

# Revitalizing US infrastructure

The pension capital advantage

March 2026



**IFM Investors** is a global asset manager, founded and owned by pension funds. We are one of the world’s largest infrastructure managers, regularly working with governments as a partner in critical infrastructure build, renewal and management.

Our purpose is to invest, protect and grow the long-term retirement savings of working people. With assets under management of approximately US\$184.1 billion (A\$262.7 billion), as at 31 January 2026, we serve over 800 institutional investors globally, including more than 200 US pension funds. Collectively, our investors manage the retirement savings of more than 160 million working people worldwide.

IFM operates from 17 offices across the world, including offices in New York City and Houston.

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**With thanks to the Super Members Council for modelling and analysis of Australia’s pension system.  
All figures are in US dollars unless noted otherwise. All case studies are provided for illustrative purposes only.**



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## Executive summary

Hundreds of millions of US citizens and businesses rely on roads, ports, airports, water systems, and digital and energy networks to meet the needs of daily life. Infrastructure is the backbone of the US economy and plays a critical role in supporting US competitiveness.

Despite this, much of the US' infrastructure is in a poor state of repair or is no longer fit-for-purpose. The country faces an infrastructure funding gap of \$3.7 trillion through 2033.<sup>1</sup>

Australia's retirement savings system, known as superannuation or "super", is one of the fastest growing anywhere in the world, with \$3.0 trillion in funds under management and nearly \$3.0 billion flowing into the system every week.<sup>2</sup> In the next five years, it is projected to become the world's second largest pool of retirement savings, second only to the US, and reach \$5.4 trillion by 2035.<sup>3</sup>

Most of these savings are professionally managed and invested across public and private markets. As the system has grown and matured, Australian pension funds have been increasingly investing in international markets to help diversify their portfolios, manage risks and deliver healthy long-term returns for their members. Large institutional pension funds are now investing nearly half their assets in international markets, and the US is the top destination for this investment.<sup>3</sup>

Based on current trends, total investment by Australian pension capital into the US is set to triple from around \$500 billion to \$1.5 trillion by 2035<sup>4</sup> – creating attractive funding prospects to help America meet its growing infrastructure needs.

*Revitalizing US infrastructure: The pension capital advantage* is a policy blueprint by IFM Investors, a global asset manager founded and owned by profit-to-member pension funds. We believe pension capital investors – with their focus on investing to protect and grow the retirement savings of working people – could help bridge the US' funding gap and enhance the resilience and productivity of US infrastructure assets.

As pioneers of the asset class, these investors have deep expertise in infrastructure. Australian pension funds have already invested \$29 billion in infrastructure across the US, with total infrastructure equity investment projected to reach almost \$67 billion by 2035.<sup>5</sup> IFM Investors also invests in US infrastructure on behalf of more than 200 US pension fund clients, collectively managing the retirement savings of more than 20 million American workers and retirees.

There is a generational opportunity for US state and local governments to partner with investors of Australian and American pension capital – including through shared ownership and governance arrangements – to build the infrastructure that Americans will rely on into the future. Through public-private partnership (P3) and asset recycling models, state and local governments can potentially free up public resources to invest in new infrastructure priorities.

We set out four reform recommendations that we believe can help address the US' infrastructure funding gap by expanding the pipeline of investable projects and mobilizing the investment of long-term and trusted pension capital.

### **1 Partner with investors of pension capital to embark on a program of asset recycling**

Asset recycling provides a way for state and local governments to monetize existing (brownfield) infrastructure – like roads and airports – providing an injection of funding they can reinvest in new assets like schools and hospitals. At the same time, brownfield assets, which are then subject to public-private partnership (P3) or co-investment arrangements, benefit from the knowledge and technology transfer that experienced infrastructure investors – like those of Australian and US pension funds – can bring to enhance asset quality, performance and resilience.

<sup>1</sup> America Society of Civil Engineers (2025) Report Card for America's Infrastructure

<sup>2</sup> APRA (2026) Quarterly superannuation performance statistics highlights - December 2025.

<sup>3</sup> IFM Investors, Super Members Council, & Mandala (2025) Bridging the Gap: the opportunity for Australian pension capital in the UK and Europe

<sup>4</sup> Super Members Council (2025) Data, modelling and projections

<sup>5</sup> Super Members Council (2025) Data, modelling and projections

## **2 Provide incentives for states and municipalities to recycle assets through a pilot Infrastructure Investment Incentive Grants (I3Gs) initiative**

A federal I3G program would encourage state and local governments to accelerate a program of asset recycling through incentive payments (time-limited and budget capped) that are earned once states successfully attract private investment in brownfield assets and redeploy that capital in other qualifying infrastructure. In addition to the lease proceeds, these incentive payments bolster the funding state and local governments are able to invest in new infrastructure projects.

## **3 Reform regulations to allow investors to retain existing tax-exempt debt under public-private partnership (P3) arrangements**

Current regulations require state and local governments to retire (pay off) any outstanding tax-exempt debt associated with a specific infrastructure asset when entering into P3 arrangements for that asset. This can be a disincentive for governments to pursue P3 arrangements because it increases P3 transaction costs and reduces the amount of revenue

that can be re-invested into new infrastructure. Allowing existing tax-exempt debt to remain outstanding under concession arrangements could make P3s more attractive for governments and investors. Importantly, these regulatory reforms may be accomplished through administrative changes, without the need for congressional action.

## **4 Unlock additional capital for investment in US infrastructure by changing tax law to allow the use of new tax-exempt debt to acquire P3 concessions**

Building on the previous recommendation, P3 transaction economics could be made even more compelling for state and local governments with additional reforms to permit private investors, including pension funds, to use new tax-exempt debt to acquire P3 leases of brownfield infrastructure. Should legislators choose to limit issuer eligibility to cases where states and municipalities reinvest proceeds into other qualifying infrastructure assets, this reform would see additional benefits flow to communities. Implementing this change requires legislative amendments to the Internal Revenue Code through an act of Congress.





