



'Substantial opportunity' to deploy pension capital into UK economy, Chancellor told

By Sophie Smith

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The Capital Markets Industry Taskforce (CMIT) has urged the Chancellor, Jeremy Hunt, to consider introducing policies designed to 'unlock' UK pension assets and utilise them to drive economic growth.





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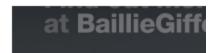
In particular, the CMIT revealed that while 39 per cent of all shares listed on the London Stock Exchange were owned by UK pension funds and insurers in 2000, that number had fallen to only 4 per cent by 2022.

The letter also highlighted a similar trend towards removing risk when comparing how UK pension funds are allocating assets relative to those of their overseas peers, as UK pension schemes now hold only 27 per cent of their investments in domestic and global equities compared to 50 per cent in the US.

"The result of this has been both poorer returns for UK pensioners at an aggregate level when compared to their overseas peers and, importantly, that UK pensions are not being utilised to drive the growth of the UK economy," the letter stated.

"In total, UK pension schemes and insurers now deploy between only 5-6 per cent of their total





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allowing insurers to deploy more risk capital.

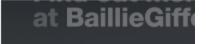
"This reform is also critical in unlocking defined benefit (DB) pension scheme cash, as it increasingly transitions to insurance companies' balance sheets through DB buyouts," it stated.

In addition to this, the letter called for the "swift consolidation" of pension schemes in the UK, also calling on the Chancellor to introduce structural incentives for them to then deploy that capital into the UK.

The letter stated: "We would strongly encourage policies to rapidly accelerate the consolidation of DB and DC Pensions into larger schemes and master trusts which can then develop the sophistication required to assess growth investment opportunities.

"This is not a new concept, and one actively deployed by pension schemes in Canada and Australia for investments they make in the UK, around the world and domestically.





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"The recent proposal in 'A New National Purpose' for the pension capital-gains tax exemption to only remain for funds with over £25bn under management and which allocate 25 per cent of their funds to UK assets provides one way to achieve these goals," it stated.

"However, care must be taken to not punish savers. Whilst the details of this measure or alternative structural incentives would require consultation with industry, and a carefully calibrated phase-in period to ensure best outcomes for consumers, the government should be explicit in their aim to facilitate consolidation of pension schemes and provide an incentive to invest in the UK economy.

"Pension funds evaluating UK and overseas investments, when those investments deliver equal returns, would have an incentive to deploy into the UK for the benefit of their policy holders."

In addition to this, the CMIT argued that the shift over the past two decades to focus on fees rather than returns for pension holders needs to be addressed, warning that this focus has

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"The fragmentation of UK financial services regulation should also be considered when determining the best way forward to drive better economy-wide outcomes. A consistent approach to this issue across departments will be required, particularly in relation to risk appetite, in order for meaningful change to be made."

The CMIT also confirmed that it is engaging with Mary Starks in her newly appointed role leading the review of The Pensions Regulator (TPR), with further plans to engage with TPR's new CEO, Nausicaa Delfas, when she takes up the role, and the Secretary of State for Work and Pensions, Mel Stride.

Alongside the comments from CMIT, former Pensions Minister, Ros Altmann, also called on the government to require pension schemes in the UK to support green growth, infrastructure, and climate and nature protection.