Clara
PENSIONS

# The UK's Leading DB Pension Superfund

Bridge to Buy Out

# Introducing Clara

Clara is the UK's leading pension superfund, providing a clear, secure route for the settlement of defined benefit schemes, protecting members and releasing employers from long term pension risk.

We are a member first pension superfund with a clear purpose: to safeguard pensions, keep promises, and secure members' benefits. Our mission is to harness the full potential of superfunds to serve members' best interests, using consolidation, strong governance and additional capital to improve security and support schemes on a clear journey to insurance buy out. Being member first is central to everything we do, with every decision focused on delivering the full pension promise and creating a positive impact on pensions in the UK.

- **For members**, we provide enhanced security and confidence that their promised income will be paid.
- **For trustees**, we enable obligations to be met under a robust regulatory framework.
- **For sponsors**, we provide a clean break from the pension scheme – freeing up time, capital and focus for core business priorities.

## What is a superfund?

A pension superfund is designed to bring defined benefit pension schemes together under a single, well governed structure, with the primary aim of ensuring members' benefits are paid in full and on time.

When a scheme transfers to a superfund, responsibility for paying pensions moves from the employer to the superfund, while trustees gain the comfort of enhanced funding support.

The superfund assumes responsibility for meeting all pension obligations, backed by a dedicated capital buffer, providing additional protection for members' benefits over the long term.

# The Clara Structure

## Clara operates through two key entities that work closely together, while remaining operationally independent:

### Clara Pension Trust

The Clara Pension Trust is a sectionalised occupational pension scheme, overseen by a board of professional trustees. The trustees are responsible for the day-to-day running and governance of each section, with a focus on protecting members' benefits and supporting a safe journey to insurance buy out. The Trustees' objective is to manage each section carefully and prudently, with the clear aim of achieving insurance buy out within roughly 5 to 10 years.

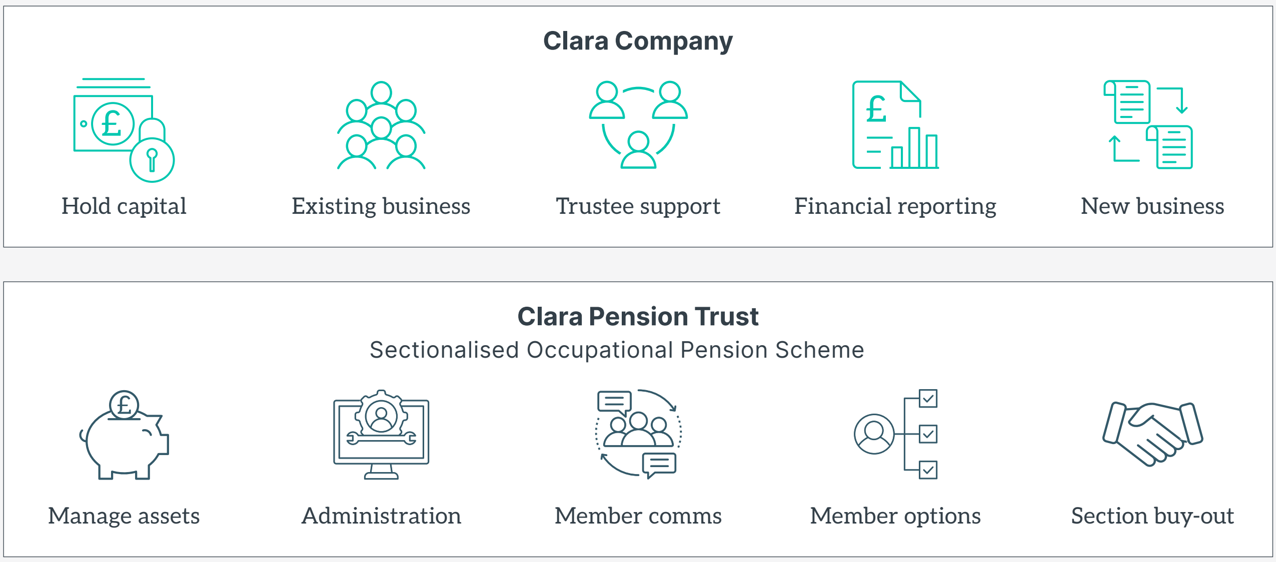
- Overseeing the Trust's assets and investment governance.
- Managing administration and member services, including benefit payments and member records.
- Leading member communications and supporting member options in line with the section's rules.
- Running the selection process and governance steps required to secure insurance buy out, when the section is ready.

