

By Email

UKSIF
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17 November 2025

Dear Baroness Jeannie Drake, Sir Ian Cheshire, and Professor Nick Pearce,

I am writing on behalf of the UK Sustainable Investment and Finance Association (UKSIF), which brings together over 300 global and UK-based financial institutions and institutional investors, including leading UK pension funds, managing around £19trn in global assets under management (AUM).¹

Alongside our membership, we have strongly welcomed the UK government's decision to re-launch the Pensions Commission to consider the critical question of adequacy in pensions in the UK today and how, moving forward, we can deliver improved long-term outcomes for pension savers across the country. We welcome the opportunity to contribute to the Commission's work programme, which builds naturally on the outcomes from the first phase of the government's pensions investment review, through highlighting a number of areas for exploration in the coming months.

This includes consideration of climate change and the global transition towards a net-zero economy, which we believe will be important for the Commission to explore and note that, at present, are not directly referenced in the Commission's formal terms of reference from government.

This also includes - as many different groups in the UK's pensions and investment industries, as well as wider stakeholders, have highlighted - long-lasting reforms to automatic enrolment (AE) in the UK that can build on the success of AE to date in helping normalise pension saving. Reforms should include targeted measures to support adequacy. In particular, for disadvantaged groups currently such as women (including ethnic minority women), lower earners, part-time, self-employed workers and disabled workers.

As recently highlighted in Mercer's CFA Institute Global Pension Index 2025, the UK's pension system has, for the first time, fallen out of its top-ten ranking in the Index due to its relatively weaker performance on adequacy and long-term sustainability. The Index highlights data from the World Economic Forum (WEF) showing that the UK's pension gap is projected to reach around £25trn by 2050, up from £6trn today, should no significant action be taken, further making the case for policy reform as soon as possible.²

¹More information on UKSIF can be found on our website, uksif.org.

²<https://www.mercer.com/insights/investments/market-outlook-and-trends/mercercfa-global-pension-index/>

Separately, we continue to believe that consideration of climate change and wider sustainability factors should form part of the Commission’s work programme. This is because these systemic issues are inextricably linked to the scope of the Commission’s work that has been set out in its terms of reference, which highlights the objective to consider the risks for “future cohorts of pensioners on current trajectories through to 2050 and beyond.”

As we approach 2050 and beyond, and as global temperatures continue to increase, the overall value of UK pension portfolios could be put at immense risk due to physical and transition-related climate risks. A study last year, surveying the 140 largest pension funds across the United States, UK, Canada, the Netherlands, and Switzerland, highlighted that under a high warming scenario, UK pension funds could experience a decline in investment returns between 20% and 30% by 2040, while reaching 30% by 2050.³

Furthermore, a joint report we released earlier this year with Transition Risk Exeter (TREX) found that the UK economy appears disproportionately exposed to risks of stranded fossil fuel assets, with potential losses for UK pension savers reaching tens of billions of pounds by 2040.⁴ This points to the continued need for policymakers to make further efforts to assist pension funds, and wider financial actors, in managing an orderly, smooth transition towards a low-carbon future.

A proportionate and ambitious delivery plan to support pensions adequacy

We continue to support a clear delivery plan to enhance adequacy in pensions, which closely considers the cost implications for a range of stakeholder groups, in particular low-income households.

We highlight the following reforms for consideration by the Commission, which draw on the findings from UKSIF’s ‘Pensions Review’ report published earlier this year.⁵

- **Gradual, sequenced increases to AE default contribution levels:** we recommend that the Commission advise government to publish an open consultation paper, at the earliest opportunity, considering a clear, long-term roadmap for raising minimum contribution levels over time. This should consider a range of options for specific levels- our preference is at least 12% for the majority of pension savers- including the extent to which these could be tailored for some income groups. In terms of additional mechanisms to address affordability for employers and savers, this could encompass temporary ‘opt down’ options for lower earners to save for less than the default contribution level, though remain auto-enrolled.
- **An implementation timetable to remove the lower earnings threshold and reduce the age requirement for AE:** we would very much welcome the Commission highlighting the need for implementation by policymakers of both these measures that have experienced delays in recent years. These steps could materially improve outcomes for lower-paid and younger employees in the country, while alleviating the growing gender pensions gap between men and women in the UK. Research from one of our members, Scottish Widows, in partnership with Frontier Economics, has indicated that these two changes could boost the average 18-year old’s pension pot by around £46,000 by the time they retire.⁶

³<https://www.ortecfinance.com/en/about-ortec-finance/news-and-events/uk-pension-fund-investment-returns-could-reduce-by-30-percent-n-a-high-warming-stress-scenario>

⁴<https://uksif.org/wp-content/uploads/2025/03/UKSIF-Stranded-Assets-Report-March-2025.pdf>

⁵<https://uksif.org/wp-content/uploads/2025/04/UKSIFs-pensions-review-thought-leadership-report-Apr-2025.pdf>

⁶<https://adviser.scottishwidows.co.uk/assets/literature/docs/retirement-report-2024.pdf>

- **Action on the gender pensions gap:** we encourage the Commission to consider making specific recommendations to government on reforms to support women’s pension contribution levels. The considerable gender gap means the average woman in the UK is on track to receive around £12,000 of annual income in today’s money in retirement. This is compared with £17,000 for men.⁷ We would welcome the Commission highlighting the potential role of innovative solutions to tackle these projected retirement outcomes. For example, greater flexibility for lower-earning women during maternity leave on their AE contribution levels.⁸
- **Exploring AE’s operation for other disadvantaged groups:** this includes the self-employed, part-time workers, multiple job holders, those employees working for smaller employers, and individuals shifting jobs more frequently. Policy intervention should seek to markedly boost adequacy across a diverse range of workforce segments, and direct recommendations from the Commission in this area would be a powerful signal to government over the next phase of the pensions review. DWP analysis, for example, has shown that more than three million self-employed workers are not saving into a pension at all.⁹

The Commission’s support for policymakers to take forward these commitments could provide much-needed momentum in the current discussions on adequacy and retirement solutions in the UK, helping move us forward with overdue reform.

