



De-risking roundtable



The de-risking landscape – an evolving world

Our panel of experts [see page 78] explore the exciting trends evolving in the dynamic pensions de-risking space today

Chair: How is the de-risking market evolving?

Samantha Chandler: The de-risking market is growing fast and I don't feel there's enough accessible information for the benefit of the trustee. There are various endgame options, some of which may previously never have been plausible for schemes. With more solutions being developed in this space than perhaps ever before, we as an industry need to ensure these are regularly being brought to the trustees' attention, enabling them to review their position and make informed decisions.

Chris Connelly: If you look at the volume of deals over the past few years in pound notes, they've all been similar numbers, and yet the actual number of transactions is going up, pivoting towards the smaller schemes. Also, all the insurers in the market for buyouts are looking at

how they become more attractive to the smaller end. At the same time, record surpluses across some schemes are introducing the potential for purposeful run-on or surplus extraction. So that's added to the complexity this year.

Roisin O'Shea: That's right. In 2024, we saw c£48bn of pension liability come across to insurers; 2025, it is going to be a slightly smaller in total volume size, however we will see transactions by count this year. This is a function of the schemes that are in the market this year – we've seen less very large schemes coming to market and therefore that's reflected in the volume numbers. That's not to say that the demand isn't there – there are still lots and lots of schemes, more than last year, that will end up completing a transaction this year.

Matt Wilmington: 2025 is arguably the first year where there are genuine

options available, whether that's run-on, insurance, or a superfund. We are a superfund that is up and running and we've done four transactions to date, but if we were having this conversation this time last year, I wouldn't have been able to say that. But now, superfunds are a genuine option for trustees and sponsors who can't afford insurance. So, it's an exciting world, albeit a difficult one for trustees given the complexity.

Christopher Stiles: It's certainly a vibrant market – we're seeing a lot coming through the door, especially at the smaller end. We've seen fewer large transactions this year, but a big upsurge in the number of smaller transactions coming through. And yes, there are some interesting new conversations that we can now have with trustees. Run-on has become a central part of the conversation, as well as new options such as superfunds, and other options as well.

For the vast majority of schemes, that won't actually make any difference to the sort of transaction they ultimately end up doing, but for those where it might, it's good that the conversations can happen and it keeps the industry innovative.

Rebecca Wood: Over the past 12 months the market has continued to be competitive which, from a trustee and sponsor perspective, is positive. We're seeing that, even with our small schemes, we're able to get a number of quotes, which hasn't always been the case.

It has been good to see some insurers actively looking for solutions to areas which are time consuming and costly for schemes, such as whether the insurer can implement GMP equalisation post-buyout. This could have a price impact in some situations, but the important point is new ideas and options are being put on the table. Also, the support is there from

In association with



De-risking roundtable

MODERATOR



Andy Cheseldine, Professional Trustee, Capital Cranfield Pension Trustees

Andy joined Capital Cranfield in 2017 after a career as an adviser to trustees and employers at Watson Wyatt, Hewitt Bacon & Woodrow and as a partner at LCP. Using his experience of over 30 years in consulting on both DC and DB pensions and liaising with regulators, he is able to use his knowledge and understanding for the practical benefit of trustee boards. He has served on the Pensions UK DC council since 2013. Andy has a successful record of advising on regulatory, governance, change management, investment, provider selection and communication issues.

PANEL



Samantha Chandler, Head of Bulk Annuity Solutions, Lumera

Samantha leads Lumera's bulk annuity projects, helping trustees understand and solve their data challenges to achieve their endgame goals. Collaborating closely with insurers, she oversees due diligence exercises and data cleanse programmes, providing tailored solutions to unblock transaction progress. Samantha has over 25 years of industry experience, starting her career as an in-house DB pensions administrator and spending 14 years as head of pensions at a master trust looking after DC and DB plans.



Chris Connelly, Chief Strategy Officer, Heywood Pension Technologies

Chris has over 30 years of experience in life and pensions administration, solution design, and proposition strategy. He has worked with public and private sector pensions, as well as life insurance companies. In 2022, his contributions to the pension industry through his work at PASA and MaPS were recognised with the Pensions Personality of the Year award. Chris became a director of PASA in March 2025; and is an ambassador for The Children's Trust, a UK charity for children with brain injury and neurodisability.



