The Pension SuperFund
Taking care of pension promises

NOT FOR RELEASE UNTIL 00.01HRS ON THURSDAY 18 JUNE 2020

The Pension SuperFund Reacts to The Pension Regulator's Announcement on Pension Superfunds

In response to The Pensions Regulator's announcement, Luke Webster, CEO at The Pension SuperFund said, "I am delighted that The Pension Regulator has now formally announced the details of the framework within which The Pension SuperFund can now accept the transfer of schemes.

Rightly, TPR has taken a hard stance on security, resulting in a very high bar indeed. I give them great credit for producing a set of guidance which ensures that superfunds such as The Pension SuperFund will be providing a gold-plated solution to the market and that members will be extremely safe. This should be a huge reassurance to trustees.

The framework which has been handed down today strikes a tough but sensible and sustainable balance which meets the needs of scheme members, the sponsoring employer, The SuperFund investors and the wider economy, including enabling us into invest in the UK's long term infrastructure.

Since we developed our proposals in 2017, at the government's request, we've been passionate about the positive outcomes we can deliver for pension scheme members and businesses alike. I am delighted that we now have the chance to play our part in transformative and long overdue improvements in the way defined benefit pensions are organised, capturing the strengths of the existing system while attracting fresh capital to secure member benefits and allowing businesses to focus on generating the growth our economy needs more than ever.

Development of this framework has been a long road, and I salute the patience and steadfastness of all involved across the industry and government. I'm immensely grateful to The Pension SuperFund team, our trustees and our investors, in particular my dauntless co-founder, Edi Truell, who have stayed the course and enabled us to be ready to realise The Pension SuperFund's potential. We look forward to delivering lasting and worthwhile change."

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Notes for Editors:

How Does The Pension SuperFund work?

The Pension Superfund consolidates UK occupational defined benefit pension funds by accepting TPR cleared bulk transfers of all pension assets and their various contractual liabilities into an existing HMRC registered and PPF eligible arrangement topped up, as necessary, with a final tax-deductible sponsor contribution to satisfy PSF's conservative "self-sufficiency" funding basis. That sponsor contribution can be in the form of what might otherwise be deemed employer-related investments as there is no link post transfer. As PSF novate all existing asset management and administration arrangements, not only is PSF's transfer price more affordable than buyout, the transition costs are much lower too.

The covenant which the operating sponsor currently provides to the scheme, and its obligation to make future contributions to it, ends and is replaced by an asset-backed covenant supported by third-party investors known as the capital buffer fund.

The scheme trustees hand over their responsibilities to PSF's independent, professional trustee board. In doing so the ceding trustees will be fulfilling their fiduciary duties by improving the scheme's funding level and financial covenant to secure members' benefits. This transfer also enhances the governance of the scheme.

The Pension SuperFund generates the economies of scale by merging a ceding scheme's assets and liabilities alongside those of other schemes which have entered the SuperFund. Ceding scheme members become The SuperFund members and PSF pay their agreed contractual benefits in full in perpetuity.

Uniquely among consolidators, insurers and other pension arrangements, The Pension SuperFund shares any surplus capital with members by way of a periodic defined contribution bonuses (or taxable cash payments if allowances have been reached).

PSF expects that the increasingly onerous governance demands being placed on DB scheme trustees, and the uncertainty around any sponsor's ability to make future contributions, make the prospect of moving to The Pension SuperFund highly attractive.

As well as bulk transfers, PSF's model enables them to consider scheme rescue and PPF+ cases using Flexible Apportionment Arrangements and transfers with member consent mechanisms. PSF can also consider partial transfers if a sponsor simply wants to reduce rather than remove its exposure.