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Public Bill Committee
House of Commons
London
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Pension Schemes Bill: Call for Evidence

Dear Public Bill Committee

1. Thank you for the opportunity to respond to this important Call for Evidence. As you may know, Just Group plc ("Just") is a FTSE-listed specialist UK financial services firm focussing on the UK retirement income market. We are specialists in providing a suite of retail products and defined benefit de-risking solutions. We're proud that, as of 31 December 2024, Just has helped over 700,000 customers to achieve an improved retirement and has been trusted to safely invest over £27 billion of customers' retirement savings. In 2024 we completed 129 Defined Benefit ("DB") pension scheme de-risking transactions, using a bulk purchase annuity, equivalent to more than one-in-three of all those completed in the market. This includes a pioneering service that enables us to efficiently meet the needs of very small schemes through to medium-sized schemes – there is no small scheme that is ready for buy-out that we have not been able to quote on; indeed our smallest transaction in 2024 was less than £1m with less than 10 Members. It's because of our experience in these markets that we believe we have useful insights to bring to this Committee as you consider the Bill.
2. Overall, we welcome the Government introducing this Bill and the roadmap to reform over the coming years. We recognise that the Bill in many ways is designed to enable secondary legislation to be laid in due course; and we very much welcome the Government's approach to continued consultation and engagement in the months and years ahead. Therefore, our thoughts below are looking at the totality of the expected legislative package. We recognise that the issues may themselves be expected to be resolved through secondary legislation, but we felt it helpful for the Committee to see our thinking upfront. We have deliberately kept our response short to focus on the matters that we think are most important and where we have most

expertise. In doing so our proposed amendments had to meet the following self-imposed criteria:

- a. Would enhance the overall security and resilience of the UK pensions system – we're very mindful that the system that exists today has rightly been designed to ensure Member security is paramount, and we fully support that.
 - b. Reinforces the role of the Member so that they are fully engaged in any reforms that may impact their pension savings.
 - c. Enhances the pensions outcomes of Members to support income adequacy in retirement.
3. As a result, the issues we wanted to specifically focus, using the headings in your Call for Evidence, are:
- d. Allow Trustees of well-funded DB pension schemes to share surplus funds with sponsoring employers.
 - e. Establish a permanent legislative regime for DB superfunds to replace interim arrangements. Superfunds are commercial consolidators which aim to run DB schemes for profit.
 - f. Place a duty on DC scheme Trustees to offer default retirement products to Members known as guided retirement.

Surplus

- 4. Our view is that the best way to deliver Member security is through a Bulk Purchase Annuity (often referred to as Buy-Out) – it is the gold standard for ensuring the payment of pensions on time, every time, in perpetuity. Therefore, the legislation needs to ensure that the policy intent - to only ensure extraction from well-funded schemes – is met. We'd propose a number of amendments to help further strengthen this.
- 5. Firstly, we recognise that the Government is minded to adopt the low dependency threshold. Our own view is that the threshold should be at/above buy-out level – therefore delivering the safest Member outcome. This is not to stop surplus extraction from occurring – indeed, any surplus can always be extracted after buy-out should there be any remaining – we have proven experience of this happening with schemes that we have worked with. Equally, there should also be a mechanism for very well funded schemes to extract in certain circumstances.
- 6. We are very pleased the Government has stated it will consult further on this and the detail of how any proposals would work in practice. Our own view is that should the Government decide to propose legislation to Parliament on the low-dependency threshold, or any level below buy-out level, that there would need to be guardrails/buffers in place. This is to ensure that should extraction occur, it is done (i) in a controlled way; and (ii) should there be any unintended consequences after

extraction has occurred that there are prescribed remedies in place. This would help ensure the overall safety and security of the pensions system - an aim we all share. As a result, we think it would be helpful for legislation to make this point, to ensure that the necessary detailed thinking can be done in a codified way. Our proposed amendment is as follows:

7. *Proposed amendment 1:*

Clause 9, page 9, include in after (2C) (d)

“(e) Where regulations under subsection (2A) lower the funding threshold for a surplus payment to below the full buy-out funding level, it will require the Secretary of State to —

(i) publish an actuarial ‘guardrails assessment’ setting out:

prescribed stress scenarios and their impact on funding, a maximum permissible extraction percentage for each scenario, and contingencies to restore funding should the guardrails be breached.

(ii) consult the Pensions Regulator, the FCA, and such actuarial bodies as may be prescribed; and

(iii) lay the assessment before Parliament, subject to the affirmative procedure.”

Explanatory Statement

This amendment imposes statutory guardrails when the DWP calibrates any extraction threshold below buy-out, ensuring that robust stress testing, limits and remediation paths are hard-wired into secondary legislation.

8. Member engagement should be undertaken, as ultimately any decisions on surplus extraction could impact on the Member. We also believe that setting out clearly in legislation what effective engagement would look like, including the role of the actuary in this process, would help Trustees understand their obligations and Parliament’s intent. We would suggest this is delivered by the following two amendments.

9. *Proposed amendments 2 & 3*

Clause 9, page 8, line 28, after subsection (2B)(d) insert—

“(e) requiring the Trustees to provide a prescribed notification, as set out in (f) below, with the Members of the scheme (or their representatives) not less than 60 days before making any payment under this section.

(f) the prescribed notification should include:

- (i) the proposed amount of surplus to be paid to the employer,
- (ii) the reasons for the proposed payment,
- (iii) the impact on Member benefits,
- (iv) the scheme's funding position after the proposed payment, and
- (v) how Members may make representations regarding the proposal

(g) requiring the Trustees to have regard to any representations made by Members or their representatives having received the prescribed notification.”