Jack Hill, Director of Defined Benefit Solutions, Standard Life

Jack is an experienced pensions and risk transfer expert with 18 years of experience across both advisory and insurer-side roles. At Standard Life, where he has worked for more than four years, Jack has played a pivotal role in landmark transactions, including the £3bn phased buy-in of the Pearl Group Staff Pension Scheme, and has led initiatives to enhance annuity book performance and optimisation. He is a regular panellist on *Pensions Age* roundtables and a highly regarded speaker at pensions events.



Roisin O'Shea, Business Development, Rothesay

Róisín has a business development role at Rothesay, having spent most of her career focused on pension de-risking. She has worked on a wide range of transactions both at Rothesay and also during her time in Aviva and Legal & General's bulk annuity teams. She is a fellow of the Institute and Faculty of Actuaries and has received the Chartered Enterprise Risk Actuary accreditation. She is a regular panellist on *Pensions Age* roundtables and a highly regarded speaker at pensions and wider industry events.



Christopher Stiles, Partner, Gowling WLG

Christopher is a partner at Gowling WLG based in Birmingham and London who advises occupational pension schemes, and specialises in particular in risk transfer transactions. He has advised on insurance buy-ins, buyouts and longevity swaps, and takes a particular interest in innovative forms of risk transfer such as superfunds and capital-backed solutions. He is an active figure in the pensions industry generally, and chairs the West Midlands group of Pensions UK.



Matt Wilmington, Chief Transaction Officer, Clara Pensions

Matt is an actuary who has spent most of his career working with pension schemes and insurers in the world of derisking. Starting life as a pensions consultant at Aon, he advised trustees and sponsors on many of the market's early buy-ins, buyouts and longevity swaps. After eight years in the pensions insurance industry, initially with Legal & General and then Scottish Widows with the responsibility of structuring and executing a wide range of pension de-risking solutions, Matt joined Clara Pensions in 2024 as chief transactions officer.



Rebecca Wood, Head of Endgame, Vidett

Becky has over 15 years' experience in the pensions industry, a decade of which has been in professional trusteeship. Joining Vidett in 2020, Becky brought with her a natural leadership to trustee boards, where she acts as a chair, sole trustee and co-trustee on a wide range of pension schemes, of varying size and maturity. Becky has vast experience in agreeing long-term objectives with sponsors, end-game planning and execution, including buy-ins, buyouts, scheme wind-ups and dealing with the complexities that may arise.

Rothsay

GOWLING WLG

Clara
PENSIONS

Vidett
trustee.governance.experts

De-risking roundtable

government for trustees and sponsors to take a step back and think about whether buyout is the right thing for their scheme.

Jack Hill: Vibrant does feel like the right word for the de-risking market at the moment. Following the financial turbulence of September 2022, we saw a surge of activity, where there were a large number of schemes that were well-prepared and ready to transact, so they moved quickly to take advantage of favourable conditions for them.

At the same time, other well-funded schemes, particularly at the larger end of the market, were more cautious, needing to work through complexities such as illiquid asset holdings and data readiness before they could proceed.

So, while we probably will see a bit of a dip in 2025, that feels more a reflection of the market, and some very large schemes in particular, taking time to work through that necessary groundwork. In the meantime, we've seen a noticeable increase in the number of small transactions, which has helped maintain momentum. The pipeline for larger deals remains strong, and we anticipate a resurgence as those schemes complete their preparations.

Surplus release

Chair: What are your thoughts on the surplus release piece?

Hill: From my perspective, surplus release isn't a new concept, it's something the bulk annuity market has supported for the past 15 to 20 years. Many transactions have already delivered surplus back to sponsors or been used to enhance member benefits.

What's been particularly striking in recent years is the number of schemes coming forward looking to use surplus for member benefit augmentations. So, I'd argue that the bulk purchase annuity (BPA) market is already well-equipped

to support this. There appears to be appetite from government to explore allowing surplus to be released to bring schemes below buyout funding. As ever, member security should be front of mind, and I expect it'll take a very unique set of circumstances for trustees to allow surplus to be released while bringing schemes away from buyout funding, given the reliance and exposure to sponsor covenant this would create.

