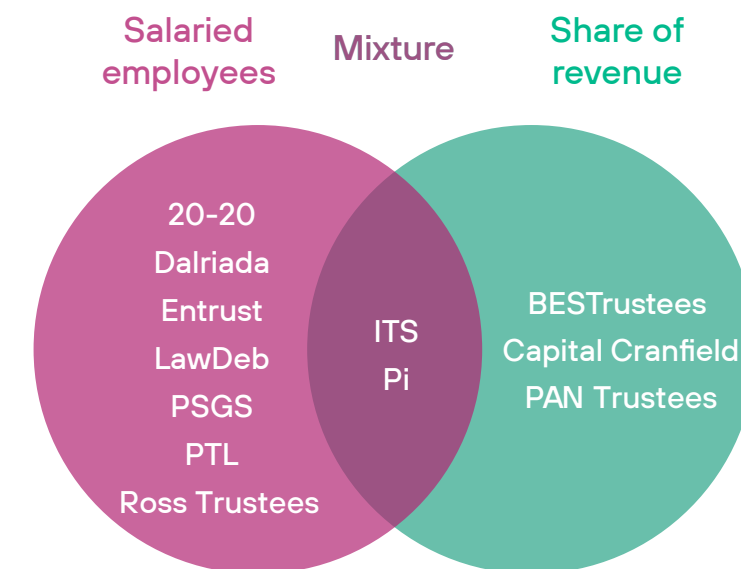
There are also a number of trustees with broader business backgrounds, often people who may have dealt with pensions while their day job was in finance or treasury. Specific investment and employer covenant backgrounds are less common but increasing.

Generally the firms have a broad spread of expertise across disciplines. Some of the smaller firms have Directors reflecting their historical backgrounds such as Entrust (part of the law firm Gateley) and PSGS (part of the broader Punter Southall group). Understandably, some of the firms on the PPF panel (20-20, Dalriada, ITS, PSGS and Open trustees) have the most representation of covenant expertise.

While specialist expertise is increasingly valuable to the firms and their clients, firms also need a broad and well-rounded perspective particularly where they are chair or sole trustee.



"Why on earth do we want a covenant expert, we need trustees"



Firms have different employment and remuneration models for Trustee Directors to suit their needs. Many have strictly salaried employees, often with profit share or bonus arrangements. Others operate a revenue sharing model where directors earnings relate directly to their personal client appointments. Some firms use both models.

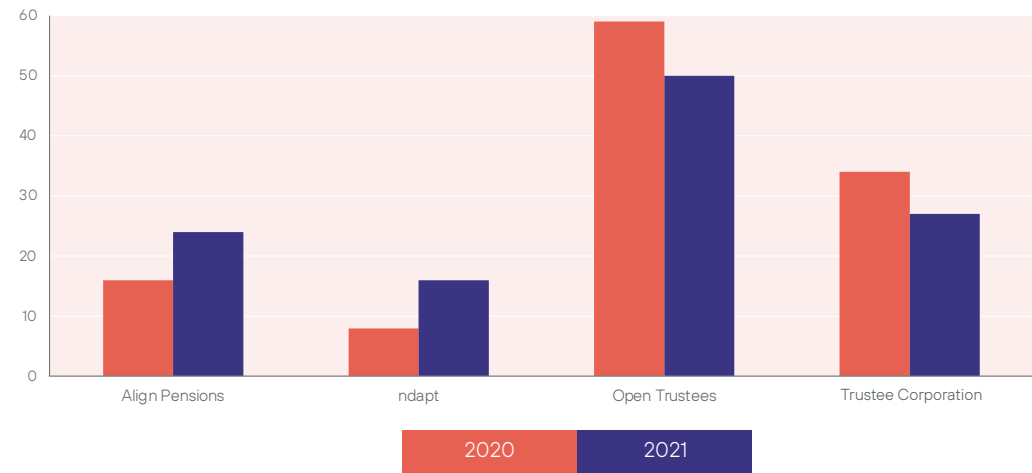


8 Mid-tier firms

In addition to the 12 large firms in our survey we invited a range of other professional trustee firms to provide information about their size and services. Some of these are firms with a long heritage while others are relatively new and growing quickly. This is not a comprehensive review of the market, but a summary of the information provided is shown below.

