



Pensions UK

2030 Ready: From commitment to deployment

Scaling pension fund investment
in the UK economy

Introducing Pensions UK

We're here to make pensions better. Our purpose is to help everyone achieve a better income in retirement.

We represent pension schemes that together provide a retirement income to more than 30 million savers and invest more than £2 trillion in the UK and abroad.

For more than 100 years, we've delivered thought leadership, practical guidance and research; shaping the future of pensions.

We are the trusted, authoritative voice advocating for better pensions: for schemes, for savers, for the industry.

We are the home of the pensions industry. Pensions UK serves and supports the whole sector.

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Executive summary

From commitment to deployment: Scaling pension fund investment in the UK economy

UK pension schemes¹ manage over £3 trillion of long-term capital and already play a meaningful role in supporting sustainable economic growth, regional development and the transition to net zero. Over the past three years, Pensions UK has led a major programme of work exploring how pension capital can support UK growth in ways consistent with fiduciary duty, what is required to unlock greater domestic investment, and how Government and industry can work together to do so constructively. This work has also involved senior representatives from across our membership working together to find a way forward.

The next stage of that journey requires moving from commitment to deployment. This report focuses on the practical investment opportunities currently available to schemes, assesses the effectiveness of the UK's public investment architecture, and sets out what must change if pension capital is to be mobilised at scale.

The Pensions and Growth journey

Pensions UK's Pensions and Growth work has evolved through three distinct phases.

1. The first focused on understanding the opportunity and the structural constraints, setting out the conditions required to attract pension investment into UK growth assets, including the need for scale, a credible pipeline of investable opportunities, appropriate incentives, and regulatory support. This phase established that pension schemes are actively pursuing UK investment, but that barriers around risk, liquidity, pricing, capability and governance must be addressed.

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Pensions UK has consistently opposed mandation on fiduciary grounds and instead worked with industry partners and Government to demonstrate a credible, voluntary alternative

2. The second phase centred on industry leadership, responding to increased political pressure for near-term domestic investment. Pensions UK has consistently opposed mandation on fiduciary grounds and instead worked with industry partners and Government to demonstrate a credible, voluntary alternative. This culminated in the Mansion House Accord, delivered in partnership with the ABI and the City of London Corporation.² 17 DC providers have committed, subject to fiduciary duty and deliverability, to increase allocations to private markets (including to UK assets), by 2030.

3. This report forms part of the third phase: allocation. It assesses how greater UK growth investment can be achieved in practice and at scale, across different scheme types and in ways that improve member outcomes.

Timeline: The Government's growth agenda

Both the current and previous governments saw a clear role for pension scheme assets in supporting the drive for economic growth. Initiatives including the Pensions Investment Review, the Mansion House Compact and Accord, the creation of the National Wealth Fund, planning reform, the UK Infrastructure Strategy and the Industrial Strategy have had this objective in mind. This report sets out a consolidated timeline of these interventions to demonstrate both the pace of policy activity and the increasing expectation that pension schemes will play a role in supporting domestic investment. While these initiatives reflect genuine momentum, they have also contributed to a complex and changeable policy landscape that schemes must navigate.

Mapping the pension investment market

The investment market facing pension schemes considering investment in the UK remains confusing and fragmented. The Government has introduced a wide range of strategies, support units and public finance institutions intended to facilitate investment, but our members report that clear coordination, accountability or communication has often been lacking. Our evaluation of the system shows that, while Government may view much of the job as done, structural barriers remain very real for pension schemes. The system lacks clear join-up between policy ambition and delivery. As a result, schemes can struggle to identify where opportunities sit, who to engage with, and how different initiatives interact. This misalignment risks undermining otherwise positive reforms unless it is addressed.

¹ Funded occupational pension schemes in the UK: April to September 2023, ONS, 2024, <https://www.ons.gov.uk/economy/investmentspensionsandtrusts/bulletins/fundedoccupationalpensionschemesintheuk/apriltoseptember2023>

² The Mansion House Accord, Pensions UK, 2025, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/Mansion-House-Accord>

Executive summary

Evaluating UK public finance institutions

Public finance institutions are intended to play a critical role in crowding in long-term institutional capital, including pension assets. We have assessed four key bodies, the role that they are playing and the opportunities and challenges they present.

1. British Business Bank (BBB)

Of the institutions assessed, the BBB is the most advanced in its potential offerings to pension schemes for investment, particularly through innovations like the British Growth Partnership. While venture capital (VC) remains complex and constrained for many, the BBB demonstrates that well-designed vehicles, strong engagement and institutional-grade governance can convert policy ambition into investable opportunities.

2. National Wealth Fund (NWF)

The NWF is widely recognised by schemes as a potentially significant opportunity, particularly for clean infrastructure and capital-intensive projects. However, in its current form, it does not present a viable investment route for most pension schemes, largely due

to the absence of suitable fund structures and the reliance on direct investment. Our work has shown there is willingness to address this, but further development is needed if the NWF is to successfully mobilise pension capital. Pensions UK's intention is to support the Government and NWF in achieving this.

3. Homes England via the National Housing Bank

The National Housing Bank offers a credible route into real estate investment, an asset class with clear long-term relevance for pension portfolios. While there is strong potential, effective delivery will require careful coordination with Local Government Pension Scheme (LGPS) Funds and pools to avoid duplication or crowding-out, alongside clearer routes for pension participation.

4. Great British Energy (GB Energy)

GB Energy is at an early stage but presents an opportunity to shape investment structures from the outset. Its willingness to take early-stage and construction risk could help address long-standing barriers to pension investment in UK energy infrastructure, if engagement with schemes accelerates.

Case studies from the private sector

Alongside public finance institutions, the private sector already demonstrates what effective UK investment can look like in practice. Case studies covering climate and infrastructure, AI and life sciences, and social and community investment show that UK assets can meet scheme needs. They can deliver attractive, long-term, risk-adjusted returns, align with member outcomes, and be structured with the right vehicles, incentives and risk-sharing arrangements in place. Unlocking UK investment is not about creating demand, but about fixing the system that sits between capital and opportunity.



Overall, our assessment shows mixed progress: ambition is high, but delivery remains uneven, and investable opportunities are still limited.

What should the pension investment system look like?

For pension capital to support UK growth at scale, four improvements must be made:

1. Better policy coordination and accountability across Government and public bodies.
2. Public finance bodies that genuinely enable pension access through suitable vehicles.
3. A stable regulatory environment that supports long-term investment and a shift from cost to value.
4. Improved guidance, training and engagement across trustees, advisers and consultants, allowing time for understanding to be gained and decisions to be taken.

This report is accompanied by a call to action setting out the practical next steps for Government, regulators, public finance institutions and the pensions industry.

Next steps for mobilising pension capital for UK growth

Supporting UK growth through pensions investment is achievable but greater clarity and co-ordination is required. Pension schemes continue to take active steps to invest in the UK. There is clear and growing appetite across the market, supported by examples of investment that deliver long-term value for members while contributing to economic growth. The core challenge is not intent, but delivery: translating policy ambition and industry commitment into a system that consistently connects pension capital with investable UK opportunities.

Pensions UK's position is clear. We do not support mandated investment, which risks conflicting with trustees' fiduciary duties and is unlikely to succeed without a credible pipeline of assets. Instead, we have consistently argued for a voluntary, industry-led approach, grounded in fiduciary duty and supported by effective government action. Initiatives such as the Mansion House Accord demonstrate that schemes are prepared to step forward, but these commitments depend on suitable investment structures, regulatory support and a clear line of sight to opportunities.

Progress has been made, particularly in parts of the private sector and through select public finance interventions, but gaps remain. The pension investment system continues to lack coordination, public finance institutions are not yet consistently investable for pension schemes, and policy clarity has not translated into delivery on the ground. Unlocking pension capital for UK growth will require sustained collaboration between Government, regulators, public finance bodies and industry.

Executive summary

Alongside this report, we have produced an accompanying call-to-action document, which sets out what must happen next to move from commitment to deployment

A well-functioning investment system does not emerge automatically from policy intent alone. To translate commitment to deployment, each part of the system has a distinct leadership role to play from setting coherent policy and regulation, to shaping investable structures, to supporting informed, fiduciary-led decision-making. We have set out the overarching action for each key stakeholder, with more detailed and practical actions contained in the accompanying Actions document.

1. Government: Move from announcements to investable routes and provide cross-government clarity on how pension schemes will be supported, and a stable policy environment that supports long-term thinking

2. Regulators: Drive the emphasis on ‘value over cost’ and consider how the regulatory approach supports all pension schemes.

3. Public finance institutions: Improve access for pension schemes through investment vehicles and platforms.

4. Trustees & pension funds: Adopt a structured UK opportunities lens and test UK assets on a like-for-like basis with global options, consistent with fiduciary duty and member outcomes.

5. EBCs / employers: Lead the shift from cost to value and work to consider the role of private markets in long term outcomes.

6. Pensions UK: Be the system convenor. Translate policy into investable pathways and hold the system to account on delivery.



To translate commitment to deployment, each part of the system has a distinct leadership role to play from setting coherent policy and regulation, to shaping investable structures, to supporting informed, fiduciary-led decision-making.



The Pensions and Growth journey

Following the introduction of the Mansion House Accord,³ many of the UK's largest DC pension schemes have formally committed to increasing their allocation to UK private markets, with other schemes considering increasing their allocation. Similarly, the outcome of the Government's 'Fit for the Future' consultation has set a clear expectation for the LGPS to increase commitment to local investment.

There are already strong levels of domestic investment by UK pension schemes. Using a definition of UK productive assets that includes listed equities, corporate bonds, private equity, UK property and alternatives, the Pensions Policy Institute (PPI) estimates that 19% of UK pensions assets are invested in UK productive assets, equivalent to £602 billion.⁴

But despite willingness to invest, structural challenges can prevent UK pension schemes from increasing their allocations to UK assets. Our recent member survey⁵ highlighted how insufficient risk-adjusted returns (41%), a lack of suitable investable opportunities (41%) and policy uncertainty (33%) are viewed as the most significant barriers to further UK investment.

The graph to the right shows the overall allocation of UK pension assets to UK listed equities, corporate bonds, and alternatives (£ billion).

The support system which the Government has developed so far is fragmented, and a lack of joined-up thinking between different government departments is compounding this problem. Of our surveyed members, only a quarter (27%) believe the Government is facilitating a pipeline of investable UK opportunities by either “a

lot” or “a moderate amount” with around half believing the Government is doing “a little” (48%) and 10% saying they believe the Government is doing nothing. In Chapter 2, our efforts to map the pension investment system demonstrate the need for better co-ordination between government departments and public finance institutions.

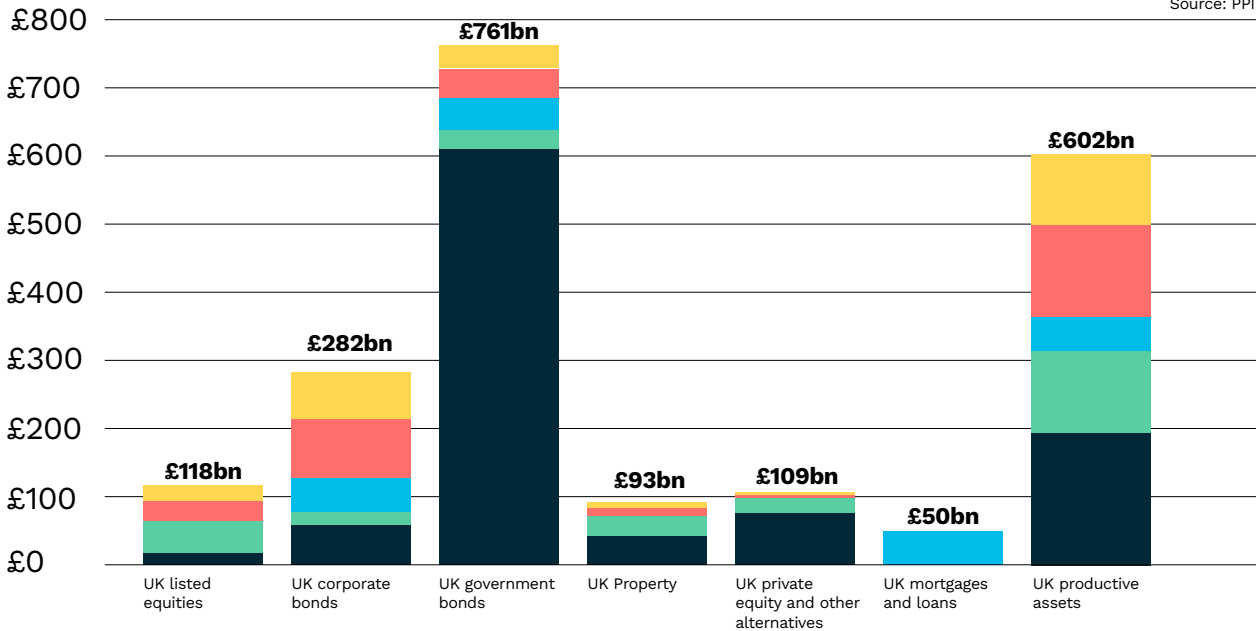
While progress is being made, there is much more to do. This report sets out what we have observed: that despite the Government's outward signalling of its intention to support pension schemes to invest more in the UK via announcements like the Mansion House Accord, which included a commitment to facilitating a pipeline of investable opportunities, there is still a need for greater action and accountability towards achieving this.

Supporting UK growth via pension investment requires the commitment of the entire industry and this report provides practical guidance for schemes looking to increase their allocation to UK private markets. Accompanying the report is a call-to-action document, setting out what must happen next. Delivering UK growth will require the commitment of the Government, regulators, public finance bodies and pension schemes. Each must play a role.

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Assets held by UK pension type

Source: PPI



- DB private
- DB public sec
- Annuities
- Workplace DC
- Individual

£602bn

The Pensions Policy Institute (PPI) estimates that 19% of UK pensions assets are invested in UK productive assets, equivalent to £602 billion. This uses a definition of UK productive assets that includes listed equities, corporate bonds, private equity, UK property and alternatives. While this definition of productive assets is broader than in the Mansion House Accord, it gives an indication of how productive investment compares to other types of investment.

