

Pension fund performance is dismal so why is the state ...

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The FT has an excellent article that anyone with an interest in pensions should read this morning. The argument is clear from the title, which is '[Fees are a scourge on pension funds](#)'.

The article makes three things clear. The first is that fees in most pension funds are much higher than for direct investing, but the returns aren't necessarily any better.

The second is that getting data on this issue is nigh on impossible, but a new report is trying to put that right.

The third is that in the UK the average rate of return on pension fund investment between 2000 and 2013 was minus 0.7% despite the fact that these funds in the UK managed more money than UK GDP.

And there are no excuses for this rate of return: by no means all countries delivered such poor returns. Denmark managed 3.8% positive returns over the same period and we live in an era of globalised markets.

As the FT concludes from this dismal survey of UK pension performance:

This could all be summarised by that well-worn question: where are the customers' yachts? The trillions of dollars worldwide invested in pension plans will continue to grow as more contributions roll in, providing a reliable source of revenue for the pensions industry and all its hangers-on. The outcomes for savers are hard to discover and much less certain. Is this the right way round?

I can't argue with that, except to note that this dismally failing activity receives [a subsidy of £50 billion a year from the UK taxpayer](#) and still cannot produce a return. The article, as is commonplace, makes no reference to this fact, but it should.

The pension industry has failed the people of the UK.

It has failed to deliver the funds we need for new investment.

It has drained the UK government of funds.

But it has made a relative few in the City very rich indeed as they have captured the wealth of the majority for their own private gain - as the stats make very clear.

And it [is now being used to promote inequality](#).

The time for major reform has arrived and the first question to ask is why the state is continuing to subsidise this so obviously failed industry?