

Ruth Lewis
Reviews Team
ALB Partnership Division, Policy Group
Private Pensions & ALB Partnership Directorate
Department for Work and Pensions

Email: RUTH.LEWIS1@DWP.GOV.UK

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Dear Ruth

Re: BVCA comments on review of The Pensions Regulator (TPR)

We are writing on behalf of the British Private Equity and Venture Capital Association, which is the industry body and public policy advocate for the private equity and venture capital industry in the UK. With a membership of over 700 firms, we represent the vast majority of all UK-based private equity and venture capital firms, as well as their professional advisers and investors. Between 2017 and 2021, BVCA members invested over £57bn into around 3,900 UK businesses, in sectors across the UK economy ranging from heavy infrastructure to emerging technology. Companies backed by private equity and venture capital ("PE/VC") currently employ two million people in the UK, and 90% of the businesses our members invest in are small and medium-sized businesses.

Please see detailed below some examples of the experience of members of the BVCA in dealing with the Pensions Regulator:

- There is what the BVCA consider to be an outdated perception that private equity buyers will always use higher leverage and will be detrimental to the scheme;
- The Pensions Regulator appears to require additional value to be secured for the scheme both by the trustees and following its own intervention, almost irrespective of the circumstances, funding level and any value or security already offered to the scheme in relation to the transaction. This has the negative effect that commercial parties may consider that they need to offer less than might be reasonable, to ensure the eventual deal is reasonable and that those whose first offer is reasonable may consider that they are penalised for being fair.
- The failure to communicate clearly about a "right level" of funding or mitigation and to have a tendency always to seek improvement, may generate cynicism and can lead to a lack of consistency and fairness.
- Occasionally, the Pensions Regulator may pursue the wrong matter, for instance, encouraging trustees to seek more security or "mitigation" where all parties are clear that the transaction is not detrimental and there is no justification or available powers for the trustees seeking such "mitigation".

- The new draft Funding Code driving defined benefit schemes to raise their funding levels as fast as the employers can afford and adopt a low dependency investment allocation may be unnecessarily strict and may lead to an inefficient use of capital. It significantly restricts the scope for UK defined benefit pension schemes to invest in private equity."

The BVCA would of course be willing to discuss this submission with you further - please contact Ciaran Harris (charris@bvca.co.uk) at the BVCA.

Yours faithfully,



Tom Taylor

Head of Policy, BVCA