³ The Mansion House Accord, Pensions UK, 2025, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/Mansion-House-Accord>

⁴ PPI, 2025, Pension scheme assets – how is allocation changing and why?, <https://www.pensionspolicyinstitute.org.uk/media/i2cgonin/20250604-pension-scheme-assets-2025-final.pdf>

⁵ Pensions UK, 2026, Pensions & Growth Survey results, <https://members.pensionsuk.org.uk/viewdocument/pensions-and-growth-survey-results>

The Pensions and Growth journey

Story to date

This report is the latest publication in our Pensions and Growth series, of which there have been three key phases. Firstly, understanding the opportunity and constraints. Secondly, demonstrating industry leadership. And now, delivery – moving from commitment to deployment.

1. Theory – understanding the opportunity and constraints

Our initial phase was about shaping the debate and focused on setting out the case and conditions for greater pension investment in UK growth.

In 2023, Pensions UK published the first Pensions and Growth paper,⁶ which set out the government measures we believed would help to attract pension investment to support UK economic growth. Across all schemes, the report set out a key priority as developing a strong pipeline of investable UK opportunities.

We argued asset managers should focus on sourcing domestic investments and creating vehicles suited to pension funds, such as Long-Term Asset Funds (LTAFs) and we encouraged initiatives like Long-Term Investment for Technology and Science (LIFTS). We also felt that targeted fiscal incentives could encourage domestic investment, for example through tax advantages (which are used in other jurisdictions) or government initiatives that improve the risk–return profile of UK assets and we emphasised that long-term policy certainty, particularly around areas such as the green transition, would further attract pension investment.

For DC pensions, we set out how reforms to the AE market could encourage employers, advisers, trustees and investment consultants to prioritise long-term net performance rather than focusing mainly on low costs. Building greater scale could help DC schemes access private markets and growth assets. Increasing AE contributions, including removing the lower earnings limit, enrolling workers from age 18, and gradually raising contributions from 8% to 12%, would also expand the pool of investable capital.

⁶ PLSA, 2023, Pensions and growth: a paper by the PLSA on supporting pension investment in UK growth, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/Pensions-and-growth-a-paper-by-the-PLSA-on-supporting-pension-investment-in-UK-growth>

⁷ PLSA, 2023, PLSA policy position on pensions & growth, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/PLSA-policy-position-on-pensions-and-growth-October-2023>

⁸ PLSA, 2024, Pensions and Growth: Creating a Pipeline of Investable UK Opportunities, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/Pensions-and-Growth-Creating-a-Pipeline-of-Investable-UK-Opportunities>

⁹ PLSA, 2024, Pensions and Growth: using investment and fiscal incentives to encourage the flow of pension investment into UK assets, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/Pensions-and-Growth-using-investment-and-fiscal-incentives-to-encourage-the-flow-of-pension-investment-into-UK-assets>

All this highlights that to date, Pensions UK's work has focused constructively on getting pension schemes to the right place to support UK growth, and the measures that Government needs to implement to help achieve this.

For LGPS and DB schemes, we identified that improved governance, better resourcing, and more flexible regulation, such as adjustments to the DB Funding Code and Solvency II, could support long-term investment in productive assets.

Following this, later in 2023, we published a policy update statement⁷ setting out the six key factors to address: a pipeline of assets, DB regulation, taxation, consolidation, the market for DC under AE, and raising contributions. This set a framework of thinking for our Pensions and Growth work which has followed, including the subsequent reports looking specifically at facilitating a pipeline of assets, and the fiscal incentives that could encourage pension investment in the UK.

In 2024, Pensions UK published its second Pensions and Growth report, *Creating a Pipeline of Investable UK Opportunities*.⁸ The report responded to the growing debate about how UK pension funds might allocate more to emerging and higher-risk investments that support UK economic growth. It identified key areas where barriers could be removed or incentives strengthened. Crucially, the report helped to drive progress by:

- Highlighting that different types of pension schemes face different challenges related to investment
- Identifying key investment areas of interest to schemes, with case studies
- Challenging the Government and industry to do more, in turn paving the way for future policy developments such as the Mansion House Accord.

Also in 2024, in partnership with Professor Sarah Gordon of the London School of Economics, Pensions UK published *Pensions and Growth: Investment and Fiscal Incentives to Encourage the Flow of Pension Assets into UK Investments*.⁹ The report argued that Government should deploy targeted investment and fiscal incentives to make UK assets more attractive to pension funds.

On the investment side, the report called for greater use of blended finance, expansion of LIFTS, stronger infrastructure commitments, and a more ambitious NWF including a role alongside the BBB in creating scalable investment vehicles. In relation to potential fiscal and regulatory reforms, the report proposed targeted fiscal incentives to improve the competitiveness of UK assets and highlighted regulatory reform and consolidation as enablers of better long-term value for money.

All this highlights that to date, Pensions UK's work has focused constructively on getting pension schemes to the right place to support UK growth, and the measures that Government needs to implement to help achieve this.

The Pensions and Growth journey

Story to date

2. Commitment – demonstrating industry leadership

Political pressure on UK pensions schemes to increase their UK allocations is significant. As a result, the industry is actively seeking new opportunities to invest in the UK. Our member survey highlighted that 56% see higher returns as being the key driver of increasing long-term investment in UK assets, while around a half see a strong economy (53%) and improving the environment members will retire into (49%) as key drivers. Pensions UK does not support mandation and has been committed to working with the Government to find a more constructive solution. The second phase of our work therefore looked to commit to finding meaningful solutions and demonstrate industry leadership.

In May 2025, Pensions UK, in collaboration with the Association of British Insurers (ABI) and the City of London Corporation, led the establishment of the Mansion House Accord.¹⁰ The Accord is a voluntary initiative, for which seventeen of the largest DC workplace pension providers in the UK have signalled their intent to invest at least 10% of their DC default funds in private markets by 2030, with 5% of the total allocated to the UK (subject to implementation by the Government and regulators of critical enablers detailed

throughout this report). The signatories are: Aegon UK, Aon, Aviva, Legal & General, LifeSight, M&G, Mercer, Cushon, Nest, NOW:pensions, Phoenix Group, Royal London, Smart Pension, the People's Pension, SEI, TPT Retirement Solutions and the Universities Superannuation Scheme (USS). The Mansion House Accord shows credible, voluntary action by the industry while securing commitments grounded in fiduciary duty and an honest assessment of what is likely to be achievable, with the right conditions in place.

The Accord builds on, rather than replaces, the Mansion House Compact, continuing industry-led efforts to improve retirement outcomes and drive long-term investment in UK growth. The Accord emphasised the Government and regulators' integral role in supporting industry in securing a pipeline of UK investment opportunities and facilitating the Value for Money (VfM) framework. It has since become a key reference point for Government, regulators and the Pensions Investment Review.

Through policy engagement, research, cross-party collaboration and ongoing dialogue with ministers and officials, Pensions UK has sought to balance the imperative of growth with trustees' fiduciary responsibilities and members' best interests in a number of other ways:

¹⁰ The Mansion House Accord, Pensions UK, 2025, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/Mansion-House-Accord>

¹¹ Pensions UK, 2026, Press Release: Government amendment to 'mandation clause' in Pension Schemes Bill addresses most serious concerns, <https://www.pensionsuk.org.uk/news/article/government-amendment-to-mandation-clause-in-pension-schemes-bill-addresses-most-serious-concerns#:~:text=The%20Government%20has%20published%20an%20amendment%20to%20the,by%20no%20more%20than%205%25%20in%20UK-based%20assets.>

56%

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- **Engagement with Pensions Investment Review (Jan 2025):**

Pensions UK welcomed reform and recognised that greater scale can help schemes access private markets, including infrastructure, venture capital and growth equity.

- **Clear caution on mandation:**

Pensions UK has consistently opposed the introduction of powers to direct how pension schemes invest, maintaining that asset allocation decisions must rest with trustees acting in members' best interests. Following amendments through the passage of the Pension Schemes Act 2026, the Government has limited the reserve power to operate only as a backstop. While remaining within the final Act, the reserve mandation power is now significantly narrower than as introduced. Pensions UK's two key asks in relation to safeguards have been adopted by Government in full. These were to cap the percentages which could be mandated at 10% of a main default fund (5% of which specifically for UK based assets) to bring it in line with the Mansion House Accord and to reduce the sunset clause from 2035 to 2032 – to minimise the political risk to schemes of the power extending into the next Parliament. While

remaining opposed in principle to mandation and concerned by the precedent set by any such power, Pensions UK recognises that these changes address our most serious concerns and represent a step in the right direction.¹¹

- **Constructive alternative:**

Advocated collaboration with Government on voluntary, UK-specific investment commitments that go beyond the Mansion House Compact while remaining consistent with trustees' duties and the Value for Money framework.

- **Evidence-led foundations:**

Built on earlier analytical work with the LSE calling for targeted investment and fiscal incentives to make UK assets more attractive to pension funds.

- **Parliamentary leadership:**

Supported the creation of the APPG for Pensions and Growth to drive cross-party discussion on pensions adequacy, growth and regional development.

- **Ongoing policy engagement:**

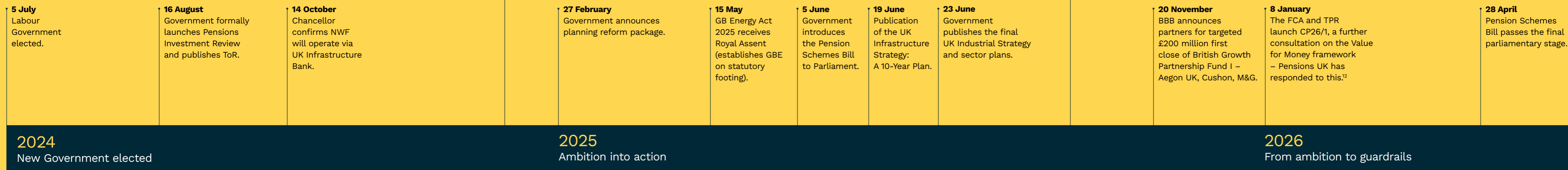
Maintained active engagement through roundtables, consultations, ministerial meetings and conferences, demonstrating a consistent approach focused on enabling growth without compromising member outcomes or trustee independence.

Collectively, this work demonstrates a consistent, evidence-based approach: supporting growth by creating the right incentives and structures for pension investment, while safeguarding trustees' independence and members' long-term outcomes.

3. Delivery – moving from commitment to deployment

We are now entering the most important phase: delivery. We want to support schemes to understand how greater UK investment can be delivered in practice, at scale, and consistent with member outcomes. This report focuses on the investment opportunities available to pension schemes via public finance institutions, highlights successful existing examples of investment in UK projects, and issues a clear call to action for the Government and industry for what needs to happen next to further facilitate UK economic growth via pension scheme investment.

Timeline: The Government's growth agenda



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¹² The Value for Money Framework: Response to consultation, further consultation and discussion paper, Pensions UK response, Pensions UK, 2026, <https://www.pensionsuk.org.uk/Portals/0/Documents/Policy-Documents/2026/FCA-Value-for-Money-framework-Jan-2026-Pensions-UK-response.pdf>

¹³ Pensions UK, 2026, Government amendment to 'mandation clause' in Pension Schemes Bill addresses most serious concerns, <https://www.pensionsuk.org.uk/News/Article/Government-amendment-to-mandation-clause-in-Pension-Schemes-Bill-addresses-most-serious-concerns>

Mapping the pension investment system

An introduction to the UK public investment landscape

The UK pension investment landscape is shaped by a complex interaction between policy ambition, sources of long-term capital, public support mechanisms and the investment vehicles that translate opportunity into allocation. This chapter sets out the core components of this landscape, from the government departments shaping policy, to the different types of pension capital, the support systems intended to crowd in private investment and the vehicles through which capital is deployed. It provides a high-level guide to the system as it currently operates, and a foundation for assessing whether these moving parts are working together effectively.

Sources of capital – DC, DB, LGPS

Sources of pension capital matter greatly, but enduring structural and policy constraints across DC, DB and LGPS schemes mean significant barriers to greater UK investment remain.

Government support systems

Multiple government departments are involved in considering how to support pension schemes to unlock capital for domestic investment. But these efforts are fragmented. In fact, we argue:

- There is still a lack of collaboration and joined-up thinking between engaged departments meaning that there they are often working in isolation, with need for a unified approach.
- While a series of initiatives have been undertaken, it is still unclear what these will deliver in practice and how pension schemes can actually access the support available.

1. HM Treasury (HMT)

HMT is the Government's economic and finance ministry, controlling the policy framework that shapes how capital flows through the UK economy. This includes:

- Tax, regulatory and investment frameworks that make private market investing attractive and feasible for pension funds
- Supporting the consolidation of pension schemes, to create the scale needed to invest in private markets
- Encouraging pension funds to invest domestically in infrastructure, innovation, and high-growth UK businesses, including through encouraging initiatives such as the Mansion House Compact and Mansion House Accord.

HMT's role should be to create the policy environment that encourages and enables pension funds to invest in UK private markets at scale.

2. Department for Work and Pensions (DWP)

DWP is the government department responsible for the pensions and welfare system. DWP plays a regulatory and structural role in enabling pension capital to flow into UK private markets:

- Defines the legal and regulatory frameworks for how pension schemes can invest, helping to ensure that investment decisions remain in members' best interests
- Implements pension reform via TPR and FCA
- Issues guidance on governance and fiduciary duty.

DWP's role should be to help create the right policy environment as well as helping to ensure pension schemes are structured, governed and regulated in a way that allows them to invest in UK private markets responsibly, and in the best interests of scheme members.

3. Office for Investment (Ofi)

The Office for Investment is a UK government unit that works to attract and secure large-scale international investment into the UK, particularly in strategic sectors such as infrastructure, clean energy, technology, and advanced manufacturing. It sits within the Department for Business and Trade and works closely with HM Treasury and other departments. Ofi's role should be to support pipeline development, establish partnership frameworks, match projects with investors and unblock delivery issues. In practice, schemes lack clarity on how this is being implemented and there is a sense that opportunities may be being missed.

Mapping the pension investment system

An introduction to the UK public investment landscape

4. Wider agencies

- **National Infrastructure and Service Transformation Authority (NISTA)**

NISTA is intended to bring together long-term strategic planning with best-practice project delivery across major UK infrastructure and public service programmes. While this seems strong in concept, there is currently limited awareness of NISTA's role and little clarity for industry or investors on what it is delivering in practice, meaning its potential to improve confidence, coordination and investability has yet to be fully realised.

