Legal & General Group Plc
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L&G report reveals potential £220 billion investment prize for UK economy

- Reforms could drive £220 billion in UK investment over the next decade, permanently adding 0.7% to UK GDP by 2035
- Oxford Economics modelling shows six growth levers, if fully implemented, could also deliver £8.8 billion in additional government revenues and raise annual household disposable incomes by an average of £330 by 2035
- One of the UK's largest investors shows the prize available for UK growth from expanding and unlocking the country's investing environment.

Legal & General ('L&G') commissioned research, produced by Oxford Economics, shows that a suite of six policy changes has the potential to deliver an up to £220 billion boost in UK investment over the next decade, permanently adding 0.7% to UK GDP by 2035.

In addition to unlocking investment, if fully implemented, the reforms could generate £8.8 billion in additional government revenues and raise annual household disposable incomes by an average of £330 (2024 prices) by 2035. This uplift builds gradually over time as the measures take effect, reflecting the long-term benefits of mobilising pensions and insurance capital into productive assets.

The report, A Blueprint for Growth, focuses on key policy levers that could deepen the pool of pensions and institutional capital, expanding and unlocking long-term savings for investment in productive assets in the UK, and aiding its deployment. The six growth-unlocking policies have been selected by L&G from their perspective as one of the biggest investors in the UK.

The analysis, by Oxford Economics, models the full potential impact of four reforms to the pension and insurance sector which Government are in the process of implementing, and tests two new opportunities related to policies that would support pension contributions and Solvency UK, where going further could generate significant additional investment in the UK. The collective impact shown by the modelling highlights the impact that effective policy implementation could have on UK growth, long-term gains for households and the attractiveness of the UK for institutional investors.

The pension and insurance sector already plays a key role in driving investment in the UK economy, with the total value of UK pension assets estimated at £3.2 trillion in 2024. A Blueprint for Growth underlines the critical and growing role that long-term institutional investors, such as L&G, can play in supporting government's Plan for Change, by directing capital into assets that drive sustainable growth. Investment in productive assets such as new housing, clean energy generation, and digital infrastructure not only strengthens the economy, but deliver on broader societal benefits.

This builds on L&G's long-standing role as one of the UK's leading institutional investors, committed to directing capital into assets that deliver both economic and social value. Earlier this year, L&G announced a £2 billion programme for housing, infrastructure and urban regeneration, expected to create around 24,000 jobs and deliver 10,000 new social and affordable homes, demonstrating how pensions capital can be mobilised to strengthen communities and drive national prosperity.

António Simões, Group Chief Executive, Legal & General, said: "Delivering long-term growth must be at the heart of economic strategy and the UK has the fundamentals to deliver it - deep capital markets, strong institutions and a financial sector that is trusted at home and respected abroad. The task is to turn those strengths into a more productive economy.

"Pensions capital is central to that effort. With more than £3 trillion in long-term savings, even a modest shift towards productive assets can finance the homes, infrastructure and innovation the country needs. This research shows what is possible when conditions are aligned. The right policy framework could unlock up to £220 billion of additional investment over the next decade, strengthening public finances and increasing household incomes.

"The prize is clear if government, investors and industry embrace the challenge: a more resilient, more competitive economy where long-term savings support long-term prosperity."

The study models the impact that full implementation of four existing government reforms and two further opportunities could have on the UK economy:

1. **The Mansion House Accord** – a voluntary industry commitment from 17 defined contribution pension providers (including L&G) to allocate 5% of their main default funds to UK private markets by 2030.

2. **The Local Government Pension Scheme (LGPS)** – new requirements for administrating authorities to develop (and report on) their approach to local investment as set out in the Government's response to the Fit for the Future consultation.

3. **Surplus Extraction** – the introduction of new powers allowing trustees of defined benefit schemes to modify rules so that they can pay surpluses back to sponsoring companies.

4. **Planning reforms** – policies in the updated National Planning Policy Framework (NPPF) that supports investment in the housing sector by improving efficiency and predictability within the system.

5. **The opportunity from increasing pensions contributions** – modelling a scenario where auto-enrolment contributions are shifted to a minimum of 12% by increasing both employee and employer auto-enrolment contributions to 6% over a six-year period and removing the current age and earnings eligibility thresholds. This modelling could help inform The Pensions Commission work on pensions adequacy.

6. **Building on Solvency UK** – the investment accelerator – already in train - will allow insurers to invest ahead of regulatory approval. A further opportunity to unlock investment could be delivered through continued refinement of Solvency UK, enabling insurers to invest more easily in long-term infrastructure. This adjustment relates to the regulatory treatment of whole projects to limit the need for insurers to securitise or pool assets into bonds or other debt instruments.

Under the full potential scenario modelled, these interventions together could mobilise up to £220 billion in additional investment, adding 0.7% to UK GDP and £8.8 billion to public revenues by 2035. Under a reduced-scale scenario, where the reforms are either not implemented fully or where other factors impact the UK's investing environment, the report finds the reforms could still add 0.5% to GDP and generate £5.3 billion in government revenues.

Realising the full potential of the £220 billion additional investment will depend on driving its deployment into productive assets across the economy. The next phase of A Blueprint for Growth will focus on the investment opportunities - assessing how different forms of long-term capital can be mobilised into sectors that help drive growth, such as new housing, clean energy generation, and digital infrastructure. As part of this L&G will be convening a range of stakeholders - from government to UK business and investors - to examine any wider policy barriers to deploying capital into key productive assets across the UK.

Alex Stewart, Associate Director, Oxford Economics, said: "This research demonstrates the sizeable potential economic contribution from a suite of major reforms designed to support the pension and insurance sector channel capital into the UK. Crucially, the extent to which this is realised will depend on the supply of investment opportunities over the coming years."

-ENDS-

Notes to editors

Please find full Blueprint for Growth report here.

Against the backdrop of the OBR's recent growth forecasts, referenced in section 2.3 of A Blueprint for Growth, the L&G report focuses exclusively on the impact of targeted reforms to the pensions and insurance sector. Oxford Economics modelling shows these measures could permanently lift GDP by 0.7% - a scale of impact that compares favourably with other major policies, such as full expensing or childcare reforms, each estimated by the OBR to boost GDP by around 0.2%.

About L&G

Established in 1836, L&G is one of the UK's leading financial services groups and a major global investor, with £1.1 trillion in total assets under management (as at HY25) of which c. 43% (c. £0.5 trillion) is international. We have a highly synergistic business model, which continues to drive strong returns. We are a leading player in Institutional Retirement, in Retail Savings and Protection, and in Asset Management through both public and private markets. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

About Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 100 industries sectors, and 8,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

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