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Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risk

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Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate Related Financial Risk

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Submitter Information

Name: Anonymous Anonymous

General Comment

I am an ERISA investment advisor and I counsel plans on ESG investments right now and have been looking at this for over two years now. In short, I think at this time it is still too difficult to quantify climate related risks to a portfolio. The metrics for ESG evaluation are still too new, too broad and lack some level of standardization for plan sponsors to rely on at this time. I agree with where the DoL is headed on this, but without help in establishing some standards on how to evaluate this, it will be w while before sponsors can evaluate most of the investments available to 401(k), 403(b) and 457 plans and determine their climate risk impact. Reporting from corporations is still inconsistent and subject to greenwashing, which makes evaluation difficult at best. Then this is taken down to the mutual fund level where there may be 60, 90, 150, 300, or even more investments that the sponsor cannot control, it becomes almost impossible. Furthermore, CITs, which are becoming more popular, lack this level of reporting detail altogether. Most index funds are often too broad and are usually invested in all stocks or bonds help in an index based on market capitalization. Sponsors need to offer these investments due to their low cost and prudence. But they would have much higher climate risk by their nature because they cannot exclude any companies if they are to match that index. If an employer were to use only index fund

that are more ESG compliant, there is a fiduciary risk they might be more expensive and not perform as well, which would open the fiduciaries up to a breach claim. At this time, more regulations and guidance are needed from the DoL, along with industry reporting standards, before the DoL can ask employers to provide this level of IPS detail and reporting in the 5500.