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May 16, 2022

Mr. Ali Khawar, Acting Assistant Secretary
Employee Benefits Security Administration
Department of Labor

RE: Z–RIN 1210– ZA30

Dear Sir:

On behalf of the Climate Change Joint Task Force of the American Academy of Actuaries¹, I appreciate this opportunity to provide the following comments regarding the Department of Labor (DOL) Employee Benefits Security Administration (EBSA)'s Request for Information (Z–RIN 1210– ZA30) on possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risks as noticed in the Federal Register on February 14, 2022. Our answers to select questions are organized in their order within the notice.

In summary, we agree that the DOL, within its Employee Retirement Income Security Act (ERISA) and Federal Employees' Retirement System Act (FERSA) roles, can:

1. Heighten the awareness of climate-related financial risks on life savings and pensions with targeted engagement, education and training, and outreach programs and initiatives for both plan sponsors and plan participants.
2. Build on the proposed rule on Prudence and Loyalty Investments and Exercising Shareholder Rights and the U.S. Securities and Exchange Commission's (SEC's) proposed rules to Enhance and Standardize Climate-Related Disclosures for Investors to provide guidance that will ensure plan fiduciaries have substantive processes and procedures that enable them to recognize, anticipate and mitigate the potential impact of climate-related financial risks.
3. Use existing forms (the 5500 and the Summary Annual Report (SAR)) to collect, monitor, and disclose fiduciaries' activities in this area. We suggest several data elements that we believe would be helpful.

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

4. Identify and maintain climate related financial risk resources for Plan Fiduciaries and individuals to use (e.g., the Society of Actuaries' TCFD Best Practices and Tableau, the Actuaries' Climate Index, and the National Association of Insurance Commissioners (NAIC) Climate Disclosure Surveys).

5. Engage the decision-makers and stakeholders in pension plans and the affected communities to ensure a proper balance is maintained between the actions that plan sponsors will be asked to undertake and the value of the information requested, as well as, allow for a re-evaluation over time as our understanding of climate risks change evolves.

The actuarial profession is actively engaged in monitoring climate change and its potential impacts, identifying climate-related financial risks, opportunities to improve transparency around the consideration of climate in the investment decision-making process, and developing risk management tools that can help reduce losses, manage uncertainty and optimize decision-making to improve risk management performance. Also, the actuaries are performing research related to the physical aspects of climate risk that underlie the financial risks of various entities.

Throughout this response, we refer to this research.

Request for Comments

General

1. Please provide your views on how EBSA should address and implement the action items set forth for EBSA in Executive Order 14030 on Climate Related Financial Risk. Specifically, what agency actions can be taken under ERISA, FERSA, and any other relevant laws to protect the lifesavings and pensions of U.S. workers and families from the threats of climate-related financial risk?

The DOL has broad responsibilities across most all aspects of employment engagement. In order to address the issue of protecting the life savings and pensions of U.S. workers and families from the threats of climate-related financial risk, the task force encourages the DOL to heighten awareness of the risks through the development of a variety of tools and resources. These tools and resources will encourage both businesses and individuals to take appropriate actions to anticipate and mitigate the impact of climate-related financial risks.

The questions within this request for information (RFI) focus primarily on investment decisions and their implications. In this undertaking, the DOL might also consider the fact that climate risk considerations also impact the individual through long term changes in residential geography and asset values, life expectancies, and individual health factors.

To address the potential impact of climate-related financial risks on the long-term retirement security of the American workers and retirees, the Department of Labor would need to expand, employ and use the broad array of DOL's standard ERISA and FERSA tools and activity to heighten the awareness of climate related financial risks. We believe the DOL activity will likely need to include the collection of data and providing guidance in the forms of safe harbors, interpretive bulletins, advisory opinions, Fiduciary education programs, participant education programs, enhanced outreach programs and community engagement, and possibly the use of monitoring tools, among other strategies. The DOL's current proposed rule on ["Prudence and](#)

[Loyalty Investments and Exercising Shareholder Rights](#)" around environmental, social, and governance (ESG) Funds in Retirement Plans is a good base on which to start.

