

# Global Perspectives

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## Private markets in UK Defined Contribution schemes

The UK's defined contribution pension market has reached a pivotal moment, as pension systems around the world converge on new approaches to long-term investing. In this edition of our Access to Impact series, we turn to the global stage, exploring how pension markets are reshaping private market investing in defined contribution schemes.



### Summary

Under the Mansion House Accord of May 2025, many major UK workplace and master trust schemes have committed to allocate at least 10% of their default funds to private markets by 2030.<sup>1</sup>

However, the UK's DC schemes are not alone in increasing exposure to private markets. Similar shifts are underway across several of the world's largest pension systems, as DC schemes in regions such as the US and the Netherlands move towards greater private market allocations.

### Why private markets?

As long-term investors, DC schemes are well placed to add private market assets to their default portfolios alongside listed equities and bonds. Adding private equity, private credit, real estate and infrastructure could improve risk adjusted returns and reduce reliance on public markets.

These assets could also enhance diversification and provide greater exposure to inflation-linked income streams. For members, this could mean a larger pension pot at retirement.

Most UK DC schemes to date have limited exposure to private markets. Those that have made allocations have tended to focus on private equity, which is primarily regarded as an additional, low-volatility source of capital growth alongside public equities. However, trustees are now showing increased interest in three other areas: private credit to broaden their fixed income exposure; infrastructure as a source of uncorrelated returns, often with regulated cash flows pegged to inflation; and real estate for its potential to deliver stable, income-generating returns with a degree of inflation protection.

## 80%

Workers in the US with access to a DC plan <sup>(3)</sup>

## 40%

Pension assets in the UK managed by DC schemes <sup>(4)</sup>

## €90bn

Additional investment in the Netherlands driven by private markets over the next 5 years <sup>(7)</sup>

<sup>1</sup><https://www.abi.org.uk/globalassets/files/subject/public/lts/2025/mansionhouseaccordmay2025.pdf>

# The UK is part of a global trend

The UK's transition towards a predominantly DC pension market is mirrored in several other large DC markets. In the US, DC schemes account for 72% of pension assets<sup>2</sup> and roughly 80% of workers now have access to a DC plan, compared with just 25% covered by DB plans.<sup>3</sup> In the UK, DC's share of pension assets stands at 40% – a proportion that has more than doubled since 2020 as DC schemes supplant DB for private sector employees.<sup>4</sup>

However, although DC now accounts for nearly three-quarters of US pension assets, as in the UK these schemes have little exposure to private markets. This is starting to change. An executive order in August 2025 directed the Department of Labor to propose new rules on private market investments in DC schemes. Although the rulemaking process is ongoing, US schemes are designing for between 5% and 10% exposure to private market assets in their target date funds.<sup>5</sup>

The Netherlands is making a more radical transition to a fully-DC system under the country's Future Pensions Act of 2023. This requires existing DB pensions to convert to individual DC pension accounts by the end of 2027, with most schemes incorporating a degree of collective risk sharing for members. Dutch DB pensions have historically invested significantly in private markets, averaging around 22% in alternatives.<sup>6</sup>

However, the shift from the liability-matching strategy that dominates DB schemes towards individual DC accounts is expected to prompt a reshaping of investment portfolios. Notably, it is likely to enable schemes to reduce their large (43%) average allocation to fixed income and increase exposure to return-seeking assets including private equity and credit. This could lead to an increase of up to 5% – or €90 billion – over the next five years.<sup>7</sup>

## Australia's superfunds

In following this course, the UK and US are both looking to the example of Australia, where the country's huge superannuation funds – known as "supers" – have been invested in private markets for decades.

Launched in 1992, two decades before the UK began workplace auto-enrolment, Australia's DC superannuation schemes now have around 16.5% of their assets in private markets, a figure that has been stable for the past decade. ASIC, the Australian financial regulator, says the major area of growth in private market investments among the supers has been in unlisted infrastructure. The regulator says: "Over the long-term, funds with more illiquid investments such as unlisted infrastructure have experienced higher risk-adjusted returns, which suggests they have captured a return premium for investing in these assets."

According to the Financial Times, the super funds used by younger savers, which target higher growth rates, delivered 8.8% annual returns over the decade to 2023, compared with 7.6% a year for equity-focused UK funds used by the same cohort of savers. This gap of 1.2 percentage points a year could result in a pension pot around one-third larger after 30 years for the typical scheme member. Part of the explanation for that outperformance lies with the supers' higher allocation to private markets.

## A global convergence

The push by regulators and governments in the UK, the Netherlands and US, among many others, represents a concerted effort to secure enhanced long-term returns for DC scheme members by increasing their exposure to assets that offer an "illiquidity premium," as well as increased diversification. However, trustees must approach the transition carefully.

<sup>2</sup> <https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2026/>

<sup>3</sup> <https://www.blackrock.com/us/financial-professionals/literature/article-reprint/blk-2026-retirement-trends-report.pdf>

<sup>4</sup> <https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2026/>

<sup>5</sup> <https://www.napa-net.org/news/2025/10/private-markets-in-dc-plans-what-advisors-need-to-know/>

<sup>6</sup> [https://rpc.cfainstitute.org/sites/default/files/docs/position-papers/2024-cfa-paper-development-of-a-blueprint-to-ease-transition\\_pr2024-01-23.pdf](https://rpc.cfainstitute.org/sites/default/files/docs/position-papers/2024-cfa-paper-development-of-a-blueprint-to-ease-transition_pr2024-01-23.pdf)

<sup>7</sup> <https://retirementincomejournal.com/article/going-dutch-on-pensions/>

<sup>8</sup> ASIC, May 2025. [https://download.asic.gov.au/media/s2cix1ru/20250506\\_smc-submission\\_asic-private-markets\\_final.pdf#](https://download.asic.gov.au/media/s2cix1ru/20250506_smc-submission_asic-private-markets_final.pdf#)

<sup>9</sup> <https://www.ft.com/content/496f4783-5b00-4f71-946f-bfbcd29e83b5>

Private markets carry risks including higher costs of ownership in private markets, illiquidity, differing valuation methodologies between managers and complexities in structuring these investments.

The task for trustees of achieving these benefits has been made easier by changes in regulation around how trustees should measure value for money, as well as recent innovations in fund structures, such as the UK's Long-Term Asset Fund (LTAF). These structures address the challenges of illiquidity and valuation through periodic dealing, structured liquidity management and robust valuation frameworks. This enables private markets to be introduced into DC defaults in a measured way that matches long-term investment horizons with member needs. Multi-alternative portfolios add further flexibility. Combining primary investments, secondaries and co-investments enables


managers to control pacing, liquidity and cost efficiency within chargecap constraints.

Together, these routes support open-architecture approaches, giving schemes access to a range of strategies and managers rather than relying on a single vehicle or provider. For DC schemes without extensive in-house investment teams, this approach can help translate private markets access into practical, scalable allocations aligned with default-fund requirements.

As DC schemes increase their exposure to private markets, the priority becomes integrating in a way that works within the scheme structures and governance frameworks of the UK system, and that ultimately serves member outcomes. In doing so, UK trustees should draw on the experience of private market managers to ensure they capture the benefits they are seeking: enhanced investment returns, greater diversification, inflation protection and income.

### Learn more:

[The Power of Private Markets Hub | BlackRock](#)



**Rewiring Retirement**

A podcast exploring the policies, markets and structural shifts reshaping the UK pensions landscape

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