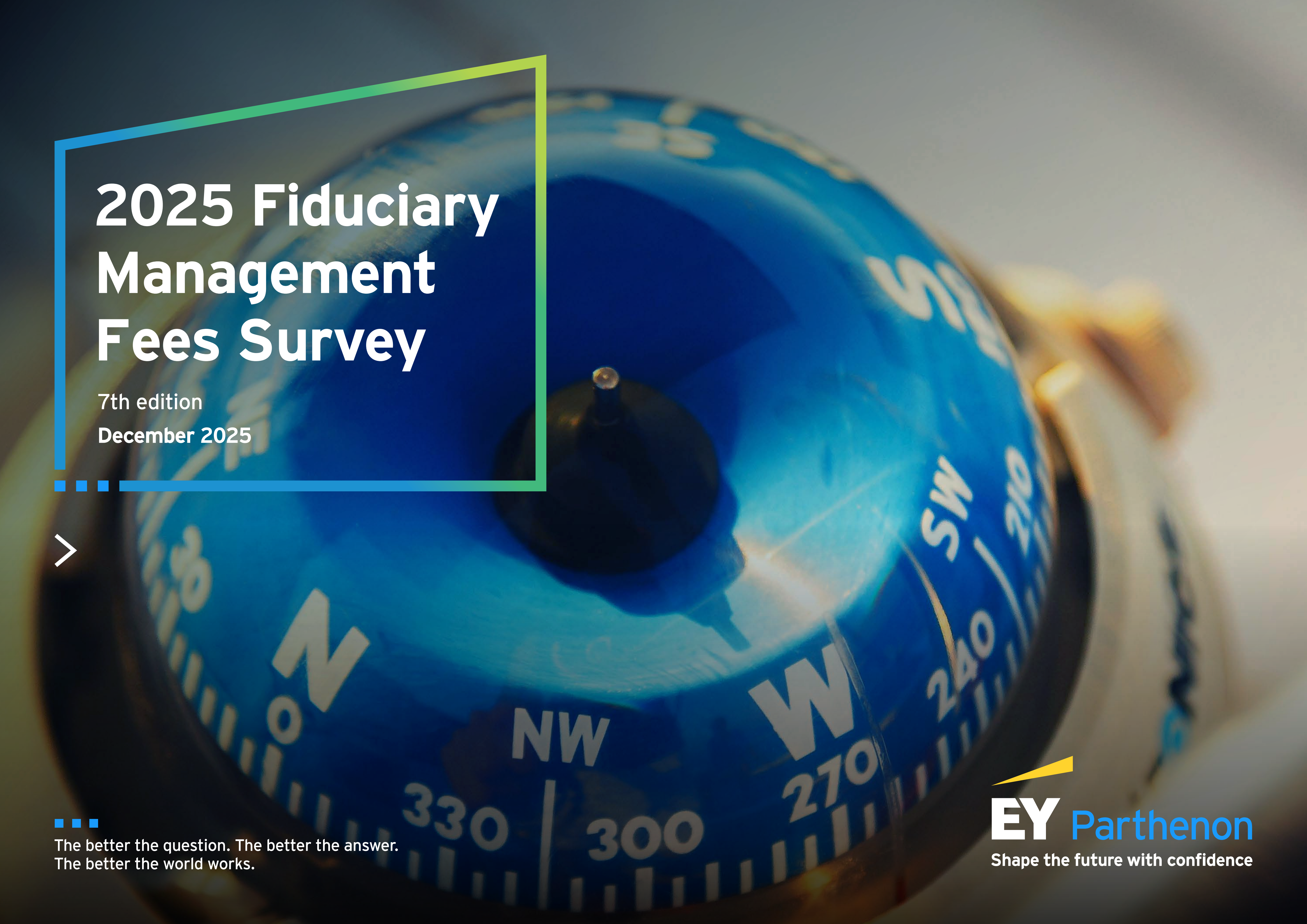


2025 Fiduciary Management Fees Survey

7th edition

December 2025

The better the question. The better the answer.
The better the world works.

EY Parthenon

Shape the future with confidence

Contents

EY key comments

This is EY's seventh industry-wide Fiduciary Management Fee Survey. Fiduciary management is an investment service where a pension scheme or institutional investor delegates responsibility for managing its assets to a specialist provider (the fiduciary manager). The Survey covers the UK FM (and OCIO) market, collecting data from 14 providers in the market. As always there are a number of interesting trends we have observed.

Firstly and most notably, we seem to be seeing FM fees for smaller schemes begin to plateau. As the largest segment of the market by volume, competition has always been strong which has been reflected in falling FM fees over the past 12 years. Whilst competition remains strong, inflationary costs coupled with falling asset values has caused fees to somewhat stabilise, with fee ranges also compressing. This suggests we may have reached the minimum cost for fiduciary management for this segment of the market.

That said, overall investment costs (fiduciary management plus investment management) continue to fall across the market. This is driven in part by a shift towards internal fund management, again most notable for smaller sized schemes. On one hand, this offers clients greater efficiency, with providers able to be more commercially flexible by obtaining a greater share of the total revenue split. That said, value will only be achieved where lower costs are met with the optimal investment solution. With fees being sourced across multiple disciplines, there continues to be a strong need for fair, thorough and transparent oversight to assess this.