The next steps for DOL's focus related to ERISA plans may well be on information gathering, documentation and disclosures related to what guide's investment decision-making, rather than on proscribing any one particular investment strategy. An important consideration of any action is to ensure a balance between the efforts that employers will be asked to assume and the value of the information today as well as a re-evaluation over time of the value of any requested information. The climate-related financial risks differ in the short term compared with the potential long-term impacts. The climate-related financial risks data available may differ across defined contribution and defined benefit plans depending on the use of mutual funds and exchange traded funds (ETFs).

2. Executive Order 14030 uses the phrase "climate-related financial risk" to encompass a wide variety of risks under two broad categories: Physical risks and transition risks. What are the most significant climate-related financial risks to retirement savings and why?

The most significant climate-related financial risks to retirement savings in today's environment are the reduction in or loss of value of investments and savings needed and held for retirement purposes. Future climate-related regulatory changes, or transitional strategies, could impact the prospective financial outcome or performance of the investments or the security of these assets.

Plan participants should be made aware of and understand the nature of climate-related financial risks and the potential impact that these risks will have on their decisions as to when and where to retire, which investments to hold, what is the best portfolio mix, and, if available, the appropriate insurance products for risk mitigation. In addition, education materials for individuals might include a description of other risks, such as mortality, morbidity and geographical location of the individuals and/or the assets held by the individual, as all can be impacted by climate-related financial risks and thereby impact their retirement security.

Data Collection Regarding ERISA Covered Plans

3. Should EBSA collect data on climate-related financial risk for plans? If so, please specify with as much precision as possible what information EBSA could and should collect, potential sources of such information, as well as how EBSA should collect it.

The task force suggests that the DOL use its authority to collect data through the annual 5500's and related schedules to assess and monitor the actions taken by Plan Sponsors and Fiduciaries with respect to climate-related financial risks. A separate schedule collecting the specific data could be beneficial and could support the goals established by the DOL relative to Fiduciary and Plan Sponsor responsibilities in this area.

With the SEC addressing the disclosures in the financial statements of its registrants, which in turn are often investment options for retirement plans, Plan Fiduciaries may have the opportunity to use the existing and proposed SEC disclosures in developing each plan's investment policies. The SEC's planned disclosures incorporate the principles in the Task Force on Climate-Related Financial Disclosures framework (TCFD) addressing governance, strategies, risk management

and monitoring targets and metrics. We believe that the DOL may be able to address these issues through monitoring plan fiduciaries' awareness and actions and by augmenting the disclosures through questions incorporated in the separate schedule attached to the Form 5500.

Despite the recent proposed SEC requirements, the infrastructure to provide climate data to investors is far from built out. As the production of this data matures, it may become easier for EBSA to determine the most relevant data amongst what is available. At this early stage, a highly specific data request risks being very difficult for plan fiduciaries to produce.

4. Should EBSA use Form 5500 Annual Return/Report ("Form 5500") to collect data on climate-related financial risk to pension plans? For example, EBSA could add questions to the Form 5500 to collect data on climate-related financial risks to retirement plans and their service providers. For instance, the Form 5500 could try to collect information about whether and how plan investment policy statements specifically address climate-related financial risk, whether service providers disclose or meet metrics related to such financial risks, and whether and how plans have factored climate-related financial risk into their analysis of individual investments or investment courses of action. Similarly, the Form 5500 could try to collect data on whether, and how, plan fiduciaries voted on proxy proposals involving climate-related financial risk. If you think EBSA should use the Form 5500 to collect this, or similar, information, please specify the data that should be collected, how it should be presented as part of the Form 5500, and how collecting that data or information would help protect the life savings and pensions of U.S. workers and families from the threats of climate-related financial risk.

The Form 5500 is the appropriate mechanism for regularly collecting and disclosing information on Plan Fiduciaries' and their advisors' awareness and practices in the areas of the climate-related financial risks. Collecting this data will focus Plan Fiduciaries' and their advisors' attention to this important issue and would ultimately protect the life savings and pensions of U.S. workers and families from the threats of climate-related financial risk in their ERISA plans.