# 01

## Funding renewal

The urgent need for private investment in US infrastructure

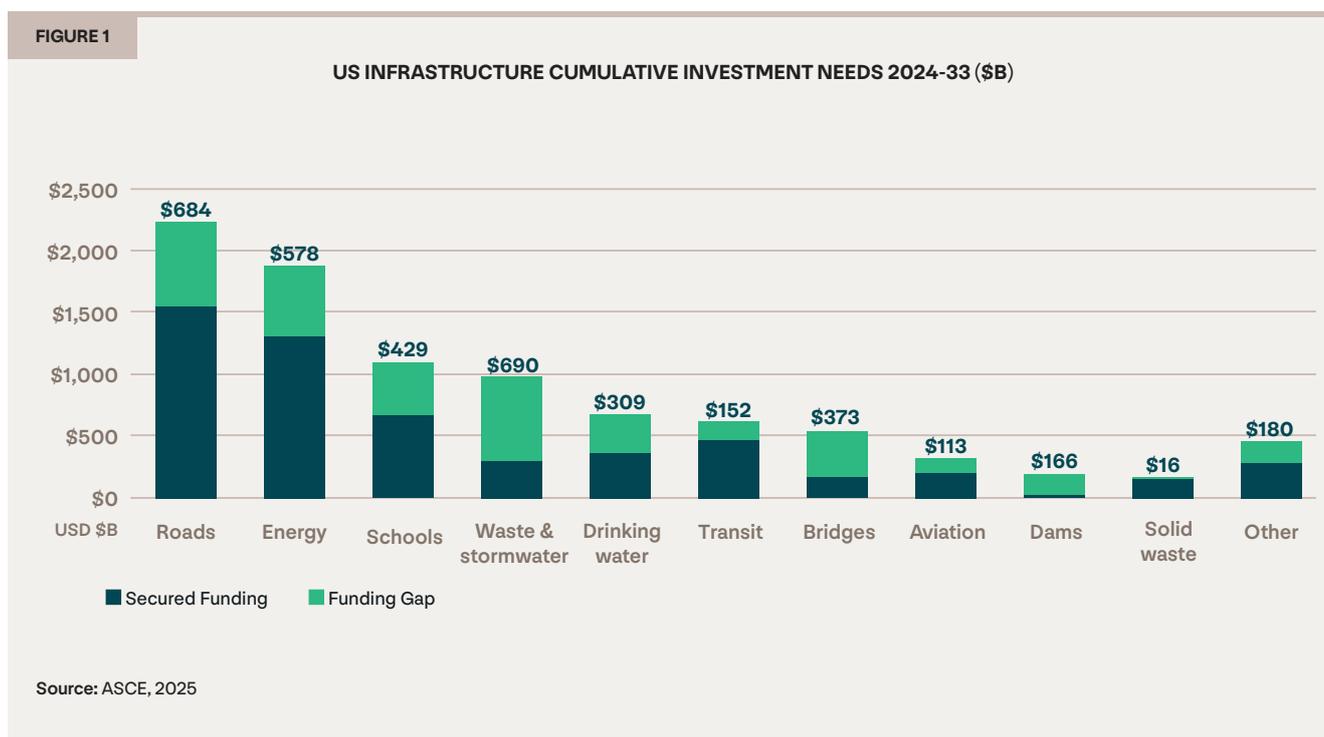
## The urgent need for private investment in US infrastructure

In the US, as with other countries in the developed world, infrastructure systems like energy grids, roads, rail and airports are struggling to keep pace with economic and population growth.<sup>6</sup> IFM Investors anticipates a "capex supercycle" in infrastructure will be required to address ageing infrastructure and to take advantage of technological innovation that can help enhance and build the critical assets of tomorrow.<sup>7</sup>

The American Society of Civil Engineers (ASCE) has estimated the country's infrastructure investment gap, out to 2033, at \$3.7 trillion, or even higher if Congress does not maintain current funding levels.<sup>8</sup> Federal infrastructure revitalization programs have helped fund some improvements, but private sector investment will be needed to meet the country's infrastructure funding requirements.

Increasing the pool of funding is important because infrastructure investment has multiplier effects across the economy. Efficient and modern infrastructure lowers business costs, reduces bottlenecks, increases the reliability of supply chains, and supports national security and resilience.<sup>9</sup> The Congressional Budget Office (CBO) estimated in 2015 that every dollar spent on infrastructure generates short-term economic benefits of up to \$2.20,<sup>10</sup> and longer-term returns closer to \$3 for every dollar spent.<sup>11</sup>

Infrastructure investment also supports job creation. The Council of Economic Advisers estimates that \$1 billion in transport infrastructure investment can support around 13,000 jobs for one year,<sup>12</sup> while Brookings Institution analysis suggests nearly 11 per cent of the US workforce are employed in fields directly related to infrastructure.<sup>13</sup>



<sup>6</sup> International Journal for Multidisciplinary Research (2024) Bridging the Infrastructure Gap: Assessing the Impact of Critical Infrastructure Investments on Economic Growth in the United States and Emerging Markets

<sup>7</sup> IFM Investors (2026) The Private Markets Macro Outlook

<sup>8</sup> America Society of Civil Engineers (2025) Report Card for America's Infrastructure

<sup>9</sup> Bahasoan et al. (2025) Towards Prosperity: Harnessing Infrastructure for Economic Growth

<sup>10</sup> Congressional Budget Office (2014) Estimated impact of the ARRA on employment and economic output in 2013

<sup>11</sup> National Association of Manufacturers (2014) Catching Up – Greater Focus needed to achieve a more competitive infrastructure

<sup>12</sup> US Federal Highway Administration (2020) Employment impacts of highway infrastructure investment

<sup>13</sup> Brookings (2014) 14.2 million Americans Work in Infrastructure. What Does That Mean?

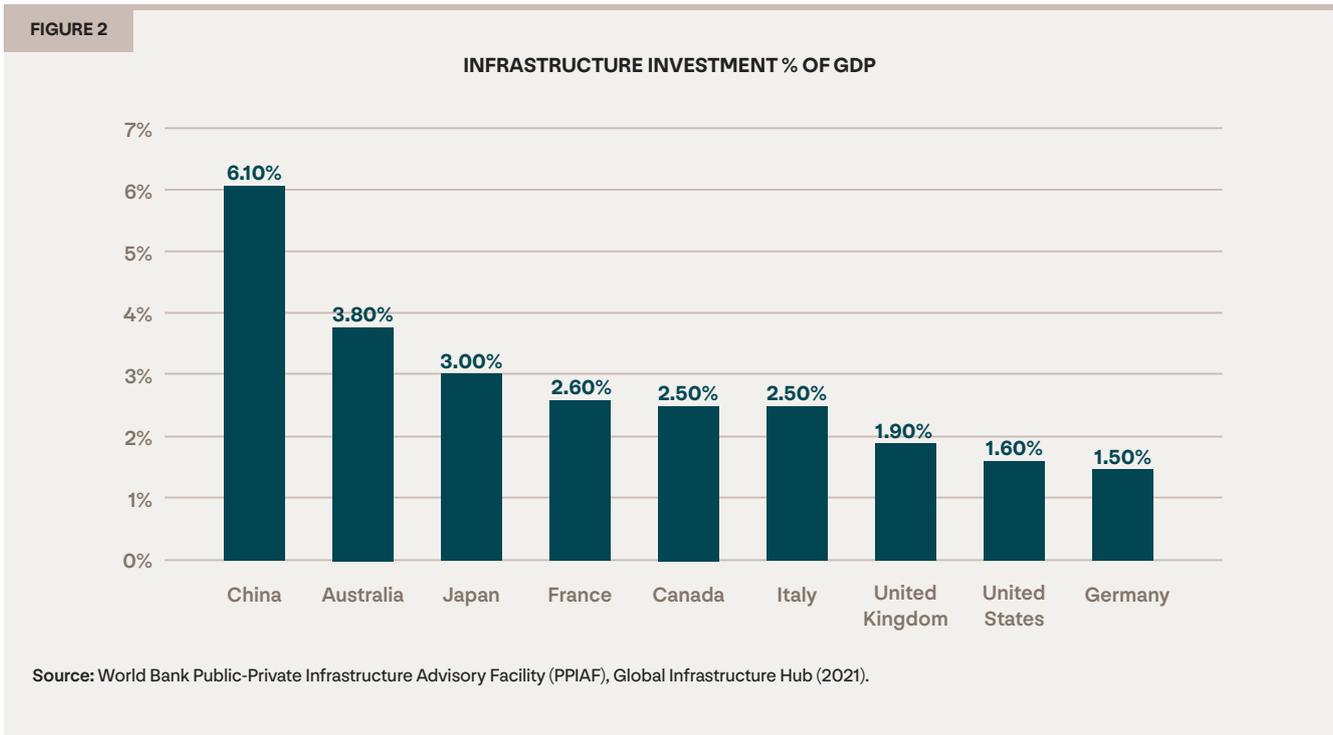
In the US, these upside benefits – of jobs and growth – are not being fully realized. Infrastructure investment as a share of GDP has been in progressive decline since the 1970s.<sup>14</sup> The US invests less in infrastructure as a percentage of GDP (1.6 per cent) than other G7 countries and notably less than China and Australia at 6.1 and 3.8 per cent respectively.<sup>15</sup>

