

Pension Schemes Bill: A new era for superfunds

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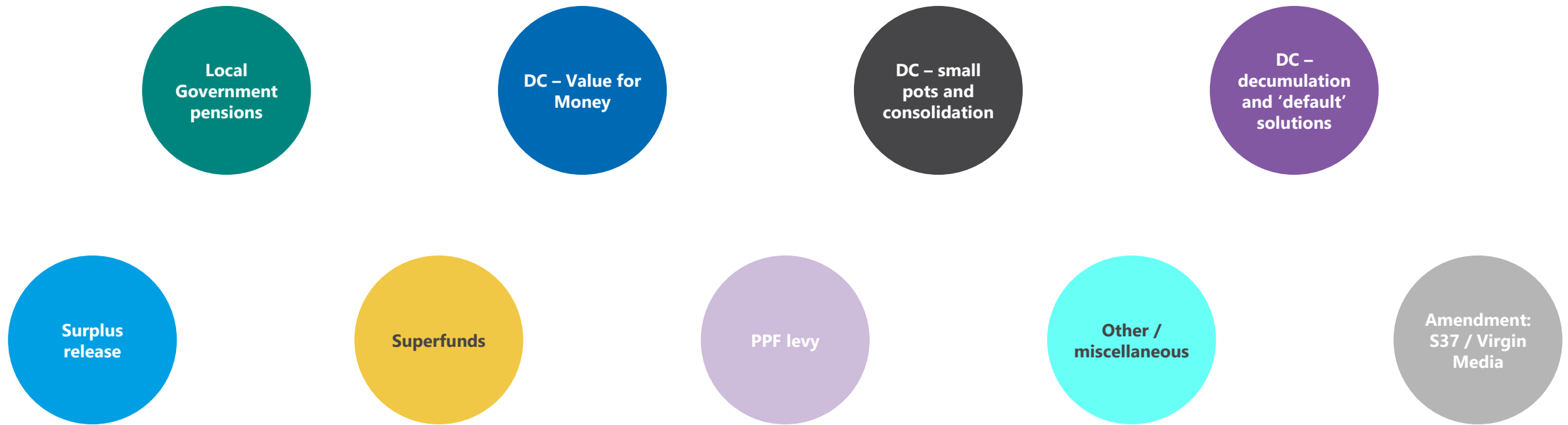
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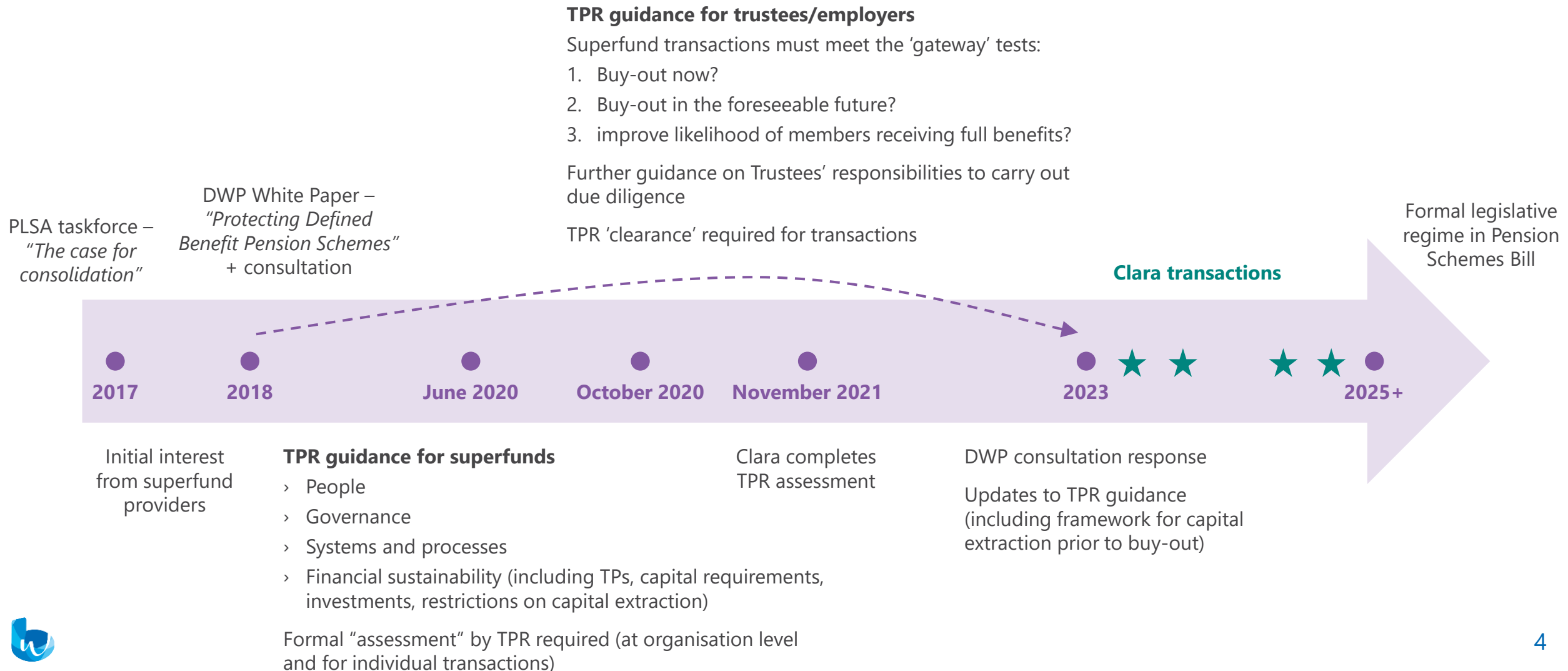
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The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.