### The Clara 'Company'

The Clara 'Company' is the corporate entity that sits alongside the Clara Pension Trust. It is responsible for providing the capital support that underpins member security, and for operating and overseeing the broader Clara business and infrastructure that supports each section on its journey to buy out.

- Holding and maintaining Clara's capital buffer and related funding support.
- Managing existing and new business activity, including onboarding new sections.
- Providing trustee services, operational support and access to Clara's appointed service providers.
- Producing financial reporting and maintaining appropriate corporate governance and controls.

### Clara structure



When a sponsoring employer elects to transfer to Clara, two structural components are established:

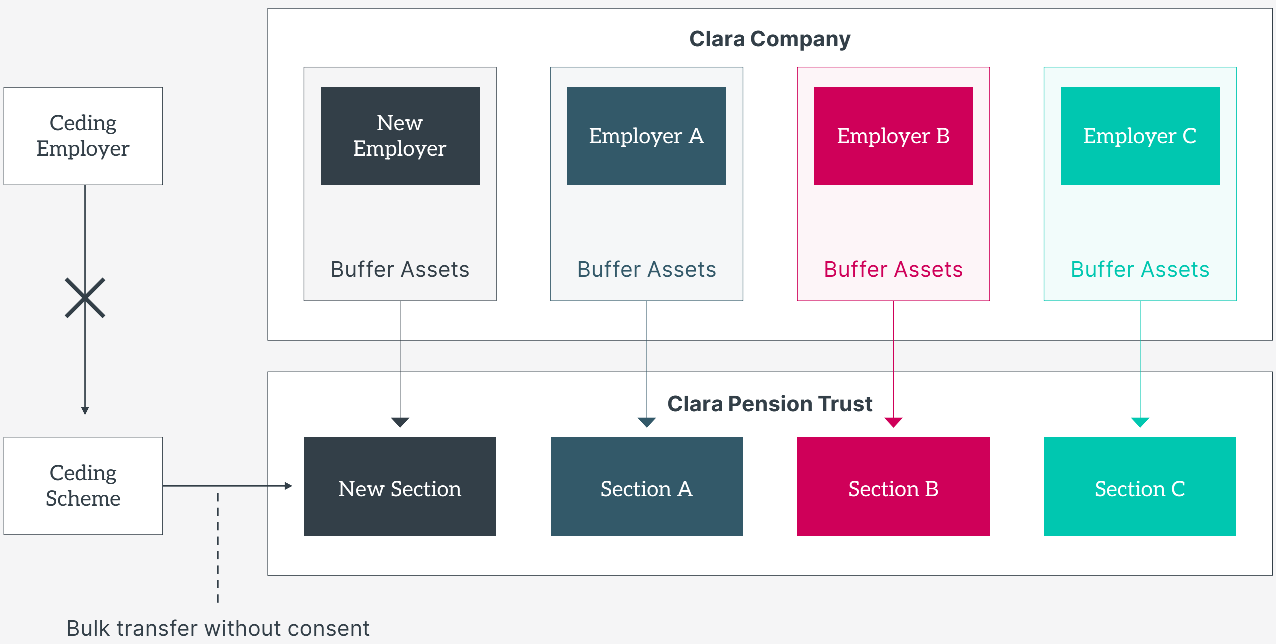
- **Trust:** We create a dedicated section within the Clara Pension Trust
- **Company:** We establish a new employer entity for that section. Capital buffer assets are held within this entity which is specifically designed to support the funding of each section and enhance member security.

A transfer to Clara is not treated like an insurance buy-in asset or an investment product held by the scheme; rather, the members and their associated liabilities are transferred in full using the 'bulk transfer without consent' legislation. Following completion of the transfer, the ceding scheme has no remaining members and no residual liabilities, and can therefore proceed to wind-up in the usual way.

Typically, members join the Trust in their own dedicated, ring fenced section. Their benefits continue on the same basis, but with the added protection of Clara's capital support.

More information on our Trustee Board and Corporate Board can be found here.

