

BURGESS SALMON

Superfunds – potential added value for employers and trustees

September 2026

'The pensions team at Burgess Salmon provides an all-round excellent service combining technical knowledge, commercial acumen, attention to detail and dedication to the client's objectives.'

Legal 500 2025

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About us

Established over 30 years ago, we are one of the largest pensions teams in the UK with over 60 pensions lawyers. Our nationwide practice advises nearly 10 percent of the country's trust-based occupational pension schemes.

Our award-winning, highly ranked lawyers are trusted advisers on many schemes, with some relationships spanning decades. We are at the forefront of the pensions industry, including through membership of leading pensions committees.

What is a superfund?

A pension superfund is a consolidator vehicle for defined benefit pension schemes, which enables:

- a scheme to transfer its assets and liabilities to a regulated independently run structure;
- a dedicated capital buffer; and
- a secure bridge to insurance over time, for schemes that are not yet able to achieve buy-out.

Clara is the only current active superfund; new superfund models are expected shortly.

In a Clara transaction, a DB pension scheme's assets and liabilities transfer to Clara. The assets and liabilities are then managed by Clara Trustees under a dedicated ringfenced section. Superfund transactions receive and require regulatory approval.

Clara is designed as a bridge to buy-out with an insurer, aiming to secure benefits with an insurer within 5 to 10 years at a lower cost than through an immediate buy-out.

Clara transactions are suitable for schemes that are looking to transfer their liabilities but are not in a position to pursue buy-out yet. In particular, Clara can be an advantageous option:

- in an M&A context, as it can provide an employer with a clean break from pension liabilities at potentially lower cost than buy-out insurance;
- in restructuring proceedings, including in a US Chapter 11 scenario;
- where there is employer solvency risk;
- where the future income from an employer is unlikely to meet a scheme's buy-out requirements; and
- also in respect of not-for-profit organisations, where funds may be designated for other needs.

There are currently three statutory gateway tests that need to be met:

- **Gateway 1:** the scheme cannot access buy-out now;
- **Gateway 2:** the scheme has no realistic prospect of buy-out in the foreseeable future; and
- **Gateway 3:** the superfund transfer improves the likelihood of members receiving their full benefits.

From 2028, regulations under the Pension Schemes Act 2026 will remove the Gateway 2 requirement (no realistic prospect of buy-out in the foreseeable future). Instead, the new 'onboarding conditions' will require that: (i) buy-out is not possible at the date of the application; (ii) the transfer increases the likelihood liabilities will be met in full in future; and (iii) there is a very high likelihood the superfund satisfies specified funding criteria within a year.

Burges Salmon are leading superfund advisers

- We advised the Trustee of the Church Mission Society Pension Scheme on its agreement to transfer 7,300 members and £55 million in assets to Clara. This transaction was the first to use a connected covenant which broadens the number of schemes that can use Clara and enhances member security through a continuing guarantee from the original sponsor.

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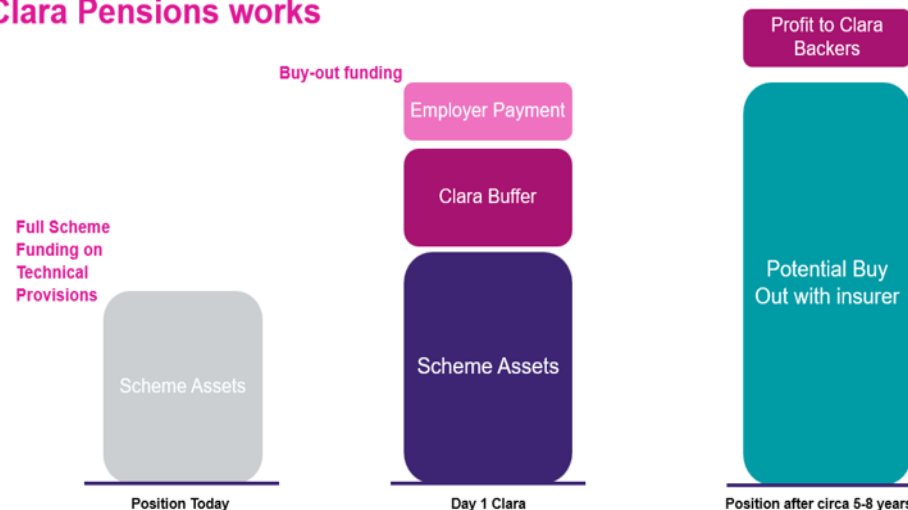
- We are advising an employer on a Clara transaction in a restructuring context.
- We have advised a broad range of trustees and employers on superfund and journey planning options.
- Our experience means we can help deliver superfund transactions smoothly and efficiently.

Some benefits of superfunds

Benefits of superfunds include:

- Superfund pricing can often be materially lower than buy-out providers (testing this assumption for each scheme is important);
- Superfunds give rise to an immediate transfer of liabilities providing certainty to employers and trustees;
- This certainty can assist companies during M&A and restructuring;
- A superfund transfer may offer improved member security through an external capital buffer and professional superfund governance;
- The superfund regime is fully regulated;
- The regime is intended to provide a very high degree of security for members' benefits, with Clara stating that it provides ">99% certainty that members will receive full benefits", measured on a technical provision basis;
- Superfund transactions receive and require regulatory clearance; and
- The transfer process can be accelerated where needed.

How Clara Pensions works



Contact

If there is any further information about Burges Salmon that would be useful then please feel free to contact Clive Pugh, or your usual Burges Salmon contact at any time.

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