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Consolidating local government pension funds could raise £6bn for infrastructure

17 July, 2012 | By NCE Editorial

The Association for Consultancy and Engineering has published a new report suggesting that £6bn could be released for investment in infrastructure by consolidating the Local Government Pension Scheme.

This would support the government's long term ambition of funding more than £20bn of investment from pension funds.

The report looks at the pensions sector in the UK, which is made up of a large number of relatively small public sector funds, while the UK's private sector funds, though larger, are also relatively small by international standards. This makes investment in infrastructure difficult as each fund can allocate only so much of its funding to any one type of investment. Long term cultural change would be needed to ensure funds see infrastructure as an attractive investment, and consolidating funds, or providing mechanisms for funds to pool their finances, will be key to achieving that.

There are around 4.6 million members of the Local Government Pension Scheme, which holds investments and assets of £120bn. But fragmentation into 99 regional funds means that no single fund has the capacity to invest in a significant infrastructure project or asset. Creating a platform through which all 99 can invest just 5% of their funds into projects would result in £6bn, says the ACE's report.

The report also suggests that the creation of the government's new Pension Investment Platform must be matched by efforts to provide certainty to pension funds and to help change the culture surrounding infrastructure investment. Funds appear to be more willing to invest in completed assets rather than investing to build infrastructure. Facilitating this would enable early phase investors, such as the Green Investment Bank, to re-invest in construction once their projects are completed.

Readers' comments (2)

- [Brian Mason](#) | 17-Jul-2012 9:09 am

I would not be as naive to assume that there would be no risk to this type of idea and investment. Does anyone out there think that Local Government workers will be asked about this, or will the money be invested anyway?

Don't tinker with my current or future pension will come in to minds of many people out there.

- [Brian Mason](#) | 17-Jul-2012 11:25 am

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