Our thanks as always to all respondents who participated in this survey.

Kevin Humpherson, Partner
Head of Pensions Investment
Ernst & Young LLP

Survey highlights

Fee stabilisation

For the first time since our survey began, the median FM fee for smaller schemes has not reduced, whilst the ranges of FM fees in this category have also compressed. This suggests that the minimum cost for fiduciary management has possibly been reached.

This is no great surprise given the fierce competition in this segment of the market over the past 12 years. Fixed costs have also been impacted by inflation whilst ad-valorem fees have fallen with falling asset values.

Internal Investment Management is gaining ground

We have observed a shift in the market towards internal fund management, particularly for sub £250m mandates. This allows FMs greater flexibility to be competitive on fees by gaining a greater share of the total revenue split.

Whilst this represents an opportunity for efficiency and lower overall costs, this should of course be viewed alongside value. It is becoming increasingly more important to obtain transparent and independent oversight on strategy and performance.

Scale-Driven Pricing

FM fees continue to fall for the very large schemes. FM fees have always been lower for larger schemes in basis point terms, however, it is the one segment where we are continuing to see headline fees falling.

This reflects the evolving dynamics of the market, with opportunities being fewer and more significant in revenue terms, as well as there being less scope to reduce overall costs through asset management charges, given the scale of larger schemes as well as more complex portfolios.

Shifting market dynamics

Market participation has expanded, with two new asset management-based providers added since the last survey. Recent market activity appears to be shifting towards strengthening internal asset management capabilities.

This is not to say all providers are heading in this direction. There remains optionality in the market for internal and external management offerings.

Introduction

Since 2013, EY has been conducting surveys on fiduciary management fees. In recent years, we have witnessed a notable enhancement in the transparency surrounding fees and costs. This survey aims to provide further insights to assist trustees and sponsors in evaluating whether their fiduciary management arrangements offer true value for money.

As demand for fiduciary management services continues to grow, the offerings from fiduciary managers are evolving, which in turn influences total costs. Consistent with our previous surveys, this edition delves into the details of total investment costs, encompassing fiduciary management fees, investment management fees, and any additional expenses incurred.

Using this survey

Where the information in this survey is reproduced, either in numerical or chart form, EY teams and EY *"2025 Fiduciary Management Fees Survey"* should be disclosed as the source of the material.

Services provided by fiduciary managers

Fiduciary managers typically cover the full range of investment services that a pension scheme needs. This includes provision of advice on the investment strategy, implementation of the investment strategy and reporting of performance. As pension schemes' funding levels improve and they get closer to their end-game, the nature of fiduciary managers' offerings are expanding to cover advice on settlement solutions and managing run-off portfolios.

The fee arrangement that each scheme has with its fiduciary manager needs to take account of trustees' specific requirements, including any constraints on their portfolios.

There is a lot of variety across different fiduciary manager offerings in terms of services provided, the underlying investment beliefs and philosophies, and the portfolio construction process, to name a few. In order to create some comparisons, for the purpose of our survey we gave the fiduciary managers a scenario, for four hypothetical pension schemes with specific return targets and left all remaining decisions (e.g., level of hedging and asset allocation) up to the fiduciary managers.

Survey respondents

The information in this survey is based on responses received from 14 fiduciary managers who collectively manage the majority of assets in the UK Defined Benefits (DB) fiduciary management industry. Of these 14 fiduciary managers, two provided two fiduciary solutions and one provided three fiduciary solutions.

Therefore the survey is based on 18 different UK solutions. We would like to extend our gratitude to the fiduciary management industry for their participation.

Our purpose:

We strive to help improve transparency from fiduciary managers and educate trustees to support informed decision-making.

Hypothetical DB pension schemes

There are a number of FMs, whose solutions can also differ depending on scheme size and objectives. In order to obtain comparable results across the providers, and for consistency with our previous surveys, we based this survey on the following hypothetical DB pension schemes.

In all cases, the trustees require the fiduciary manager to manage 100% of their assets and the full range of advisory, implementation and communication services (as described on the previous page) provided by their fiduciary manager.

As per our previous surveys, we had specified the following characteristics for all sample schemes:

- A liability duration of 15 years, with a 50:50 split between nominal and inflation-linked liabilities
- A target return of gilts +2.5% pa
- A target return of gilts +1.5% pa
- A target return of gilts +0.75% pa

UK DB schemes:

- Small - GB£50m
- Medium - GB£250m
- Large - GB£750m
- Very large - GB£1.5b

> "In a fast-evolving fiduciary environment, it is essential to comprehend the underlying portfolios and their related fees and costs to support effective governance of schemes.

