# Chancellor Rachel Reeves faces backlash over pension fund investment push compared to Mafia tactics



The approach of Chancellor Rachel Reeves to persuade pension funds to invest in domestic assets has drawn sharp criticism and comparisons to Vito Corleone, the infamous Mafia boss from *The Godfather*. Tom Selby, a pensions expert at AJ Bell, remarked that there seems to be an element of coercion in Reeves' strategy, indicating a troubling parallel between her push for investment in UK projects and the fictional mobster’s infamous tactics. The backdrop of this controversy is the recent agreement, known as the Mansion House Accord, involving 17 of the UK's largest pension providers, including Aviva, Legal & General, and M&G. This initiative signifies a commitment to direct a minimum of 10% of their default workplace pension funds towards riskier assets, including infrastructure and start-ups, aiming to inject up to £50 billion into the UK economy by the end of the decade.

These commitments come amid ongoing concerns that pension funds have been excessively cautious, opting out of investments in local ventures that could bolster the national economy. Reeves’ insistence on a ‘voluntary’ commitment, combined with a potential threat of mandatory measures should targets not be met, has raised alarms among industry leaders. Dame Amanda Blanc, CEO of Aviva, has described such heavy-handed tactics as “a sledgehammer to crack a nut,” suggesting that a gentler approach would be more effective. Additionally, the resistance from providers like Scottish Widows, which declined to participate citing prior commitments to UK investments, emphasises the complexity of mandating pension allocations without robust backing.

The implications of Reeves’ plans do not stop at corporate boardroom discussions; they intersect with broader economic policy and the fundamental responsibilities of pension scheme trustees, whose primary obligation is to act in the best interests of their members. Selby echoed this concern, arguing that leveraging pension funds for government agendas could disrupt the fiduciary duties owed to savers, adding that a commitment from the government to safeguard pension tax regulations would be necessary if these funds are to be directed towards political ends. The precarious balance between enhancing the economy and protecting the interests of pension savers is a key focus for observers.

Moreover, the political landscape around pension investments is shifting. Reform UK, which recently gained significant control over town hall pensions worth more than £50 billion, is proposing to roll back environmental targets that traditionally governed local pension investments. Deputy leader Richard Tice expressed discontent with what he termed "woke investments," emphasizing that any deficits resulting from underperformance would be unacceptable. This reflects a growing trend in the UK and parallels movements witnessed in the US, where policymakers are veering towards more conservative investment strategies, often at the expense of broader environmental, social, and governance (ESG) criteria.

Critics of the government’s approach argue that relying solely on compulsion may lead to adverse effects on investor confidence and long-term performance. The importance of cultivating an attractive investment landscape is echoed in commentary from industry insiders, who suggest that without meaningful improvements in domestic investment attractiveness—such as streamlined planning laws and incentives for innovation—the policy could inadvertently backfire, limiting returns for pension savers.

As discussions advance, the need for a careful reconsideration of legislative measures continues to be a focal point. While Reeves’ plans aim to enhance returns for savers and stimulate economic growth, the balance between government intervention and market autonomy remains crucial. Debates surrounding the Mansion House Accord and its implementation underline an essential dialogue within the investment community about the long-term implications of political agendas on pension fund management.

### Reference Map

1. [[1]](https://www.dailymail.co.uk/money/pensions/article-14722299/Chancellor-compared-Brandos-Godfather-strong-arm-pension-push.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
2. [[2]](https://www.reuters.com/business/finance/british-pension-funds-pledge-step-up-uk-investments-2025-05-12/)
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## Bibliography

