

DWP CDC Policy Team
Caxton House
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London
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By email: caxtonhouse.legislation@dwp.gov.uk

19 November 2024

Dear CDC Policy Team,

Re: The Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025

The BVCA is the industry body and public policy advocate for the private equity and venture capital (private capital) industry in the UK. With a membership of over 600 firms, we represent the vast majority of all UK-based private capital firms, as well as their professional advisers and investors. In 2022, £27.5bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. There are over 12,000 UK companies backed by private capital which currently employ over 2.2 million people in the UK. Over 55% of the businesses backed are outside of London and 90% of the businesses receiving investment are small and medium-sized enterprises (SMEs).

We welcome the opportunity to provide feedback on these draft regulations, given the wider relationship between the UK's DC pension landscape and the importance of generating growth.

Over recent decades, the evolution of the UK pensions industry – the move away from DB to DC funds, and the continued evolution into larger Master Trusts - has made it harder for pension savers to benefit from the returns, and diversifications, typically offered by private capital. Sixteen times more capital from pensions around the world goes into UK private capital than UK capital. UK pension funds are investing less in private markets than comparable asset managers.

This means that UK pension savers are currently missing out on the returns generated by private capital in the UK, which pension savers in other countries currently benefit from. The reasons for this are complex, though the move from pooled risk models to individual 'pots', and a dependence on savers making complex investment decisions, are clearly a significant factor.

Last year, the BVCA convened a [Pension & Private Capital Expert Panel](#) in partnership with the ABI and the PLSA. The panel is made up of senior representatives of both the DC pensions and private capital industries and is tasked with identifying and developing a shared understanding of the barriers for DC pension schemes that wish to invest in private capital in the UK.

In an [interim report](#) launched at the BVCA's Pension Summit on 11 September the Panel acknowledged the importance of risk pooling in addressing a number of long-standing challenges in the pensions sector, including the lack of investment in growth assets, pension pot adequacy, and, if done well, deferred small pots. The Panel therefore recommended that:

Industry and Government should work together to consider how risk can be better pooled in DC structures in the interests of savers. In particular, CDC schemes should continue to be explored.

In particular, the panel noted that for successful risk pooling to be progressed, there is a need for:

- Greater awareness amongst providers and employers of what a pooled scheme is, how it works and the benefits in comparison to a DC scheme.
- Legislation to enable multi-employer CDCs in the UK. Large employers and providers will also need to invest in the design of a CDC offering.
- Schemes to achieve scale in terms of number of members and assets under management. The larger Master Trusts that already have scale and developed infrastructure could be well placed to have a pooled offering.
- A mechanism so that members can remain in the scheme but have contributions from successive employers to avoid transfers out (and disinvestment) when moving between employers.
- Value for Money to be operational and effective so that members can compare the benefits of different pension models and providers and switch between different providers as they want.
- The Panel also noted that CDC could have an impact sooner if the regulations allowed for transfers in.

Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of the above in more detail (please contact Tom Taylor ttaylor@bvca.co.uk / Karen Hurst khurst@bvca.co.uk).

Yours sincerely



Tom Taylor,

Head of Policy (Legal & Regulatory), BVCA