The real-world effect of underinvestment is lagging asset quality. ASCE has consistently highlighted the needs of national infrastructure, with roads, bridges, capital investment rail, ports, airports and water systems identified as requiring significant upgrades. US passenger trains, for example, average around half the speed of Europe’s high-speed rail,<sup>16</sup> while there were no US airports within the world’s top 25 Skytrax-ranked airports in 2024.<sup>17</sup>

The funding gap identified by the ASCE cannot be met solely with public investment. US federal government debt has quadrupled as a percentage

of GDP over the past 50 years.<sup>18</sup> Many cities and states are grappling with high debt servicing levels and limited options to borrow, compounding the challenge of carefully managing credit ratings.<sup>19</sup>

Against this backdrop, governments are increasingly looking to deploy funding and assets on the public balance sheet as efficiently as possible. Developing and deploying innovative financing mechanisms that can enhance investment, including through public-private partnerships (P3s) and asset recycling, could enhance the productivity of the US’ infrastructure stock and support other policy priorities such as reviving American manufacturing. Resilient assets can help American manufacturers move goods to market and investing in capital works creates potential opportunities for US businesses to supply the products and materials used to build critical infrastructure.<sup>20</sup>



<sup>14</sup> Brookings (2025) Four recent trends in US public infrastructure spending.

<sup>15</sup> Global Infrastructure Hub (2025) InfraCompass country profiles

<sup>16</sup> Council on Foreign Relations (2023) The State of U.S. Infrastructure

<sup>17</sup> Skytrax (2024), Worlds Top 100 Airports

<sup>18</sup> Federal Reserve Bank of St. Louis (2025) US Federal reserve data, comparing Total Public Debt as a % of GDP from 1975 to 2025

<sup>19</sup> Brookings (2015) Why Infrastructure Matters: Rotten Roads, Bum Economy

<sup>20</sup> Alliance for American Manufacturing (2025) The Blueprint for 2025 American Made Infrastructure

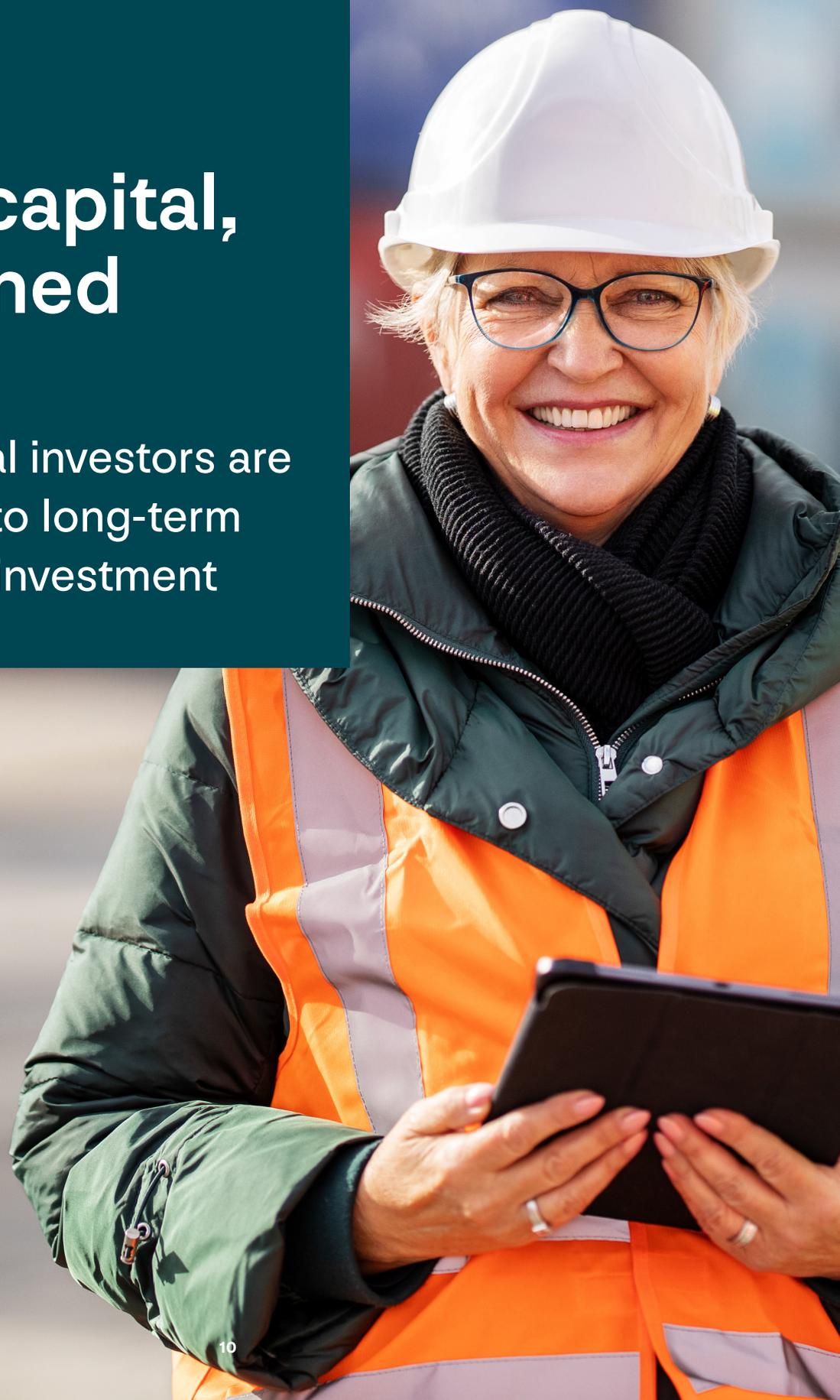




02

## Patient capital, established results

Pension capital investors are  
ideally suited to long-term  
infrastructure investment



## Pension capital investors are ideally suited to long-term infrastructure investment

Through decades of investing on behalf of hundreds of millions of workers, directly and through investment managers like IFM Investors, we believe pension funds have established themselves as trusted partners in delivering quality infrastructure to communities.

Globally, pension funds are some of the largest asset owners in the world,<sup>21</sup> led by the US with more than \$40 trillion in funds under management.<sup>22</sup> The Australian system is growing rapidly, soon to be the second largest in the world behind the US, with funds under management projected to hit \$5.4 trillion by 2035.<sup>23</sup> Collectively, Australian and Canadian pension funds – pioneer investors in the infrastructure asset class<sup>24</sup> – together with a number of large US pension funds,<sup>25</sup> are investing in US private markets, including infrastructure, with the goal of generating returns for their members, working people.

Private markets can diversify investment portfolios by adding characteristics which are difficult to achieve in public markets, enhancing long-term portfolio performance.<sup>26</sup> Historically, private markets have proven resilient in uncertain economic conditions, making them a valuable addition to long-term investment strategies. Australian pension fund investors have growing exposure to US private markets with current investment over \$85 billion, projected to reach more than \$180 billion over the next decade.<sup>27</sup>

For investors of retirement savings, infrastructure investments typically generate stable, inflation-linked cash flows over long investment horizons, matching the long-term characteristics of pension liabilities and supporting portfolio resilience to varying levels of inflation, interest rates and economic growth.<sup>28</sup> Infrastructure investments can provide downside protection, as they generally have low correlation with traditional asset classes like equities and fixed income.

