# Chancellor Rachel Reeves faces backlash over aggressive push for pension fund domestic investments



Chancellor Rachel Reeves is igniting fierce controversy in the pension landscape with her aggressive push for increased domestic investments, drawing unsavory comparisons to Vito Corleone from *The Godfather*. Pensions expert Tom Selby emphasized the coercive nature of Reeves' attempts to compel pension funds to prioritize UK-based assets, hinting at a troubling government overreach. This push aligns with the Treasury's recent announcement of the Mansion House Accord, an initiative with 17 major workplace pension providers aiming to direct at least 10 percent of default pensions into riskier, private market ventures by the decade's end.

While this initiative ostensibly seeks to inject up to £25 billion into the UK economy through infrastructure projects and domestic ventures, it raises serious concerns about governmental interference in pension fund management. Dame Amanda Blanc, CEO of Aviva, articulated these worries, disparaging the measures as "a sledgehammer to crack a nut" and suggesting that such interventions risk eroding the trust of pension holders. Far from stimulating growth, critics warn that mandating pension funds to invest in domestic projects undermines the fiduciary responsibilities that necessitate trustees act in their members' best interests.

As Selby noted, the government’s reliance on pension savers’ funds for political means invites ethical dilemmas, compelling pension holders to seek guarantees—such as stable tax regimes or reliable returns—before their savings are redirected toward government-favoured projects. The backlash is palpable, with leading institutions like Scottish Widows withdrawing from the accord, highlighting a growing unease within the sector regarding the government's overreach into financial markets.

Moreover, voices in the industry, such as Sam Hields of OpenOcean, contend that government mandates often stifle innovation rather than foster it. He advocates for genuine reforms that empower pension funds to engage with innovation like venture capitalists, steering clear of simplistic redistributions of wealth that do not serve long-term growth.

Amid this tumult, the political terrain is shifting with the emergence of a party that has demonstrated significant gains in local government pensions. This development could divert investments away from the environmentally-driven mandates that some local pension schemes champion. Their challenge to the current regime sets the stage for potential upheaval, introducing new uncertainties into the commitments to sustainable investments that have dominated discussions.

With the Treasury remaining silent on key questions surrounding pension fund governance, the future direction appears clouded. As the government gears up to legislate, responses from an increasingly alarmed financial community hint at a critical juncture in balancing economic necessity with fiduciary duty—a tension that remains at the forefront of this unfolding narrative.

In this fraught atmosphere, the saga of pension fund investment in the UK continues to highlight the complexities and perils of economic policy intertwined with personal financial security. All eyes will be on the government's next moves and the reactions from a skeptical financial sector, as market stakeholders grapple with the potential ramifications of government overreach on their investments.

Source: [Noah Wire Services](https://www.noahwire.com)

## 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.ft.com/content/b5c9f2d3-21bd-4656-af9f-67946e7a9d8d> - The UK government has unveiled a 'backstop' plan to mandate large pension funds to invest up to £50 billion in private assets if they fail to meet voluntary targets. 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.
3. <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.
4. <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.
5. <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.
6. <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.
7. <https://www.ft.com/content/4fa0bd17-878a-40d8-af06-656d393c8287> - The UK's pensions regulator (TPR) is shifting its focus to systemic risk due to the government's plans for creating 'megafunds' in the pensions sector. This strategic change involves moving to a more prudential style of regulation, concentrating on risks impacting the wider financial ecosystem rather than just individual schemes. This shift follows Chancellor Rachel Reeves' proposal to establish pools of pension assets worth at least £25bn. TPR anticipates significant growth in multiemployer master trusts, with assets potentially exceeding £100bn in the next decade.