PENSIONS FOR PURPOSE

Commissioned by

Venture Connections European Women in VC

Venture & growth capital in Europe – mapping pension funds’ attitudes

AVP Atlantic Vantage Point

EURAZEO

HTGF

ECBF European Circular Bioeconomy Fund

ClimateKIC

eit Digital — Co-funded by the European Union

eit Urban Mobility — Co-funded by the European Union

perfORM DUE DILIGENCE SERVICES

SIEMENS energy

Opening remarks…
Ekaterina Zaharieva
European Commissioner

Europe is rich in talent and ideas. From artificial intelligence (AI) and quantum to clean energy and space, our entrepreneurs are shaping the technologies of tomorrow. Companies like *Mistral AI, SiPearl, IQM* and *Isar Aerospace* show Europe can produce world-class innovators. But too often, their growth still depends on capital from elsewhere.

The reason is clear. It is a question of finance. Today, European pension funds allocate less than 0.1% of their assets to venture capital. In the US, this figure is more than 100 times higher. The result is a funding gap that risks holding Europe back at the very moment global competition is accelerating.

We must change this. As Mario Draghi underlined, Europe's competitiveness and sovereignty depend on accelerating innovation. That means unlocking the big pools of long-term capital held by our institutional investors. By investing in Europe's future, they will also deliver strong returns for Europe's savers.

I am determined to act. With the *Startup and Scaleup Strategy* adopted in May, the *Commission* is moving decisively with actions including the expansion and simplification of the *EIC Fund*, the creation of the *Scaleup Europe Fund* and the launch of the *European Innovation Investment Pact*. Together, these measures will make it easier for institutional investors to invest confidently in Europe's growth story. But we need partners. Europe has the talent, the ideas and the ambition. Now it needs the capital. I urge Europe's pension funds and asset managers to join us. By investing in Europe's ventures, they can deliver for their beneficiaries and for Europe alike – financing innovation, creating jobs and building the technological strength that our sovereignty demands.

This report is a timely contribution to that effort, helping us to better understand the role of pensions in Europe's innovation ecosystem. I commend its insights to all those committed to building a more competitive and sovereign Europe.

Ekaterina Zaharieva

European Commissioner for Startups, Research and Innovation
European Commission

Opening remarks…

Rt Hon Rachel Reeves

Chancellor of the Exchequer

In today's rapidly evolving global economy, innovation is not a luxury – it is critical to sustainable growth. At the heart of this transformation lies the need to mobilise capital toward the technologies and start-ups that will define our continent's future prosperity. Yet too often, the pools of capital closest to home remain under-deployed in our most promising ventures. I welcome this report shining a light on this shared European challenge.

That is why, as Chancellor, I am determined to unlock the power of pensions capital. The reforms we have introduced, including the consolidation of defined contribution pension schemes and our local government scheme, are designed explicitly to deliver the scale and capability required to invest directly in higher-growth, private markets. These reforms will release billions in new investment into venture funds, fund of funds, growth equity and alternative assets driving innovation.

This report offers a compelling opportunity for trustees and pension providers to partner in shaping the investment ecosystem of tomorrow. Here in the UK, supported by our recent reforms, 17 of our largest workplace pension providers have already voluntarily committed to invest more into private markets via the *Mansion House Accord*. These commitments include a specific pledge to invest more in our domestic private markets too.

These changes are not about mandates or prescription, but enablement. Pension schemes must, and will, continue to act in the best interests of savers. Yet size, scale and better capabilities can unlock investment that delivers enhanced long-term returns, while supporting both growth and global competitiveness.

This report, from *European Women in VC* and *Pensions for Purpose*, also champions a vital agenda: tackling chronic underfunding of women-led startups. This is not only a matter of fairness but of economic necessity. The evidence is clear: investing in women drives innovation and growth. The latest *Invest in Women Code* report shows backing female and ethnic minority-led businesses could add 13% to the value of the UK equity market. Yet today, just 2p in every £1 of venture capital funding goes to female-founded businesses and women remain a minority among senior VC investment professionals. We cannot afford to let this potential go untapped.

Together, we can transform pension funds from passive investors into active builders of our economy: fuelling innovation, creating jobs, and unlocking stronger returns for savers while ensuring more capital also flows to the innovators too often overlooked. By unlocking institutional capital and backing more women-led and diverse businesses, we can deliver growth that is both more dynamic and more inclusive. In doing so, we secure prosperity for tomorrow while providing security in retirement for today's savers.

Rachel Reeves
Chancellor of the Exchequer
Member of Parliament of the United Kingdom

Opening remarks...

Kerstin Jorna

Director General

The *Draghi report* estimates an additional €750-800bn of investments per year are needed to address Europe's challenges, such as climate change, rapid technological shifts and new geopolitical dynamics. To achieve our ambitious goals, we have to mobilise significant private and public investment. Our EU budget, for example the *Next Generation EU* and *InvestEU* were designed to make the best use of public resources. *InvestEU* alone has already unlocked more than €300bn of private and public investments in the last four years to address such challenges.

In July 2025, the Commission published proposals for next seven-year European budget. This includes a proposal for a *European Competitiveness Fund*. With this fund, we will step up our efforts to de-risk and mobilise private investment along the whole investment journey, from research to market.

But public funds alone are insufficient. To stimulate investment and drive long-term economic growth we have to engage other financial actors, such as institutional investors, pension funds and insurers. While they play an essential role in the EU's financial system, they are less active in high-risk markets such as equity or venture capital and growth capital. According to various reports, out of over €3tn in assets managed by pension funds in Europe, only 0.1-0.2% is allocated to venture and growth capital[1]. The strategy for the *Savings and Investments Union (SIU)* adopted by the European Commission in March 2025 is one of the initiatives to enable more money flow into productive investments.

The 'Venture & growth capital in Europe' report provides new insights into the risks and constraints that limit pension funds' investment in equity markets. Lack of knowledge and expertise, the high risk of venture capital investments and regulatory barriers are some of them. The report also flags successful national initiatives and funds investing in equity. This report will feed in the reflection on how to foster a more active participation of pension funds in support of our businesses, competitiveness and innovation. As always in Europe, together we can make a difference.

Kerstin Jorna

Director-General for Internal Market, Industry, Entrepreneurship and SMEs, *European Commission*

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Venture & growth capital in Europe

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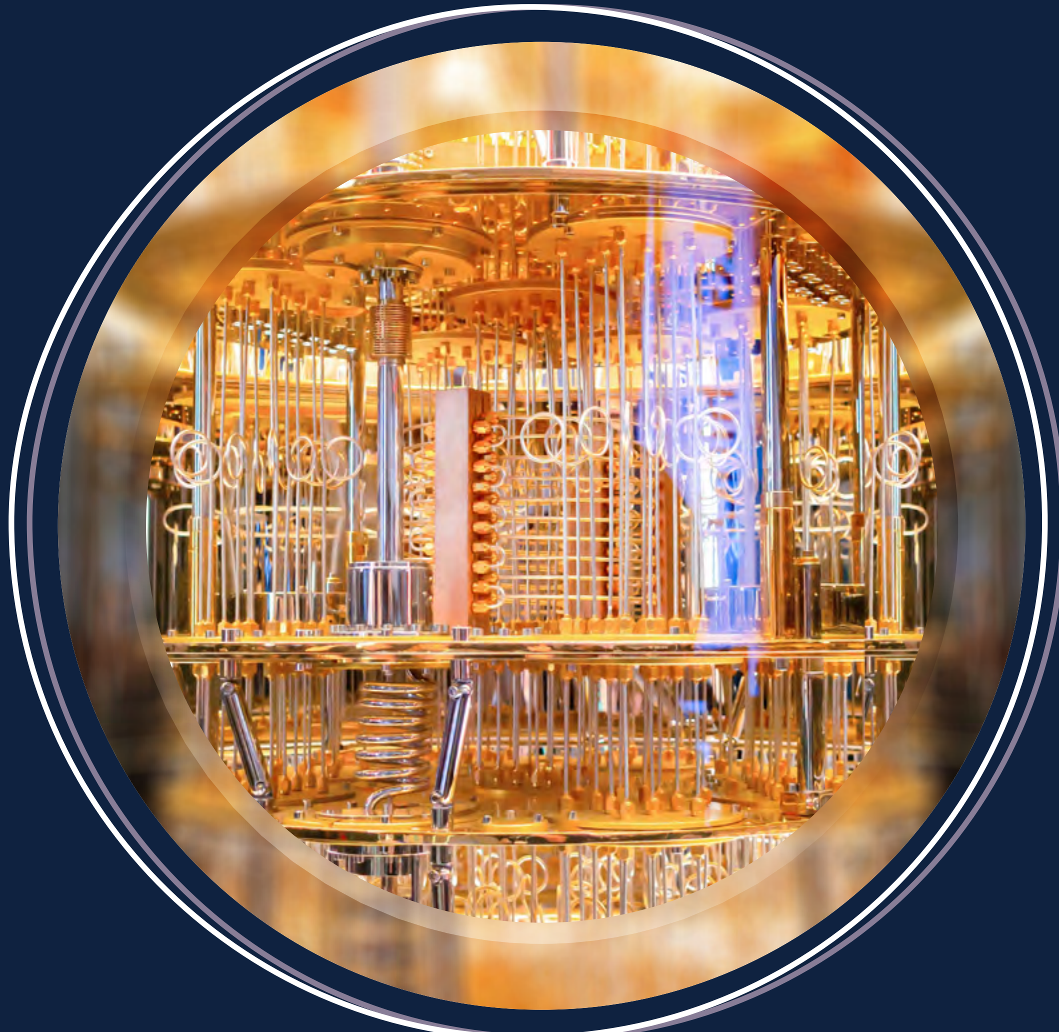
PENSIONS FOR PURPOSE

Published by *Pensions for Purpose*, September 2025.



Executive summary

Venture & growth capital in Europe – mapping pension funds' attitudes

Across Europe, pension funds manage over €3tn in assets[1], yet only roughly 0.12% is allocated to venture and growth capital (VC)[2]. Meanwhile, VC investment in Europe totalled €15bn in 2023[3]. These numbers together highlight two persistent questions: can allocation to VC be compatible with the fiduciary duties of pension funds? If so, why has the historical aggregated allocation of pension funds to this asset class been so modest?

To address these questions, we embarked on a journey to engage with pension funds across Europe (including the UK) and other industry members, such as asset managers, trustees, investment consultants, insurance companies, VC firms and VC associations. Our goal was to understand regional differences in approaches to venture, including sustainability considerations, the main constraints for further allocation and the investment case for pension funds that have chosen to allocate to this asset class. With recent industry initiatives aiming to channel institutional capital toward innovation (notably the *Mansion House Accord* in the UK and the *Tibi Initiative in France*), we wanted to identify the drivers and showcase diverse experiences across countries.

The findings of this report, developed by *Pensions for Purpose* and commissioned by *European Women in VC (EWVC)* and *Venture Connections*, are based on 50 interviews and conversations conducted with industry representatives, including pension funds, asset managers, investment consultants, trustees, scholars and VC firms. We also gathered information from official publications and secondary literature to provide readers with additional context.

INSIGHTS

Emerging trends in pension funds' allocation to VC and growth equity

1 **VC/growth funds as a sleeve of private equity (PE)** – rather than treating VC as a standalone asset class, many pension funds include it in their broader PE mandates.

2 **Return expectations** – the promise of double-digit returns is a big part of VC's appeal to pension funds. Still, they seek risk-adjusted performance that supports their long-term commitments to beneficiaries.

3 **Preference for later-stage investments** – early-stage startups are often less attractive to pension funds due to their high failure rates and lower liquidity. To help manage risk, pension funds tend to favour funds of funds (FoFs) or later-stage investments in growth funds.

4 **Investment vehicles** – pension funds generally prefer to invest through or alongside funds, such as FoFs, co-investments or external managers.

5 **Manager capabilities** – performance track record and portfolio diversification are widely cited as the main criteria for VC manager selection.

EWVC PERSPECTIVES

"Europe's pension funds manage over €3tn, yet only a sliver reaches venture capital – where the next generation of climate, health and digital leaders are built. This gap is a major opportunity. Pensions can engage at different levels of risk: from highly diversified fund-of-funds at the lower end, to growth and direct venture strategies for those ready to go further. With the right frameworks, venture is not just an 'alternative' but a source of diversification, resilient returns and long-term impact. By connecting patient pension capital with Europe's innovators, we unlock a true win-win: secure retirements for members and the growth Europe needs to stay competitive."

Kinga Stanisławska
Founder, European Women in VC

FURTHER INFORMATION

The findings of this report, developed by *Pensions for Purpose* and commissioned by *European Women in VC (EWVC)* & *Venture Connections* in collaboration with the *European Commission's Directorate-General for Research & Innovation*, are based on 50 interviews and conversations conducted with industry representatives, including pension funds, asset managers, investment consultants, trustees, scholars and VC firms. We also gathered information from official publications and secondary literature to provide readers with additional context. The report is a contribution to the *European Innovation Investment Pact*, announced in the *EU Startup and Scaleup Strategy*.

EWVC PARTNER BOX

Eurazeo

"In June 2024, *Eurazeo Growth* led the US$100mn Series C funding round for *Cognigy*, a German-headquartered provider of enterprise-grade conversational AI. *Cognigy's* platform automates up to 70% of customer service conversations and supports over 150 global clients across sectors such as insurance *(Allianz)*, travel *(Lufthansa, Swiss Air)*, retail *(Adidas)* and automotive *(Mercedes, Toyota)*. By integrating with core enterprise systems and spanning multiple channels, from *WhatsApp* and interactive voice response to voice assistants, *Cognigy* addresses a growing demand for both efficiency and improved customer engagement.

The global market for conversational AI is expanding rapidly, driven by enterprises seeking to reduce service costs while enhancing customer experience. *Cognigy's* dual offering, a virtual agent for full automation and an AI copilot that supports human service staff, reflects a broader industry trend toward blending automation with augmentation. Since *Eurazeo's* investment, the company has doubled its revenue, with US-derived income more than doubling, illustrating the capability of European-founded firms and the importance of accessing North American markets.

Eurazeo's involvement demonstrates the evolving role of European growth investors. Beyond providing capital, *Eurazeo* contributed operational expertise and international networks, advising on partnerships, business development and GTM organisation. This reflects a wider pattern in Europe's technology ecosystem, where scaling internationally often requires financing and hands-on strategic support.

Cognigy highlights three dynamics shaping European technology markets. Firstly, Europe can produce globally competitive firms in strategic verticals such as enterprise AI. Secondly, global scaling, particularly into the US, remains critical to achieving market leadership. Thirdly, investment platforms like *Eurazeo* play an important role in anchoring strategic technologies in Europe while enabling them to compete internationally.

Cognigy's trajectory shows how European technology companies, when supported with growth-stage capital and expertise, can participate meaningfully in global technology markets."

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Partner, *Eurazeo*

EURAZEO

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INDUSTRY PERSPECTIVES

“As Europe establishes the foundations for its technological, energy and defence independence, the responsibility rests with the technology sector to deliver durable and impactful solutions. A new generation of European technology leaders is emerging and pension capital can play a crucial role in supporting this growth.”

Fatou Diagne

General Partner, Bootstrap4F and Bootstrap Europe

The investment case

1 Diversification is the main driver for pension funds allocating to the venture and growth sector.

2 In the UK and some Western European markets, climate innovation and environmental, social and governance (ESG) impact are strong motivators for allocating to VC.

3 Pension funds see VC as an opportunity that can be integrated into target-date strategies, aligning capital deployment and expected returns with the long-term liability timelines of younger beneficiaries.

Investment constraints

1 **High resource demands** – VC demands intensive due diligence and ongoing monitoring, resources that are hard to justify when the asset class comprises only a small slice of the total portfolio.

2 **Limited in-house capability** – many pension funds lack the internal capabilities to evaluate or manage VC investments effectively.

3 **Perceived versus real risk** – VC is often consideredtoo risky, especially for conservative institutional portfolios. However, this perception can be misleading. Outcomes in VC can vary widely due to differences in investment strategy, stage focus and manager selection.

Regulation

1 **Regulation is a major obstacle to pension fund allocation to VC only in particular Central and Eastern European countries** – while many Western European pension funds have some flexibility to allocate capital to VC, regulation remains a barrier in certain Central and Eastern European countries, such as Poland. In these markets, strict rules around permissible asset classes or required liquidity profiles can limit exposure to VC, regardless of investor appetite.

Our interviewees were based in the UK, Denmark, Lithuania, Estonia, Latvia, Poland, Bulgaria, Romania, Iceland, France, Germany, Iceland, the Netherlands and Sweden. The low levels of pension fund allocations to VC, persistent in specific countries, posed a challenge in securing interviewee representation from certain regions. We ensured a wide perspective by engaging with a variety of other industry representatives across different parts of the sector.

INDUSTRY PERSPECTIVES

“The edge in VC comes from managers who understand the market, spot emerging trends early and actively work with portfolio companies to execute. That’s how you turn a perceived high-risk asset into a consistent value driver.”

Warda Shaheen

General Partner, *AVP*

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Introduction

Why did we conduct this research?

As institutional investors with long-term horizons, pension funds are well-placed to support and benefit from innovation, economic resilience and structural transitions, such as green and digital shifts through strategic asset allocation. On the other hand, venture capital (VC), with its ability to catalyse high-growth enterprises and drive technological breakthroughs while generating financial and societal returns, has the potential to complement these objectives by supporting companies leading efforts in climate innovation, technology, AI and life sciences[2].

Yet, the participation of European pension funds in venture remains limited. Compared to their North American counterparts, where pension funds have historically been significant backers of VC, European pension funds allocate 0.1% of their assets to VC[1]. By comparison, US public pension funds' allocation to PE, including VC, accounts for 10.4% as of early 2024[3].

This cautious approach persists even as policy frameworks, financial market stakeholders and international organisations increasingly call on institutional investors to take more active roles in financing innovation and supporting the economic transformations necessary for a more competitive, sustainable and technologically advanced Europe.

The *Draghi report on European competitiveness*[4] highlighted a long-debated challenge: most European Union (EU) member states continue to rely heavily on pay-as-you-go (PAYG) pension systems – unfunded schemes where current workers finance retirees' benefits. These systems lack investable assets and, because EU pension assets are concentrated in just a handful of countries, the pool of long-term capital available to support EU capital markets is severely limited[4]. As a result, Europe remains heavily dependent on bank financing to drive innovation. The UK's *Modern Industrial Strategy* has been more deliberate in aligning economic policy with the goal of backing high-growth sectors. One of its key initiatives was the creation of large pension 'megafunds', designed with the scale to invest in higher-growth opportunities. Together with the *Mansion House Accord*, these reforms are expected to unlock £50bn in investments for UK businesses and major infrastructure projects[5].

Recognising pension funds represent only a small share of limited partners (LP) in the venture space and given the growing interest in increasing their exposure to this asset class, we carried out this research to better understand the motivations and constraints pension funds face when allocating to VC.

Our goal is to help bridge the gap by offering a paper that brings together diverse regional experiences and the perspectives of various industry stakeholders. By identifying parallels and shared challenges, we aim to support industry in moving the conversation forward. To do this, we conducted a series of in-depth interviews, primarily with pension fund representatives, and complemented by insights from trustees and asset managers across Europe. These conversations were guided by 15 core questions, focused on three areas:

1 Pension fund participation in VC – we examined how pension funds across the UK and EU currently engage with VC.

2 The investment case for VC – we sought to understand the rationale for pension fund interest in VC. This involved examining geographic and sectoral investment preferences, how funds assess the risk-return profile of VC relative to other private market strategies and how ESG considerations shape investment strategy.

3 Constraints and barriers to participation – we examined the structural, regulatory, cultural and operational barriers that limit broader pension fund engagement in VC. These include external constraints such as prudential regulation, solvency requirements and fiduciary duties, as well as internal challenges related to governance, resourcing and risk appetite.

The research is not a one-size-fits-all solution, but rather a starting point for dialogue, highlighting diverse experiences and emerging innovations that can inspire policy, strategy and market design.

Throughout the report, we adopt precise geographic terminology to ensure clarity. The EU refers to the 27-member political and economic union, while the United Kingdom (UK) is treated as a distinct sovereign entity post-Brexit. The term Europe, unless otherwise specified, is used in its continental sense, encompassing both EU and non-EU countries (like the UK, Norway and Iceland). When citing Nordic countries, we are referring to Denmark, Sweden, Norway, Finland and Iceland.

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❶ The pension industry's participation in venture capital

1.0 The pension industry's participation in VC

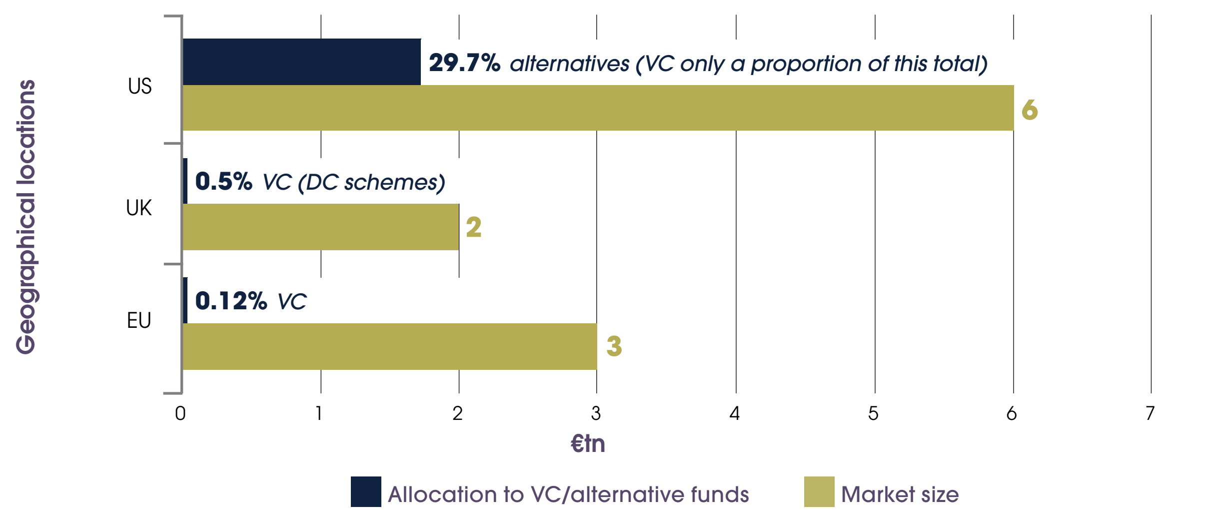
Venture capital (VC) has been an unpopular investment among pension funds in Europe. Still, the industry has shown signs of change through various recent public and private initiatives aimed at increasing institutional investors' allocations to private markets – notably the *Mansion House Accord* in the UK, the recent legal changes in Italy, and the *Tibi II Initiative* in France.

As Figure 1 shows, European pension funds (comprising the member states of the European Union (EU) and the UK) have taken a different approach to private equity (PE) investments compared to their US counterparts, who allocate significantly more to PE, including VC. In the UK, the data reflects only VC allocations within defined contribution (DC) schemes; figures for LGPS and defined benefit (DB) schemes are unavailable. Given this, the UK allocation would likely be higher if those segments were included.

This section provides an overview of the pension industry in the EU, UK and US, examining the structure of these markets, their scale, asset allocation patterns and trends shaping them. We then turn to illustrative case studies that highlight how pension schemes across these regions have approached venture in various ways.

It also sets the stage for the insights gathered through our discussions with pension funds, which provided context for these figures. These conversations explored their views on the investment case for VC, the main barriers to greater allocation and expectations for future developments. We also explored the connection between VC and impact investing, particularly through social and environmental lenses – focusing on areas such as enabling the transition to a sustainable economy and applying a gender lens.

Fig 1 | Pension industry size versus VC/alternative allocation



NOTE

EU data reflects allocations specifically to VC. UK data represents VC allocations within defined contribution (DC) schemes only, as disaggregated data for local government pension schemes (LGPS) and defined benefit (DB) schemes is unavailable. US data shows public pension fund allocations to alternative assets, with VC comprising only a portion of that total. All figures are converted to US dollars for consistency.

Based on data available at: *European Insurance and Occupational Pensions Authority (EIOPA)*, 2025; *Department for Work and Pensions (DWP)*, 2024; *British Private Equity & Venture Capital Association (BVCA)*, 2025; *Local Government Pension Scheme (LGPS) Advisory Board*, 2025; *National Conference on Public Employee Retirement Systems (NCPERS)*, 2025.

1.1 The EU pension industry

With 27 member states making up the EU, any attempt to present a fully consolidated view of its pension industry is bound to fall short. Each country has its own historical, regulatory and cultural approach to retirement provision. Rather than offering a broad overview, this section presents a focused snapshot of key markets, and notable examples to highlight commonalities and differences.

We concentrate on five member states, namely the Netherlands, Sweden, Germany, France and Italy, as together they represent over 93% of the total assets under management in EU occupational pensions.

This foundation sets the stage for examining how European pension funds are engaging with venture and where opportunities for change may exist.

1.1.1 The role & structure of *IORPs*

This section focuses on *Institutions for Occupational Retirement Provision (IORPs)*, which manage investable assets and offer a consistent framework for cross-country comparison within the EU, allowing us to compare like-with-like across member states. Given the diversity of pension systems in Europe and the significant differences in available data across countries, *IORPs* offer harmonised data at the EU-level, as reported by the *European Insurance and Occupational Pensions Authority (EIOPA)*.

IORPs are occupational pension schemes which manage retirement savings. In the EU, *IORPs* are governed by the *IORP II Directive*, which sets minimum standards for their operations[1]. They provide:

DB schemes: these pension plans promise a fixed amount of money at retirement. The amount received depends on factors such as salary, years of service and a set calculation method, rather than the individual's contributions. These types of pensions are common in countries like Germany, Norway, Denmark and Finland.

DB schemes can be:

- **Funded**: money is regularly set aside in a dedicated fund and invested. The returns from these investments, along with the contributions, are used to pay future pensions. This form is common in the Netherlands.
- **Unfunded (pay-as-you-go (PAYG))**: no money is invested in advance. Pensions are paid directly from the contributions of current workers or from government revenues at the time they are due. This model is common in Germany, Spain, France and Italy.

DC schemes: in these plans, the amount received at retirement is not guaranteed. It depends on how much is contributed during the working years and how well the investments perform. These schemes are growing in market importance in countries like Italy, France, the UK and Poland. Recognising the structural differences between DB and DC schemes helps to identify the varying risk tolerances, liquidity needs and long-term objectives that influence investment decisions.

1.1.2 The three-pillar structure of European retirement provision

The *European Central Bank*[2] classifies retirement provision in the EU into three pillars:

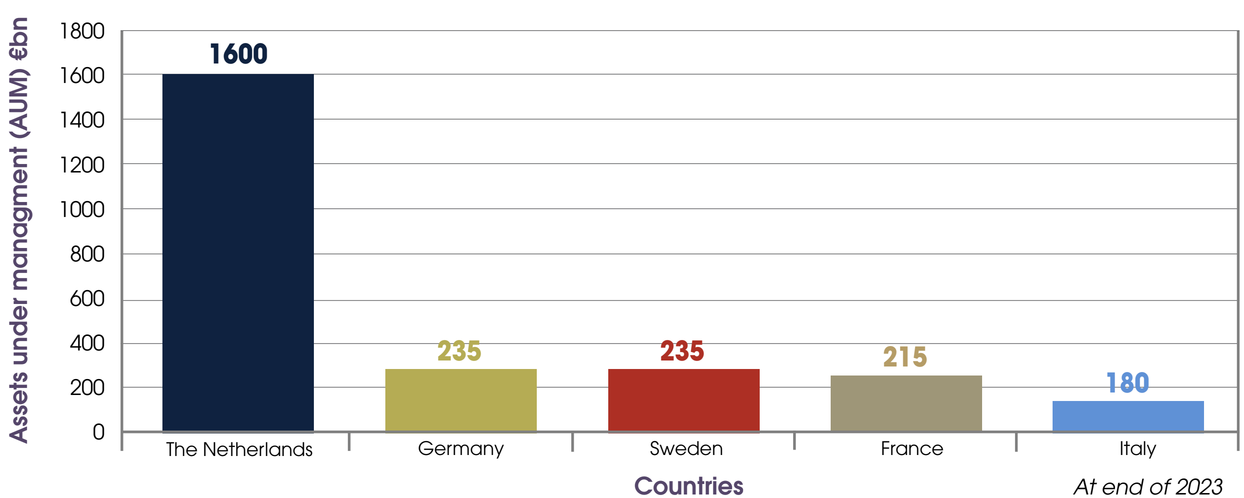
- Pillar I, the public statutory PAYG systems.
- Pillar II, occupational pension schemes.
- Pillar III, which includes private pensions and life insurance products.

As ageing populations and mounting fiscal pressures strain Pillar I, and with Pillar III remaining largely voluntary and uneven across member states, strengthening Pillar II has become a central priority for ensuring the long-term sustainability and adequacy of retirement incomes in Europe.

Given Pillar II's growing importance and the greater availability of country-level data, our analysis focuses on Pillar II: occupational pension schemes within the EU. These schemes may or may not be managed by *IORPs*. In some countries, occupational pensions are managed by insurance companies or other financial entities. They represent retirement savings arrangements set up by employers on behalf of employees.

Insurance corporations and occupational pension funds, which include *IORPs*, hold around €10tn in assets. The *IORPs* sector alone accounts for approximately €2.7tn in assets under management (AUM) in Europe, approximately 25% of the pension industry in the EU[1]. In some countries, such as those we focus on in Figure 2 (the Netherlands, Sweden, Germany, France and Italy), the occupational pension system is particularly dominant.

Fig 2 | Occupational pension funds in Europe: *IORPs* size (AUM, in €bn)



SOURCE

EIOPA, 2025, IORPs in focus report 2024, EIOPA-BoS-25/016, viewed June 2025, <https://www.eiopa.europa.eu/publications/iorps-focus-report-2024>.

1.1.3 Trends at the EU level

Throughout history, each member state has developed its own pension structure, by either focusing on a single pillar or combining elements of two or all three pillars, depending on national priorities and socioeconomics. In 2022, pension assets in the EU were just 32% of gross domestic product (GDP), compared to 142% in the US and 100% in the UK[3]. This gap across the EU reflects Europe's reliance on public PAYG social security systems (unfunded systems), rather than on funded occupational or personal pensions – which in the EU context includes DB and DC schemes with assets set aside to pay future benefits.

Several member states have reduced the level of state pensions in response to demographic and fiscal pressures[4]. As the case study on page 26 shows, this is a major challenge for Germany. At the same time, most countries surveyed are raising the statutory retirement age, with many also pursuing reforms to harmonise retirement ages for men and women.

The *Parliamentary Assembly of the Council of Europe* recognises the establishment of a balanced mix of PAYG and funded systems, similar to the models seen in Scandinavian countries and the Netherlands, represents the challenge for European pension schemes in the coming years, to guarantee decent pensions for current and future pensioners[4].

Looking at occupational pension schemes, we see a trend towards consolidation, particularly among smaller funds, with large *IORPs* increasingly merging with smaller schemes. There is also a notable shift towards DC arrangements. While DB schemes still hold a significant share of assets, the steady growth of DC schemes over the years, is a trend especially pronounced in the Netherlands[4].

These examples contrast pension systems under demographic strain with balanced, multi-pillar structures, reinforcing Pillar II's stability in retirement income strategies across the EU.

GERMANY: although *IORPs* are significant, the public pension system remains the main pillar of retirement provision. Germany pioneered the world's first public pension scheme and now faces the critical task of strengthening Pillars II & III due to increasing demographic pressures. Public pensions place strain on finances, with 27% of the federal government's budget (€133bn in 2025) allocated to cover systemic shortfalls[1]. About 85% of German pensions are financed through the PAYG system, with funded arrangements making up a smaller share. While occupational and private pensions exist, they are not developed to offset the growing burden on the public system. A move from Pillar I to more balanced reliance on Pillars II & III requires the growth of funded pension schemes, bringing a larger pool of investable assets and greater potential for allocations to asset classes like VC. The PAYG system will come under strain as baby boomers (born 1946-1964) retire and the number of contributors paying in declines. These changes challenge the sustainability of pension provision. Projections suggest by 2040, most pensioners will receive only about 35.6% of their final gross salary, showing the urgency for diversification of retirement income sources[6].

DENMARK: has a balanced multi-pillar pension system, where the second pillar supports the statutory provision (Pillar I). All residents of retirement age qualify for a universal flat-rate public pension (Pillar I), paid as a fixed amount funded on a PAYG basis through general taxation. Most employees also get occupational pensions (Pillar II), combining employee and employer contributions, typically 12-15% of gross wages[6]. Future replacement rate in Denmark is projected at 80% of pre-retirement earnings, compared to 54% at the *Organisation for Economic Co-operation and Development (OECD)* level[7]. This impacts on reducing poverty risk in retirement, eases pressure on the public pillar and makes Denmark more resilient to demographic change.

INDUSTRY PERSPECTIVES

“Pension funds hold significant, yet largely untapped, potential to shape Europe's innovation future. At *EIFO*, we are partnering with Danish pension funds to foster the venture ecosystem and we have witnessed encouraging signs of their cautious but increasing engagement in Denmark. Recent examples include *ATP*'s commitment to early-stage tech fund, *PSV Tech fund II*, as well as a co-investment in the Danish quantum chip company, *Sparrow Quantum*, whose financing round was led by *PensionDanmark*. While I can't speak on behalf of the pension sector itself, these instances demonstrate a growing openness to alternatives and signal the transformative potential when pension capital backs deep tech and innovation. We welcome and hope to see more of this alignment, where long-term institutional capital helps scale high-impact startups and funds, driving returns and broader economic value.”

Tamara Savic, Fund Investments, EIFO

INDUSTRY PERSPECTIVES

“With c. €748bn in pension fund assets and €543bn held by insurers (in 2024), Germany's institutional capital base is vast, and faces compression of returns in traditional bonds and equities.

Germany's economy is built on industrial excellence and innovation, yet the capital required to scale frontier technologies remains underdeveloped. The country cannot rely on public research and development or corporate venture to produce globally competitive scaleups if it aims to maintain its sovereign technological capacity. Despite Germany's €1.2tn in pension and insurance assets, allocation to VC is negligible, this at a time when German startups raised approximately €7.4bn in 2024.

Beyond capital, institutional investors' involvement gives confidence, attracts follow-on investors, and sends a powerful message of alignment between public interest and private innovation. Germany's public development bank *KfW* exemplifies this with its *Wachstums- und Innovationskapital für Deutschland's, WIN-Initiative*, designed to mobilise €12bn into domestic VC by 2030. *WIN* serves as a cornerstone for crowding in institutional investors by reducing risk and improving the scale and viability of fund structures. Through anchor commitments, *KfW* enhances fund manager credibility and facilitates institutional participation in overlooked asset classes.”

Clara Martinez

Relationship & Communications Manager, ECBF

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EWVC PARTNER BOX

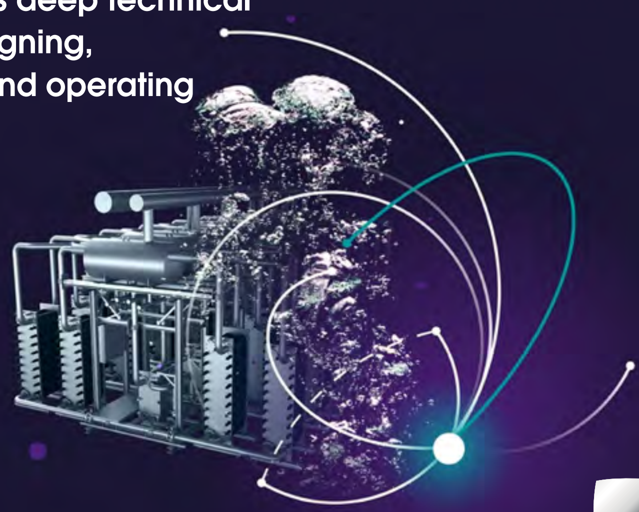
Siemens Energy Ventures

Kendra Rauschenberger
General Partner,
Siemens Energy Ventures

"In 2020, *Siemens Energy Ventures* was established within *Siemens Energy* to help accelerate the pace of the energy transition. The world faces two main challenges: reducing greenhouse gas emissions, and providing reliable, affordable and sustainable energy for everyone, including the 850 million people who lack access to electricity. One-sixth of global energy generation is based on *Siemens Energy* equipment. Therefore, the mission for the Ventures team was clear: bringing *Siemens Energy* capabilities together with capital to help accelerate the deployment of new energy technologies.

To achieve this, *Siemens Energy Ventures* complements the traditional internal research and development and focuses on collaboration with startups demonstrating significant advancements in next-generation solutions like long duration energy storage, carbon capture and removal, clean power generation and e-fuels.

As Kendra Rauschenberger, General Partner at *Siemens Energy Ventures* says: "We know 35% of emission reductions need to come from technologies and business models that have not been commercialised yet. At the same time, we know that taking those technologies out of lab into commercialisation is tough. In our experience, building an energy startup takes more than just capital. Especially when we talk about 'hard tech' companies where almost always a first of a kind project needs to be built. It needs deep technical expertise and experience in designing, developing, financing, building and operating large-scale energy projects."



SIEMENS energy

WEBSITE: https://www.siemens-energy.com

EWVC PARTNER BOX

Siemens Energy Ventures continued

GeoPura, one of *Siemens Energy Venture's* portfolio companies, is a prime example of this. A UK-based startup, its mission is to replace diesel generators by providing green electricity as a service, based on a hydrogen power unit. *Siemens Energy* have supported them during their first pilot through to lead conversion and lead pipeline development. *Siemens Energy* is a manufacturing partner and provides engineering support alongside having *GeoPura* co-located at its Newcastle site.

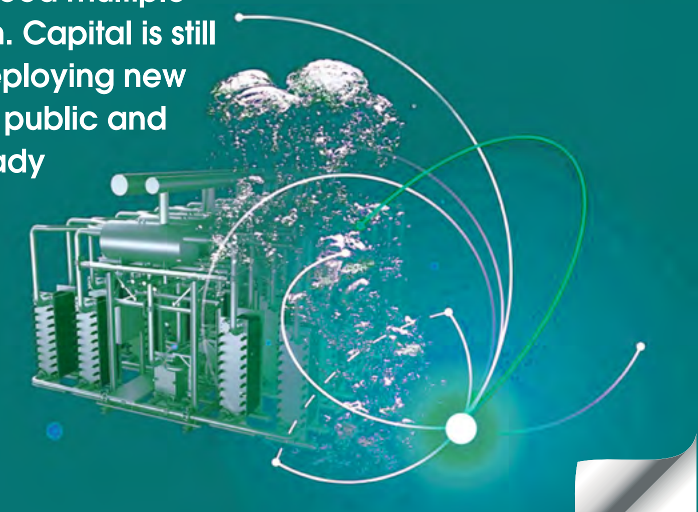
Siemens Energy Ventures operates under a unique '3V' business model encompassing three channels: venture building, venture clienting and venture capital.

- Venture building: identifying new markets and building teams to create and scale high-growth businesses, either by scaling up ventures for growth or spin-out.
- Venture clienting: becoming early customers of startups to test and adopt solutions defined by clear business problems.
- Venture capital: supporting energy and climate startups as a strategic growth partner to help them disrupt new markets and scale.

This approach has proven successful, with *Siemens Energy Ventures* building five ventures, piloting over 150 startup solutions, and taking five investments to establish their VC portfolio. For startups, having *Siemens Energy* onboard provides commercial input, access to resources, expertise and future customers. However, more partners and capital are needed to scale high-impact technologies.

Kendra concludes: "We need to scale capital to power the next industrial transformation. Startups don't succeed in a vacuum; they need multiple partners to helpthem break through. Capital is still the number one startup request. Deploying new energy technologies requires more public and private partnerships and we are ready to collaborate with those that want to help lead the journey."

Kendra Rauschenberger
General Partner,
Siemens Energy Ventures



SIEMENS energy

WEBSITE: https://www.siemens-energy.com

1.1.4 Investment strategy

Investment approaches vary across member states, reflecting the influence of local economic, regulatory and cultural factors. Overall, *IORPs* tend to invest primarily through investment funds, with a strong emphasis on listed equity and fixed income. Historically, they have shown a more cautious stance towards alternative assets[1].

1 **Investment funds** – EU *IORPs* allocate approximately 40% of their total assets to investment funds, making this one of their primary investment channels.

Within this 40%, allocations are distributed across these asset classes:

- 33% to listed equity-focused funds.
- 25% to debt-focused funds.
- 14% to real estate.
- 4% to alternative investments (including real assets, PE, venture and growth).
- 24% other.

Geographic distribution of underlying investments:

- 17% is allocated to the domestic market.
- 39% to the European Economic Area (EEA) – the Netherlands, France, Luxembourg and Germany receive a combined 30% of total allocations.
- 30% is allocated to the US[1].
- 14% to other.

2 **Bonds** account for 34% of total assets, with allocations to government bonds nearly double those of corporate bonds. The majority of central government bonds (77%) are invested in bonds issued within the EEA, while 9% are invested in US government bonds[1].

3 **Direct investments** in listed equities represent 16% of total assets[1].

Table 1 | Estimated allocation to alternative investment funds by country (DB/DC breakdown available)[A]

Country	Allocation to investment funds *(approx.)*		Allocation to alternatives *(estimated at portfolio-level)*	
	DB	DC	DB	DC
France	30%	30%	1.2%	1.2%
The Netherlands	30%	98%	1.5%	3.9%
Italy	32%	12%	1.3%	0.5%
Sweden	12%	55%	0.5%	2.2%

Table 2 | Estimated allocation to alternative investment funds by country[A]

Country	Allocation to investment funds *(approx.)*	Allocation to alternatives *(estimated at portfolio-level)*
Germany	58%	2.3%
Finland	55%	2.2%
Norway	55%	2.2%
Denmark	20%	0.8%

SOURCE

A EIOPA, 2025, *IORPs in focus report 2024, EIOPA-BoS-25/016*, viewed June 2025, <https://www.eiopa.europa.eu/publications/iorps-focus-report-2024>.

Based on officially available data, we have outlined *IORPs*' exposure to investment funds by country and, where possible, by scheme type – DB compared to DC – in Table 1.

As detailed, country-level data on VC exposure is unavailable, we relied on EU-wide asset allocation figures to estimate these investments. At the EU level, roughly 40% of *IORP* assets are allocated to investment funds. Of this, about 4% goes into alternative investment funds, which translates to an estimated 1.6% of total assets.

Using these EU-level benchmarks, we have estimated country-level exposure to alternative assets. These figures offer only a rough approximation of potential exposure to alternatives, which may include VC. However, it is important to note 'alternatives' is a broad category encompassing infrastructure, hedge funds, PE and other assets,

Fig 3 | EU *IORPs* asset allocation[A]

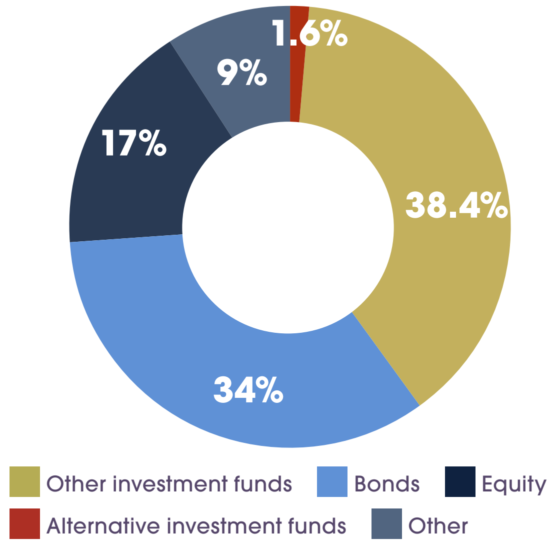
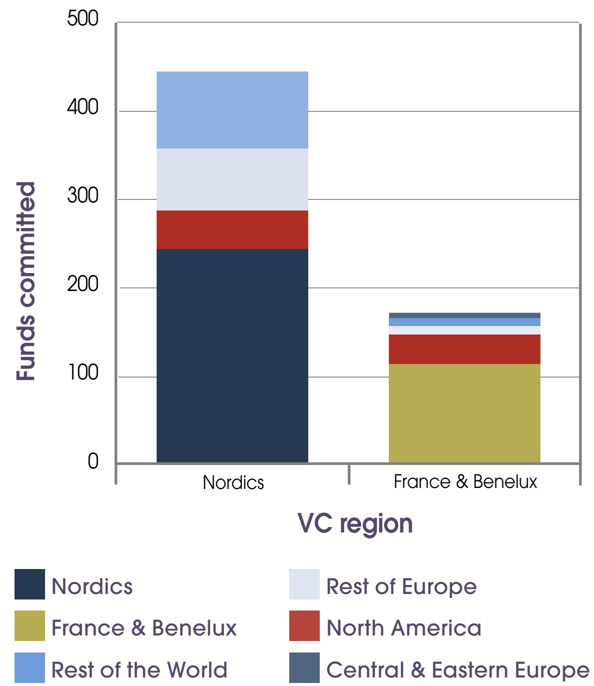


Fig 4 | Origin of pension fund allocations to VC funds (€mn)[B]



SOURCE

A **EIOPA, 2025**, *IORPs in focus report 2024, EIOPA-BoS-25/016*, viewed June 2025, <https://ow.ly/OGmA50WFoZb>.

B **Atomico, 2024**, *The state of European tech 2024*, viewed July 2025, <https://www.stateofeuropeantech.com/>.

not just VC. While the exact allocation to venture is likely much smaller than the numbers below suggest, these estimates provide an indication of which countries may have a stronger orientation towards private markets compared to those with more traditional investment portfolios.

Based on the estimates in Tables 1 & 2, on the previous page, DC schemes in the Netherlands and Sweden appear to have the strongest allocations to alternative assets. This aligns with findings in secondary literature, which highlight Nordic pension funds as the top allocators to VC across Europe, followed by pension funds in France and the Benelux (Belgium, the Netherlands and Luxembourg) region.

Nordic pension funds lead in VC investments, allocating approximately €350mn to VC funds within continental Europe. Their investment strategy has a clear local bias: around 70% of their allocation to VC is directed towards funds within their own region, while roughly 25% is invested in the UK and Ireland. Interestingly, the Nordics are not only active investors, but also a top destination for VC allocations from other European pension funds, receiving about €190mn in foreign investments.

The France and Benelux regions rank second in VC allocation by pension funds, attracting around €175mn. Local pension funds in this region also show a preference for domestic investments, with over

INDUSTRY PERSPECTIVES

“Pension capital can play an essential role in scaling-up growth-stage companies. Designed to deliver retirement income over decades, pension funds seek long-term, stable returns. This investment horizon aligns well with the strategic growth needs of companies, particularly those with high potential but are not yet profitable. Unlike venture capital or private equity, which operate on shorter return timelines, pension funds can support longer growth trajectories, including businesses requiring major infrastructure and significant upfront investment.

The pension sector also brings high standards of governance, financial discipline and risk management, helping companies mature, attract additional funding and navigate public markets or large-scale operations.”

Dr Nora Khaldi

Founder & CEO, Nuritas

CASE STUDY 1

Nuritas: delivering health solutions

Marie Asano,
Partner,
ECBF

Michael Brandkamp
Founder & General Partner
ECBF

Background

Nuritas, a pioneering Irish biotech founded by Dr Nora Khaldi, is transforming how we discover and deliver health solutions through its proprietary AI platform, Magnifier™. This deep tech engine uncovers bioactive plant-derived peptides with clinically proven health benefits that allowed the successful global commercialisation of functional ingredients like PeptiStrong™ and PeptiYouth™ in partnerships with major brands such as Givaudan, Nestlé, Mars and Sumitomo.

Rapid expansion

The company's early funding came from specialist VCs, including the *European Circular Bioeconomy Fund (ECBF),* which supported proof-of-concept, clinical validation and market entry. This early-stage backing helped de-risk the investment profile by validating technologies, clinical efficacy and commercial traction. It also contributed to strengthen proof points on *Nuritas'* measurable social and environmental impact.

In December 2024, *Nuritas* secured a €35.9mn Series C funding round, with *M&G Investments,* one of the largest institutional investors in the UK, stepping in as the lead investor. This progression illustrates a clear example of how venture-backed de-risking catalyses follow-on funding. These early backers were critical in guiding *Nuritas* from scientific discovery to validated products and robust revenue generation. In turn, *M&G Investment's* strategic investment not only provided the growth capital needed to scale, but also significantly elevated *Nuritas'* profile, positioning it as a mature, de-risked and highly attractive opportunity for larger institutional investors.

This progression illustrates the power of venture capital to de-risk deep tech, unlocking access to larger institutional capital pools, ultimately accelerating transformative innovation while aligning financial returns with broader economic and societal impact. It is not only a clear example of how venture-backed de-risking catalyses follow-on funding, but also underscores the imperative for institutional capital to expand its allocation in impact-driven and deep tech – particularly where stable, patient capital is essential to bridge the 'valley of death' faced by deep tech companies.

WEBSITE: https://www.ecbf.vc/

ECBF
European Circular
Bioeconomy Fund

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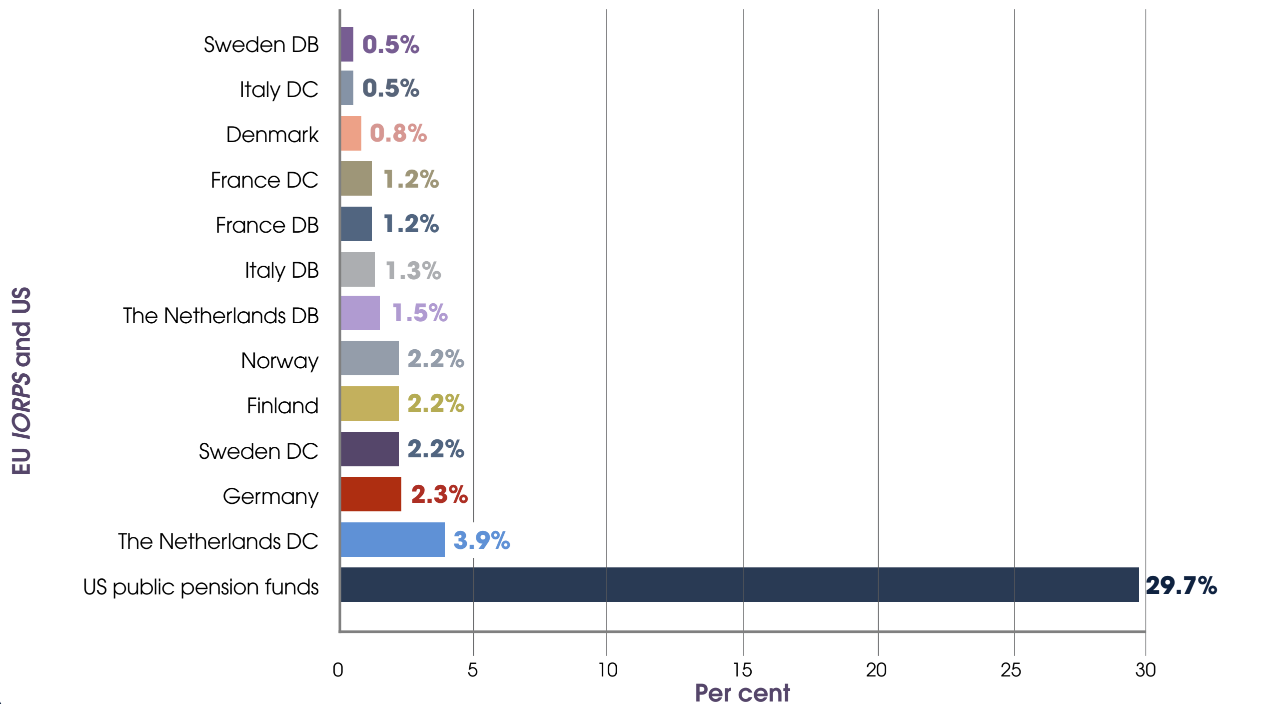
Fig 5 | Alternative investments – estimated allocations by EU *IORPs* versus US[A]



SOURCE

A EU figures are based on our own estimation; US figures: **National Conference on Public Employee Retirement Systems, 2025**, *Public retirement systems study: trends in fiscal, operational, and business practices, 2025 edition*, viewed July 2025, <https://www.ncpers.org/files/surveys/2025_NCPERS_Public_Retirement_Systems_Study.pdf>.

half of the VC capital coming from within the region itself, followed by contributions from North American pension funds.

However, there are notable differences across regions. VC funds in the DACH region – Germany (D), Austria (A) and Switzerland (CH) – received approximately €115mn in allocations from pension funds, with the majority coming from within the region itself. This was followed by contributions from pension funds in France, Benelux and North America.

In contrast, Southern Europe and Central and Eastern Europe significantly lag behind their peers in both domestic pension fund allocations to VC and as recipients of foreign pension fund investment. In 2023, pension funds in these regions allocated roughly €25mn to VC funds, with most of the capital coming from local investors.

As a comparison, we translated our estimates in terms of EU pension fund allocation to alternative investments, compared to US public pension funds, in Figure 5. The important difference in how these two regions approach investment is clear: European

INDUSTRY PERSPECTIVES

"In Greece, pension fund engagement with VC has traditionally been limited. However, this is beginning to change. Growing interest among pension fund managers reflects a rising awareness of venture capital's role in long-term value creation. With technology companies now accounting for over 35% of the S&P 500's market capitalisation, Greek pension funds are increasingly exploring allocations to innovation and tech sectors. As the EU advances its Capital Markets Union and deeper capital market integration, increased private sector participation is becoming essential, making the strategic mobilisation of pension funds toward venture capital all the more critical."

Antigoni Lymperopoulou

CEO, ***Hellenic Development Bank of Investments (HDBI)***

CASE STUDY 2

Crowberry Capital: how an Icelandic VC firm secured local pension fund backing

Background

Over the last 15 years, Icelandic pension funds have formed the backbone of the country's tech and VC sector. Crowberry Capital, an early-stage VC firm founded in 2017 with headquarters in Reykjavík, is an example. The two funds they have launched so far have Icelandic pension funds as the majority of their LPs.

Rapid expansion

- *Crowberry I:* raised approximately €32mn, with 80% of commitments from Icelandic pension funds.
- *Crowberry II:* raised around €90mn, with 60% from pension funds.

Why pension funds have backed *Crowberry*

With a population of 28 million and 162 universities, the Nordics are one of Europe's strongest startups, producing about 50 unicorns in the last decade. Nordic startups are globally minded from day one, attracting talent, investors and customers, and leading in gender equality. Iceland, well-integrated into the Nordic ecosystem and connected to the US through trade and research, serves as a cultural bridge between the two. It punches above its weight in entrepreneurship, ranking second to Estonia in startups per capita.

Despite regulations capping private asset allocations at 20% of their portfolios, Icelandic pension funds remain the primary capital source for the country's VC market. Crowberry captured a significant share of this capital by aligning with pension funds' investment priorities:

- **Environmental, social and governance (ESG)-aligned**: as an Article 8 fund under EU Sustainable Finance Disclosure Regulation (SFDR), *Crowberry* integrates ESG principles, matching pension funds' focus on responsible investment.
- **Inclusive and tech-driven**: 40% of the portfolio is female-led, with companies like *SNERPA Power, kicker.cloud* and *Hemi* showcasing diverse, tech-savvy founding teams. Gaming is also a strong focus.
- **Strategic positioning**: as the only Nordic seed fund headquartered in Reykjavík, *Crowberry* connects Nordic collaboration with US-style ambition across global markets.

- **Long-term focus**: its investment strategy supports sustainable economic growth and steady returns, both key pension fund goals. *Crowberry* maintains close ties with institutional investors focused on long-term VC exposure.
- **Local capital alignment:** with a 50% foreign investment cap, pension funds actively seek strong domestic opportunities.
- **Direct engagement:** smaller pension funds prefer direct VC investments, allowing close alignment with fund managers.

Exits

Crowberry I has already seen two successful exits:

- ***Sling***: acquired by *Toast*.
- ***garden.io:*** acquired by *Incredibuild*.

Further considerations

- Iceland's model may not easily translate to larger European markets with different fund size expectations and more intermediated investor structures.

WEBSITE: https://www.crowberrycapital.com/

Crowberry CAPITAL

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pension funds tend to follow a more traditional approach to asset allocation, usually prioritising listed equities, bonds and real estate.

In the next section, we take a closer look at the UK pension industry, followed by a snapshot of the US market. Together, these segments set the context for the following chapters, where we explore the challenges for further allocation to VC and the investment case for pension funds that are increasing or starting their allocations to this asset class.

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Takeaways

The EU pension industry

- ☑ Each EU country has its own historical, regulatory and cultural approach to retirement provision, and has made distinct choices on how to balance or prioritise the three pension pillars.
- ☑ Overall, Europe continues to rely heavily on public PAYG social security systems (unfunded systems), rather than on funded pension savings. This presents a growing challenge in light of the continent's demographic shifts.
- ☑ Five member states – the Netherlands, Sweden, Germany, France and Italy – account for over 93% of the total AUM in EU occupational pensions. The Netherlands stands out as the largest market by far, with €1.6tn in AUM.
- ☑ While DB schemes still hold a significant share of assets, DC schemes have been steadily gaining ground over recent years.
- ☑ Establishing a balanced mix between PAYG and funded systems, similar to the models in the Netherlands and Scandinavian countries, represents a challenge and an opportunity for European pension systems. On one hand, it requires reform; on the other, it could lead to a rise in investable assets that support the local economy.
- ☑ EU *IORPs* have traditionally maintained a conservative approach to asset allocation, focusing heavily on listed equities and bonds. They have historically been cautious towards alternative assets. At the EU level, only 1.6% of *IORPs*' assets are allocated to alternative funds, a small portion of which goes to venture capital. In contrast, US public pension funds allocate nearly 30% of their portfolios to alternatives.
- ☑ Nordic pension funds are the leaders in VC investments within Europe, demonstrating a strong home bias in their allocations. The Nordic region is also the top destination for VC investments by other European pension funds, followed by France and the Benelux region. At the other end of the spectrum are Southern and Eastern Europe, which lag significantly in both local pension fund allocations to VC and in attracting foreign pension investment.
- ☑ A common trend across all EU regions is the strong home bias when allocating to venture capital funds.

CASE STUDY 3

High-Tech Grunderfonds (HTGF): catalysing pension fund investment into venture

Tanja Emmerling,
Partner, *HTGF*

Background

High-Tech Gründerfonds (HTGF) invest in tech founders who have the courage to shape the future. HTGF are there from the beginning – pre-seed and seed – with a strong network in business and science, experience as founders in scaling startups, and in-depth tech know-how. Their mission extends beyond their track record: together, they sustainably strengthen the technological backbone of Germany as a business location and create international market leaders.

Pension funds

Pension funds use and perceive VC in different ways across Europe. In Germany, where the topic is still less present, only a few pension funds are directly engaged, while in other European markets, the asset class is already more firmly integrated into the institutional portfolios of pension funds.

A frequent obstacle is insufficient knowledge about how VC operates. This asset class differs fundamentally from traditional investments such as real estate or bonds. Returns usually only occur after a longer time horizon, risk profiles are structured differently, and factors such as manager selection and diversification are crucial.

To foster greater transparency and contribute to a more consistent level of knowledge across Europe, *HTGF* is participating in the German Venture & Growth Forum alongside more than 17 other German funds. This initiative aims to give greater transparency and educate institutional investors on the asset class.

HTGF itself operates as a public-private partnership, combining public funding with capital from 45 private fund investors in its current fourth generation. Having financed around 800 start-ups and secured over €7bn in follow-on funding, *HTGF* demonstrates how public and private investors can collaborate to provide long-term financing for young technology companies, from the seed stage through to later growth rounds via the *Opportunity Fund*.

WEBSITE: https://www.htgf.de/en/venture-capital-investor-2/

HTGF

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1.2 The UK pension industry

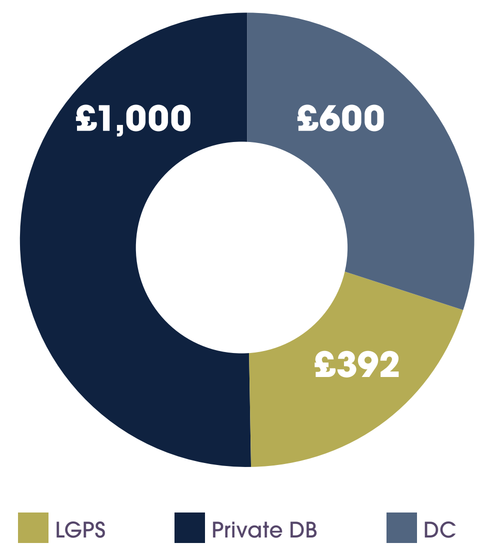
The UK pension market, while large and mature, has historically shown limited appetite for VC investment, although this is beginning to shift. The UK pension industry represents around £2tn in AUM. This capital is spread across DB schemes – comprising public DB (such as the local government pension scheme (LGPS) in England and Wales) and private DB – and DC schemes[1]. The unfunded UK public sector pension, that is not backed by a dedicated fund of invested assets, is also important in the country, but is focused on civil servants like teachers, *National Health Service* (*NHS*) employees and the armed forces.

A common thread across UK occupational schemes is their historically low exposure to private markets, including VC, infrastructure and property. As of 2023, PE accounted for just 3.8% of total pension AUM, as shown in the table below.

Table 3 | UK pension industry market (2023)[A]

Scheme type	AUM *(approx.)*	Allocation to PE/VC *(estimated*)*		Amount allocated to PE *(estimated at portfolio-level)*
		PE	VC	
LGPS	£392bn	6%	–	£23bn
Private DB	£1tn	5%	–	£50bn
DC	£600bn	–	0.5%**	£3bn
TOTAL SIZE	**£2tn**	**3.8% approx.**		**£76bn**

Fig 6 | UK occupational pension schemes: market size and AUM by type (£bn)[A]



SOURCE

A *DWP*, 2024; *BVCA* 2025, *LGPS Advisory Board* – England and Wales, 2025, *Investments and funding*, viewed June 2025, <https://lgpsboard.org/index.php/if24>.

*Secondary data used to support this research often categorises VC as a subset of PE. Due to the difficulty in consistently obtaining data specific to VC allocations, this paper refers to PE when VC-specific data is unavailable.

**DC schemes were the only group for which specific information on allocations to VC and growth funds was accessible. For the LGPS and private DB schemes, only aggregated PE data, which includes VC, was available.

DB schemes

The LGPS, made up of 86 administering authorities and 87 individual funds, manages around £392bn in AUM. Its investments are largely concentrated in listed equities (50%) and bonds (17%). PE makes up about 6% of its portfolio, with just 1% directed at UK PE[1]. This makes the LGPS the largest relative allocator to PE at present. While LGPS funds, like other schemes, have embraced global mandates across other asset classes, they still hold a notable concentration of real assets in the UK.

Private DB schemes, managing approximately £1tn, have seen a significant evolution in their asset mix. While many peers reduced UK exposure, private DB schemes increased it, but primarily through gilts. Their exposure to listed equities has plummeted from 32% in 2006 to just 2% in 2023 as they shifted towards gilts (rising from 15% to 37%)[1]. This reflects their maturing status: with growing pension liabilities, these schemes seek stable, predictable cashflows. Their PE allocation stands at about 5%, making them the largest investors in PE among UK pension schemes, with £50bn committed, double that of LGPS[2].

DC schemes

DC schemes, which include both trust-based arrangements (about 1,100 schemes with 12 or more members) and contract-based plans, create retirement pots through employee contributions.

Historically, DC assets were heavily invested in listed equities (76% in 2023) and bonds (12%). Out of £600bn in total AUM, only around 0.5% is invested in VC and growth equity[3].

Like DB schemes, DC funds have shifted towards global mandates. UK exposure has fallen sharply, from over 50% of DC assets in 2012 to just 20% in 2023. This reduction spans listed equities, gilts and corporate bonds. PE has been an exception: about 50% of DC private equity investments remain in the UK, a share that has held steady between 2012 and 2023[1].

1.2.1 Liquidity needs

Liquidity demands shape allocation patterns. As DB schemes mature, more members draw pensions while fewer contribute, creating a need for regular cashflows and limiting appetite for illiquid assets. In contrast, DC schemes, buoyed by auto-enrolment, are growing fast in the UK. With longer investment horizons, DC funds are generally better positioned to commit to illiquid, long-term investments – though there are a number of liquidity requirements that allow members to move their money, which can constrain smaller DC schemes from holding illiquid investments. That said, because individual members ultimately bear the investment risk, DC schemes may still adopt a cautious stance toward higher-risk assets. LGPS sits somewhere in between: with ongoing contributions from a younger member base, it faces less immediate liquidity pressure, allowing for meaningful allocations to infrastructure and real assets.

1.2.2 Scale matters: bigger funds, bigger allocations

Fund size influences private market allocations. Previous reports show that a typical £1bn fund allocates 11% to private markets, compared to 20% for a £20bn fund and 23% for a £100bn fund[1]. As UK pension schemes continue to consolidate through mechanisms such as DC master trusts (multi-employer occupational pension schemes that allow different employers to participate under the same legal trust and governance structure) or pooled investment vehicles, the industry may see a shift towards increased private market allocations. Consolidation positions schemes to overcome barriers that previously limited their private market exposure, such as insufficient scale and governance resource constraints.

INDUSTRY PERSPECTIVES

“Despite the strength of the UK’s innovation ecosystem, many high-potential companies continue to face barriers when scaling, particularly due to limited access to domestic long-term capital. This has led to a growing reliance on foreign investors to fill larger funding rounds, increasing the risk that companies shift operations abroad to be closer to their capital base, taking talent, IP and economic value with them. The *British Business Bank* is working to support venture growth opportunities with a UK focus by building long-term relationships with best-in-class fund managers, including those leveraging sectors and verticals where the UK is traditionally strong – such as life sciences, deep technology and financial services – and by helping grow the pipeline of new female investors through our Emerging Female Investor Open Office Hours initiative.”

Christine Hockley

Managing Director & Co-Head of Funds, British Business Bank

1.2.3 Home bias in private market allocation

While pension funds have broadly reduced UK exposure and embraced global mandates, the story varies by asset class. Private DB schemes have increased UK holdings thanks to gilts and LGPS maintains strong domestic allocations in real assets.

DC and LGPS listed equity portfolios have strongly shifted overseas over the last decade.

Yet, when it comes to private markets, a home bias persists. Despite the trend towards international listed equities, roughly 45% of UK pension fund PE investments remain UK-based, a pattern attributed to greater visibility and familiarity with domestic opportunities[1].

This home bias in private market allocations is likely to continue as UK pension funds begin to gradually increase their exposure to VC, as shown by the results of this research.

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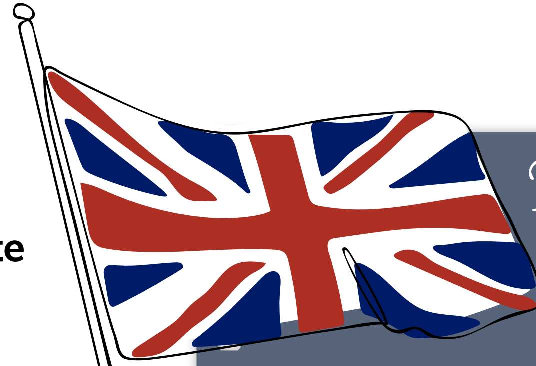


Takeaways

The UK pension industry

- ☑ A common characteristic across UK occupational pension schemes is their traditionally low exposure to private markets, including VC, infrastructure and property.
- ☑ Currently, UK pension funds allocate about 3.8% to PE, with VC included within that figure. However, detailed data on VC allocations is only available for DC schemes, where just 0.5% of assets are directed toward VC.
- ☑ While DC schemes are growing, DB schemes still hold the majority of assets – and for DB schemes, liquidity remains a significant concern. Many of these schemes are maturing, meaning they have more retirees drawing benefits than active members contributing. This creates a need for steady cashflows and reduces the appetite for illiquid assets like VC.
- ☑ Liquidity is also a consideration for DC schemes but in a different way. These schemes must offer daily pricing and trading to members, which can be challenging, especially for smaller funds. However, larger DC schemes are generally better equipped to handle such demands.
- ☑ Another factor affecting DC schemes is the risk profile. Since individual members bear the investment risk, there tends to be a cautious approach to higher-risk assets like VC.
- ☑ Despite challenges, industry consolidation in the UK may drive increased allocations to PE, as larger schemes typically have more capacity and resources to invest in these asset classes.
- ☑ UK pension funds have increasingly allocated to overseas public equities. However, when it comes to private markets, the story is different. That cautious, restrained approach is expected to continue even as UK pensions begin to explore greater exposure to VC.

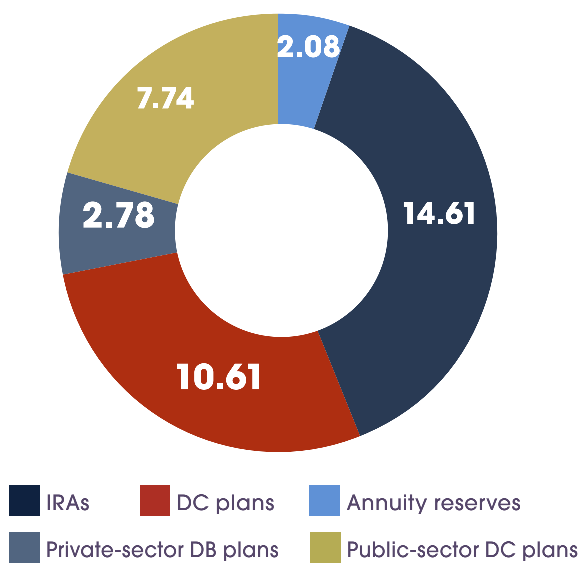
1.3 The US pension industry

1.3.1 Market size and structure

US retirement assets amounted to €37.4tn in early 2025, including individual retirement accounts (IRAs), DC plans, private-sector DB plans, public-sector DB plans and annuity reserves assets.

IRAs are the largest component of the US retirement market at nearly €14.7tn. These are personal retirement savings accounts that individuals open and manage themselves, often through banks or investment firms, and which carry tax advantages to encourage long-term savings. These are followed by DC plans, covering €10.5tn in assets, and public-sector DB plans, covering nearly €7.79tn in assets in 2025.

Fig 7 | Pension market size (in €bn)[A]



SOURCE

A *Investment Company Institute (ICI)*, 2025, *Release: quarterly retirement market data*, viewed July 2025, <https://www.ici.org/statistical-report/ret_25_q1>.

INDUSTRY PERSPECTIVES

"Europe has a population 30% larger than the US and a pan-European economy roughly half its size, yet the US invests threefold in its VC ecosystem. This gap stems largely from European regulations which encourage pension funds to prioritise low-risk government bonds, over allocating even a small share to higher-return investments in innovation and private markets like VC. As a result, many European VC funds remain small and under-resourced, especially in funding deep tech companies, which require long-term capital and broader support platforms to scale. These companies often take longer to generate revenue but are built on cutting-edge European research and intellectual property. Over time, they become scalable and defensible."

Elaine Coughlan

Founding Partner, *Atlantic Bridge Capital*

1.3.2 Current asset allocation

Across the various types of pension schemes in the US, allocations to PE (including VC) typically range from 5-15% (or more) of total assets. This is higher than those of UK and European counterparts, which remain more heavily focused on listed equities and bonds. A survey of senior US pension fund executives[1] identified three key reasons for this higher allocation:

- Illiquidity premium.
- Diversification.
- Inflation protection.

Before the turn of the century, long-term institutional investors, such as foundations and university endowments, began allocating significantly more to VC and other alternatives. *Yale University*'s endowment shifted from over 70% in US stocks and bonds in 1990 to less than 10% today. As of 2020, 22.6% of *Yale*'s endowment was invested in VC. According to the 2020 Endowment Report, *Yale*'s VC portfolio delivered an annualised return of 21.3% over the 10 years ending June 2020, compared to 10.9% annualised for the overall endowment during the same period. As a result, *Yale* raised its target VC allocation to 23.5% in June 2020[2].

Public sector DB

Highest VC exposure – looking at pension funds, the DB public sector holds the highest exposure to VC. Although equities remain the largest component of public pension portfolios, making up 41.5%, alternative investments exposure is at 29.7%, a much higher share compared to European pension funds. PE alone accounts for 10.4% as of early 2024[3].

Private sector DB – de-risking: US private-sector DB schemes have been closing or de-risking, and increasingly focusing on liability-driven investing, but many still maintain some VC exposure, typically ranging from 2-4%, depending on the fund size.

DC schemes – minimal VC exposure: similarly to UK DC schemes, US DC schemes have low VC exposure, typically around 2%, due to daily liquidity requirements and concerns over high fees and litigation risks[5]. Only in 2020 did the *U.S. Department of Labor* permit DC plans to include PE within diversified funds, and adoption remains slow. As a result, DC schemes in both regions remain largely untapped for VC. The key difference is the larger US DB segment has compensated by investing more heavily in VC, unlike the UK DB segment.

CalPERS: a case study in private growth

In 2024, the *California Public Employees' Retirement System* (*CalPERS*), one of the world's largest pension funds, announced plans to increase its private markets allocation from 33-40%, raising private equity specifically from 13-17%. This decision was driven by strong and sustained growth in PE returns. According to the Chair of *CalPERS*' Investment Committee, PE has delivered 20-year annualised returns of 12.3%, making it the fund's top-performing asset class over that period[4].

1.3.3 Limited partners (LP) base of US venture

Pension funds have long been a major source of capital to PE funds. At the end of 2001, over half of the capital investment to VC funds, and funds of funds in the US came from pension funds, a landscape very different from Europe[6].

The composition of the VC LP base varies significantly by geography. In the US, foundations, endowments and pension funds make up the majority of LPs, whereas in Europe, state-owned capital is more dominant. Within *Preqin*'s ranking of the top 100 most active US VC investors by number of fund commitments, nearly half (49) are either pension funds, such as *CalPERS* with 75 fund commitments, or endowments, like the *University of Michigan* endowment, which has 78 investments[7].

EWVC PARTNER BOX

Atlantic Vantage Point (AVP)

Warda Shaheen

General Partner, *AVP*

"As Europe faces demographic ageing, low yields and a major climate and digital transition, its pension funds hold a powerful but underused lever for securing long-term returns and competitiveness. Currently, less than 0.01% of pension capital is allocated to VC and growth equity. In contrast, US pension giants like *CalPERS* allocate 5-15% to private markets,benefitting from early investments in companies like *Tesla* and *Moderna*.

Over 60% of today's US public market value comes from former VC-backed firms. Europe has the talent, innovation and growing infrastructure, with over 360 unicorns and strong-performing venture funds. The case for change is clear:

- **Returns**: European top-quartile venture and growth funds deliver 15-25% net internal rates of return, matching US peers and outperforming traditional assets.
- **Strategic sovereignty**: innovation in AI, green energy and health is vital for Europe's economic independence.
- **Societal impact**: tech-driven growth supports jobs, productivity and climate goals aligned with pension mandates."

WEBSITE: https://avpcap.com/

Atlantic Vantage Point

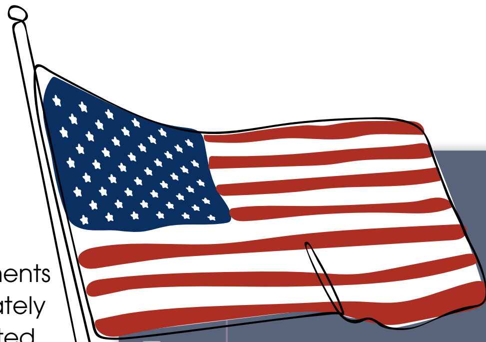
1.3.4 Trends at the EU level

As of 2023, US pension funds accounted for roughly 25% of total pension fund commitments to European VC funds, equivalent to approximately €210mn. The France and Benelux area contributed an equal share of 25%, with the Nordics representing 25%, followed by the UK and Ireland at around 20%[8].

ERISA & the 'Prudent Person' Rule

Until 1978, the 'Prudent Person' rule required pension managers to invest with the care of a 'prudent man', which effectively kept pension funds out of VC. Any investment in a start-up could be viewed as imprudent and therefore off-limits. That changed in early 1979, when the *U.S. Department of Labor* clarified prudence should be assessed at the portfolio level, with diversification taken into account. This meant allocating a small portion of a pension portfolio to VC or PE could be acceptable if overall risk was managed appropriately.

This reinterpretation marked a turning point. It recognised that prudence was not about avoiding risk entirely, but about balancing risk across asset classes. The *Employee Retirement Income Security Act of 1974* (*ERISA*)-era redefinition gave pension fiduciaries the flexibility to include alternatives, laying the foundation for the venture allocations that many US pension funds hold today[9].



Takeaways

The US pension industry

- ☑ US retirement assets reached €37.5tn in early 2025, with IRAs (€14.7tn), DC plans (€10.5tn) and public-sector DB plans (€7.7tn) as the largest segments.
- ☑ US pension schemes' allocation of 5-15% to private equity (including VC), was far higher than investments by their UK and European peers, driven by the illiquidity premium, diversification and inflation protection.
- ☑ Public-sector DB schemes have the highest VC exposure, with alternatives representing nearly 30% of portfolios and PE alone accounting for 10.4%.
- ☑ Private-sector DB plans are de-risking and hold only 2-4% in VC, while DC plans remain largely untapped with approximately 2% exposure due to liquidity constraints.
- ☑ Pension funds, endowments and foundations make up the majority of US VC LPs, in contrast to Europe where state capital dominates.
- ☑ The 1979 reinterpretation of the *ERISA* 'Prudent Person' rule allowed pension fiduciaries to include VC/PE as part of diversified portfolios, laying the foundation for today's allocations.

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1.4 European VC landscape: highlights

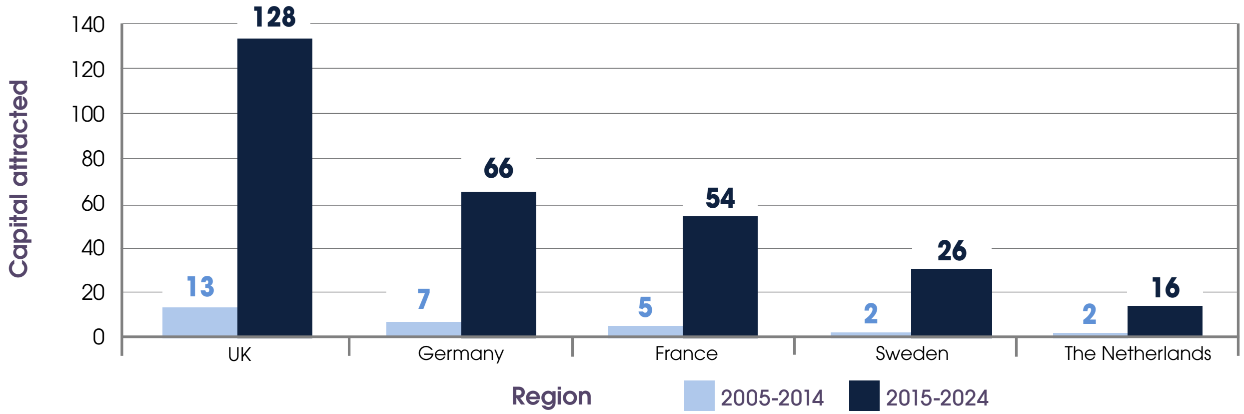
Pension industries across Europe vary in structure and strategy, but they share one consistent trait: caution towards assets perceived as risky, particularly PE and, even more so, VC. Pension fund allocations to VC across Europe remain extremely limited, with around €500mn, or roughly 0.12% of total EU pension fund AUM, directed towards the asset class[1].

A rapidly expanding VC ecosystem

By 2024, Europe had grown into a vibrant hub for innovation, home to more than 300 unicorns and over 35,000 startups[1]. Over the past two decades, the venture landscape has significantly expanded. At the heart of this shift are the UK, Germany, France, Sweden and the Netherlands, which have consistently drawn increasing amounts of capital into their VC ecosystems.

This surge in investment is also reflected in the number of billion-dollar exits. Since 2015, the UK has led the way with 66 exits, followed by Germany (24), the Netherlands (14) and Sweden (12).

Fig 8 | Capital flows in venture capital: 2005-2014 versus 2015-2024 (€bn)



SOURCE

Atomico, 2024, *The State of European Tech 2024*, viewed July 2025, <https://www.stateofeuropeantech.com>.

Sectors attracting capital

Tech remains strong, enabling technologies (AI, semiconductors) and climate/sustainability firms to lead the way; these sectors have received the largest share of funding over the past decade. This is followed by digital infrastructure.

Investment growth but limited pension fund participation

At the continental level, annual capital investment has shown steady growth since 2005, with a temporary dip between 2021 and 2023. Investment peaked in 2021 at €87bn in the wake of the Covid-19 pandemic and is now beginning to stabilise again, reaching €38bn in 2024. This capital exceeds the capital invested throughout the whole 2004-2014 decade.

As Figure 8 shows, Europe's fundraising between 2015-2024 is more than nine times higher than in the previous decade. Over the same period, the US market also expanded, though by just under three times compared to the prior decade.

Some notable European examples include *Quantum Systems* from Germany, a drone robotics company that raised €160mn in a Series C funding round in May 2025[1], and female-led *Pigment* from France, an enterprise planning SaaS provider that secured €133mn in a Series D round in April 2024[2].

Reliance on foreign capital

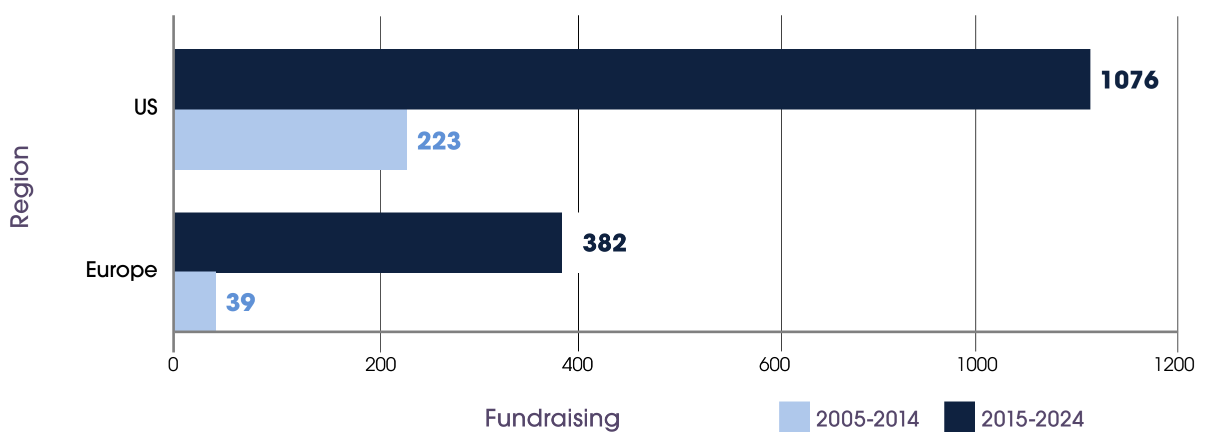
Despite Europe's vibrant VC scene, pension fund participation remains marginal. While the Nordic countries and the France and Benelux regions represent the largest pension fund allocations to this asset class, these investments remain relatively small in the bigger picture. For example, the Nordic region attracts just over €430mn in pension fund investments (approximately 2% of the entire VC market in Sweden), followed by France and Benelux, which each receive around €175mn (about 1% of VC fundraising in the Netherlands)[4].

The need for institutional engagement

The European VC ecosystem has proven its capacity for job creation, innovation and sustainability. However, without stronger participation from domestic institutional investors, Europe's ability to retain and grow its high-potential companies remains constrained. European pension funds continue to only to be involved in the VC sector in a minor way. The data highlights the pressing need for stronger institutional support if Europe is to fully capitalise on its entrepreneurial potential.

The following case studies illustrate two contrasting examples: one highlighting a missed opportunity and the other showing a successful instance of European pension fund allocations to venture, demonstrating that, when managed effectively, VC can deliver benefits for pension funds.

Fig 9 | Investment levels: Europe versus the US (€bn)



SOURCE

Atomico, 2024, *The State of European Tech 2024*, viewed July 2025, <https://www.stateofeuropeantech.com/>.

INDUSTRY PERSPECTIVES

"The persistent underinvestment in female-led startups, which receive only approximately 2% of VC globally, reflects a systemic market inefficiency with a measurable opportunity cost. Research shows that startups founded or co-founded by women generate significantly higher returns, yet they remain critically undercapitalised. If the pension funds (the top 300 global pension funds hold AUM approx. €20tn[3]) shifted just a fraction of their PE portfolio allocations into female-led VC/PE investments, they could unlock additional long-term value for pensioners, without requiring new capital or increased risk exposure."

Debbie Wosskow

Co-Chair, *Invest in Women Taskforce*

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Insights from the *Draghi Report*

Europe's ambitions for leadership in artificial intelligence (AI), green tech and digital innovation are colliding with a hard financial truth. According to the *Draghi Report*, the EU will need to unlock €750-800bn in additional capital annually to meet its growth potential, but the current financial system is not fit for purpose.

The EU remains bank-dependent, with most innovative firms relying on loans to fund breakthrough ideas. Banks are ill-equipped to back high-risk, high-reward ventures, since they struggle to value intangible assets and often overlook emerging sectors.

Even as capital markets have grown post-financial crisis, they remain fragmented and long-term institutional capital is still sitting on the sidelines.

The report makes a clear case: Europe will not reach its innovation, climate and competitiveness goals without a deep, integrated Capital Markets Union and a more engaged long-term investor base.

If mobilised, EU pension funds could be central to the solution, but scaling cross-border investment, reducing fragmentation and building better vehicles for risk capital will be essential.

INDUSTRY PERSPECTIVES

"Pension funds are the backbone of long-term growth capital in the Finnish market. Their capacity for large, patient investments, combined with professional expertise, makes them the most valuable investors in alternatives like PE and VC. In the Finnish ecosystem, pension funds such as *Ilmarinen* have played a critical role in accelerating companies like *Vexve*, where they, alongside private family investors, formed the majority of the capital committed to growth vehicles."

Samuel Wendelin

Investment Director, Tesi

INDUSTRY PERSPECTIVES

"European allocators are relatively new to venture. As a result, those who are active in the space often rely heavily on advisers, who tend to promote more established, mature markets like the US. These European LPs frequently lack the experience and deep understanding of the asset class needed to make independent allocation decisions. In contrast, US investors tend to be more experienced. They actively seek alpha and, when they invest in European managers, it's because they see untapped potential in the market. They understand how to access and benefit from that opportunity. Meanwhile, many European LPs mistakenly believe that alpha exists only in the US, leading them to overlook promising opportunities in their own backyard. This mismatch highlights a missed opportunity: European LPs are underallocating to their own markets – not due to lack of potential, but due to a lack of understanding."

Ertan Can

Founding Partner, Multiple Capital

CASE STUDY 4

Ireland Strategic Investment Fund (ISIF): gender-focused VC initiative

Background

The ISIF is a sovereign development fund managed by the National Treasury Management Agency (NTMA), with assets totalling €16.6bn. Its unique mandate is to invest commercially in a manner designed to support economic activity and employment within Ireland.

The gender initiative

In 2022, *ISIF* announced a €50mn initiative to invest in female-led private equity and venture capital funds, seeking to demonstrate its commitment to addressing gender inequality in investment roles. Ireland shows relatively higher female representation in PE compared to the EU average, particularly in VC, but overall, senior female participation remains limited. The ambition was exceeded ahead of its two-year schedule with €60mn committed, prompting an increase to €160mn. Investments cover sectors including infrastructure and life sciences, supporting new and established female fund managers.

Investments

- May 2024: €21mn committed to *Norrsken VC Fund II*, focusing on climate-tech and health-tech seed and Series A rounds.
- May 2024: €15mn committed to *Blume Equity*, a first-time fund focused on climate and environmental sustainability.
- By December 2024: a further €24mn in aggregate commitments approved for two further female-led managers.

Broader implications

- *ISIF's* €160mn commitment is among the largest in Europe for female-led VC funds, inspiring similar programmes by other European LPs.
- The fund's approach highlights how sovereign and pension-backed investors can lead in correcting market imbalances without sacrificing returns.

WEBSITE: https://isif.ie/

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

Ciste Infheistíochta Straitéisí d'Éirinn
Ireland Strategic Investment Fund

CASE STUDY 5

PlanRadar: local versus overseas investment in European VC

Background

Founded in 2013 and headquartered in Vienna, Austria, PlanRadar is a fast-growing proptech company, providing digital solutions for construction and real estate project management. The platform enhances site communication, streamlines documentation and improves workflow efficiency, leading to sustainability gains by reducing construction waste, lowering CO_2 emissions and enabling faster, more cost-effective housing development[1].

Rapid expansion

From 2020-2024, PlanRadar expanded into 10 additional European markets, growing revenue from €7mn to €27mn. The company, which is currently valued at €348mn, plays an increasingly strategic role in addressing Europe's housing and sustainability challenges[2].

Investor base

- Approximately 8% of equity is held by US pension funds.
- Only approximately 0.2% is indirectly held by German and Austrian pension funds, via VC and growth funds[3].

This ownership structure reflects a broader trend highlighted in the introduction of this section: Europe's technology growth is being disproportionately financed by non-European institutional capital. Domestic pension funds, despite managing vast pools of long-term capital, remain on the sidelines of the very innovation economy they stand to benefit from.

WEBSITE: https://www.planradar.com/gb/

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CASE STUDY 6

Creandum: a VC fund that defied the EU norm

Background

The trajectory of Creandum, an early-stage venture firm based in Stockholm, Sweden, offers a counterpoint to the previous case study. Founded in 2003, Creandum has emerged as one of Europe's most successful venture firms, backing unicorn companies including Spotify (initial public offering, New York Stock Exchange, €25.5bn valuation), iZettle (acquired by PayPal for €1.9bn), Cornershop (acquired by Uber for €3bn) and Small Giant (acquired by Zynga for €605mn).

Rapid expansion

With nearly 150 portfolio companies and a total of €1.4bn raised across funds, *Creandum* has delivered seven-times average return, including write-offs. In 2018 alone, its companies generated €35bn in exit value and created an estimated 46,000 jobs across more than 35 global cities[1].

Investor base

What sets *Creandum* apart is the source of its capital. Its first fund (€40mn) was anchored by Swedish pension fund *AP6* and insurer *Skandia*, at a time when such investments were highly unconventional in Europe. We interviewed *Skandia* and asked what the investment case was that prompted them to invest in VC.

Creandum's investor base today stands in stark contrast to the European average:

- Pension funds now account for approximately 40% of *Creandum*'s LP commitments.
- 6% of total LP capital originates from Nordic institutions, reflecting a strong and consistent regional institutional foundation[1].

For context, UK tech startups receive 16 times more investment from foreign pension funds than from the domestic pension sector, showing the lack of local institutional support. The Dutch experience tells a similar story: despite having the EU's largest pension funds, only about 24% of VC funding for startups in the Netherlands in 2021 came from domestic investors, the majority of capital came from American and Chinese sources[2].

These examples reflect a broader European paradox. While startup ecosystems are maturing and attracting more capital, much of the financial and strategic benefit is flowing to non-European institutions. The stories of *PlanRadar* and *Creandum* illustrate the uneven landscape of VC allocation across Europe. The Nordic model shows that pension funds can play a central role in building globally competitive innovation ecosystems.

WEBSITE: https://creandum.com/

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② The investment case – why VC appeals to pension funds

2.0 The investment case – why VC appeals to pension funds

In this section, we explore why pension funds are increasingly drawn to venture capital (VC). Our interviews included pension funds currently allocating or recently committed to VC, giving us insight into their motivations and emerging trends shaping this growing interest.

Before diving into the reasons behind these allocations, the first part of this chapter will highlight trends around how pension funds are approaching VC. We will then explore how European pension funds are cautiously but increasingly embracing venture, recognising its potential for diversification, impact and higher returns. The journey is still early for many, with preferences leaning toward later-stage investments and direct single fund commitments, supported by rigorous manager selection and a pragmatic view on risk and liquidity.

2.1 Emerging trends in pension funds' allocation to venture capital

2.1.1 Venture capital as a sleeve of private equity (PE)

From the insights gathered during our interviews with pension funds, we identified the following market trends regarding attitudes towards VC.

Pension funds currently integrate VC within their wider PE allocations, rather than assigning a standalone target for VC. For many, VC is still an emerging area, and schemes are in the early stages of understanding how best to incorporate it into long-term portfolios. As a consequence, funds take a pragmatic or opportunistic approach, committing to VC through their existing PE allocations without setting a dedicated target. This flexibility allows them to commit to opportunities as they arise, while remaining within the overall framework of their private markets' strategy.

One UK trustee explained this well: "In the scheme I chair, we seek a broader allocation to PE, not just VC. However, when impact – whether economic, sustainability-related or innovation-driven – is a key objective, the focus tends to shift more towards VC. That's where you can support early-stage innovation, especially in areas like climate tech or clean energy, within the constraints of our risk tolerance."

2.1.2 Return expectations: targeting double digits

Venture capital sits at the higher-risk, higher-return end of the private markets spectrum, and pension funds expect it to deliver accordingly. While targets vary, most interviewees expressed a preference for returns in the low double digits.

A UK trustee summarised this balance: "It depends on the portfolio, but broadly we expect double-digit returns, somewhere in the 10-12%+ range. VC needs to justify its higher risk with commensurate returns."

"We invest mostly in seed-stage funds locally, as they offer solid investment cases despite higher risk."

LITHUANIAN PENSION FUND

"We don't have a formal venture capital return target – it's more opportunistic – but we expect higher returns than PE to compensate for greater risk."

DUTCH PENSION FUND

"For private equity and venture capital, we target a minimum of 8%, with expectations around 10-12%. Returns of 30% are exceptional."

LITHUANIAN PENSION FUND

2.1.3 Pension funds' preference for later-stage investments

Many pension funds are still developing their understanding of the various stages of VC, from the seed-stage to scaling-up. As a result, several interviewees indicated an inclination for later-stage investments, which tend to offer a more balanced risk-return profile compared to earlier, riskier stages. For example, one Latvian pension fund noted: "We're not heavily invested in early-stage VC due to the risk-return profile. Instead, we focus on more established companies, with some exposure to growth-stage funds that include later-stage VC."

A UK trustee added: "Seed capital is usually too high-risk for pension schemes. We prefer companies that have validated their business models and are scaling. Early to development-stage venture capital strikes a better risk-opportunity balance within a diversified portfolio."

These quotes align with findings from previous research on the topic. According to *Invest Europe* (the world's largest association of private capital providers), pension fund exposures to European Union (EU) buyout and growth funds are nearly three times higher than to VC, highlighting their preference for later-stage investments. The table below breaks down the limited partner (LP) base across EU PE, buyout, growth and VC fundraising. Note that the data also includes overseas pension funds and is not limited to domestic sources.

There were some exceptions, notably in the Baltics, where place-based investing and local fund availability led to a greater focus on earlier stages.

"Our goal is to outperform public equity benchmarks, particularly European equity indices."

LATVIAN PENSION FUND

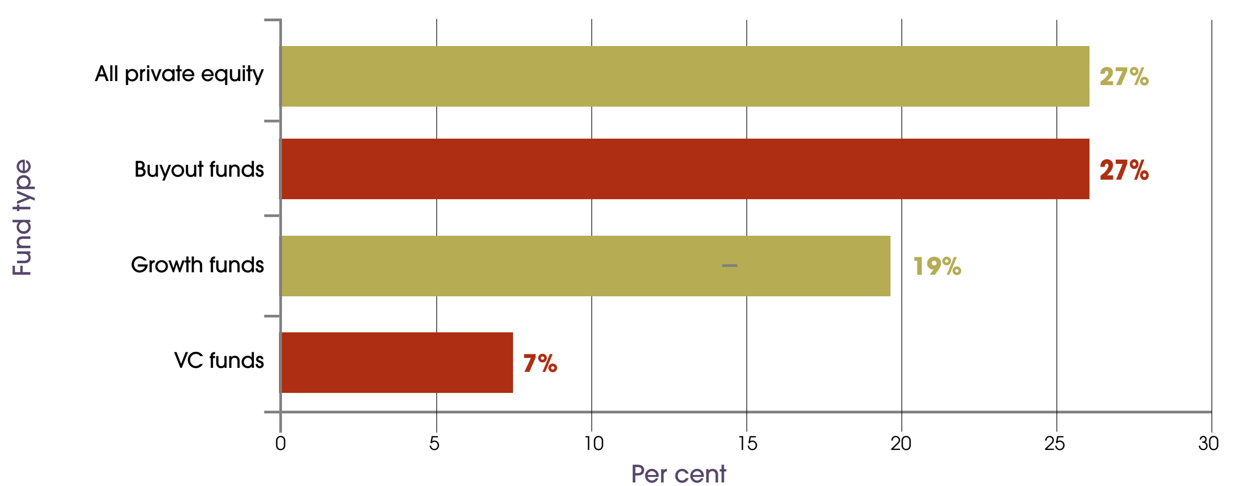
INDUSTRY PERSPECTIVES

"Latvia has a vibrant and promising startup ecosystem. At *ALTUM*, we have already attracted pension capital into our *ALTUM's Capital Fund*, proving that such partnerships can work. Strengthening collaboration between pension managers and local private equity funds is essential to support domestic growth."

Ralfs Jānis Punāns

Head of Private Equity Department, *ALTUM*

Fig 10 | EU VC fundraising by type of investor, as of 2023: pension funds



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SOURCE

Invest Europe, 2024, *Investing in Europe: private equity activity 2023*, viewed July 2025, <https://www.investeurope.eu/research/activity-data>.

2.1.4 Vehicles through which pension funds access growth and venture capital investing

Pension funds access VC by several routes, but direct investment into VC funds is the most common. Co-investments and fund of funds (FoF) structures can be favoured less due to perceived complexity, fees and governance demands. A UK trustee shared: "Allocation methods vary depending on the scheme governance and expertise. For example, my master trust plans to allocate through a fund manager's bespoke long-term asset fund (LTAF), allowing oversight and diversification aligned with a long-term horizon. Schemes with stronger governance may invest directly, while less resourced schemes may prefer FoFs for ease and diversification, though many such schemes are derisking and may avoid VC altogether."

Other pension funds echoed this view, also favouring commitments to individual venture funds rather than direct or co-investments. The fact pension funds often choose this route shows the importance of selecting managers with the strongest capabilities for VC (or, in their case, private equity mandates).

"We focus exclusively on single fund investments, not direct or co-investment in venture capital, as co-investment opportunities are rare, and direct deals are small and riskier."

DUTCH PENSION FUND

INDUSTRY PERSPECTIVES

"More pension plans are considering investing in the private capital asset class for the first time. This represents a large, and growing, pool of potential funders for the VC industry in Europe. However, many pensions' providers are looking to forge new models of partnership with fund managers that more fairly balance rewards for good investment performance with better financial outcomes for their pension savers. Therefore, significant innovation will be required in both fee structures and investment vehicles to successfully unlock this opportunity and to convert current levels of interest in the asset class into actual commitments."

Catherine Lewis La Torre

Company Director & Former CEO, *British Business Bank*

2.1.5 Manager capabilities – track record and diversification

Pension funds from different regions agree that selecting the right VC fund manager is essential, but the landscape is challenging. Interviewees stressed the importance of proven track records and the need for diversification given the uneven performance typical in VC, even among managers. Many VC funds fail to deliver positive returns, making diversification across managers and deals an important risk management tool.

As one UK trustee put it: "PE, and especially VC, has highly uneven outcomes between managers. The saying goes: out of 10 VC funds, seven lose money, two break even and one makes a profit. This reality makes diversification and strong deal-sourcing essential. Confidence on the manager comes from a proven track record, adequate diversification and the ability to consistently source good deals."

Others added the importance of reputation, governance and understanding a manager's unique selling points.

INDUSTRY PERSPECTIVES

"While new financing and secondary solutions are expanding the toolkit for venture LPs, access remains concentrated in top-tier funds, making high-quality manager selection more critical than ever."

Alexander Branton

Founder, Nodem Capital

"Criteria include track record and successful exits. Reputation, good governance and transparency are also key, though past performance remains the priority."

LATVIAN PENSION FUND

"Track record and expertise are crucial, especially in VC. Since we mostly invest in funds, we rely heavily on the manager's history."

DUTCH PENSION FUND

INDUSTRY PERSPECTIVES

"VC is one of the most exciting and dynamic asset classes – but also one of the most complex. Generating attractive, risk-adjusted returns requires disciplined manager selection, thoughtful portfolio construction, broad diversification and active, ongoing portfolio management and oversight. Building and sustaining the specialised skills, networks and resources to do this in-house takes time, investment and commitment – especially in VC's fast-moving, multi-country innovation and entrepreneurial landscape.

A well-managed venture capital FoF offers pension schemes a direct, professional and clearly defined gateway to the asset class – without the steep learning curve or operational burden of creating an internal team. In this context, paying market-standard management fees and carried interest for a fully integrated, one-stop solution can represent excellent value.

The best FoF managers go even further – cultivating knowledge within their LP community, sharing market insights, and opening doors to co-investments and other high-quality opportunities. For pension schemes with limited governance capacity or those taking their first steps into VC, a FoF is the most efficient and effective way to access the market, mitigate risk and turn a complex, relationship-driven ecosystem into a curated, diversified, long-term growth engine."

Matthias Ummenhofer

Managing Director, mojo.capital

2.1.6 Exit strategies & liquidity

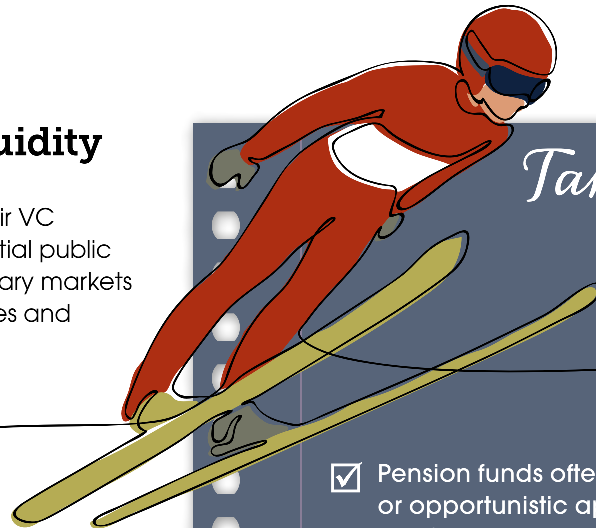
Most pension funds prefer to hold their VC investments until natural exits like initial public offerings (IPOs) or acquisitions, as secondary markets remain underdeveloped in some countries and liquidity options are limited.

“Exiting via secondary markets is difficult and not a core strategy. We usually hold until fund exits occur through IPOs or acquisitions.”

DUTCH PENSION FUND

“While secondary markets would help with liquidity, they are currently limited. Knowing we could exit near net asset value would make illiquid investments more comfortable.”

LATVIAN PENSION FUND



Takeaways

Emerging trends

- ☑ Pension funds often take a pragmatic or opportunistic approach, committing to VC through existing PE allocations without setting dedicated targets for the asset class.
- ☑ Impact generation (sustainability, innovation and economic growth) is a driver for pension fund allocations to venture capital.
- ☑ Return expectations are generally around double digits, though most funds do not set explicit targets. Asset owners expect venture capital to deliver a double-digit risk premium to justify the associated risk.
- ☑ Pension fund exposure to EU buyout and growth funds is nearly three times higher than to venture capital. They prefer later-stage venture capital for its more balanced risk-return profile.
- ☑ Allocations to venture capital are mainly through single-fund commitments, as co-investments are rare, and direct deals tend to be small and riskier. FoFs were perceived as less attractive due to double fees.
- ☑ Proven track records, successful exits, reputation and strong governance are top priorities when selecting managers. Diversification across managers and deals is also essential, given venture capital’s uneven performance and the high failure rate of individual funds.
- ☑ As long-term investors, pension funds typically hold positions until fund exits through IPOs or acquisitions, as the secondary market remains underdeveloped.

2.2 Investment case – why pension funds are (slowly) turning to VC

Pension funds across Europe are increasingly exploring the role venture can play in their portfolios. Through a series of in-depth interviews, we uncovered primary motivations driving pension funds to allocate to venture: portfolio diversification, climate, local and impact investing, and target-dated investment strategies. While each fund's context and constraints differ, these themes emerged consistently, showing a shared belief in VC's potential to generate attractive returns and support broader societal goals.

In the UK alone, signatories of the *Mansion House Compact* have committed that, by 2030, 10% of their pension portfolios will be channelled into assets that actively fuel economic growth, which includes infrastructure, real estate and PE. At least half of that will be directed specifically to UK-based investments, expected to inject a staggering £25bn into the domestic economy. £25bn is more than 40 times the amount European pension funds currently allocate to European VC. This reflects a growing momentum toward greater engagement in alternative assets.

2.2.1 Portfolio diversification

Across every conversation, one message stood out: diversification is the central reason pension funds allocate to VC. In an environment marked by uncertainty and market volatility, especially within the unstable geopolitical environment, VC offers a distinct return profile that helps pension portfolios spread risk at the total fund level and capture upside in less correlated asset classes.

As a risk management strategy, pension funds diversify within VC itself. Given the high-risk, high-reward profile of VC, pension funds highlighted the importance of diversifying across fund stages, managers and geographies to mitigate single-investment risk and improve their overall return potential.

“Diversification plays a role; it's about having assets that behave differently, ideally with a negative correlation to traditional listed markets.”

ESTONIAN PENSION FUND

“The rationale for investing in VC is more the view US pension funds take: it fits a long-term investment horizon. Of course, there will be winners and losers, but if you have a longer-term investment horizon, that doesn't matter as much. From a return perspective, VC is attractive.”

DUTCH PENSION FUND

“A single seed-stage investment is highly risky… But if you invest across a broad portfolio of high-quality VC funds and companies, the aggregate risk is lower, and returns are stronger.”

ASSET MANAGER

A growing body of literature highlights alternative assets, including venture, which have the potential to enhance long-term returns, improve diversification and reduce overall portfolio volatility.

Figure 11, based on data from *J.P. Morgan Asset Management*, models three hypothetical portfolios with different risk profiles (conservative, balanced and aggressive) and shows how introducing a diversified 20% allocation to alternatives can decrease expected portfolio volatility and, in some cases, increase expected portfolio returns.

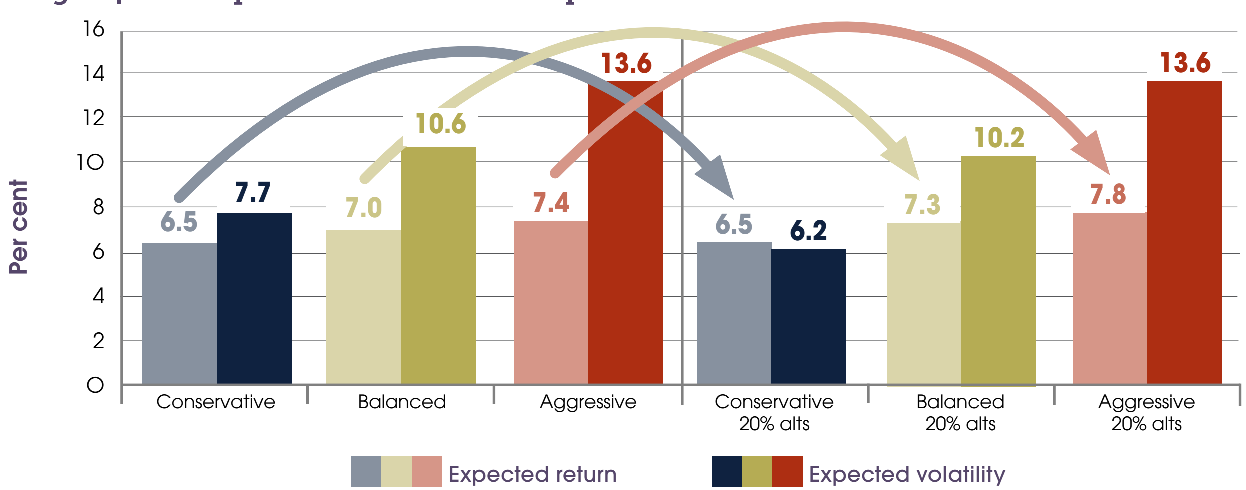
Reallocation

In each scenario, the reallocation is made by reducing exposure to equities, fixed income or both. The addition of alternatives lowers volatility in the conservative and balanced portfolios while maintaining or increasing expected returns across all profiles. For aggressive portfolios, return potential rises with no increase in risk.

Portfolio compositions (before and after adding 20% alternatives):

- Conservative:
  40% equities/60% bonds.
  → 20% equities/60% bonds/20% alternatives.
- Balanced:
  60% equities/40% bonds.
  → 48% equities/32% bonds/20% alternatives.
- Aggressive:
  80% equities/20% bonds.
  → 70% equities/10% bonds/20% alternatives.

Fig 11 | The impact of alternatives on portfolio risk and return



SOURCE

J.P. Morgan Asset Management, 2024, *Alternatives outlook 2024*, viewed July 2025, <https://am.jpmorgan.com/content/dam/jpm-am-aem/emea/regional/es/investment-themes/alternatives-outlook.pdf>.

INDUSTRY PERSPECTIVES

“Some might argue that VC is too risky for pension funds. But that argument no longer holds water. European VC has matured significantly and now boasts a solid financial track record, consistently outperforming public markets and even investments in the US. Over the past five, 10 and 15 years, European VC funds have delivered competitive returns, often surpassing their North American counterparts. The risk of capital loss in these growth-oriented funds is surprisingly limited. And it's not just about returns. By directing capital toward VC funds that prioritise diverse investment teams and support startups led by diverse founders, pension funds can help build a more innovative and impactful technology ecosystem. Research consistently shows that diverse teams generate higher returns, yet in Europe a disproportionate share of capital still goes to male-only founding teams. This is an opportunity to drive both profit and progress.”

Kirsten Dunlop

CEO, *Climate KIC*

Ben Honan

Investment Lead, *Climate KIC*

A study conducted by *Multiple Capital* compares three types of VC investment vehicle:

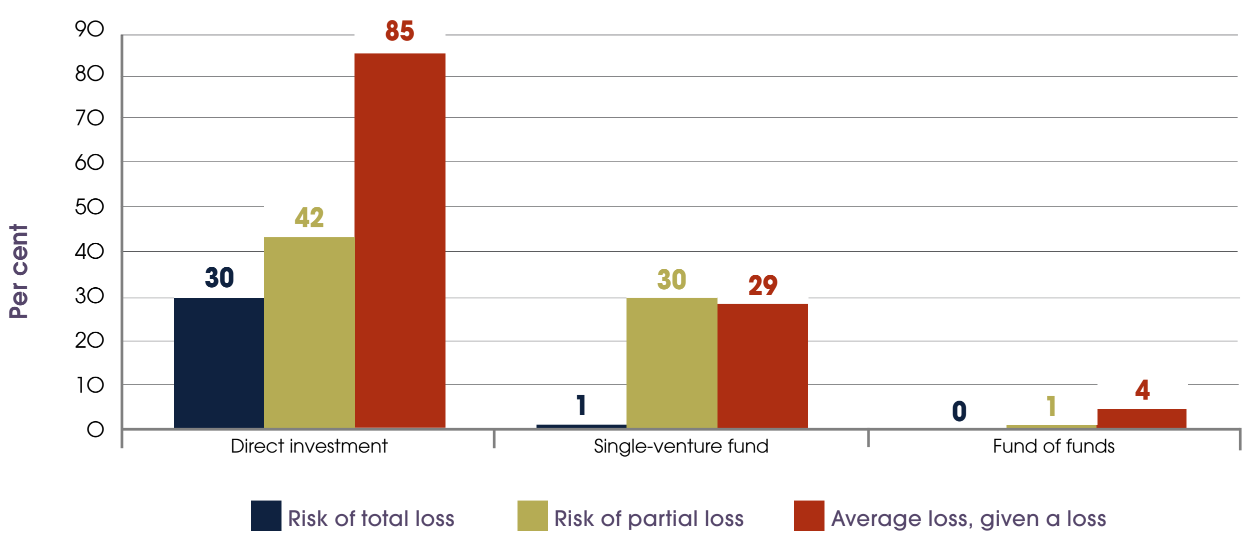
- Direct investments in individual startups.
- Investments in single venture funds.
- Investments in FoFs across three risk dimensions: the probability of total loss, the probability of partial loss and the average loss in the event of a loss.

Fund of funds

FoFs pool capital from a range of investors and allocate it into a portfolio of other investment funds, typically across multiple VC funds, rather than investing directly in individual startups or a single VC fund. This structure increases diversification and helps reduce the risk associated with the underperformance of any one fund. The pros include reduced risk through diversification, a lower likelihood of total or partial capital loss, and access to top-tier VC funds that might otherwise be difficult to reach. The cons include a double-layered fee structure, as investors pay fees both to the FoF manager and to the underlying VC funds.

Figure 12 shows a striking decline in risk as diversification increases. The risk of total loss drops from 30% for a single startup investment to 0% for an FoF investment. Similarly, the risk of partial loss decreases from 42% in a direct investment to 30% in a single venture fund, and to just 1% in an FoF. Finally, the average loss, when a loss does occur, falls dramatically from a staggering 85% in a single investment to just 4% within an FoF structure.

Fig 12 | Risk profiles in venture capital (2004)



SOURCE

Mathonet, P, Weidig, T, 2004, *The risk profile of private equity,* viewed July 2025, <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=495482>.

INDUSTRY PERSPECTIVES

Commonly perceived as a high-risk asset class, VC offers varying risk profiles depending on the investment vehicle

“Investments in individual companies carry a high risk of both total and partial capital loss. While investing in single venture funds significantly lowers the likelihood of a total loss, the risk of partial loss remains. Many VC funds underperform or return less than the capital invested after fees. FoF structures have historically helped mitigate both total and partial loss risk, while also delivering the highest median return multiples compared to direct investments and single funds. These characteristics make FoFs an attractive option for traditional investors looking to balance risk and return more effectively.”

Ertan Can

Founder, *Multiple Capital*

EWVC PARTNER BOX

Climate KIC

“Massive amounts of capital are funnelled into investments that are perceived as ‘safe’ investments. But this low-risk stance paradoxically exposes Europe to stifled innovation, diminished competitiveness and an inability to respond to a rapidly changing climate.

A shocking amount of European risk capital is currently flowing to the US, which is ironic given apparent risk appetite. Over the last decade, the US has been consistently investing three times more than Europe into VC (1.1% of GDP in the US compared to just 0.3% in Europe). This imbalance threatens to leave Europe unable to build the innovative solutions we need to shape our own destiny.

The good news is that Europe holds a powerful, yet underutilised, solution within its grasp. Our pension funds possess exactly the patient capital needed to navigate change and support transformation. We are up against massive systemic challenges like climate change and we need our own capital to invest in responding.

If European pension funds allocated 5% of their existing PE investments to VC, it would inject an estimated €23bn into the European economy, boosting our early-stage companies, allowing them to grow, scale, and keep their ownership and innovations within Europe.”

Kirsten Dunlop

CEO, Climate KIC

Ben Honan

Investment Lead, Climate KIC

WEBSITE: https://www.climate-kic.org/

ClimateKIC

2.2.2 Climate, impact and local development

A second motivation for investing in VC is pension funds' growing interest in climate-focused and place-based investment strategies. Particularly in the UK, several pension funds are now actively channelling capital towards climate innovation, sustainability and regional growth initiatives, areas where VC can play a major role.

Beyond climate, trustees are also considering environmental, social and governance (ESG) alignment more broadly, often finding that VC portfolios naturally score well due to the industries and innovations they support:

"Private equity and VC often have better ESG credentials than public markets, simply because they don't invest in sectors like oil and gas, tobacco, weapons or coal. Also, many VC-backed companies, especially in life sciences, are driving real positive change – for example cancer treatments with vastly improved survival rates. So, VC is naturally aligned with strong ESG principles."

ASSET MANAGER

"For my clients, the connection is often tied to climate goals. There's a strong belief that their capital can have an outsized effect, especially when it helps scale early-stage technologies. There's a lot of interest in renewable energy, agriculture and land use, as well as emerging technologies like AI and semiconductors. *Space Forge* is one example that's come up recently – they're growing crystals in microgravity to improve semiconductor performance. It's a great example of where climate, national security and deglobalisation intersect. We're also seeing growing attention to materials recycling and securing critical raw earth materials. There's a lot of innovation happening in that space."

INVESTMENT CONSULTANT

INDUSTRY PERSPECTIVES

"Institutional investors, while traditionally cautious in their approach to early-stage investments, are now allocating capital to startups in areas like climate tech & mobility. This is evident in Denmark, Sweden and the Netherlands, where pension funds have begun to engage in innovation-driven sectors. This shift reflects recognition that investments in decarbonisation, alternate energy sources & resilient infrastructure can combine financial value & measurable impact over time. We are creating pathways for cross-border collaboration between public and private investors. Our goal is to help promising startups scale across Europe – through capital & strategic alignment, shared learning and targeted post-investment support.

Mission-aligned capital, including institutional investment, can strengthen Europe's global innovation leadership. Models like co-investment frameworks, FoFs or thematic investments led by accredited fund managers, could allow pension funds to get involved, allowing institutional investors to remain prudent & act in the interests of beneficiaries while contributing to long-term societal goals. Our vision is to support the ecosystem through its pan-European role & broader EU mandate We recognise the hurdles & opportunities, but see potential for pension capital to contribute to transforming Europe's cities, financing cleaner, safer & smarter urban systems."

Keren Beit-Cohen

Head of Strategic Investments & Operations,
EIT Urban Mobility

Trustees see VC as a way to increase member engagement, especially when impact can be made visible.

Place-based investing through university spinouts is a popular approach in the UK. By backing local innovation, defined contribution (DC) pension funds can combine financial returns with measurable social impact.

“For the pension fund I chair, the trustees are very committed to climate mitigation, and are always looking for ways to invest in things that members can recognise and connect with. They believe that if members can directly see the impact their pension is having, they’ll be more engaged, and possibly even increase their contributions.”

UK TRUSTEE

“The VC exposure in the scheme I chair is primarily through partnerships with Oxford & Cambridge (universities) to back companies spun out of those institutions, mostly in the life sciences and related fields. That strategy has been successful. The fund grew from zero to about £1.7bn in just one year. But this growth presents a challenge: we can’t deploy capital fast enough through that spinout route to keep VC as a constant proportion of the growing private markets fund. As the fund grows, the VC portion will naturally shrink unless we find new ways to scale deployment. That’s a challenge for the UK, especially as we move toward much larger DC mega-funds. Big funds write big cheques. VC, by nature, requires smaller cheques. To bridge that mismatch we need innovation in the investment pipeline.”

UK TRUSTEE

INDUSTRY PERSPECTIVES

“VC is increasingly recognised as a standalone strategy for driving impact, especially in climate solutions and regional development. UK pension funds are starting to invest in private markets that deliver both financial returns and societal value. The real opportunity lies in supporting businesses at the Series B and C stages, companies that have proven their model but still struggle to access growth capital. For long-term investors, this is a chance to back high-potential enterprises that are ready to scale but held back by structural funding gaps.”

Rana Modarres

Impact Director, M&G Investments

CASE STUDY 7

Greater Manchester Pension Fund (GMPF) and Northern Gritstone

"*Northern Gritstone's* long-term structure and deep capital base set it apart from traditional VC funds, designed specifically to support businesses through multiple funding rounds. This model addresses one of the weaknesses of previous regional VC efforts: the lack of patient capital to help promising startups scale sustainably."

Paddy Dowdall,

Assistant Director, *GMPF*

Background

Northern Gritstone, launched in 2021, was founded through collaboration between three leading northern universities in Leeds, Manchester and Sheffield. Its mission is to back academic spinouts in high-growth, innovation-driven sectors such as advanced materials, energy, health technology and cognitive computation.

Place-based impact investment

Pension funds like *GMPF* are increasingly focused on local impact investing, aiming to support the regional economy alongside generating return. As *Northern Gritstone* exclusively targets university spinouts in the north of England, it maintains capital within the region and contributes to economic regeneration. *GMPF's* investment aligns with its priorities:

- **Place-based investing**: as a pension fund rooted in the Manchester region, *GMPF* prioritises investments that promote local economic growth. *Northern Gritstone* is based in the north of England and targets university spinouts in the region, directly and positively impacting the local economy.
- **Backing innovation and job creation**: by supporting academic spinouts, *Northern Gritstone* fuels innovation and drives high-skilled job creation across the north. These startups often evolve into anchor institutions for regional tech clusters.
- **Filling a market gap**: the fund's structure allows it to support companies through successive funding rounds. This solves a bottleneck in the northern innovation ecosystem, where early-stage companies previously struggled to access growth capital.

Impact on the region

Northern Gritstone embodies the potential of venture capital with a local lens. It turns university research into scalable commercial ventures, strengthens the innovation ecosystem outside of London, retains talent and generates new jobs in local communities, and creates a sustainable path for regional economic uplift.

WEBSITE: https://www.gmpf.org.uk/

gmpf

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INDUSTRY PERSPECTIVES

“Pension funds are perfect partners for VC. Their patient capital can back early-stage startups like *Vinted*, Lithuania’s first unicorn, which took 11 years to reach €5bn. Startups drive the economy, contributing €480bn in taxes in 2024, with salaries nearly double the national average. Yet only €100mn of €9.2bn Lithuanian pension assets flow into local VC, a huge, missed opportunity.”

Viktorija Trimbel
Managing Director, Colnvest Capital

“Ultimately, our duty is to generate returns. The idea is that sustainable investing will lead to higher long-term returns.”

LITHUANIAN PENSION FUND

“Member outcomes come first. If UK-based VC opportunities can deliver good returns and value for members, then great – that’s a win. But if they don’t, then the fact that they’re UK-based isn’t enough. The investment case has to stack up globally. Second, the quality and scale of UK VC opportunities matter. We don’t invest based on geography – we invest based on opportunity. So the UK VC market needs to be attractive in its own right. That means opportunities that are competitive with global markets and not just ‘UK-flavoured’ for policy reasons.”

UK TRUSTEE

“VC contributes to employment. We’ve backed companies that have grown from fewer than 50 employees to over 10,000. That’s good for society, the economy & even government tax revenue.”

ASSET MANAGER

Beyond local case studies, broader economic impact is also part of the narrative. VC can support pension funds to achieve their climate and sustainability ambitions, as evidenced by the fact that industries such as climate tech, HealthTech, electric vehicles and agri-tech are among the key areas attracting VC investment[1,2]. VC is increasingly flowing into European startups focused on positive impact, with one-third of the €53bn raised by tech companies in 2023 going to businesses addressing environmental or social challenges.

Reflecting this momentum, 87% of VCs have either already adopted internal ESG frameworks or plan to implement one in the next 12 months[3]. Yet, trustees are clear-eyed – while impact matters, fiduciary duty remains central to their decision-making process.

REFERENCES

1 **Vartabedian, M, & Khan, Y, The Wall Street Journal, 2024,** *Energy, climate and AI bets are powering Europe’s venture sector,* viewed July 2025, <https://www.wsj.com/articles/energy-climate-and-ai-bets-are-powering-europes-venture-sector-235290e1>.

2 **KPMG, 2025,** *Venture pulse Q1 2025: global analysis of venture funding,* viewed July 2025, <https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2025/04/kpmg-private-enterprise-quarterly-q1-25-global-report-on-venture-capital-trends.pdf>.

3 **European VC, 2024,** *Returns and sustainability go hand in hand in venture,* viewed July 2025, <https://www.eu.vc/p/returns-and-sustainability-go-in>.

2.2.3 **Target-dated funds:** VC for younger pension savers

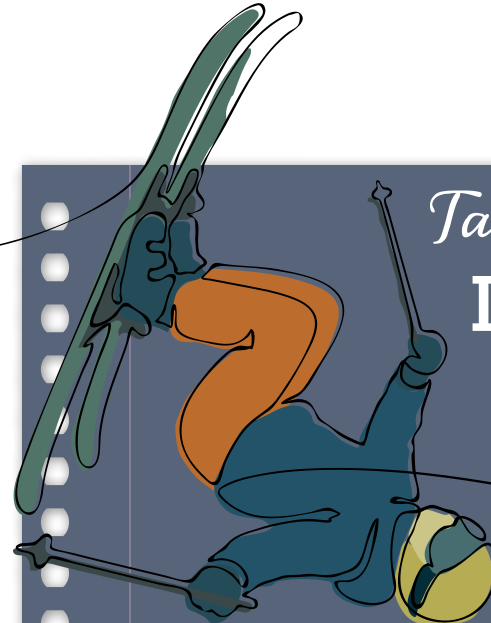
The third driver is evolving pension design, particularly the rise of target-dated or lifecycle funds which allocate assets based on members' age. Younger pension fund members have longer investment horizons and are being allocated to higher-risk assets like VC.

"Our pension system is being reformed. The new system will be tailored by age group, taking more risk for younger participants. This could open the door to VC investments."

DUTCH PENSION FUND

"Participants born 2003-09 share one fund. These younger members' funds have higher allocations to equities, making VC a good fit, as a high-risk investment early on."

LITHUANIAN PENSION FUND



Takeaways

Investment case

- ☑ Portfolio diversification remains the primary driver for pension funds to allocate to venture capital. Its low correlation with traditional listed markets and alignment with the long-term nature of pension investing make it especially attractive. Strong return potential is an added incentive.
- ☑ Pension funds diversify within venture capital as well. Schemes minimise risk by allocating across fund stages, in various geographies and with different managers, rather than making single, direct investments.
- ☑ Risk in venture capital varies by investment structure. The probability of total loss is approximately 30% for single direct venture capital investments, 1% for single venture funds (although partial loss is higher) and 0% for diversified fund of funds.
- ☑ VC's alignment with ESG principles is a growing reason for allocation. VC typically avoids sectors like tobacco, oil and gas, and weapons, while actively backing startups that drive change in areas like health, education and climate.
- ☑ The potential for visible, real-world impact – such as job creation, healthcare improvements and environmental innovation – enhances member engagement, especially when investments are place-based and outcomes are tangible to local communities.
- ☑ Target-date fund structures are influencing VC allocation. Younger savers with longer investment horizons are being allocated more to higher-risk, higher-reward asset classes like VC, reflecting lifecycle-based investment strategies.

3 **Investment constraints –** barriers holding pensions funds back

3.0 Investment constraints – barriers holding pension funds back

Caution not rejection is how we would define pension funds' attitude towards venture capital (VC). While interest in the asset class is growing, constraints on allocation are diverse, shaped by geography, scheme type, internal capacity and regulation. At the heart of it all lies a balancing act: carefully managing the potential for failure against the opportunity for strong returns.

The most common reason cited by interviewees preventing pension funds from investing in VC was insufficient internal capacity, a constraint which triggers a chain reaction, affecting the ability to evaluate opportunities, understand risks and engage effectively with VC managers.

Fig 13 | The main barrier for further allocation to venture capital

“There's a huge need for education – not just about how VC works in general, but also about its risks, the different funding stages, and how success and failure rates look across portfolios. What's the failure rate? These are all things that trustees need to understand before they can make an informed decision. Ultimately, if we want to see broader adoption of VC in pension schemes, the education piece is non-negotiable.”

UK TRUSTEE

“VC is a relatively new area for us. We’ve had private equity for many years. Venture involves smaller amounts and higher risk. It’s pretty binary: either you hit it big or you don’t – and more often, you don’t.”

DANISH PENSION FUND

“Performance inconsistency is the main barrier. Some VC vintage years are great, others are not. Add macroeconomic uncertainty, it’s unpredictable. Also, interest rate hikes make money more expensive. It’s about belief; when belief in VC declines, it’s hard to commit.”

LITHUANIAN PENSION FUND

Scheme size and resourcing

Larger schemes are better positioned to allocate to VC due to governance capacity and ability to absorb illiquidity.

“Achieving a portfolio that materially impacts your total return is challenging in an asset class with limited liquidity and capacity. Smaller funds just don’t have the hours in the day to do that.”

DANISH PENSION FUND

“From a defined benefit (DB) perspective, the size of the schemes I work with probably wouldn’t justify VC exposure… unless you’re running a very large fund with the governance capacity to manage it properly.”

UK TRUSTEE

UK scheme type dynamics: DC versus DB

UK DB and defined contribution (DC) schemes face different challenges when allocating to VC. In DC schemes, the primary concerns are risk and fees, as members ultimately bear both. DB schemes, on the other hand, face constraints due to their maturing status in the UK and ongoing derisking strategies. They also tend to be smaller in size compared to DC schemes, meaning their available ticket sizes may not align with VC market expectations.

“From a trustee’s perspective, VC can feel like a bit of a ‘beast’; there’s understandable nervousness around liquidity. In the DC space, members are the ones ultimately bearing the investment risk. From a DB perspective, the main concern is scale, as the size of the schemes might not bear too much exposure to illiquid assets. It’s a challenge to get comfortable with VC. That said, at least in our case, we’re only looking at a very small allocation – and even that takes a lot of thought.”

UK TRUSTEE

1 DC in the UK
In the DC space, liquidity, fees and member accountability dominate the conversation.

> "DC schemes and master trusts face some built-in challenges when it comes to investing in VC, especially around liquidity. Many platforms require daily access to funds, but VC investments can't be bought and sold easily or quickly. On top of that, value for money rankings push schemes to show short-term performance, making it harder to stick with long-term investments like VC. There's also the issue of the J-curve – returns often look poor at first because the costs come early, while any gains take years to materialise. In a system that closely watches short-term performance, that's a hard case to make."

UK TRUSTEE

2 DB in the UK
DB schemes face different barriers, driven by maturity, derisking and scale limitations.

> "Although there is less liquidity constraint if compared to DC schemes, DB schemes are mostly beyond needing the return uplift that VC offers. They're looking to derisk and lock in liability-matching, not add more volatility. If they can get what they need from public credit or less risky private assets like private debt or infrastructure, they will. VC simply doesn't fit that phase of their journey."

UK TRUSTEE

Despite the challenges, there was a generally more optimistic outlook regarding the potential for DC schemes to allocate to VC:

> "There's a growing case for VC in DC, especially for younger members with long time horizons who need growth. But even there, we need to fix the fee issue and adapt the platform infrastructure to accommodate illiquids. Without those changes, adoption will remain slow."

UK TRUSTEE

High effort, low-capital deployment

Pension funds often seek scale when deploying capital. The relatively small amounts they may invest in VC often do not justify the associated costs, such as fees, due diligence and operational complexity.

"The traditional two and twenty fee model (2% annual management fee and 20% performance fee) is not workable in DC. Since most DC investments occur within multi-asset structures, higher fees for private markets mean less allocation elsewhere, reducing overall value for members. So, when capital deployed is relatively low compared to fees, that becomes a significant barrier."

UK TRUSTEE

Lack of internal capacity & expertise

Pension funds rely on external managers to navigate VC, so it is important for them to develop the internal capacity to assess those managers' capabilities effectively. Enhancing trustees' understanding of the unique characteristics, risks and governance dynamics of VC is essential for informed decision-making and building confidence in this asset class.

"There's a huge need for education, not just on how VC works in general, but also about its risks, the different funding stages, & how success & failure rates look across portfolios."

UK TRUSTEE

"VC is a relatively new area for us. PE is more of a traditional asset class. VC involves smaller amounts & higher risk. It's pretty binary: either you hit it big or you don't and more often, you don't. So we take a cautious approach, but we are active in the space and I expect our allocation will increase over time. Still, I don't foresee it becoming a massive exposure for us. The size and risk are significant limiting factors."

DANISH PENSION FUND

EWVC PERSPECTIVE

"A well-structured venture capital fund-of-funds (FoF) enables larger ticket sizes, scalable exposure and tightly managed downside risk. By combining top-tier VC managers with selected direct investments and venture debt, this approach diversifies across geographies, sectors and deal stages – flattening the J-curve and accelerating capital returns. In practice, such structures can deliver earlier distributions while keeping permanent loss rates below 1%, and they provide access to opportunities and networks that individual investors may find difficult to reach gaps."

Kinga Stanisławska

Co-Founder & President,
European Women in VC (EWVC)

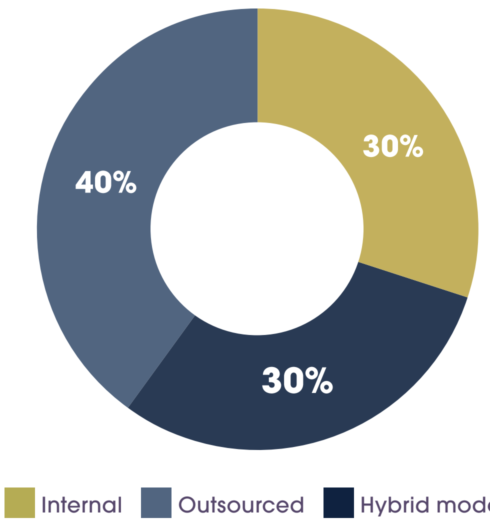
We asked interviewees to describe their internal VC capacity and who holds responsibility for making VC investment decisions. While most respondents mentioned outsourcing VC allocations to the asset managers, there is a noticeable lack of consistency in how this is implemented, even among peers in the same geographic region.

- **Internal management:** this model is primarily seen in the Netherlands and the UK. Pension funds managing VC allocations internally tend to treat VC as an integral, albeit non-dedicated, part of their broader private equity (PE) department. Rather than setting specific target allocations to the broader venture space, they adopt an opportunistic approach, making decisions on a case-by-case basis within their overall PE strategy.

- **Outsourced management:** this approach was mentioned by Danish and British pension funds. Here, VC allocation decisions are typically delegated to the asset manager. The pension fund's role is to identify and appoint the most qualified manager and define the investment mandate. However, there is variation in how final investment decisions are handled. In some cases, external managers are given full discretion; in others, they conduct the initial due diligence (sourcing and evaluating opportunities), while final approval remains with the pension fund's internal investment committee.

- **Hybrid approach:** this is common across the Baltic region. Pension funds adopt a collaborative, cross-border structure that blends local insight with shared due diligence processes. Usually, a portfolio manager assesses the broader landscape of alternative investments based on market dynamics and liquidity needs. Due diligence is conducted jointly, forming a cross-country team to assess investment opportunities. The decision can be made by the board. This is a flexible model which reflects the resource constraints of smaller funds and the strategic value of leveraging internal networks, particularly in markets where dedicated VC infrastructure is limited.

Fig 14 | VC decision-making structures in pension funds



> "The bigger education gap is around vintage diversification – understanding the importance of committing across different time periods to smooth out performance – and vehicle structures. But, in general, lack of understanding isn't the primary blocker. The governance constraints and liquidity structures are much more pressing issues."

UK TRUSTEE

Cultural mindset and unfamiliarity with the market

Across different geographies, interviewees alluded to a cultural mindset as a barrier to venture adoption in Europe and the UK, especially if compared to the US, where VC is more mainstream and embraced within an entrepreneurial, risk-taking investment culture. This contrasts with the more conservative, risk-averse approach prevalent in Europe's pension schemes, where there is less comfort with VC allocations. The cultural tolerance for failure also differs sharply: in the US, failure is accepted as part of innovation, whereas in Europe, there is often pressure to avoid bankruptcy, which limits willingness to back more daring ideas. In addition to this is a shortage of senior pension professionals with hands-on venture experience in Europe, affecting both familiarity with the asset class and access to top-tier funds.

EWVC PARTNER BOX

PerfORM Due Diligence Services

“In the current VC environment, robust operational due diligence (ODD) is increasingly recognised as essential for attracting and retaining institutional capital. A comprehensive ODD process not only confirms that investments are operationally sound, but also ensures transparency, strong governance and effective investor protection.

ODD is conducted both by institutional investors – such as pension funds, insurers and endowments – and by VC and growth managers undertaking self-assessments. It involves independent evaluation of management processes, cash controls, information security, compliance frameworks and risk management systems. These assessments identify operational risks, enhance decision-making and align managers with the governance standards expected by institutional capital providers.

As VC managers scale, ODD becomes a strategic tool for safeguarding investor interests, improving operational resilience and embedding a culture of accountability. For smaller or emerging general partners (GPs), early adoption of sound operational practices accelerates credibility-building and prevents structural weaknesses that can impede fundraising or portfolio execution. While ODD practices vary globally – emphasising regulatory compliance in the EU and operational efficiency in the US – the core principles of segregation of duties, transparent decision-making and independent oversight are universally applicable.

Typical weaknesses uncovered during ODD are inadequate internal controls over cash movements, insufficient segregation of duties and unmanaged conflicts of interest. Smaller teams often face risk concentration when an individual performs transactional and reconciliation functions. Proactively identifying and remedying vulnerabilities strengthens operational integrity and reduces non-investment risks. For institutional allocators, selecting managers who have robust operational frameworks and investment track record is key to mitigating risks that could affect long-term performance.”

Emma Lawson

Senior Operational Due Diligence Consultant, *perfORM*

James Newman

Co-Founder & Co-Head, *perfORM*

perfORM
DUE DILIGENCE SERVICES

WEBSITE: https://performdd.com/

“There seems to be a clear cultural and mindset difference between the US and Europe, including the UK. VC appears to be far more mainstream in the US. It’s perhaps because the US is a more entrepreneurial society and risk-taking is more embedded in the investment culture there. In contrast, here in the UK, we tend to be more conservative and risk-averse in how we approach investments, especially in pension schemes. Also, from what I’ve seen, US investors are picking up strong-performing VC funds in Europe as part of their diversification strategy. They seem to be more open to investing cross-border. So, while Europe is producing high-performing funds, the capital is often coming from the US.”

UK TRUSTEE

“One major challenge is the lack of senior pension fund staff with successful venture experience. In the US & Canada, many Chief Investment Officers and CEOs have built their careers in venture & PE. That isn’t the case in the UK or Europe, where there’s unfamiliarity and fewer relationships with top-tier VC firms. This leads to the second issue: lack of access. Without access to top funds, returns are difficult to achieve.”

ASSET MANAGER

INDUSTRY PERSPECTIVES

“Cultural differences are embedded within the regulatory framework. In Europe, lending is more strongly protected than in the US, while equity investments often receive less favourable tax treatment. Pension funds are also less exposed to equity markets, partly due to regulatory constraints and partly due to the risk sensitivity of pension fund boards. The solution doesn’t lie in waiting for spontaneous cultural change – that shift is already underway in Europe. What is essential is a regulatory overhaul that makes equity investment more attractive, whether directly or indirectly through venture capital funds. Until such changes take effect, likely around 2028, there is a need to experiment with this emerging asset class. Public investment banks should take the lead.”

Michiel Scheffer

President,

European Innovation Council Board

Opportune access to smaller schemes: concentration on big pension funds

As UK pension funds are being increasingly encouraged by the government to invest domestically, particularly in private markets, trustees are questioning whether national venture ecosystems are deep and diverse enough to support widespread participation. The concern is several large schemes may dominate the best opportunities, leaving smaller funds with limited access, or less attractive options. This challenge has helped fuel the UK's significant policy drive for scale, most notably through the *Mansion House* reforms, and related initiatives aimed at consolidating pension schemes and creating pooled investment vehicles, as a way to improve smaller funds' access to top-tier opportunities. This raises broader questions about fairness, scale and how to ensure that all schemes, regardless of size, can participate in VC on equal footing, especially when it comes to fee structures and deal access.

"The way we access VC is evolving rapidly. Those with the scale and internal resources can build direct exposure, but they also write much bigger cheques. That raises a broader challenge: how can smaller schemes access the same opportunities at similar fee levels?"

UK TRUSTEE

EWVC PERSPECTIVE

"Industry analysis by *EWVC* suggests that when annual VC allocations exceed around €25mn, it can be cost-effective for an asset owner to build in-house capabilities for sourcing, due diligence and portfolio management. For smaller annual allocations, it is typically more efficient to work with a high-quality FoFs manager – gaining the benefits of their established strategy, diversified portfolio access and potential co-investment opportunities when available."

Kasia Piasecki

Managing Director, *European Women in VC (EWVC)*; and Partner, *Bootstrap4F*

Liquidity

Liquidity remains one of the challenges for pension funds when considering VC allocations. VC's long lock-up periods, limited exit options and uncertain timelines often conflict with pension funds' need for flexibility and predictable cashflow.

"Globally, pension funds tend to have predictable cashflows. But in our case, the system is open: people can withdraw their money with just two months' notice, meaning we need to hold more liquid assets. We aim for a portfolio that isn't too heavily weighted toward illiquid investments. Ideally, there'd be a secondary market where we could sell assets at or near their net asset value, rather than having to take a 30% discount to meet liquidity needs."

ESTONIAN PENSION FUND

"Venture is illiquid, no doubt. It's unsuitable for investors who want in-and-out access every few months or years. Some pension funds have entered and exited VC at the wrong times, missing long-term benefits. That's why long-term commitment is essential. New long-term asset funds enable a wider range of investors to invest as they give more flexibility."

ASSET MANAGER

"It's about being properly compensated for the illiquidity. If clients understand the return profile and believe in the manager's ability, they are more likely to invest, but it's a real hurdle. If a manager can support companies into the growth or buyout phases, that's helpful, but only if the companies are viable, and it's not just a matter of holding on to underperformers."

INVESTMENT CONSULTANT

INDUSTRY PERSPECTIVES

"European pension funds are held back from VC investment by risk aversion, fragmented markets and regulatory constraints such as *Solvency II* (for insurers) and the *Basel Framework* (for banks). These factors reduce their interest in VC, lead to fewer specialists on their teams and reduced internal knowledge. Many also find fund sizes too small for their investment needs, despite European VC performance being on par with the US. *France Digitale* proposes a series of reforms: a *European Venture Capital Initiative (EVCI)*, inspired by France's *Tibi* initiative and Germany's Wachstumsfonds, including a political summit for formal investment pledges; *European Investment Fund (EIF)*-led due diligence and VC labelling; and a pooled FoF based on the *EIF's* asset management umbrella fund (*AMUF*). Additional measures include developing more attractive long-term EU savings products, updating capital requirements to reflect the true risk profile of VC, and increasing citizen participation through financial literacy and accessible financial products. The *Tibi* scheme has shown promise – for example, France's civil servants' pension fund *ERAFP* invested €115mn in *Tibi*-labelled tech funds in 2023, but broader EU-wide models like the Wachstumsfonds and *AMUF* offer more scalable solutions by simplifying access for pension funds and VCs."

Agata Hidalgo

European Affairs Lead, France Digitale

Risk perception

Pension funds generally perceive VC as a higher-risk asset class, but many do not have dedicated models to differentiate VC, and VC FoFs, from broader PE exposure. For some, the absence of robust track records or standardised data makes VC a hard case to justify, unless aligned with strong strategic or social outcomes. Ultimately, most pension investors fall back on traditional risk principles like track record and governance quality, in addition to the impact case.

A UK pension fund explained: "There's no one-size-fits-all risk measure for VC. It depends on the nature of the investment. Often, past performance data isn't available. While past data doesn't guarantee future performance, it does offer some comfort. So, I'd need to see a very compelling case – either a strong cause or a clear benefit. If it's not about immediate financial return but brings a strong non-financial value, I'd be open to it. For example, a clear social and strategic purpose would convince the committee."

> "We have no specific models to assess the risk profile of VC versus other PE. We treat all alternatives as higher-risk assets and conduct due diligence on each investment, assessing legal, operational and model risks, but we don't separate VC into its own risk bucket."

LATVIAN PENSION FUND

Takeaways

Investment constraints

- ☑ Limited internal capacity and knowledge gaps are major barriers for pension funds to allocate to VC, and they create a chain reaction. Without familiarity with the broad VC space, pension funds are less likely to engage confidently or build long-term conviction in the asset class. It also limits their ability to assess and challenge fund managers effectively.
- ☑ Many pension funds still view VC as too risky, especially given its illiquidity, performance inconsistency across fund managers and vintage years, and long time horizons.
- ☑ Larger pension funds are seen as having the governance structures and liquidity buffers needed to manage VC's complexity.
- ☑ Scale matters. Pension funds often need to deploy capital at scale to justify the costs of VC, like fees, due diligence and administration.
- ☑ Cultural mindset plays a role. In Europe and the UK, VC is still seen as niche and risky, unlike in the US where it's embraced as a mainstream, entrepreneurial asset class.
- ☑ Liquidity challenges persist. VC's long lock-up periods and uncertain exit timelines conflict with pension funds' needs for flexibility and cashflow management.

4 Regulation

4.0 Regulation

“What do you see as the biggest barriers preventing pension funds from investing in venture capital (VC)?” was one of the key questions we asked during our conversations with pension funds and other industry stakeholders across Europe. Interestingly, while regulation was mentioned, it did not come up as frequently as one might expect. Moreover, responses varied by country, showing a lack of consistency across Europe; some cited regulation as a significant barrier, while others did not mention it at all.

To address this gap, we included this section in our research to provide an overview and comparison of regulatory frameworks, particularly those that impose caps on how much pension funds can allocate to certain asset classes. The goal was to better understand patterns, regional differences and the origins of these limitations.

As a result of these regulatory caps, we were unable to interview pension funds in several countries, including Bulgaria, Croatia, Slovakia, Czechia and Poland, where pension funds are not permitted to invest in higher-risk assets such as VC. It is also important to note that, even in countries where some level of allocation is allowed, this does not necessarily translate into actual investment activity.

4.1 European Union

4.1.1 *IORP II Directive*

At the EU level the *Institutions for Occupational Retirement Provision (IORP II) Directive*[1], adopted in 2016, established common standards to promote the stability of occupational pension schemes, amending the earlier Directive 2003/41/EC on retirement schemes. Despite this harmonisation effort, individual member states retain full responsibility for organising their own pension systems, including decisions regarding the structure and distribution of the three-pillar retirement model. In the context of the occupational pillar (Pillar II), each member state is responsible for defining the role and functions of the institutions that provide occupational retirement benefits. However, the Directive acknowledges, given demographic trends and pressures on national budgets, occupational retirement provision is an essential complement to statutory social security pension schemes (Pillar I).

'Prudent Person'

The document highlights the principle of investment freedom for *IORPs*, guided by the 'Prudent Person' rule as the foundation for capital investment decisions. It mentions that, as long-term investors, *IORPs* are well-positioned to invest in illiquid assets within prudent limits. Instruments with a long-term economic profile often include non-transferable securities with limited liquidity and fixed-term commitments. These may take the form of participation or debt instruments, as well as loans to non-listed undertakings such as infrastructure projects, unlisted growth companies and real estate. At the EU-level, the quantitative requirements of Solvency II does not apply to *IORPs*.

4.1.2 Country level

The *Organisation for Economic Co-operation and Development (OECD)'s* annual survey of investment regulation of pension providers[2] offers an overview of portfolio limits across selected asset categories in *OECD* countries and certain non-*OECD* jurisdictions. Based on the data presented in the survey, we developed the two spectrums below, focusing specifically on EU member states. Since the survey does not include a category explicitly labelled as 'venture capital' or 'alternatives', we have used data for equity (considering VC a subset of private equity) and private investment funds, where venture investments could reasonably be included.

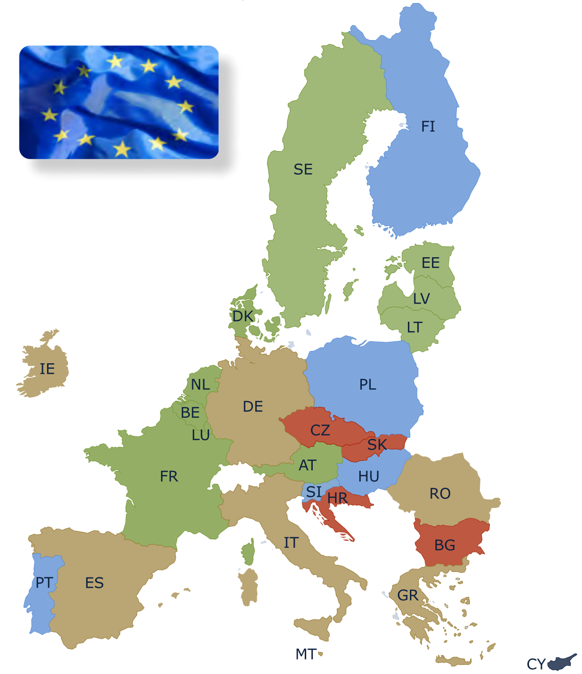
Equity caps for EU member states

The first spectrum illustrates equity investment caps across EU countries. It is important to note that, in some cases, these caps do not clearly specify whether they include private equity. Additionally, some member states apply different regulations across various types of pension schemes. In such cases, we have selected the most restrictive regime for consistency to place them in the spectrum. For more detailed, country-level information, please refer to the Appendix of this report.

From the first spectrum, a few key takeaways emerge:

- Most EU countries are, by regulation, permitted to allocate more than 10% of pension fund capital to private equity.
- Just five member states apply a low cap (defined here as less than 10%) on equity investments.

Fig 15 | EU member states: spectrum of equity investment caps*



Restrictive: not allowed
- Bulgaria (BG)
- Croatia (HR)
- Czechia (CZ)
- Slovakia (SK)

Restrictive: low cap ≤10%
- Finland (FI)
- Hungary (HU)
- Poland (PL)
- Portugal (PT)
- Slovenia (SI)

Flexible: no cap
- Austria (AT)
- Belgium (BE)
- Denmark (DE)
- Estonia (EE)
- France (FR)
- Latvia (LV)
- Lithuania (LT)
- Luxembourg (LU)
- Sweden (SE)
- The Netherlands (NL)

Restrictive: medium cap 11-50%
- Germany (DE)
- Greece (GR)
- Italy (IT)
- Ireland (IE)
- Malta (MT)
- Romania (RO)
- Spain (ES)

*Information on Cyprus was unavailable

- Countries in Eastern and Central Europe tend to have more restrictive investment caps, reflecting more conservative regulatory environments.
- Western European, Nordic and Baltic countries have the most flexible regulations.

Private investment caps for member EU states

The scenario with private investment fund caps shows a better distribution across the spectrum, but some similarities remain. Most EU countries are able to allocate more than 10% to this asset class; however, countries in Eastern and Central Europe tend to have the most restrictive investment caps.

Based on the spectrums presented, regulation is not the primary barrier to pension funds allocating to VC. However, even in the absence of explicit caps, many pension funds are still constrained by the 'Prudent Person' rule, which requires them to act cautiously on behalf of beneficiaries. As discussed in this study, VC is widely perceived as a high-risk asset class. Taking the US as an example, clearer regulatory guidance on what qualifies as a 'prudent' allocation, particularly in relation to VC, could help unlock more capital from European pension funds.

In the following studies by country, we have provided more detailed information on the countries that together account for most of the assets under management (AUM) in the occupational pension industry across Europe. Among these, Sweden, France and the Netherlands have the most flexible regulations regarding investment caps for pension funds, whereas Italy and Germany impose stricter limits.

Fig 16 | EU member states: spectrum of private investment caps[A]

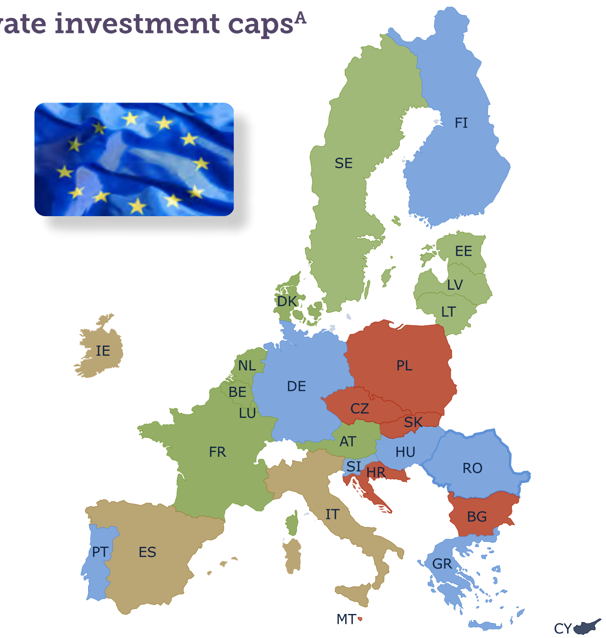
Restrictive: not allowed
- Bulgaria (BG)
- Croatia (HR)
- Czechia (CZ)
- Malta (MT)
- Poland (PL)
- Slovakia (SK)

Restrictive: low cap ≤10%
- Finland (FI)
- Germany (DE)
- Greece (GR)
- Hungary (HU)
- Portugal (PT)
- Romania (RO)

*Information on Cyprus was unavailable

Restrictive: medium cap 11-50%
- France (FR)
- Ireland (IE)
- Italy (IT)
- Latvia (LV)
- Lithuania (LT)
- Slovenia (SI)
- Spain (ES)

Flexible: no cap
- Austria (AT)
- Belgium (BE)
- Denmark (DE)
- Estonia (EE)
- Luxembourg (LU)
- Sweden (SE)
- The Netherlands (NL)



SOURCE

A **OECD, 2024,** *Annual survey of investment regulation of pension providers,* viewed July 2025, <https://www.oecd.org/finance/annual-survey-investment-regulation-pension-providers.htm>.

4.1.3 Sweden

In Sweden, providers of occupational retirement pensions are permitted to invest up to 100% of their assets directly in equities, provided they comply with the 'Prudent Person' principle, which emphasises sound, diversified and risk-aware investment decisions. However, if Solvency II regulations do not apply, typically due to the smaller size of the pension fund, specific quantitative limits come into effect: investments in quoted equity may still reach up to 100%, while investments in unquoted equity are limited to 10%.

4.1.4 Italy

In Italy, pension funds face limits on their exposure to less liquid assets. They are not allowed to invest more than 30% of their total portfolio in the following combined categories: real estate funds, non-*Undertakings for Collective Investment in Transferable Securities (UCITS)* investment funds (eg funds that do not comply with the EU's *UCITS* directive) and securities not traded on regulated markets, including private equity, VC and private debt.

However, several initiatives are beginning to shift the Italian landscape. In April 2025, Italy launched the *Fondo Nazionale Strategico Indiretto* (*FNSI*), a closed-end fund of funds managed by *Cassa Depositi e Prestiti* (*CDP*) and backed by the *Ministry of Economy*. The fund targets small- and mid-cap listed companies and aims to attract institutional investors, including pension funds, to support the country's capital markets.

Efforts are also underway to incentivise domestic innovation. *Assofondipensione*, in collaboration with the *European Investment Fund* (*EIF*), has launched a partnership to mobilise €500-600mn from Italian pension schemes towards real-economy investments, including venture. The initiative includes capacity-building programmes to improve pension funds' understanding of private markets, with some consortiums aiming to allocate 25-30% of their assets to Italy-focused investments.[1]

DISCLAIMER

Please note, *Pensions for Purpose* collaborate on research projects with our members. We do not endorse any underlying funds. *See page 96* for our full disclaimer.

4.1.5 France

In 2017, France adopted new legislation allowing for the creation of *IORPs*. This introduced a new type of undertaking, *organismes de retraite professionnelle supplémentaire* (*ORPS*), subject to a regulatory framework aligned with the *IORP II Directive*. The *ORPS* framework also brought in certain quantitative investment restrictions. An overall limit of 30% applies to investments not traded on regulated markets. For equity investments specifically, there is no overall cap, but a concentration limit of 5% per issuer applies, meaning a single issuer's securities cannot exceed 5% of the pension fund's total portfolio. For private investment funds, limits depend on the composition of the underlying investments.

4.1.6 Germany

Pensionskassen are insurance-based pension providers. They are subject to stricter investment rules, facing a cap of 35% on total equity exposure (with a sublimit of 15% for unlisted equity) and a 7.5% cap on investments in private investment funds. In contrast, Pensionsfonds, introduced to allow more investment flexibility, are not subject to a formal cap on equity allocations, although they are still expected to limit alternative investments to a prudent level.

INDUSTRY PERSPECTIVES

"VC, PE and infra funds hold the keys to the future of capital markets, as they are poised to play an increasingly important role in the years and decades to come. Offering their clients long-term products, pension funds are a perfect match for such private market investments, which diversify their portfolios. The difficulty of reaping the corresponding benefits is in developing sophistication and expertise necessary to invest wisely on this fast-evolving market. It is thus crucial that pension funds manage to acquire these very competences – for the sake of their own returns."

Dariusz Adamski,
Deputy Chair, The KNF Board, *KNF*

INDUSTRY PERSPECTIVES

Employee Capital Plans (PPK) were introduced in Poland in 2019 as a supplementary scheme. They are mandatory for employers to set up, but employees can choose to opt out. In theory, PPKs could allocate capital to PE or VC because they are managed by professional asset managers. However, in practice, strict portfolio rules, complex reporting requirements and regulatory constraints make such investments unrealistic.

“In theory, the law might allow some allocation to PE or VC but, in practice, the detailed reporting and regulatory requirements make it impossible. That’s why you won’t find any pension funds in Poland actively investing in VC or PE – they simply aren’t involved at all.” *PFR Ventures*

Polish PE & VC funds rely on public development institutions and smaller private investors, which restricts their growth and international competition:

“Polish buyout funds find it hard to grow beyond the lower mid-market as they need to reach circa €300mn to attract international investors, who usually want to commit at least €30-50mn but won’t put in more than 10% of a fund’s total size. To reach that size, funds need about 30% of their money from private sources, which is tough to raise. Venture capital funds face even bigger challenges since they’re usually smaller and rarely exceed €100mn using only local capital.”

Rozalia Urbanek

CIO, *PFR Ventures*

4.1.7 Poland

While initiatives such as PPK represent steps towards flexibility, they remain ineffective in practice. In Poland, Central and Eastern Europe, industry members’ efforts to advocate for policy reform are essential to drive change. *PFR Ventures* is working with the Polish government to amend legislation that would allow these pension programmes managed by banks and asset managers, to invest in PE and VC, Their requests include:

1 **Liquidity and redemption requirements:** the law governing PPK requires investments to be easily sold or redeemed (eg investors can get their money out whenever they want). However, PE and VC funds are usually closed-end, meaning investors cannot easily sell or redeem their shares before the fund ends. To fix this, the law should explicitly exempt private market funds (like PE and VC) from these redemption or liquidity requirements. This exemption (found in Article 37(8a)(4)) would allow these funds to hold non-redeemable investments legally.

2 **Small size of PPK vehicles vs min PE tickets:** PE and VC funds usually requires commitents of at least circa €10mn. However, most individual PPKs are too small to meet this minimum investment size under the rules. To fix this, the proposal aims to increase the investment limit to 2% of the PPK’s assets per single fund, calculated only at the date of making the commitment, without the need for subsequent recalculations during the life of the investment. This change would help PPKs meet the minimum investment amounts required by PE and VC funds.

4.1.8 The Netherlands

There are no legal caps explicitly restricting Dutch pension funds from investing in VC or PE. Instead, such allocations are regulated under the ‘Prudent Person’ rule. This principle, overseen by *De Nederlandsche Bank (DNB)*, requires pension funds to follow an investment policy aligned with the interests of beneficiaries. Rather than imposing fixed limits, the rule states qualitative standards, like adequate liquidity, risk diversification and concentration management. As a result, PE and venture investments are assessed on the strength of a fund’s governance, risk oversight and transparency, and not on pre-set thresholds.

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4.2 The UK

The UK recognises pension funds have varying objectives depending on the scheme type. At a high level, the minimum expectation is that trustees of DB schemes ensure they can meet the scheme's income promises to current and future pensioners. For DC schemes, the aim is to maximise the value of members' funds within the available investment options and limitations. As such, there are no legal restrictions on the choice of asset classes for UK pension schemes, apart from a 5% limit on self-investment (eg investing in assets related to the sponsoring employer). Investment decisions are guided by the 'Prudent Person' rule, which requires a balanced approach to risk and return[1].

More recently, regulatory innovation has included the launch of the UK's long-term asset fund (LTAF), an *FCA*-authorised, open-ended fund introduced in 2021. The LTAF is a mechanism designed to facilitate pension fund investment in illiquid and long-term assets, including venture capital[2].

Takeaways

Regulation

- ☑ Western European, Nordic and Baltic countries tend to have the most flexible regulatory frameworks for pension fund allocations to alternative assets. Whereas in contrast, Eastern and Central European countries operate within more conservative regulatory environments.
- ☑ Regulation is not the main reason pension funds avoid allocating to venture. Most European countries do not impose explicit caps on VC allocations.
- ☑ Even in the absence of formal limits, many pension funds are constrained by the 'Prudent Person' rule, which requires a cautious approach to risk. As VC is still widely perceived as a high-risk asset class, this rule often limits allocations in practice. As demonstrated in the US case study, clear and proactive guidance from regulators on how VC can fit within a prudent investment strategy has been key to unlocking pension fund capital. Similar regulatory clarity in Europe could support more informed and confident allocations to VC by institutional investors.

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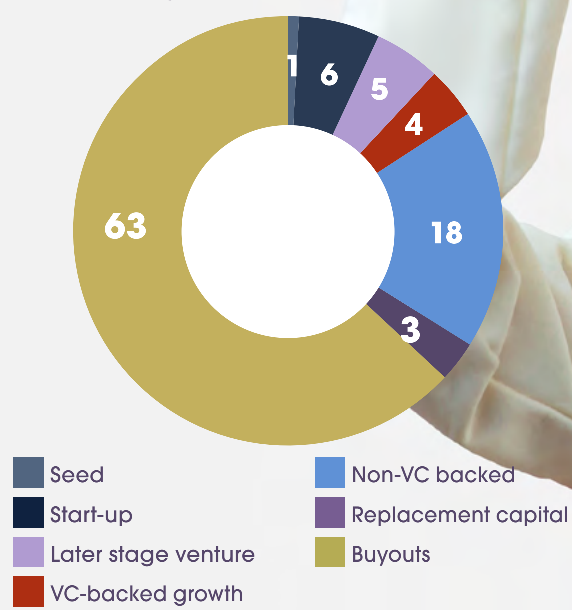
5 Initiatives driving change

5.0 Initiatives driving change in venture capital

Despite a peak of €23bn in European venture capital (VC) fundraising in 2022, volumes dropped by over 40% in 2023[1]. Institutional limited partners remain significantly underexposed to VC, with pension funds contributing just 7% of total fundraising; this is well behind government agencies, which accounted for the largest share at 37%. Persistent funding gaps are particularly acute at the early and scale-up stages; as illustrated in Figure 17, only 1% of the €99bn invested in European companies went to seed-stage ventures[1]. In response, European governments and institutions have introduced ambitious initiatives aimed at increasing traditional investors' allocation to VC.

From 2019 onward, initiatives across Germany, the UK, France and Italy have sought to align private capital with public policy priorities like sustainability, technological advancements and economic development. Yet, the degree of pension fund involvement varies widely across geographies. On the following pages, we explore how four European nations have developed targeted approaches to catalyse institutional investment in venture and growth finance.

Fig 17 | Amount invested in European firms, at each development stage out of the €99bn, 2023 (%)[1]



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5.1 France: *Tibi Initiatives I & II*

Background

Before 2019, France's VC ecosystem was constrained by limited late-stage funding, often forcing promising scale-ups to seek capital abroad or exit prematurely. Recognising this as a barrier to global competitiveness, the French government launched the *Tibi Initiative* to mobilise institutional investors, particularly insurers and asset managers, behind domestic tech growth[1].

While insurers still lead participation, there has been growing attention on how to better involve pension capital in early-stage innovation, though this remains a work in progress. However, the initiative could be seen by certain managers as partially substituting the market-based capabilities that private fund-of-funds (FoFs) traditionally bring, rather than fully complementing them.

The project

Tibi I, launched in 2019, focused on channelling capital into late-stage and listed tech companies. It secured commitments from 351 institutional investors and successfully raised over €7bn[2]. Pension funds were not central players in the first phase, with capital primarily coming from insurance companies and private managers.

In 2022, the government expanded the programme with *Tibi II*, aiming to plug early-stage funding gaps and support scale-up VCs. This second wave seeks to mobilise an additional €7bn[2].

The results

Since its launch, the *Tibi Initiative* has transformed French tech investment by unlocking over €7bn in long-term private capital[3]. It has fuelled major funding rounds for scale-ups like *Doctolib*, *Exotec* and *BlaBlaCar*, reducing reliance on non-European capital.

Tibi has also matured France's VC ecosystem, with larger domestic funds leading key rounds and attracting global co-investors[3]. Under *Tibi II*, the initiative now promotes EU-wide investment in sectors like AI and green tech[3].

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5.2 UK: *Mansion House Compact & Accord*

Background

Historically, UK defined contribution (DC) pension schemes have been risk-averse and tightly constrained in their exposure to unlisted equities, especially VC[1,2]. This culture began to change in 2023 with the introduction of the *Mansion House Compact*, a voluntary agreement led by the UK Treasury and supported by major pension providers including *Aviva, Legal & General* and *Scottish Widows*[1,2].

The project

The first *Compact*, launched in 2023, committed 11 signatories to allocate 5% of their default DC assets to unlisted equities by 2030, a shift that could unlock more than £50bn in patient capital[2]. This was followed by the *Accord* in 2024, which doubled the ambition to 10% and signatories raised to 17, with half the new capital explicitly earmarked for UK-based investments in innovation sectors such as infrastructure, clean energy and early-stage tech[3].

The results

By early 2024, the initial *Mansion House Compact* had delivered only around £800mn in unlisted equity, about 0.36% of £252bn in DC assets. This was short of the 5% target, although signatories began building private market capability through vehicles like long-term asset funds (LTAFs)[4]. The *Accord* could expand ambitions, potentially unlocking up to £50bn, about £25bn for UK investment, with the government signalling possible intervention if progress stalls[4].

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5.3 UK: *Invest in Women Taskforce*

Background

In parallel with broader capital mobilisation efforts, the UK also launched the *Invest in Women Taskforce* in March 2024 to tackle persistent gender disparities in venture funding. Backed by the government and major financial institutions like *Barclays, M&G,* the *British Business Bank, BGF, Aviva* and *Visa Foundation*[1], the initiative aims to create a more inclusive and representative investment landscape.

The project

The *Invest in Women Taskforce* initially aimed to create one of the largest investment pools, £250mn, dedicated to supporting female-led and gender-diverse businesses. At its heart is the 'Women Backing Women' FoFs, which allocates capital through female-led VC firms to ensure more funding reaches diverse founder teams.

The results

The *Taskforce* has already secured £580mn in total commitments, exceeding its original target, and is working to embed gender-lens investing across the UK's capital ecosystem[2]. Although this is not a pension-led initiative, the *Taskforce* sets an important precedent for aligning return-focused capital with social inclusion goals and could offer a model for integrating diversity metrics into institutional investment frameworks in the future.

INVEST IN WOMEN TASKFORCE

BOOTSTRAP 4F
FEMALE FOCUSED FUND OF FUNDS

REFERENCES

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5.4 Germany: *WIN Initiative*

Background

Germany's innovation funding space has long been shaped by its industrial strength. However, in recent years, the need for more agile, future-oriented capital deployment has come into focus, especially in sectors aligned with the green and digital transitions.

The project

In response, the German government launched the *WIN Initiative* in 2024, targeting high-growth sectors such as clean energy, mobility and advanced tech[1,2]. The *Initiative* aims to mobilise €13.9bn in public-private investment by 2030[1], supporting startups and mission-driven scaleups.

The results

As of the middle of 2025, approximately one year after the launch, the *WIN Initiative* has mobilised €13.9bn in public and private capital to support German start-ups and scale-ups[1]. Over 80% of measures from Germany's national start-up strategy, which are linked to the *WIN Initiative* have been implemented to date[1]. The initiative has strengthened Germany's growth-stage funding landscape by advancing legal reforms, tax incentives and improved access to capital[2].

Bavarian initiative

Bavaria is taking action itself by enabling private players. Public and private foundations will be allowed and even recommended to invest up to 5% of their assets into VC, not through direct investments, but through funds and FOFs, using diversification to manage risk and scale impact.

REFERENCES

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5.5 Italy: *CDP*-led ecosystem building

Background

Italy has traditionally lacked the institutional investment culture seen in Northern Europe, particularly when it comes to VC. However, in recent years, *Cassa Depositi e Prestiti (CDP)*, Italy's state-owned development bank managing over €3bn, has emerged as a catalyst for innovation finance[1].

The project

In 2024, *CDP* launched a €870mn (raised by private investors) initiative focused on artificial intelligence, cybersecurity and tech transfer[2]. This was complemented by investments in climate-focused funds, such as the €60mn *Algebris Climatech* Fund and the €60mn *Primo Climate* Fund, the latter of which includes direct investment from the complementary pension fund *Fon.Te* [2].

The results

Since 2024, *CDP*'s €870mn initiative which focuses on artificial intelligence, cybersecurity and tech transfer has boosted early-stage tech startups in Italy, accelerating innovation.

Climate-focused investments have attracted significant private and pension capital, supporting sustainable technologies[3]. Together, *Project Iris* and *Project Zephyr* pooled over €500mn from DC pension schemes, expanding access to private equity (PE) and credit markets[3]. These efforts have diversified investment portfolios and have also strengthened funding for innovative companies, subsequently marking a clear move towards a more mature institutional investment culture in Italy, which is aligned and therefore aligning the country with more general European innovation finance trends.

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5.6 Overview

The level of pension fund involvement across these national initiatives varies dramatically. In the UK, DC pension schemes are beginning to show a shift in institutional behaviour through initial allocation commitments to PE and VC. Similarly to the UK, government-led initiatives are also playing an important role in Italy where, through the leadership of the *CDP*, pension funds have been mobilised to increase allocations in high-growth sectors. In France, pension funds' involvement has been even more limited, since *Tibi I* has primarily relied on insurers. Whether this will also be the case for *Tibi II* remains to be seen. Germany, despite its scale, remains the most cautious of all, with pensions largely sidelined due to risk perception, liquidity concerns and lack of internal capacity.

Shifting approaches to PE and VC

Although these initiatives have taken different approaches and progressed at varying speeds, they have all emerged within the past decade, and point to a clear shift in how pension funds across Europe approach PE and venture. Pension funds, traditionally cautious investors, are slowly but increasingly showing openness and willingness to explore this space, particularly given the opportunities associated with high-growth sectors typically associated with VC. By presenting a broader view of how pension funds across various European countries have historically approached VC, and how this is evolving over time, this publication aims to provide the context and educational insights pension funds need to make informed investment decisions and better understand the market's ongoing evolution.

Takeaways

Initiatives driving change

- ☑ Governments across Europe have launched initiatives to boost institutional investment in VC, especially from pension funds, aligning capital with public policy goals like sustainability and tech innovation.
- ☑ France's *Tibi Initiatives* have raised over €7bn, mainly from insurers. Pension funds are becoming more involved in the expanded *Tibi II*, focused on early-stage funding.
- ☑ The UK's *Mansion House Compact* aims to unlock up to £50bn (€43bn) from DC pension schemes for unlisted equities by 2030, with initial commitments still developing. The *Invest in Women Taskforce* promotes gender-lens investing and inclusivity in VC.
- ☑ Germany's *WIN Initiative* has mobilised €13.9bn for startups in the green and digital sectors, however pension funds remain cautious due to risk and liquidity concerns.
- ☑ Italy's *CDP* is leading efforts to engage pension funds, raising €870mn for AI, cybersecurity and climate tech.

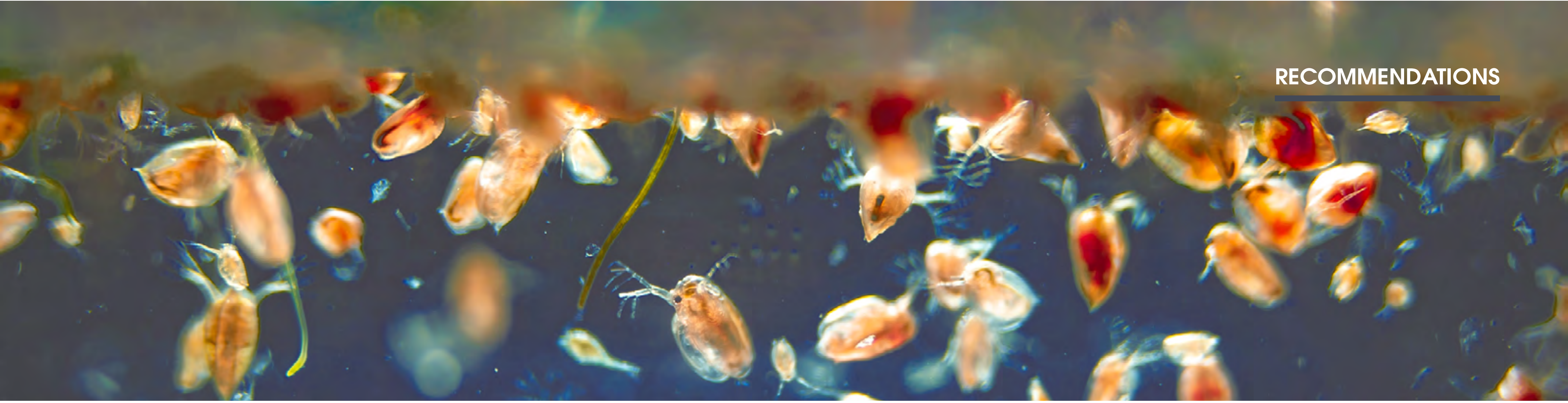
6 Recommendations

6.0 Recommendations

This section is structured around four main pillars that emerged from our research and interviews. These pillars reflect the internal barriers faced by pension funds and the wider ecosystem-level challenges that limit their participation in venture capital.

The recommendations below include:

1. Strengthening internal capacity within pension funds.
2. The role of regulatory guidance and frameworks.
3. Shifting the focus from short-term cost to long-term value.
4. Improving market infrastructure to support venture capital allocations.



6.1.1 Building pension funds' internal capacity

Our interviews consistently highlighted pension funds often lack the in-house knowledge, expertise and tools to assess, evaluate and monitor venture capital (VC) investments effectively. There is limited familiarity with the mechanics of VC, its long-term return potential and its ability, when approached strategically, to serve as a diversification tool rather than a source of added risk.

This lack of internal capability often results in hesitancy or inaction, particularly as VC is perceived as a complex and high-risk asset class. While many pension funds may ultimately seek to partner with fund-of-funds (FoFs) and other types of external asset managers to bridge this gap, doing so effectively requires a foundational understanding, the ability to ask the right questions and evaluate the answers critically.

Financial associations & regulators

Industry bodies such as our own, and VC associations, can support knowledge-sharing and capacity building. Regulators and government bodies should also offer clear, strategic guidance to help pension funds navigate this asset class with greater confidence.

"There's growing media and political interest, especially in the UK and Europe, in encouraging pension funds to allocate more to VC. Unlike previous cycles, this time there's more support for doing it through expert managers, for example fund-of-funds, rather than directly into companies, which hasn't worked well in the past."

ASSET MANAGER

INDUSTRY PERSPECTIVES

"Exposure to innovation-led growth, arguably the only source of growth, is increasingly critical for long-term pension performance. With the average European VC fund at just below €60mn[1], pension funds face natural anchoring constraints, making FoFs a practical and efficient access point. Selecting high-performing VC funds requires deep networks and dedicated teams. In an insider-driven asset class like VC, specialist access matters, which FoFs provide through expert curation."

Stephanie Heller

Managing Partner, Bootstrap Europe

6.1.2 Regulatory support and risk frameworks

Regulators can help build the confidence of pension trustees and their advisers when considering allocations to VC. Clear, practical guidance can support informed decision-making, particularly around the specific characteristics and risks of VC. This should include:

- How pension funds can evaluate the unique risk-return profile of VC investments.
- Risk management strategies such as diversification, phased commitments and the use of different allocation structures, including FOFs.
- Liquidity planning and portfolio stress testing tailored to the illiquid nature of VC.

Standards in venture capital

As pension funds across Europe move to increase their allocations to private equity (PE), growth and VC, regulators could also establish consistent standards for transparency and accountability. These standards will help build trust in the market and make it easier to compare VC managers on a like-for-like basis. At a minimum, VC funds receiving pension capital should meet basic requirements in areas such as governance, reporting frequency and sustainability reporting, while keeping in mind the size of the venture funds and their ability to deliver full institutional reporting.

6.1.3 Clear guidance on the 'Prudent Person' rule

In most European countries, domestic regulation does not impose explicit caps on allocations to VC. However, even without explicit investment caps, many funds remain constrained by the 'Prudent Person' rule, which obliges them to act conservatively in the best interests of beneficiaries. As highlighted throughout this report, VC is still widely perceived as a high-risk asset class.

Drawing from the US case study, we see that clear regulatory guidance, particularly on how VC can align with a prudent investment approach, played a crucial role in unlocking pension capital for the asset class. A similar approach in Europe could empower institutional investors to make more informed, confident allocations to VC, without compromising their fiduciary responsibilities.

6.1.4 Reframing the cost versus value considerations

Pension schemes need support from government and regulators to shift their focus from short-term cost minimisation to long-term value creation, and from shifting their focus from fees in isolation to assessing long-term, risk-adjusted net returns. The focus on keeping fees low cannot come at the expense of considering long-term returns. Reframing the conversation from 'what's cheapest today' to 'what delivers the best value over decades' is essential to improve retirement outcomes.

INDUSTRY PERSPECTIVES

"While FoF structures may raise concerns over a double layer of fees, for DC pension schemes they offer access to top-performing VC funds that are otherwise out of reach, plus built-in diversification that mitigates the high-risk nature of the asset class. In VC, where returns are concentrated and selection matters more than cost, a well-constructed FoF can deliver stronger net performance with lower volatility – exactly what long-term retirement savers need."

Debbie Wosskow

Co-Chair, *Invest in Women Taskforce*

EWVC PARTNER BOX

EIT Digital

Diva Tommei

Chief of Innovation and Investments/Chief Marketing Officer, *EIT Digital*

"Europe is home to world-class research institutions, thriving tech talent and a pipeline of promising startups. Yet, the continent continues to lag behind the US and China in scaling innovation, largely due to a funding gap at the VC stage. As a leading European innovation engine, *EIT Digital* bridges this gap – connecting startups, corporates, investors and policymakers to accelerate deep tech scale-ups and drive capital toward the ventures that will shape Europe's digital future.

Depending on which report you read, EU pension funds manage €2.7-€3.5tn in assets (2024). Yet, under 0.01% is allocated to VC, held back by structural inertia and regulatory barriers. The *Draghi Report* and the *EU Competitiveness Compass* stress the urgency of mobilising this untapped capital to drive innovation and productivity, echoing past reforms like *ERISA* in the US.

Several countries are already showing it is possible to mobilise institutional investor to VC. In continental Europe, France's *Tibi Initiative* is mobilising billions toward late-stage tech scale-ups, while Finland and the Netherlands are gradually opening their pension mandates to long-horizon, high-impact investments. Why it matters now:

- **Innovation sovereignty**: Europe must build and scale its own tech champions to remain competitive and digitally sovereign.
- **Economic resilience**: startups are major job creators and drivers of productivity across regions and sectors.
- **Green and digital transitions**: achieving Europe's climate and digital goals requires rapid deployment of capital into transformative ventures.
- **Gender and diversity lens**: allocating capital to diverse fund managers, including women-led VC funds, helps correct historical imbalances and drives better returns.

What needs to change? EU and national policies must define VC as a long-term, productive asset class. Second, public-private derisking tools, such as guarantees, first-loss tranches and co-investments, should be scaled to enable earlier institutional commitments, particularly to emerging managers and frontier sectors. *EIT Digital* plays an active role here by blending public funding with private capital and corporate partnerships to reduce risk and enhance startup visibility. In parallel, benchmarking frameworks must evolve to prioritise long-term value creation over short-term volatility, and better data is needed to demonstrate the tangible economic and societal returns of VC, especially in meeting the long-horizon commitments of pension funds."

eit Digital

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6.1.5 Democratise access to smaller pension funds

Increasing pension fund participation in VC will not be achieved through education and policy alone. It requires a supportive infrastructure that reduces friction, lowers barriers to entry, and aligns with the fiduciary and operational realities of pension schemes.

Struggles for smaller schemes

Every country will face unique challenges in increasing pension fund allocations to VC. However, one recurring issue we have observed in our conversations with pension funds is the limited access that smaller schemes have to the VC space. Many smaller pension schemes struggle to access VC opportunities due to their size or internal resource limitations. At the same time, capital tends to be concentrated in large, established VC funds, which often results in reduced exposure to emerging managers, regional funds or specific innovation ecosystems.

Platforms for smaller schemes

FoFs can bridge this gap. Another option is pooled investment platforms, which can allow multiple pension schemes, particularly smaller or mid-sized ones, to co-invest in a professionally managed vehicle. Such platforms can achieve scale and bargaining power, and promote access to a broader and more diverse set of VC managers. Some emerging examples include:

1 Blended VC fund through the *British Business Bank* – The *British Business Bank* has recently launched the *British Growth Partnership*, an initiative designed to encourage more UK pension fund and other institutional investment into the UK's fastest growing, most innovative companies. In May 2025, the *Financial Conduct Authority* granted regulatory approval to *BBB Investment Services*, the *British Business Bank's* third-party arm, to provide investment services to clients, an important first regulatory step in the preparation for launch of the *British Growth Partnership*.

2 Canadian co-investment approach – Canadian pension funds have long been leaders in direct PE investing, but in recent years, managing private companies directly has become increasingly challenging. It now demands large in-house teams, exits have become harder to achieve and competition for deals has intensified, especially as big PE firms are flush with capital and top-tier talent. In response, funds like *CDPQ, OMERS* and *Ontario Teachers'* have started rethinking their approach. Rather than stepping back from PE entirely, they are shifting toward partnerships by investing alongside established PE managers through co-investments. This strategy allows them to access high-quality deals without bearing the full operational and execution burden[2].

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INDUSTRY PERSPECTIVES

"The UK is home to three of the world's top 10 universities and boasts the third largest tech ecosystem globally, offering vast opportunities for innovation and growth. Yet, despite this strong foundation, many promising companies continue to face challenges accessing long-term, patient capital here in the UK.

Currently, UK pension schemes contribute just 10% to our domestic venture capital pool, compared to 72% in the US. Even across Europe, where pension funds are generally less well-funded than in the UK, participation is marginally higher. Highlighting the untapped opportunity for institutional investors to support high-potential, unlisted UK companies.

Recognising this challenge, the *British Business Bank* and others across finance are working to increase the available domestic institutional capital for UK scale-ups, and provide a domestic counterbalance to overseas funding. These efforts are complemented by wider initiatives such as the 2025 *Mansion House Accord*, where 17 of the UK's largest workplace pension providers have committed to invest at least 10% of their DC default funds in private markets by 2030, with 5% of the total allocated to the UK.

There is now momentum behind efforts to unlock capital and strengthen the UK's position as a global innovation leader."

Louis Taylor

CEO, *British Business Bank*

Conclusion

What have we learned from the research

Europe's pension systems are under increasing strain. As populations age, the historical reliance on unfunded public pensions (Pillar I) is becoming harder to sustain. To ensure resilience and adequacy in future retirement provision, a shift towards more balanced, funded systems, through Pillars II and III, is necessary and is slowly underway.

Beyond ensuring the sustainability of pensions, this structural shift presents an opportunity to rethink how pension capital supports the real economy. As more capital becomes available through funded schemes, asset classes like venture capital (VC) can benefit. In turn, VC can help drive innovation and job creation, and support key policy priorities such as the net-zero transition, advancements in healthcare and the development of digital infrastructure.

Fiduciary duty

As these two worlds begin to converge, a central challenge emerges: ensuring VC allocations align with pension funds' fiduciary duty to their beneficiaries. Pension funds exist, above all, to deliver retirement security. For VC to be a viable addition to their portfolios, trustees must be equipped with the right tools, ranging from specialised expertise and risk-management frameworks to investment vehicles specifically designed to meet institutional requirements. This becomes even more urgent in the context of ageing populations and growing pension gaps.

Currently, VC fundraising from pension funds in Europe remains limited, highlighting a significant opportunity as new initiatives emerge to unlock pension capital for broad private equity (PE) and venture investment. Even in the Nordic region, where pension funds are considered frontrunners in VC investing, allocations are modest. In 2023, Nordic pension funds invested approximately €345mn into continental European VC funds. They were also the top recipients of VC capital from other European pension funds, yet this amounted to only €190mn. At the far end of the spectrum, pension funds in Southern, Central and Eastern Europe collectively allocated just €25.9mn to VC, mostly from domestic sources.

Unlike in the US, where pension funds have been active participants in VC markets for decades, European pension investors are still finding their footing. A significant part of the challenge is the perceived notion that VC is too risky or too complex for pension portfolios. Throughout the case studies in this report, we have explored a number of solutions to these constraints. On the regulatory front, the US experience is valuable: the 1979 reinterpretation of the *ERISA* 'Prudent Person' rule enabled pension fiduciaries to treat VC and PE as legitimate elements in a diversified investment strategy. Similar guidance in Europe could offer pension funds the clarity and confidence they need to act.

Equally important is capacity-building. As public initiatives like France's *Tibi Initiative* and the UK's *Mansion House Compact* mobilise greater pension engagement with VC, schemes must be empowered to evaluate risks, assess manager performance and understand the implications of different structures, such as single-fund commitments versus fund-of-funds.

Understanding the evolving VC ecosystem itself is also key for pension funds aiming to start allocating to this asset class. Pension investors should be aware not only of return dynamics, but also of structural barriers within VC, such as the persistent underfunding of women-led startups, which present both a risk and an opportunity for long-term investors looking to drive systemic change.

European Women in VC's view on the research

Pension funds and venture capital – a win-win for Europe

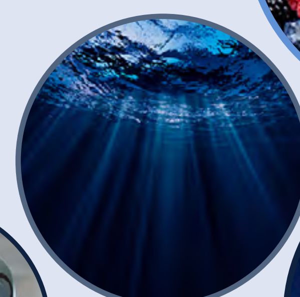
First, a heartfelt thank you to all the institutions, partners and individuals who supported us in this ambitious research journey – your insights and collaboration made this work possible.

- **Europe is ready:** VC-backed companies have created $3.5tn+ in value, with hundreds now scaling past €100mn in revenues.
- **Capital leakage:** too much value flows back to overseas pension funds – Europe must capture its own growth.
- **Returns proven:** VC has delivered double-digit long-term returns for US pensions. Europe can replicate this.
- **Risk managed:** entry points from fund-of-funds (low risk, diversified) to growth and co-investments.
- **Impact aligned:** VC drives climate, health, digital and tech sovereignty – Europe's strategic priorities.
- **Transformative potential:** even a 1-2% pension allocation to VC would close Europe's €37.5bn annual funding gap.
- **The win-win:** secure pensions. stronger Europe-shared prosperity.

See our 2024 research:
Venture as the Most Impactful Asset Class (2024).

👉 *We look forward to engaging with you to take this conversation further and shape the future of pension-backed innovation in Europe.*







European Women in VC – spotlight on founding members

Working towards increasing the number of women in VC management roles, founded five years ago by the Managing Partners of a female-first European VC fund

Kinga Stanisławska
Co-founder, EWVC

Laura González-Estéfani
The Venture City

Ekaterina Almasque
Open Ocean/
Blankpage Capital

Elina Halatcheva
Brightcap Ventures

Gesa Miczaika
Auxxo Female Catalyst Fund

Helen McBreen
Atlantic Bridge

Anne Glover
Amadeus Capital Partners

Inka Mero
Voima Ventures

Jenny Ruth Hrafnsdottir
Crowberry Capital

Pauline Wink
4Impact

Simone Brummelhuis
Borski Fund

Tatjana Zabasu Mikuź
South Central Ventures

Driving change by empowering diversity in venture capital

About *European Women in VC*

European Women in VC is the largest network of senior female venture capital and growth investors from all over Europe and beyond.

We address the gender imbalance in the venture capital ecosystem and highlight the achievements of female-led and mixed teams in terms of financial returns and societal impact.

Together with a community of over 1,000 investors, founders, limited partners, public and private institutions, stakeholders, women working in tech and male allies, we want to magnify female influence across the VC, asset management and startups and technology space.

The increase of female presence in venture capital contributes to economic growth, fosters innovation and drives societal change. Join us and let's pave the way together for new products and solutions to come to the market.

Venture Connections
European Women in VC

Appendix

Pension fund regulatory caps on equity and private investment funds – EU countries

Country/scheme	Equity cap	Private investment fund cap
Austria	No cap	No cap
Belgium	No cap *predominantly in regulated markets*	No cap *prudent level for unlisted*
Bulgaria – universal & professional pension funds *UPF, PPF*	25% *regulated;* 2% *initial public offering (IPO);* 0% *unlisted*	Not allowed
Bulgaria – voluntary pension funds *occupational (VPFOS)*	No cap	Not allowed
Bulgaria – voluntary pension funds *individual (VPF)*	No cap	Not allowed
Bulgaria – benefit funds	20% *including undertakings for collective investment in transferable securities (UCITS);* 0% *unlisted*	Not allowed
Croatia – mandatory fund *category A*	65%	15%
Croatia – mandatory fund *category B*	40%	10%
Croatia – mandatory fund *category C*	Not allowed	Not allowed
Croatia – voluntary open-ended pension fund	No cap	15%
Croatia – voluntary closed-ended pension fund *defined contribution (DC)*	70%	15%
Croatia – pension insurance company *mandatory cover (HRMOD)*	10%	10%
Croatia – pension insurance company *voluntary and defined benefit (DB)*	20%	20%
Cyprus	Unavailable	Unavailable
Czechia – transformed pension schemes	70% *Organisation for Economic Co-operation & Development (OECD);* 5% *non-OECD*	70% *OECD;* 5% *non-OECD*
Czechia – participation funds *conservative*	Not allowed	Not allowed
Czechia – participation funds *Other*	100% *regulated;* 0% *unlisted*	Not allowed
Denmark – larger pension funds/ life insurers	No cap *Solvency II 'Prudent Person' principle*	No cap *Solvency II 'Prudent Person' principle*
Denmark – small company pension funds	No cap *Solvency II 'Prudent Person' principle*	No cap *Solvency II 'Prudent Person' principle*
Denmark – Arbejdsmarkedets Tillægspension (ATP) & LD Fonde	No cap	No cap
Denmark – pension savings in banks	No cap *max 20% per issuer)*	Not specified
Estonia – mandatory funded pension	No cap *(10% for conservative funds)*	No cap

Pension fund regulatory caps on equity and private investment funds – EU countries *continued*[1]

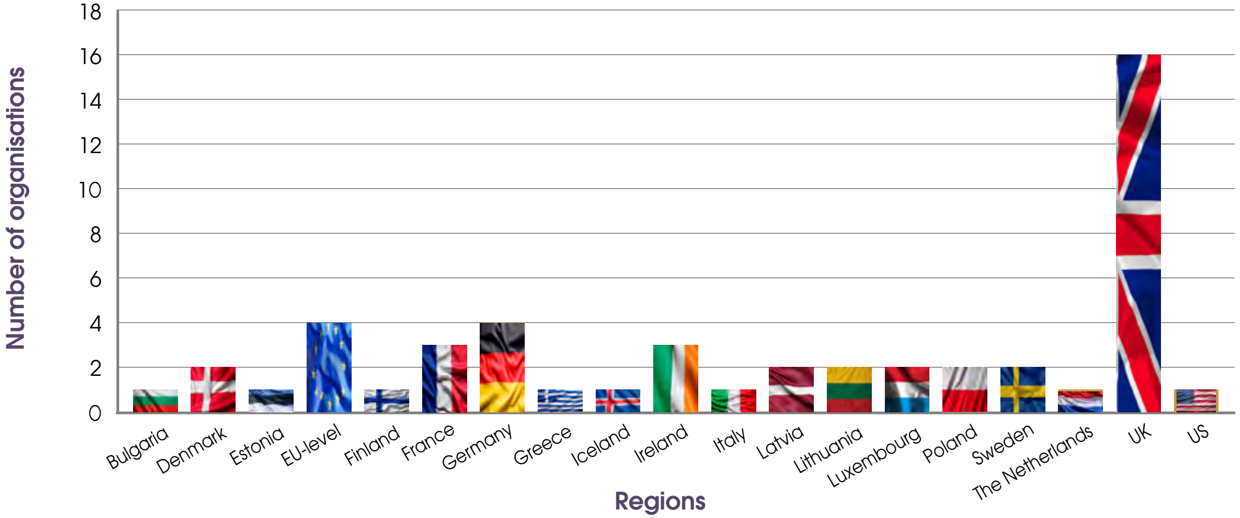
Country/scheme	Equity cap	Private investment fund cap
Estonia – voluntary funded pension	No cap	No cap
Finland – voluntary company/industry-wide pension funds	70% 10% *non-listed funds*	10% *non-listed funds*
Finland – statutory earnings-related pensions	65% *includes private equity*	*Included in* 65% *cap*
Greece	70% *listed only*	5% *private equity (PE);* 10% maximum for unlisted long-term assets
Hungary	No cap *listed;* 5% *non-listed*	5% *non-listed only*
Ireland	No cap *but must be predominantly regulated markets*	No cap *prudent level*
Latvia – state-funded pensions *mandatory*	No cap	25% *non-UCITS*
Lithuania – 2nd Pillar Pension Funds	No cap	20% *non-UCITS or similar*
Luxembourg	No cap	No cap
Malta – occupational retirement schemes	No cap *regulated;* 30% *unlisted*	Not allowed
Poland – open pension funds (OFE)	No cap	Not allowed
Poland – employee pension programmes (PPE)	No cap	Not allowed

Country/scheme	Equity cap	Private investment fund cap
Poland – employee capital plans (PPK)	Min/max caps by age bracket *10–80%*	Included in equity allocation
Portugal – closed/open pension funds	No cap	10% *non-harmonised funds*
Portugal – personal retirement schemes *through pension funds*	No cap	5% *non-harmonised funds*
Portugal – personal retirement schemes *through insurance contracts*	No cap	5% *non-harmonised funds*
Portugal – retirement schemes via harmonised funds (UCITS)	No cap 10% *non-listed*	30%
Portugal – retirement schemes via non-harmonised funds (AIF)	10% *non-listed*	30%
Romania – occupational pension funds	50%	10% *PE*
Slovakia – mandatory pension funds	No cap	Not allowed
Slovakia – voluntary contributory funds	No cap	Not allowed
Slovakia – pay-out pension funds	Not allowed	Not allowed
Slovenia	5% *non-public equity*	30% *non-UCITS* + specific long-term EU instruments
Spain	100% *regulated;* 30% *unlisted*	30% *with 5-10% per issuer cap*

SOURCE

OECD, 2024, Annual survey of Investment regulation of pension providers, viewed July 2025, <https://www.oecd.org/finance/annual-survey-investment-regulation-pension-providers.htm>.

Fig 18 | Participating organisations by country



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Published by *Pensions for Purpose*,
October 2025