Chair: Are there any other thoughts on the role of government intervention?

Wood: I go back to my earlier point – the government intervention in this space is helping trustees and sponsors to take a step back. While, arguably, trustees should be doing that already i.e. not just blindly heading straight for buyout without considering all the alternatives, the government intervention, along with guidance from The Pensions Regulator (TPR), is providing more support and prompting that reflection.

I am currently working with a scheme that had been targeting buyout but is now also considering the superfund option. A year or so ago, superfunds wouldn't have even been on the radar for this scheme. Part of that is due to Clara having done more transactions, and the government intervention has helped reinforce that as a viable option. So it's getting trustees and sponsors to take that step back.

Stiles: I would say that government intervention is setting the mood. We now have government endorsement for the principle that surplus being used to invest in the sponsor's business for the good of the wider economy is a good thing, so that gives a certain amount of legitimacy to the concept. Similarly, the fact that there's going to be a statutory framework for superfunds adds credibility to the product. But I wouldn't say that the government is making any difference to the decisions that a well-advised board of



trustees would be making anyway.

The development that's probably going to be most interesting to watch is the easier access to surplus while the scheme is still ongoing and the extent to which that influences decision-making on the employer side.

Wilmington: Clearly we are very welcoming that superfunds have been put on a statutory footing rather than a guidance-type arrangement. We probably see that there's something in the region of £250bn-£300bn of liabilities that might be ready to move to a superfund that aren't quite ready to get to insurance yet, and seeing that as a journey to get to insurance feels like a very positive thing.

Chandler: In terms of the legislation changes, it is good the government is intervening in some of these areas, including surpluses. I have seen some schemes that we've been working with, who were about to buy out, suddenly pause, which I am not criticising, while they understand what is changing, review and resolve the surplus position. So, if the government could be a bit quicker with their plans there, that would be helpful.

Capacity constraints

Chair: What about capacity constraints in the market? Is this a problem?

Stiles: On the capacity front, we're not seeing any transactions fail for want of capacity. There is still capacity out there to meet the demand. We have new entrants into the market; and advisory firms like ourselves, have invested heavily

In association with



De-risking roundtable



in pensions risk transfer because we see it as a growth area in pensions to support the industry.

That said, there are pinch points. Particularly at the buy-in to buyout phase, we are seeing some issues with admin capacity.

Wilmington: On capacity, it's very telling that since we did the transaction with Wates at the end of 2024, solvent sponsors have seen superfunds as a viable, de-risking option. If they can come to us for 5 per cent less than buyout, and we will get them to buyout in five to 10 years, they see that as a positive.

At Clara, we have moved from a world where we were perhaps quoting on two or three schemes a quarter, to quoting on about 12-15 a quarter over the past two or three quarters. We've recruited to support that. Clara's moved from 17 people at the start of 2024 to 35.

Also, we operate an outsourcing model to make sure that we look after the members properly. We have a panel of administrators who make sure that the members are well looked after when they do transfer over to us.

O'Shea: With the growing number of schemes transacting each year, it is the transition capability of the insurers that trustees should consider as well as their insurer's administration capabilities, this is most likely where the capacity constraint will be felt. We are seeing more schemes shortlist/select an insurer based on non-price factors such as member experience and transition certainty.

Connelly: Picking up on capacity from a people point of view, the administrators have a day job. So any of this work is additional to what they're contracted to do already. Over the past maybe 10-20 years, there's been pressure on admin pricing anyway, almost a race to the bottom, and that has not been met with investment in tech at the same time. So, you've got people already squeezed to look after the members before having to think about what they're doing about getting data ready for a transaction.

So where all these bottlenecks occur, you can see that the response from the insurer part of the market has been to be less fussy about what it takes on at buy-in level. That's what has pushed the bubble along the wallpaper from buy-ins to buyouts, and that's the point where data really matters because you have to make sure these benefits are entirely accurate because you're about to replace them with an annuity policy.

