

VFM Framework  
The Pensions Regulator  
Telecom House  
125-135 Preston Road  
Brighton BN1 6AF

VFM Policy Team  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

By email: [vficonsultationpaper@fca.org.uk](mailto:vficonsultationpaper@fca.org.uk) and [VFMFramework@tpr.gov.uk](mailto:VFMFramework@tpr.gov.uk)

18 March 2026

Dear Sir/Madam,

**CP26/1: The Value for Money Framework: Response to consultation, further consultation and discussion paper**

UK Private Capital (formerly the British Private Equity and Venture Capital Association, or BVCA) is the association of the UK private capital industry. We represent 600 firms including the wider ecosystem of professional advisers and investors. Private capital consists of private equity, venture capital and private credit, which make long-term investments to grow British businesses and build a better economy.

UK Private Capital has been working alongside the ABI, Pensions UK and the wider UK pensions industry for the past two years, through the Pensions & Private Capital Expert Panel. This initiative has brought together senior pensions and private capital leaders to find solutions to the commercial, regulatory and operational challenges for UK DC schemes seeking to invest in private capital funds. Our response to this consultation is informed by insights from this and other engagement between private capital firms the pensions industry, and we are grateful for the opportunity to contribute.

**Introduction**

We welcome this further consultation on the Value for Money framework and, in particular, that much of our feedback from the previous (FCA) consultation appears to have been taken on board. We also welcome the joint approach across the FCA and TPR, given the importance of alignment of rules across the trust-based and contract-based landscapes.

We have responded to selected consultation questions, where we feel pension scheme investment into private capital may be impacted. We would like to highlight the following as key, overarching

**UK Private Capital**

4th Floor, 48 Chancery Lane, London WC2A 1JF  
T +44(0)20 7492 0400 | [info@ukprivatecapital.co.uk](mailto:info@ukprivatecapital.co.uk) | [www.ukprivatecapital.co.uk](http://www.ukprivatecapital.co.uk)

- **Forward-Looking Metrics:** The proposal to introduce a Forward-Looking Metric (FLM) is reassuring. We also recognise that the assessment method, though still being debated, has moved on significantly since the previous proposals. In response to the previous FCA consultation, we noted significant concerns about the level of prescription within the rules, which we feared could result in ICGs being forced to give a 'Red' rating to schemes that were already acting to address performance concerns. From a private capital perspective, penalising schemes that are improving would provide no incentive for the market to move away from the existing concentration of investments in liquid securities (and may discourage schemes from doing so). Private capital funds' long-term investment horizons, and the j-curve pattern of returns, mean that fund investments experience stronger performance later in their holding period. Given proposed framework is based on comparisons with the wider market, and given the transition period we are currently in, we strongly believe that the framework should take account of such considerations.
- As regards the process of assessment, we believe the floated 'Option 1' is the most sensible amongst those proposed and have set out further rationale for this below.
- **Costs and charges:** We are pleased that moving away from an imbalanced focus on cost remains a regulatory priority. There continue to be challenging judgement calls and inconsistent approaches across industry in relation to what counts as a charge for these purposes. It is frustrating that, despite the significant drive to encourage more pension fund investment into private capital in order to see better returns for savers, the pensions industry progress on the Mansion House commitments remains slow and that providers continue to have concerns about the possible impact of higher costs. We realise this may be largely driven by commercial considerations vis-à-vis employers, which further underlines the importance of establishing a framework that supports consistency in approach across a range of decision-makers.
- **Herding:** There has been a lot of discussion about the risk of herding in relation to investment strategy to seek to mitigate the risk of having lower investment returns than your competitors. We understand why this is a concern, and this is in part why we are keen that providers are able to use their own assumptions and modelling when setting FLMs. However, if the outcome is that there is some herding, though the value of DC schemes goes up overall, we still consider this to be preferable to the current scenario, where there is effectively herding around low-cost options.

We urge the Government to work actively with both the pensions and the private capital industries on all of these issues, and would be very happy to discuss the above suggestions with officials in more detail (please contact Tom Taylor ([ttaylor@ukprivatecapital.co.uk](mailto:ttaylor@ukprivatecapital.co.uk)) and Karen Hurst ([khurst@ukprivatecapital.co.uk](mailto:khurst@ukprivatecapital.co.uk))).

Yours sincerely,

**Tom Taylor**

Head of Policy, Legal and Regulatory, UK Private Capital

---

## UK Private Capital responses to specific consultation questions

### **Q6: Do you agree with the proposal to use arithmetic averaging instead of geometric averaging? Why or why not?**

We note there is considerable debate on this question, and we have not taken a particular view at this stage.

However, we wanted to flag the issue of how costs and charges are considered in relation to this proposal. We are aware that there is some discussion across industry as to how some fee structures, including performance-based structures, are reported. Clearly there is already some guidance in place, and common industry methods have emerged. We have been involved in several discussions in recent months as to whether the current methods treat private capital appropriately, or whether they have been designed primarily for listed investments.

However, we note that the consultation paper does not go into detail on this point. We believe that, if the aim is standardised reporting, then there should be more detailed guidance to ensure a consistent approach. A lack of guidance may result in different treatment of costs and charges by different schemes. UK Private Capital is establishing a working group to look at this topic, and we urge policymakers to engage with private capital on the detail of any such guidance.