As the map below illustrates, Australian pension capital has already invested \$29 billion<sup>29</sup> in US infrastructure assets. Recent market research published by IFM Investors found that most global institutional investors, including pension funds, plan to increase their exposure to infrastructure equity in coming years,<sup>30</sup> with total investment by Australian pension funds in US infrastructure projected to increase to \$67 billion by 2035.<sup>31</sup>

For governments, communities and infrastructure businesses, experienced pension capital investors can help fund new technologies and instil market leading practices.<sup>32</sup> Leveraging this expertise, governments can attract capital to support the renewal and maintenance of existing cornerstone assets that underpin the day-to-day functioning of society. For example, assets within IFM Investors' infrastructure portfolio are anticipated to deliver more than \$71 billion in capital investment globally over the next five years. This capital investment is intended to fund transformative upgrades—new runways and terminals, modern energy generation, transmission and storage, and critical improvements to water and digital infrastructure.

Long-term capital improvement plans can be developed to realise an asset's operating potential, ensuring assets can grow along with the community they are serving.<sup>33</sup> In Australia, for example, assets that IFM Investors-managed funds invest in operate under concessions averaging nearly 80 years, enabling long-term planning and reinvestment. We believe the Indiana Toll Road case study illustrates this long-term mindset which makes investors of pension funds ideal partners for governments in infrastructure, including through public-private partnerships.

<sup>21</sup> Thinking Ahead Institute (2025) Global Pension Asset Study, based on a 'strictly defined' asset owners

<sup>22</sup> OECD (2025) Pension Markets in Focus 2025

<sup>23</sup> IFM Investors, Super Members Council, & Mandala (2025) Bridging the Gap: the opportunity for Australian pension capital in the UK and Europe

<sup>24</sup> OECD (2013) Pension Fund Investment in Infrastructure - A Comparison Between Australia and Canada

<sup>25</sup> CalPERS (2025) Quarterly Update – Investment Controls, IPE Real Assets (2025) Florida SBA backs four infrastructure funds totalling \$500m in new commitments & New York State Comptroller (2025) NYS Pension Fund Commits an Additional \$2.4 Billion Through Sustainable Investment Program

<sup>26</sup> Frontier Economics (2022) Super in the Economy: the Investment opportunity in Australian private markets.

<sup>27</sup> Super Members Council (2025) Data modelling and projections

<sup>28</sup> IFM Investors (2024) The Infrastructure Opportunity: The role of infrastructure in long-term resilient portfolios

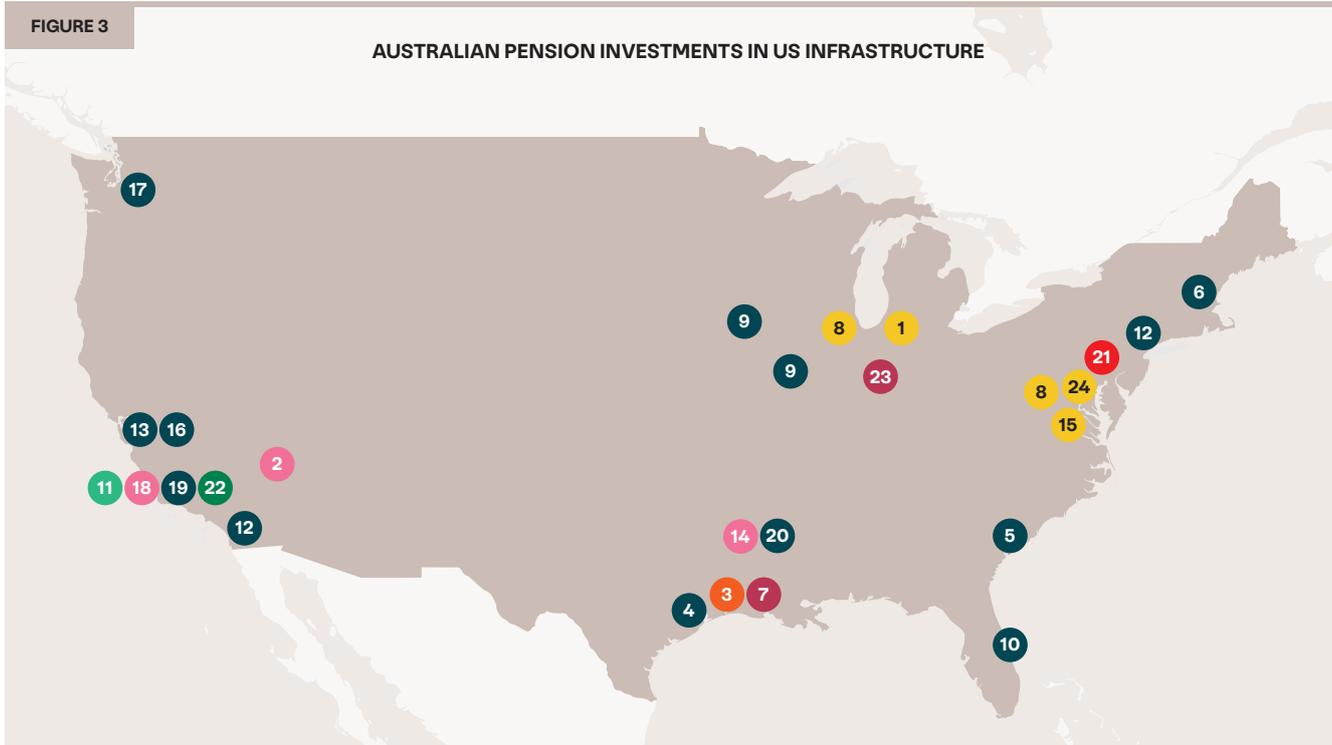
<sup>29</sup> As at December 2025

<sup>30</sup> IFM Investors (2024) Private Markets 700

<sup>31</sup> Super Members Council (2025) Data modelling and projections

<sup>32</sup> OECD (2007) Principles for Private Sector Participation in Infrastructure

<sup>33</sup> IFM Investors (2023) Open and closed-ended funds in infrastructure investment portfolios



-  Energy
-  Industrial property
-  Toll road
-  Manufacturing
-  Port
-  Utilities
-  Pipeline
-  Data centre

Asset name	Location
<b>1</b> Indiana Toll Road	Elkhart, Indiana
<b>2</b> Switch, Inc	Las Vegas, Nevada
<b>3</b> Buckeye Partners	Houston, Texas
<b>4</b> Freeport LNG	Quintana, Texas
<b>5</b> Greengas	Charleston, South Carolina
<b>6</b> Swift Current Energy	Boston, Massachusetts
<b>7</b> Aqualia	Has a presence in Texas
<b>8</b> Chicago Skyway (Atlas Arteria)	Chicago, Illinois
<b>9</b> SQ Renewables (ERG S.p.A)	Iowa and Illinois
<b>10</b> Seaport Canaveral	Has a presence in Cape Canaveral, Florida
<b>11</b> Goodman Group	Los Angeles, CA
<b>12</b> Terra-Gen	New York, NY San Diego, CA

Asset name	Location
<b>13</b> Generate Capital	San Francisco, CA
<b>14</b> DataBank	Dallas, Texas
<b>15</b> Chesapeake toll road	Washington DC
<b>16</b> Pattern Energy	San Francisco, CA
<b>17</b> Puget Sound Energy	Seattle, Washington
<b>18</b> EdgeCore	Irvine, CA
<b>19</b> Middle River Power	Los Angeles, CA
<b>20</b> Dynagrid	Dallas, Texas
<b>21</b> Potters Industries	Malvern, PA
<b>22</b> Long Beach Container Terminal	Los Angeles, CA
<b>23</b> Altafiber	Cincinnati, Ohio
<b>24</b> Dulles Greenway (Atlas Arteria)	Loudon county, Virginia

Map reflects select investments of IFM managed funds and of other Australian pension funds in US infrastructure assets as at January 2026, with input from Australian profit-to-member superannuation funds.