Similarly, the additional choices that are coming into the market don't make it easier to get ready for a transaction. I do welcome that there are more choices, more end games for the trustees to consider. But the voice that's not being heard very much is that of the people who have to get the members' data ready alongside their day job.

Chandler: So far today, we've talked a lot about schemes that are either at the point of buy-in or buyout, and facing up to the current capacity challenges; but it's the ones that are just starting their buy-in journey that worry me. With more options and solutions comes more to understand, steps to consider and plan. I am often asked 'what are the requirements? What is meant by data preparation? When do I start and what do I do first?' So what sort of guidance is there to answer these questions, to support trustees with their

early conversations? I am concerned this knowledge gap could unnecessarily increase resource time, undertaking tasks either not required or ineffectively.

Hill: From our perspective, the bulk annuity market is in a strong position to meet the demand we're expecting, from a volume and number of transactions perspective. Despite a quieter year for mega-deals, insurers have continued to show we can absorb significant transaction volumes in 2025 and it seems likely by year-end we will see close to the 300 transactions we also saw in 2024.

At Standard Life we continue to prioritise investment in our administrative capabilities and member offerings in recognition of the importance of supporting schemes and members right through the buyout journey and beyond. The combination of an outsourced model to our administration provider with our in-house expertise and oversight, plus our early investment in technology and automation, means we're well placed to continue providing high quality service to our growing customer base.

The trustees' role

Chair: Has the role of trustees evolved from simply securing benefits to actively considering a wider range of solutions?

Wood: The role of the trustee is and always has been to act in the best interests of the members and to ensure benefits are paid as they fall due. I don't think that fundamental role has changed.

What has changed is that we can now proactively consider options that, until recently, felt more like theoretical ideas than practical solutions. These options are now real and viable and we can take the time to assess what's best for the scheme and the members. Schemes are in a stronger position than they were a few years ago to lead the strategic debate.

Rothsay

GOWLING WLG

Clara
PENSIONSVidett
trustee.governance.experts

De-risking roundtable

As you would expect from a professional trustee with a strong reputation in this space, we lead the strategic discussions and form a jointly agreed approach with the scheme sponsor.

Hill: While the core responsibility of trustees – delivering members' benefits securely – remains unchanged, I feel the context in which they operate has evolved significantly. Ten years ago, the majority of trustee boards would have been facing one key question – how to address the funding deficit in their scheme. A main focus for trustees was therefore consideration of the covenant strength of their existing sponsoring employer to help determine the fine balance between size of deficit contributions to request and wanting to see the sponsor remain viable over the long-term.

Today, with many schemes now in a healthier financial state and a broader range of endgame solutions available, trustees are not just asking how to reach full funding, they're considering which long-term solution best supports their members, which in many cases is leading them to buyout with an insurer. The conversation has shifted from 'how strong is our current sponsor?' to 'which solution do we trust to deliver the best outcomes for our members?' This evolution arguably reflects a more strategic, outcomes-focused approach to decision-making now being needed.

Chandler: I agree the role of the trustee has not changed, even if they've got more to consider. But what has changed is that data and benefits are now high on the agenda at trustee board meetings. Trustees realise they need to understand and get to grips with the quality and accuracy of their data and the impact any correction work will have on their decisions and moving forward with their endgame journey (whatever that may be). Without this information and

knowledge, plans will be at risk of failure, jeopardising members' experience.

Connelly: I agree the relevance and importance of data and administration quality has come higher up the priority list, partly because it was so low before. But also, when you get to stages like the buyout transaction and even the pricing, you suddenly get an easier way of identifying what the cost of your poor data is. It's hard to judge that cost in business as usual (BAU), but once you see what kind of premium an insurer might put on the risk of having data that might not be quite right, that changes things.

O'Shea: If your data is accurate, you will receive a more accurate price, but if there is an error in the data you've given us which is discovered later, you're more likely to see a larger true-up when you finish your data cleanse – this number could be a payment to the insurer or a refund. That can be a concern for trustees because it is an unknown amount to be paid in the future.

In terms of the trustee role, the decisions trustees are making now are much more complex than they've arguably ever been; we see independent trustees on many boards likely due to the fact that these decisions are so complex.

