VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

# Consolidators rising: the new power players in pensions

For Professional Investors only
July 2026

## A new class of pension institution is emerging in the UK: capital-backed consolidators which sit between sponsor run-on and insurer buyout on the spectrum of endgame options, with Clara Pensions leading the charge.

Commercial consolidators, or superfunds, have moved quickly from theory into a viable option for schemes, challenging the long-standing assumption that buyout is the only way to secure member benefits. How trustees think about timing, cost and certainty in endgame decisions has changed with institutions such as Clara becoming difficult to ignore.

### What are UK DB consolidators?

UK Defined Benefit (DB) consolidators accept asset transfers from pension schemes into structures backed by external capital, providing a buffer against funding shortfalls and reshaping the employer covenant. Unlike insurance-based alternatives (i.e. buyout), liabilities remain in the occupational pensions' regime under tight regulatory oversight. Their role is distinct; consolidators sit somewhere between run-on and buyout on the spectrum of endgame options, offering the potential for risk transfer earlier or at lower cost than a traditional insurance buyout approach.

### Why are consolidators rising now?

Interest in DB consolidators is increasing for three reasons:

1. Funding levels have generally improved, bringing greater focus to their endgame options
2. Policy and regulation now recognise more clearly that buyout is not the only legitimate endgame option
3. Recent superfund transactions have turned the consolidator model from theory into practice

As a result, consolidation is shifting from a theoretical concept to a practical option in endgame planning.

### Regulation, confidence and the battle for legitimacy

Recent UK legislative reforms have created tailwinds for DB consolidation. Initiatives linked to the Mansion House agenda have explicitly encouraged greater consolidation and more efficient deployment of pension capital, recognising that scale can improve governance and investment capability. Both recent Conservative and Labour governments have signalled support for superfunds, with plans to work with The Pensions Regulator to drive structural reform.

Regulation remains a central component of the superfund story. The superfund market still operates under The Pensions Regulator's interim guidance but is expected to be under its own statutory regime this decade which increases certainty in the sector. To date the sector has had to prove itself under close scrutiny from regulators regarding governance, capital adequacy and member outcomes. The debate has shifted from whether consolidators belong in the market to how significant they become.

> The debate has shifted from whether consolidators belong in the market to how significant they become.

As regulation evolves and new entrants emerge, the focus is increasingly on the role consolidators will play in the UK pensions landscape.

At the time of writing, there are several new entrants applying for regulatory approval to operate in the consolidator market, with TPT among the most vocal. New entrants are likely to increase scale and choice, further cementing the market's legitimacy. This added competition should strengthen outcomes for schemes and their members, which should be seen as a positive step for the market.

## Clara Pensions: from first mover to market leader

Clara Pensions is a leading example of this trend. As the first commercial DB superfund to pass The Pensions Regulator's assessment, it remains at the forefront of the consolidator market. Its 'bridge to buyout' model allows schemes to transfer their members and assets into Clara, benefiting from ringfenced capital support and move toward full insurance buyout over time.

Its completed deals (including Sears, Debenhams, Wates, Church Mission Society and Videndum) demonstrate that the model can work across a range of sponsor situations from weaker sponsors with PPF-related considerations to situations with active covenants where continuing sponsor support remains.

This range is important and shows that consolidation is not limited to distressed schemes but is becoming relevant across different funding and covenant positions. That flexibility remains a defining feature of Clara's approach.