## Indiana Toll Road

US governments are facing increasing funding requirements for roads due to a decline in fuel excise revenues and the increasing cost of maintaining the deteriorating stock of US roads.

The Highway Trust Fund – which supports this repair – faces a funding shortfall of \$149.7 billion over the five years following the expiration of the Infrastructure Investment and Jobs Act in 2026.<sup>34</sup>

State governments require an estimated increase in spending of around 44 per cent over the next decade in order for state transport infrastructure to be considered as being in a “state of good repair”.<sup>35</sup>

We believe partnerships with long-term patient investors, like IFM Investors, can help unlock capital to support asset quality and improve services for asset users. Through a concession model, funds managed by IFM hold a majority stake in the Indiana Toll Road alongside US pension fund California Public Employees' Retirement System.

IFM Investors has been an active manager of the Indiana Toll Road since 2015. The road spans 157 miles across Northern Indiana, from the Illinois State line to Ohio. Through to the end of 2025, the company has invested more than \$1 billion in capital improvements on the Indiana Toll Road. That includes rehabilitation of nearly 97 per cent of total pavement miles and 40 per cent of corridor structures, plus travel plaza redevelopment and technology and safety initiatives. These investments have resulted in asset conditions being rated ‘best on record’ by an independent engineer.<sup>36</sup>

In 2018, the Indiana Toll Road shareholders reached an agreement with the Indiana Finance Authority (IFM’s government partner) for a follow-on investment of \$1 billion, plus an additional \$50 million of capital investment to improve road safety and amenities for heavy vehicle customers. The \$1 billion was used by the State to fund infrastructure improvements throughout Indiana. IFM’s proactive approach to adding value and improving customer experience has strengthened its relationship with the state government and key stakeholders.

At the same time, IFM-managed funds invested in Indiana Toll Road have historically generated returns for members of pension funds among our clients, including US pension funds that represent millions of working and retired Americans.



Partnerships of US and Australian pension funds, investing on behalf of millions of working people, have the potential to improve community support for private investment in public assets. Australian industry super funds (profit-to-member pension funds) and US Taft-Hartley multi-employer pension plans have origins in organised labour movements. These pension funds have grown to become some of the largest in their respective markets and maintain close connection to members and their workplaces.

Reflecting these roots, many North American and Australian pension investors have adopted policies and procedures to help ensure their capital supports fair pay, safe conditions and protection of workers’ rights across infrastructure, real estate and other sectors.<sup>37</sup> Global asset managers investing on behalf of pension funds, such as IFM Investors, also integrate these principles into the investment process, which can give governments confidence in partnering to fund infrastructure assets.<sup>38</sup>

<sup>34</sup> Congress (2022) Surface Transportation Funding

<sup>35</sup> Pew (2025) States Fall Short of Funding Needed to Keep Roads and Bridges in Good Repair

<sup>36</sup> Mandala & IFM Investors (2025) Going Global: Unlocking the growth potential of Australian pension capital

<sup>37</sup> These include the adoption of Responsible Contractor Policies, assessment of labour risks during investment due diligence and screening, engagement with employee representatives and implementation of OH&S initiatives and action against modern slavery.

<sup>38</sup> IFM Investors (2024) Annual Sustainability Report

A construction worker wearing a red hard hat, safety glasses, and an orange high-visibility vest over a dark blue shirt. He is standing in a construction site with wooden beams and a blurred background of lights. The image is partially overlaid by a dark teal text box on the left side.

# 03

## Investment hurdles

A lack of investable opportunities is constraining private capital mobilization

## A lack of investable opportunities is constraining private capital mobilization

Pension funds, with deep infrastructure expertise and a rapidly growing pool of capital, are ready to invest. At the same time, the US faces a pressing need for private investment to modernise its ageing assets. We see this as a natural match, yet the pipeline of investable infrastructure projects remains thin, with state and local governments relying on a limited range of instruments to fund new and existing infrastructure.

### States and cities rely heavily on municipal bonds to finance their infrastructure needs

Approximately three quarters of all US public infrastructure spending is delivered by state and local governments, over 90 per cent of which is financed through the \$4 trillion US municipal bond market,<sup>39</sup> which is unusually high among developed countries. This reliance on municipal bonds has left some municipalities with debt levels that can be challenging, given that most states and cities have balanced budget requirements,<sup>40</sup> creating a trade-off between infrastructure and other critical services such as health and education. This balancing act can incentivize governments to defer non-critical infrastructure maintenance or opt for cheaper short-term repair options, undermining infrastructure quality in the longer term<sup>41</sup> and raising the cost to the taxpayer of that infrastructure over the course of its service life.

While municipal debt has an important role to play, there is a point at which it can become a burden on government balance sheets and constrain re-investment. Over-reliance on this form of financing may also result in missed opportunities for innovation and efficiencies that P3s can bring to project procurement, operations and maintenance. Reducing states and cities' reliance on municipal debt issuance by crowding in long-term capital may allow them to redirect spending from servicing bonds to other priorities, or free up capacity for new projects. It may also result in better infrastructure project outcomes, and better value-for-money to the taxpayer.

### Public-private partnerships (P3s) are underutilized

While a government's cost of borrowing can be substantially cheaper than a cost of capital that includes investor equity and private sector borrowing, the benefits of financing an asset should be viewed through a whole-of-life framework that considers financial and non-financial factors including service levels to end-users.

P3s encompass a range of contractual agreements between a public sector entity and private investors which could involve any combination of designing, financing, building, operating and/or maintaining an infrastructure asset.<sup>42</sup> Typical among these agreements are long-term lease and concession contracts. P3 arrangements can have a range of benefits for governments.

- P3s have the potential to reduce the fiscal burden of infrastructure spending on governments by transferring commercial and operational risks and liabilities to a private operator during the concession period. This is particularly important in the US where the cost of operations and maintenance is increasing – accounting for 56 per cent of all public infrastructure spending in 2023, up from 44 per cent in the 1970s.<sup>43</sup>
- P3 arrangements aim to ensure that the asset will be maintained to specified standards over the concession period, backed by contractual enforcement mechanisms.<sup>44</sup>
- Long-term concession agreements help support a 'full lifecycle' view of capital investment beyond political cycles.<sup>45</sup>
- P3s leverage the expertise of private investors managing assets across markets, which can help support innovation through adoption of new technology solutions and managerial expertise.

<sup>39</sup> Municipal Securities Rulemaking Board (2019) U.S. infrastructure is backed by municipal bonds: three things to know

<sup>40</sup> Tax Policy Centre (2022) What are state balanced budget requirements and how do they work?