Wilmington: As a superfund, the schemes we are talking to are further behind in their data journey than the better funded schemes. There's a reason for that – until 18 months ago, superfund wasn't an option. So you've got all of these schemes that are, say, 10 per cent further away from buyout thinking, 'why would I spend any money sorting my data and benefits spec out when it's so far in the future that I'm actually going to be able to do anything with these liabilities?' They didn't see the need to tidy these things up.

So the gestation period for our transactions is much longer than it would

be for an insurance transaction because we are dealing with those schemes that never thought they were going to be able to get there, or at least not for a while.

They've now said, 'we can't afford insurance, but we can afford to move to Clara. But we haven't done anything with our benefits because we didn't think we needed to for another five or 10 years.'

So we're finding a lot of delay between giving indicative pricing in terms of what it might cost to move to a superfund, to giving an actual transactable price on a proper data set and a proper benefit spec. As a result, we would encourage trustees and consultants, in the new world where there are more options, to spend some time and effort making sure that data and benefits are in good order.

Stiles: On trustee decision-making, legally the duty that trustees are under is the same as it's always been, which is you have to act for the purposes of the trust. In practical terms, that means maximising the probability that the accrued benefits will be paid in full and on time. It's just that, until recently, there's only been one way of doing that, which is as soon as you're no longer in deficit, move to buy-in the benefits. So what's changed are the surrounding circumstances – schemes are better funded, and having more money means you have more scope to decide what to do with it. And then there are more choices available to you as well!

That has opened up the possibility for trustees to pursue secondary objectives



In association with



De-risking roundtable

– not just getting the benefits secured as quickly as possible but considering things like augmenting benefits, giving some surplus back to the employer if it has overfunded the scheme, and so on.

The decision-making has to be approached with clarity over what are the priorities, in what relative order are they, and how far can we move away from what has historically been perceived as the gold standard to secure the primary objective, i.e. a buyout, in order to maximise the chance of achieving the secondary objectives.

Wood: On the clarity of purpose point, it is important that trustees and sponsors agree their combined objectives at the outset. The objectives from the trustee side might not be the same as for the sponsor, but it's still important to have a shared list of goals to work towards.

Trustees are facing more decisions now than they have in the past, and those decisions are increasingly complex. One example is how trustees get comfortable with allowing the scheme to run on and the treatment of surplus. It should be achievable to seek sharing of this surplus between company and members. This could even extend out of the scheme into an employer's DC arrangement or looking to add that to the existing trust. Anything that can create better outcomes for members and the sponsor has to be a win-win if it comes with a robust governance and monitoring model to support it. Ultimately, it needs some clear triggers and metrics for an exit strategy

for securing full members' benefits if the worst was to happen.

Chandler: With all this said, trustees need to remain open-minded and realistic about these options, and what their scheme can practically achieve and when. They should not listen to myths, there are many out there – it is fine to challenge and ask questions of the insurer/the provider/the superfund, such as “do I need this, do I need to do that?” and not assume, especially where the request does not work for them. One size does not fit all and if we try to standardise a request/process then the basis of trustee decisions could potentially be wrongfully applied. For me, it's about us experts in this field to share our experience, and educate those who may only do this transaction once.

Connelly: From a sponsor perspective, there was already an incentive to go to buyout because it would get a problem off their balance sheet but, if there is also now potentially an option to extract some surplus, could this be the thing that drives them to say, ‘okay, I'm prepared to invest in the data and the audit and the calculations because I'd hate to extract money and then discover my liabilities were wrong?’

Wood: It could. A lot of it is just about having those conversations with sponsors to help them understand why they need to get the data right.

The role of accurate data

Chair: Is the quality of scheme data sufficient (yet) to meet the endgame/de-risking journey? Is data seen as a blocker?

Connelly: The evolution over the last few years has been to accept the fact that data is a problem, thankfully. The way that some of the insurers have responded to that is to push the problem further along because they still, in the interim, want to write the business and move

forward. So the problem is well known. Now that we've got more choices, like run-on or consolidating in one form or another, it could mean that somebody will care a bit sooner about the quality of the data and the way the benefits are being calculated.