- **National Housing Bank**

Homes England Investments Directorate has now become the National Housing Bank. It has been established to use debt and equity tools to crowd in additional capital, particularly from UK pension funds. The National Housing Bank's role should be to support Local Government Strategic Authorities on regional housing priorities, technical expertise and funding. However, we are concerned that pools and the National Housing Bank end up 'fishing in the same pond'. We hear from some LGPS pools and Funds that, at the moment, there is a lack of clarity on how Homes England (and other public finance bodies) will all work together to establish shared priorities and avoid being barriers to each other.

- **Investment vehicles**

This includes public finance institutions, such as the British Business Bank, National Wealth Fund and GB Energy. These bodies have an important role in facilitating pension investment into UK projects by crowding in private capital and helping to de-risk investment opportunities. To be effective, they will need to engage with a broad range of stakeholders and ensure their investment products, pipelines and delivery models are informed by feedback from Government, LGPS pools, Funds and pension schemes, while operating on a commercially independent basis.

¹⁴ UK Infrastructure Pipeline, National Infrastructure and Service Transformation Authority, 2025, <https://www.gov.uk/government/publications/uk-infrastructure-pipeline>

5. Policies & initiatives

• **Dynamic Infrastructure Pipeline Portal**

The Dynamic Infrastructure Pipeline Portal¹⁴ is intended to improve visibility of future infrastructure projects by bringing pipelines together in a single, live platform. However, there is little awareness of how it is meant to support institutional investors in practice, and the absence of clarity on its purpose, content and usability for pension schemes raises questions whether it is a practical support tool or merely informational.

• **Long-term Investment for Science and Technology (LIFTS)**

Initiatives like LIFTS are useful because they translate long-term UK growth priorities into professionally structured, diversified investment vehicles that pension schemes can access at scale, consistent with fiduciary duty and long-term member outcomes. Initiatives like LIFTS should be expanded in scale and frequency, offer clearer forward pipelines, and be designed with a wider range of pension scheme types and ticket sizes in mind.

• **Mansion House Accord**

The Government has signalled that it understands the importance of facilitating a pipeline of investable opportunities. But as we articulate, the support systems that have emerged are not yet operating effectively and pension schemes still face gaps in scale, structure, coordination and investability.

• **Modern Industrial Strategy and National Infrastructure Strategy**

The Modern Industrial Strategy and National Infrastructure Strategy provide a clear long-term framework for growth, sector prioritisation and capital deployment. Yet there is a strong perception that, since their launch, these strategies have not been actively driven across government departments or operationalised through delivery bodies. This is limiting their impact on confidence, coordination and pension-scale investment.

• **Planning reform**

Planning reform is a critical enabler for large scale infrastructure and housing delivery, with legislation still progressing. While Government has been clear about the direction of travel – faster plans, greater certainty and fewer blockers – there is still limited clarity for investors on how reforms will translate into improved access to an investable pipeline of projects.

• **Sterling 20**

A group of 20 of the UK's largest pension providers and insurers – including Mansion House Accord signatories and a selection of CIOs from Bulk Annuity Providers and the LGPS pools. Launched in 2025 by the City of London Corporation and Office for Investment, the objective is to improve asset flows into private markets primarily in the UK but also abroad, through potential international memorandums of understanding (MoUs). Feedback from schemes to date suggests that, while the group has been helpful as a convening and engagement forum, the opportunities that the group has been convened around have not been sufficiently relevant to their principle UK investment interests, with an over-emphasis on private equity / venture capital opportunities which are only ever likely to make up a very small proportion of overall portfolios. However, there is a strong willingness to continue to work together, and the group is helping to facilitate understanding between schemes and wider government.

Mapping the system: Conditions for investment

An introduction to the UK public investment landscape



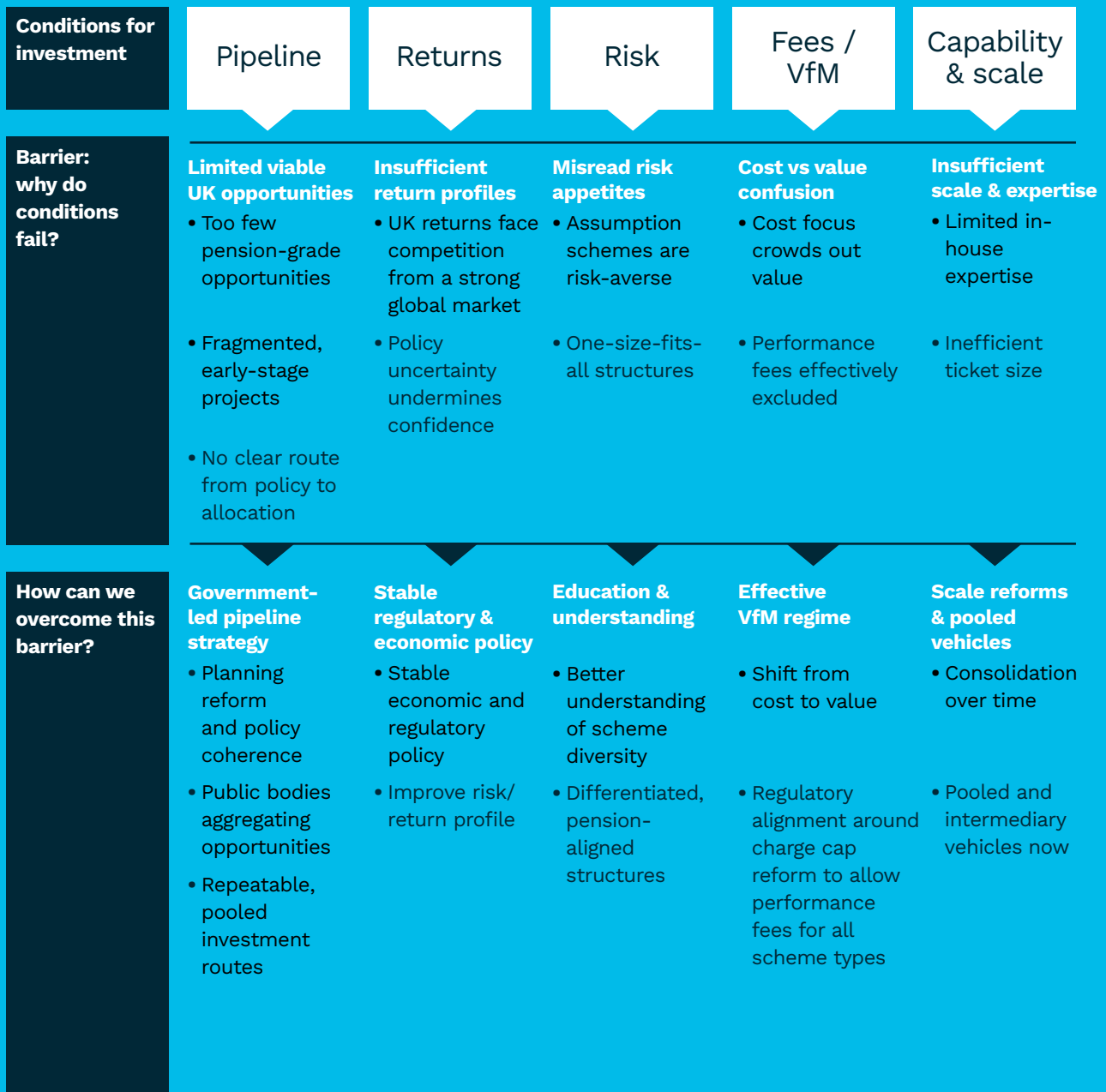
Different scheme types face distinct constraints around governance, scale, liquidity, fees, risk appetite and in-house capability.

In our engagement with Government, the OFI describes a system of departments, institutions and support mechanisms with shared objectives to mobilise capital into UK growth opportunities. In this framing, pension schemes appear implicitly as a source of funding that can be plugged into the system once projects are ready.

However, this assumption does not hold in practice. While the system may function from the perspective of investee companies, helping projects move through development stages and reducing early-stage risk, it gives insufficient consideration to how pension schemes interact with investment opportunities. The expectation appears to be that schemes will simply 'slot in' once public support has done its job.

This is unrealistic. Pension schemes are not a single, homogeneous pool of capital, and they do not invest based on policy intent. Different scheme types face distinct constraints around governance, scale, liquidity, fees, risk appetite and in-house capability. Where these constraints are not addressed explicitly, investment does not happen, regardless of how extensive the public support architecture may appear.

The visual to the right looks at the system differently. Rather than mapping the system from the perspective of policy and project delivery, it sets out the conditions that must be met for pension schemes to invest, why those conditions currently aren't being met, and what must change if the system is to function effectively for long-term institutional capital. This diagnosis underpins the actions set out later in the report and frames our assessment of what pension schemes need in practice, not just in theory.



Improved pension scheme investment in UK private markets



Evaluating UK public finance institutions: Investment opportunities for pension funds

The public investment landscape in the UK comprises a range of institutions which have been created with the purpose of supporting investment in the UK. Each institution's strategy targets specific market failures; for example, the National Wealth Fund (NWF) invests in large, capital-intensive infrastructure projects, while the British Business Bank (BBB) works to improve access to finance for smaller businesses with loans and equity. GB Energy has been set up to drive clean energy deployment, and Homes England supports regenerating, developing, building and buying homes.

These public finance institutions invest across the capital structure, including loans, guarantees, equity finance, and grants (though only in some specific circumstances). Through these interventions, the Government's ambition is that public finance institutions will work alongside the market, including pension schemes, to

crowd in private capital in support of businesses, projects and organisations of different sizes.

In the current Parliament, the Government has increased the capacity of public finance institutions to £137 billion, about a 40% increase. Alongside this expansion, the Industrial Strategy sets out the Government's ambition to significantly increase investment in eight high-growth sectors, including through greater and more targeted deployment of catalytic public finance.

The extent of Pensions UK's engagement with public finance institutions has varied. More substantive engagement with the two major UK public finance institutions – the British Business Bank (BBB) and the National Wealth Fund (NWF) – has highlighted that, despite the scale of ambition, the range of investment opportunities currently accessible to pension schemes remains limited. The BBB has developed the British Growth Partnership Fund I, which is already facilitating investment

by a small number of early moving pension schemes in UK startups. By contrast, Pensions UK has so far only been able to get to a preliminary stage of engagement with Homes England and GB Energy.

Ultimately, Pensions UK's ambition is to support the Government and public finance institutions in improving access to these opportunities for pension funds, proactively supporting them to find effective solutions. In this section, we aim to do this by setting out the challenges that pension funds are facing and setting out feasible solutions. While there is positive intent, there remains work to do to translate this into consistently investable opportunities for pension schemes at scale. Later in the report, we set out clear actions for the Government, public finance institutions and industry that are needed towards achieving this.

Ultimately, Pensions UK's ambition is to support the Government and public finance institutions in improving access to these opportunities for pension funds, proactively supporting them to find effective solutions.

Evaluating UK public finance institutions: Investment opportunities for pension funds

British Business Bank



What is the British Business Bank?

The British Business Bank is the UK's economic development bank. Its mission is to drive economic growth by helping smaller businesses get the finance they need to start, scale and stay in the UK. One of the Bank's core objectives is to mobilise institutional capital at scale. The BBB has delivered £32 billion of funding into UK smaller businesses, and through its investment business it has committed more than £3.9 billion to UK venture funds, making the BBB the largest Limited Partner (LP) in UK venture capital and venture growth funds. It has also committed more than £270 million directly to companies, making the BBB the most active investor in UK rounds of over £30 million. It has also supported 64% of the UK's current unicorn companies through its equity programmes.

The BBB wants venture capital to be compelling and investable for pension funds, although it recognises that there is a 'scale-up' gap. The UK has the world's third-largest venture capital market and has seen approximately 8,000 exits over the past 10 years. Despite this, the UK isn't producing 'unicorn' companies, which are privately held start-ups that have achieved valuations exceeding \$1 billion, at the same rate as the US.

UK start-ups are raising less funding than US start-ups and are also not continuing to scale up funding which should allow them to continue to grow in the same way that US start-ups are. This is partially because there aren't enough large growth funds in the UK that are of sufficient size to lead growth rounds and adequately capitalise start-ups.¹⁵

The BBB aims to help narrow the scale-up gap by bringing in more external institutional capital into UK venture. One way this might be achieved is by looking at the barriers that pension funds are experiencing in accessing the venture space.

Facilitating pension fund investment: British Growth Partnership Fund I

The British Growth Partnership was announced by the Government in October 2024, to encourage more UK pension fund investment into UK companies. The British Growth Partnership Fund I (BGP) is the first time the Bank has managed third-party capital through an investment vehicle. Following extensive engagement with the pensions industry, the BGP has been designed specifically for UK institutions to offer them efficient and trusted access via the Bank to UK VC. BGP seeks to raise hundreds of millions of pounds from

¹⁵ NatWest Group, 2026, UK venture funding surges into AI as investment concentrates in the largest, most proven scale-ups, NatWest's *Future of UK Innovation* report finds, https://www.natwestgroup.com/news-and-insights/news-room/press-releases/enterprise/2026/mar/uk-venture-funding-surges-into-ai-as-investment-concentrates-in-.html?utm_source=chatgpt.com

The BBB aims to help narrow the scale-up gap by bringing in more external institutional capital into UK venture.

institutional investors, including a commitment from the BBB, to invest in some of the highest potential venture opportunities in the Bank's pipeline. It will have a direct investment strategy, co-investing alongside the Bank's fund managers. BGP targets the scale-up investment gap diversified across life sciences and technology.

In November 2025, the BBB announced that Aegon UK, Cushon, and M&G are partners for the first close of the British Growth Partnership Fund I, subject to final terms and relevant approvals. The Bank is targeting a first close of £200 million by end of the financial year, enabling the fund to begin investing into high-growth UK companies in 2026.

BGP Fund I is the first of a series of funds that the BBB will develop to meet institutions' evolving requirements for scale and diversification, and may include a range of different sectors, stages, private asset classes, and funds of funds vehicles. Later in the report, Cushon set out their journey to investing in VC.

Venture Link and other support for institutional investors in accessing venture capital

The BBB is developing a range of support to help institutional investors access opportunities in UK growth companies. As well as offering rapid access to the British Growth Partnership, the BBB is developing Venture Link, which is a package of measures to help pension funds to boost their investment capabilities across asset classes. This will see the Bank publish enhanced information on its commitments to venture funds, including greater visibility of the Bank's prior investments and open investment opportunities. This will help the Bank to showcase and signal the breadth and quality of funds and companies that it supports from its own balance sheet. Access to the Bank's due diligence expertise will also act as an enabler for schemes without the ability to carry out due diligence themselves.