<sup>41</sup> Barry Schoch (2025) When Strategy Meets Reality: How Funding Shapes Infrastructure Outcomes'

<sup>42</sup> Journal of Urban Economics (2013) Why do U.S. states adopt public-private partnership enabling legislation?

<sup>43</sup> Brookings (2025) Four recent trends in US public infrastructure spending.

<sup>44</sup> Reason Foundation (2025) Reducing taxpayers' costs and risks in Interstate reconstruction projects

<sup>45</sup> Bipartisan Policy Center (2016), 4 Ways Infrastructure Can Benefit from Private Partnerships

<sup>46</sup> US Department of Transport – Federal Highway Administration (2018) State P3 Legislation

<sup>47</sup> Congressional budget office (2020) Public-Private Partnerships for Transportation and Water Infrastructure

<sup>48</sup> Bipartisan Policy Center (2013) Methodology for estimating the amount of private capital attracted to US Infrastructure

<sup>49</sup> CSCE Annual Conference (2019) Public-private partnerships (P3s) in the US, Observed Obstacles to its Adoption, and Potential Solutions to Overcome the Challenges

<sup>50</sup> Bond Case Briefs (2019) Asset Monetization and Public Facilities: New Ground for P3s

Despite these potential benefits, uptake remains relatively low in the US compared with the rest of the world, even though at least 36 states across the US have P3-enabling legislation.<sup>46</sup> To illustrate, P3s represent only 1 to 3 per cent of transport and water infrastructure spending in the US since 1990.<sup>47</sup> In other developed countries including the United Kingdom, Canada and Australia, P3s make up a larger 5 to 20 per cent of public infrastructure spending across all sectors.<sup>48</sup>

Reasons for the limited uptake of these arrangements in the US include a reliance on municipal bond financing and a lack of technical expertise around P3s in state and city governments,<sup>49</sup> as well as potential community concerns about impacts on asset quality, local employment or loss of control of key public assets. Collectively, these considerations and concerns have contributed to inertia, leaving many P3 enabling laws narrowly focused on greenfield rather than brownfield assets.<sup>50</sup>

By not pursuing P3 arrangements for brownfield assets, we believe governments are missing the opportunity to unlock latent value in existing infrastructure, to use public funding for other priorities and to shift long-term management duties to experienced private investors, like Australia's profit-to-member pension funds.

### **A shared ownership model can enhance infrastructure quality and service delivery**

Through co-investment models, private investors and government entities can have joint equity ownership. Shared governance arrangements can help ensure that assets continue to serve the community, in line with expectations, while still leveraging the strengths of private sector expertise in managing the assets productively and investing in asset quality.

Australian pension funds have already partnered with governments to co-invest in critical infrastructure assets around the world. Funds managed by IFM Investors, for example, are invested alongside local government – with the City of Vienna and Province of Lower Austria – in Vienna Airport. IFM Investors has been able to leverage

our experience from investing in other airports around the world to support capital projects. To date, investments at Vienna Airport have enabled the construction of Austria's largest solar farm alongside an ongoing terminal expansion project. Other notable examples of funds managed by IFM Investors co-investing with state and local governments are Manchester Airports Group in the UK (see case study opposite) and Ausgrid in Australia (see case study on page 18).

### **Asset recycling could free up public funds for new infrastructure investment**

Asset recycling is the process of governments leasing existing (brownfield) assets through long-term concessions (for example, 99 years), freeing up public balance sheets to invest in new infrastructure and other priorities.<sup>51</sup> Asset recycling could potentially provide a cost-effective pathway for policymakers in states and cities throughout the US to help deliver better infrastructure and greater value-for-money to their communities.

In the US, many brownfield assets are owned and operated by state and local governments. For example, of the 3,247 airports that are part of the National Plan of Integrated Airport Systems, 97 per cent are owned by public entities (generally, city, county, or state governments) and less than 2 per cent are privately owned.<sup>52</sup> With major brownfield assets like airports, roads, certain utilities and energy systems under their ownership, US state and local governments can potentially unlock major new sources of capital to address pressing infrastructure needs.

In Australia a federal incentive program for asset recycling reduced funding constraints for additional investment in infrastructure, boosted the economic productivity of participating states, created thousands of additional jobs, and improved living standards.<sup>53</sup> In Sydney it is estimated that the capital raised through asset recycling brought forward the completion of the new metro rail system by up to seven years.<sup>54</sup> The case study of Ausgrid (below) demonstrates how an asset recycling program has the potential to unlock private capital to invest in, and improve the quality of, brownfield assets.

<sup>51</sup> World Bank (2025) Asset Recycling Handbook

<sup>52</sup> ASCE (2025), Full-Report-2025-Natl-IRC-WEB.pdf

<sup>53</sup> Commonwealth Treasury (2019) Review of the National Partnership Agreement on Asset Recycling

<sup>54</sup> Commonwealth Treasury (2019) Review of the National Partnership Agreement on Asset Recycling



## The pension capital advantage for airports

**Manchester Airports Group (MAG)**, the UK's largest airport group, is owned by Manchester City Council, nine Greater Manchester Local Authorities, and funds managed by IFM Investors. It owns and operates Manchester Airport, East Midlands Airport, and London Stansted Airport.

We believe this ownership model provides a strong voice for local authorities in decision making while leveraging IFM Investors' capital and expertise. This has led to improvements at the airports but also in benefits for local communities.

MAG is in the process of completing its Manchester Airport Transformation Programme, a 10-year \$1.7 billion project which will double the size of Terminal 2 and increase Manchester Airport's contribution to the Northern economy by nearly 80 per cent to \$8.4 billion by 2040.<sup>55</sup> In phase one of the Programme, over 70 per cent of employees were from the local area and over 80 per cent of the project's overall spend was with local suppliers. The project provided 150 apprenticeships and constructed the Manchester Aerozone, an onsite educational centre engaging with over 5,000 young people annually, fostering the next generation of aviation professionals.<sup>56</sup>

Over the last 10 years MAG has been investing in sustainable aviation infrastructure, with 100 per cent of MAG's energy needs now met through renewables.<sup>57</sup>

As part of its plan for Stansted Airport, MAG aims to invest \$1.5 billion in the airport by 2029. This will double the airport's annual economic contribution to the UK to \$2.69 billion and create more than 5,000 jobs.<sup>58</sup>

### Melbourne Airport

Funds managed by IFM Investors are invested in Melbourne Airport, Australia's busiest 24/7 airport.