Explanatory Statement: This amendment would require Trustees to notify Members at least 60 days before making surplus payments to employers. It ensures Members receive full information about proposed surplus payments, enabling informed participation.

Clause 9, page 8, include a sub-section to (2C) (b)—

- (i) including confirmation that the proposed payment (surplus access) will not adversely impact Members' benefits and that the prescribed notification has been completed in accordance with regulations made under subsection (2A).

Explanatory Statement: This amendment would aim to strengthen an actuary's role / oversight of schemes accessing surplus, by requiring confirmation that Member notification has occurred before certifying surplus payments.

Superfunds

10. Overall, we welcome the framework and the safeguards that are proposed in this legislation. Our understanding is that the policy intention is still to ensure that as many schemes as possible are able to reach the gold standard for Member security – buy-out. To ensure this is delivered we would propose inserting an amendment so that a scheme that had already reached buy-out could not extract surplus until after the buy-out had been completed **unless** the amount of surplus to be extracted kept the scheme above the buy-out funding level. This is to guard against the unintended consequence that a scheme at buy-out level undertook surplus extraction and then was unable to deliver a buy-out option for its Members.

11. **Proposed amendment 4**

Clause 9, page 8, line 30, after subsection (2B)(d) insert—

“(e) requiring that, where the scheme actuary certifies under subsection (2B)(a) that the scheme’s assets exceed the cost of securing each Member’s accrued rights with an authorised insurer for a continuous period of at least six months, the Trustees must first secure a full buy-out of those rights before any payment of surplus may be made to the employer or any other person.”

(f) (e) above does not apply if the scheme actuary certifies that any surplus extraction would, post the extraction, still leave the scheme’s assets exceeding the cost of securing each Member’s accrued rights with an authorised insurer.

Explanatory Statement

This amendment inserts a requirement to ensure that surplus extraction prior to a buy-out does not adversely impact the schemes ability to reach buy-out. The six-month look-back balances volatility with commercial practicality.

12. Building on this, we believe that part of the “onboarding conditions” as currently drafted could create the unintended consequence that a scheme applying to enter into a superfund gives a snapshot view of 1 day of their funding position. We have proposed an amendment below to resolve this.

13. **Proposed amendment 5**

Clause 58, page 67, lines 32-35, amend (2) and (a) as follows:

(2) For the purposes of this Part, “the onboarding conditions” in relation to a superfund transfer are—

(a) that, as at the date of the application, the financial position of the ceding scheme is (i) not strong enough to enable the Trustees to arrange an insurer buyout on the date of application; or (ii) not affordable in the next 36 months having made an assessment of all funding options to become strong enough, that is certified by the Scheme Actuary.

Explanatory Statement

This amendment deals with the unintended consequence of the onboarding condition only looking at a 1 day snapshot of a schemes funding position.

Duty on DC scheme Trustees to offer default pension benefit solutions

14. Overall, we welcome the proposals being made by the Government. We had been concerned about how the landscape would work in practice between schemes regulated by TPR and FCA, noting for example that Targeted Support will be introduced by the FCA potentially before other elements of the wider legislative package come into force. We therefore look forward to continuing to work with the Government on this.
15. Our experience is that those Members who are able to shop around and look at whole of market options often get a better deal – i.e. they get a better income in retirement. Given the benefits of Members shopping around, we think that Trustees should also have to undertake a whole of market assessment before determining what default(s) it chooses for its Members – this assessment needs to include them looking at all available products and solutions available in the market. Additionally, it would promote a competitive marketplace. By having this provision in place now it will (i) make clear to Trustees what their obligations are for this new requirement; and (ii) mitigate the unintended consequence of a future mis-buying scandal where Member(s) conclude that they may have been better off had a whole of market assessment of options led to a different default option(s) having been chosen. We also think it important, building on existing legislation and precedent, that Members are made aware of the default being chosen and the basis of that decision.

16. *Proposed amendment 6*

Clause 42, page 56, line 11, after (6) (b) (ii)—

(c)Where Trustees attempt to adopt or vary a default retirement-income solution, require them to

(a) issue a written notice of the proposal to all Members, setting out the expected impact on benefits and investment strategy, and a written attestation that a market wide assessment of all available options was undertaken;

(b) ensure a consultation period of at least 60 days has elapsed; and

(c) confirm that fewer than 10 per cent of eligible Members have objected in writing.

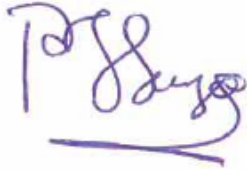
Explanatory Statement

This amendment grafts onto DC schemes the “without Member opposition” (WOM) safeguard akin to trustee-modification rules actually contained in the Pensions Act 1995 and prior House of Lords precedents. It provides a mandate to Trustees when implementing a default retirement solution akin to DC schemes’ requirements. It also requires that a whole of market assessment has to be undertaken to ensure that the best products/ solutions are chosen for the Members.

17. Thank you for taking the time to read our proposed amendments. Our aim is to ensure that the market works as effectively as possible to deliver in Members’ best

interests and to mitigate against the risk of unintended consequences. We would obviously be delighted to discuss these with you further and if we can assist with anything please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in purple ink, appearing to read 'Pretty Sagoo', with a horizontal line underneath.

Pretty Sagoo

Managing Director for Defined Benefits Business