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Risk Reporting Survey Summary

The Government is consulting on new arrangements to require all LGPS administering authorities to put in place a new governance and risk management arrangements, as well as setting and reporting against various metrics and targets on climate risk and opportunity.

These new functions present new challenges and funds are having to prepare for them at a time when there are many other competing pressures. As such, the LGPS Scheme Advisory Board commissioned a survey at the end of 2022 to gauge the preparedness of pension funds for this change.

The SAB received a total of 51 responses to this survey. Out of this approximately 30% of respondents indicated their fund does not have adequate resources to produce a risk report. From those without the adequate resources, 45% indicated they do not have a sufficient project plan in place to deliver a report by Dec 2024.

25% of respondents do not believe that they have access to sufficient data to populate a risk report and a further 25% of respondents are unsure if they have access to the necessary data. Scope 3 carbon emissions data and carbon emissions data for alternatives and private markets were regularly cited as being extremely difficult to obtain. Funds reported data quality as being generally poor, unreliable and inconsistent, with even measurement of direct carbon emissions from investments often based on modelling.

Although 56% responded that they have a plan in place to produce the data required to an acceptable standard, many funds cited they were dependent on the ability of third parties such as pools and fund managers to source the data and conduct the climate risk analysis. Only 1 fund indicated it is planning on conducting its own analysis in house, while almost 50% entirely dependent on third parties and the remaining with use both in house and external analysts.
Some funds commented that they do not have the expertise or infrastructure to for such an undertaking.

35% of respondents indicated they had conducted a full assessment on what expertise was required for risk analysis. 27% have not and 35% of funds had undertaken some assessment.

Just under 70% of respondents indicated they had a plan to source the resources required for the production of the report, while 17% indicated they did not have the resources and a further 5% indicated they were unsure.

While many funds indicated they were awaiting more certainty before carrying out assessments of what was required for the report, some were pressing ahead with plans as soon as possible.

25 funds reported a date of 2050 or sooner for reaching net zero in their asset portfolio however, a substantial number of respondents indicated that risk reporting

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will not change or have a limited impact on their asset allocation or choice of investments. Rather they considered it as a means to “show progress” against targets set. Some did state that it provided a focus for engagement both with their asset managers and the underlying companies in order to effect real world change, rather then simply greening the portfolio.

- Of the funds that had a net zero target,
  - 17 funds - 2050 or before.
  - 2 funds - 2045 or before.
  - 4 funds - 2040 or before.
  - 2 funds - 2030 or before

While 68% of respondents were interested in viewing the underlying data, 14% were not interested and a further 14% were unsure.