Recognition of climate change risks and opportunities to enhance resilience in pensions

Alongside our membership, we also believe that climate change and the transition to a net-zero global economy should be considered as part of the Commission’s analysis.

We do think this is especially relevant to the Commission’s work, and the interests of all pension scheme members, particularly in a world where global temperatures are expected to soon exceed the Paris Agreement’s lower temperature goal of 1.5°C above pre-industrial levels, which would damage schemes’ ability to deliver on members’ retirement outcomes.

According to the UN Environment Programme’s (UNEP’s) Emission Gap Report 2025, global warming projections over this century are now between 2.3-2.5°C, even when based on full delivery of countries’ Nationally Determined Contributions (NDCs). This trajectory risks triggering multiple climate tipping points, leaving pension funds exposed to escalating climate-related impacts and costs for pension savers.¹⁰

Conversely, alignment of the UK’s pensions system with the transition to a sustainable economy could unlock many new investment opportunities including in green technologies, climate solutions, and investments in the growing transition finance market, supporting good, long-term investment returns for beneficiaries across the country. Many UK pension schemes are increasingly keen to take advantage of the clear economic opportunities afforded by the global transition, including in both public and private markets. The London Stock Exchange Group’s (LSEG’s) *Investing in the Green Economy* report this year valued the global green economy at US\$7.9 trillion at the start of 2025, with growth over the past decade at an annual rate second only to the technology sector.¹¹

⁷<https://adviser.scottishwidows.co.uk/assets/literature/docs/61324.pdf>

⁸Our ‘Pensions Review’ highlighted various proposals, including changes to AE contributions for lower-earning women during maternity leave to allow them to temporarily opt out of AE in this period, and disclosure by employers of their gender pensions gap.

⁹<https://www.gov.uk/government/news/government-revives-landmark-pensions-commission-to-confront-retirement-crisis-that-risks-tomorrows-pensioners-being-poorer-than-todays>

¹⁰<https://www.unep.org/resources/emissions-gap-report-2025>

¹¹<https://www.londonstockexchange.com/raise-finance/sustainable-finance/green-economy-mark/gem-report>

In terms of pension savers' views, according to recent YouGov polling, commissioned by UKSIF, nearly 80% of British adults surveyed said they supported their pension being invested in renewable energy projects, with just 10% opposed.¹² Similarly, research from Standard Life showed that 81% of members expect Standard Life to manage climate transition risks and opportunities on their behalf.¹³

From our perspective, climate change cannot be divorced from the main focus areas highlighted in the Commission's terms of reference. While the Commission may not be well-placed to deliver detailed recommendations, we suggest the Commission at a minimum highlight the need for the government's pensions review to consider climate change and the global transition to net-zero.

Specifically, a number of areas could be identified at a high-level for exploratory work for HM Treasury and the Department for Work and Pensions to consider, aligned to the Commission's objectives.

This includes: clarification to fiduciary duty for occupational pension schemes in regards to system-level risks building on last year's report from the Financial Markets Law Committee (FMLC); capturing investment opportunities for pension savers in the UK's sustainable private markets landscape (such as clean energy infrastructure) including through a well-designed Value for Money (VFM) framework; the role of UK pension funds in advancing our international leadership position on transition finance; and the importance of a whole of economy transition for the pensions system's long-term sustainability, including through supportive real economy incentives for schemes such as clear sector decarbonisation pathways.¹⁴

The Commission could advise government to task relevant departments and regulatory authorities to consider measures across these areas to enhance the pension system's long-term resilience as the world shifts towards a low-carbon future.

Conclusion

We absolutely welcome the Pensions Commission's objectives to build a 'strong, fair, and sustainable pension system fit for the middle of the twenty-first century.' New, creative thinking from policymakers, the UK's pensions sector, and other stakeholders is seriously needed to positively shape our pensions landscape for decades to come and ensure that beneficiaries' long-term interests are being well served.

I would welcome the opportunity to meet to discuss our recommendations on promoting pensions adequacy, including through considering the risks and opportunities of the transition to a net-zero future, and I look forward to seeing your work progress over the coming months.

Yours sincerely,



James Alexander
Chief Executive

¹²This included a majority of voters from across the main political parties, including Labour, the Conservatives, Reform, and the Liberal Democrats- <https://uksif.org/nearly-80-of-britons-support-their-pension-being-invested-in-renewable-energy/>

¹³library.standardlife.co.uk/Responsible_Investing_Viewpoint.pdf

¹⁴<https://fmlc.org/publications/paper-pension-fund-trustees-and-fiduciary-duties-decision-making-in-the-context-of-sustainability-and-the-subject-of-climate-change/>