

# Influence, connect, save



**Guy Opperman MP**

Minister for Pensions and Financial Inclusion  
Department for Work and Pensions  
Caxton House  
Tothill St  
London SW1H 9NA

18 January 2022

Dear Mr Opperman,

**RE: Enabling investment in productive finance**

I am writing to you as the CEO of the UK BioIndustry Association (BIA), the trade association for innovative life sciences in the UK. Our goal is to secure the UK's position as a global hub for life sciences and as the best location for innovative research and commercialisation, enabling our world-leading research base to deliver healthcare solutions that can truly make a difference to people's lives.

First, I would like to thank you again for your continued leadership on this policy agenda to ensure pension savers have access to innovative and diversified investment strategies and are able to benefit from the wealth-creating opportunities of the UK's innovative, venture capital-backed industries, including life sciences. The BIA responded to the previous consultations in this series, and I am pleased to see progress from a policy perspective but remain concerned that the pensions industry itself is not responding quickly enough.

As your previous consultations have noted, innovative sectors of the economy tend to be composed of more illiquid companies but also offer the greatest chance for large returns on investment as well as societal benefits from advances in technology, such as new medicines. However, UK pension schemes, especially those operating in the defined contributions market, are not investing in them. Pension savers should have the opportunity to gain exposure to sectors that will benefit their own and others' health *and* deliver real asset value growth for their savings to provide a comfortable income in retirement.

There is an added injustice here, as taxpayers are funding the academic science base on which these innovative industries are being built, but not being given the opportunity to benefit from the financial upside through their state-mandated DC pension. As a result, much of the wealth created is being accumulated by overseas investors.

There are many complex reasons for this, as outlined by the Productive Finance Working Group, but we believe an excessive focus on fees is a crucial one. The charge cap is not the only driver of this focus, but it is highly influential and seen as an unpassable barrier for many in the pensions industry. We therefore welcome the proposals set out in the current consultation to exclude performance fees and carried interest from the charge cap calculation. We believe this will help facilitate fresh discussions

between the venture capital industry and the pensions industry on fee structures that work for both sides, and allow them to move onto addressing the other hurdles that must be overcome to permit meaningful change in how pension savers' capital is allocated throughout the British economy.

The proposed change will only begin the long process of changing the risk-averse and low fees culture within the pensions industry, which is not only held by trustees and scheme managers, but also the extensive advisory industry surrounding them. The Government must be proactive in communicating to consumers and industry participants that low fees do not equal good value, and that investment decisions for pension savers should be made with a view to value creation as well as wealth preservation. Many other Governments are making this move, as seen in Switzerland, which has announced that pension funds will be able to invest up to 5% of their assets into VC, with at least 50% of this to be invested domestically<sup>1</sup>. This provides "cover" for those trustees that want to explore VC assets but have concerns with the regulatory and prudential rules. Similar reforms should be considered in the UK.

Our industry stands ready to support the Government in this mission, as underlined in our recent contributions to the Life Sciences Scale-Up Taskforce convened by the Secretary of State for Business, Energy and Industrial Strategy, who has shown great foresight in understanding and seeking to address the challenge.

I would welcome the opportunity to meet you to discuss these issues further. If this is of interest, please ask your office to contact my Executive Assistant Miriam ([mgedge@bioindustry.org](mailto:mgedge@bioindustry.org)) to follow up this invitation.

Yours sincerely,



**Steve Bates OBE**

CEO, BioIndustry Association

Cc: Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy  
George Freeman MP, Minister for Science, Research and Innovation  
Charles Roxburgh, Second Permanent Secretary to the Treasury

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<sup>1</sup> Swiss Federal Council (2021): [Link](#)