

Department for Work and Pensions
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Re: Trust-based pension schemes: Trustees and governance, building a stronger future

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 welcomes the Government's aims of strengthening trustee capability and investment knowledge, particularly in relation to private capital funds. Achieving the Mansion House Compact and Accord's ambitions will require trustee engagement and support, so we agree with the objective of enhancing trustees' skills, expertise, and confidence in assessing a broader range of long-term investment opportunities. We therefore welcome the opportunity to respond to this consultation.

Trustees have a vital role that needs to be supported

Current progress towards meeting the Mansion House commitments remains limited, with the most recent update from the ABI suggesting only 0.6% of the Mansion House signatories' default funds are invested in "unlisted equities". We therefore anticipate that DC schemes will seek to make significant progress in the next four years to ensure that these commitments are met. This will need to be supported by the appropriate level of expertise and understanding amongst trustees.

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. Through this joint work with UK pension schemes, we are aware that many DC providers are now considering in detail how to integrate private capital fund investments into their portfolios. At the same time, it has also underlined that trustees sometimes display hesitancy based on considerations around complexity, cost and risk, often born from lack of familiarity.

Reforms under the Pension Schemes Bill will likely result in fewer, larger DC providers that are better resourced and equipped to make more diverse investments. However, the need for trustees to feel confident in their ability to assess and oversee such investments must not be overlooked. Trustees should all be equipped with a common, baseline level of knowledge so that more complex but potentially higher performing investments, such as private capital funds, are not excluded as options for savers' portfolios due merely to lack of understanding.

Existing guidance should be reviewed

We note that pension providers often turn to investment consultants for advice on investments and portfolio construction. Some of these consultants have been building private capital investment

expertise in recent years, but the level of relevant experience amongst them varies significantly. Given the lack of regulatory oversight in this space, we urge the Government to consider further the industry guidance that already exists. The Pensions Regulator, for example, has published guidance specifically covering private markets. However, perhaps because DC providers had only recently begun exploring private capital when the guidance was published, it remains relatively high-level and generic. We would encourage the Government to review and update this guidance to support greater consistency in how different schemes approach private capital investment. We would also be delighted to support any such review, drawing on the deep pool of private capital investment expertise within our membership.

The Government should partner with industry on training

Finally, various stakeholders across the industry are currently discussing how best to support trustees by designing and delivering training. UK Private Capital is well-placed to play a role here, as the trade association for the UK's world-leading private capital industry. We would like to work with the Government, regulators and others to support trustees on this in the coming years.

Our engagement with the pensions industry has highlighted the crucial role that trustees will play in steering DC schemes towards greater diversification, higher performance and a greater role in growing Britain's brightest businesses. We firmly believe that private capital too has an important role in helping equip trustees with the necessary expertise for delivering the future success of the UK's pensions industry.

We therefore 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.

Yours sincerely,

Tom Taylor

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