Legal & General Urges Chancellor Against Mandating Pension Fund UK Investments

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Legal & General's chief executive has urged Chancellor Rachel Reeves not to compel pension funds to invest in UK assets, warning that such mandates could hinder rather than help economic growth.

Antonio Simoes, who oversees £1.1 trillion in savers' assets at the UK's largest money manager, told The Mail on Sunday that the Government should focus on "creating the right conditions” to encourage pension funds to support the British economy naturally.

“We are following what customers want, what clients and savers want,” Simoes said. “I don’t think we should cross the line of mandating it. It’s more about creating the right ecosystem so that it happens naturally.”

The comments come amid discussions in Parliament over the Pension Schemes Bill, which would give regulators the power to require workplace pension schemes to increase their investments in British assets. The bill aims to promote economic growth by encouraging more capital to be allocated domestically.

However, Simoes cautioned that forcing pension funds to back UK assets risks creating “instability and uncertainty.” Former pensions minister Sir Steve Webb has also criticised the proposals, warning they could disrupt pension schemes.

Instead, Legal & General supports voluntary initiatives such as the Mansion House accords, a pledge signed by major money managers to invest at least 10 per cent of pension funds into private markets by 2030, including a 5 per cent allocation to UK investments.

Simoes expressed alignment with the Government’s ambitions but emphasised the importance of supply-side reforms. He highlighted the planning and infrastructure bill as an example of legislation needed to streamline approvals for building projects, which could help stimulate investment opportunities.

In a wider economic context, the L&G chief called for policies to encourage greater pension saving. He has previously advocated lowering the auto-enrolment age for workplace pension schemes from 22 to 18, arguing this would boost the economy by increasing retirement savings early and reducing future reliance on state benefits.

The Government has recently announced a review of the state pension age, which is currently set to rise from 66 to 67 by 2028. This move comes amid warnings from the Office for Budget Responsibility (OBR) that public finances face long-term pressure due to an ageing population.

The OBR estimates that the cost of the “triple lock” on the state pension, which guarantees annual increases based on the highest of inflation, earnings growth or 2.5 per cent, will reach £15.5 billion a year by 2030. This figure is three times higher than earlier projections.

Legal & General’s call for measured government intervention reflects concerns that overly prescriptive investment mandates could backfire, whereas creating a favourable investment environment and encouraging voluntary commitment may be more effective for sustainable UK growth.