DC Pensions & Private Capital

The State of the Market

September 2026

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Chair's foreword

When UK Private Capital asked me to take up the role of Chair of its DC Pensions & Private Capital Expert Panel in 2025, a huge amount of work was already underway. The previous Expert Panel, on which I sat, brought together leaders of both industries, and worked together to propose solutions to existing barriers to ensure DC savers will more easily be able to access exposure to private capital via their pension. Over the past year there has been terrific engagement by the members of this panel, and it has been a positive example of shared understanding between the pensions and private capital industries that progressing this agenda is vitally important. I am grateful to each member for their time and input and for the ongoing collaboration between UK Private Capital, Pensions UK, the ABI, and the City of London Corporation.

This past year has seen some significant steps forward, with the Pension Schemes Act becoming law, further policy announcements from Government, and continued positive engagement between the pensions and private capital industries. There is also continued work on the development of a Value for Money framework, aimed at changing the long-term focus of DC pension funds, and a great deal of preparatory work undertaken by pension funds to enable them to invest in a wider range of private market assets in the future.

Some capital has begun to be allocated, and the recent announcement that a number of pension schemes are exploring a UK Scale-Up Fund feels like an important step forward in bringing investment to private capital.

However, from my own perspective, I hope that in the year ahead we will accelerate beyond broader preparatory work into more significant investments into private capital. As the CEO of an established venture capital firm, it can be disappointing to see successful UK businesses receive investment from investors in other countries – often pension funds – which will ultimately mean that the benefits of these investments, often including the ultimate location of the business, are lost to other countries.

The UK is a world leader in intellectual property and company creation across technology, including deeptech, AI and quantum, life sciences and financial services. We also have one of the most advanced and innovative pension landscapes in the world. I believe it is a missed opportunity that we have not made more progress to bring these two competitive advantages together in the interests of UK pension savers, UK business, and ultimately, to enable much needed growth. The opportunity to do so remains both necessary and compelling and speed is of the essence as generational shifts in technology reshape global economies and labour markets.

Below we set out the conclusions of the discussions the panel has had over this past year, and the recommendations that flow from them, as well as reflections on how the market is evolving. There have been positive discussions and consensus across a number of these areas, which is reflected in the text, and I am grateful to the panel for their input and guidance, though note that the report does not necessarily reflect the views of every individual panel member.

Moving forward, UK Private Capital will continue to collaborate with our partners at other associations to bring the private capital and pensions industries together to ensure that we play our part in delivering the shared ambitions of diversified returns for pension savers and greater investment in private capital to meet the Mansion House Compact commitments. There remains more work to be done, and we look forward to continuing our work with the panel and the wider landscape.

Ben Wilkinson
Chair of the DC Pensions and Private Capital Expert Panel, and CEO of Molten Ventures Plc

UK Private Capital Chief Executive's foreword

Across the UK, there is now a clear and welcome recognition that pension schemes and private capital firms should be working more closely together. That view is shared by government, the pensions industry, and by private capital investors themselves. It reflects a simple but powerful proposition: that better access to private capital funds can help pension savers benefit from diversified long-term returns to improve their retirement prospects, while also supporting the growth of innovative and ambitious businesses that benefit wider society across the country

The two reports that we are publishing today sit within that broader national challenge. This report considers the evolving relationship between defined contribution schemes and private capital. The other, parallel report we are publishing today looks at the Local Government Pension Scheme and the implications of recent reforms for investment in private capital funds, particularly those focused on generating strong returns by spurring nationwide economic growth. Both reports have been produced with the assistance and input of Expert Panels that UK Private Capital convenes regularly to bring together senior leaders from across the UK's pensions and private capital industries. I am very grateful to Ben Wilkinson for chairing the panel that produced this report, and Rob Barr for chairing the LGPS panel, for their vision and dedication in chairing ongoing meetings of each group. Together, these Expert Panels focus on the practical issues that now need to be addressed if intention is to translate into sustained investment in the future of the UK.

The DC Expert Panel's work in this area is deliberately practical. We bring together defined contribution pension schemes, advisers, private capital firms, policymakers and other market participants to identify the barriers that still stand in the way of progress and to develop workable recommendations for industry and policymakers. Some of those barriers are technical, but that does not make them minor.

UK Private Capital Chief Executive's foreword

Questions of structure, regulation, fees, liquidity, scale, governance and investment capability are central to whether capital can move responsibly and at pace. They require detailed consideration and sustained cooperation across industries that have not always had to understand one another in the depth now required.

At the same time, it is important to be clear that this technical work is essential but not sufficient on its own. Seizing the opportunity that the UK's world-leading private capital industry offers, both to UK pension savers and the country's most promising businesses, will also depend on wider conditions. The UK must maintain its strong pipeline of science and technology businesses, and ensure that insight and intellectual property can be translated successfully from the laboratory into commercial companies capable of scaling. The market must continue to develop models that work for long-term pension investors as well as for private capital firms, including larger and more accessible vehicles, appropriate fee and return structures, and the skills needed to allocate confidently to the asset class. For defined contribution pension schemes, there is also a wider question of demand: how to build and sustain saver confidence in long-term strategies that may look different from traditional listed market exposure but can form an important part of ensuring good retirement outcomes for the nation's workforce.