Passenger numbers grew to more than 36 million in 2024-25, through the introduction of new airlines, new routes and investment in more capacity.<sup>59</sup> This has delivered growth in jobs for the community with Melbourne Airport supporting more than 146,000 jobs in the state of Victoria.<sup>60</sup>

Passenger numbers are expected to grow to approximately 76 million annually by 2042.<sup>61</sup> To meet this demand, the owners have reinvested in the airport, including commencing construction of a third runway. It is estimated that the project will contribute an additional \$3.8 billion to the state economy each year and support an additional 37,000 jobs in the state by 2046.<sup>62</sup>

<sup>55</sup> Manchester Airports Group (2023) Manchester Airport passes 90 per cent of pre-pandemic traffic in January, as first full year of restriction-free travel begins

<sup>56</sup> Manchester Airports Group (2023) 2022/23 Corporate Social Responsibility Report

<sup>57</sup> Manchester Airports Group (2024) Manchester Airports Group Net Zero Carbon Roadmap

<sup>58</sup> IFM Investors (2024) IFM Investors welcomes new investment in London Stansted Airport by portfolio company MAG

<sup>59</sup> Melbourne Airport (2025) Third Runway

<sup>60</sup> IFM Investors (2024) Melbourne Airport's third runway to deliver local jobs boost

<sup>61</sup> Melbourne Airport (2025) Third Runway

<sup>62</sup> Ibid

## Asset recycling in Australia and Ausgrid

Australia's Asset Recycling Initiative offered state governments an incentive payment of up to 15 per cent of the value of an infrastructure asset if it was leased or sold, on condition that the proceeds were reinvested in new infrastructure projects.<sup>63</sup>

This saw \$32 billion in sale proceeds delivered to state and territory governments, supplemented by approximately \$2 billion in federal incentive payments.<sup>64</sup> Assets were typically divested through public bid processes which attracted significant interest from Australian and Canadian pension funds, sovereign wealth funds and other institutional investors. In some instances, these divestments delivered higher than expected windfalls for governments.

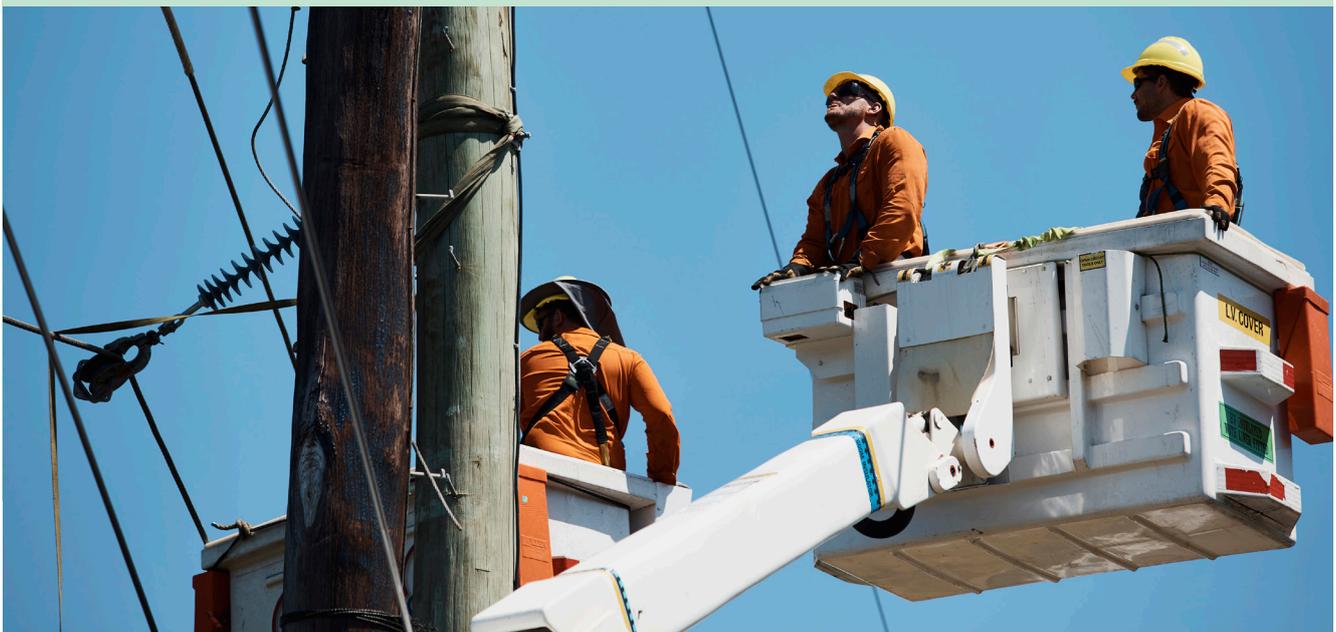
The government of Australia's most populous state, New South Wales, used proceeds from the initiative to establish the 'Restart NSW' fund, a funding vehicle for priority infrastructure projects as determined by the state's independent infrastructure advisory body, Infrastructure New South Wales. The proceeds were used to accelerate the delivery of priority infrastructure projects across transport, education and health care.<sup>65</sup>

### Ausgrid

IFM Investors took part in this initiative when, in October 2016, funds managed by IFM Investors acquired a 50.4 per cent majority stake in a 99-year lease of Ausgrid in partnership with AustralianSuper, Australia's largest pension fund. Ausgrid is the largest electricity distributor on Australia's east coast supplying electricity to more than 1.8 million households and businesses.<sup>66</sup>

The acquisition was one of Australia's largest infrastructure transactions at the time. The deal allowed the New South Wales government to retain a 49.6 per cent minority interest, ensuring continued public oversight and influence.

Ausgrid has since invested over \$2.7 billion back into the electricity network, and increased Ausgrid's regulated asset base from \$9.5 billion in FY2016 to \$12 billion in FY2024. It has also reduced the inflation-adjusted average bills of customers by 18 per cent.



<sup>63</sup> Global Infrastructure Hub (2021) Financing greenfield infrastructure through the sale of brownfield infrastructure

<sup>64</sup> Marsh and McLennan (2018) Infrastructure Asset Recycling

<sup>65</sup> Infrastructure NSW (2024) Restart NSW – About

<sup>66</sup> IFM Investors (2016) Six million Australians to invest in Ausgrid as IFM Investors and AustralianSuper acquire a majority stake



In Sydney it is estimated that the capital raised through asset recycling brought forward the completion of the new metro rail system by up to seven years.<sup>54</sup>



A man with dark hair and a light beard, wearing a bright orange jacket, is looking off to the side. The background is dark and industrial, with metal structures. A teal overlay is on the left side of the image, containing text. At the top of the teal overlay is a decorative pattern of green dots.

04

## Policy reforms

Recommendations  
to facilitate pension  
capital financing for US  
infrastructure

## Recommendations

As long-term investors, we believe pension funds are attractive potential partners to US state and local governments in helping to address the \$3.7 trillion infrastructure funding gap. We have identified four key reforms that can help state and local governments bring forward a pipeline of investable projects and mobilize investment at scale.

### 1 Partner with investors of pension capital to embark on a program of asset recycling

Asset recycling involves the attraction of private capital to monetize existing (brownfield) infrastructure – like roads, utilities and airports – for a limited period of time (such as 99 years), providing an injection of funding that governments can reinvest in new assets. This includes social infrastructure, like schools and hospitals, which may not have the same potential for generating commercial returns.

At the same time, brownfield assets, which are then subject to public-private partnership (P3) or co-investment arrangements, may benefit from the knowledge and technology transfer that experienced infrastructure investors – of Australian and US pension funds – can bring to enhance asset quality, performance and resilience.

Through this process, asset recycling can provide an effective pathway for state and local governments to keep their budgets balanced while freeing up capital

for investment in priority infrastructure projects. As we have outlined in this blueprint, US and Australian pension funds are ideal partners for US governments, with established track records in managing infrastructure assets.

### 2 Provide incentives for states and municipalities to recycle assets through a pilot Infrastructure Investment Incentive Grants (I3Gs) initiative

A federal I3G program would encourage state and local governments to accelerate a program of asset recycling through incentive payments (time-limited and budget capped). State and local governments would qualify for the incentive grants by entering into long-term leases or concessions with the private sector for the operation of existing infrastructure assets and committing to invest the proceeds in other infrastructure. In addition to the lease proceeds, these incentive payments increase the funds available for state and local governments to reinvest in infrastructure projects.

