Department for Science, Innovation & Technology

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The Rt Hon. the Baroness
Stowell of Beeston MBE,
House of Lords
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24 June 2025

Dear Baroness Stowell,

Thank you for your thoughtful contributions during the recent debate on the Communications and Digital Committee's report. I am writing to provide a substantive response to your question regarding when the government expects its pension reforms to improve capital access for innovative firms, having consulted with my colleagues in HM Treasury, with whom responsibility for pensions reform sits.

Domestic Institutional Investment and Pension Reform
You rightly highlighted the critical importance of unlocking greater domestic institutional investment in the UK's most innovative and high-growth businesses, including those in the AI and creative technology sectors. The government fully recognises the importance of addressing this issue and, working with industry, is taking forward a wide-ranging programme of pensions reform designed to help achieve exactly that.

While the full benefits of these reforms will build over time, we are already seeing early positive signs. In particular, the industry-led voluntary initiative, known as the Mansion House Accord, saw 17 of the largest workplace pension providers have voluntarily committed to invest at least 10 per cent of their defined contribution (DC) default funds in private markets by 2030, with half (5 per cent) of that invested in UK private assets. Collectively these 17 schemes manage around 90% of active pension savers' pensions.

Specific milestones will also be delivered through the Pension Schemes Bill and wider reforms. For example, multi-employer defined contribution schemes will need to have at least £25 billion in their main default arrangements by 2030—or be on track to achieve that scale by 2035 with at least £10 billion in their arrangements by 2030. Achieving scale will unlock the investment capability of our pension fund industry, enabling increased investment for example, in high-growth businesses and technology sectors and supporting the ambitions of the Accord.

Moving towards such an investment approach requires a collective approach across the industry and we recognise the need to translate voluntary commitments into real action. To that end, HMT has announced plans to take a new reserve power in the Pension Schemes Bill. If industry were not to make sufficient progress voluntarily, the power would enable the government to require defined contribution pension schemes to meet specific asset allocation targets under the Mansion House Accord. However, the government does not anticipate exercising the power unless it considers that the industry has not delivered the change on its own following the Mansion House commitments and would only do so after careful assessment of the potential impacts on pension savers and economic growth.

This is a crucial opportunity for our growing cohort of promising science and technology companies to secure the investment that they need to scale, and work will continue at pace with industry and regulators to maintain their positive momentum.

Thank you again for your contribution and continued engagement on these important issues. Treasury colleagues and I would be very happy to arrange further discussions on this topic should you find that helpful.

I hope this provides you with the necessary clarity and reassurance. Thank you again for your engagement. I am also depositing a copy of this letter in the Libraries of the House.

Yours sincerely,

Maggie Jones.

Baroness Jones of Whitchurch,
Parliamentary Under Secretary of State for the Future Digital Economy and Online Safety