## Transfer Process

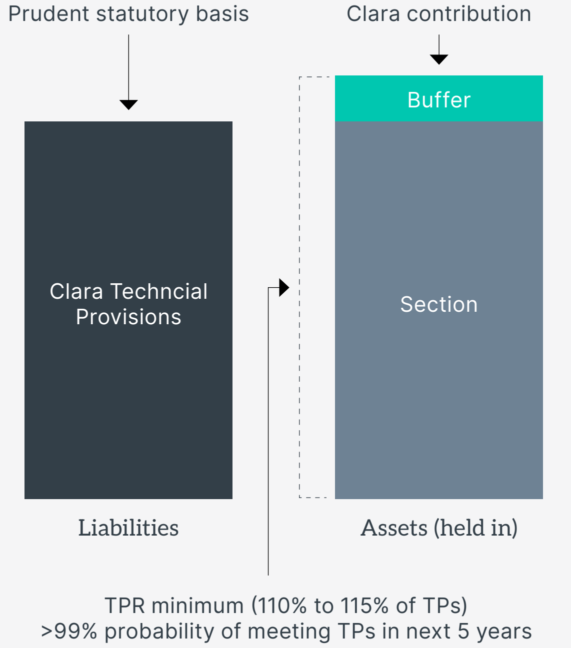


**Day-one funding requirements**

On day one, a section must be funded to meet its Technical Provisions, plus an additional capital buffer. This buffer is intended to cover the "relevant and material" risks faced by the superfund, including (as a minimum) market risk and longevity risk.

- **Technical Provisions** are calculated using a discount rate set by the Pensions Regulator, together with minimum expectations for certain assumptions and a prudent reserve for expenses.
- **Market risk buffer** is set so that there is a 99% probability that the funding level will be at or above Technical Provisions five years after the calculation date.
- **Longevity risk buffer** is equal to the increase in Technical Provisions that would arise from adopting a long-term mortality improvement rate of 2% p.a.

## Funding requirements




# Protecting Members' Benefits

## Clara's framework includes built in safeguards that are designed to protect members and give trustees greater control.

Clara provides additional capital (the capital buffer) in a separate entity alongside the Trust. This buffer is dedicated to supporting the funding of each section and strengthening member security. Clara can only access a return on that capital once that section has achieved insurance buy out and members' benefits have been secured in full.

**Ongoing monitoring and intervention triggers**

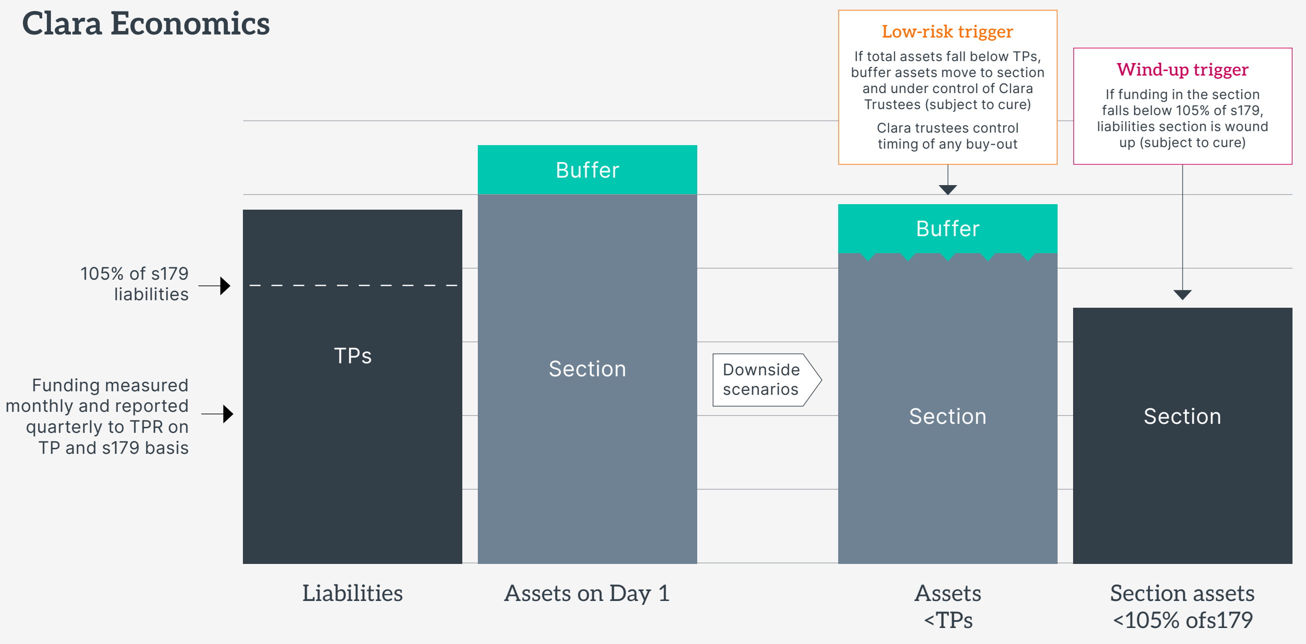
Superfunds must monitor funding levels against two triggers: the low risk trigger and the wind-up trigger which are currently set out in the Pensions Regulators guidance and will shortly become legislation as part of the upcoming Pension Schemes Act. If funding falls to either trigger level, action is required. This could include Clara injecting additional capital, or the Clara Trustees taking control of the capital buffer, as explained below.

