



BVCA Pension Summit

Unlocking Pension Capital: The Key to Growth

Delivered 11th September 2024

Good morning ladies and gentlemen...

I'd like to start by thanking the BVCA and their CEO, Michael Moore, for convening this pension summit.

It is a pleasure to speak with you today about an issue at the very heart of our nation's future: economic growth.

Economic growth is why we are all here. Indeed, the theme of this conference is 'Partners for Growth' and the Government's first mission is economic growth.

But before we delve into this, allow me to share a bit about my story and the City of London Corporation's leading role in this national effort.

[PAUSE]

The City of London Corporation – where I have the privilege of serving as Policy Chairman and political leader – is the governing body of the Square Mile.



The City's history stretches back over two thousand years...

A small Roman settlement on the banks of the Thames into a trading town. A trading town into the nation's capital. The nation's capital into a global economic hub.

Today, the City Corporation stands as guardians of the Square Mile, the nation's financial district, and the world's leading financial centre.

Though our responsibilities have evolved over the centuries, our core mission endures: to ensure that the Square Mile, wider London, and the country remains world leading.

We operate as an independent-led body. We are deliberately non-political, yet fiercely partisan when it comes to defending and promoting the interests of the City and its vital financial and professional services sector.

In pursuit of this mission, we identify problems, convene the sector, and deliver actionable solutions for the economy and the country.

The result is bodies like TheCityUK, the Centre for Finance, Innovation, and Technology (CFIT), and Progress Together. All founded wholly or in part by the City Corporation, all helping to deliver a stronger, more resilient, and more diverse sector in service of the whole country.



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Today, we face a significant national challenge: economic growth.

Since the 2007-08 global financial crisis, the UK economy has been largely stagnant...

... We've experienced low productivity and low economic growth.

To put this in perspective, if the UK's GDP per person had grown as rapidly in the 15 years following 2007 as it did in the 27 years before, every individual in this country would be £10,600 better off annually in real terms.

UK productivity grew by just 0.4% annually over the past 12 years, half the rate of the 25 richest OECD countries.

We would have been more resilient to economic shocks like the energy price spike and suffered lower levels of inflation.

We need strong economic growth, not just for the financial sector, but for the nation as a whole.

A growing economy means more investment, more jobs, and more funding for public services.

Unlocking economic growth within the financial and professional services sector is crucial to kickstarting national growth.



This sector employs over 2.4 million people, two-thirds of whom are based outside London, in cities like Leeds, Edinburgh, Belfast, and Birmingham.

And the sector contributes over £110 billion in taxes annually – more than the entire education budget.

Put simply, we are the engine in the economy, so let's get out of first gear!

[PAUSE]

At the City Corporation, we were one of the first organisations to identify that the key to unlock economic growth is pension capital.

Pension capital can be more-effectively deployed to raise investment levels across the country, benefitting everyone from savers and investors to young start-up businesses.

In March 2023, the then Lord Mayor Nicholas Lyons, convened leaders from across the City to discuss the challenges facing our sector.

We recognised that sustaining the Square Mile and the UK as the world's leading financial centre required a long-term vision.

A critical part of this plan involved addressing the related issues of economic growth and our national aversion to risk.



We had lost our sense of responsible risk-taking.

The consequence is that our heightened aversion to risk had become a critical obstacle to growth.

We locked away British capital for the best of intentions, but it served the worst of outcomes.

Rather than investing in British companies, we allowed them to leave our markets, effectively planting seeds of growth only to let others reap the harvest.

This trend was most evident in our pension system.

Canadian and Australian pension funds – the most successful globally over the last 30 years – invest between 35% and 50% in unlisted assets.

UK pension funds, despite holding around £3 trillion in assets, allocate a mere 7% to these same asset classes.

We at the City Corporation led the charge for change.

Supported by the then Government, the City Corporation built consensus within the sector around the idea of reallocating more assets from Defined Contribution (DC) pension funds to unlisted equities.



Our mission was to unlock the capital that would help our young businesses start, scale, and, crucially, stay in the UK.

This isn't about growth for growth's sake.

Our ambition is to deliver better returns for savers, support businesses, boost employment, and help unlock potential across the country, particularly in our brilliant life sciences and biotech sectors.

In July last year, the City Corporation brought major firms from the sector together and created the Mansion House Compact.

Initially, nine of our largest DC pension schemes, representing two-thirds of the DC market, signed a voluntary industry-led agreement to allocate at least 5% of DC default funds to unlisted equities by 2030.

Our goal is to unlock £50 billion of capital.

I'm proud to say that today, we have 11 signatories to the Mansion House Compact.

Firms are committed to this vision, actively bringing new products to market and creating new investment arms.

Just last month, we published an update in collaboration with the Association of British Insurers (ABI) on the one-year anniversary of the Mansion House Compact.



I'm pleased to report that 10 out of 11 firms have expanded or reallocated staff to support unlisted equity investments.

And 8 out of 11 firms are developing new funds or vehicles, including Long-Term Asset Funds (LTAFs), to increase investment in private markets, early-stage companies, and private equity.

Through the City Corporation, through our Mansion House Compact, through our partners in industry, we are building change.

[PAUSE]

As we look to the future, it is vital that the entire value chain – everyone in this room, from the BVCA to the ABI, the City Corporation, and the entire sector – maintains the momentum of the Mansion House Compact.

From my discussions with Rachel Reeves and the actions of the new Government, it is clear that there is a strong willingness to support the financial services sector and pensions in driving growth.

Moving forward, we must ensure that the Government delivers pension reforms at speed and provides transparency on their long-term investment strategy and policy priorities.



At the City Corporation, we are keen to support both Government and industry in delivering the changes that our sector, and our country, so desperately need.

Working together, we can help the pensions system unlock capital. Capital that unlocks growth. And growth that unlocks opportunity for people and businesses, savers and pensioners, right across the entire country.

I look forward to working with you to deliver this much-needed change.

Thank you.

ENDS. CHECK AGAINST DELIVERY.