## Clara's growing scale: schemes, members and assets

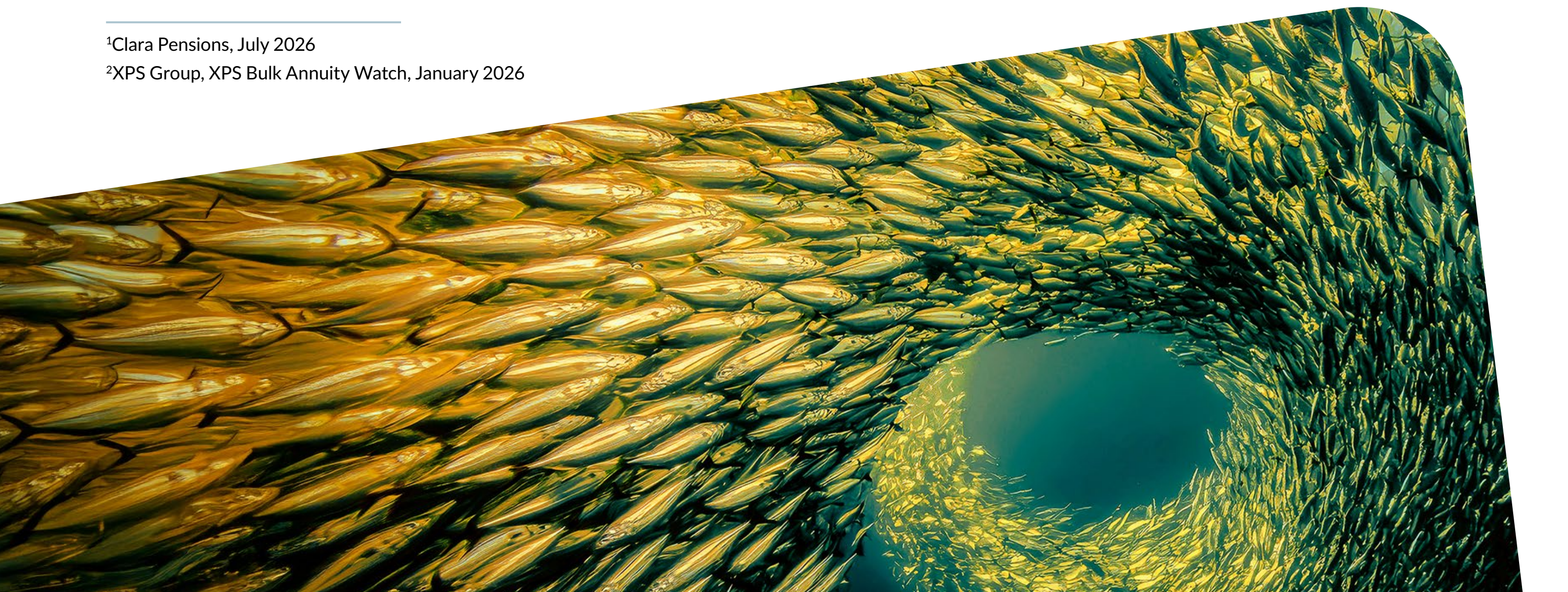
Clara's recent transactions have demonstrated that its model is working in practice. It has completed five transactions, covering around 22,500 members, representing roughly £1.4 billion of assets[1]. While modest compared to the overall UK DB market, it is already enough to give Clara real operating weight and, more importantly, credibility. In pensions, scale matters not only for efficiency, but because repeated execution can build confidence across the market.

The scale gap with the bulk annuity market remains substantial: UK buy-ins and buyouts reached about £48 billion in 2024[2], so Clara represents only a small fraction of that market. But Clara does not need to match insurers' scale to be influential; its role is distinct: to secure members benefits where an immediate buyout is not viable, expanding the endgame market rather than competing directly with insurers.

> Clara's recent transactions have demonstrated that its model is working in practice. It has completed five transactions, covering around 22,500 members representing roughly £1.4 billion of assets.

[1]Clara Pensions, July 2026

[2]XPS Group, XPS Bulk Annuity Watch, January 2026



The chart below captures a clear shift in the UK pensions landscape. The endgame landscape is no longer dominated by a single destination. The long-held assumption that well-governed schemes should unquestioningly move in a straight line from self-sufficiency to buyout is breaking down. Run-on, superfund transfer and other models are all now being actively considered alongside insurance options.

This shift matters because it moves endgame planning from a single default path to a set of choices, with consolidators contributing to that shift, offering a flexible option with its own cost, certainty and governance profile.

