Housing briefing, July 2026
What are your scheme's end-game options?

Many organisations with Defined Benefit (DB) schemes have been working towards insurance buy-out as their long-term goal. However, the pensions landscape is evolving and new options have emerged.

One of the most significant developments is the growth of pension superfunds. With TPT's planned entry into the market, housing associations may soon have access to more options for managing pension risk and securing members' benefits.

For housing associations with single-employer DB schemes, end-game decisions can affect future cash requirements, balance sheet risk and management time. Understanding the available options is therefore increasingly important.

In this briefing, our specialist risk transfer team explains what superfunds are, how they compare with insurance solutions, and why now may be a good time to review your long-term strategy.

Superfunds: Expanding end-game options

A superfund is a large-scale consolidator for DB schemes. It allows employers to transfer their pension liabilities to a third party and permanently remove responsibility for the scheme.

A transfer is typically carried out through a bulk transfer of all members and liabilities, supported by a payment from the employer. The superfund then provides additional financial backing designed to improve the security of members' benefits.

Superfunds may be particularly attractive for schemes that are not yet sufficiently funded to achieve a full insurance buy-out.

At present, Clara Pensions is the only approved superfund operating in the market and has completed five transactions.

TPT has launched a new superfund and is currently seeking regulatory approval. Further market entrants are expected over the next 12 to 18 months.

There are important differences between providers. Clara's model is designed to act as a bridge to eventual buy-out, while TPT's model is intended to run-on over the longer term and may allow members to benefit from future surpluses.

Transferring to a superfund

At present, schemes must meet a number of conditions before they can transfer to a superfund. The Pensions Regulator (TPR) assesses each proposed transaction individually.

The current gateway principles require that:

1. The scheme cannot afford buy-out today
2. The scheme has no realistic prospect of reaching buy-out in the foreseeable future
3. Members are more likely to receive their full benefits after the transfer.

However, the Pension Schemes Act 2026 provides for the removal of the second test, which is expected to take effect from 2028. This could make superfunds available to a broader range of schemes.

For employers and trustees, this means that what has up to now been a niche solution could become a more mainstream alternative to insurance.

Other available end-game options

A superfund will not be the right solution for every scheme. Other end-game options include:

Indefinite run-on: Continuing to operate the scheme over the long term, with the aim of generating and potentially distributing surplus assets over time.

Flexible run-on: Continuing to operate the scheme for a defined period while preparing for an eventual buy-out. The timing could depend on funding levels, market conditions or insurer pricing.

Buy-out: Securing all members' benefits with an insurer, which then takes full responsibility for paying those benefits. Members become policyholders of the insurance company.

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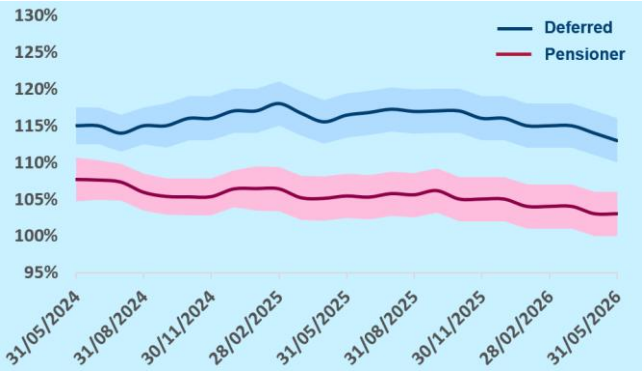
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Superfund pricing

Superfund pricing is less transparent than buy-out pricing because transaction volumes remain relatively low. However, it's expected to be slightly lower than insurer pricing.

The chart opposite uses buy-in pricing as a proxy for superfund pricing. It shows the average cost of a £50m transaction relative to liabilities measured on a low-dependency basis (using a discount rate of 0.5% pa above gilt yields). The solid lines show our estimate of pricing, while the shaded area shows the range of quotations received from insurers.



Current pricing remains attractive, meaning both superfunds and buy-out deserve careful consideration when reviewing the long-term strategy of a DB scheme.

Comparing superfunds and buy-out

	Superfund	Buy-out
Employer support after transaction	Employer covenant replaced by the superfund's capital-backed structure.	Employer covenant replaced by the insurer covenant and regulatory capital requirements.
Regulatory framework	Approved and monitored by TPR.	Regulated by the Prudential Regulation Authority and Financial Conduct Authority.
Benefit security	High level of security, although generally lower than insurance buy-out. In the event of superfund insolvency, members would generally remain eligible for the Pension Protection Fund (PPF).	Widely regarded as the highest level of benefit security available for most schemes. In the event of insurer insolvency, protection is available through the Financial Services Compensation Scheme.
Affordability	May be more affordable than buy-out for some schemes.	Typically requires a higher funding level due to insurer pricing and capital requirements.
Future surplus opportunities	May be available depending on provider and structure.	Generally unavailable, although one insurer is able to offer this option.

Is it time to review your end-game strategy?

The range of end-game options for DB schemes has expanded significantly in recent years. Schemes that once saw buy-out as the only realistic destination may now find that other options are worth exploring. Every scheme is different. The right strategy will depend on factors such as funding level, employer strength, risk appetite and long-term objectives. Reviewing your scheme's current position can help answer important questions such as:

Is buy-out still the most appropriate destination? Could a superfund provide a better outcome?

Is a run-on strategy now a realistic option? Have recent market developments changed what's achievable?

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