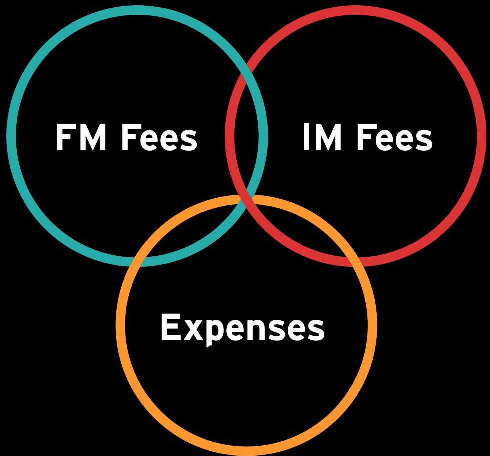
Components of fees in a Fiduciary Management (FM) mandate for DB pension schemes

Fee components

The fees in a fiduciary management mandate can be separated into three key components:

Fiduciary Management (FM) fees

This represents the fee paid directly to the fiduciary manager for strategic advice (including modelling and setting the investment strategy), and implementation of the investment strategy (including portfolio construction, manager selection, tactical asset allocation and implementing liability hedges). There may be a performance-related component to the fiduciary management fees.



Investment management (IM) fees

Typically, fiduciary managers implement the chosen investment strategy via underlying investment managers. The IM fees incurred by the underlying investment managers make up a large part of overall costs, and are passed through to the client.

Expenses

There can be other costs and expenses associated with a fiduciary management mandate (for example, administration fees and custodian fees). Such expenses may or may not be included in the FM fees or IM fees, and may not be disclosed properly to trustees.

EY insight

Fiduciary managers (FMs) do not apply these components in the same way:

- Some FMs will manage part of schemes' assets through internal investment funds. However, we have observed various charging structures for those utilising their internal investment funds:
  - Some FMs will offer lower FM fees while recovering revenue through investment management (IM) fees applied to their internal funds; while
  - Other FMs will offer higher FM fees and do not apply IM fees on their internal products.
- Additionally, some FMs will impose separate fees, in addition to their base FM fees, for managing certain assets/strategies (e.g., private market investments, liability hedging assets, or specific downside protection strategies).
- Moreover, some FMs have included some expenses into FM fees or IM fees, whereas others have listed these expenses separately. For example:
  - Some FMs have blended their FM expenses within their FM fees.
  - Some FMs have included some expenses (e.g., Investment manager pooled fund expenses) in IM fees.

Trustees must have a clear understanding of the charges involved. Without a thorough grasp of the fee details and structure, decisions may be made using data that lacks comparability.

FM fees

Structure of FM fees

There are variations of how FM fees are charged by different FMs. It is common to see FM fees expressed as,

- A fixed nominal £-amount, which may increase annually in line with an index (such as inflation)
- A fixed percentage of the asset value
- A tiered percentage of different ranges of asset values

For comparison purposes, in this survey, we have shown FM fees as a percentage of the asset value.

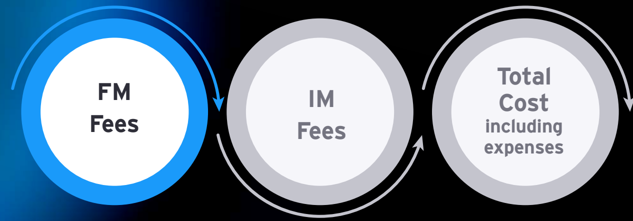
EY insight

As pension schemes move along their de-risking journeys while funding levels improve, schemes are commonly highly hedged against interest rate and inflation risks. Given the significant rise of gilt yields over recent years, we have seen a reduction of pension assets. As a consequence, many FMs have switched their FM fee structure from a fixed percentage of total assets to a tiered percentage based on different ranges of asset values, in order to cover their minimum costs given a fall in assets under management (AUM).

Our survey results show 20% of FMs have now used a tiered FM fee as their preferred charging structure.

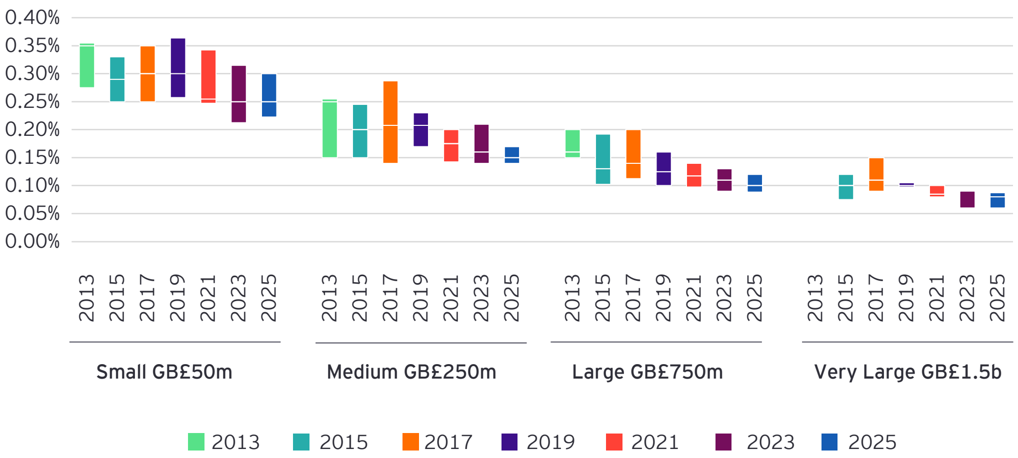
Trustees should consider whether the current FM fee structures remain appropriate in the event that asset size grows back to the original level.