If a section's funding were to fall below the 'low risk trigger' (currently the Technical Provisions), Clara's capital buffer is transferred into the section and placed under the management of the Clara Trustees. From that point, the Clara Trustees have full control of all assets and can decide, where appropriate, to progress directly to insurance buy out and wind up the scheme without reference to Clara's investors return - creating a clear incentive to Clara to provide a cure. Therefore, once this irreversible trigger is in place, Clara cannot receive any return on its investment, reinforcing a strong focus on maintaining funding strength for both Clara and the Clara Trustee.

A further protective measure applies if funding were to reduce to below our 'wind-up trigger'. In these circumstances, the section would move to wind up with the members continuing to receive the benefit of the PPF as an ultimate fall-back.

Together, these protections support early action, clear trustee oversight and strong security for members throughout the journey to buy out. Clara also has the flexibility to inject additional capital at any stage to help prevent these safeguards from being triggered and to ensure members' benefits remain protected.

### Clara Economics



# Regulation

Superfunds have operated under the interim regulatory framework introduced by The Pensions Regulator (TPR) in 2020. The Pensions Schemes Act 2026 now puts in place a permanent regime designed to support the growth of the superfund market, strengthen member security, and sit alongside planned changes to make it easier for schemes to transfer.

All defined benefit (DB) superfunds are overseen by The Pensions Regulator (TPR). TPR sets detailed expectations for superfund governance, financial sustainability and member protections, and supervises providers on an ongoing basis.

TPR also maintains a public list of 'assessed' superfunds. Clara was the first superfund to complete TPR's assessment and be added to this list. Assessment is not a one off approval: once assessed, a superfund remains subject to TPR relationship supervision, and TPR can carry out further checks (for example, when a new transfer is proposed) and may remove a provider from the list if it no longer meets TPR's expectations.

Each superfund transaction is assessed by TPR through its clearance process. Clearance is the mechanism TPR uses to review the proposed transfer and the mitigation package, and to confirm that it does not expect to use its anti avoidance powers in relation to the transaction. As part of the clearance application, trustees and the sponsoring employer are expected to provide evidence that the transaction meets TPR's onboarding conditions and that thorough due diligence has been completed.

The onboarding conditions are a set of checks used by trustees (and scrutinised by TPR) to help determine whether a transfer to a superfund is appropriate. They are designed to protect members by ensuring that a transfer is only pursued where it improves the security of members' benefits compared with the realistic alternatives.

In particular, trustees will need to show:

- The scheme cannot afford to secure an insurer buy-out at the point of application
- The transfer is expected to improve the likelihood that members' benefits will be paid in full.

> TPR maintains a public list of 'assessed' superfunds. Clara was the first superfund to complete TPR's assessment and be added to this list.

# Which schemes are suitable for Clara?

Clara is a strong option for trustees and sponsors of defined benefit pension schemes that want to improve long term member security and reach a clear endgame, but where immediate insurance buy out is not yet achievable.

By transferring to Clara, the scheme's members and liabilities move into a professionally governed, ring fenced section of the Clara Pension Trust, supported by additional capital and an investment and risk framework designed to progress towards buy out over time.

This can be relevant in a range of circumstances. For example, trustees may be seeking to settle liabilities where the sponsoring employer is weak or has become insolvent, and where improving member outcomes requires moving away from reliance on the employer covenant. Equally, a well resourced sponsor may choose Clara as a pragmatic settlement route – aiming for a clean break from long term pension risk and governance, with the potential for a more efficient and faster to execute transaction than a full insurance buy out (while still keeping a clear pathway to eventual buy out for members). This latter point can be particularly attractive for sellers in M&A scenarios – cleaning up the balance sheet quickly ahead of an actual or potential sale.