You can also see the tension between the scheme actuary or the scheme's lawyer as to who gets to decide who's signing off on what the benefits spec actually is, because administrators tend to just adopt what the administrative processes are about calculating benefits. They very rarely have cause to go back to a trust deed and rules, and in fact there will probably be a history of subsequent actuarial easements and amended ways of approaching issues. Then, when you get to a point of crystallisation, like a buyout, everyone suddenly tunes in and questions some of the admin specifics.

So, is the quality of data sufficient? No, it's not. That's the simple answer.

To pick up on the point about myths, there is also a myth that, if something happened manually, it needs to be fixed manually. What people maybe don't realise is that there are a lot more automated ways of fixing a problem now. You don't have to go back and do it all manually. There are lots of third-party data sources that you can verify against. There are a lot more tools out there to go back and work out benefits.

O'Shea: Talking from an insurer perspective, when it comes to approaching an insurer, data quality matters much more for smaller schemes than it does for the larger schemes.

A clear benefit spec that is easily matched to the data is important to us and is one of the things we look for first. Having tens of benefit specs is definitely off-putting for insurers, or multiple lines of data that have not been consolidated or tidied up. Another thing that gets



Rothsay

GOWLING WLG

Clara
PENSIONS

Vidett
trustee.governance.experts

De-risking roundtable

overlooked often is the quality of your longevity data or your death data. It's an important factor for insurers.

Wilmington: We think about data in a slightly different way to insurers doing a buy-in, in that we're very cognisant that when members transfer to Clara we begin paying benefits directly immediately, so we want to make sure that we're paying them the right benefits, because that's not a good place to be if you're paying people the wrong benefits. Therefore we do a lot of due diligence on the data before it comes to us.

So we want good data. We want a good benefit spec. But whether that's on signing or whether we do a data true-up afterwards, then both of those are perfectly fine. But the quality of that data and making sure that the benefits that should be paid or the benefits that are being paid is pretty much top of the list of things that we think about.

Stiles: It is definitely an area where work is needed to get it from where it is to where it should be. The lazy way to buy out would just be to insure whatever benefits the scheme would have paid and chances are, in most cases, nobody would have a problem with that. But because trustees want to be discharged from liability, we have to do better than that. And that does involve more work on the data, and the benefit specifications.

I would definitely expect lawyers to be signing off that a benefit spec is consistent with the trust deed and rules. The lawyer should be willing to sign their name to that. But I agree that it should also be checked by the administrators to ensure that it's consistent with what the scheme is paying in practice.

If you don't have a specification that ticks both of those boxes, you've got a problem. But it's a problem you had anyway, you just didn't know about it. So all this is doing is bringing it into the

light, and giving you the opportunity to fix it. But that just emphasises the need for preparation in advance of going to market – trustees shouldn't be having to fix too many things under the time pressure of a transaction.

Wood: It is great that the market is busy with lots of well-funded schemes ready to go to market. But that puts pressure on administrators as there aren't enough people to do the work needed. I don't know what the solution is but, as trustees, we need to make sure we prepare earlier and ensure that we bring our administrators on the journey not just bring them in at the last minute.

There is also a lack of clarity around what buy-in and buyout-ready data actually means. So, after cleaning the data ready to do a transaction, the scheme transacts, and data cleansing is still needed. There is clearly a risk of not cleansing something that may cause issues and delays post buy-in. More clarity on what insurers actually want in relation to data post buy-in, and what can be done before a transaction, would be helpful to avoid this happening.

Hill: I agree that data quality is important both in terms of core scheme data and member experience data as they can influence pricing and even determine whether a transaction proceeds or not from an affordability perspective.

There has been a lot of focus today also on the importance of getting the administration right. Trustees are sometimes in a difficult position, many schemes are now in surplus unexpectedly on a buyout basis and this may feel like the right moment to secure a buy-in. However, they may also be aware their data isn't perfect.

The key question becomes, do you act now to lock in pricing while market conditions are favourable, or do you wait until your data is fully cleansed?



Fortunately, some of the technological advances made in the industry are helping advisers better assess data quality within certain tolerances, helping trustees make informed decisions based on how confident they are in their current data. This is an important first step.

