



CHURCH PENSION FUND

# Returns with responsibility

Finnish Church Pension Fund CIO, *Ira van der Pals*, speaks to Paige Perrin about how the fund's strategy has evolved, its sustainability ambitions and the opportunities and challenges ahead

## Can you provide a brief overview of Finland's Church Pension Fund?

■ The Church Pension Fund serves as the pension provider for the Evangelical-Lutheran Church of Finland. The fund is responsible for financing the pensions paid to church personnel and for managing the investment of pension funds. Established in 1991, the fund currently manages €1.9 billion in assets. The strategic aim of the fund's investment activities is to accumulate the assets needed to cover its pension liabilities in a profitable, secure and responsible manner.

## With recent changes to public pensions in Finland, how is the Church Pension Fund adjusting its planning and investment strategy to ensure members continue to receive secure and sufficient retirement income?

■ The strategic aims of the investment activities steer the long-term operations of the Church Pension Fund. The purpose of the strategic aims is to ensure that the fund can pay future pensions and control the development of the pension contributions paid by the parishes.

The decision concerning strategic allocation is the most fundamental factor in achieving

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long-term return and risk targets. At the same time, the aim has been to respond to upcoming changes in the Finnish pension system.

**The fund has entered a transition period where pension payments exceed new contributions. How does the fund ensure this approach remains aligned with its long-term strategic aims?**

■ The fund's pension liabilities are reviewed annually. In connection with the update of the investment strategy, the fund's equity allocation has been increased. The aim of increasing our equity allocation is to improve long-term investment returns, strengthen funding, and thereby support the goal of keeping parish contributions at a reasonable level.

**The fund set interim climate targets for 2025, including reducing carbon intensity and increasing the share of green-themed investments. How far has the fund progressed toward these targets, and what lessons have been learned so far?**

■ Since launching its first climate strategy more than a decade ago, the fund has purposefully proceeded in its climate work towards a net-zero portfolio and has achieved its interim goals. For example, the fund's green-themed investments share has increased steadily and now these investments cover 12.5 per cent of our portfolio. This year, we will be launching our updated climate strategy, with one of its goals being to raise the share of green-themed investments in its portfolio to 20 per cent by 2030. In the updated strategy, we have incorporated nature-related matters as sustainability work includes both climate and nature-related topics. A net-zero portfolio is possible, but requires joint, determined action to build a sustainable future and respect planetary boundaries.

**Is the fund exploring new investment approaches, technologies, or engagement strategies to enhance outcomes for beneficiaries**

**or accelerate sustainability and climate goals?**

■ Our investment team works actively and with commitment to finding new strategies and approaches to implement profitable and sustainable investment activities. To accelerate sustainability and successful portfolio management, the best results are achieved in collaboration with fund managers, organisations, initiatives and other stakeholders where everyone contributes their unique expertise and insights. We invest in collaboration and open-minded, active discussion. As an investor that wants to pursue sustainability, the fund continuously seeks new opportunities in green and impact investments across asset classes.

**Looking ahead in 2025 and beyond, what are the fund's main challenges, key objectives, or priorities for the upcoming year?**

■ Our strategy will guide our operations in the upcoming years. The strategy is based on our enduring values, and we aim to cover pension liabilities in a profitable, secure and responsible manner. Uncertainty in the investment markets is expected to continue, and the geopolitical situation remains challenging. Investing in such an environment requires careful analysis, planning, and strategic decision-making. We have a strong belief in long-term investing, and our decisions are guided by long-term return expectations.

In addition, we believe that effective diversification enhances the portfolio's risk-return profile. Alongside our liquid portfolio, we have built a well-diversified illiquid portfolio, which we continue to strengthen.

Technological development, and artificial intelligence in particular, offer vast opportunities for new economic growth and innovation. In addition, investments in sustainable development and the green transition provide hope for balancing and strengthening the economy over the long term.

The Church Pension Fund is committed to responsible investment and aims to remain a front runner in responsible investing in Finland. This means that the sustainability aspects are considered in all the fund's investment activities. We will publish our new climate strategy in autumn 2025, and our goal is to maintain ambitious targets while also placing more emphasis on nature alongside climate issues.