

31 October 2019

Rt Hon Frank Field MP  
Chair of the Work and Pensions Committee  
House of Commons  
London  
SW1A 0AA

Dear Mr. Field

Thank you again for the invitation to provide evidence to the Committee this week. I completely understand the reasons for delaying the session and leaving this as a matter for the Committee to consider in the new Parliament.

The Pension Schemes Bill will not make progress before dissolution therefore the question of how to make pensions safer for members will remain to be considered by the new Parliament. I thought it might be helpful for you, the other Committee members and the Committee Clerks to briefly outline the points I had hoped to make in my testimony.

### **The Need for Consolidation**

I believe there is clear need for Consolidation. We see this from the schemes which have approached us. They are not able to afford buy-out but have a clear desire to put their pension schemes in a more secure position. I agree that buy-out with an insurer is the 'gold standard'. Clara's proposition provides a safer pension today and a clear bridge to buy-out.

Broadly, we have seen three drivers for schemes considering Consolidation. The first, and most notable, are trustees who are concerned that the weakness of the current employer covenant poses too high a risk of members not receiving their promised pensions in full. These trustees recognise that Clara's permanent and funded capital can provide a more secure covenant for members.

The second driver is corporate activity and restructuring where the trustees and employer have a one-off opportunity to put pension scheme members in a better position. DB pensions are a valuable benefit for members that should be protected, but they are an undoubted barrier to investment in UK employers. The third driver are the employers themselves, who want to invest in their businesses but recognise the need to first fulfil their pension obligations.

The PLSA has estimated up to 3 million pension scheme members have only a 50:50 chance of receiving their promised pensions. Given the scale of UK pension liabilities, more than one safe solution is needed.

## **The Current Regime**

Consolidation is needed today, is possible today and can be safely delivered under the current regime with close oversight from the Pensions Regulator. We are grateful for the open engagement we have had with the Regulator and the Pension Protection Fund. They have provided both robust and helpful challenge as our proposition has developed and we are currently working intensely to satisfy the Regulator's pre-authorisation approval requirements.

## **The Pension Schemes Bill**

While Consolidation is both needed and achievable now, Clara has continually supported the development of a bespoke authorisation regime. We have supported the Government's approach in the Green and White papers, and subsequent specific consultation. We were therefore disappointed that Consolidation was not included in the Pension Schemes Bill.

It is only right that a future authorisation regime is openly debated, and I had hoped to use the evidence session before the Committee to further and hopefully resolve that debate. Some have argued for a high and hard bar, but in order for Consolidation to become a viable solution for members it is necessary to strike a balance between member security, the cost to employers and returns to the providers of capital. If the bar is set too high, Consolidation will not be a viable option for trustees and employers. This will mean real loss for real members.

I would urge the Committee to encourage a new Government in a new Parliament to re-introduce a full Pension Schemes Bill

## **The Industry Perspective**

Although the omission of Consolidation from the Pension Schemes Bill was disappointing, we were greatly encouraged by the shared disappointment of the pensions industry. There is widespread recognition that Consolidation is good policy and is needed today.

PLSA's most recent analysis shows strong support from the pensions sector for Consolidation as an option to provide greater security to members. Fully 89%<sup>1</sup> of pension professionals surveyed would consider Consolidation as the appropriate endgame for single employer DB schemes.

This is a startling statistic particularly when you consider that pension professionals rely on pension schemes for their livelihoods and Consolidation will certainly reduce the available fee pool. Pension professionals, like insurers and Consolidators, have a commercial interest in pensions but professionals recognise the importance of putting members first.

## **Clara's Role**

Clara-Pensions is the member-first Consolidator for defined benefit pension schemes. Clara's solution aims to provide a secure bridge to buy-out for every member. This security is provided by our permanent and funded investor capital that travels the full journey to buy-out with members. Clara does not allow a return of capital nor a return to capital until every member in a section has their full benefits secured.

Clara is a growing team and has access to the experience of both our independent trustees and non-executive directors. It is a privilege to be working with such a strong team with backgrounds

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<sup>1</sup> PLSA Press Release 29 October 2019, "Pension Experts Support More Options for Scheme Consolidation"  
<https://www.plsa.co.uk/Press-Centre/Press-Releases/Article/Pension-experts-support-more-options-for-scheme-consolidation>

in pensions, bulk annuity insurance and across financial services. Subject to approval from the Regulator, we are ready to deliver safer pensions today.

I look forward to the opportunity to address the Committee more formally in the new Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS', written in a cursive style.

Adam Saron  
Chief Executive Officer