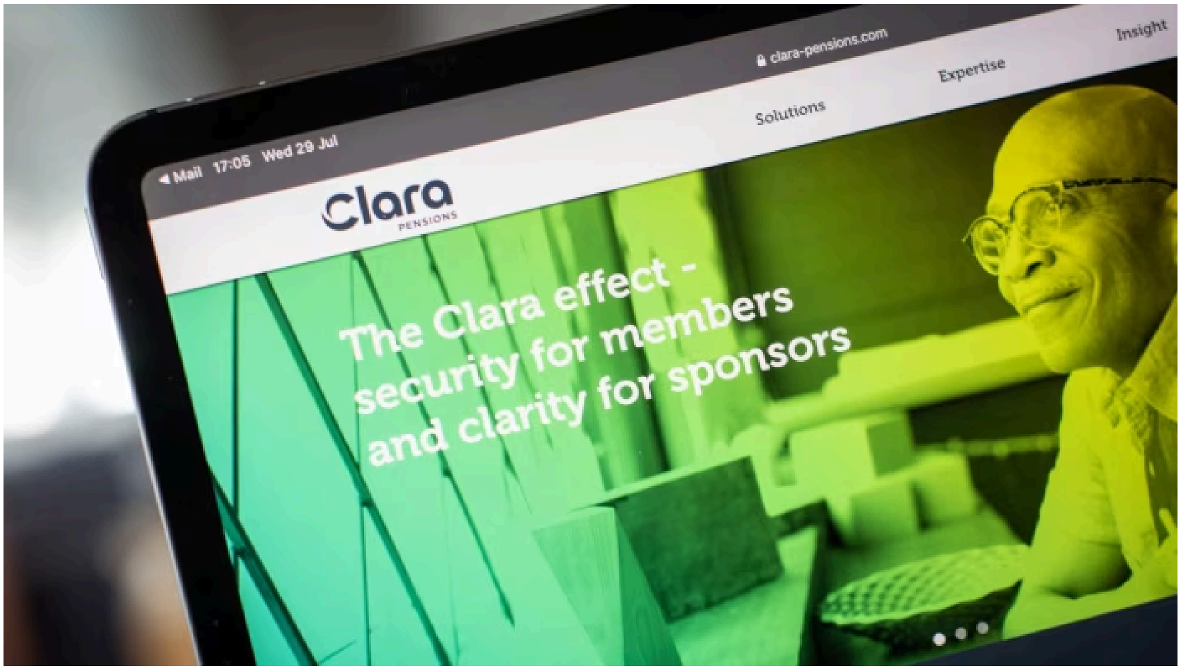
Pension Protection Fund

UK 'superfund' Clara Pensions to invest more than £3bn into private markets

Move is a boost to government attempts to help kick-start growth in British economy



Clara was set up in 2017 to provide underfunded DB pension funds with a route to buyout deals © Charlie Bibby/FT

Mary McDougall

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The UK's first commercial pension "superfund" is planning to pour more than £3bn into private markets over the next three years, in a boost to chancellor Rachel Reeves' attempts to increase investment in the economy.

Clara Pensions is setting up a vehicle with wealth manager Van Lanschot Kempen and will expand its illiquid holdings, which currently stand at £150mn, as it takes over more schemes. Chief executive Simon True said it expected to launch the private markets fund "in the next few weeks".

"We've got a pipeline of over £10bn . . . 30 to 35 per cent of that is what we are targeting for private markets," True told the Financial Times, adding that "up to half" of those assets would be invested in the UK. Clara has £1.5bn of assets from three pension schemes that it has already taken over.

The move comes after the UK said it would set out a legislative framework for defined benefit pension superfunds in a pensions bill due in the summer, which policymakers hope will accelerate the consolidation of schemes.

Ministers have been struggling to kick-start growth and have been seeking to encourage pension funds to spend more in the UK to bolster an economy that is facing fresh threats from US tariffs.

In January, advisory and accounting firm PwC estimated more than 200 defined benefit schemes, with about £150bn of assets, could benefit from being transferred into a superfund such as Clara.

Chief executive Simon True says it expects to launch the private markets fund in the next few weeks © Studio Grey

Clara's pivot to riskier assets comes after the Pension Protection Fund, the UK's pensions lifeboat, said it would increase its investments in UK infrastructure and fast-growing companies from 7.5 per cent to 10 per cent of the fund, if its remit was to act as a public sector scheme consolidator.

Clara was set up in 2017 to provide underfunded DB pension funds with a route to buyout deals, in which schemes are passed to an insurance company. The bulk annuity transactions are meant to improve the security of members' pensions and free employers from their DB pension obligations.

The company, which met the Pensions Regulator's standards for superfunds in 2021, had a setback in 2022 when an increase in government bond yields after former prime minister Liz Truss's "mini" budget improved the funding levels of DB pensions, meaning they did not need Clara when pursuing buyouts.

"It didn't destroy our business model but it did destroy our pipeline," True said. Clara has completed three transactions so far, with the first taking place late in 2023.

"We've built some momentum and we have a very vibrant pipeline," he added, noting that DB funds in Clara's pipeline ranged from assets of £5mn to at least three schemes with assets of more than £1bn.

Clara aims to own schemes for about seven years before they move to buyout. True said Clara could be flexible in the assets that it took on, unlike insurance companies that were governed by different regulations that generally encouraged them to favour liquid assets.

"A lot of pension schemes still have a lot of illiquid holdings which the insurers are not as keen on as we are" and choosing Clara "potentially means they don't have to suffer a 25 per cent discount by having to cash out", he said.

This article has been amended to clarify that the PPF said it would increase its investments in UK infrastructure and fast-growing companies if its remit was to act as a public sector scheme consolidator, and that TPR does not give clearance to superfunds

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