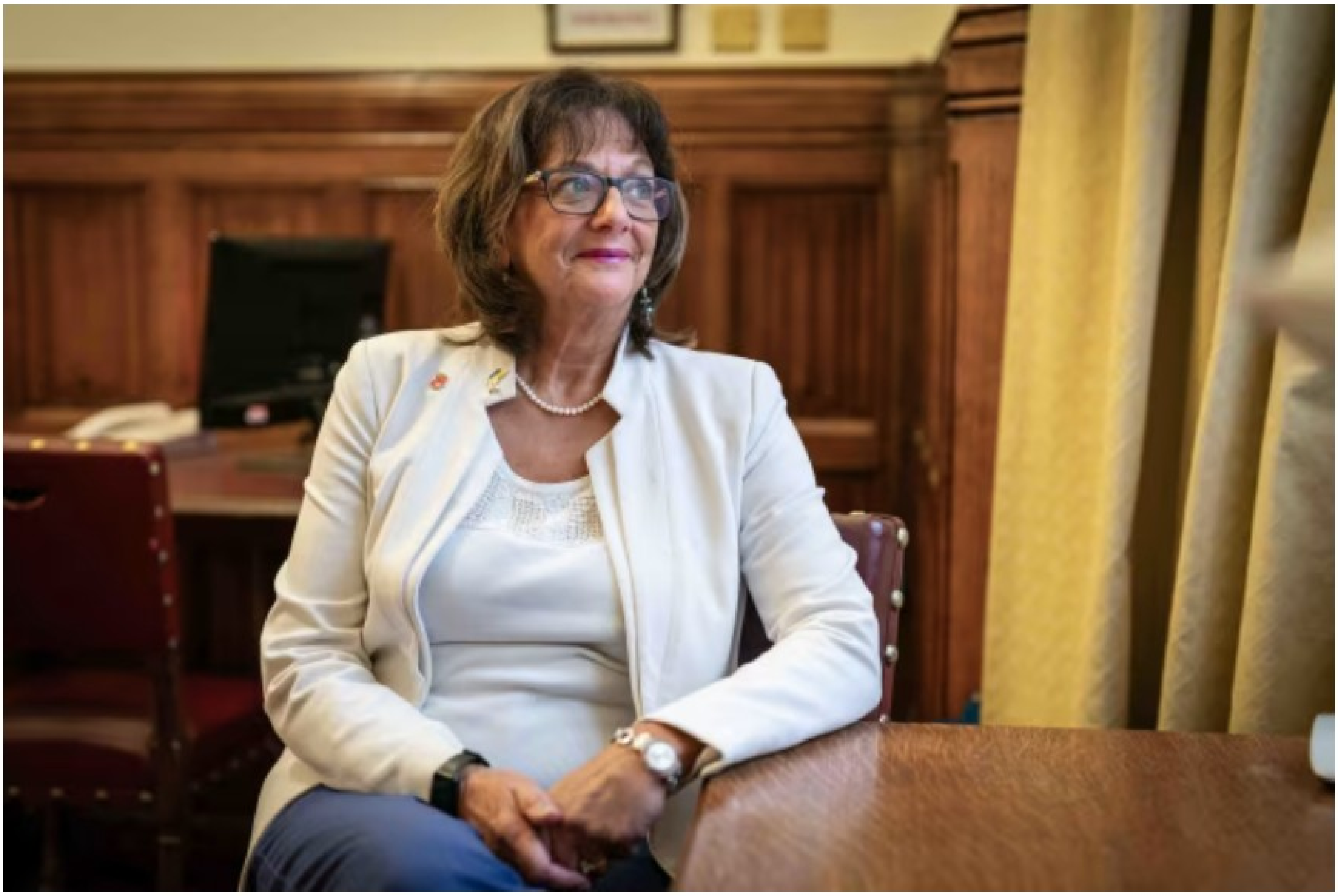
In Focus: Managing the cost of living   Nov 15 2023

Ros Altmann: Stop subsidising overseas growth with taxpayer money



Ros Altmann has been a peer in the House of Lords since 2015. (Carmen Reichman/FTA)

By **Carmen Reichman**   14

The government should stop pension funds from funnelling taxpayers' money into overseas assets and instead incentivise UK investment, Baroness Altmann says.

The former pensions minister told FT Adviser that too much money is being invested outside of the UK, incentivising growth elsewhere when it is badly needed at home.

Pensions and income tax relief amount to approximately £70bn a year, which is money given to savers virtually for free and could be used to bolster UK equities and infrastructure.

"I can't understand why the government thinks taxpayers want to spend £70bn a year to invest in overseas growth," she says. "[We need] a recognition that our domestic pension assets, institutional assets, and long-term savings must be incentivised to favour the UK."

According to the independent consultant, who is also a member of the House of Lords, this can be done in a number of ways, including:

- Introducing incentives that boost the tax reliefs and bonuses from tax payers to support UK markets.
- Offering incentives only for new pension assets, or income from existing assets, that have a set share of UK assets.

- Mandating pension funds to hold a proportion of their assets in UK listed companies, for instance 25 per cent, which corresponds with tax relief given to savers at point of withdrawal.

"That would revive the UK markets, it would boost UK growth, it would bring in more overseas investment...our companies would stop being taken over hopefully by all these foreign groups and our markets would revive in the post-Brexit world," says Altmann.

The government has already announced it wants to change the way pension money is being used.

The so-called Mansion House reforms include an agreement between major workplace pension schemes to increase investments in private equity and explore handing defined benefit scheme sponsors greater flexibility to access surpluses.

The reforms did not feature in the King's Speech earlier this month but Altmann is not concerned about that.

"There's a lot you can do with regulation and they've still left themselves room for a pensions bill anyway," she says.

She adds: "My hope is that we will at some point get the government to understand that there is a tremendous opportunity in the UK to use pension assets to boost UK markets and companies like they used to when I started managing pension fund money."

A life of pensions

Altmann has spent all her adult life working on pensions. After her first degree in economics she went to Harvard for a year and then returned to LSE for a PHD on pensions.