In the coming months, the Bank will create a one-stop online portal for institutional investors to access this information in one place. This will form part of a wider package of measures to help pension funds to boost their investment capability, support them as they develop their strategy, and reduce barriers to investment into UK venture.

Pensions UK assessment

Pensions UK recognises that investment in VC will not be appropriate or desirable for all pension schemes. However, it may be a viable and attractive option for some if key practical barriers are addressed, which are outlined later in the report.

The British Business Bank has made the most tangible progress to date in developing an investable route for large pension schemes. Its offering is already demonstrating real traction, with initiatives such as the British Growth Partnership and Venture Link helping to crowd in pension capital — including early engagement and learnings from providers such as NatWest Cushon. While there is more to do to improve scale, consistency and familiarity across the market, the direction of travel is positive. A key next step will be continued collaboration between Pensions UK and the British Business Bank to build on this progress and explore what can be done to support pension schemes in viewing UK venture capital as a more viable, scalable and repeatable option.



Evaluating UK public finance institutions: Investment opportunities for pension funds

National Wealth Fund



What is the National Wealth Fund?

The National Wealth Fund (NWF) is a policy bank set up by the UK Government. It partners with the private sector and local authorities to finance infrastructure and other projects. Its purpose is to stimulate or crowd in private sector investment into priority UK sectors. First announced by the Labour Party in opposition, the NWF was formally set up in October 2024. It is not a sovereign wealth fund, which usually work by investing a nation's budget surpluses. The NWF is instead described as the UK's 'impact investor'. Initial investment projects by the NWF will (in theory) catalyse further investment from the private sector.

The NWF has evolved from and replaced the UK Infrastructure Bank (UKIB). By the end of this Parliament, it will have been capitalised by the Government with a total of £27.8 billion: £22 billion of existing capital from UKIB (of which around £3.1 billion had been invested by April 2024), and a further £5.8 billion committed over the course of this Parliament.¹⁶

In March 2025, the Chancellor gave a statement setting out the Government's strategic priorities for the National Wealth Fund, prescribing a clear framework for investment decisions.¹⁷

- First, investments must support the Government's core missions relating to economic growth and the transition to clean energy, by targeting sectors such as clean energy, advanced manufacturing, digital technologies, and transport.
- Second, investments are required to deliver a positive financial return for the Exchequer, ensuring fiscal responsibility while allowing the NWF to take on higher-risk, capital-intensive projects that struggle to access private finance.
- Third, the NWF must crowd in significant private capital over time, with an explicit ambition to crowd in private capital at a ratio of around 3:1 at a portfolio level. It is expected to act as a catalytic investor that reduces risk and mobilises institutional investment at scale.

Together, these principles position the NWF as a strategic public investor that aligns policy objectives with commercial discipline while expanding investment opportunities for private investors, including pension schemes. While the scale of public capital suggests an ambition to unlock infrastructure investment of up to £100 billion through private sector crowd-in, the delivery challenge lies in turning that aspiration into pension-investable projects and vehicles.

¹⁶ Institute for Government, 2025, National Wealth Fund, <https://www.instituteforgovernment.org.uk/explainer/national-wealth-fund>

¹⁷ HM Treasury, 2025, Statement of Strategic Priorities, https://assets.publishing.service.gov.uk/media/67daabfa1a60f796430283fd/Strategic_Steer_to_NWF_-_final.pdf

Evaluating UK public finance institutions: Investment opportunities for pension funds

National Wealth Fund



NWF investment model

The NWF's strategy is to attract or crowd in private investment by virtue of the policy bank's association with a project. The bank also offers a suite of guarantee products which can help to de-risk uncertain investments. The guarantee tools include:

- Financial guarantees, which cover senior debt tranches to allow lenders to take sovereign risk
- Credit enhancement guarantees (CEGs)
- First loss guarantees
- Performance guarantees (for constructions and technology counterparty risk).

In practice, the NWF has given £750 million as financial guarantees to support loans provided by Lloyds and Barclays banks of £500 million each to finance retrofit social housing.¹⁸

Other financial instruments used by the NWF to invest in projects alongside the private sector include equity investment, having invested £28.6 million into Cornish Metals Inc, becoming a major shareholder in the company, and debt, having topped up a £75 million debt commitment made by the UKIB to broadband operator Netomnia with an additional £25 million loan.¹⁹

For local authorities, the NWF provides advisory services and low-cost finance for local infrastructure projects (a function originally provided by UKIB). The NWF has provided £92 million in capital to improve coastal flood defence barriers in North Wales.²⁰

However, the NWF does not offer a regulated fund structure or product, which is why investment opportunities via the NWF are less viable for pension schemes.

What is the current problem in terms of investment opportunities – why is the NWF not investable for pension schemes?

Pensions UK's engagement with the NWF has revealed its perception that pension schemes have low appetite for risk. However, in practice, appetite and capability can vary significantly across the market. Different types of pension schemes have varying capabilities to make direct investments, sub-investment grade investments and investments over multiple years. There is interest across the market for equity and greenfield investment. Larger and more sophisticated schemes have demonstrated a willingness to take equity-like risk where this is appropriately structured, governed and aligned with long-term member outcomes. This suggests that risk appetite alone is not the binding constraint.

¹⁸ Institute for Government, 2025, National Wealth Fund, <https://www.instituteforgovernment.org.uk/explainer/national-wealth-fund>

¹⁹ Ibid

²⁰ Ibid

The central issue here is not that pension schemes lack risk appetite. Rather, the NWF lacks a fund or investment vehicle, so requires investors to make direct investments. Most schemes lack the in-house capability and expertise to originate and carry out the due diligence that would properly equip them to make informed investment decisions. In fact, only a small handful of larger, more-developed schemes are currently able to do this. Most pension schemes operate as limited partners and are structured to invest through pooled vehicles, mandates or intermediated funds, rather than engaging in direct project origination or bespoke co-investments. As a result, the absence of an intermediated, repeatable investment route significantly limits engagement, regardless of underlying appetite.

Furthermore, as the NWF is still at an early stage, it is not currently delivering the level of returns that most pension schemes would expect, particularly from riskier investments (which would typically deliver higher returns). This reflects both the early-stage and often greenfield nature of many NWF-backed projects, and the lack of an established track record or stabilised yield that would support material pension allocations. For most schemes, the challenge is therefore one of sequencing and structuring.

Different types of pension schemes have varying capabilities to make direct investments, sub-investment grade investments and investments over multiple years.

How might the NWF become investable for pension schemes?

Our engagement with the NWF has demonstrated that there is willingness and appetite to improve access to these opportunities for pension schemes. In discussions to date, the NWF has been open to exploring how its operating model could evolve over time to engage a broader base of long-term capital providers, including pension schemes. The NWF currently works with UK banks to finance projects – however, given its mandate to crowd in further capital, it is likely that it will have to expand its finance model, looking to other institutional investors such as pension schemes. This would represent a natural progression as projects move from early-stage development towards delivery and scale, where long-term patient capital is suited.

Pensions UK's intention is to support the NWF in achieving this, and so have identified several ways in which the NWF and industry could act to improve access for pension schemes:

Evaluating UK public finance institutions: Investment opportunities for pension funds

National Wealth Fund



1. IFM Investors-style model

Develop an Industry Funds Management Investors (IFM Investors)-style model which could undertake origination and due diligence on behalf of pension schemes. This would allow pension schemes to participate as limited partners, reducing the need for individual schemes to build in-house capability to originate and assess complex infrastructure or growth investments, and aligning more closely with existing governance and fiduciary models.

- Of course, developing an IFM-style model would be a significant undertaking, requiring careful consideration of governance, ownership, regulation and risk-sharing, and will need further work to explore how industry, public institutions and Government might come together to deliver it in a way that is both credible for pension schemes and scalable over time.

- The NWF could work with individual fund managers to support pension scheme access by partnering with or anchoring pooled investment vehicles managed by experienced managers, using NWF capital to de-risk or seed funds and help develop track record, scale and pension-appropriate structures. It could also allow other asset managers to invest alongside it and package these opportunities into investment vehicles that are familiar to pension funds. This would also provide additional comfort to pension funds through due diligence conducted by recognised asset managers.

2. NWF support

The NWF could support the development of intermediated, manager-led investment vehicles, tailored to the needs and governance models of different pension schemes. Rather than requiring schemes to make transaction-level co-investment decisions, these structures would allow pension schemes to participate through pooled or fund-based vehicles where origination, due diligence and investment discretion sit with a professional manager:

Ultimately, the Government must consider what it wants the NWF to achieve. Policy changes that would help the NWF to crowd in pension fund capital would help the Government to achieve their objective of increasing pension investment in the UK.

- For smaller DC schemes lacking in in-house capability, a regulated growth fund might be appropriate. Such a vehicle could provide diversified exposure to clean infrastructure or growth assets within a familiar, well-governed and regulated structure that supports daily dealing and trustee oversight.
- For smaller DB schemes lacking in-house capability, a bond-structure might be appropriate. A suitable structure could offer contractual cashflows and risk characteristics better aligned with scheme liabilities, while still enabling schemes to support long-term UK investment.

Ultimately, the Government must consider what it wants the NWF to achieve. Policy changes that would help the NWF to crowd in pension fund capital would help the Government to achieve their objective of increasing pension investment in the UK. Greater clarity on objectives, success metrics and the role of institutional capital would ensure that the NWF's evolution supports both economic development and the delivery of good outcomes for pension savers.

Pensions UK assessment

Pensions UK and its members recognise the NWF as an important opportunity to increase pension investment in the UK, particularly in support of long-term economic growth and the clean transition. Clean infrastructure is an area where there is clear interest from pension schemes, and where the NWF has relevant skills and expertise, including the ability to originate projects and provide early-stage support.

However, based on our engagement to date, the NWF does not offer investment opportunities that are accessible for pension schemes. The challenge is not a lack of appetite for investment, but the absence of pension-investable vehicles or structures through which schemes can participate at scale. As the NWF currently operates, engagement is largely limited to direct or bespoke investments, which sit outside the governance models, resourcing and capabilities of the majority of pension schemes.

As a result, Pensions UK considers that the NWF's current operating model is not yet fully aligned with the Government's stated ambition to crowd in pension capital at scale. While its current, bank financing model may be appropriate at an early stage, a different approach will likely be necessary as the NWF grows and seeks wider sources of long-term capital, particularly from pension funds. If the Government and the NWF are to realise the opportunity for meaningful pension participation, further progress will be needed to develop intermediated, repeatable and pension aligned investment routes that translate public capital and early-stage projects into investable opportunities for schemes. Pensions UK's intention is to work with the NWF and Government, supporting them to achieve this.

Evaluating UK public finance institutions: Investment opportunities for pension funds

Homes England and the National Housing Bank



What is Homes England?

Homes England is the Government's housing and regeneration agency, responsible for supporting the delivery of new homes, unlocking regeneration and enabling local economic growth across England. Since its re-establishment in 2018, the agency has played a central role in addressing long-standing market failures in housing delivery, including constraints around land assembly, planning, infrastructure and access to early-stage capital.

Homes England operates across the full development lifecycle, deploying land, capital grant, debt, equity and guarantees alongside technical expertise and planning capability. It works in partnership with local authorities, developers, housing associations, investors and mayoral combined authorities to bring forward housing and mixed-use schemes that would otherwise struggle to progress. To date, Homes England has supported the delivery of over 250,000 homes and unlocked land capable of delivering close to half a million more, while also leveraging significant volumes of private capital into housing-led regeneration.

The transition to the National Housing Bank

Homes England has undergone a significant institutional transition, reflecting both the scale of the housing challenge and changes to the Government's wider approach to public investment. Central to this shift is the creation of the National Housing Bank (NHB), a wholly owned subsidiary of Homes England. The National Housing Bank, launched on 1 April 2026, will substantially expand Homes England's ability to deploy debt, equity and guarantee products at scale. It will operate within HM Treasury's Financial Transactions Control Framework, which is intended to ensure public financial institutions act with appropriate commercial discipline, clear risk limits and portfolio level return expectations, while still addressing market failures and crowding in private investment.

In practice, the National Housing Bank represents a move away from discrete programme-based interventions towards a more portfolio-driven, institution-led investment model. Over the next decade, the National Housing Bank expects to deploy up to £16 billion across housing and regeneration activity, with this public capital explicitly intended to catalyse, rather than replace, long-term private and institutional investment.

Residential real estate through a pensions lens: Value, but only where investable

Residential real estate is not a single asset class. It spans a spectrum of exposures, including bond-like lending to housing associations, stabilised rental assets, and higher-risk development-stage equity.

As an asset class, it can offer attractive characteristics including generating a positive societal impact, but also particularly where assets generate long-dated and inflation-linked income, provide diversification within private market portfolios, and align well with the horizons of pension liabilities. Where appropriately structured, residential real estate has the potential to deliver competitive risk-adjusted returns net of fees, while also contributing positively to housing outcomes.

Importantly, these different exposures align in different ways with the objectives and constraints of different types of pension scheme. This diversity is a strength of the asset class, as it means that residential real estate can be relevant across the pensions landscape, albeit through different structures and risk profiles:

- **The LGPS and open DB schemes** are well placed to consider equity exposure where risks are appropriately mitigated. They retain capacity for growth assets and, in the case of the LGPS, often have an explicit interest in place-based investment and local economic outcomes.
- **Closed and maturing DB schemes** are typically more attracted to lower-risk, income-focused structures, including bond-like or stabilised residential assets that can support predictable, long-term cashflows aligned to their liabilities.
- **DC schemes**, despite having long investment horizons, face additional constraints around charge caps, valuation frequency and fee sensitivity. These factors limit the scalability of some residential structures, but do not preclude DC participation entirely. Over time, there is potential for the National Housing Bank to help bring forward residential opportunities that are better aligned to DC requirements, particularly around cost, governance and risk.

Across all scheme types, governance, fees, risk allocation, liquidity and valuation remain central to fiduciary decision-making. In many cases, residential real estate is already capable of meeting these requirements and is therefore a viable option for pension schemes. As this report goes on to explore, the challenge is less about the intrinsic investability of residential assets, and more about how delivery models evolve — particularly how the National Housing Bank works alongside the LGPS and local government as its role and structures change — to ensure that opportunities are clearly structured, scalable and accessible to long-term pension capital.

Evaluating UK public finance institutions: Investment opportunities for pension funds

Homes England and the National Housing Bank



Why partner with Homes England and the National Housing Bank?