The economic prize is significant. The UK has exceptional strengths in venture capital, growth equity, private equity and private credit. It also has world-class universities, research capability, entrepreneurial talent and a sophisticated pensions sector. If we can bring those strengths together more effectively, more domestic savings can support the businesses that will shape the next generation of economic growth, from deep technology and life sciences to financial services, clean growth and the scaling of successful SMEs. That would mean more high-potential UK companies able to secure the patient capital they need to grow here, rather than being driven to look overseas at critical stages of their development. It would mean more of the value created by UK innovation being captured in the UK economy, through jobs, supply chains, tax revenues, regional investment and stronger productivity. It would also give pension savers access to a broader opportunity set, with the potential for diversified long-term returns linked to the growth of the real economy. In short, this is not simply an investment allocation question; it is about whether the UK can connect its savings base more effectively to its growth ambitions.

Progress will not be automatic. It will require trust, patience and a willingness to resolve detailed issues rather than simply restate shared ambition. But the alignment is stronger than it has been for many years, and the opportunity is too important to miss. This DC Expert Panel report, and the parallel LGPS report, should be read as contributions to that work: focused on the next set of practical steps, but rooted in a bigger ambition to ensure that UK pension capital can play a fuller role in supporting UK businesses, society and long-term returns for savers.

Michael Moore
Chief Executive, UK Private Capital

Overview of market developments

Private capital investment by DC

Since the Mansion House Compact was signed in 2023, the Government has set out a number of measures aimed at moving the needle on private market investments, to help improve long term saver outcomes. The Pension Schemes Act has laid the groundwork for significant changes across the whole of the pensions landscape, and the work on implementation is moving forward.

There is clearly also a huge amount of effort being made by DC providers to understand and implement changes which would open up a wider range of private markets assets to UK savers, which many providers do not have a track record of investing in. DC schemes have explained the complexities this change involves. Over the past year we have heard how DC schemes are evolving their internal infrastructure, adding additional capacity in investment teams, and considering how to apply their established due diligence processes to private capital funds. However, public evidence of material progress in relation to increases in private market allocations is still relatively limited.

The ABI has been monitoring progress against the Mansion House Compact's 5% target for 'unlisted equities'. The year one progress update, covering the period up to February 2024, noted that signatories had invested 0.36% of default fund assets. The year two update, published in October 2025 and covering the period until February 2025, advised that the sum had risen to 0.6%. This represented around double the investment in pure financial terms, but a rise of overall signatory AUM by around 21% meant the figure did not increase significantly as a percentage.

In April 2025 a wider group of DC schemes signed the Mansion House Accord, with a higher commitment (10%), to a wider range of assets, including infrastructure and real estate. As yet, there has been no progress report on that. We await with interest the next report on both from the ABI and Pensions UK, expected in the Autumn.

This reflects the data that UK Private Capital collects on pension fund investment into UK private capital funds. To date, it is difficult to find evidence of significant investments being made yet.

Shortly after the first Mansion House agreement was made, UK Private Capital convened 114 VC and growth equity firms to join the Investment Compact, committing private capital firms to work with pension schemes to make opportunities available. Since then, UK Private Capital has surveyed the group once a year, to understand their progress. Between April and May 2026, we asked again about their experience, almost three years on from the original Compact. Of the 83 firms that responded:

- We could only identify two legally binding commitments to VC funds by UK DC default funds aligned with the Mansion House Compact.
- Only six firms reported being in active negotiations with Mansion House signatories "with a view to securing a binding commitment".
- Three quarters (76%) of respondents felt that they had not been able to engage meaningfully with DC pension providers.
- A large majority of firms (73%) also felt that the government needs to do more to facilitate investment into private capital.

The Investment Compact was open to only venture capital and growth equity firms, whereas the Compact commitments rightly covered a broader scope of private capital. We also acknowledge that there are likely to be some investments that could not be captured. Nevertheless, it does support a wider feeling that DC is not yet investing in private capital in a significant manner.

Overview of market developments

"Our experience suggests a lag between policy commitment and capital deployment. Although it's great to see that the high-level dialogue has increased, practical hurdles (e.g. fees, liquidity requirements, and risk appetite within DC schemes) remain significant barriers to meaningful partnership at this stage"

Private capital firm, UK Private Capital Investment Compact survey, April 2026

Separate UK Private Capital research also tracks pension investment, both domestic and international, into UK private capital funds via our annual Report on Investment Activity. The 2025 data shows that pension funds were heavily invested into private capital funds in the UK, but that this was almost all international pension funds. There was around 16.5x more international pension fund investment into UK private capital funds than from UK pension funds, consistent with a long-term average figure of around 16x.

In April the Pension Schemes Bill gained Royal Assent. This marked a milestone in a journey that began with the Pension Investment Review in 2024, and which is ultimately seeking to consolidate the UK pensions landscape and ensure a stronger focus on long-term value in investment decision-making. The message from the pensions industry is that increased interest in private markets is driven by the long-term priority of improving member outcomes, and that this will continue to be the focus of their work.

There is general consensus across the industry that the direction of travel is the right one, and there are signals of intent that DC schemes will invest in a wider range of assets, including private capital. Initiatives such as the recently announced Scale Up Fund signal continued engagement in the challenge by pension schemes. There are also notable exceptions – Nest, one of the schemes involved in the Scale Up Fund, has set ambitious targets, is already investing above and beyond the Mansion House commitments, and recently announced a new £200 million venture capital sleeve.

