



THE SOCIETY OF PENSION
PROFESSIONALS

making pensions work

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Dear LGF Pensions Team

SPP RESPONSE TO DLUHC CONSULTATION – LOCAL GOVERNMENT PENSION SCHEME (ENGLAND AND WALES): GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS.

We welcome the opportunity to respond to this consultation, and we are sharing here a number of high-level comments, rather than submitting a response to each question.

The SPP shares the DLUHC view on the importance of addressing climate change challenges by enabling investors to make high-quality decisions that contribute to the transition into a low-carbon economy and improving reporting methods in the area. We believe public sector pensions has an important role to play in contributing to an effective transition. In that sense, we broadly support the proposed requirements, as they are aligned with these objectives and put public sector pensions in line with the standards already applicable to the private sector.

However, we have some concerns regarding the timing of new requirements, in particular as LGPS funds will be required to meet the requirements in the 2023/2024 period. This will be challenging given the delay with guidance and the draft regulations which have not been published alongside the consultation. Without sight of these documents, it is difficult to fully consider the consultation. In order to meet these timescales, the regulations will need to be at least finalised in advance of 1 April 2023. With no current draft in place, this seems challenging. Without regulation, any requests for data would be both uncertain and non-statutory in nature. There is a danger that the data required will not be available in time.

We would expect the draft regulations to be sufficiently robust to allow funded public sector pension funds to take their own approach to how they invest their assets. Many LGPS funds already have a strategy in place to identify and manage climate risk. Again, without sight of the draft regulations, it is difficult to comment, but we would expect them to be flexible enough for funds to manage their own objectives.

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Moreover, although managers and pools may support LGPS funds with their climate risk reporting, some of the smaller LGPS funds may struggle to obtain resources to provide the required disclosures. LGPS funds already have significant demands on their resources and need regulatory certainty as well as time to implement new requirements. Not only that, but from our knowledge of implementing the TCFD requirements in the private sector, we are aware that there may be a significant cost to this potential increased governance requirement.

All in all, we support the aims set out and, in general terms, we agree on the direction of the proposals. We note though that this is the first step and will require further amendments and clarifications in particular around the timescales. We would encourage DLUHC to provide draft regulations and guidance as soon as possible.

If we can support in any further way, we would be very happy to meet and discuss this matter further.

Yours faithfully

Melanie Durrant
Public Sector Group, SPP

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Chief Executive, SPP

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