The Academy suggests that the DOL use its authority to collect data through the annual 5500's and related schedules to assess and monitor plan sponsors and fiduciaries awareness and actions taken with respect to climate-related financial risks. A separate schedule collecting the specific data would be beneficial and should support the goals established by the DOL for the desired Fiduciary and Plan Sponsor responsibilities in this area. In developing the separate schedule for Form 5500, consider soliciting feedback and input beyond this RFI to determine questions for the Form 5500 that will be objectively and comparably answerable. In addition, it is likely to be informative if the Department allows for a comment period for the proposed form. The Form 5500 additional schedule may or may not be appropriate for plans with participants under a certain size.

With the SEC addressing the disclosures in the financial statements of its registrants, which in turn are often investment options for retirement plans, Plan Fiduciaries will have the opportunity to use the soon to be required SEC disclosures in each plan's investment policies. The SEC's planned disclosures incorporate the principles in the TCFD framework addressing governance, strategies, risk management and monitoring (targets and metrics). In turn, we believe that the DOL will be able to attend this issue through monitoring Plan Fiduciaries' awareness, actions

and monitoring of such disclosure through questions incorporated in the separate schedule attached to the Form 5500.

The types of information gathered on the Form 5500 will be most comparable and thus useful to the EBSA if the questions are closed ended rather than free form. By closed ended, we mean questions that are numeric or Yes/No or multiple choice. Our research related to disclosure comparability (link at: [20220110FFF TCFD and NAIC Survey Responses Compared.pdf \(actuary.org\)](https://www.actuary.org/20220110FFF/TCFD%20and%20NAIC%20Survey%20Responses%20Compared.pdf)) indicates that otherwise, the comparability of the answers is difficult to assess. In addition, closed ended questions will allow EBSA to compile the information and to publish the compiled information. This will also show if there is movement over time and how much.

The types of questions that could be incorporated into the Form 5500 might include questions such as the following:

- Does the plan’s investment policy or do the investment options offered by the plan address climate related financial risks in line with the TCFD framework? If yes, what is the percentage of plan assets held in investments that integrate climate-related financial risk into the investment process?
 - In the case of defined benefit plans that incorporate a climate-related financial risk initiative, have investment return expectations been adjusted?
 - In the case of a defined benefit plan, does the investment policy of the plan include climate-related financial risks as a risk consideration?
 - In the case of a defined contribution plan, what percentage of the investment options offered by the plan integrate the broader risk considerations of climate-related financial risks into their investment process?
 - Does material provided to plan participants include specific information related to the plan’s investment considerations or options related to climate-related financial risks? Does this information include qualitative information only or also quantitative information? How frequently is this material provided?
 - How frequently does the investment management of the plan re-evaluate the climate-related financial risks of the underlying investments? (Numeric answer)
 - Does the plan sponsor’s actuary perform scenario tests or perform other related risk assessments or ask investment managers to perform scenario tests related to climate-related financial risks considerations on the investment portfolio? If yes, does the plan sponsor provide information related to scenario testing to its plan participants?
 - Does the risk assessment and management of the plan differentiate climate-related financial risks among:
 - a. short term;
 - b. medium term; and/or
 - c. long term risks
 - What percentage of assets is managed by United Nations Principles for Responsible Investment signatories [UN Responsible investment](https://www.unpri.org/)?
5. Other than the Form 5500, are there other methods of collecting data on climate-related financial risks to plans that EBSA should consider? For instance, should the Department conduct an information request/survey on plan sponsor or employee awareness of such risks, and if so, should that information request categorize the information based on plan

size, e.g., large plans versus small plans, or should it be segmented in another way (e.g., the plan's funded status)?