However, it remains difficult to see any meaningful progress, across the landscape as a whole, on actual investments made to date. The ABI notes that significant operational steps have been progressing that are laying the groundwork for providers to reach commitments. For example, in the second year of the Mansion House Compact, the majority (eight) of the signatories established new partnerships with asset managers with a view to invest in private markets. The update also summarises the progress made in launching LTAFs, launching new propositions, bringing in expertise and undertaking research. In many cases there is a multi-step process before capital can be deployed.

Ultimately, the key question is whether these initiatives bear fruit. While there is a clearly articulated shared ambition for continued momentum, from a private capital perspective there is a particular desire to ensure that progress happens more quickly.

In this report we highlight some areas of progress and provide practical suggestions that should help move things forward. We are conscious that there are other discussions happening on the role employers and Employee Benefit Consultants have in selecting pension providers, and how this is driving cost pressures across the market. We note the ABI's concerns that the entire chain moving towards a focus on long-term value does not yet appear to have been addressed, and that this could continue to present a barrier. UK Private Capital remains open to engaging on how we can collectively make progress on that.

Recommendation

Government, regulators and industry should continue to focus on ensuring regulatory and other barriers are removed and momentum is retained on the Mansion House commitments.

How fund structures are evolving

The structure most associated with DC investment into private capital is currently the Long Term Asset Fund (LTAF). Since the introduction of the framework in 2021, LTAFs have continued to grow in number. The framework was introduced specifically to enable DC pension schemes (and retail investors) to access illiquid investments such as private capital, and they are compatible with the permitted links rules that many insurer-linked DC providers are subject to. Morningstar research suggests that, as of April 2026, there is around £7.3 billion AUM in FCA-approved LTAFs, having increased from around £5 billion in the previous year. They also note that many LTAFs act as feeder vehicles into larger funds, demonstrating that LTAFs are increasingly playing a role in much broader strategies not captured in these figures.

The majority of LTAFs that have been launched have diversified multi-asset or private credit strategies. There are a small number focused on private equity and venture capital. However, Morningstar also notes that the longer timeframes and less predictable cash flows associated with such assets may be more challenging to accommodate within an open-ended structure. Though some have been registered by private capital firms and private markets-focused asset managers, including Apollo and Future Growth Capital, the majority have been established by mainstream asset managers, and insurance companies already operating in the DC master trust space.

It is clear that the features of LTAFs, including limited liquidity and their regulatory framework, are making the structure a popular option for DC pension schemes when looking to integrate private capital investments into their default funds. There are also examples of LTAFs making investments with private capital firms, such as life sciences investor Cambridge Innovation Capital. The introduction of the framework therefore appears to have had some success to date. Nevertheless, it seems clear that DC investment into private capital funds would likely increase if DC schemes had a greater degree of flexibility to invest through non-LTAF structures as well.

Some mainstream asset managers with a wider private markets focus have launched LTAFs, along with a handful of very large multi-strategy private markets firms, to attract DC investment. However, the cost of launching and operating an LTAF is likely to make this route challenging for most private capital firms, particularly mid-market and smaller firms. This means that, in the near term, investment from DC schemes into private capital may more commonly flow indirectly, via LTAFs investing in private capital funds (rather than by large numbers of private capital firms setting up LTAFs themselves).

"One of the most important lessons from Mansion House is that increasing pension investment in private markets requires more than setting an allocation ambition: the investment ecosystem has to work for schemes, private capital firms, portfolio companies and ultimately savers. At Ardian, our focus has been developing private-market strategies that can be incorporated into DC portfolios in a way that is genuinely appropriate for savers, while adapting to requirements around liquidity, governance, fee structures and implementation. The Expert Panel has created a constructive environment in which the industry can challenge assumptions, share practical experience and develop approaches that have the potential to scale."

Patrick Shuttleworth
Ardian

How fund structures are evolving

On a practical level, this will make progress difficult to monitor. Though we have observed LTAFs being launched to target private capital investment by pension funds, UK Private Capital's Investment Compact 2026 Survey data showed limited evidence of investment from pension funds, including through LTAFs. This reflects Morningstar's findings, suggesting that though there has been significant growth in LTAFs in recent years, this has not necessarily resulted in significant investment into private capital funds. For policy makers, this underlines the need to continue looking at how the wider landscape can evolve to ensure that UK DC can support the UK's scale up and growth challenges.

The growth of the LTAF structure also indicates that UK DC schemes are not investing in the same manner that overseas pension funds (and UK DB and LGPS schemes) do into UK private capital funds. Typically, investment has been made as Limited Partners (LPs), alongside private capital firms as General Partners. Moving forward, for private capital firms, this may mean a different sort of engagement with UK pension funds as investors than the familiar global norm. It is something that UK Private Capital will continue to monitor as the Mansion House commitments continue to be implemented. Later in this report, we will also look at the impact of the current permitted links rules, which may also be a factor in the growth of LTAFs.

Overall, it is positive that there have been multiple new LTAF launches, and we expect them to have an important role in DC schemes access to private capital in the future. However, facilitating the growth of a wider range of vehicles, like existing or modified limited partnership funds, is needed to more fully maximise the opportunity.

As the Pension Schemes Bill was debated in the House of Lords, there was some debate about the type of vehicles pension schemes could use to access private market investments, including listed vehicles. There were a range of views on the topic, and the version of the bill that eventually became law took an agnostic position on this.

