

**I**n a landmark agreement, Aberdeen has agreed to become the sponsoring employer of the Stagecoach Group Pension Scheme (SGPS). How did the arrangement come about?

**Rob Andrew:** At a chance meeting at an industry dinner in late 2024, I was seated next to John [Hamilton]. Neither of us were aware at that time of the other's priorities, but there was a clear meeting of minds around the merits of running on a well-funded, well-governed scheme to improve outcomes for members and sponsors – and a shared understanding of the need for pension investment and economic growth to operate in a virtuous cycle.

In early 2025, Aberdeen and the trustees of our own main pension scheme announced an agreement not to transfer our £2.6 billion defined benefit (DB) pension liabilities to an insurer, despite having more than sufficient assets to do so. Instead, we had agreed to run on our scheme, sharing significant expected upside between members and Aberdeen in the largest transaction of its kind.

**John Hamilton:** Later in 2025, Stagecoach and the Stagecoach Group Pension Scheme trustees were considering our own long-term pension strategy. After 38 years of operating a DB scheme and delivering it into a healthy funding surplus, Stagecoach wished to simplify its business by ending its involvement in legacy DB pensions. While insurance options were considered, supported by a TAS 300 review of credible alternatives, we as trustees were also exploring whether member interests and outcomes could be improved through a low-risk run-on strategy. Of particular importance was the retention of trustee discretions under the scheme rules, enabling the potential provision of additional pension increases and enhanced inflation protection.

**Andrew:** It was not until later that



**Rob Andrew, Aberdeen head of UK pension strategy and solutions and John Hamilton, Stagecoach Group Pension Scheme chair of trustees**

## Next step: Running on

**► Pensions Age sits down with Aberdeen head of UK pension strategy and solutions, Rob Andrew, and Stagecoach Group Pension Scheme chair of trustees, John Hamilton, to discuss the ground-breaking agreement that saw Aberdeen become the sponsoring employer of the Stagecoach Group Pension Scheme (SGPS)**

year that a mutual adviser connected our teams to explore whether Aberdeen's run-on model, developed for our own scheme, could be deployed to support a similar strategy for the Stagecoach scheme, thereby allowing Stagecoach to bring its legacy DB exposure to an end. From the point of introduction, the transaction took just three months from start to finish – a small fraction of the time typically required for alternative approaches to fully remove pension obligations from a company's balance sheet.

Completing the transaction within that timeframe required an exceptionally

open and collaborative approach from all parties and advisers, and involved a significant effort from a large team. For those closest to the transaction, it's clear that it would not have happened were it not for the vision of John and the pensions pedigree of Aberdeen CEO, Jason Windsor.

**► What does the transaction mean in practice?**

**Hamilton:** The transaction does not change the day-to-day operation of the scheme. We as trustees continue to hold the scheme's assets and remain responsible for paying members' benefits

as they fall due. This contrasts with alternative endgame strategies, where trustee responsibilities are effectively transferred to an insurer or superfund.

Under our transaction, a bespoke framework agreement was put in place that sets out arrangements for the scheme's management and use of surplus under the run-on plan, with the trustees retaining the primary responsibility for protecting members' interests and how best to improve member outcomes.

What does change is the identity of the sponsoring employer responsible for funding the scheme in the unlikely event that additional contributions are required. That responsibility has transferred from Stagecoach to Aberdeen. However, as sponsor, Aberdeen can receive distributions of surplus alongside members.

**➤ What are the implications for the pension scheme members?**

**Hamilton:** We designed the transaction to deliver materially better outcomes for members than alternatives available in the market. Our 22,000 members will benefit from improved ongoing inflation protection through higher inflationary caps, together with an additional immediate uplift of 1.5 per cent to pensions. These measures represent an immediate allocation of more than £50 million of surplus to our members.

Our framework agreement also provides scope for further future increases linked to the scheme's financial performance. In addition, it allows greater investment in return-seeking productive assets, subject to robust investment and risk guardrails governing how surpluses are generated and shared between members and Aberdeen.

**➤ Why did Stagecoach (the company) prefer this transaction to alternatives?**

**Hamilton:** The Aberdeen transaction enabled Stagecoach to exit DB pensions faster and more cleanly than would have been possible under market alternatives.

From start to finish, the transaction took approximately three months – compared with the typically multi-year process involved in an insurance buy-in and subsequent buyout, wind-up, and residual risk exercise. Within a matter of months, Stagecoach secured a complete exit from its legacy DB exposure with no residual risk.

**“The trustee-led nature of the transaction, with its clear focus on improving member outcomes, was critical. All parties needed a shared understanding of what was required”**

**➤ Why is this significant for Aberdeen?**

**Andrew:** In return for becoming the scheme's sponsor, Aberdeen will receive one-third of the scheme's surplus over the long term, with the remaining two-thirds allocated to members. We have also been appointed to manage the scheme's £1.2 billion of assets, leveraging our pension investment solutions and private markets expertise.

The arrangement increases the potential allocation to infrastructure, private credit, and real estate – aligning with broader UK government initiatives to encourage more productive investment of pension assets. With more than £200 billion managed globally for pension and insurance clients, the trustees were satisfied that Aberdeen is well positioned to invest on behalf of the scheme.

**➤ What challenges did you face along the way and how were these addressed?**

**Andrew:** The principal challenge was completing a large volume of complex legal and actuarial documentation within an ambitious timetable. As with any innovative tripartite transaction, issues inevitably arose that required careful resolution. These were identified

and addressed through a highly open and collaborative approach among all parties and advisers. Without this, the transaction would not have been possible.

The process was supported greatly by us investing time at an early stage to agree clear heads of terms, setting out the guiding principles and key commercial and governance arrangements.

**➤ What tips would you offer schemes who are thinking of embarking on a similar journey?**

**Hamilton:** The trustee-led nature of the transaction, with its clear focus on improving member outcomes, was critical. All parties needed a shared and realistic understanding of what was required, ensuring genuine commitment from the outset and enabling collaborative progress towards timely completion.

All parties have a strong interest in ensuring the transaction is a success, and that the appropriate funding, investment and risk guardrails are suitable for a low-risk run-on strategy and that would be aligned with regulatory expectations. A further critical factor therefore was early and proactive engagement with the relevant regulators, reflecting the innovative nature of the transaction. This ensured transparency, avoided surprises, and provided the confidence required to proceed to completion within an appropriate regulatory framework.

**➤ Where do you go from here?**

**Andrew:** Whilst we at Aberdeen had developed a similar approach for our own scheme, which has proven effective, the immediate focus for the Stagecoach scheme is on embedding the new arrangements and implementing the long-term investment strategy. We, together with the trustees, are focused on delivering sustained improvements in member outcomes and look forward to enhancing members' pensions over time.

**Written by Francesca Fabrizi**