



May 16, 2022

The Honorable Marty Walsh, Secretary  
U.S. Department of Labor  
Employee Benefits Security Administration  
200 Constitution Ave NW  
Washington, DC 20210

**Re: State Treasurer response to RFI on Possible Agency Actions to Protect Retirement Savings from Climate-Related Financial Risks (Z-RIN 1210-ZA30)**

Dear Secretary Walsh,

We are state pension stewards and constitutional officers committed to sound fiscal management and the long-term success of the funds in our care. We specifically write to support your continued work implementing President Biden's May 20, 2021, Executive Order on Climate-Related Financial Risk that orders relevant federal agencies "to protect the life savings and pensions of United States workers and families from the threats of climate-related financial risk."

As champions of expanding economic opportunity, state treasurers also successfully pass and manage state "auto-IRA" programs. The country's first programs: CalSavers, Illinois Secure Choice, and OregonSaves have exceeded [\\$420 million in assets](#) drawn from over 440,000 new retirement savers that work for 47,000 different employers. More states, including Colorado, Connecticut, and Maryland, have programs or will start worker enrollment this year. State innovation is also increasing as more plans adopt auto-escalation, emergency savings "sidecars," and partnership agreements across states to drive down costs and increase worker savings.

As institutional investors, we are invested broadly in the U.S. and global economy. This means that we must not only monitor and manage material risks to individual companies, industries, and sectors, but we must manage material systemic risks, including climate change. An individual company's decision to engage in unsustainable environmental practices to maximize returns merely pushes those costs away from that business and onto other companies in our diversified portfolios. This results in externalized inefficiencies and the risk of depressed returns for our pensioners and auto-IRA savers.

The federal government and scientific community have long [recognized](#) climate change as a fact. Managing risk is necessary for the success of any investment, including both state pensions and auto-IRAs. Both the challenges and opportunities posed by climate change to the economy, financial markets, and companies are clearly a material risk to the value of investment portfolios that underpin our retirement system. Moreover, without aggressive government, investor, and corporate action, the adverse effects of unchecked warming are [projected](#) to be severe, causing irreversible economic disruptions and losses of resources, ecosystems, and infrastructure. These conditions create decision making-challenges for long-term investors with portfolios constructed to achieve diversification, preservation of capital, and sustainable returns.

Given that the response of asset owners and managers to climate risk will vary widely, we believe the RFI provides an important opportunity for the Department of Labor to provide a uniform baseline of the appropriate action needed to satisfy the Department's proposed October 2021 [rule](#) noting that "a fiduciary's duty of prudence... not only allows, but in many instances may require an evaluation of the economic effects of climate change on the particular investment or investment course of action."

We recommend that the Department conduct a direct assessment of climate change's risks to the 440,000 (and growing) auto-IRA savers. These savers are disproportionately of color and low-income and thus face well-documented additional barriers to retirement security and are the most vulnerable to economic shocks related to climate change and extreme weather events.

We would also welcome a Department convening of state treasurers regarding auto-IRA and other state level retirement savings plans to determine how climate risk should be factored into the plans' governance. Finally, we also support Department guidance on best practices in shareholder engagement for retirement plan sponsors. We believe this is critical as active stewardship is necessary to protect the typical saver's investment by minimizing company and industry-specific risks, as well as larger systemic issues, including financially material climate-related risks.

Sustainable, risk-mitigated investments depend on prudent corporate governance and transparent markets created by sound public policy. Over the long run, this will result in both better allocation of capital across the market and allow workers to "share in the gains that come from sustainable investments," (Biden Administration Fact Sheet, October 15, 2021).

Thank you again for your leadership on this critical issue. We sincerely appreciate the Department's consideration of our views, and we look forward to our continued collaboration.

For further information or discussion on the importance of retirement savings and climate change to state treasuries, please contact Uriah King at [uriah.king@forthelongterm.org](mailto:uriah.king@forthelongterm.org) or either of us directly.

Signed,

A handwritten signature in black ink that reads "Michael Frerichs". The signature is written in a cursive style with a large initial 'M'.

Michael W. Frerichs  
Illinois State Treasurer

A handwritten signature in black ink that reads "Fiona Ma". The signature is written in a cursive style with a large initial 'F'.

Fiona Ma  
California State Treasurer