



Anyone that still remembers their teenage years knows that with burgeoning maturity comes the struggle of deciding what your future path will be.

The professional trustee market, itself having enjoyed a growth spurt in recent years, seems to be avoiding that awkward teenage phase altogether and is instead striding confidently throughout the UK pensions sector.

According to LCP's fifth annual *Sole Mates* survey, the UK's professional trustee market is "entering a new phase of maturity, with growth slowing but concentration intensifying".

It finds that 53 per cent of UK DB schemes now have a professional trustee in place – up from 12 per cent in 2021 – yet the year-on-year increase was just 1 per cent.

Meanwhile, WTW's recent research reveals an 8 per cent growth in professional trustee appointments over the past year, compared to 11 per cent growth the previous year. It expects this slowdown to shrink to 5 per cent over the next few years.

Despite this, Zedra Governance managing director, Kim Nash, is still seeing "opportunities where schemes are appointing professional trustees for the first time or replacing a current professional trustee".

Greater concentration

As well as slowing down as it matures, the professional trustee model seems to be becoming increasingly concentrated.

For instance, LCP's research reveals that just four firms (LawDeb, IGG, Capital Cranfield and BESTrustees) manage over 80 per cent of the DB assets overseen by professional trustees – £880 billion out of the £1.1 trillion.

It also finds that over half of the 226 new professional trustee mandates since April 2024 went to four firms – IGG,

Summary

- The professional trustee market is entering a new phase of maturity, with slower growth and a few firms dominating the space.
- The professional corporate sole trustee model is especially buoyant, particularly among smaller DB schemes nearing buyout.
- The Pensions Regulator has recently increased its oversight of the professional trustee sector.
- Despite the slowdown in growth, the professional trustee model is expected to remain robust over the next three to five years as schemes decide their long-term plans.



Coming of age

With the professional trustee market reportedly entering a new stage of maturity, Laura Blows explores whether the sector is experiencing any growing pains

Dalriada, LawDeb, and Zedra – and yet these firms only represent 42 per cent of the number of appointments, and that mid-sized players and new entrants are gradually increasing their share.

"We have seen two new firms being launched last year – Falcon Trustees and Aretas – that means there is definitely room for new firms to establish themselves," LCP partner and head of strategic pensions relationships, Nathalie Sims, says.

"The big question is whether there will be more M&A activity", she adds. "We are hearing rumours about more M&A activity coming amongst the different firms, so if we see some of those large players merging then the concentration will increase even further."

For Association of Member-Nominated Trustees (AMNT) co-chair, Maggie Rodger, the number of professional trustee companies is less of a concern, compared to where they come from.

"Professional trustees by and large are very good at their job," she explains, "but I'm just sceptical about the financing of some of the professional trustee firms,

now that they are not only derived from partnerships and common insurance, but from actual business management firms as well. I'm also highly sceptical about private equity coming into this bit of the market and changing it."

Despite the increasing concentration, the professional trustee market is still varied, as Association of Professional Pension Trustees (APPT) chair, Rachel Croft, highlights how the APPT's membership of 445 accredited professional trustees is drawn from over 70 firms, including sole practitioners.

Sole trusteeship – especially the professional corporate sole trusteeship (PCST) model – is certainly a vibrant area of the market.

Hymans Robertson research finds that 42 per cent of the professional trustee appointments to DB schemes were to sole trustees by March 2025, an increase from 37 per cent in 2024.

One reason for this growth may be the trend for smaller DB schemes in particular to transition to the PCST model as they approach buyout.

Sole trustee appointments have historically been to schemes in need of buy-in and wind up. But, Sims notes,



in this new age of DB surplus, “sole trusteeship now has a different purpose”.

This, Nash suggests, is because “the benefits you get from a sole trustee, such as fast decision making, is equally as applicable if you’re looking at a run-on situation”.

With schemes running on for longer, potential conflict of interests between the professional trustee and the sponsor will need to be carefully managed, Sims adds.

Making changes

Just as a scheme’s aims may evolve over time, so too may that of the professional trustee firms themselves.

For instance, according to LCP’s findings, hiring across professional trustee firms fell by 30 per cent over the past year, with the companies increasingly focusing on succession planning, governance frameworks and specialist expertise, rather than adding headcount.

Meanwhile, over the past five to 10 years, “the diversity of professional trustees has increased on almost every measure,” Croft says, “from the more evident demographic characteristics to skillsets – with the profession attracting a wider range of people from different backgrounds and at different stages in their careers”.

Isio’s research finds that 44 per cent of trustee directors at the 10 largest firms were female, compared to just under 24 per cent in the wider trustee market. However, just 8 per cent of trustee directors at the 10 firms come from ethnic minority backgrounds, versus 5 per cent in the wider sector.

Oversight

While the rapid growth has resulted in a new phase of ‘maturity’, for The Pensions Regulator (TPR), professional trusteeship is still a ‘young’ sector, with its regulatory oversight still to be bedded in.



employers, profit and remuneration models, in-house advisers, and the role of sole trusteeship.

“There is recognition of the power professional trustees are holding within the market now”

In particular, TPR chief executive, Nausicaa Delfas, said at the time that the regulator will “interrogate” professional trustee firms’ profit and remuneration models, to understand if the commercial imperatives of firms could affect trustees’ decision making, and whether there is any risk that services could be compromised in a bid to reduce costs.

She added that TPR will also explore the risks associated with professional trustee firms acting as a ‘one-stop shop’, such as whether there is a reluctance from professional trustees to properly scrutinise advice from, or to pursue errors by, in-house advisers.

Rodger agrees that a clear conflict of interest process is required for professional trustee firms that offer additional services, such as trustee secretariat or fiduciary management.

Rodger also pointed to recent surveys, which show that a significant share of professional trustee appointments, particularly PCSTs, were made without market comparison exercises.

“This concerns me as it implies that the market isn’t operating by comparing services, but by networks,” she explains.

“This issue was succinctly summarised by a professional trustee being asked: ‘When was the last time you sacked one of your own firm’s services because it wasn’t as good as someone else’s in the market?’”, Rodger adds.

Growth

Oversight and collaboration will only grow in importance as professional trusteeship’s influence expands across the pensions sector.

Professional trusteeship is less common within the DC space, as, according to WTW, only 5 per cent of professional trustee appointments were to DC own-trust schemes. While sole trader appointments are still strong within the Local Government Pension Scheme (LGPS), it is less common for professional trustee firms to enter this space, which Sims attributes to it requiring “quite a specific skillset” and “probably not being as commercially attractive to professional trustee firms compared to those schemes with a corporate sponsor”.

However, WTW’s research notes that professional trustees have recently been appointed in the nascent DB superfund market and to the first collective DC scheme.

Nash expects there to be strong demand for professional trustees “over the next three to five years, as schemes determine their strategic journey and require guidance through that process”.

“Schemes will probably have worked out where they want to be at that stage, so I’m expecting to see a drop-off in terms of new professional trustee opportunities after that time period,” she explains.

“But I think we are at that stage where there is recognition of the power professional trustees are holding within the market now, their ability to influence.”



 Written by Laura Blows

