United States Senate
WASHINGTON, DC 20510

April 9, 2019

Mr. Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G St NW
Washington, D.C. 20548

Dear Mr. Dodaro:

We write to you with great concern over recent reports illustrating the extreme risks climate change and stranded fossil fuel assets pose to the global investment market. Detailed analyses by the Environmental Protection Agency, the Intergovernmental Panel on Climate Change, and other scientific organizations have identified the serious consequences of climate change and the resulting financial risk for retirement plans. The United Nations has also identified climate change as a high priority issue related to environmental, social, and governance (ESG) factors.

As a result, some of the world's largest asset managers have prioritized climate risk disclosures in their engagement strategies. Recent resolutions urging companies to provide more information on these risks were supported by a majority of shareholders, including large public pension plans such as the California Public Employees' Retirement System.[1] In October 2018, asset managers representing more than $5 trillion in assets also asked the Securities and Exchange Commission (SEC) to require companies to disclose ESG factors, such as climate risk.[2]

Furthermore, over the past ten years, the traditional energy sector's performance has become increasingly poor, reducing the energy sector's share in global market capitalization. From 2007 to 2014, the energy earnings per share (EPS) contribution to the S&P500 have dropped approximately 50%, and investors are losing money as a result. One analysis found that the New York State Common Retirement Fund, the nation's third largest pension fund, would have been $22 billion richer had it divested from fossil fuels ten years ago.[3]

A 2018 GAO report[4] confirmed that some retirement plans have begun to take targeted actions to assess and mitigate climate risks. As the report notes, most of the movement to this point has

[1] California Senate Bill No. 964, approved September 23, 2018.
[2] Pensions and Investments, October 2018.
[3] Corporate Knights, 2018.
[4] Retirement Plan Investing: Clearer Information on Consideration of Environmental Social and Governance Factors Would Be Helpful, GAO, May 2018.

been initiated by traditionally defined benefit plan sponsors by state and local governments. However, financial services companies are quickly creating target date funds and other offerings that incorporate climate change risk for defined contribution plan sponsors to offer their participants, both as a menu option and a low cost default selection.

However, while markets throughout the world are moving to incorporate these risks associated with climate change and stranded fossil fuel assets, the Federal Thrift Savings Plan (TSP)—one of the largest defined contribution plans in the world with more than 5 million participants and $500 billion in assets[5]—appears to be ignoring this issue completely. This inaction places the assets and retirement security of its participants in jeopardy.

To build upon the recent GAO report and better understand TSP's exposure to climate risks and potential actions to address such risks, we respectfully request that GAO examine the following:

1) What is known about the exposure of TSP's investment portfolio to risks from climate change?

2) What steps, if any, have TSP and the Federal Retirement Thrift Investment Board taken to address risks from climate change?

3) What have defined contribution plans in other nations with investment options similar to TSP (such as those in the U.K. and Hong Kong) done to address investment risks from climate change? What have they done to communicate this information to participants?

4) How have TSP's fossil fuel holdings performed over the past decade? How would TSP's overall financial performance differed without fossil fuels?

If you have any questions about this request, please contact Andres Hoyos in Senator Hassan's office at Andres_Hoyos@hassan.senate.gov, or Becca Ward in Senator Merkley's office at Rebecca_Ward@merkley.senate.gov.

Sincerely,

Jeffrey A. Merkley
United States Senator

Margaret Wood Hassan
United States Senator

[5] Federal Retirement Thrift Investment Board Meeting Minutes, Attachment 1, November 2018.