

My name is Sean Piller. I am an undergraduate student at the University of Massachusetts Amherst currently studying public policy.

I write to support the The Employee Benefits Security Administration efforts to protect the life savings and pensions of U.S. workers and families from the threats of climate-related financial risk.

The biggest challenge in protecting the financial assets of investors affected by climate-related financial risk are the “transitional risks,” which under Executive Order 14030 is defined as “the global shift away from carbon-intensive energy sources and industrial processes” (EO 14030 2021). Transitional risks must be calculated by the SEC and US EPA and reported under a new proposed section of “Form 5500” under the EBSA to properly inform clients of potential risks to their investments involved with climate-related change. The SEC must also have a mandatory climate-related disclosure report of policy which may have an impact on an investment's climate-related risk. This must be done alongside companies' pre existing framework for informing investors about risk, which is already mandated by the SEC under the Investment Company Act of 1940.

An uptick in climate concern has made it difficult for investors to safely invest their savings and pensions into companies that may be affected by climate regulations in the future. The Task Force on Climate-Related Financial Disclosure (TSFD) has expressed their concern for the issue and worked to create a framework for companies in the public and private sector to properly disclose “climate-related risks and opportunities through their existing reporting processes” (TSFD). The task force recommends reporting financial disclosures which will create legal obligation to inform clients of climate-related risk. This task force is not alone in the fight for regulations on reporting climate-related financial risks. According to Brookings.edu “Ninety-three percent of institutional investors believe that climate-related financial risk “has yet to be priced in by all key financial markets globally” (Brookings 2022).

The Employee Benefits Security Administration (EBSA) currently uses “Form 5500” to fulfill legally obligated reporting requirements under Title I and Title IV of ERISA and under the Internal Revenue Code. This rule notes that form 5500 could be a possible outlet for data collection and information reporting. ERISA and the Internal Revenue Code require employers of Pensions to fill out this form to report “qualification of the plan, its financial condition, investments and the operations of the plan” (IRS 2022). This form would be the correct place for reporting information to protect life saving and pensions of U.S. investors because of the legal standing that exists within the system and would legally require that the reports be finalized and accurate each fiscal year.

I propose that the best way to report climate-related financial risk through Form 5500 and the SEC is a mandatory reporting of companies emissions and policy which may affect a companies' future production. The SEC should mandate that companies must release data on their companies' carbon emissions through collaboration with the United States Environmental Protection Agency (US EPA). The US EPA should assist in the calculation of risk, and require that companies project accurate carbon emission estimates and file them under a new proposed subsection of Form 5500 under the EBSA giving clients a fair chance to understand climate-related risk in their investments. The US EPA assistance would come in the form of a scale of risk calculation for each specific industry. Along with carbon emission reporting, the SEC should also provide an annual report of policy which may have an affect on financial risk. This report should include a list of policies that may affect investments and allow clients to have a visual representation and comparison of risk in the industry they may have stake in.

In addition, there must be an updated section to The Securities Act of 1933 in order to enforce this rule. A new section under this Act must be put in place to allow investors to sue companies or the government for failing to disclose information about climate-related risks on their investments.

Based on the information collected by the US EPA, reported by the SEC in an annual climate-related financial risk report and the report of emissions through Form 5500, investment clients and Pension holders will have a reasonable understanding of the risk associated with their investment.