FM fees (cont'd)



How have fiduciary management fees for UK DB pension schemes changed since 2013?

Figure 1: Inter-quartile range (the middle 50% of values) of FM fees since 2013, return target of Gilts+2.5% p.a.



Note: 2013 FM fees of very Large GB£1.5b schemes are not shown due to limited number of responses. Gilts refer to UK Government Bonds

Two key observation that we have observed this year:

1. When comparing the FM fees for schemes targeting a return of Gilts + 2.5% per annum, there is a reduction in the interquartile ranges compared to our 2023 survey, especially for the small/medium sized schemes.
2. The median level of FM fees has remained relatively stable over recent years, with a gradual decline observed among larger schemes.

EY insight

These reductions of the inter-quartile ranges are attributed to:

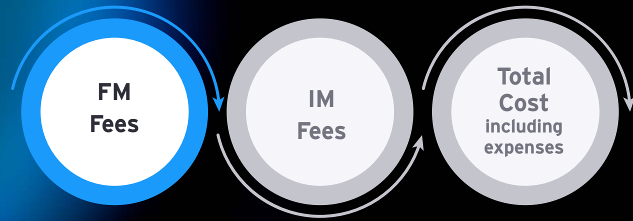
- A reduced number of schemes targeting a return of Gilts + 2.5% per annum, as many schemes have improved their funding levels and have de-risked to target a lower investment return.
- Increasing market competitiveness due to a number of new entrants, more frequent mergers and acquisitions among current providers, and increased transparency in the market.

EY insight

For the first time since our survey began, the median level of FM fees, especially for smaller sized schemes, has not reduced. This suggests that the minimum cost for fiduciary management might have now been reached. This is not surprising, given the fierce competition in this segment of the market over the past 12 years, together with hiked inflation which has increased the FMs' fixed costs.

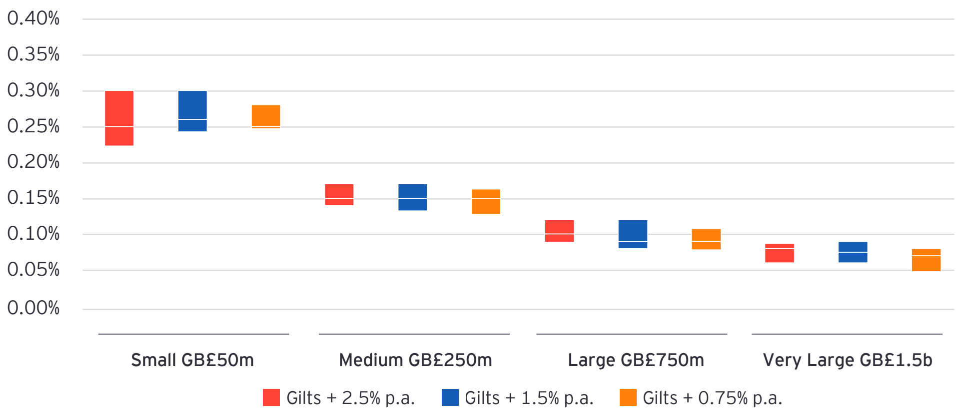
At the same time, the range and median of fees for the very large schemes continue to flatten and decrease, respectively, demonstrating the providers' laser focus on competing and succeeding in this segment of the market.

FM fees (cont'd)



How FM fees vary depending on schemes' investment return targets

Figure 2: Inter-quartile range of 2025 FM fees for schemes with different return targets



The median level of fiduciary management (FM) fees remains relatively stable across all scheme sizes, irrespective of return targets.

Internal asset management

We have observed a shift in the market towards internal fund management:

- 50% of FMs manage a portion of pension assets through internal investment funds/strategies for their unconstrained best-ideas portfolios.
- Among those using internal products, 50% will apply different FM fees for their solution with internal asset management vs their open architecture solution.
- FM fees for internally managed products are affected by the size of the scheme more than by the target return. As the scheme size increases, the FM fees decrease due to economies of scale, with the internal FM fees for small schemes (£50m) being 0.21% and falling to as low as 0.06% for larger schemes.
- FMs which include internally managed products in their client portfolios, appear to offer slightly lower fiduciary management fees, c.0.005%-0.01% p.a. across different portfolio sizes.

EY insight

The stability of the median level of FM fees observed across all scheme sizes indicates that reducing the investment target does not result in a decrease in the level of FM services being offered, which continue to encompass comprehensive investment strategy advice, implementation and oversight.

EY insight

It is not uncommon for fiduciary managers to internally manage a portion of a scheme's portfolio and then charge a lower FM fee compared to if all assets were managed externally. This approach allows them to recoup some revenue through the IM fees applied to the internally managed assets.

In addition, internally managing part of clients' portfolios, would help to streamline the investment process, represent an opportunity for efficiency and hence lower the overall costs.

However, the ongoing trend of managing increasingly larger portions of schemes' assets internally may lead to conflicts of interest. The desire for fiduciary managers to retain a significant portion internally could result in sub-optimal fund allocation.

FM fees should be reviewed periodically (especially if there is a change in mandate), to ensure that the fees charged are in line with the mandate's specifications and to confirm that the fiduciary management services provide overall value for money.