EBSA staff who are charged with compiling the information provided on the new Form 5500 supplement, rather than collect additional information, should be aware of the efforts of other regulators to compile the information that they are receiving in order to monitor the comparability and credibility of the data on the new Form 5500 supplement. The questions on the Form 5500 supplement may need to be clarified or changed over time as Climate-Related Financial Risks change in their nature, rate of change or other manifestation.

The DOL may also want to monitor and identify information on organizations' adoption and compliance with the TCFD framework. To our knowledge, several organizations are monitoring adoption of the TCFD framework including:

1. the TCFD itself (<https://www.fsb-tcf.org/publications/>),
2. the [Society of Actuaries' TCFD Best Practices Tableau](#) on Insurance Companies' adoption,
3. the NAIC Climate Disclosure Survey Responses Compared Qualitatively and Quantitatively (https://content.naic.org/cmte_ex_climate_resiliency_tf.htm), and
4. eventually additional information should be available in the SEC's Form 10-K data base.

In addition, there is additional useful information available that is constantly growing on various components of climate risk. This data may fall into several categories, including the publicly available disclosures that commercial enterprises are preparing in concert with their financial reporting, research, and other forms of information directly about climate risks.

Actuaries perform research related to the physical aspects of climate risk that underlie the financial risks of various entities. This information may be useful to EBSA both in regard to information that will inform EBSA in its monitoring of climate related financial risks as well as in the area of metrics described in question 20. Further details of the on-going research by the actuaries is provided in our answer to question 20.

6. Should administrators of ERISA plans be required to publicly report on the steps they take to manage climate related financial risk and the results and outcomes of any such steps taken, in a form that is more easily accessible to the public, and timelier, than the Form 5500? If so, what alternative to the Form 5500 could be used for such a report, how should this report be compiled, what should be the contents, and how should it be made available to the public?

We believe it would be beneficial if ERISA plan advisors and providers were encouraged to incorporate in their service contracts their processes to identify, explore and manage plan investments with regard to climate-related financial risks. In addition, it would be beneficial if plan participants were made aware of the advisor's and administrator's practices and strategies to identify and manage climate-related financial risks.

Information regarding this information could be captured and disclosed in the Summary Annual Reports.

ERISA Fiduciary Issues

7. Changes in the financial markets, particularly an increased number of metrics and tools allowing for additional analyses of investments, give ERISA plan fiduciaries more information on which to make decisions on climate-related financial risk factors in evaluating the merits of competing investment choices. Some private sector sources are developing structured ESG research data for evaluating corporate performance. What are the best sources of information for plan fiduciaries to utilize in evaluating such risks with respect to plan investments? Are there difficulties or challenges in obtaining such information or comparing information from different sources? If so, what is the source or sources of those difficulties or challenges, and what are the solutions?

The task force offers no comment on this question.

8. Do any guaranteed lifetime income products (e.g., annuities) help individuals efficiently mitigate the effects of at least some climate-related financial risk? If so, what mitigation measures do these products take? Would such products constitute a safe and efficient strategy to transfer climate related financial risk from the participant/employee to the insurer/ guarantor? If so, should EBSA take steps to facilitate the inclusion of these products in ERISA-covered defined contribution plans? If so, what steps should be taken and what products should be considered, and why? Are there climate-focused annuities that plans could offer?

Certain lifetime income annuity products provide income guaranteed by the insurer's general assets. These are fixed income annuities and variable annuities and fixed index annuities with guaranteed minimum benefit riders. To the extent that the insurer remains solvent, there is no risk of loss to the annuitants. However, should the insurer become insolvent, it would be up the state guaranty insurance funds to provide benefits.² The rules and limits vary by state. Variable annuities and fixed indexed annuities sold without guarantees are as secure as the underlying investments. To the extent that those investments are subject to climate-related financial risks the values of these would be impacted.

Individuals should be made aware of the risks associated with annuity purchases where the insurer is the guarantor. They could be provided with information related to the climate-related Financial Risks exposure that insurer may be subject to. Where the underlying investments are the basis for the participants' retirement income, the purchasers should be made aware that those investments may include some climate-related financial risks.