From the insurer's perspective, we work with the data and benefit specifications provided and the buy-in policy will reflect this. We're clear in our contractual terms but, ultimately, the quality of data impacts the outcome.

Looking forward, we all have a role to play in learning from each transaction. By building stronger relationships and sharing insights, we can improve the process for future schemes and deliver better outcomes for members.

Chandler: We're talking today about whether the data is of sufficient quality for endgame and de-risking journeys but, actually, is it sufficient for efficient administration on a day-to-day basis? For many schemes, it is not. Administrators of course have a way of dealing with missing/poor quality data; for example, they're quite happy to go back to the 'paper' file upon the member's death, track back through retirement calculations to find the pension due to the spouse, carry out a calculation to bring it up-to-date, review the scheme rules and trust deed to establish the eligibility and definition of the amount due to the spouse – all carried out each time a member dies, one case at a time. Not an efficient process.

In association with



De-risking roundtable



Someone mentioned earlier the need to check that the trust deed and rules are consistent with the benefit specification. I agree, but care needs to be taken depending on the origination of this benefit specification and to ensure it is in line with admin practice. Administrators tend to have their own benefit specification, we have found this sometimes differs from admin practice and does not cover historic trust deed and rules provisions.

Then, throw in changes of administrators and, before you know it, you've got a whole wealth of different practices there. Whilst you've got a benefit recorded, you insure that benefit, and that's what you continue to pay; both the trustee and the insurer (more so post-buyout) still have a duty to be paying the right benefit – how can anybody sign off what the right benefit is without doing a thorough check?

Picking up on the point made about the models that are available to do some of this cleanse work, and the fact it doesn't have to be a manual process, at Lumera we've got technology, bulk calculation tools and AI that does this over the entire population in scope

Finally, referring to the earlier point on the guidance of all these different data requirements, and if it is ever going to be streamlined, potentially it is not, because every insurer will have a slightly different process. But surely some standard items can be laid down to help the trustees go from buy-in to buyout efficiently, engage

earlier and undertake these tasks whilst getting ready for buy-in?

Connelly: On a positive note, I like where the rising tide is going. TPR has recently recruited an entire digital data and technology team, so you can see the focus they're placing on where the future of the market is.

They're also looking abroad to see how data is exchanged between schemes and the regulator. So, rather than just being an annual report on data quality, the regulator's thinking more about how we can be taking the temperature of the industry all the time.

You've also got administration standards or a measure of quality in the new general code from the regulator. So, quality of admin is going to be more important. This will all help somebody write a business case to spend more money on improvements.

Superfunds

Chair: Are superfunds secure?

Stiles: It's a younger market so it hasn't been tested to the same extent but, conceptually I would say yes, because if a superfund isn't secure enough, then where the liabilities are at the moment isn't secure enough either. It's an occupational pension scheme. It's subject to the same regulatory regime, and to the extent that a superfund is different because it's being operated commercially, and backed by a capital buffer instead of by a trading business, that's precisely what the regulator's interim regime and now the Pension Schemes Bill is designed to address. So, I don't have any concerns with that from a security point of view.

Does it give the best possible outcome for members, taking into account the trustees' legal duties? If the answer to that is yes, then a superfund is the right answer. For a lot of schemes, the insurance market will still be more

attractive, but there is a section of the market which the superfunds are right for. So it's to be welcomed.

Wood: The member experience here though is critical. As a trustee, when we're going to market, we carry out due diligence in relation to the member experience provided by the insurers. Over time, this aspect has rightly gained prominence. In today's competitive market, factors that were once considered secondary, like member experience, are now central to decision-making.

We want to make sure that after buyout our members are looked after as the trustees will no longer be there to oversee the scheme. The same level of scrutiny should apply to superfunds. Trustees need to be confident that members will be looked after once the benefits are transferred to the superfund. That's not to say they won't be, but proper due diligence is essential.

With superfund models like Clara, where benefits will ultimately transfer to an insurer, it's important for trustees to think about what the whole of that journey will look like for members.