However, it is an interesting debate in the context of the Mansion House commitments and UK Private Capital data on the levels of investment into private capital funds. Of the two investments made, one was via an LTAF, and another was made as a shareholder in an investment trust. Clearly it is too soon in the journey to make an assessment of how pension schemes will access private capital once they begin to make more investments. But at this early stage we are expecting that there may be a range of vehicles used, which may not fully align with the traditional 'LP-GP' relationship that has become established as typical across the private capital landscape internationally.

LTAFs, investment trusts, government-backed vehicles, and bespoke new structures are all in the running.

UK Private Capital will continue to monitor developments moving forward, and we would welcome continued engagement with the wider landscape.

British Business Bank activity

The past year has seen continued positive activity from the British Business Bank aimed at crowding in investment from UK pension schemes to UK venture capital and growth equity.

In April, the Bank announced the first close of the British Growth Partnership Fund I, with commitments from Aegon UK, Cushon Master Trust and M&G. The fund achieved a first close of £200 million, and is already making investments. This marked the first time that the Bank has raised external capital from multiple investors, and the first time that Aegon and Cushon have invested into venture capital at all. All participating pension schemes now have access to the venture capital opportunities from the Bank's pipeline and network of over 150 funds.

This year the British Business Bank has also launched Venture Link, a new online platform providing institutional investors with direct visibility of venture and growth capital funds backed by the Bank that remain open for investment. This in part reflects feedback from UK Private Capital that the Bank could play a larger role in helping pension funds understand the pipeline of investment opportunities within UK venture and growth equity.

This activity is certainly positive, and UK Private Capital welcomes the British Business Bank's commitment and openness to how it can facilitate more investment by UK pension schemes into private capital funds. We would like to see the Bank continue with this open approach, and welcome its involvement in establishing the recently announced UK Scale Up Fund.

The first Pensions & Private Capital Expert Panel noted that a British Business Bank established fund-of-funds model would be helpful. As this work has progressed, we remain convinced there is a need for this. Over the past year, engagement with Mansion House signatories has highlighted to us that scale in investment is an inevitable consideration, particularly as the landscape consolidates. We take the view that a fund-of-funds model would assist in ensuring the largest UK pension schemes can invest in the UK's world-leading venture capital funds.

"For the venture industry, the opportunity created by Mansion House is significant, but the real test will be whether it results in sustained investment into the companies capable of becoming the UK's next generation of global technology businesses. Atomico has spent considerable time engaging with pension investors to build understanding of venture capital and the characteristics of the asset class, and to help bridge the gap between interest and investment. The Expert Panel provides a useful opportunity to identify where the process is falling short and to press for the practical changes needed if UK pension capital is genuinely going to support the next generation of technology companies."

Camilla Richards
Atomico

Below we have noted concerns about existing cost disclosure rules and how these impact investments into fund-of-funds in particular. It is important that the whole infrastructure around DC pensions enables schemes to make investments in such structures, especially if the industry is expected to invest in and help grow UK venture capital and growth equity investment.

Recommendation

The British Business Bank should establish a fund-of-funds to enable more pension fund investment into smaller venture capital and growth equity funds.

Market spotlights

L&G – investing DC capital in private markets through an LTAF

L&G launched the Private Markets Access Fund in 2024 to bring private markets to DC pension savers. Built around an LTAF structure, the fund has grown to more than £3.4bn in less than two years and completed 141 capital calls across private equity, infrastructure, private credit, real estate and natural resources. The portfolio is focused on four long-term themes shaping the economy: digitalisation, decarbonisation, demographics and deglobalisation. We believe private markets can improve member outcomes, a conviction reflected in our Lifetime Advantage target date fund range, which was already under development when L&G committed to the Mansion House Compact. The range targets a 15% allocation to private markets and 5% to UK private markets.

In digital infrastructure, members have exposure to Kao Data, a UK data centre platform serving customers across cloud, enterprise and AI. The business is powered by 100% renewable electricity and was the first European data centre operator to transition its backup generators to Hydrotreated Vegetable Oil (HVO). Customers include Nvidia, with Kao Data hosting Nvidia's Cambridge-1, the UK's most powerful supercomputer, and the European Bioinformatics Institute (EMBL-EBI), which provides researchers with access to one of the world's largest biological data resources.

Beyond digital infrastructure, the portfolio includes Colindale Gardens in North London, where institutional capital is helping fund the delivery of 311 social rented homes, and university spin-out investments that give pension savers exposure to businesses commercialising UK research. Examples include Crucible Therapeutics, a University of Sheffield spin-out developing treatments for neurodegenerative diseases, Ultromics, an Oxford spin-out which uses AI to improve cardiovascular diagnostics, and Fractile, which is developing chips to accelerate AI inference.

Accessing quality opportunities like these requires specialist expertise, sourcing networks and long-standing relationships. DC members expect private market exposure today, so our approach has been to build the portfolio using a blend of L&G expertise, specialist managers and partners, across direct investments, mandates, co-investments, closed-ended funds, evergreen private market funds and, where appropriate, listed alternatives for short-term liquidity management. As the portfolio scales, we are increasing direct exposure while maintaining a core allocation to funds. Both play an important role in accessing opportunities, liquidity management and vintage diversification.