1. <https://www.dailymail.co.uk/money/pensions/article-14722299/Chancellor-compared-Brandos-Godfather-strong-arm-pension-push.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/finance/british-pension-funds-pledge-step-up-uk-investments-2025-05-12/> - Seventeen major British pension funds, including Aviva, Legal & General, and M&G, have pledged to invest up to 10% of their portfolios into infrastructure, property, and private equity by 2030, with half of that amount designated for UK assets. This voluntary commitment, known as the Mansion House Accord, could generate up to £50 billion ($66 billion) in additional investment. The initiative aims to support the British government's efforts to fund public projects and stimulate economic growth. While the government supports the pact and may introduce reinforcing measures in a forthcoming pensions review, there are concerns about potential mandates. Some signatories, such as Phoenix, emphasize the importance of promoting domestic investments through incentives rather than compulsion. Finance Minister Rachel Reeves stated that the initiative would help fund major infrastructure, clean energy, and startups. Other participating pension funds include the Universities Superannuation Scheme, the National Employment Savings Trust, and The People's Pension.
3. <https://www.ft.com/content/b5c9f2d3-21bd-4656-af9f-67946e7a9d8d> - The UK government has unveiled a new 'backstop' plan to mandate large pension funds to invest up to £50 billion in private assets if they fail to meet voluntary targets put forth in the expanded Mansion House accord. Chancellor Rachel Reeves is set to legislate the measure later this year, aiming to boost infrastructure, clean energy, and start-up investments, contributing up to £25 billion to the UK economy by 2030. The updated accord, involving 17 major pension funds, commits to investing at least 10% of assets in private markets—half of which must support domestic ventures—by the end of the decade. This move builds upon a 2023 initiative led by former Chancellor Jeremy Hunt that called for 5% investment in private equity. The initiative is spearheaded by the City of London Corporation and supported by various industry associations. While the government views the plan as essential for enhancing returns for savers and encouraging broader industry participation, critics, including Shadow Chancellor Mel Stride, warn against enforced mandates, emphasizing pension saver interests. A final report from the pension investment review is expected this spring to provide further guidance.
4. <https://www.ft.com/content/d7858718-91a9-4881-baa6-10dc7c05a260> - Reform UK's breakthrough in the May 2025 UK local elections has granted the populist party significant influence over more than £100bn of local government pension assets via control of key pensions committees. Traditionally considered a low-profile area, these committees wield substantial power over fund strategies, asset allocations, and manager appointments. Reform UK, led by figures such as Richard Tice, is campaigning against 'woke' ESG and net-zero-focused investments, criticizing their perceived underperformance. Their critique echoes moves in the U.S., where conservative political backlash has influenced public pension investment strategies, particularly around ESG. Despite criticism, some of these so-called 'woke' investments, like the BlackRock Low Carbon Fund, have actually outperformed benchmarks. However, Tice remains skeptical and is pushing for vigilance in reviewing investment performance. With UK government plans to pool investments further and potentially reduce local committee authority, the current Reform influence could be short-lived. Yet, given that pooling firms remain accountable to their local authority clients, Reform councillors' influence may persist. This development could significantly impact the UK asset management industry's approach to ESG and net-zero investing, mirroring the politicization seen in the U.S. and potentially causing a chilling effect across the sector.
5. <https://www.ft.com/content/c7f62105-ef77-4106-8c15-e470754d9ab4> - In a letter to the Financial Times, Sam Hields, a partner at OpenOcean, critiques UK Chancellor Rachel Reeves' Mansion House accord, which mandates pension funds to invest domestically. Hields argues that such top-down government mandates rarely spur the creation of successful companies. Instead, he advocates for overhauling the incentive structure to encourage pension funds to invest with the same conviction and insight as venture capitalists. He warns that without necessary tools, talent, and risk appetite, the policy merely redistributes capital rather than fostering innovation. Hields emphasizes the importance of following through on promises to support high-potential start-ups, especially in the UK's vibrant tech sector, as a genuine strategy to stimulate sustainable business growth.
6. <https://www.ft.com/content/78dd3a6f-54f7-4a7d-b41f-318aab7ae5a7> - Chancellor Rachel Reeves’ proposal to grant UK ministers 'backstop' powers to enforce a voluntary pension fund investment pact drew resistance from the industry. The plan, part of a broader initiative to direct up to £50bn into private assets—including £25bn into UK companies and infrastructure—is backed by a proposed summer bill allowing ministers to impose binding asset allocations if needed. Though Reeves stressed mandation was unlikely, the industry's opposition was strong, with 17 major pension funds signing a new Mansion House Accord on condition of non-mandatory participation. These funds, managing £252bn in assets, pledge to allocate at least 10% of defined contribution scheme assets to private markets by 2030, with half aimed at UK-based investments. Signatories demand government support in generating suitable investment opportunities and shifting the pension industry’s focus from cost to value. Scottish Widows, however, opted out, citing heavy existing UK investments. While figures like Jeremy Hunt support the approach as a continuation of earlier efforts, critics caution against compulsion, citing potential challenges to fiduciary duties and investment outcomes.
7. <https://www.ft.com/content/5054509e-0c23-46ae-9339-a37c1277db46> - UK Chancellor Rachel Reeves faces criticism over proposed mandates requiring pension funds to allocate a fixed percentage of their assets to domestic private investments, such as infrastructure and real estate. While the aim is to bolster economic growth and increase funding—potentially adding £50bn—it risks unintended consequences. A voluntary commitment, the 'Mansion House Accord', was recently signed by major pension funds to increase private market investments, though some—including Scottish Widows—opted out, and even signatories have expressed concerns about mandatory requirements. Critics argue that mandating investments without first improving the supply and attractiveness of domestic projects could lower returns and crowd out other investors. The UK currently lags behind countries like Canada in pension fund infrastructure investment. The government is implementing supportive reforms, such as updating planning laws and launching a national wealth fund, to make domestic projects more appealing. However, forcing investor behavior, without strong investment opportunities, may be counterproductive and risks investor confidence.