Partnering with Homes England, increasingly through the National Housing Bank, could help to address many of the structural barriers that pension schemes face when investing in residential assets independently. Homes England typically intervenes at the point of greatest risk in the development lifecycle, including land assembly, planning and enabling infrastructure. By absorbing or mitigating these early-stage risks, it could allow pension schemes to engage at a point more consistent with fiduciary requirements.

In addition, the National Housing Bank will prioritise scale and repeatable investment platforms. Rather than relying on small, bespoke transactions, it has helped establish long-term, multi-site platforms that allow pension schemes to deploy capital at meaningful scale, reducing transaction costs and governance burdens. The breadth of Homes England's capital toolkit, spanning grants, equity, debt and guarantees, also enables more flexible risk sharing structures. This can help shift projects from being policy-led initiatives into genuinely investable, pension-grade opportunities.

Case studies – what does this look like in practice?

The Homes England case studies demonstrate how this partnership model works in practice.

- **Aviva Partnership**,²¹ first announced in March 2026, brings together Homes England, the National Housing Bank, Aviva and Place Capital Group with the ambition of delivering 300 initial new homes, with scope to develop up to 3,300 new homes on underused brownfield sites in regional UK towns and cities. The high-quality, low-energy rental homes will be aiming at a market segment of lower-to middle-income working families, providing certainty of tenure in urban areas with good commuting links and social infrastructure.
- **Habiko Housing Innovation Partnership**²² brings together Homes England, Pension Insurance Corporation and Muse in a long-term public private partnership to deliver approximately 3,000 low-carbon, affordable homes. Homes England's upfront equity commitment helped de-risk early-stage development and catalyse a wider investment programme approaching £1 billion, while allowing long-term ownership and stewardship to sit with an institution aligned to pension liabilities.

²¹ National Housing Bank & Homes England, 2026, National Housing Bank and Aviva to invest £100 million to build thousands of high-quality family homes in UK towns and cities, <https://www.gov.uk/government/news/national-housing-bank-and-aviva-to-invest-100-million-to-build-thousands-of-high-quality-family-homes-in-uk-towns-and-cities>

²² Homes England, 2024, Long-term public-private partnership to deliver thousands of affordable homes, <https://www.gov.uk/government/news/long-term-public-private-partnership-to-deliver-thousands-of-affordable-homes>

²³ Homes England, 2025, Public and private sector housing and regeneration experts join forces to boost supply of homes for places most in need, <https://www.gov.uk/government/news/public-and-private-sector-housing-and-regeneration-experts-join-forces-to-boost-supply-of-homes-for-places-most-in-need>

²⁴ Muse Places, 2023, Case Study: Measuring the placemaking impacts of housing-led regeneration, <https://museplaces.com/stories/case-study-measuring-the-placemaking-impacts-of-housing-led-regeneration/>

- **Impact & Places Partnership,**²³ established with Capital & Centric and Swiss Life Investment Management, uses Homes England equity to create a programmatic vehicle delivering residential-led urban regeneration across multiple sites. The partnership demonstrates how scale, repeatability and credible sponsorship can support institutional investment into complex regeneration projects.
- **The English Cities Fund,**²⁴ a longstanding partnership between Homes England, Legal & General and Muse, illustrates the value of stable, long-duration platforms in attracting pension capital into large-scale regeneration over several decades.

What the examples teach us and the challenges schemes must overcome

Taken together, these examples illustrate a number of common success factors.

1. They show the importance of addressing development and planning risk upfront, rather than expecting pension schemes to bear it directly.
2. They demonstrate that scale and repeatability are critical if residential opportunities are to be investable at a portfolio level.
3. They underline the value of clearly defined roles, where public capital acts as a catalyst while pension schemes invest on commercial terms with transparent risk allocation.

However, the case studies also highlight challenges that remain. Even where Homes England is a partner, residential investment places demands on trustee knowledge, adviser capability and governance capacity.

- For DC schemes, fee levels and valuation constraints continue to be a major limiting factor.
- Closed DB schemes remain cautious where exit routes are unclear or assets would not be attractive to insurers.
- LGPS Funds and pools will need greater clarity on how to co-ordinate with the National Housing Bank. Without clear sequencing and collaboration, there is a potential risk that public sector capital competes with itself, fragments pipelines or compresses returns rather than crowding in additional investment.

Pensions UK recognises all these challenges and will make it an ongoing priority to work with the National Housing Bank and our members to support effective solutions for pension schemes.

Evaluating UK public finance institutions: Investment opportunities for pension funds

Homes England and the National Housing Bank



Pensions UK assessment

Homes England's evolution, including the establishment of the National Housing Bank, represents a positive and credible opportunity for pension schemes considering UK residential real estate. Many larger UK pension funds have large real estate allocations (mainly offices, data centres, warehouses, life science parks), with very little residential included within that, often due to residential assets offering lower returns. Homes England has already demonstrated, through a number of partnerships and investment platforms, that residential and regeneration assets can be structured in ways that attract long-term institutional capital and align with pension scheme objectives. Its increasing focus on scale, repeatable structures and early-stage risk mitigation has helped move residential investment closer to being pension grade in practice, rather than just in principle.

We see value in the National Housing Bank's role in helping to make the practical route into residential investment clearer for schemes, particularly where complexity, development risk or

fragmentation have previously acted as barriers. At the same time, the National Housing Bank operates within finite resources and delivery capacity. This reinforces the importance of clear prioritisation, transparent routes to market and effective partnership with long-term investors if these opportunities are to be scaled sustainably.

As activity in UK residential real estate continues to grow, careful coordination with the LGPS will be essential. The National Housing Bank, LGPS Funds and pools are all becoming more active in housing and regeneration, and closer collaboration will be needed to ensure that public sector capital crowds in pension investment rather than competing with it, fragmenting pipelines or compressing returns. Overall, Homes England's track record and direction of travel through the National Housing Bank is encouraging; the challenge ahead is less about proving investability, and more about scaling delivery and aligning roles as institutional arrangements continue to evolve.



Evaluating UK public finance institutions: Investment opportunities for pension funds

GB Energy



What is Great British Energy?

Great British Energy (GBE) is the UK's publicly owned clean energy company, formally established through legislation in May 2025. Alongside its sister organisation, Great British Energy, Nuclear, GBE has been allocated over £8.3 billion of public capital during this Parliament to help deliver clean, secure and domestically owned energy generation. GBE is operationally independent from Government, but strategically aligned with national objectives on energy security, economic growth, reindustrialisation and the transition to net zero.

GBE is not a grant fund or a passive financier. It has been established as a long-term energy developer and equity investor, operating across the full lifecycle of projects from early-stage development, through construction, into ownership and operation with returns recycled to support future investment.

What is GBE doing today?

GBE is currently in an early but fast-moving development phase. During 2025, its focus was on market engagement, capability-building and the publication of its first Strategic Plan. It is now preparing to scale delivery rapidly, with a growing internal team and early investments already underway. GBE's activity is organised around three core priorities:

- 1. GBE Local:** Supporting community, public sector and local energy projects
- 2. Onshore Energy:** Including solar, onshore wind and energy storage, with a particular focus on unlocking public land
- 3. Offshore Energy:** Notably floating and deep-water offshore wind, where the UK has a significant long-term opportunity.

Across all areas, GBE invests predominantly through equity stakes held via Special Purpose Vehicles (SPVs), deliberately taking early development and construction risk with the explicit aim of de-risking projects and mobilising private capital alongside its own balance sheet. Its Strategic Plan sets out ambitions by 2030 to:

- Support the delivery of at least 15GW of clean generation and storage
- Mobilise £15 billion of private capital alongside public investment
- Build an income-generating portfolio on a pathway to long-term profitability.

What does GBE aim to do over the next few years?

Over the remainder of this Parliament, GBE intends to evolve from a start-up institution into a national clean-energy development platform. This includes:

- Systematically building and aggregating project pipeline across technologies and regions
- Using public capital to absorb early-stage risk that has historically deterred private investors
- Moving projects successfully into construction and operation alongside co-investors
- Developing standardised investment structures and repeatable delivery models.

GBE's Strategic Plan also places strong emphasis on domestic supply chains and industrial capacity, including a dedicated £1 billion 'Energy, Engineered in the UK' programme to support clean-energy manufacturing, jobs and skills.

How GBE could crowd in pension scheme capital?

From a pensions perspective, GBE is potentially significant because its model directly addresses several of the barriers that have historically limited pension scheme participation in UK infrastructure, particularly early-stage risk, fragmented pipeline and lack of scale. By acting as a developer and long-term equity investor, GBE can:

- Take planning, development and construction risk upfront
- Improve visibility and certainty of pipeline by design, not just disclosure
- Create projects with clearer risk-return characteristics by the point private capital is invited in
- Support larger-scale, repeatable investment opportunities aligned with pension schemes' long-term horizons.

However, it is worth noting that many large pension schemes already invest in these types of assets, and this is unlikely to be suitable for DC schemes who need a fund on a platform.

Evaluating UK public finance institutions: Investment opportunities for pension funds

GB Energy



Pensions UK assessment

Pensions UK and its members recognise that GBE is still at an early stage of development, and engagement with pension schemes to date has been limited. However, this early phase also presents a valuable opportunity. There is clear interest across the pensions sector in clean infrastructure investment, and GBE has the development capability, public-sector positioning and risk appetite to help unlock projects that would otherwise struggle to be investable. Our assessment is that there is a narrow window to engage early and shape how GBE evolves as an investable platform. In particular, there is scope for pension schemes, working through Pensions UK, to influence:

- The design of co-investment and equity partnership models
- Governance arrangements at SPV and portfolio level
- The allocation of risk between public and private capital
- How opportunities are structured, scaled and brought to market for different types of pension scheme.

This is not a flaw in GBE's approach, but a reflection of its stage of institutional maturity. If engagement moves quickly from strategic intent to investment-ready structures, GBE has the potential to become a meaningful route through which pension capital can support UK clean energy, long-term growth and member outcomes.



NWF and BBB: Addressing the most significant barriers to investment

Pensions UK's engagement with the British Business Bank and National Wealth Fund has highlighted several significant barriers to pension scheme investment in the opportunities currently on offer. In the case of the BBB, while the British Growth Partnership Fund I may present viable investment opportunities for some schemes, the focus on venture capital does mean that many are likely to face practical barriers to doing so. Similarly, most schemes find that the opportunities available via the NWF are not currently viable, due to limited in-house capability to undertake the due diligence required for long-term, riskier and direct investments.

As part of our ambition to support the Government and public finance institutions in crowding in pension capital, this section addresses these barriers. It sets out proposed solutions to some of the practical challenges faced by the LGPS, schemes looking to access VC, and also explores whether an Industry Fund Management Investors (IFM Investors)-style model may help schemes to invest alongside the NWF.

06



Reducing classification frictions would materially expand the ability of the LGPS to invest alongside public finance institutions at scale.

Unlocking further LGPS investment

The LGPS is a funded pension scheme whose assets are legally ring-fenced and invested on a fiduciary basis for members.

In September 2019, the Office for National Statistics (ONS) moved to a presentation of funded public sector pensions in the public sector finances which meant that LGPS assets and liabilities began to be recorded explicitly on the public sector balance sheet. ONS was clear this was a statistical change to improve transparency and did not affect the ownership, governance or use of LGPS assets. However, following the 2024 Budget, fiscal policy has placed much greater emphasis on public sector balance sheet measures, meaning that public sector classification outcomes, including for LGPS assets, now play a more direct and consequential role in investment structuring and delivery decisions.

Although LGPS Funds sit within the public sector boundary (because they are administered by local authorities) it does not imply government direction of LGPS investment decisions. However,

it does affect how LGPS capital is treated when combined with capital from other public sector bodies, particularly public finance institutions such as the British Business Bank or the National Wealth Fund.

In practice, where the LGPS seeks to invest alongside these institutions, transaction structures are often constrained by the risk that an investment vehicle could be judged to be publicly controlled for statistical purposes. To mitigate this, sponsors frequently design deals so that public sector investors do not collectively exceed a minority stake, typically below c.49%, even where all capital is being invested on fully commercial terms. Where LGPS capital is treated as public sector capital, it is often assessed together with capital from bodies such as the NWF or BBB, limiting the combined scale of investment and, in some cases, preventing otherwise viable co investment opportunities from proceeding.

This issue is difficult to address because responsibility for public sector classification sits with the Office for National Statistics, applying international accounting standards, rather than with ministers or HM Treasury. Government cannot simply reclassify LGPS assets, even where classification effects

undermine policy objectives. However, outcomes can be influenced through the design of investment vehicles, governance and control arrangements, and clearer treatment of LGPS capital as commercial, at-risk investment rather than quasi-fiscal funding — all of which require coordinated engagement between ONS, HM Treasury, public finance institutions and pension schemes.

Reducing these classification frictions would materially expand the ability of the LGPS to invest alongside public finance institutions at scale. It would enable pooled co investment structures where public bodies act as catalysts rather than constraints, crowding in pension capital on genuinely commercial terms. In doing so, it would unlock greater LGPS access to long-term investment opportunities delivered through bodies such as the NWF and BBB, supporting improved member outcomes alongside the Government's ambitions for long-term UK growth.

NWF and BBB: Addressing the most significant barriers to investment

Making venture capital investable for pension schemes: Barriers, enablers and practical lessons

Venture capital (VC) is high-risk, long-term private funding provided to start-up or scaling companies in exchange for an ownership stake, usually delivered in stages as the company proves it can scale. While VC carries higher risk and illiquidity, it can deliver strong returns over time and plays a critical role in providing scale-up capital to help successful UK companies expand and remain anchored in the UK. For pension schemes thinking about increasing their investments in the UK, or fulfilling their Mansion House Accord commitments, UK VC is an asset class worth exploring, but Pensions UK recognises that investment in VC will not be appropriate or desirable for all pension schemes. While VC plays an important role in the UK's growth ecosystem, structural, operational and scale related factors mean that it is not a natural fit for large parts of the pensions market.

For DC schemes in particular, traditional VC fund structures pose challenges around illiquidity, capital call cashflows and valuation frequency, which can be misaligned with daily pricing and dealing requirements. While intermediary vehicles such as Long-Term Asset Funds (LTAFs) can help to address some of these constraints, they typically require higher governance capacity and a greater tolerance for complexity than many DC schemes currently have.

For larger schemes, including LGPS pools, large master trusts and DB schemes, the barriers are often different. Individual VC fund commitments are frequently too small relative to their total assets under management to be capital efficient or strategically meaningful, while still requiring significant due diligence, legal structuring and ongoing oversight. This creates a mismatch between the governance effort required and the scale of investment deployed.

