ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA WELCOMES CLIMATE RISK GUIDANCE FOR PENSIONS SCHEMES AND SUGGESTS STEPS TO ENCOURAGE WIDE-SPREAD ADOPTION

3 July 2020: The Association of Consulting Actuaries (ACA) has published its response to the Pensions Climate Risk Industry Group (PCRIG) and DWPs consultation on guidance to align pension schemes with TCFD recommendations. The ACA welcomes the comprehensive guidance and the clear actions it sets out. The ACA is supportive of the implementation of guidelines and has suggested steps to encourage adoption.

There is a significant amount of information contained in the PCRIG guidance that a wide range of stakeholders will find useful, particularly to help understand where climate change risks could arise (that may not be obvious) and the nature of those risks. An example of this is the clear delineation between transition and physical risks that will likely bring the risks more "front of mind" for many trustees given that even those with shorter timescales could be confronted with transition risks.

There is also a clear message that, within a defined contribution scheme, trustees must not leave the consideration of climate change to members via self-select funds. The ACA believes it is important that such considerations be integrated in default investment strategies, where the majority of capital is likely to be invested.

To create the highest probability of this being fully integrated into decision making across the spectrum of trustees and pension schemes, the ACA has suggested that the guidance is made as accessible as possible and the benefits as clear as possible. In particular, ACA suggests that the guidance sets out what actions constitute 'minimum standards' through to 'leadership standards' for trustees at different stages of adopting a climate risk governance approach.

Stewart Hastie, Chair of the ACA's Climate Risk Group said "Our view is that implementing a more graduated approach will both allow trustees to bring this in over time, and will also provide feedback on what they are doing to gradually increase the engagement."

Chair of the ACA, Patrick Bloomfield, recently set out his priorities for the ACA which included tackling climate risk through the way savings are invested. In response to the consultation response Patrick said "The consultation is helpful is setting out a comprehensive set of actions that trustees can take to manage climate risk. These guidelines will help actuaries, as specialists in long term risk modelling, advise trustees to manage the trillions of pounds of assets under their stewardship to support the Paris Climate Accord."

For further comments:

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NOTE FOR EDITORS

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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