US|SIF

The Forum for Sustainable and Responsible Investment

May 16, 2022

Ali Khawar
Acting Assistant Secretary
US Department of Labor
Room N-5655
200 Constitution Avenue NW
Washington, DC 20210

RE: Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risk (RIN 1210-ZA30)

Dear Mr. Khawar:

On behalf of US SIF: The Forum for Sustainable and Responsible Investment and the undersigned investors and investment professionals, I welcome the opportunity to provide comments in response to the Department of Labor's ("DOL") proposed rule, "Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risk" (RIN 1210-ZA30) (the "Release").

The Release seeks public input on DOL's future work relating to retirement savings and climate-related financial risk in response to the Executive Order on Climate-Related Financial Risk.[1] Our comments focus on the actions DOL should consider in response to the executive branch directive.

US SIF is the leading voice advancing sustainable investing across all asset classes. Our mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. Our members, comprised of investment management and advisory firms, mutual fund companies, asset owners, research firms, financial planners, advisors and broker-dealers, represent more than $5 trillion in assets under management or advisement. US SIF members integrate environmental, social and governance (ESG) criteria into their investment decisions and take their responsibilities seriously as shareowners, including voting proxies and engaging with companies. As of 2020, sustainable investing assets accounted for $17.1 trillion—or 1 in 3 dollars—of the total US assets under professional management, according to the US SIF Foundation's 2020 biennial *Report on US Sustainable and Impact Investing Trends*. This was a 42 percent increase over 2018.[2]

[1] https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/
[2] Report on US Sustainable and Impact Investing Trends 2020: http://www.ussif.org/trends

Finalize the ESG and Proxy Voting Rule

The most important action for DOL to take to protect the life savings and pensions of workers from the threats of climate-related financial risk is to finalize the proposed rule "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights" (RIN 1210-AC03).

The proposal, when finalized, will remove the historical regulatory barriers that have made ERISA fiduciaries reticent to consider ESG criteria and make sustainable options more widely available. The proposal will return investment decision-making to fiduciaries and remove additional reporting and analysis requirements for ESG investments. The proposal also sets out clear guidelines for fiduciaries to abide by when making investment choices, including consideration of ESG criteria. In addition, the proposed rule removes the prohibition on ESG considerations in qualified default investment alternatives, or QDIAs, which will better serve plan participants. The proxy voting provisions of the proposal will give fiduciaries clarity on exercising shareholder rights on climate and other ESG issues.

Data Collection on Climate-Related Risk

The DOL should not require fiduciaries to collect and report data on climate-related financial risks. While climate risk is a necessary and important criteria to consider, it is only one of many risks ERISA fiduciaries consider. Thus, it is unreasonable to elevate this one criteria for special reporting.

Further, fiduciaries should not be expected to become sophisticated climate-risk reporting experts. The Securities and Exchange Commission (SEC) is considering a climate disclosure proposal currently[3] and is expected to consider an ESG mutual fund disclosure proposal.[4] It is our view that these SEC rulemakings are the more appropriate processes to disclose climate-risk information.

Thrift Savings Plan

The DOL should direct the Federal Thrift Retirement Investment Board (FTRIB) to conduct a rigorous audit of the Thrift Savings Plan's (TSP) climate-related exposure as recommended by the Government Accountability Office's (GAO) 2021 report.[5] A clearer understanding of the current practices relating to climate risk considerations is necessary before the DOL can recommend further action. Specifically, the audit should seek to understand how TSP asset managers consider climate risks in the portfolio and how they communicate climate risk in TSP holdings to plan participants.

Remove Disincentives from Using the Mutual Fund Window

In June 2022, the TSP will begin to offer plan participants the option to invest a portion of their retirement savings through a mutual funds window (MFW) outside of the TSP core offerings. This is a welcome innovation for TSP participants as it gives them the option to select funds that

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[3] SEC proposed rule, "The Enhancement and Standardization of Climate-Related Disclosures for Investors," (File No. S7-10-22)
[4] https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202110&RIN=3235-AM96
[5] "Federal Workers' Portfolios Should Be Evaluated for Possible Financial Risks Related to Climate Change," Government Accountability Office (May 25, 2021) https://www.gao.gov/products/gao-21-327

consider climate change as well as other environmental and social criteria. These types of funds are not found in the current TSP line-up.

However, the implementation of the MFW has created disincentives that make using the MFW unattractive. The plan requires participants to pay three different fees to use the MFW in addition to fund fees and manually transfer money from core funds into the MFW instead of automatic contributions into their fund selections. Plan participants also can't begin to use the MFW until they have accumulated $40,000 in their accounts. A strength of the TSP is its simplicity, but the utilization of the mutual fund window for participants will likely be too complex.

To that end, DOL might consider what regulatory tools it has to make participation in the MFW less onerous. Two recommendations are to simplify the fee structure or implement a fee holiday for a period of two years to remove the financial disincentive to using the MFW.

Education on Climate Change and Other ESG Issues Should be Encouraged

DOL plays an important role in educating retirement savers, especially those who do not rely on financial professionals for advice. In order to better educate plan participants on climate change and other ESG issues, the DOL should consider partnering with organizations with expertise in sustainable investment who can provide materials to help the public/plan participants make better-informed decisions regarding sustainable investments.

Thank you for considering these comments. Please feel free to reach out to Lisa Woll, CEO of US SIF, at lwoll@ussif.org or Bryan McGannon, Director of Policy and Programs, at bmcgannon@ussif.org, with any questions.

Sincerely,

Lisa Woll, CEO
US SIF

Impact Investors, Inc.
San Francisco, CA

Social(k) Inc.
Springfield, MA

Natural Investments
San Francisco, CA

Communitas Financial Planning PCB
Oakland, CA

Figure 8 Investment Strategies
Boise, ID

Signet Strategic Wealth Management, Inc.
Calabasas, CA

Theodosia Hamilton Ferguson
Berkeley, CA

Unitarian Universalist Association
Boston, MA

JSA Sustainable Wealth Management
Rhinebeck, NY

Adasina Social Capital
San Francisco, CA

Everence and the Praxis Mutual Funds
Goshen, IN

Veris Wealth Partners
San Francisco, CA

Align Impact
Los Angeles, CA

Horizons Sustainable Financial Services
Santa Fe, NM

Farm Girl Capital LLC
Albany, CA

Boston Trust Walden
Boston, MA

Change Finance
Alexandra, VA

Entelligent
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Domini Impact Investments LLC
New York, NY

Vert Asset Management
San Francisco, CA

Bluprint Financial LLC.
Red Wing, MN

Trillium Asset Management
Boston, MA

RadiantESG Global Investors LLC
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LENDonate, Inc.
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