As a result, VC tends to be viable only for a limited group of schemes, often those that are both willing and able to engage through intermediated, scaled structures, and that see VC as complementary rather than core to their investment strategy. We recognise that products like the British Business Bank's British Growth Partnership Fund I represent an important step towards addressing some of these challenges by aggregating opportunities and improving scale. However, consistent feedback from Pensions UK members suggests that practical barriers remain, particularly around access, governance capacity and risk alignment.

This section therefore focuses on the enablers required to make VC investable where appropriate, rather than assuming it should be a default destination for pension capital. Drawing on member evidence and a detailed case study from Cushon, it is intended to move the debate beyond theory, illustrating how regulation, market structures, adviser behaviour and scheme capability interact in practice, and where targeted action by Government, regulators, public finance institutions and industry could support pension participation in UK venture capital.

VC tends to be viable only for a limited group of schemes, often those that are both willing and able to engage through intermediated, scaled structures, and that see VC as complementary rather than core to their investment strategy.

NWF and BBB: Addressing the most significant barriers to investment

Barriers

Charge cap

Pensions UK members feel that FCA rules on the charge cap are overly restrictive for the contract-based sector. For default funds in DC schemes, the FCA imposes a 0.75% annual charge cap. However, typical VC or private equity fees might consist of an annual management fee of around 2%, a performance fee of around 20% of the profits (above a certain level), and any other additional costs such as transaction or monitoring costs. Even if long-term higher net returns could justify higher fees, the headline fee level alone for VC often exceeds the charge cap, making direct allocation difficult within default funds.

Fee sensitivity driven by EBCs

A competitive market further drives down fees charged to members. Employers and the employee benefits consultants (EBCs) advising them are likely to be driving this fee sensitivity (rather than individual members); EBCs often reduce the cost to an employer by advising them to use a pension provider with lower fees, without taking net returns into account.

In addition, most savers in the UK are accustomed to stable, low-level growth that does not require high management and performance fees.

Enablers

The FCA is consulting on changing its rules regarding the charge cap and whether performance fees should be included within its calculations. Pensions UK would support a charge cap calculation structure that excludes performance fees, making it more consistent with the trust-based approach.

The removal of performance fees from the charge cap, meaning that trustees could agree to pay them in addition to capped charges, could give freedom and flexibility to trustees to invest where they think they can achieve better value for members.

The Value for Money framework has the potential to support a cultural shift from cost to value; the pensions industry must continue to highlight to EBCs and savers that higher net returns can offer greater value to savers, even if upfront costs are higher.

TPR/FCA must help to facilitate improved dialogue between industry (including public finance institutions) and EBCs, who may be driving fee sensitivity by advising employers against certain kind of investments. This should come as part of a wider cultural shift throughout the industry from cost to value.

Pensions UK welcomes steps that have been taken to put public finance institutions on a stronger footing. As the industry moves towards scaling allocation in the UK, more work will be needed to build relationships between public finance institutions and EBCs, including the publication of track records that EBCs need to be able to make recommendations.

Consultant advice on the selection of master trusts should be FCA-regulated, given the impact this has on pension scheme investment. Regulation should help to ensure that cost is not the only value factor considered by EBCs.

Making venture capital investable for pension schemes: Barriers, enablers and practical lessons

Barriers

TPR regulation

For the smaller number of DB schemes who have a high enough risk appetite to warrant interest in VC, TPR regulation is seen to reward liability matching and can disincentivise investment in asset classes apart from gilts.

Enablers

Open and closed DB schemes have mixed views about TPR's risk appetite when setting regulation. Closed DB schemes are unlikely to be interested in riskier investments nor benefit from regulation that incentivises them, in fact facing potential detriment. However, open DB schemes and their members may benefit from regulation that gives them more space to consider different kinds of asset classes. Pensions UK calls on TPR to take a flexible and pragmatic approach to regulation that works for open and closed DB schemes.

Trustee education and understanding

Trustees, especially lay trustees, have varying levels of knowledge, expertise and professionalism. Many want to see results from a larger, more advanced scheme before they choose to invest. Fiduciary managers are also advising trustees with these decisions.

TPR should assess and strengthen existing guidance and education for trustees on alternative asset classes, including VC. Some trustees, especially lay trustees, may lack the knowledge and expertise required to make well-informed and effective decisions relating to VC investment. Targeting the fiduciary managers who advise trustees with guidance and education may also result in advice that eventually supports portfolio decision making.



NWF and BBB: Addressing the most significant barriers to investment

Learnings
from Cushon:
A master trust's
journey to
invest in VC



The enablers

Following a year-long strategic review, the trustees are in the final stages of adding a 2% allocation to UK VC within the existing 15% private markets allocation. Getting the trustees comfortable with VC has been enabled by strong legal, strategic, market and governance foundations:

1. Legal and fiduciary clarity

Independent legal advice from Eversheds Sutherland confirmed that trustees may consider members' future standard of living in retirement when making investment decisions. This interpretation supports investment in UK growth assets where aligned with long-term member outcomes.

2. Compelling strategic case

Analysis by the Cushon Investment Office and advisers demonstrated that UK VC can enhance long-term return potential within the Sustainable Investment Strategy. UK VC represents the third-largest global market, with a structural later-stage funding gap and relative underinvestment by UK pension schemes.

3. Controlled risk implementation

A prudent 2% allocation, funded from within the existing private markets allocation coupled with pre-agreed liquidity management measures. Diversification across two VC managers to mitigate concentration and manager-specific risk.

4. Institutional-grade due diligence

Comprehensive review of investment strategy, process, team, track record, sustainability integration, operations, valuation, reporting, and fee structures. Legal review of fund documentation with ability to negotiate enhanced investor protections, including side letters. Evidence of manager flexibility on fee structures to address DC-specific considerations.

5. Alignment with sustainable and long-term objectives

Climate integration and sustainability considerations embedded within manager selection. Investment supports UK innovation and long-term economic growth, consistent with member outcome objectives.

NWF and BBB: Addressing the most significant barriers to investment

Learnings from Cushon: A master trust's journey to invest in VC



The case study

The Cushon Master Trust (CMT) has been working towards an investment in venture capital across 2025 and into 2026, but before any work was completed on the strategic case for VC, and prior to any due diligence starting, the trustees of the CMT did some work analysing the definition of fiduciary duty.

In February 2025, the trustees commissioned Eversheds Sutherland to provide a legal interpretation of fiduciary duty rules.²⁵ This found that it was reasonable for pension scheme trustees to consider members' future standard of living in retirement when making investment decisions. This was intended to increase the trustees' ability to allocate to private markets and support the UK's growth agenda. In the context of VC, this was about investing in, and supporting, the UK companies that will be the companies used by members in the future.

Following this, the Cushon Investment Office and the trustees' investment advisor performed some analysis into the strategic case for UK VC in the Cushon Sustainable Investment Strategy. Ultimately, this looked at how UK VC could boost member returns and support the Eversheds opinion. There was further justification for the investment thesis due to various factors:

- The UK VC market is the third largest in the world behind only the US and China. This means the opportunity is sizeable
- There is a large funding gap for new companies seeking later-stage funding, and this is often filled by overseas investors and takes the expertise of founders out of the UK
- Compared to other developed nations, the UK pension market significantly under-invests in VC. Increasing investment could fill a lot of this funding gap.

Issues around the illiquid nature of the asset class were considered and dealt with via proposals of a modest allocation. It was agreed that 2% would be allocated towards VC, and that 2% would form part of the existing 15% allocation to private markets. This allows for pre-agreed liquidity measures to apply and limit the risk exposure by having a modest allocation.

²⁵ Pensions Age, 2025, 'Groundbreaking' legal opinion provides further clarity on fiduciary duty rules, <https://www.pensionsage.com/pa/legal-opinion-provides-further-clarity-on-fiduciary-duty-rules.php>

²⁶ Natixis Investment Managers, 2025, Unpacking perceived inequity, <https://www.im.natixis.com/en-gb/investments/unpacking-perceived-inequity>

In February 2025, the trustees commissioned Eversheds Sutherland to provide a legal interpretation of fiduciary duty rules. This found that it was reasonable for pension scheme trustees to consider members' future standard of living in retirement when making investment decisions.

The Cushon Investment Office then began engaging with the UK VC landscape, and assessing different opportunities to invest in. Given the nascent nature of the asset class for DC investors, and its investment thesis, Cushon focused on funds suitable for its strategy. This involved assessing funds for structure, fees, geographic/sector exposure, familiarity with DC and platform, and the level of climate integration (important for the default strategy).

Following this analysis, Cushon learned that ultimately, it should target a diversified allocation for VC and invest in two managers. This would give broader access to deals within UK VC markets and diversify its allocation in the event that one fund might underperform. This, along with the modest allocation, provided comfort around the higher level of risk exposure in the portfolio.

Cushon identified two strategies it was interested in and began in-depth investment due diligence. This involved analysis from the Cushon Investment Office, the trustees' investment adviser, and the scheme's platform provider. It considered the investment strategy, the investment process, the structure/team, track record, sustainability, the terms and operations/valuations/reporting. Some points to note:

- While it is aware of concerns in the market about a lack of track record for VC managers, it found that there was still evidence of successful transactions and manager ability to invest in a wide variety of good opportunities.
- Fund managers are looking for ways to collaborate on fees as they need to fill a gap in funding that used to be filled by DB schemes. Negotiation is feasible and possible.
- An openness to performance fees does remain key, but there are ways to become more comfortable with issues around intergenerational fairness. Introducing a linearisation of fees, and only crystallising fees on exit help to some extent, but it was noted that there is a level of inequity that is unavoidable in the markets. Reducing the risk helps investment in a space where performance fees are prevalent. Natixis have produced a white paper on this topic.²⁶

Following investment due diligence, the trustees also received in-depth legal advice on all fund documentation. This allowed for an in-depth analysis of the terms and gave the trustees the ability to request amendments to documentation and strengthen protections for investors (either in documentation or via Side Letter agreements). Managers have been very receptive to these conversations.

Cushon completed all stages of due diligence in March 2026 and have formally added VC to the investment strategy following a year-long process of strategy review, and in-depth due diligence on the investment and legal terms.

NWF and BBB: Addressing the most significant barriers to investment

Outline of an IFM Investors- style model

For most schemes, the investment opportunities available via the NWF are not currently viable. This is less to do with a lack of risk appetite, rather most schemes lack the in-house capability and expertise to carry out the due diligence that would be required to make riskier, long-term and direct investments. One possible solution to this would be the creation of an Industry Fund Management Investors (IFM Investors)-style model.

An IFM-style model would involve the creation of an institutionally governed investment platform, designed specifically to originate, structure, diligence and manage long term UK assets on behalf of pension schemes. Reflecting the origins of IFM Investors, such a platform would be established to operate on behalf of pension funds, allowing schemes to participate as limited partners, while delegating project origination, due diligence, execution and ongoing asset management to a specialist entity operating at scale (recognising that building scale takes time).

In practice, this model would combine industry-led investment capability with public sector pipeline support, rather than direct Government control. The platform could work closely with the NWF to source early stage infrastructure and growth opportunities, apply institutional grade investment processes, and structure those opportunities into pooled vehicles or mandates that meet pension scheme requirements on governance, risk management, reporting and fiduciary alignment. Crucially, in line with the IFM precedent, the platform would maintain operational and investment independence from Government, while enabling repeatable deployment at scale so that schemes can make strategic allocations rather than one-off investments.

For pension schemes, this type of model would:

- Reduce the need for in-house origination and technical investment expertise.
- Align with existing trustee governance, delegation and fiduciary models.
- Allow differentiated access for schemes with varying size, capability and appetite.
- Translate early-stage public investment and project development into pension-grade opportunities over time.



An IFM-style model would involve the creation of an institutionally governed investment platform, designed specifically to originate, structure, diligence and manage long-term UK assets on behalf of pension schemes.



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Case studies from the private sector

Alongside investment opportunities available to pension schemes via public finance institutions, the private sector also offers well-established opportunities for UK investment. The private sector demonstrates numerous examples of successful investment by UK pension schemes in domestic projects. This chapter highlights case studies from the private sector, demonstrating what can be done and what works in practice when appropriate structures, risk allocation and governance are in place.

In Pensions UK's previous report, *Creating a Pipeline of Investable Opportunities*, we outlined how pensions schemes are well suited to access UK investment opportunities across the following themes:

- Climate and infrastructure
- Social and community growth
- AI and life sciences.

For each theme, we argued that more needed to be done to help make these assets more easily accessible – for instance, for social housing, we argued that planning reform would be essential to instil investor confidence.

Since that report was published, progress has been made in a number of these areas, particularly where private-sector actors are continuing to translate policy intent into investable opportunities. Here, we report on progress that has been made within each theme via a case study. Ultimately, we believe that the case studies demonstrate positive success stories, illustrate the practical conditions under which pension capital can be mobilised and show that these investment areas are highly relevant and can deliver good outcomes for pension schemes.

For each theme, we argued that more needed to be done to help make these assets more easily accessible – for instance, for social housing, we argued that planning reform would be essential to instil investor confidence.

Ultimately, we believe that the case studies demonstrate positive success stories.

07

Case studies from the private sector

Climate and infrastructure: Willis Towers Watson / LifeSight

wtw

LifeSight
by WTW

Opportunity

Climate and sustainability issues present a range of potential investment opportunities for UK schemes. For pension funds, infrastructure investments that are net-zero aligned and seek to deliver on the UK's commitment to net zero by 2050 are likely to be favourable. As well as delivering good returns for pension schemes, green investment projects such as wind, solar and nuclear power could support the UK economy by leading to an estimated operational savings of £50 billion by 2050.

About Willis Towers Watson

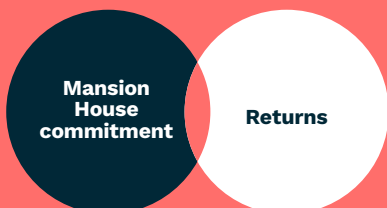
WTW is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, WTW has 45,000 employees serving more than 140 countries. WTW has been advising pension schemes and institutional investors on retirement, actuarial and investment matters for over 30 years.

In 2016, WTW launched its first DC master trust, LifeSight, which is approaching £30 billion in size and is now the second biggest commercial master trust in the UK. LifeSight is a multi-employer DC trust and is designed to provide employers with a high quality, outsourced pension solution and members with modern retirement tools.