Market spotlights

Future Planet Capital – adapting non-LTAF structures for DC investment

Future Planet Capital has established the British Co-Investment Fund (BCF), which uses an innovative structure designed to connect UK pension capital with investment in high-growth UK businesses. The fund seeks to offer UK pension schemes exposure to a portfolio of UK companies across various sectors including life sciences, climate and advanced engineering.

BCF was developed with the objective of enabling DC capital to invest in UK innovation while addressing the investment and operational requirements of DC schemes. It sits alongside the developing range of solutions DC schemes are considering, including LTAFs. We think the evolution of structures like BCF reflects a likelihood that different routes may be appropriate for different pension schemes and different investment strategies.

Here, Douglas Hansen-Luke of Future Planet Capital explains some of the BCF's technical innovations, which may be of interest to others considering how to structure vehicles effectively for DC schemes:

"We felt it was important to consider the practical realities of DC operational, governance and liquidity frameworks, as well as the underlying investment strategy. Working with Mobius Life, Future Planet Capital has developed a route through which the BCF can be accessed via a unit-linked life structure. The underlying fund uses a limited partnership, the vehicle on which much of the private capital fund industry is built, while the fund is unitised within a life wrapper. The structure provides a single NAV, incorporating accrued fees and carried interest, together with a hurdle and high-water mark designed to ensure fairness between cohorts of scheme members. The Mobius platform provides the infrastructure through which liquidity can be managed."

The BCF is an example of private capital firms, pension providers and platforms working together to develop structures aimed at addressing the practical requirements of DC investment. It also illustrates the potential for further innovation to support the ambitions of the Mansion House Compact and Accord and increase the flow of UK pension capital towards innovative UK businesses.

Market spotlights

British Growth Partnership – helping pension funds invest efficiently in UK growth companies

British Growth Partnership Fund I (BGP Fund I) seeks to provide a platform for UK institutions to invest into the UK's fastest growing, most innovative companies. The British Business Bank, the UK's national economic development bank and the largest domestic investor in UK venture capital, launched BGP Fund I as the first vehicle through which it has raised and deployed external capital alongside its own.

BGP Fund I invests directly into UK later-stage companies with high growth potential. Origination draws on the Bank's position across the UK growth economy and on its relationships with the managers who back these companies early in their development. BGP Fund I invests alongside those managers, in companies they have sourced, backed and are actively supporting, adding a new source of capital to the market rather than redirecting existing capital away from it. BGP Fund I reached a first close of £200 million in March 2026, with commitments from three UK institutional investors alongside the Bank, two of which were making their first allocation to UK venture capital. Since the first close, pension savers' capital has already been invested in standout UK companies developing frontier technologies, including Wayve, PhysicsX, Elliptic and Draig Therapeutics.

BGP Fund I was designed following extensive engagement with pension schemes, asset owners, investment advisers and venture capital managers, focused on the barriers that have historically limited pension investment into venture and growth equity. Those include minimum scale, fee budgets, risk appetite, market access, and operational requirements. Several of these barriers apply as much to fund commitments as to direct investment, and the work of understanding and addressing these challenges is ongoing.

BGP Fund I is just one part of the Bank's wider offering to scale the UK venture market and support institutional access to UK venture capital through several routes, including allocations via the UK's high-quality fund managers. Getting schemes invested for the first time is just the beginning of that work, and the Bank is developing further options with the market as schemes build conviction and scale in the asset class. BGP Fund I sits within that broader programme of work alongside initiatives such as Venture Link and the Bank's ongoing LP commitments to UK venture and growth fund managers, while supporting the ambition of unlocking greater institutional investment.

Continued barriers

Regulatory change

It is clear that the landscape is evolving, and that policymakers and regulators remain focused on facilitating more investment. UK Private Capital has welcomed the continued momentum by the Government on this, including taking forward the Pension Schemes Act, and continuing to progress with a Value for Money framework.

However, throughout our work with the DC Expert Panel it has been clear that some barriers remain.

FCA charge cap

In 2023, the DWP made changes to its charge cap rules for trust-based, TPR-regulated, pension schemes. This enabled the exclusion of carried interest and performance-related fees from schemes' calculations of the charge cap and, in practice, enabled investment into private capital funds for the first time for most pension schemes.

However, the equivalent rule change has not yet been made by the FCA for the contract-based market. This impacts not only those schemes, but arrangements made by providers designing investment strategies that would apply across both types of schemes.

The impact of this is already being seen in some of the announcements made by providers. For example, in 2025, Aviva announced the launch of a new default investment strategy targeting an allocation of 20 to 25% to private markets. However, this option is as yet only available to savers in trust-based arrangements, because of the impact of the FCA charge cap rules.

In a 2025 letter to the Prime Minister, the FCA committed to consulting on the pension charge cap so consumers are not disincentivised from investments in private capital due to higher performance fees. It is our current understanding that the FCA is due to consult later in the year on these proposals.

This is a positive step, and one which will ensure that all providers are in a better position to implement their Mansion House commitments.

However, it is also important to ensure that the two sets of rules are aligned. The current position, with two differing sets of rules on how fees should be calculated by pension providers, remains a barrier for pension funds seeking to invest in a wider range of UK growth companies via private capital funds. We also note the focus on consumer protection by the FCA and, while it is right to consider these issues, we would caution against overly prescriptive rules that continue to make private capital investments challenging for pension funds.