FERSA

9. 5 U.S.C. 8438 defines the specific types of investments that are permissible under the TSP. Given the scope of 5 U.S.C. 8438, what specific actions relating to FRTIB's consideration of ESG factors, including climate-related financial risks, when making investment decisions could and should EBSA take, consistent with EBSA's authority and role under FERSA, and why?

The proposed actions for EBSA to address ERISA fiduciaries and their responsibilities in this area should be extended to the Federal Retirement Thrift Investment Board (FRTIB) fiduciaries

² Note that when defined benefit plans purchase insured annuities these become guaranteed by the insurer's general assets and state insurance funds if needed

and their responsibilities. Climate-Related Financial Risks apply to all U.S. workers, whether they are employed in the public or private sectors.

The U. S. Government Accountability Office issued a report (GAO 21-327) in May of 2021 on their recommendation that the federal worker's Thrift Savings Plan (TSP) investment offerings should be evaluated in light of risks related to climate change. The FRTIB, the agency overseeing the TSP, has not indicated whether it agreed or disagreed with that recommendation.

The GAO report recommended the FRTIB evaluate TSP's investment offerings in light of climate-related financial risks, and we believe the general principles applied under ERISA as to fiduciary responsibilities outlined above would apply to the DOL's authority under FERSA, in that the DOL could establish guidance for appropriate climate-related financial risks disclosures with regard to TSP investment offerings.

To the extent that the TSP implements a mutual fund window, we refer you to the principles articulated in our answer to question 1 as we believe they would apply to this new offering. In addition, given that the TSP offers annuities, our answer to question 8 would apply here as well.

10. The Executive Director and the members of the FRTIB are TSP fiduciaries, and are subject to the fiduciary responsibility and prohibited transaction provisions set forth at 5 U.S.C. 8477.12 FERSA requires the Department to, among other things, establish a program to carry out audits to determine the level of compliance with these standards and obligations. Those responsibilities have been delegated to EBSA, which implements a risk-based audit program that identifies risks and vulnerabilities, assesses the likelihood of harm from these risks and vulnerabilities, and considers the magnitude of potential damage associated with the various risks and vulnerabilities. FERSA also provides the Department with specific authority to prescribe regulations to carry out 5 U.S.C. 8477. How can EBSA best conduct an audit program, consistent with its authority and role under FERSA, that identifies and assesses the risks and vulnerabilities posed to TSP by climate change? What types of questions should the audit program answer? What data sources should EBSA use to answer them?

Given the current status of audit and financial review by Federal Accounting Standards Advisory Board (FASAB) and GAO, at this time we have no comment.

11. What policies and practices do managers of sovereign wealth funds or public pensions, in the United States or overseas, follow to help mitigate climate-related financial risks, and are these policies and practices significantly different from the policies and practices of managers of ERISA-covered plans? Which of these policies and practices could the Department or the FRTIB incorporate into their obligations under FERSA?

The following is a link to an actuarial analysis relative to disclosures that may not be on point to this question, but may provide ideas for proceeding and dealing with such issues. [[link to follow https://www.soa.org/globalassets/assets/files/resources/research-report/2022/tcfd-best-practices.pdf](https://www.soa.org/globalassets/assets/files/resources/research-report/2022/tcfd-best-practices.pdf)]

We are aware of European Union ([EU](#)), United Kingdom ([UK](#)), and [Canada's](#) (links included) climate risk-assessment practices related to retirement plans.

<https://blogs.worldbank.org/psd/overheating-pension-pots-how-resilient-are-pension-systems-climate-change>

<https://www.gov.uk/government/speeches/how-your-pensions-can-help-tackle-climate-change>

<https://www.ft.com/content/e6f262d7-622a-4027-9a01-136cb1d5c722>

<https://www.oecd.org/finance/private-pensions/49016671.pdf>

<https://pensionresearchcouncil.wharton.upenn.edu/2021-online-symposium-sustainable-investment-in-retirement-plans/>

12. A 2021 GAO Report recommended that FRTIB conduct a rigorous audit of TSP's exposure to climate-related financial risk. What data, if any, should FRTIB collect on TSP's exposure to climate-related financial risk? What types of data, if any, should it collect from asset managers regarding climate related financial risk?

