

**In Focus: Regulation under reform** Jul 11 2023

## Altmann: chancellor must be bolder on pension reform



Ros Altmann (David Parry/FT)

By **Carmen Reichman**

The government should direct more pension money into UK growth companies than the earmarked 5 per cent to improve infrastructure and the prospects for British businesses, Baroness Ros Altmann has said.

She welcomed the chancellor's move to encourage pension funds to invest in illiquid assets to boost returns as well as economic growth, but said 5 per cent within seven years was not going far enough to pave the way for a stronger economy in the long-term.



At last night's (July 10) Mansion House speech Jeremy Hunt said some of the UK's largest defined contribution pension schemes had agreed to commit 5 per cent of their default funds to unlisted equities by 2030.

The group represents two-thirds of the UK's DC pensions market, and the agreement could amass up to £50bn in investment into high growth companies, if the rest of the market follows - currently they invest less than 1 per cent in unlisted companies.

Hunt said his aim was to enable the UK's financial services sector to increase returns for pensioners, improve outcomes for investors and unlock capital for UK growth businesses.

Altmann, who was pensions minister in the David Cameron government, backed the cause but said: "I would urge the chancellor to be bolder in his welcome initiatives to ensure more of our domestic pension fund contributions are directed to benefit British growth."

She said with a fiscal deficit soon exceeding 100 per cent of GDP, as projected by the International Monetary Fund, and domestic institutions reducing support for British assets, "it is time for the chancellor to seize the opportunity to ensure more of our domestic pension assets are used to boost British growth and pave the way for a stronger economy in the long-term.

"It is time for revolution, not evolution, with more money being used at home, rather than leaking overseas.

"Britain is falling behind in terms of productivity and technology funding, as well as eroding the once-robust domestic institutional asset base that supported UK companies. This is threatening our country's position as a global financial centre

that punches well above its weight and can help to increase national wealth to fund public services and sustainable growth."

The government has also asked the British Business Bank to test whether it can facilitate third party pension investment into growth companies. Its existing commercial arm has more than £15bn of capital invested in 20,000 companies.

Additionally it is establishing a long-term investment fund for technology and science, with an initial backing of £250mn. This initiative seeks to attract DC pension money to support science and technology companies.