

Influence, connect, save



Guy Opperman MP

Minister for Pensions and Financial Inclusion
Department for Work and Pensions
Caxton House
Tothill St
London SW1H 9NA

7 November 2022

Dear Mr Opperman,

RE: Broadening the investment opportunities of defined contribution pension schemes

It is fantastic to see you back at the department overseeing pensions policy at this crucial time for our economic future. When we met back in June, I was greatly encouraged to hear your enthusiasm for removing barriers to support long term investment in innovative assets and sectors such as life sciences.

We were also very pleased to hear of progress on this agenda from the then-Chancellor on 23 September, with the Long-Term Investment in Technology and Science (LIFTS) competition and accelerated changes to the charge cap. I have been working across the political parties to help ensure these valuable and sensible initiatives are not coloured by the events we have seen since the mini-Budget. It is important that we all do not lose sight of the ultimate goal to deliver comfortable retirements to DC pension savers and harness the capital within the City of London to support the growth of our world-leading life sciences industry and acceleration of medical innovation to benefit patients.

‘Disclose and Explain’ policies on illiquid investment

The broad requirement for an illiquid asset policy is welcome, as is the definition outlined in the current consultation.

In our submission to the former consultation, we advocated a granularity to the asset allocation statement that would allow consumers to make informed decisions about how their savings are to be invested, including differentiating between venture capital and private equity. Without this, pension savers will not know whether their money is being used to develop a cure for childhood leukaemia or finance the buy-out of House of Fraser. I’m therefore disappointed that New Regulation 25A will not require this.

However, we welcome the statutory guidance differentiating between venture, growth and buy-out funds. Unfortunately, as this is not mandatory, we do not think trustees will voluntarily provide more detail, especially those not interested in or willing to use the funds entrusted to them to seek meaningful returns for savers or benefit our innovation-based economy. We therefore do not think the current proposals will meet the stated policy objectives.

We recommend the Government monitor allocations and declarations over the coming years to ascertain whether there is a positive change of behaviour within the pensions industry.

Exempting performance-based fees from the regulatory charge cap

We strongly agree with the Government that high fees do not equal poor value for money in the pensions market and that the inclusion of performance fees in the charge cap calculation is a barrier to trustees and others in the pensions industry considering illiquid assets, such as venture capital.

The proposal to give trustees the option to remove performance-based fees from their charge cap calculations is welcome but may not go far enough in removing this barrier, which is both a real structural barrier but also a psychological one engrained in the pensions industry. A visible and strong message to the market that the low fees focus of the industry is leading to poor asset allocation decisions is needed beyond this regulatory change.

The need for Government to champion this agenda

Your continued focus on promoting pension trustees to explore diversifying their portfolios to include illiquid assets is very much appreciated. As I said in our meeting, we stand ready to help in any way we can.

We are also pleased to continue our work with other ministers and government departments on implementing the recommendations of the Life Sciences Scale-Up Taskforce, which sought to encourage institutional investors to invest in life sciences venture capital. I believe our combined efforts will address this key challenge, which is vital to the UK's economic future. We need leadership from the very top of government to champion this agenda, as we continue to see resistance to change within the pensions industry.

I would welcome the opportunity to meet you to discuss these issues further. If this is of interest, please ask your office to contact my Executive Assistant Miriam (mgedge@bioindustry.org) to follow up this invitation.

Yours sincerely,



Steve Bates OBE

CEO, BioIndustry Association

Cc: George Freeman MP, Minister for Science, Research and Innovation