# Pension funds' cautious start on venture capital investment amid government ambitions



Despite a strong governmental push to encourage UK pension funds to invest more heavily in domestic growth assets, the initial uptake of venture capital investing by pension schemes appears limited. The government’s Mansion House Accord, launched earlier this year, represents a voluntary commitment from 17 major defined contribution (DC) pension providers to allocate at least 10% of their default funds into private markets by 2030, with 5% specifically earmarked for UK assets. Together, these providers oversee pension assets totaling around £252 billion, and the Accord’s implementation is anticipated to generate up to £50 billion in new investments aimed at boosting both savers’ financial outcomes and the broader UK economy by supporting infrastructure and domestic businesses.

Venture capital is a key component of the government’s vision, particularly following Chancellor Rachel Reeves’ announcement in June of the British Business Bank’s enhanced financial capacity, which has increased to £25.6 billion. This expanded fund is a significant tool to promote innovative smaller businesses, with the Bank already being the largest investor in UK venture and venture growth capital funds, and backing over half of the nation’s unicorn companies. The British Growth Partnership has attracted interest from institutions including Aegon, NatWest Cushon, and London CIV, signalling a growing institutional engagement. However, the extent of direct pension fund investment in venture capital remains unclear, with major DC providers such as Now Pensions, Nest, Smart Pension, and The People’s Pension declining to comment publicly on their progress in this area.

One notable exception is Railpen, the £34 billion multi-employer pension scheme, which has expressed clear support for the government’s ambitions but cautions against overly prescriptive mandates. Julia Diez, Railpen’s recently appointed head of UK productive assets, emphasises the importance of balancing domestic investment ambitions with fiduciary duties and scheme-specific objectives. She also underscores the need for a holistic approach to the UK investment ecosystem, including public equity and listing rules, to ensure that domestic companies remain competitive and headquartered in the UK. John Greaves, Railpen’s director of fiduciary management, echoes this sentiment, highlighting the necessity of creating an environment where innovative businesses can thrive and have access to the infrastructure required for sustainable growth.

Industry experts agree that pension funds must reconsider their traditional focus on minimising fees in favour of embracing the potentially appealing “net-of-fee” returns offered by venture capital. Louis Taylor, CEO of the British Business Bank, has previously remarked on the need for the pension sector to adopt a longer-term perspective on net returns rather than upfront costs. Helyne Slade, director and head of DC investment at consultancy Isio, points out that while UK venture capital has delivered reasonable returns historically, it has lagged behind US counterparts. She argues that government policies must bolster the UK’s entrepreneurial ecosystem to encourage the best founders and businesses to establish and scale within the UK, thereby strengthening the investment case for pension schemes.

The path to greater pension investment in venture capital, however, is hindered by persistent barriers. Trustees often find alternative asset classes such as venture capital unfamiliar and complex, and there remains a need to build trustee expertise to recognise and seize the best opportunities. Alison Leslie, partner and head of DC investment at Hymans Robertson, notes that while the government has initiated outreach efforts—ranging from ministerial letters to industry forums and small group meetings facilitated by regulators and the Lord Mayor’s office—a more hands-on approach is needed to accelerate pension scheme participation in these assets. Cost considerations also loom large; with private markets traditionally associated with higher fees and potential risks, schemes remain cautious, and it will take time for trustees and employers to embrace the idea that a higher-cost default investment option including private markets might ultimately benefit members.

Overall, while the Mansion House Accord and the expansion of the British Business Bank’s capital mark important steps toward mobilising UK pension funds into venture capital and other private market growth assets, progress is still in its early stages. The government and industry stakeholders must continue working collaboratively to address structural challenges, manage costs, and cultivate the necessary expertise among trustees, all while ensuring a broader ecosystem supportive of innovation and sustainable investment opportunities across the UK.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article), [[2]](https://news.cityoflondon.gov.uk/pension-industry-unites-on-mansion-house-accord-to-boost-savers-outcomes-and-uk-growth/), [[4]](https://www.theguardian.com/business/2025/may/13/uk-pension-funds-investment-british-firms-mansion-house-accord), [[5]](https://www.theactuary.com/news/2025/05/21/mansion-house-accord-sees-pension-schemes-pledge-invest-ps50bn), [[6]](https://www.reuters.com/business/finance/british-pension-funds-pledge-step-up-uk-investments-2025-05-12/)
* Paragraph 2 – [[1]](https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article), [[3]](https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-total-financial-capacity-increased-ps255bn)
* Paragraph 3 – [[1]](https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article)
* Paragraph 4 – [[1]](https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article)
* Paragraph 5 – [[1]](https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article)
* Paragraph 6 – [[1]](https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article)

