

Launch Event Write Up

Pension Scheme Assets: How is Asset Allocation Changing and Why?

Overview



On 4 June 2025, the Pensions Policy Institute (PPI) launched its independent report [*Pension Scheme Assets: How is Asset Allocation Changing and Why?*](#) as part of the annual Pension Scheme Assets series. The report was authored by **Jackie Wells, Research Associate at the PPI**, and was kindly sponsored by Phoenix Group and Royal London. It provides an update to the 2024 PPI report, titled: *Pension Scheme Assets - how they are invested and how and why they change over the years?*

The launch event was hosted at Central Hall Westminster, generously supported by Pensions UK (previously, Pensions and Lifetime Savings Association (PLSA)). The event was chaired by **Chris Curry, Director of the PPI**, and opened with a foreword from **Zoe Alexander, Director of Policy & Advocacy at Pensions UK**. Jackie Wells then presented the report's key findings, followed by a panel discussion featuring **Connor McBain** (Phoenix Group), **Jamie Jenkins** (Royal London and PPI Trustee) and **Jackie Wells**.

The presentation by Jackie highlighted the main findings from PPI's 2025 analysis.

Key findings:

- UK pension assets have grown by 11% to over £3 trillion, though with variation across scheme types: DC trust-based workplace schemes grew the fastest (27%), followed by DC contract-based and public sector DB schemes.
- Asset allocation varies widely across sectors, with, overall, around 45% in bonds, 34% in listed equities, 10% in alternatives, and 12% in cash and other assets.
- Just 10% of funds are invested in productive assets under a narrow definition, though this rises to 60% when including corporate bonds and listed equities. One-third of this is invested in UK-based assets.
- Six key themes are shaping investment thinking in 2025:
 - 1) diversification and search for uncorrelated returns.
 - 2) building scale and implementing the Value for Money (VfM) framework in DC.
 - 3) investing for social impact.
 - 4) geopolitical uncertainty.
 - 5) securing the "endgame" in DB schemes, and
 - 6) uncertainty around Local Government Pension Scheme (LGPS) conversations.
- The report underscores the importance of governance, expertise and scale in enabling schemes to access private markets and achieve better diversification, while noting barriers such as data inconsistencies, regulatory challenges and fiduciary duties.
- The measurement of impact after the implementation of policy reforms and changes (Pensions Investment Review, Pensions Bill, Mansion House Accord) will be challenging but necessary.

Highlights from the Panel discussion:

- Panellists debated the UK's relatively low investment in private markets compared to other developed pension systems and discussed the need for drivers and incentives, alongside and complementary to fiduciary responsibilities.
- There was consensus on the need for better data to inform policy and investment decisions.
- Panelists acknowledged the momentum created by the Mansion House Compact and Accord but emphasized that systemic change will take time due to governance requirements and the need for a strong pipeline of investment opportunities.
- Broader reflections considered how pensions can play a role in supporting UK economic growth and how to define "productive assets" in a way that aligns with delivering value to savers. In the end, pensions must provide for people in their retirement.

Q&A session

The Q&A session primarily delved into the challenges and practicalities behind scaling investment in private markets and improving productive investment. The following points were raised and answered by the members of the panel under Chatham House Rule.

Is "bigger always better"?

Panellists agreed that while evidence linking scheme size to outcomes is limited, there's a clear threshold below which schemes struggle to access certain investments (especially large-scale infrastructure or private markets) – scale removes certain barriers that wouldn't allow smaller schemes to participate in investment in certain areas. Roughly £50 billion was suggested as the scale needed to efficiently enter these asset classes.

What are some of the barriers to private markets entry?

Investing in illiquid or alternative assets requires not only money but the governance, internal expertise, and operational capacity to manage them. Small schemes face challenges in building these capabilities. This makes scale, or access to "pooled arrangements" key.

Scale, SIPPs and market fragmentation

In the personal pensions market, insurance companies, platforms and investment managers play key roles, and considerable consolidation has occurred at the provider level. With individuals making many of the investment decisions in this part of the market, understanding the risks and rewards of private markets will be key to wider use alongside access to retail funds.

How will asset investment evolve given current policy developments/efforts?

Panellists highlighted how initiatives like the Mansion House Compact and Accord have sparked enthusiasm, and may bring about positive outcomes, though real change will take time. Questions remain around definitions, such as what counts as "productive assets" and over how to incentivise schemes to shift investments.

The response to the question also touched on the challenge of saver inertia, noting that while the Mansion House initiatives are built around current patterns of low engagement, future developments (pension dashboards, open finance and shifting employment trends) could change how individuals interact with their pensions.

Panellists also reflected on the difficulties of designing effective incentives, observing that much of the current debate centres on tax relief or penalties, which focus on avoiding negative outcomes rather than offering positive motivations for schemes or savers.

Concluding Reflections

The event concluded with a sense of cautious optimism. While the UK is considered to have one of the largest DC markets globally, it is also characterised by gaps in funding in regard to private equity and other alternative investments. Collaboration across sectors will be essential to address gaps, improve data consistency, and redefine what counts as “productive” investment in ways that ultimately improve retirement outcomes for savers.

An INDEPENDENT Research Report by the

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This research report is kindly sponsored by:

