Infrastructure as an asset class for pensions: international experience and some lessons

The 2014 G20 chair – Australia – made increasing infrastructure investment one of its priorities. The EC has made long-term investment an integral part of its strategy for smart, sustainable and inclusive growth. Investing in infrastructure has been seen as one way in which European economies can both enhance their competiveness and create jobs. However, fiscal strictures prevent governments financing such activities themselves. In many countries, they have been turning to institutions for resources and so to pension funds. New international banking regulations have given further impetus to looking at pension funds as potential providers of capital. The role of Australian and Canadian pension funds, which have been said to be active allocators to this asset class, is often quoted.

The paper presents preliminary findings from research that is considering whether such an approach is viable. It considers why pension funds might be interested in such assets but also what restricts them from meeting the kind of expectations that are often held by policymakers. It asks whether pension investment in infrastructure is merely another “fad” or whether there has been a sea-change in attitudes and behaviour that is likely to be sustained.

The paper draws upon analysis of developments and debates at the European level and within individual countries. It includes findings from interviews with key actors and presents data on the current level of infrastructure investment by pensions and how it differs both between countries and between different sorts of pension scheme.

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