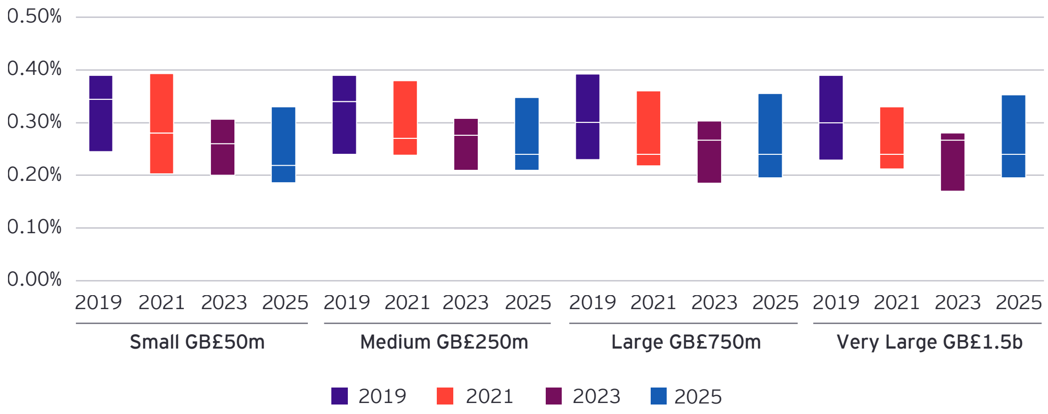
IM fees

FM Fees · IM Fees · Total Cost including expenses

IM fees, shown as a percentage of assets, vary as the underlying portfolio changes.

How have IM fees for UK DB pension schemes changed?

Figure 3: Inter-quartile range of IM fees return target of Gilts+2.5% p.a.



- We continue to see a downward trend of the total IM fees applied for schemes targeting an investment return of Gilts+ 2.5% per annum. The median level of the total IM fees have decreased by 0.03% to 0.05% from 2023 across all scheme sizes.
- Additionally, compared to 2023, the range of fees has widened, especially for the upper quartiles, due to more diversified strategies, investment styles and implementation methods being observed.

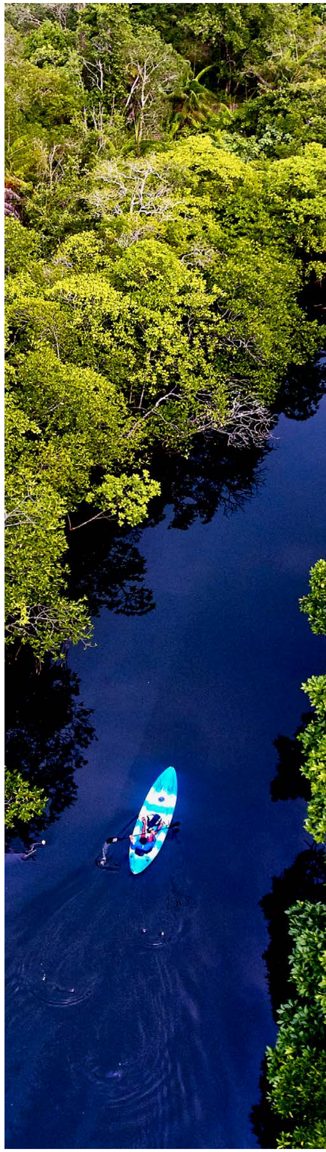
EY insight

There has been a notable shift towards passive investing as a strategy to reduce costs, significantly contributing to the decline in the median level of investment management fees charged to pension schemes. This trend reflects a growing recognition among trustees and investment managers of the benefits associated with passive strategies, including lower fees and reduced complexity.

EY insight

The widening of the interquartile range can be attributed to the transition of underlying portfolios to in-house LDI structures. While these internally managed strategies offer greater flexibility in terms of investment choices and tailored approaches, they also come with higher implementation costs. This highlights the trade-offs that pension schemes must consider as they navigate the evolving investment landscape.

The IM cost of external and internal LDI are covered in detail on the next page.



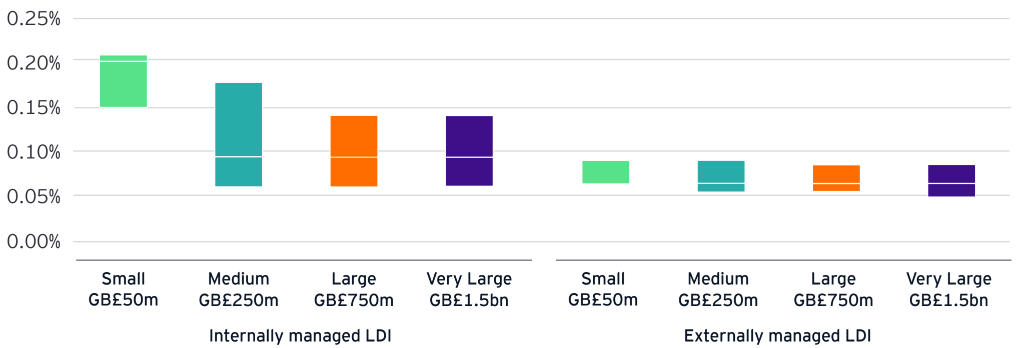
Internally managed vs externally managed Liability-Driven Investment (LDI)

Note: IM fees for LDI are expressed as a percentage of asset values, rather than exposure, to facilitate comparison.