### **Question 13: Do you agree with the proposed FLM disclosures and the use of own assumptions? Why or why not?**

Forward looking metrics can be challenging in a private capital context and, as is the case in public markets, it cannot be assumed that past performance predicts future performance.

As a result of this challenge, we strongly support providers making their own assumptions, based on data they have, rather than there being blanket industry wide assumptions. Enabling schemes to set their own assumptions and carry out their own modelling would also be helpful in mitigating concerns that the VFM framework might inadvertently encourage ‘herding’ of investment strategies.

We note the concerns about ‘gaming’ of the system, and believe that it will be important for the relevant regulators to monitor the landscape and consider how it responds, and whether in the future more direction is needed to ensure that the FLMs are being appropriately handled.

Finally, we note that it may be beneficial to provide pension funds with guidance on how the FLMs might be assessed internally, for example by having a team or committee independent of the investment team review assess whether the assumptions are reasonable.

### **Question 16: Do you foresee any difficulties in reporting this data? If yes, what specifically**

As we indicated in our response to the previous consultation, for asset allocation disclosures to be useful as part of the framework, we recommend the FCA provide further guidance to schemes (beyond the definitions in the draft regulations) on determining whether an investment in the private equity category should be recorded as venture capital, growth equity, buyout or “other”.

We would also like to emphasise the importance of clarity as regards the timing of when a scheme should record as an allocation an investment in a typical private capital fund, as also highlighted previously.

**Question 27: Do you agree with the approach for weighting of BLMs and FLMs? Why or why not?**

Firstly, we agree there is need for a holistic approach to backward- and forward-looking metrics. We agree with the consultation's description of how an assessment process might work, and the different factors that schemes would need to be considered. As the consultation paper notes, it is important that the implementation factors in the transition phase that most providers are in, in terms of private market allocations. We suggest too much prescription in the rules would be extremely challenging to implement in the various scenarios that schemes find themselves in, and so would risk too many unintended consequences.

**Question 28: Do you have any feedback on the proposed approach in option 1? What improvements or changes would you suggest?**

Option 1 is our preferred approach. We consider what is outlined to be, at a high level, a largely sensible approach, in particular given the importance of longer-term data points for any FLM. We believe this gives trustees/IGCs the flexibility to make judgements on their own investment strategy. This was a significant concern to us in the previous consultation, which proposed a much more prescriptive method that we feared would not take into account changes in an investment strategy, or indeed short term 'j-curve' investment patterns.

However, we disagree with the statement that there would never be a scenario where the FLM had more weight than BLM (and indeed subsequent paragraphs suggest there would be some instances where this should not be the case). For example, there could be instances where a new investment strategy is being implemented, or a scheme has moved to an alternative default in order to offer a wider range of investments, that require chain-linking of the backward-looking performance data. We are not sure what it would mean for trustees to give equal weighting in this instance. If more consideration needs to be given to the BLM than the FLM, then practically we fear that schemes are at risk of being discouraged from either changing strategy, or investment in assets that typically experience a 'j-curve' investment pattern, as it would mean that past performance always took priority over future long term.

**Question 31: Do you have any feedback on the proposed approach in option 2? What improvements or changes would you suggest?**

Overall, we have reservations about how a set composite metric would work, and question whether this would be effective in terms of assessment of the different factors impacting metrics. Though we appreciate that the metric would be a starting point, and that there would still need to be an assessment of the different factors impacting value, the disclosure of this metric would likely be a distraction, and not be in keeping with the nuance being sought across the rest of the framework, which seeks to encourage trustees and IGCs to take a holistic view. Our preferred option would be Option 1, for the reasons set out in response to Question 28.

**Question 32: Do you agree with the proposed guardrails? Do you believe other guardrails would be appropriate?**

We agree with the proposed guardrails. Given that the proposed framework is, rightly, moving away from detailed prescription, full transparency of how trustee boards and IGCs have arrived at the outcome of their assessments is vital.

**Question 33: What is your preferred proposed approach to step 1: option 1 or 2? Why?**

Option 1 (see above for reasons).

**Question 34: Do you agree with the proposed use of FLMs in step 1, alongside BLMs? Or should FLMs be considered in a different way in the assessment process?**

Yes, FLM and BLM need to be considered collectively in the round, to avoid over-prescription in a manner that does not take into account the different scenarios being experienced by different schemes. For the reasons set out in the above answer, our strong view is that the data needs to be considered holistically within the assessment process, and for trustees and IGCs to have the discretion to make their own judgement on how the scheme will likely perform based on it.

**Question 42: Do you agree with our proposals for the central VFM database? Why or why not?**

The consultation explains that the regulators are still considering whether any central database should be accessible to the public or initially restricted to those undertaking VFM assessments, regulators, and Government. At the moment there is a lack of data on how pension funds invest – as a trade association we often receive requests about allocation to different stages of private capital, given the increasing interest in UK pension fund investment. It can be challenging to locate such data. Though the framework is focused on savers, given the wider debate on growth it would be useful for wider stakeholders to be able to identify investment trends.