See our response to Question 4 as recommendations for the types of data that FRTIB may consider collecting, especially if the TSP's investment options expand beyond the current offerings.

13. What information, if any, should the FRTIB collect on asset managers' policies, including their consideration of climate change and ESG factors in their stewardship and investment decision-making, and how their actual behavior corresponds to their stated policies? How could this data inform FRTIB's own decision-making and management of TSP?

See the task force's response to Question 4 as to recommendations for the types of data that the FRTIB may consider collecting from asset managers, especially if the TSP's investment options expand beyond the current offerings. In the event that asset managers adopt SEC and TCFD guidelines, the availability of such information may increase. In requesting this information from asset managers some consideration of levels of granularity to make the collection of the data practical will be needed.

14. What actions, if any, should the TSP's asset managers, take to incorporate climate-related financial risk, consistent with FERSA's terms and their duty of prudence?

See the task force's response to Question 4 as to recommendations for the types of data that FRTIB may consider collecting from asset managers, especially if the TSP's investment options expand beyond the current offerings. As asset managers adopt SEC and TCFD guidelines, the availability of such information may increase. In requesting this information from asset managers some consideration of levels of granularity to make the collection of the data practical will be needed.

15. The TSP’s fund offerings rely on passive index investing. Is there evidence that the indices relied upon by the TSP systematically underestimate or overestimate the risks associated with climate change, or that the market fails to appropriately factor in the risks associated with climate change in pricing publicly-traded assets?

The task force offers no comment on this question.

16. What analysis could FRTIB undertake to inform whether other possible indices may better take into account the risks posed by climate change? What analysis could FRTIB perform to weigh this feature against other characteristics of these indices such as their fees? What actions could FRTIB take to consider climate change and other material ESG factors in directing investment selection decisions for the TSP, consistent with FERSA’s statutory requirement that indices be “commonly recognized” and a “reasonably complete representation” of the market?

The task force offers no comment on this question

17. Other than investments, are there any incentives that could be offered to encourage more effective incorporation of climate-related financial risks into TSP, using the regulatory authority delegated to the Secretary or other administrative authorities under FERSA?

The task force offers no comment on this question

18. Some material suggests that when plan participants know their plan offers ESG options, many will invest in them. See, e.g., ESG Options in 401(k) Plans Could Lead to Higher Contribution Rates According to Schroders Survey, (May 13, 2021), available at https://www.schroders.com/en/us/private_investor/media-centre/retirement-survey-2021-esg/ (when plan participants know their plan offers ESG options, 90% invest in them). In a 2017 survey of TSP participants, twenty-two percent of respondents said they most want the TSP to offer a broader range of investment options. See Federal Retirement Thrift Investment Board: 2017 Participant Satisfaction Survey, P. 11, fig. 8 (2017) available at <https://www.frtib.gov/ReadingRoom/SurveysPart/TSP-Survey-Results-2017.pdf>. Are there additional data suggesting, measuring, or otherwise indicating whether federal employees’ prefer ESG-focused investments?

The task force offers no comment on this question

Miscellaneous

19. Are there any legal or regulatory impediments that hinder managers of investments held in savings and retirement arrangements not covered by ERISA, such as IRAs, from taking steps to mitigate against climate-related financial risks to those investments? Does the absence of prudence and loyalty obligations with respect to these arrangements leave them vulnerable to climate-related financial risks?

The task force offers no comment on this question

20. Should EBSA sponsor and publish research to improve data and analytics that ERISA plan fiduciaries could use to evaluate climate-related financial risks? If so, what research subjects should EBSA sponsor?

As alluded to in Question 5, the actuaries are actively engaged in monitoring climate change and its potential impacts, identifying climate related financial risks, opportunities to improve transparency around the consideration of climate in the investment decision-making process, and developing risk management tools that can help reduce losses, manage uncertainty and optimize decision-making to improve risk management performance. Also, the actuarial community performs research related to the physical aspects of climate risk that underlie the financial risks of various entities. This information may be useful to EBSA both in regard to information that will inform EBSA in its monitoring of Climate Related Financial Risks as well as in the area of metrics and analytics related to climate-related financial risk.