Recommendation

The FCA and DWP should ensure full alignment and a proportionate approach across all charge cap rules for the trust and contract landscapes.

FCA permitted links

Life insurance platforms play a significant role in the provision of DC pensions. These platforms are subject to the FCA's 'permitted links' rules, which include a 35% cap on illiquids, 'look-through' requirements and a treatment of limited partnerships (the most popular private capital fund vehicle globally) that together make it harder to build diversified exposure to private capital. As a 'permitted link', the popularity of LTAFs may in part be because of the restrictions other structures face in the platform environment.

In 2025, the first Pensions and Private Capital Expert Panel suggested that more capital would be allocated to private capital funds by UK DC pension funds if changes were made to the permitted links rules.

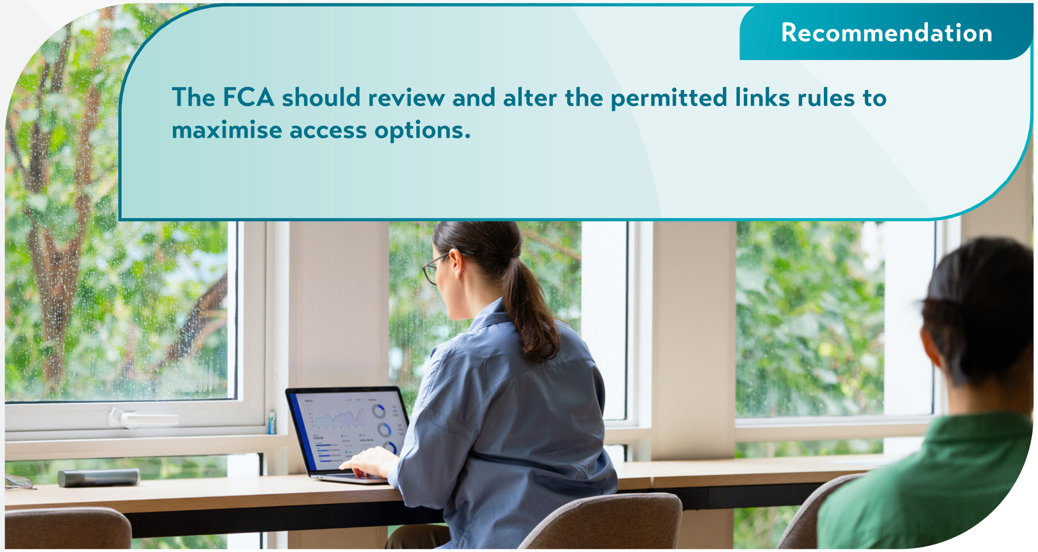
The panel recommended that the FCA should review and amend the rules, to remove this as a barrier for DC funds that use platforms. It noted that this could be achieved either through excluding DC pensions from the rules entirely – in recognition of the professional governance arrangements in place – or by adding more typical private capital fund structures to the list of 'conditional permitted links'.

Since the publication of the original reports, there has been engagement with the FCA around this, and an openness to consider the challenges. However, the busy regulatory agenda has meant this has not yet progressed any further.

Given there are a range of structures through which DC pension schemes could access private capital, it is important that insurance platforms are not effectively restricted to using LTAFs.

"For Legal & General, the Mansion House agenda is about adding value and improving outcomes for DC savers through the addition of private markets to their investment journey, rather than simply meeting an allocation target. We have invested in the capabilities, partnerships and investment solutions needed to give members access to a broader range of long-term assets, while maintaining the scale, governance and value-for-money that DC requires. The Expert Panel has been particularly valuable in bringing together the pension and private capital industries to work through the practical questions that sit between ambition and implementation."

Martin Dietz
Legal and General



Recommendation

The FCA should review and alter the permitted links rules to maximise access options.

Industry practice

Over the course of the past year the panel has discussed a number of areas of potential friction between how DC schemes typically work, and how this might be applied in a private capital context. For example:

- **Consideration of track record:** DC providers typically review the past three years of a fund's performance prior to them investing. Typically, private capital funds are closed-ended vehicles with a finite life of 10-15 years and experience a 'j-curve' pattern, which makes the fund appear to make a loss in the early years as costs are borne ahead of growth. DC track record requirements assume that all investments will typically be made into open-ended fund structures that have already been established for some time. Private capital funds are typically closed-ended, in a limited partnership structure, with a smaller number of investors committing from the outset. This means that the established track record requirements within DC are not readily compatible with a typical private capital fund.
- **Due diligence:** It is clear that DC pension schemes also undertake considerable due diligence prior to an investment. One VC fund we spoke to outlined the lengthy survey they had to fill out – akin to industry templates designed with larger buyout funds, rather than smaller VC funds. Once they had passed this stage, they were then passed to a further stage of due diligence. Due diligence is a necessary part of any investment process, including in relation to private capital funds. However, for many, this particular level of due diligence can be disproportionate.
- **Fee structures:** While the charge cap rules, both those implemented by the DWP and FCA, have historically been a barrier, the changing of those rules by the DWP has opened up more private capital options for at least some of the market. However, DC providers still have to consider how carried interest and performance fees can be integrated within a liquid DC default fund. This challenge was covered in detail in the previous report of the Pensions & Private Capital Expert Panel. From the subsequent discussions of the panel, this remains a consideration.