Pension Schemes Bill 2025



History + TPR interim regime



Superfunds under the Pension Schemes Bill

The headlines

Clear and user-
friendly

Supportive of
further growth

Significant role for
TPR (including
penalties)

No surprises...

...but details still
to come

Superfunds under the Pension Schemes Bill

New definition



“Superfund scheme” means a trust-based occupational pension scheme –

- › that has received a transfer of defined-benefit liabilities from another trust-based occupational pension scheme,
- › that is supported by a capital buffer, and
- › that is not supported by a substantive employer covenant,

or a trust-based occupational pension scheme that is managed or administered with a view to becoming such a scheme.



A trust-based occupational pension scheme is **“supported by a capital buffer”** if a contract or other legally binding arrangement has been entered into under which assets that are not assets of the scheme –

- › must be held by a person in connection with the scheme, and
- › must, in certain circumstances, be made available to the trustees for the purpose of satisfying liabilities of the scheme.



A trust-based occupational pension scheme is **“not supported by a substantive employer covenant”** if, based on the employer’s financial position, there is no realistic prospect of the employer being able to provide the trustees with material financial support for the purpose of satisfying liabilities of the scheme. For that purpose the employer’s “financial position” means its financial position ignoring –

- › any capital buffer, and
- › any financial support which it may obtain from another person but to which it is not entitled.

New language

“Assessment” → “Authorisation”

“Gateway principles” → “Onboarding conditions”

“Clearance” → “Approval”

Superfunds under the Pension Schemes Bill

Gateway / onboarding

Current TPR guidance

1. *A transfer to a superfund should only be considered if a scheme cannot access buy-out now*
2. *A transfer to a superfund should only be considered if a scheme has no realistic prospect of buy-out in the foreseeable future, given potential employer cash contributions and the insolvency risk of the employer*
3. *A transfer to the chosen superfund improves the likelihood of members receiving full benefits*

Tests can be changed through updates to TPR guidance

PSB25

1. *As at the date of the application, the financial position of the ceding scheme is not strong enough to enable the trustees to arrange an insurer buy-out*
2. ???
3. *The superfund transfer will make it more likely that the transferred liabilities will be satisfied in full*

Tests can be changed through DWP regulations

Superfunds under the Pension Schemes Bill

Member protection

Current TPR guidance

Minimum Technical Provisions set out in TPR guidance (currently gilts + 0.75% pa)

Minimum capital set as market risk measure (1-in-100 over 5 years) plus longevity shock

Intervention trigger 1: capital flows into scheme if funding falls below TPs

Intervention trigger 2: wind-up if funding falls to 105% of s179 liabilities

No capital release (before buy-out) unless total funding exceeds TPR minimum by 33% of minimum capital buffer

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Expect further guidance from TPR on how TPs should be set

Regulations/guidance to set minimum capital ("very high likelihood" or "reasonable to expect")

TPs threshold continues to apply

"Protected liabilities threshold" – Regulations to specify a trigger funding percentage above PPF liabilities

New "scheme solvency threshold" = material likelihood that superfund will fail to meet liabilities over a 6-month period

Details of "permitted profit extraction" to be set out in Regulations

What next?



Details to be addressed

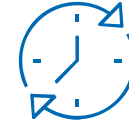
- › Criteria for superfund authorisation
- › Ongoing/governance requirements
- › Onboarding conditions (Gateway test #2?)
- › Level of capital
- › Criteria for capital extraction
- › Investment of capital buffer

Further industry engagement and consultation on Regulations



Related issues

- › Consistency with surplus release?
- › Active members
- › PPF levy



Timetable

- › Bill takes effect 2027
- › Superfund-specific regulations / guidance not before 2028
- › Too late?

**Positive direction of travel
= greater confidence for providers, trustees,
employers and members**

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TOUCH**



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