The American Academy of Actuaries' climate research is embedded on our [website](#). In conjunction with the Society of Actuaries, The Casualty Actuarial Society, the Canadian Institute of Actuaries, the Academy developed and maintains an index with elements of the physical components of climate change that may be used to monitor the relative movement or speed of change. ([The Actuaries Climate Index® v 1.1](#)) and that documents changes in extreme occurrences of six climate-related elements of weather and sea level. Further details on the Actuaries Climate Index are toward the end of our response to item 20.

The Casualty Actuarial Society (CAS) maintains on its website a Climate Change Resource Library (<https://www.casact.org/publications-research/research/climate-change-resource-library>) that includes recent climate change-related research and professional education features papers, presentations, recordings from CAS publications and meetings, and more.

For your information, recently, The Society of Actuaries Research Institute issued two requests for proposals (RFP's) for climate related disclosure projects that, once completed, may offer insights into improving transparency around the considerations of climate in the investment decision-making process, and, recognizing that there are various physical, transition and legal scenarios associated with climate change, identifying steps and tools an organization may use to transition from a qualitative approach, at their own pace, to a quantitative approach as more data, tools, and adoption strategies become better understood and available. The RFP's are located at the links below.

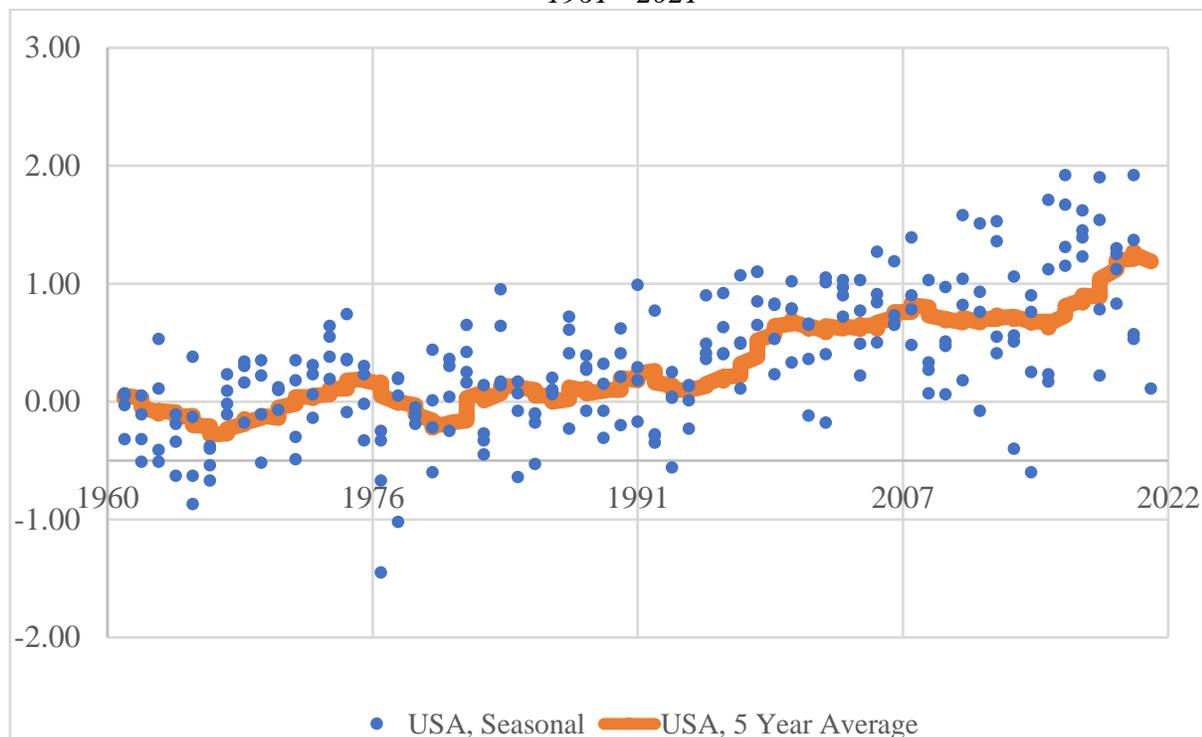
1. Climate Change and Investments: Making the Process Transparent <https://www.soa.org/research/opportunities/2022-process-transparent/>
2. Climate Risk Assessment and Scenario Analysis: A Maturity Process from Qualitative to Quantitative Analysis <https://www.soa.org/research/opportunities/2022-maturity-process/>