	Align	ndapt	Open Trustees	Trustee Corporation
Ownership	Limited Company	Limited Company with Partners	Subsidiary of Law firm Osborne Clarke	Subsidiary of Law firm Squire Patton Boggs
Year established	2019	2020	1992	1986
Number of Trustee Directors	3	11	6	7
Number of other staff	0	2	5	45
Number of IT appointments	24	16	50	27

Number of IT appointments over 2020 and 2021



\* Some of these firms deal with a number of PPF cases and small wind-up appointments made by the Pensions Regulator – so their appointments rise and fall as these wind-ups or PPF transfers are completed



# Part 3

## The future



“Risk transfer will be a big theme over the next 12 months”



## What does the future hold?

Most firms have a common view on the broad shape of the industry over the next 3-5 years. This is expected to be a period of continued growth in trustee appointments and services which might then be followed by consolidation amongst of firms.

This growth is taking place in the context of a shrinking universe of traditional DB pension schemes, but firms remain upbeat and expect a number of other trends:

- Increasing PPF / insolvency projects for the firms that specialise in this area – after very low levels of recent activity
- A desire for trustees that have experience of insurance and risk transfer transactions – as more schemes approach their end-game
- A decline in the number of individual professional trustees or “sole traders”, particularly in the face of rising PI costs
- A broadening of firms’ services beyond pension schemes, given that some firms are already moving into adjacent areas such as healthcare trusts.

	Now	Future
Pensions schemes with a professional trustee	50-60%	90%
Pension schemes appointing a Sole Corporate Trustee	20%	50%
Number of large Professional Trustee firms	12	6-8

The question of regulation comes up regularly in discussions. A number of firms are concerned that current standards are voluntary (set by the Association for Professional Pension trustees) and believe the bar for entry as a professional trustee should be higher. But at the same time, changes or compulsory regulation creates challenges given the many different types of trustee. It remains to be seen whether government or the Pensions Regulator wants more regulation as firms become increasingly influential.

One thing is for sure, the market continues to evolve and is likely to look quite different in the coming years.














# Appendices

# Participants

We’d like to thank the 12 firms who participated for their support in making this survey possible.

We collected data for this report via a combination of a questionnaire completed by each firm and an interview with a senior individual, usually the CEO.

	Firm	Website	Contact
	20-20	<a href="http://www.2020trustees.co.uk">www.2020trustees.co.uk</a>	Naomi L'Estrange
	BESTrustees	<a href="http://www.bestrustees.co.uk">www.bestrustees.co.uk</a>	Zahir Fazal
	Capital Cranfield	<a href="http://www.capitalcranfield.com">www.capitalcranfield.com</a>	Neil McPherson
	Dalriada	<a href="http://www.dalriadatrustees.co.uk">www.dalriadatrustees.co.uk</a>	Chris Roberts
	Entrust	<a href="http://www.gateleyplc.com/entrust">www.gateleyplc.com/entrust</a>	Stuart Evans
	ITS	<a href="http://www.itslimited.co.uk">www.itslimited.co.uk</a>	Ian Terry
	Law Debenture	<a href="http://www.lawdebenture.com">www.lawdebenture.com</a>	Suzy Walls
	PAN Trustees	<a href="http://www.pantrustees.co.uk">www.pantrustees.co.uk</a>	Nick Chadha
	Pi	<a href="http://www.pipartnershipgroup.co.uk">www.pipartnershipgroup.co.uk</a>	Amanda Burden
	Punter Southall Governance Services (PSGS)	<a href="http://www.psgovernance.com">www.psgovernance.com</a>	James Double
	PTL	<a href="http://www.ptluk.com">www.ptluk.com</a>	Colin Musgreaves
	Ross Trustees	<a href="http://www.rosstrustees.com">www.rosstrustees.com</a>	Mark Wileman



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