Such a program should be considered as part of upcoming congressional consideration of the surface transport reauthorization bill. It would require only a modest outlay relative to the scale of spending Congress is expected to contemplate, and help stimulate new infrastructure of a value far in excess of the cost of the program.



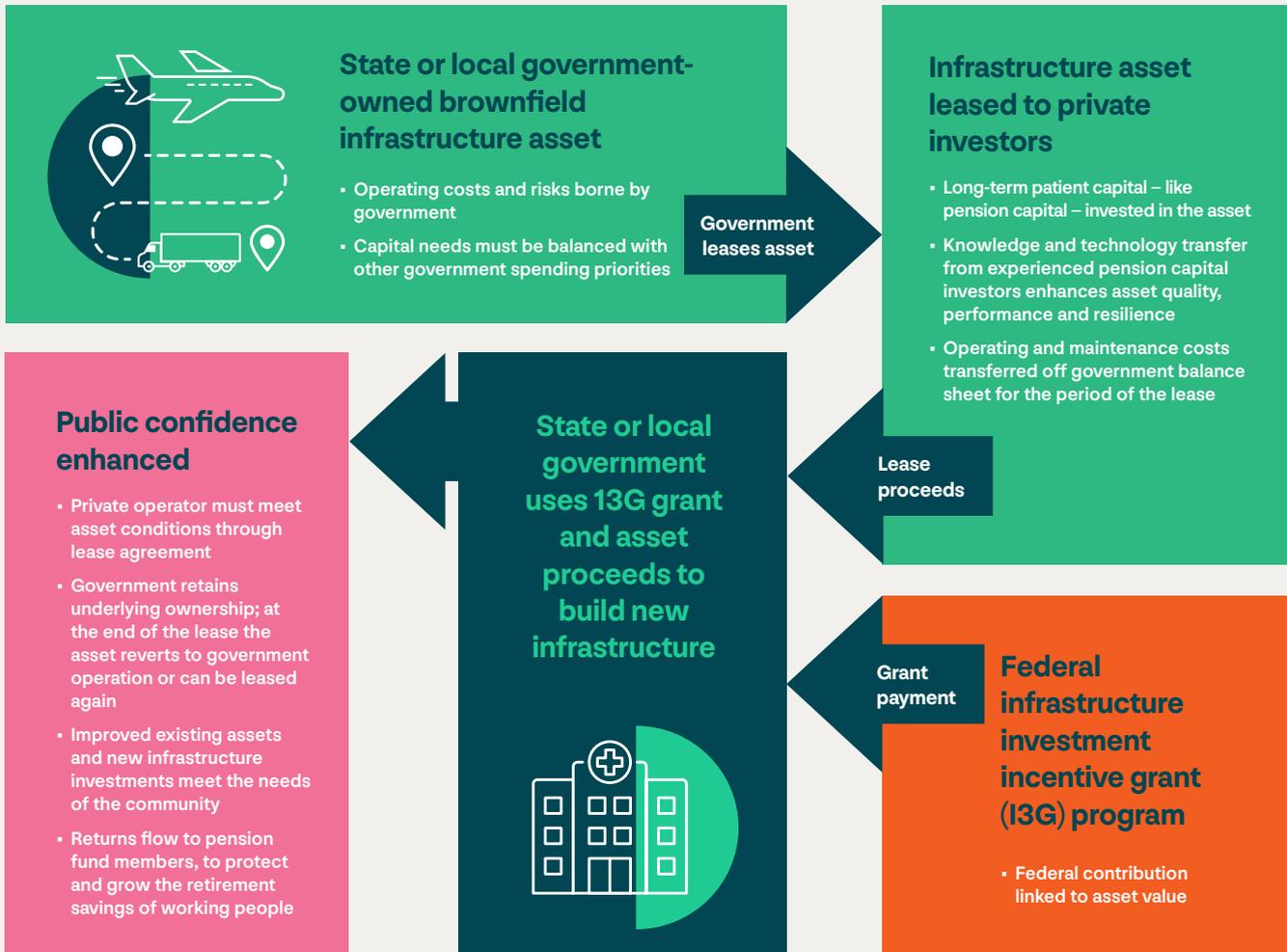
### 3 Reform regulations to allow investors to retain existing tax-exempt debt under public-private partnership (P3) arrangements

State and local governments rely heavily on tax-exempt municipal bonds to finance public infrastructure projects. However, under current regulations, state and local governments must generally retire (pay off) any outstanding tax-exempt debt when entering into P3 arrangements. This creates a significant upfront cost and discourages governments from pursuing P3 arrangements for brownfield assets, significantly restricting the pipeline of infrastructure investment opportunities. Notably, in the case of long-term leases, the requirement is counterproductive, as the asset

remains under state ownership and continues to deliver essential public services.

IFM Investors proposes regulatory amendments that would allow existing tax-exempt debt to remain outstanding under concession arrangements. We believe these changes would help clarify existing Internal Revenue Service regulations that currently allow – under very limited circumstances – the reinvestment of proceeds into other qualifying infrastructure to be a permissible “remedial action” to allow existing tax-exempt debt to remain outstanding in relation to the infrastructure subject to the concession transaction.

## Asset recycling and I3G program



The impact of these changes would be to increase the upfront proceeds to state and local governments by reducing the financing costs of P3s. Further, state and local governments could be required to redirect proceeds towards other critical projects, further accelerating overall infrastructure investment.

Importantly, these regulatory reforms may be accomplished through administrative changes, without the need for congressional action.

#### **4 Unlock additional capital for investment in US infrastructure by changing tax law to allow the use of new tax-exempt debt to acquire P3 concessions**

Building on recommendation 3, we believe these advantages – of reducing transaction costs of P3 arrangements and increasing funding available for re-investment in new infrastructure – could be boosted and accelerated if reforms were put in place to allow the private sector (including investors of pension capital) to use a new class of tax-exempt debt to acquire P3 concessions.

This debt would be issued by a municipal agency as a "conduit" on behalf of private investors, similar to a private activity bond. The funds raised could be used by private investors to acquire, build, and otherwise invest in the infrastructure asset.

Critically, should policymakers choose to limit eligibility to cases where states and municipalities reinvest proceeds into other assets, this reform would help amplify federal support for infrastructure investment and ensure that benefits flow through to communities.

These legislative reforms require statutory amendments to the Internal Revenue Code and would still rely on the separate regulatory reform outlined in recommendation 3 to facilitate greater uptake of P3s for brownfield assets.

Recommendations 3 and 4 have support across the infrastructure sector, and are seen as essential to unlocking the scale of investment required to deliver the infrastructure America needs to support communities and drive economic growth.<sup>67</sup>

## CONCLUSION

The US stands at a pivotal moment in respect of infrastructure investment: the pressing need to renew and expand national infrastructure is clear, and practical solutions are within reach. With decisive policy action, the reforms outlined in this blueprint will help build a stronger pipeline of investable projects and reduce the pressure on state and local balance sheets. Investors of pension capital, both in the US and from trusted countries like Australia, have an established record of investing to enhance the quality and resilience of US infrastructure while delivering tangible benefits to communities through improved services and supporting job creation. These investors – whose purpose is to grow the retirement savings of working people – stand ready to partner with governments to help revitalize the US' infrastructure base.

<sup>67</sup> GIIA (2025) How private investment can fill the growing U.S. infrastructure funding gap

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