The IM fees of LDI depends on various factors:

- Amount of assets being allocated to LDI
- Liability exposure that the strategy needs to hedge
- The leverage needed and accuracy of the liability hedge required
- The instruments used

Figure 4: inter-quartile range of LDI's IM Fees



The IM fees for in-house liability-driven investment (LDI) decreases as the size of the scheme increases, as cost efficiencies from economies of scale can be realised.

In general, in-house LDI tends to be more expensive than externally managed pooled solutions.

The desire for FMs to become more price competitive could lead to the introduction of more internally managed assets into the portfolio, which may lower overall costs. The trustees should be aware of any arising conflicts of interest, and view the fees alongside value being provided.

EY insight

Due to the minimal costs associated with managing LDI, smaller schemes struggle to spread these costs over a larger asset base, resulting in a higher IM fee per unit of LDI assets compared to medium/large sized schemes.

Most internal LDI solutions are bespoke in nature and hence come with high implementation and monitoring requirements.

However, higher internal LDI fees may sometimes be charged to offset lower base FM fees offered by FMs. This approach protects FMs from experiencing a decline in overall revenue. Schemes should be mindful of this strategy and should carefully examine the total costs associated with both IM and FM together.

While greater flexibility is often expected from FM solutions, some FMs may only offer solutions where LDI is managed internally. As a result, it is becoming increasingly crucial to obtain transparent and independent oversight to effectively assess the value of these internal LDI solutions.

Total costs (FM fees, IM fees and expenses)

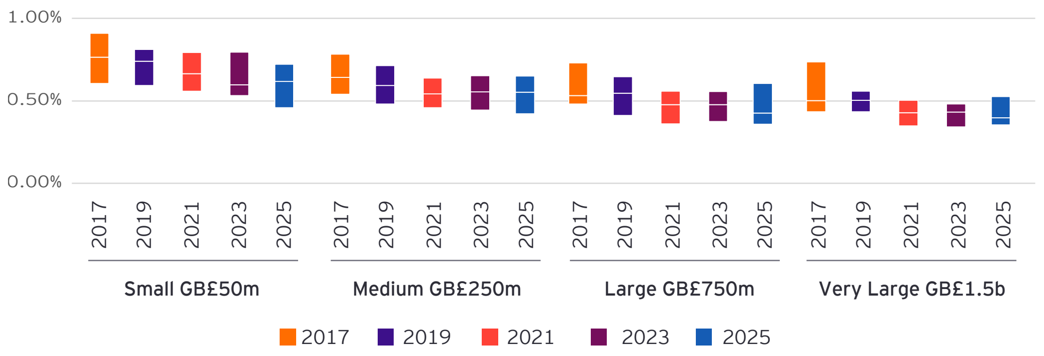
Expenses

The final component of the overall costs within a fiduciary mandate is expenses, either incurred by the fiduciary manager or those incurred by the underlying investment managers.

Expenses refer to underlying investment costs such as custody fees, administration fees, performance measurement fees, fees for legal reviews of documentation, fiduciary management pooled fund expenses, investment manager pooled fund expenses and transition management fees.

Given the opaque nature and variety of expenses, it can be easy for them to be overlooked when evaluating FM fee arrangements. Therefore, it is worth taking a closer look at these costs as part of more in-depth fee reviews.

Figure 5: Inter-quartile range of total costs (including expenses), return target of Gilts + 2.5% p.a



- We advocate for investors to consider the total costs incurred and strive to identify all fees and expenses associated with the mandate, as these can ultimately diminish net investment returns.
- While the median level of total costs continues to decline for larger schemes, smaller schemes have not experienced any further decreases in overall costs.

EY insight

Our 2025 survey shows the fall of median levels of expenses for schemes of all sizes; however, expenses can still contribute to up to 30% of the overall costs, especially when FMs implement sophisticated strategies and utilise private markets.

The recent CMA reforms and increasing disclosure requirements from The Pensions Regulator require FMs to report on more detailed cost breakdowns. However, there is a variety of fee arrangements observed across the UK fiduciary management market. For example, a number of FMs incorporate certain expenses, such as administration and performance measurement fees, into their overall FM fees. In contrast, many others choose to quote these expenses separately. The divergence of fee structures can lead to confusion for investors. Without a clear understanding of the various fees and expenses involved, comparisons between FMs can be misleading. Investors may struggle to accurately assess the value and cost-effectiveness of different fiduciary management options, potentially leading to suboptimal decision-making.
It is becoming increasingly more important to obtain transparent and independent oversight of overall FM costs.

EY insight

The overall cost has widened in comparison to our previous survey. This is predominantly driven by a further diversified range of assets being implemented by FMs, which broaden the ranges of IM fees charged for their best ideas propositions.