Practical considerations also matter. Clara can accept a wide range of assets, including illiquid holdings transferred in specie, which can help schemes avoid restructuring portfolios or crystallising value at an inopportune time. This flexibility can simplify preparation and support a smoother transition into Clara's section structure.

- Schemes that need an alternative to buy out today, but still want a defined route to buy out as the section matures and funding improves.
- Situations where relying on sponsor covenant is no longer the best way to support member security, or where the sponsor wants to settle pension risk and reduce ongoing governance burden.
- Schemes seeking greater execution certainty and a cleaner end state (a full member transfer followed by wind up of the ceding scheme).
- Schemes with more complex or illiquid asset portfolios where an in specie transfer may be preferable to selling assets before transacting.

# What does the process look like?

A transfer to Clara typically progresses through a number of clear stages, from an initial feasibility assessment through to detailed due diligence, regulatory engagement and completion.

**The sequence below provides an overview of the main steps; exact timing will depend on data readiness, asset complexity and the pace of TPR clearance.**

**Feasibility Pricing**

Share initial information with Clara (e.g., latest valuation results and/or benefit cashflows).

Clara provides a high level feasibility quote (typically 2–3 weeks from receipt of the initial dataset).

**Pricing Quote and Terms**

If the feasibility pricing is attractive, the scheme provides additional data, including member level benefit and administration information.

Clara provides detailed pricing and key commercial terms, alongside a proposed "price lock" portfolio to manage investment risk during execution (typically 8–10 weeks depending on complexity).

**Price Lock**

The scheme transitions into the agreed price lock asset portfolio (or aligns its portfolio as agreed) ahead of signing.

**Due Diligence**

Due diligence and transaction planning begin across all parties (trustees, sponsor, advisers, administrators and Clara).

**Clearance Process**

TPR is engaged early and the clearance application is prepared, agreed and submitted (including the evidence required to address the gateway principles).

**BTA Agreement**

The parties agree and sign the Bulk Transfer Agreement (BTA) and related documentation.

**Member Communications**

Member communications are issued in line with the agreed communications plan and statutory requirements.

TPR clearance is received.

**Completion**

Members and assets transfer into the relevant section of the Clara Pension Trust, and the ceding scheme can proceed to wind up.

# What does Bridge to Buy Out mean?

Bridge to Buy out is Clara's core proposition. Clara assumes responsibility for looking after members and their assets while the scheme progresses towards insurance buy out.

When a scheme transfers to Clara, members and assets move into the Clara Pension Trust, where they are supported by strong governance and additional capital.

Over time, as pensions are paid and the membership becomes more mature, the scheme's risk profile naturally reduces. Alongside this, returns on investments and Clara's capital support help improve funding levels. This combination makes insurance buy out increasingly achievable and affordable.

Once buy out can be secured, members' benefits are secured with an insurer, providing long term security. Any surplus generated is returned to Clara's investors, but only once buy out has been completed. This ensures incentives are aligned while keeping members' interests at the heart of the journey.

The trade off is that investors may need to wait longer before any
return on capital can be paid.

Insuring benefits for non pensioner members typically costs more than for pensioner members because insurers need to hold capital for longer.

As a scheme matures, this pricing gap reduces and the cost of buy out can fall. Clara's capital is therefore placed "at risk" while the section matures and funding improves through investment returns and operational efficiencies, helping to make buy out increasingly achievable and affordable.

# Delivering Bridge to Buy Out

Clara's Bridge to Buy Out model is already helping schemes in different circumstances improve member security and move closer to insurance buy out.

## Sears (Nov 2023)

The first UK pension superfund transaction. The **£590m scheme**, with around **9,600 members** and no active sponsor, transferred to Clara supported by a **£30m capital injection**.


## Debenhams (Mar 2024)

Around **10,400 members** transferred to Clara, enabling the scheme to exit Pension Protection Fund assessment and **restoring members to 100% of their promised pensions**.

## Wates (January 2025)

Clara's first transaction with an active sponsor, transferring around **1,500 members** and **£200m in assets**, supported by a **£19m contribution from Wates**.

MYO St Paul's
One New Change
London EC4M 9AF

solutions@clara-pensions.com

clara-pensions.com