The following is a description of the information found in The Actuaries Climate Index® v 1.1:

The Actuaries Climate Index® v 1.1, created and maintained by four North American actuarial associations, including the Academy, documents changes in extreme occurrences of six climate-related elements of weather and sea level. The index, a measure summing the observations across all of the six elements, covers the U.S. and Canada, and breaks results down for 12

regions, seven in the U.S. While the index generally shows increasingly extreme climatic conditions since the end of the reference period, 1961–1990, it also reveals the variability in those increases—both by element and by region.

*Actuaries Climate Index: Continental United States
1961 - 2021*



Source: American Academy of Actuaries calculations of data downloaded from <https://actuariesclimateindex.org/data/> , November 11, 2021

For the longer term horizons, the data for all insurers will be both geographic and asset based information. Longer term horizons might also be better understood with data on the historical evolution of climate-related risks, over time and geographic region. Estimates of risk might be based on the losses experienced historically as a result of changing climatic conditions, as discussed and defined by the Academy’s 2020 publication, *The Actuaries Climate Risk Index: A preliminary model*. A preliminary model, the [Actuaries Climate Risk Index](#) v 1.0, provides estimates for the property losses during the period 1991–2016 that could be attributed specifically to changing climate, controlling for changes in exposure.

The work on the Actuaries Climate Risk Index also revealed the need for improved access to high quality, publicly available, data on losses from climatic events. While National Oceanic and Atmospheric Administration’s (NOAA’s) Storm Events Database appears to provide comprehensive data on losses due to climatic events, on closer inspection there are significant gaps and widespread under-reporting. Finding ways to improve the quality of this data so that it approaches the level of quality reflected in the NOAA Billion Dollar Disaster Database, would make analysis required to assess and monitor changes in climate risk much more feasible. Federal Emergency Management Agency’s (FEMA’s) National Fire Center data on fires, including wildfires, is a valuable under-utilized resource because of limits to its accessibility.

21. Is there a need to educate participants, especially those responsible for making their own investment decisions in participant directed individual account plans, about climate-related financial risks? If yes, what role, if any, should EBSA play in sponsoring and providing such education? In addition, what efforts, if any, should EBSA make to coordinate with the Securities and Exchange Commission on its efforts to inform and protect investors, especially individual investors such as plan participants, from potentially misleading statements about fund adherence to policies that address climate-related financial risk (often referred to as “greenwashing”)?

Yes, in conjunction with the SEC, it would be very beneficial to the population at large to have available educational material on the potential impact of climate-related financial risks on retirement investments and retirement security. EBSA could develop that material and make it available with your other wealth of retirement education materials.

22. Is there a need to educate owners of IRAs about climate-related financial risks? If yes, what role, if any, should EBSA play in assisting the IRS or States (for those having state automatic-IRA arrangements) in sponsoring and providing such education?

Yes, see answer to Question 21.

The American Academy of Actuaries appreciates this opportunity to provide comments to the EBSA. We hope these observations are helpful, and we welcome further discussion. If you have any questions about our comments, please contact Sam Owen, the Academy’s risk management and financial reporting policy analyst, at owen@actuary.org.

Sincerely,

Lisa Slotznick, MAAA, FCAS
 Chairperson,
 Climate Change Joint Task Force
 American Academy of Actuaries