# Influence, connect, save

UK BioIndustry Association

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

30 October 2020

Dear Mr Opperman,

**RE: Improving outcomes for members of defined contribution pension schemes**

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 for your continued determination to ensure pension savers have access to innovative and diversified investment strategies. The BIA responded to the previous consultations in this series and I am pleased to see progress, even in these currently challenging times for the country and economies around the world.

The UK has a thriving life sciences sector, which provides jobs and contributes to the economy, and delivers health and social benefits. Indeed, it is testimony to the strength and value of our life sciences sector that the UK is the source of one of the leading vaccines in development for COVID-19 and home to companies such as Oxford Nanopore, which is at the forefront of providing rapid diagnostic tests. To continue to deliver these benefits, we must ensure the life sciences sector is able to access the private investment required to grow in the UK.

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. A recent study commissioned by the British Business Bank showed that retirement savings could be increased by 7-12% for a 22-year old, for example, if their DC pension scheme made 5% of investments in the UK's fastest growing and most innovative companies[1]. Pension savers should have the opportunity to invest in enterprises that will benefit their own and others' health *and* deliver real asset value growth for their savings to provide a comfortable income in retirement.

We therefore welcome the Government's continued focus on addressing barriers and encouraging pension funds to invest in illiquid assets, including venture capital. Promoting consolidation of smaller funds will help enable this by achieving the scale that permits portfolios with exposure to venture capital.

Venture capital investment requires specialist knowledge and skills, plus more detailed due diligence and active asset management, meaning it is more costly. We agree with the current consultation's

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[1] Oliver Wyman (2019), *The Future of DC Pensions: Enabling Access to Venture Capital and Growth Equity*: https://www.british-business-bank.co.uk/research/the-future-of-dc-pensions-enabling-access-to-venture-capital-and-growth-equity/

assertion that the pervasive focus on low fees within the pensions industry acts as an undesirable barrier to investing in illiquid assets, most significantly venture capital due to its costs. The charge cap adds to this impression so the Government's clarification that low fees does not equal good value, and your department's efforts to alter the calculation of the cap to permit investment strategies subject to higher fees, are welcome.

However, the consultation does not acknowledge that the barriers to investing in venture capital are higher than those for other illiquid asset classes, due to the higher costs. We would encourage the Government to recognise this and adapt policies to ensure that savers are able to access and benefit from the full range of illiquid assets that each bring different benefits within a diversified investment strategy.

Whilst we thank you for your continued work, we do not believe that the measures outlined in the consultation go far enough to truly make a difference to the levels of venture capital investment by the UK pensions industry. This is largely due to the focus on low fees within the pensions market. We appreciate that this is a very difficult problem to address, but it is crucial to both the sustainability of savers' retirement pots and the ability of the UK to finance the growth of innovative companies that will underpin our future economy.

Transparency in investments would in part help to achieve this and it is disappointing the Government does not intend to pursue this at this time. Savers, especially those in younger generations, are keen to support sustainable and impactful investments and investments in the tech that they are growing up with. Greater transparency in whether their pensions are being deployed to support these interests would raise young people's interests in their savings, empower consumer choice and nudge pension funds to look seriously at these assets

The previously mentioned British Business Bank study recommended a specialist collective investment vehicle to enable the pensions industry to invest in venture capital and secure the financial returns for scheme members. If the market does not deliver this, the Government should address this failure through the creation of its own collective investment vehicle.

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) to follow up this invitation.

Yours sincerely,

**Steve Bates OBE**
CEO, BioIndustry Association

Cc: John Glen MP, Economic Secretary to the Treasury
Nadhim Zahawi MP, Minister for Business and Industry
Charles Roxburgh, Second Permanent Secretary to the Treasury