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## Bibliography

1. <https://www.pensions-expert.com/investment/pension-funds-venture-capital-and-the-governments-drive-for-growth/69715.article> - Please view link - unable to able to access data
2. <https://news.cityoflondon.gov.uk/pension-industry-unites-on-mansion-house-accord-to-boost-savers-outcomes-and-uk-growth/> - In May 2025, seventeen of the UK's largest workplace pension providers, including Aegon UK, Aon, Aviva, Legal & General, LifeSight, M&G, Mercer, NatWest Cushon, Nest, NOW: Pensions, Phoenix Group, Royal London, Smart Pension, the People’s Pension, SEI, TPT Retirement Solutions, and the Universities Superannuation Scheme (USS), committed to the Mansion House Accord. This voluntary initiative aims to invest at least 10% of their defined contribution default funds in private markets by 2030, with 5% allocated to UK assets. The total pension assets involved amount to £252 billion, with expectations of growth over the Accord’s lifetime. The initiative seeks to enhance financial outcomes for DC savers and stimulate UK economic growth by supporting domestic businesses and infrastructure projects. ([news.cityoflondon.gov.uk](https://news.cityoflondon.gov.uk/pension-industry-unites-on-mansion-house-accord-to-boost-savers-outcomes-and-uk-growth/?utm_source=openai))
3. <https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-total-financial-capacity-increased-ps255bn> - In June 2025, the UK government announced a significant increase in the British Business Bank's financial capacity to £25.6 billion. This expansion aims to support the UK's modern Industrial Strategy by boosting investments in smaller businesses. The increased capacity is expected to enable annual investments of around £2.5 billion, potentially attracting tens of billions of pounds in private capital. The British Business Bank is the largest investor in UK venture and venture growth capital funds, with its equity programmes supporting more than half of the UK's current unicorns. ([british-business-bank.co.uk](https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-total-financial-capacity-increased-ps255bn?utm_source=openai))
4. <https://www.theguardian.com/business/2025/may/13/uk-pension-funds-investment-british-firms-mansion-house-accord> - In May 2025, seventeen major British pension funds, including Aviva, Legal & General, and M&G, 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 in additional investment. The initiative aims to support the British government's efforts to fund public projects and stimulate economic growth. ([theguardian.com](https://www.theguardian.com/business/2025/may/13/uk-pension-funds-investment-british-firms-mansion-house-accord?utm_source=openai))
5. <https://www.theactuary.com/news/2025/05/21/mansion-house-accord-sees-pension-schemes-pledge-invest-ps50bn> - In May 2025, seventeen of the UK's largest workplace pension providers joined the Mansion House Accord, a voluntary pact aiming to invest up to £50 billion in private markets and the UK. Under the Accord, the providers intend to invest at least 10% of defined contribution default funds in private market assets by 2030, with 5% ringfenced for UK businesses, property, and major infrastructure. The initiative seeks to improve retirement outcomes and boost investment in the UK economy. ([theactuary.com](https://www.theactuary.com/news/2025/05/21/mansion-house-accord-sees-pension-schemes-pledge-invest-ps50bn?utm_source=openai))
6. <https://www.reuters.com/business/finance/british-pension-funds-pledge-step-up-uk-investments-2025-05-12/> - In May 2025, major British pension funds, including Aviva, Legal & General, and M&G, 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 in additional investment. The initiative aims to support the British government's efforts to fund public projects and stimulate economic growth. ([reuters.com](https://www.reuters.com/business/finance/british-pension-funds-pledge-step-up-uk-investments-2025-05-12/?utm_source=openai))