Hill: If a clear regulatory framework is maintained that builds on the gateway mechanism and enables trustee and sponsor to identify when insurance is likely to be out of reach, but enhanced covenant could benefit member security, then superfunds have an important role in the pension de-risking market. The industry should be proud of the thought-leadership that has gone into creating a viable option that can help schemes improve member outcomes and support the bridge to buyout, when potentially they couldn't have got there otherwise.

Connelly: The superfund model is an interesting one and it speaks to the fact that not everyone is over-funded. So it's good to have that extra choice out there.

O'Shea: A different set of schemes

Rothsay

GOWLING WLG

Clara
PENSIONS

Vidett
trustee.governance.experts

De-risking roundtable

will be looking at superfunds to those that are in the insurance pipeline. So, as long as it's used in the right way and the right schemes are going to superfunds, that's absolutely fine. It's a bridge to buyout. But it is important to understand the difference in risk and for it not to be viewed as an alternative to insurance because, ultimately, full benefits are not actually secured, so there remain inter-generational issues.

For some of the new models we understand are coming, the issue is more acutely where increased benefits aren't actually locked in for three years, potentially exacerbating the inter-generational issues.

Wilmington: From a security perspective, it's quite interesting the amount of capital that insurers are putting behind the liabilities versus the amount of capital that we're putting behind the liabilities. We will typically fund to about a buyout level. So, in insurance language, if you take the premium that you would pay to move to Clara plus the capital that we'll put on top of it, that pretty much equals a buyout premium. So superfund is absolutely a secure vehicle.

I agree that it's a very different market to the insurance market – and we are not competitors to the insurers. Our market is those people who cannot yet afford insurance but would benefit from the additional security that we would provide or would benefit from being able to settle the liabilities. Our pipeline comes from three sources: One is trustees of pension schemes with weaker sponsors who are asking, 'how do we make sure our members are getting paid in full?' The second is sponsors who are saying, 'we'd like to settle our liabilities, but we can't yet afford insurance. So actually, if I have to pay you £10m, or if I have to pay an insurer £20m, then that seems like a

good deal to me.' The third is M&A-type activity. It's great that there is an extra option for people to think about.

Chandler: It's also interesting to see that a competitor to Clara has now come into the market; competition always has to be good for the members.

Looking ahead

Chair: Where do we think the de-risking market will go from here?

Wilmington: I agree that it is great to have another superfund in the market as it serves as validation of the concept. We are a superfund model. We are a bridge to buyout. There are clearly other superfund models that could exist in terms of run-on and other things and it would be great if that market blossoms with some more participants.

O'Shea: The buyout market remains very busy. Demand from schemes isn't going away. Insurers continue to invest in their own administration platforms and in their offerings for vulnerable customers, so we have busy and exciting years ahead.

Stiles: The market is maturing and is becoming more standardised, on the contractual negotiation side, we're certainly seeing that. With providers' contracts, for example, while they are all different, there is an increasing understanding of what is on-market and what isn't. There are points on BPA contracts that we used to negotiate heavily, but nobody even bothers asking for any more, either because the market reality is well understood, or because insurers' terms have evolved to give reasonable recognition to the point already. There are also points where we know we can get movement if the scheme's circumstances or bargaining power are right. That's probably a direction of travel which will continue and will drive better efficiency.

Wood: There are interesting times ahead – we have talked about a new superfund or funds that are coming into the market, for example. But what's key is making sure that the members remain at the heart of every decision we make.

Hill: To deliver the best outcomes for members, it is essential that we prioritise collaboration, embrace technology and most importantly ensure open and clear communication between all parties involved. Clear and continuous interaction between all stakeholders is key to smoothing out inefficiencies and delivering the high demand for buyouts we expect to see.

Chandler: I'm an advocate for collaboration and knowledge sharing. Of course, there are always going to be some commercial constraints between us, but we're all here for the member. The member is the reason for what we do and why we do it. Also, early engagement with all stakeholders is key.

Connelly: Technology is also key going forward. There are technology solutions out there that can help with all of this. Also, we don't necessarily need to move towards a world where everything is standardised in order to get the efficiencies. There are some very clever tools out there and some of the things that generative AI brings us is the ability to do things on non-standard information. That's where the real game changers are going to be.