Progress made: Case study from Willis Towers Watson/LifeSight

Investing in renewable infrastructure

The UK is undergoing a gradual energy transformation as part of the Government's overall net zero ambitions. A key part of this involves moving away from reliance on fossil fuels and the introduction of clean, renewable energy that provides affordable energy in a self-sufficient way. The UK is at the forefront of developing new technologies and infrastructure to meet this need both domestically and abroad. As part of this, there is a need for investor support to facilitate this energy transformation. These infrastructure assets also act as a great way for UK members to get exposure to attractively-priced, long-term, inflation-linked cashflows that also help diversify away from traditional equity market risks and improve member outcomes.



This type of investment sits in the positive cross section of contributing towards LifeSight’s Mansion House commitment as well as delivering attractive sustainable and UK inflation-linked returns to members.

LifeSight, WTW’s DC master trust, has recently incorporated renewable infrastructure into its default strategy through a £450 million commitment to the Schroders Greencoat Global Renewables+ Long-Term Asset Fund (LTAF). Working in partnership with Schroders Greencoat, LifeSight chose to develop a bespoke LTAF structure which enables access to private markets for DC members (with an evergreen fund structure), while building in suitable liquidity and valuation controls to support alignment with member outcomes.

The fund invests in a diversified portfolio of renewable and energy transition infrastructure such as wind, solar, bioenergy, battery storage and emerging technologies including hydrogen. A material proportion of these assets are based across all parts of the UK, from the top of Northern Ireland and Scotland all the way down to South Wales and southern England.

From an investment perspective, the Schroders Greencoat Global Renewables+ LTAF seeks to provide robust, predictable returns for our members. The fund targets expected returns slightly above traditional listed equities, offering LifeSight members exposure to high-quality energy transition investments.

It also has the added benefit of resilience and diversification given its focus on assets that have less direct linkage to traditional equity and bond markets.

As a result of the above, this type of investment sits in the positive cross section of contributing towards LifeSight’s Mansion House commitment as well as delivering attractive sustainable and UK inflation-linked returns to members.

For broader context, Schroders Greencoat manage 445 energy transition assets with an aggregate capacity of around 7.7 gigawatts (enough to power a quarter of all UK households). This example forms part of LifeSight’s wider private markets programme which aims to support strong member outcomes.

The commitment demonstrates how DC schemes can integrate productive finance assets responsibly, particularly those that have the scale and independence to do so at attractive terms. It supports improved long-term member outcomes and purchasing power, aligns with UK net zero goals, and contributes to broader industry ambitions to support members in having access to a broader range of assets including private markets.

Next steps

Pensions UK key actions for making these assets more investable:

- Deliver planning reform to accelerate approval of energy and infrastructure projects.
- Reform grid connection rules to prioritise more advanced and deliverable projects.
- Maintain and optimise contracts for difference to support revenue certainty.
- Consider revenue cap and floor mechanisms to de-risk early asset cashflows.
- Improve system-level location signalling for battery storage and grid assets.
- Support development of smaller-scale, modular nuclear and energy projects.

Case studies from the private sector

AI and life sciences: Cambridge Innovation Capital

The logo for Cambridge Innovation Capital, featuring the words "CAMBRIDGE INNOVATION CAPITAL" in a bold, sans-serif font. The word "INNOVATION" is in a larger font size and has a red dot above the letter 'O'.

Opportunity

The UK has the third-largest AI market globally, and the Government has signalled its intention to harness AI to drive economic growth, improving education, healthcare, public services and open up new opportunities for citizens across the UK. Within the private sector, AI presents an opportunity for rapid growth, with AI capabilities developing at an extraordinary pace. The IMF estimates that AI use could boost productivity by 1.5 percentage points annually. This could be worth up to £47 billion to the UK each year.²⁷

The UK life sciences sector is also experiencing high levels of growth. Predictions suggest that the sector could grow by £41 billion (165%) by 2035.²⁸ Medicinal and related technologies are not only transformational for national health and resilience but also have significant potential to support job creation and economic growth across the UK. Investment in this sector is likely to become increasingly important as the UK continues to face the challenges associated with an ageing population, driving greater demand for healthcare innovation and long-term system sustainability.

About Cambridge Innovation Capital

Cambridge Innovation Capital (CIC) is an established VC firm in one of the world's most impactful science and technology ecosystems, with a 12-year track record of identifying, supporting and exiting science-driven companies. Embedded in the UK innovation ecosystem and with privileged access to the University of Cambridge, CIC has unparalleled access to exceptional technical founders.

Working closely with its investors, including major pension funds, sovereign wealth funds and family offices, CIC provides access to carefully constructed portfolios grounded in scientific innovation, long-term value creation and lasting positive impact. CIC manages over £600 million of capital and invests across deep tech and life sciences, from cancer therapies, genomic diagnostics and surgical robotics, to AI, semiconductors and quantum computing.

²⁷ HM Government, 2025, Prime Minister sets out blueprint to turbocharge AI, <https://www.gov.uk/government/news/prime-minister-sets-out-blueprint-to-turbocharge-ai>

²⁸ HM Government, 2025, Life Sciences Sector Plan, <https://www.gov.uk/government/publications/life-sciences-sector-plan/life-sciences-sector-plan>

£600m

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Progress made: Case study from Cambridge Innovation Capital

The investment opportunity in UK science and technology scale-ups

“We are at the start of a new era of innovation that will define the lives of future generations. The UK has all the assets to be at the forefront of this wave, with its deep research base, thriving technology ecosystem, exceptional talent pool and established capital markets. It’s crucial we seize this opportunity. National efforts over the last decade have focussed on growing the pipeline of early-stage companies. This is critical for the health of the ecosystem and will remain so as it matures. We now have a growing number of exciting companies primed for expansion facing a well-documented lack of UK managed scale-up capital. There is a golden opportunity for closer partnership between UK pension funds and expert managers. By backing the UK’s best science and technology companies we can create long-term value for savers and sustainable growth for the UK”. Andrew Williamson, Managing Partner, Cambridge Innovation Capital (CIC)

A strong and growing investment opportunity

The UK’s tech sector is a growing success story. Venture capital funding in the UK in 2025 of £18 billion was more than the next largest four countries in Europe combined. Meanwhile the UK’s research base is world class with an increasingly entrepreneurial approach to commercialisation: five of Europe’s top ten universities by deep tech and life science spin-out value creation are in the UK.

Scale-up rounds of £25 million or more account for more than half the venture capital raised in the UK. These are companies where the science is well understood and the focus is on commercial execution. This offers a great opportunity for large asset owners to deploy at scale and target an attractive risk-return profile.

This is particularly the case in sectors where the UK’s scientific expertise and depth of talent is reinforced by commercial potential, from AI, quantum, robotics and semiconductors, to advanced materials, MedTech and precision therapeutics. These are sectors driven by innovation not market cycles, buoyed by long-term secular trends such as aging populations, insatiable demand for computing and energy resilience.

Importance of partnership

For the UK to maximise the potential of this national asset requires a partnership between long-term investors and specialist managers that have the network and expertise to access the best opportunities and crucially take an active role in those companies as they grow. CIC has a specialist investment team anchored in the UK’s science ecosystem and acts as a trusted long-term partner to pension investors.

We work closely with institutional investors, including Aviva Investors, L&G and M&G, aligning investment strategies with their priorities across climate, health, nature, and inclusive economic growth. These relationships are built on:

- Clear impact frameworks (aligned with the Five Dimensions of Impact and UN SDGs)
- Rigorous governance, supported by CIC’s FCA-regulated fund structure
- Transparent reporting across ESG, impact, and economic contribution
- A track record of building category leading companies with strong follow on co-investor participation
- Access to co-invest opportunities
- Knowledge sharing and insight into technology trends and investment pipeline.

Case studies from the private sector

AI and life sciences: Cambridge Innovation Capital

The logo for Cambridge Innovation Capital, featuring the words "CAMBRIDGE INNOVATION CAPITAL" in a bold, sans-serif font. The word "INNOVATION" is in a larger font size and has a red dot above the letter "O".

Portfolio examples: Delivering local and national impact

Pragmatic Semiconductor: Advanced manufacturing and job creation in the North of England

Pragmatic, a CIC-backed semiconductor innovator, designs and manufactures flexible integrated circuits that enable item-level intelligence in consumer, industrial and healthcare products, impacting trillions of items globally. Its unique and innovative manufacturing process offers sustainable production at speed and scale, coupled with a pathway to supply chain resilience. Crucially for pension funds, Pragmatic is also a major jobs creator in the Northeast, where its new facilities support high-skilled employment, strengthen regional manufacturing capability, and anchor strategic technology capacity within the UK. The company illustrates how venture capital can unlock regional economic renewal while supporting globally competitive innovation.

Riverlane: Building the operating system for quantum computing

Riverlane is one of the UK's most advanced quantum software companies. As the global leader in quantum error correction (QEC),²⁹ its Deltaflow platform is rapidly becoming the global standard for managing error correction and stabilising quantum machines, critical steps in achieving commercially viable quantum computing.

The company's work has far reaching societal benefits: enabling breakthroughs in battery discovery, drug development, climate modelling, and logistics optimisation. For pension funds, Riverlane represents exposure to a market poised for exponential expansion and one in which the UK holds a genuine strategic advantage.

²⁹ Riverlane, Quantum Error Connection – resource hub, <https://www.riverlane.com/quantum-error-correction>

TRIMTECH Therapeutics: Transforming outcomes in neurodegenerative diseases

TRIMTECH Therapeutics is developing oral therapies aimed at halting or reversing neurodegenerative diseases such as Alzheimer's and Huntington's, areas with extremely limited disease-modifying options today. By selectively clearing toxic protein aggregates, TRIMTECH targets one of the world's most significant unmet health needs, with the potential to improve life outcomes for millions of patients, and alleviate pressure on hospitals, health systems, families, and carers.

Conclusion

With a growing pipeline of scale-up opportunities, this is a pivotal time for investors in UK innovation. By partnering with specialist managers, UK pension schemes can drive job creation, support regional regeneration, and contribute directly to the UK's long-term economic strength, while targeting attractive long duration returns aligned with their fiduciary mandates. The partnership approach taken by venture and specialist investors such as CIC can create investable opportunities out of innovative start-ups, and provide pension funds with a credible, high-quality channel into the UK's growth sectors.

“We have partnered with CIC, because their approach aligns strongly with our own view that by investing in transformative technologies we can drive not just long-term value, but also achieve sustained positive environmental and societal impacts. We have had continuous open collaboration and a refreshing and productive engagement with CIC in this space, which is crucial when navigating the evolving impact investing landscape. We look forward to continuing work with the CIC team as they power the growth of innovative emerging technology”.

Phillipa Grant
Sustainable Investments Director,
Private markets, Aviva Investors

Next steps

Pensions UK key actions for making life sciences assets more investable:

- Strengthen the domestic investment ecosystem across research, scale-up and deployment.
- Expand targeted risk-sharing incentives, such as LIFTS and first-loss mechanisms.
- Facilitate blended-finance structures combining public and private capital.
- Improve access to late-stage growth capital to retain UK-based companies.
- Support closer collaboration between Government, schemes and investment consultants.
- Clarify priority sub-sectors and investment pathways to improve pipeline visibility.

Case studies from the private sector

Social and community growth: LGPS Central



Opportunity

Private markets present a significant opportunity for pension funds to deliver long-term, risk-adjusted returns while supporting the real economy. These investments are particularly well suited to the long-term nature of pension liabilities and provide exposure to assets and businesses that underpin economic growth.

For pension schemes, the opportunity is twofold:

- To generate sustainable, long-term returns through diversified private market investments
- To deploy capital into the UK economy, supporting government priorities such as economic growth, infrastructure development, energy transition, and social outcomes

The UK continues to face a well-documented need for long-term institutional capital in areas such as:

- Infrastructure and essential services
- Energy transition and net zero delivery
- Regional growth and levelling up
- Housing and social infrastructure
- Scale-up capital for high-growth businesses

Many pension schemes have growing private markets allocations and capabilities to originate, structure, and execute investments at scale, which may help to address some of these needs.

About LGPS Central

LGPS Central Limited is one of the UK's largest Local Government Pension Scheme (LGPS) asset pools, and from April 2026 will operate at over £100 billion of assets under management and oversight. This scale represents a significant step change in the pool's ability to deploy capital efficiently and at pace into both global and UK investment opportunities.

A core component of LGPS Central's investment model is its private markets platform, which provides Partner Funds with access to a diversified range of investments across private equity, infrastructure, private credit, and real assets. Through this platform, LGPS Central combines scale, expertise, and governance to access opportunities that would be difficult to achieve individually, while aligning investments with long-term pension liabilities.

Working closely with its Partner Funds in central, southern and eastern England, LGPS Central plays a core role in implementing investment strategies, including increasing allocations to UK productive finance and supporting regional and national economic priorities.

£100bn

LGPS Central Limited is one of the UK's largest Local Government Pension Scheme (LGPS) asset pools, and from April 2026 will operate at over £100 billion of assets under management and oversight.

Progress made: Case study from LGPS Central

Mobilising Patient Pension Capital: LGPS Central's Private Markets Investment Programme

Alongside implementing the Government's 'Fit for the future' reforms, LGPS Central has continued to deploy capital into a broad range of UK private market opportunities. Recent investments illustrate the breadth of activity across sectors and asset classes:

- **Growth and innovation:** Investment in Joblogic, a Birmingham-based software company, supporting the scale-up of a UK-founded technology business with international growth potential.
- **Infrastructure and connectivity:** Co-investment in a portfolio of regional airports, including Birmingham, Bristol, and London City Airport, supporting critical transport infrastructure and regional economic connectivity.

- **Energy transition:** Investment in Low Carbon Limited, a renewable energy developer contributing to the UK's net zero ambitions.
- **Essential utilities:** Investment exposure to Yorkshire Water, supporting long-term infrastructure resilience and essential public services.
- **Social infrastructure:** Investment in Octopus Healthcare, supporting the provision of care homes and healthcare infrastructure across the UK.

In parallel, Partner Funds such as the West Midlands Pension Fund have set out ambitious local investment targets, including commitments of over £1 billion to local and regional opportunities, which LGPS Central will help deliver through its pooling and investment capabilities.

Looking ahead, LGPS Central expects to further scale its private markets programme as additional assets are transferred into the pool and its platform continues to mature.