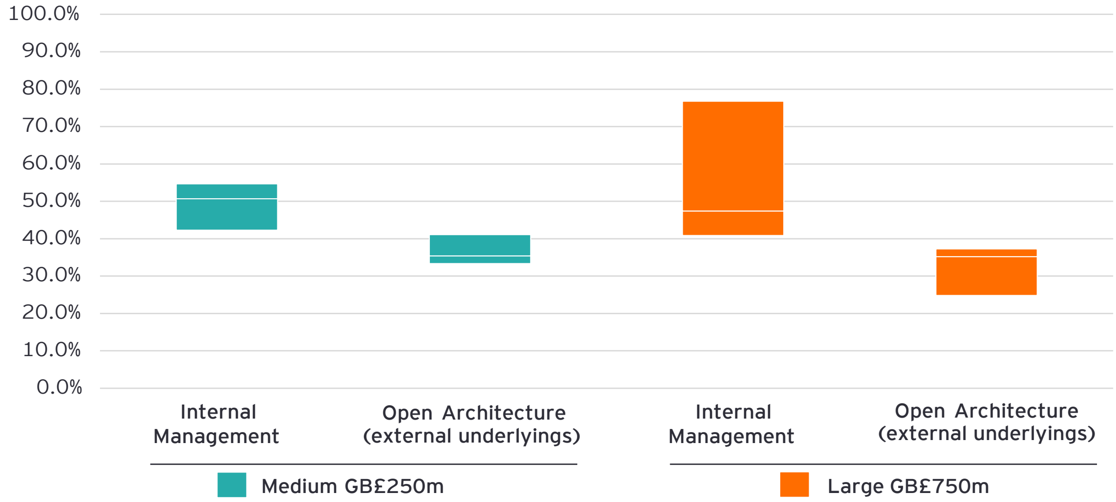
Total costs (FM fees, IM fees and expenses) (cont'd)

Internal Management

On an overall costs basis, FMs who manage a portion of their clients' portfolios internally will take a bigger proportion of the overall costs as their revenue, compared to those offering open architecture mandates.

For providers who only use external investment managers, the median level of FM revenue they receive from pension schemes targeting an investment return of Gilts + 1.5% p.a. is approximately 43% of the overall costs paid by the scheme, compared to c.66% for providers offering some or only using internal asset management.

Figure 6: Inter-quartile range of total FM revenue as overall costs for schemes targeting investment return of Gilts + 1.5% p.a.



EY insight

Since the last survey, we have observed a growing trend among providers to offer a greater number of internally managed products, enabling them to retain a higher portion of revenue. While this shift can sometimes reduce FM or IM fees, it is important to safeguard against any increase in overall costs for pension schemes. Furthermore, it is crucial that these reduced fees do not come at the expense of poorer fund performance, which could ultimately prove to be more costly.

How EY teams can help you

This survey focuses on the fees and expenses for a fiduciary management mandate, which we believe can provide useful insights for trustees and sponsors considering fiduciary management. However, it is important for pension schemes to assess the fees and costs in relation to the value that a fiduciary management mandate can offer their own scheme, particularly around management of investment and operation risks, and the resulting impact on risk and return.

EY teams provide a wide range of investment governance services, including evaluation of schemes' current governance structures, and assisting with the selection and oversight of fiduciary managers.

For further information, please visit our website, or contact one of the EY LLP team.

ey.com/en_gl/consulting/investment-governance-oversight

Contacts

We would welcome the opportunity to discuss how we can support you in your governance ambitions. Please contact us if you would like to know more.

Kevin Humpherson
Partner, Ernst & Young LLP
kevin.humpherson@uk.ey.com
+44 131 777 2048

Yanlin Wu
Manager, Ernst & Young LLP
yanlin.wu@uk.ey.com
+44 20 7951 7116

Abi Lee
Manager, Ernst & Young LLP
abi.lee@uk.ey.com
+44 207 951 8567

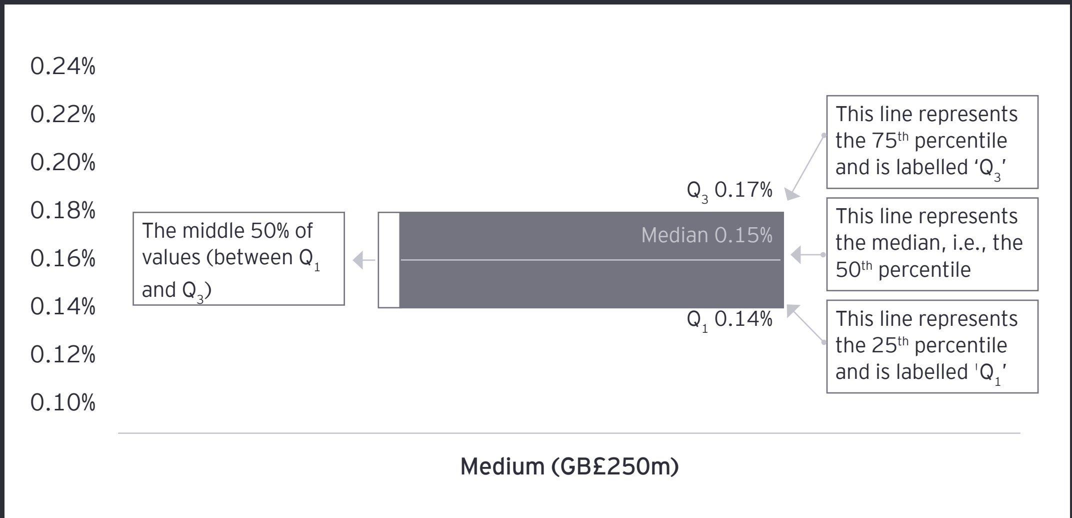
Thomas Greeves
Manager, Ernst & Young LLP
thomas.greeves@uk.ey.com
+44 113 298 2291

