



ASSOCIATION OF CONSULTING ACTUARIES

### PRESS RELEASE

## ACA survey finds a third of pension schemes have already set targets to reduce climate risk

15 November 2021: In the first of a series of reports outlining the findings of the *ACA's 2021 Pension trends survey*<sup>1</sup>, the Association of Consulting Actuaries (ACA) has identified an emerging division in pension scheme attitudes to climate risk.

As of July 2021, a third of pension schemes had set or are in the process of setting targets to reduce their exposure to climate related risk. But almost 3 out of 10 respondents said they do not intend to set themselves targets. Four in five schemes are looking to their asset managers to engage with the businesses they invest in on climate issues.

The survey data was collected in July ahead of this month's COP26. At that time, the majority of respondents were already assessing the impact of climate risk on their funding and sponsors. But with 4 in 10 schemes yet to consider climate risk targets, we expect the momentum and profile of COP26 will help lead to the majority of schemes putting climate targets in place in the next few years.

### Key findings in this initial report are:

- **61%** of schemes have considered setting a target to reduce their exposure to climate risks, but **28%** say they will not be setting a target.
- Of the **33%** of schemes that have set or are in the process of setting a target, half have included an emissions-based target with the majority (**70%**) of these being a 'net zero' target.
- **73%** of DB schemes have reviewed their sponsor covenant, for the potential impact of climate change. Compared to last year, this is a 9-point improvement on the number of schemes looking at the impact on their scheme sponsors.
- **78%** say they look to asset managers to engage with the companies their scheme invests in. Few schemes retain in-house resource for stewardship and engagement.
- As of July 2021, **41%** of schemes say their members are showing greater interest in ESG matters when compared to 2 years ago.

## Commenting on these findings, Stewart Hastie, who heads the ACA's Climate Risk Group:

*"UK pension schemes are a massive influence on the asset management industry including how the climate related risks and opportunities are identified, assessed and managed. It is hugely encouraging that a third of schemes are already setting climate-related targets. The examples set by these schemes taken together with continued Government pressure to require TCFD disclosure across the chain of assets, managers and investors, will help to accelerate the number of schemes opening their eyes to the risks of climate change on long-term financial health and the need to do something now and not later."*

## Patrick Bloomfield, Chair of the ACA, added:

*"This important ACA survey shows that the pensions industry is rising to the defining challenge of our age. I'm hugely optimistic that the influence of COP26 and Government regulation has taken us past a point of no return. Pension schemes are well underway integrating climate risk into their strategies. However, I am concerned about a hard core of trustees putting their head in the sand on climate issues, which is putting their members' retirements at risk."*

*"It's important to remember that pension schemes exist to pay income to their members in later life, not to facilitate other social policy aims. Actuaries' and trustees' priority is to make sure that the transition to a low carbon economy doesn't derail their scheme's funding. This makes pension schemes influential accelerators of climate transition, through climate savvy investments and influencing the businesses they invest in via their asset managers; but these actions must be driven by schemes' own long-term interests."*

**Further reports on the 2021 Pension trends survey's findings are due to be published over the next two months and a final report early in the New Year.**

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## About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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<sup>1</sup> The ACA 2021 Pension trends survey was conducted in the summer of this year and attracted 212 responses from employers of all sizes, running over 400 different schemes