Next steps

Pensions UK's key actions for the LGPS and Government for making these assets more investable:

- Expand direct and co-investment activity to increase control, reduce costs, and enhance returns.
- Develop a stronger pipeline of UK investment opportunities, particularly in infrastructure, housing, and regional growth projects.
- Work with the Office for Investment and other stakeholders to support venture and scale-up capital across the UK.
- Advance real assets strategies, with a particular focus on property and housing as key areas of long-term investment.
- Support Partner Funds in delivering local investment targets, aligned with Local Growth Plans and regional priorities.
- The 'Fit for the future' reforms mean that as LGPS asset pools grow in size, they are increasingly positioned to act as a major institutional investor in the UK economy, capable of mobilising significant capital in support of government objectives while delivering long-term value for its members.

Case studies from the private sector

Social and community growth: Border to Coast Pensions Partnership



Opportunity

Social and community growth assets present a clear and growing opportunity for UK pension schemes, particularly the Local Government Pension Scheme (LGPS), to deploy long-term capital in a way that supports local economic development while delivering appropriate risk-adjusted returns. Evidence from both the UK and international comparators shows that well-structured social and community investments can offer long-dated, inflation-linked income streams aligned with LGPS liabilities, while also delivering tangible benefits to local areas. The LGPS already has a strong track record in this space, including investments made directly by Funds, through pools and alongside local partners, demonstrating that pension capital can play a meaningful role in supporting community growth where appropriate structures, governance and risk-sharing arrangements are in place.

About Border to Coast

Border to Coast Pensions Partnership is the UK's largest pensions asset owner. It was founded to manage the investments of like-minded local government pension Funds – its Partner Funds – whose assets total nearly £120 billion.

Based in the heart of Leeds, its purpose is to make a difference for the Local Government Pension Scheme. Established as a regulated asset manager in 2018, it uses the strength of its collective scale to deliver investment opportunities that enable Partner Funds to implement their long-term investment strategies, and to act as an active and influential responsible steward of their assets.

Progress made: Case study from Border to Coast Pensions Partnership – Unlocking investment opportunities in real estate with LGPS pooling

Border to Coast Pensions Partnership, the largest UK LGPS pool, has exchanged on the forward funding of 139 single-family rental homes at Springstead Village, Cambridge.

£120bn

Border to Coast Pensions Partnership was founded to manage the investments of like-minded local government pension Funds – its Partner Funds – whose assets total nearly £120 billion.

The transaction, advised by Aberdeen Investments, will see more than £70 million invested into the construction of 93 houses and 46 apartments in the development. The investment comes from the pool's UK Real Estate Fund, into which 10 of Border to Coast's Partner Funds have committed £2 billion since October 2024.

The deal demonstrates how pooling enables UK local government pension Funds to invest directly in new markets that have previously been difficult for them to access, unlocking significant opportunities and supporting UK growth. It also marks Border to Coast's first investment into single-family housing, a focus of its UK Real Estate Fund.

Situated within Springstead Village, a joint venture between Bellway and Latimer, part of Clarion Housing Group, the homes will benefit from a community primary and secondary school community hub, green spaces and allotments as part of the wider development masterplan. All of the homes will be operationally efficient with ESG characteristics; each home having a minimum EPC B rating, placing the buildings in the top tier of energy efficiency and minimising costs to tenants.

“This is a landmark deal for our partnership. The UK faces a significant shortfall in quality homes to rent and our first investment in single-family housing at Springstead Village will help meet this demand, aligning social and economic value with long-term returns for Partner Funds in a UK growth sector.

“The investment is a clear demonstration of the power of LGPS pooling to unlock access to strong investment opportunities across the UK. Our UK Real Estate Fund, the largest of its kind in the LGPS, seeks to direct long-term capital into the UK, delivering stronger returns that support the efficient payment of pensions for millions of local government workers.”

Joe McDonnell
Chief Investment Officer, Border to Coast Pensions Partnership

Next steps

Pensions UK key actions for making these assets more investable:

- Improve planning certainty and speed, particularly for social housing and regeneration schemes.
- Provide long-term policy clarity on rents, social care funding models and local infrastructure priorities
- Develop and scale blended finance structures to address early-stage and development risk.
- Increase use of long-dated, inflation-linked bond structures issued by mission-led institutions.
- Strengthen transparency and consistency in local investment pipelines across regions.
- Leverage LGPS pooling and scale to create larger, repeatable investment opportunities.
- Maintain flexibility and avoid mandation, ensuring investment decisions remain fiduciary led.

Case studies from the private sector

A view across UK private markets: Future Growth Capital



FUTURE
GROWTH
CAPITAL

A Standard Life
and Schroders
Company

Opportunity

UK pension schemes have an opportunity to drive change. To do that, they need to work together to grasp the opportunities present today across the UK's private markets.

Pensions UK has identified the 'IFM model' in this paper; Future Growth Capital are uniquely positioned to facilitate a structure like this.

As a partner to three of the largest pension schemes, and with the investment skills required to originate, underwrite and package investment opportunities, we are keen to speak to schemes with the same mission: to harness British industry and private enterprise across the globe, to create a more prosperous future for the UK.

About Future Growth Capital

Future Growth Capital was established following the City of London's Mansion House initiative, as a joint venture between Mansion House signatory Standard Life and Schroders.

By combining the scale and pensions expertise of Standard Life and becoming the private markets asset manager for the Standard Life DC business, with the investment capability and asset management platform of Schroders, we have created an independent business dedicated to serving UK pension schemes in private markets.

Our business is unique: independent and open-architecture, we provide access to the full opportunity set across UK private markets, selecting best-in-class opportunities across private equity, venture capital, real assets and private credit. As we continue to scale to £10-20 billion over the next decade, Future Growth Capital will become a central point of deal-flow for investment specialists across all private asset classes.

³⁰ Pensions Age, 2024, BBB and Phoenix Group make LIFTS investment in Schroders Capital, <https://www.pensionsage.com/pa/BBB-and-Phoenix-Group-make-LIFTS-investment-in-Schroders-Capital.php>

£10bn +

As we continue to scale to £10-20 billion over the next decade, Future Growth Capital will become a central point of deal-flow for investment specialists across all private asset classes.

We invest in direct transactions, as well as alongside expert investors, and provide the full range of originating, underwriting and portfolio management skills required by pension schemes to invest in private markets with confidence.

Already, we have partnered with two further master trusts, taking the total to three, resulting in a business at the intersection of pensions and private markets. Our objective is to deliver improved financial outcomes for millions of scheme members.

Our platform is designed to serve pension schemes of all sizes. For large master trusts, we co-design bespoke investment solutions. For smaller schemes, we offer a single point of access to scaled, diversified, multi-private-asset portfolios, targeting enhanced public equity returns within a robust risk management framework.

Progress made: Case study from Future Growth Capital – Across private markets

We have already deployed capital across each of these priority themes, demonstrating the breadth of opportunity across UK private markets and Future Growth Capital's role in unlocking access for pension schemes:

AI and life sciences

We invested £250 million into UK technology and life science venture capital alongside the British Business Bank and Schrodgers, highlighting the benefits of coordinated public private investment initiatives.³⁰

Over the long term, venture capital is expected to comprise around 10% of our allocation, providing the UK innovation ecosystem with patient, perpetual capital and offering pension scheme members access to venture exposure for the first time.

Through this allocation, members are invested in some of the UK's most innovative AI businesses, including autonomous driving pioneer Wayve. Founded in Cambridge and headquartered

in London, Wayve has developed an approach to autonomy based on 'embodied AI' — systems that learn directly from real world data rather than relying on pre programmed rules or high definition maps. Valued at more than \$8 billion – Wayve is one of the UK's most exciting private companies, addressing the potential \$400 billion global autonomous car market, and millions of members may now benefit from its growth.

In life sciences, AAVantgarde Bio focuses on next generation gene therapies for rare genetic retinal diseases, an area where advances are increasingly translating from laboratory research into clinical application. The UK ecosystem, supported by world class universities, NHS data and a deep scientific talent pool, provides a strong foundation for companies operating at this frontier.

The company secured \$141 million in Series B financing in November 2025, in which we participated. The funding supports clinical trials, and backs UK science with long-term capital to pursue groundbreaking research.

Case studies from the private sector

A view across UK private markets: Future Growth Capital



FUTURE
GROWTH
CAPITAL

A Standard Life
and Schroders
Company

Climate and infrastructure

We have made a long-term investment in the Nottingham Tram system. This fully electric network, which connects disparate parts of the city, is a core infrastructure asset supporting the city's net zero ambitions. Pension savers will benefit from the long-term, contracted cashflows generated by the system.

Social and community growth

Our direct origination team sourced and underwrote an affordable housing investment in London alongside specialist developer Pocket Living.³¹ Our capital supported the delivery of 140 new homes, offered at a 20% discount on market prices. The persistent shortage of affordable housing continues to constrain quality of life and economic growth, and the structural need for solutions in this area will endure but can be alleviated in part by long-term pension capital.

In conclusion – the time is now. Future Growth Capital has the organisation, investors, deal-flow and evidence to partner with additional pension schemes who want to target enhanced returns from the UK's exciting private markets ecosystem.

Next steps

Pensions UK key actions for making these assets more investable:

- Ensure regulation, the VfM regime in particular, work for private market investment, especially in DC schemes.
- Support schemes of all sizes to invest through established platforms, rather than needing bespoke deals.
- Give pension schemes a clearer view of what UK opportunities are coming, and when they will be ready to invest.
- Improve understanding and confidence among trustees and advisers, so opportunities can move more quickly from interest to investment.

³¹ Future Growth Capital, 2025, Future Growth Capital Provides Pocket Living with £24.5m Loan for Affordable Housing Scheme in Harrow, <https://www.futuregrowthcapital.com/en-gb/uk/institutional/media-centre/future-growth-capital-provides-pocket-living-with-24-5m-loan-for-affordable-housing-scheme-in-harrow/>



PENSIONS AND
LIFETIME SAVINGS
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JILL JOHNSTON

Aegon Asset Management



What should the pension investment system look like, and how should it function?

Pensions UK's reporting has shown there are viable public and private opportunities for UK pension schemes when structures, risk allocation and governance are designed with scheme needs in mind. The LGPS is particularly well-placed for long-dated, place-based assets and DC schemes are building private-markets access as scale and VfM expectations evolve.

Policy momentum is real and welcome. Since our last Pensions and Growth report, Government and the market have advanced reforms to make UK investment more attractive: the Mansion House Accord, measures in the Pension Schemes Bill to accelerate consolidation and embed the VfM framework, and proposals to expand collective defined contribution (CDC), all of which can help if they translate policy announcements into investable routes.

However, significant barriers persist. Our member survey finds many schemes still see insufficient risk-adjusted returns (41%), a lack of suitable investable opportunities (41%), policy uncertainty (33%), and liquidity/capability constraints as the main blockers. Only 27% of surveyed members think Government is currently facilitating a pipeline of opportunities "a lot or a moderate amount", which is a concern given that 86% expect pressure to invest in the UK to rise. We argue that investability, not pressure, is what will unlock capital for this purpose.

What should the pension investment system look like?

A well-functioning UK investment system for pension capital is one in which the policy, regulatory, market and advisory environment work together to support long-term, fiduciary-led investment decisions. In practice, this requires:

1. Coherent, joined-up policy and regulation:

Clear and consistent signals across Government, regulators and public bodies, with regulatory frameworks that actively support long-term investment in UK productive assets where this is in members' best interests.

2. Policy certainty and stability:

A stable policy environment that supports pipeline development and investors in long-term planning.

3. A regulatory framework that enables long-term value, not short-term cost minimisation:

Pension regulation that supports investment in private and UK assets, including reform to the DC charge cap framework and a proportionate, less risk-averse approach to DB regulation where schemes have the governance and capacity to invest for the long term.

08

4. A value-based advice and employer ecosystem: A cultural shift across the industry, including employers and EBCs, from headline price competition to a focus on value for members, supported by advice frameworks that properly reflect the role of long-term, higher-cost assets in delivering better outcomes.

5. Trusted guidance, education and capability across decision-makers: Improved guidance, education and shared understanding for trustees, fiduciary managers and advisers, enabling informed assessment of UK investment opportunities and greater confidence in portfolio-level decision-making.

6. Clear pathways from policy intent to pension-grade opportunities: Public finance institutions and market participants translating policy ambition into accessible, well-structured, pension-grade investment routes, supported by scale, standardisation and appropriate risk-sharing.

What needs to happen next: leading actions across the system

A well-functioning investment system does not emerge automatically from intent alone. Many of the individual components needed are now in place - policy reform, institutional architecture, and industry commitment - but they are not yet operating as a coherent system. The priority now is less additional intervention, and more alignment.

To translate commitment to deployment, each part of the system has a distinct leadership role to play from setting coherent policy and regulation, to shaping investable structures, to supporting informed, fiduciary-led decision-making. Below, we have set out the overarching action for each key stakeholder, with more detailed and practical actions contained in the accompanying Actions document.

Since our last P&G report, Government and the market have advanced reforms to make UK investment more attractive. However, significant barriers still exist.

- **Government:** Focus on the provision of investable routes through relevant agencies and provide cross-government clarity on how pension schemes will be supported, accompanied by a stable policy environment that supports long-term delivery.
- **Regulators:** Drive the emphasis on ‘value over cost’ and ensure that regulatory frameworks and supervisory approaches support well-governed schemes to invest in a broader range of assets where this is in members’ interests.
- **Public finance institutions:** Public finance institutions must continue to shift from policy banks to pension investable platforms.
- **Trustees & pension funds:** Adopt a structured UK opportunities lens and test UK assets on a like-for-like basis with global options, consistent with fiduciary duty and member outcomes.
- **EBCs / employers:** Help to facilitate the shift from cost to value by actively accounting for the role of diverse investment, including in the UK, in delivering strong long-term outcomes.
- **Pensions UK:** Act as a key convener and continue to support greater cross-system understanding and collaboration.

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- **Cambridge Innovation Capital**
- **Willis Towers Watson**
- **Border to Coast**
- **Cushon**
- **LGPS Central**

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About Pensions UK

Pensions UK is the voice of pensions in the UK, trusted and heard by government and the pensions industry.

For more than 100 years, we've delivered influential thought leadership, practical guidance and research for our members; proactively solving the sector's biggest issues and setting the future direction.

As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity.

Our membership and reach

We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.

Across our work in strategic and regulatory policy development, advocacy, membership engagement, events and communications, we engage with over 2,500 organisations, with nearly 16,000 contacts within our membership and a further 17,000 in the pensions and financial services industries.