

RESPONSE TO TAKING ACTION ON CLIMATE CHANGE

Comment from the Association of Consulting Actuaries (ACA)



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA welcomes DWP climate change paper but stresses importance of supporting trustees in major extension of role

10 March 2021: In their response to the DWP consultation: *Taking action on climate risk: improving governance and reporting by occupational pension schemes*, the Association of Consulting Actuaries (ACA) has welcomed the DWP's response to practical issues identified in its previous paper but stresses the huge changes for trustees addressing this issue and the risks involved with 'spurious data gathering and calculations' and the sheer scale of the challenges presented.

Head of the ACA's Climate Risk Group, Stewart Hastie comments:

"Overall, there are a number of changes from the initial proposals which are a positive response to some of the practical issues identified and the proposed statutory guidance is helpful. It's clear that the Government expects all schemes to start considering climate risks, with the larger schemes needing to disclose first. The guidance is intentionally aspirational at the current time – which we support – and helpfully this has been acknowledged with the repeated 'as far as they are able to' provision.

"There remains a lot for trustees to take in and do. They will be relying on an industry that is still working out exactly what is available, what is relevant and how to assess the impact of future climate scenarios."

The [ACA response](#) notes that perhaps inevitably, given the Government's ambitions for change and the utter scale of the wider issue of climate change, there remains a risk of spurious data gathering and calculations in this area. ACA expresses concern at the risk of a herd mentality when it comes to metrics and targets. ACA also says it has some concerns around the possibility of disproportionately diverting trustee's resources away from focussing on other major pensions risks.

Stewart Hastie added:

"The Pensions Regulator (and advisers) will have a major role to play in helping schemes understand what 'good enough' looks like, especially over the next few years and whilst HMT's TCFD roadmap is implemented. We've already called for the TPR to produce an annual statement along these lines.

"However, we believe this a major opportunity to engage scheme members in their pensions savings. We suggest the inclusion of additional, non-statutory 'best practice', guidance on how schemes could provide simplified but engaging information to members off the back of TCFD reporting to engage members in their benefits and climate change issues."

The ACA's 2020 Pension trends survey report revealed a huge increase in member interest in investments in ESG with **52% of schemes reporting greater interest from members in investments in socially responsible, environmental and climate areas**. However, it found schemes are hesitant in reacting to climate change investment risks and opportunities. With the Government keen to see its TCFD Regulations in place ahead of COP21 in November, the ACA says consulting actuaries are committed to guiding schemes to take positive actions in this important area.

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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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