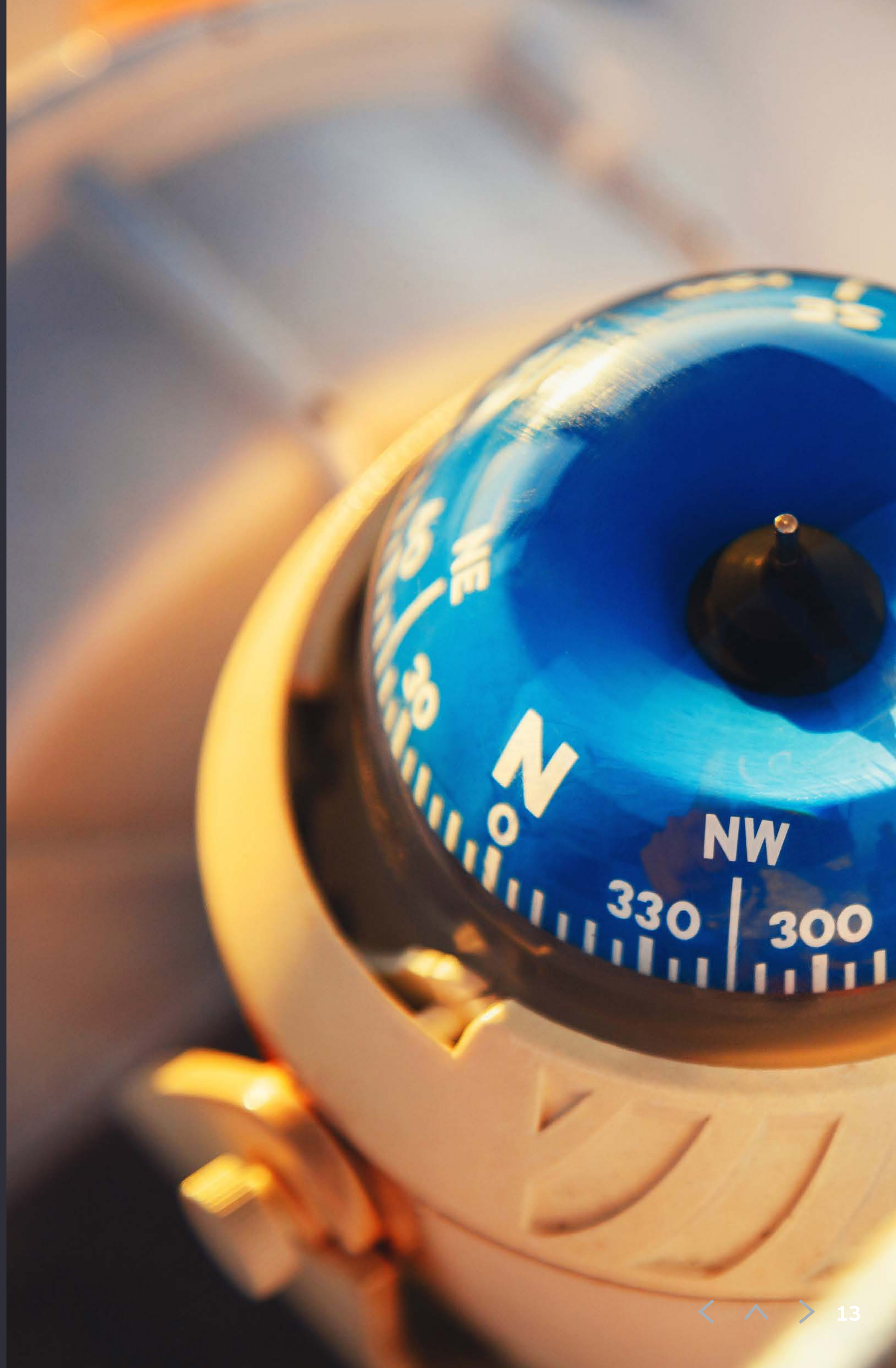
Appendix

How to read our analysis

We have used several box plots throughout this document to illustrate the spread of survey responses. In particular, the box plots show at a glance the inter-quartile range (the middle 50% of values) of responses. The example below explains how to interpret the graphs.

Example – Fiduciary management fees (2025)





EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

About EY-Parthenon

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value – solutions that work in practice, not just on paper.

Benefiting from EY's full spectrum of services, we've reimagined strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way – enabling you to shape your future with confidence. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

EYG no. 009658-25Gbl
ED None

UKC-040618.indd (UK) 11/25.
Artwork by Creative UK.

ey.com