These trends are not being driven directly by regulatory requirements. It is also reasonable to assume that these practices are reasonable and proportionate within the context of historical DC investment trends, and represent what has to date been considered best practice. However, it is also the case that it is challenging for private capital funds to meet standards or practices designed with a wholly liquid, public market investment in mind.

Moving forward, UK Private Capital, working with the DC Expert Panel and other industry stakeholders, will continue to work to understand these requirements and to find solutions that bridge the gap. We have already had positive discussions with the British Business Bank about the leadership role it can play, and we welcome initiatives such as Venture Link. We will also continue to encourage DC providers to consider how they can apply their internal checks to private capital funds – particularly smaller funds – in a proportionate manner.

In addition, this report is accompanied by a new guide aimed at private capital firms, to assist in understanding the basic features of DC pensions. This is a high-level overview of the key regulatory features and includes areas that DC pensions have sought to correct any misconceptions. This has been developed with the assistance of a number of DC schemes represented on the panel.

Later this year, in partnership with Reframe Venture, UK Private Capital also plans to publish a new ESG reporting template, which aims to apply the reporting needs of large investors, such as pension funds, to VC funds in a proportionate manner. Moving forward we will continue to explore how to ensure the reporting needs of both groups can continue to be met.

Cost disclosure in DC

In the final report of the Pensions & Private Capital Expert Panel in 2025, the panel recommended that consistent cost disclosures be applied across the landscape. This noted both the misalignment of charge cap rules for the contract-based and trust-based markets, and that some costs that would typically not be disclosed in relation to holdings of listed companies would be disclosed in relation to private capital funds. This created the misleading impression that those costs were present in relation to private capital investments, but not in relation to listed equities.

Since the publication of the report, the issue has continued to be discussed, including in some detail by an industry working group convened to support the Expert Panel work in this area. The group concluded that, despite the drive to diversify DC pension schemes into private market investments generally, the system used to report costs in DC defaults is still anchored in a framework built for liquid, listed markets. This is creating a further disincentive to invest in private capital funds, in a market which is sensitive to cost.

Private capital investments tend to have a wider range of different costs, reflecting the different activities undertaken to create value within a fund. This is especially true within a fund-of-funds structure.

The outcome is that private capital funds appear structurally more expensive in a way that is not directly comparable to public markets, and the relationship between cost and net return is obscured.

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Proposed solution

We recommend the development of a new **Private Capital Cost Standard** for DC schemes. This could potentially be packaged alongside the existing Cost Transparency Initiative templates, led by Pensions UK, the Investment Association and the Local Government Pensions Scheme Advisory Board.

The new approach would seek to provide information to enable decision-makers to make a more accurate assessment of costs within a pension scheme. This would be applicable both in a traditional private capital fund structure, and in a fund-of-funds. It would need to be aligned with current rules, including FCA rules, DWP and TPR regulations, and the emerging Value for Money framework.

The key principle would be to ensure that the costs that are being compared by decision makers are broadly aligned with those payable by members, and strike a reasonable balance between transparency and not giving a misleading impression of underlying costs.

"The importance of supporting UK businesses to get to scale has long been clear but challenges remain for DC pension schemes around capital architecture, incentives and structures. Schemes also have to remain focused on the interests of their members. Following the signature of the Mansion House Accord, asset owners are building the internal capability and governance structures required to invest in private markets. These changes will take time, but the Expert Panel provides a vital forum where these issues can be discussed. The recommendations of the report should be considered seriously by the industry and policymakers."

Tim Gosling
The People's Partnership

Cost disclosure in DC

Other costs would continue to be disclosed in full, perhaps in a document such as the Chair's Statement, but clearly identified as part of the underlying investment process and already reflected in performance, as well as not subject to the charge cap. The principles would apply irrespective of the fee structure.

There is clear consensus that there should be no intention to obscure costs or give the impression that private capital funds are not more expensive than equivalent public market investments. The aim of the work should be to enable reasonable comparisons both between different types of private capital investments, and with other types of investments. The group did not make detailed recommendations on how specific costs should be treated, as it believes a wider working group of industry experts should consider the matter more fully. It noted it would also need clearer definitions associated with some of the categories, which may not typically be considered at the moment.

This table sets out an overview of the key tiers of costs involved in private capital fund investment by pension schemes that need to be considered as part of developing a more transparent, comparable and ultimately accurate cost disclosure framework. The Expert Panel is keen to generate further discussion on how this might work in practice, and to work closely with the three CTI founders to ensure continuity and consistency on any ongoing work in this space.