**The differences between endgame options are becoming more explicit in practice:**

| Solution | Upside potential post transaction | Covenant link broken | Control of investment risk | Complexity to execute | Market adoption | Size of scheme |
|---|---|---|---|---|---|---|
| Superfund (to date / possible) | ✗ / ✓ Transactions to date have not featured / but surplus share is possible | ✓ Generally yes, but it can be retained if desired | ✗ / ? Investment decisions are transferred. Future deals may retain limited control, for example through surplus sharing | ↔ Similar to buy-in | ? ✓ Growing adoption | ✓ Suits all scheme sizes |
| Buy-in / buy-out | ✗ | ✓ (At buyout) | ✗ | ↔ | ✓ | ✓ |
| Run-on | ✓ | ✗ | ✓ | ↓ | ✓ | ? |
| Captive insurance | ✓ | ✗ No, unless re-insured | ✓ | ↑ | ✗ | ✗ |
| Flexible apportionment (e.g. Aberdeen / Stagecoach) | ? | ? Covenant 'swap' vs removal | ? | ? | ✗ | ✗ |
| Capital backed journey plans | ? | ✗ | ✗ | ✗ ↑ | ✗ | ? |

## Why Clara can be more flexible than bulk annuity

A key advantage of Clara's approach is flexibility. Beyond the headline 'price', this is where the comparison with bulk annuity can become interesting for trustees.

For example, trustees must often adjust their approach to accommodate insurer preferences. While insurers can accommodate complexity, getting the best pricing and smoothest execution usually means schemes must present highly-liquid, insurer-friendly portfolios with a clean path towards a transaction. Clara can often accept schemes earlier in their journey, retain or transition illiquid assets over time and avoid unnecessary portfolio reshaping purely to satisfy an immediate insurance process. For schemes with valuable but less-liquid assets, that is not a marginal difference: it can materially affect the timing and cost of an endgame.

Another benefit is the flexibility of its governance model. The Church Mission Society transaction illustrates this. It introduced Clara's 'connected covenant' structure, combining Clara's capital support with a continuing guarantee from the original sponsor. This shows that covenant support does not have to be fully severed and can be retained where it strengthens member outcomes.

## Why this matters for trustees, sponsors and the wider market

For trustees and sponsors, consolidators change how endgame decisions can be timed and sequenced. They create options for earlier risk transfer, improved member security where covenants are weaker and a path to reduce balance sheet exposure before a full buyout is affordable. For insurers and advisers, they add a new strategic variable, changing dynamics of risk transfer and forcing a more scheme-specific assessment of endgame options.

## Risks, limits and unanswered questions

Consolidators are not a universal answer. Trustees still need to assess whether the capital-backed model, governance structure and transaction terms genuinely improve member outcomes. Their long-term role will also depend on how the wider system evolves, including surplus policy, run-on, PPF levies and the development of a more formal regulatory regime.

### Where this leaves the market

UK defined benefit consolidators have moved from concept to a credible part of the market. Clara has led that shift, but the broader point is that consolidators now sit alongside buyout and run-on as part of a wider set of endgame options for trustees. As the market develops, with greater regulatory clarity, and more transactions, these structures are likely to play an increasingly important role in how trustees approach timing, cost and certainty in endgame decisions.

**As more transactions are completed and new entrants emerge, that role is likely to strengthen further.**

## Authors

**Alastair Greenlees**
Head of Investment Strategy UK

Follow Alastair on LinkedIn

**Alex Rolin**
Fiduciary Manager

Follow Alex on LinkedIn

## Contact us

**Georgia Sangster**
Vice President, Institutional Relations

Follow Georgia on LinkedIn



PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2026 WINNER Fiduciary Manager of the Year Van Lanschot Kempen

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2025 WINNER Fiduciary Manager of the Year Van Lanschot Kempen Investment Management

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2024 WINNER Fiduciary Manager of the Year Van Lanschot Kempen Investment Management

VAN LANSCHOT KEMPEN

20 Gracechurch Street
London
EC3V 0BG

vanlanschotkempen.com/investment-management

Follow us on LinkedIn