

Eliciting pension beneficiaries' sustainability preferences

"Funds need to give participants a voice in advancing sustainable investments"

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Pension funds are under social and political pressure to make their investment policies more sustainable. Furthermore, European legislation will increasingly require pension funds to explicitly measure participants' preferences for sustainability in their investment policies. However, do pension fund participants prefer sustainable investments and do they want a say in how the fund does that? We assessed this by conducting two field experiments in which a Dutch pension fund gave its participants a real voice in its policy to advance sustainable investment.

Principal Findings

- Two-thirds of participants supported the proposal for the fund to engage in more frequent and intensive dialogue about sustainable investment with the companies it invests in, even if this led to lower returns.
- After the proposal was implemented, support for continued dialogue and sustainable investments remained strong despite the economic uncertainty caused by the COVID-19 pandemic.
- Support for sustainable investments was mainly due to participants' strong social preferences and not any potential financial benefits or confusion about the issue.



Key Takeaways for the Industry

- Pension funds should enter into a dialogue with their participants regarding sustainable investments.
- Failure to give young millennials, in particular, a say in how their pension premiums are invested might damage the intergenerational commitment needed to provide adequate and sustainable retirement solutions for us all.



Want to know more? Read the paper

'Eliciting Pension Beneficiaries' Sustainability Preferences'