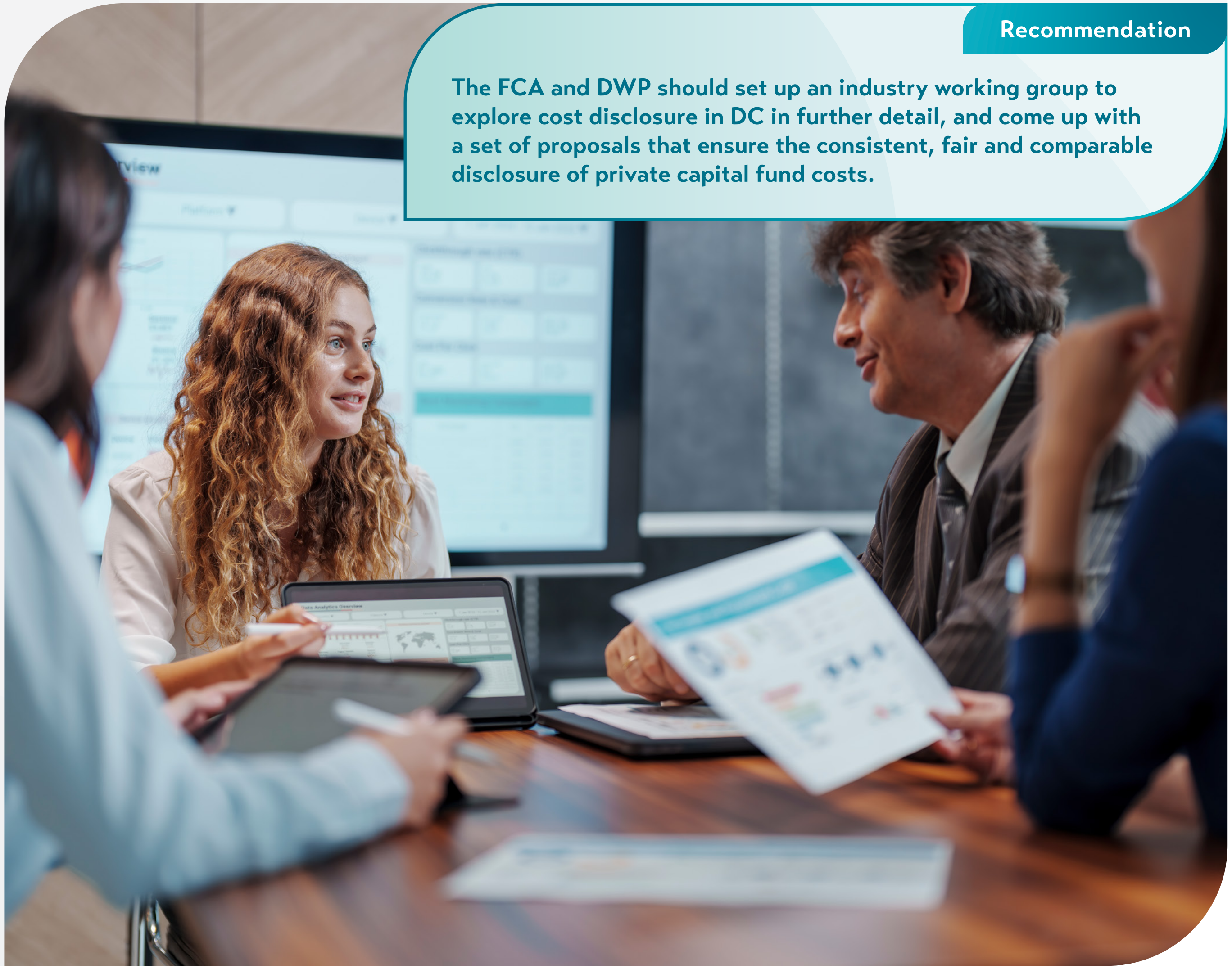
Cost layer	Treatment under the PCCS
Tier 1: pension platform charges	Developing an effective new PCCS will require agreement over how disclosures are grouped or disclosed separately. This requires consideration of which of these tiers should be disclosed as fees deducted from member units and subject to the charge cap, and which of them should be disclosed separately as 'underlying private markets costs' in the annual chair's statement, noting that these are already accounted for in net performance (and not subject to the charge cap). There should be consistency in treatment.
Tier 2: access vehicle fees and expenses	
Tier 3: underlying manager fees and expenses	
Tier 4: transaction costs at the access vehicle or underlying manager	
Tier 4: access vehicle and/or underlying manager carry	
Tier 5: deal level costs	

Cost disclosure in DC

There are reasons why getting this right could be transformational. An approach that better reflect the economic reality of how private markets operate would improves comparability at the level where trustees and decision-makers have real choice, and be broadly consistent with wider regulatory thinking that distinguishes between charges borne directly by investors and costs embedded in asset values. Crucially, it would make private capital investments far more viable. As the Value for Money framework will require further disclosure of costs, to enable comparisons, then it is important that this happens on a like-for-like basis.

Recommendation

The FCA and DWP should set up an industry working group to explore cost disclosure in DC in further detail, and come up with a set of proposals that ensure the consistent, fair and comparable disclosure of private capital fund costs.



List of recommendations

- Government, regulators and industry should continue to focus on ensuring regulatory and other barriers are removed and momentum is retained on the Mansion House commitments.
- The British Business Bank should establish a fund-of-funds to enable more pension scheme investment into smaller venture capital and growth equity funds.
- The FCA and DWP should ensure full alignment and a proportionate approach across all charge cap rules for the trust and contract landscapes.
- The FCA should review and alter the permitted links rules to maximise access options.
- The FCA and DWP should set up an industry working group to explore cost disclosure in DC in further detail, and come up with a set of proposals that ensure the consistent, fair and comparable disclosure of private capital fund costs.

"The Mansion House agenda has created a welcome opportunity to connect pension capital with the UK's innovation economy, but the next phase needs to be about delivery rather than commitments. We are increasingly confident that industry remains on a trajectory towards the scale of capital flow that the Mansion House ambition envisages. The Expert Panel has an important role in maintaining that focus on implementation and ensuring that the barriers identified by investors and pension schemes translate into action."

Douglas Hansen-Luke
Future Planet Capital

Invested in a better future

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