

# Accessing the \$11tn ERISA asset pool: managing the implications of the US DOL's proposed ESG rule

# Presenters



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# Agenda

- **DOL's Proposed Regulation**
- **Impact on Stakeholders**
- **PFaroe™ Attribution**
- **Q&A**
- **Closing**

## DOL PROPOSAL – BACKGROUND

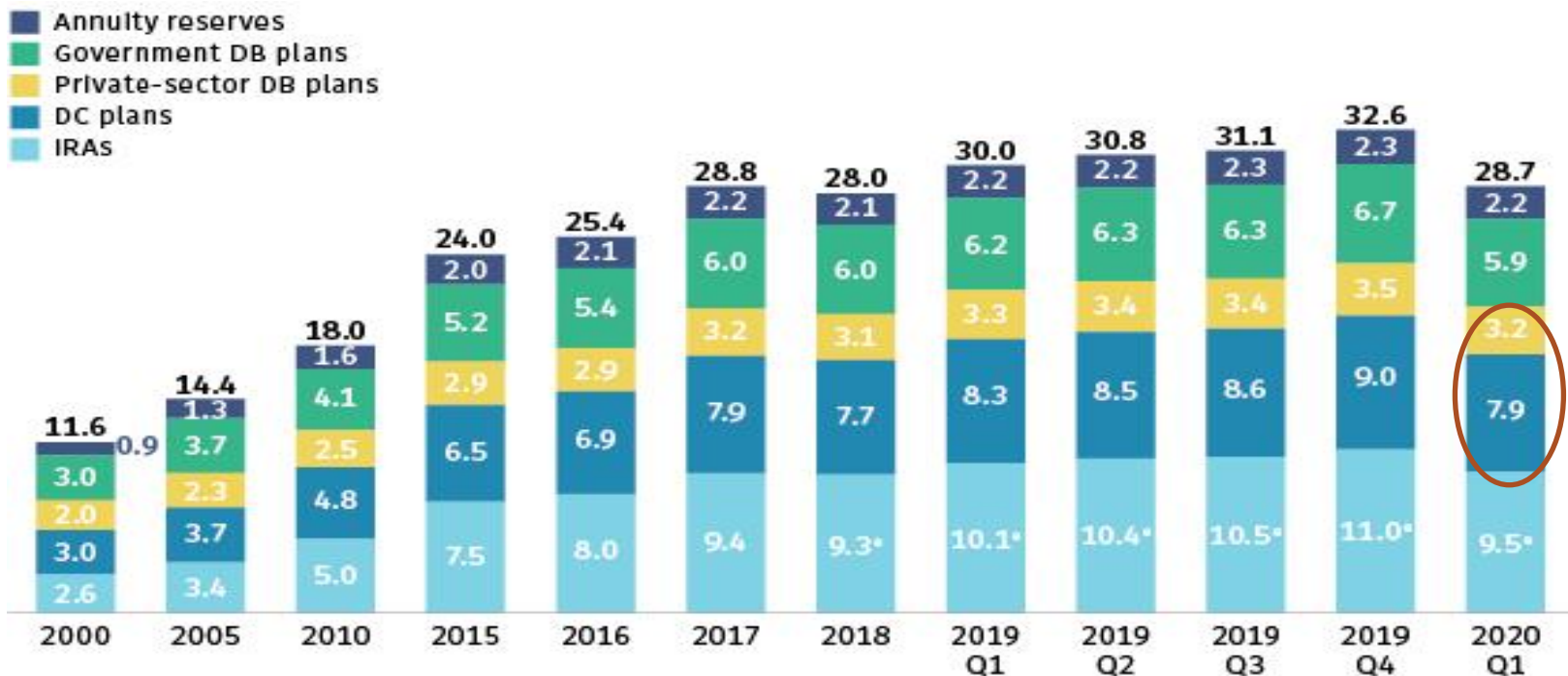
- **Status** – Proposed in June; final version not yet available to public
- **Controversial** – >1,500 written comments, many of which requested the proposal be withdrawn

# DOL PROPOSAL

- Fiduciaries
  - Must focus on financial factors
  - Not permitted to sacrifice investment return or take on additional investment risk to promote non-financial benefits or goals
- ESG considerations are financial factors if they *present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories*

# STAKEHOLDERS

There is approximately US\$11.0 trillion in employer-based retirement plans subject to ERISA.



Source: Investment Company Institute, “Retirement Assets Total \$28.7 Trillion in First Quarter 2020” [https://www.ici.org/research/stats/retirement/ret\\_20\\_q1](https://www.ici.org/research/stats/retirement/ret_20_q1)

# CHALLENGES

- Legal framework presents challenges for plan sponsors, consultants, and investment managers
- These stakeholders are subject to
  - Duty of loyalty rule
  - Prudent expert rule

## IMPLICATIONS FOR PLAN SPONSORS

- Oversight responsibility for consultants and investment managers – *Review due diligence process*
- Controversial prohibition on ESG target date funds
- Need ESG
  - Tools
  - Process
  - Expertise



## IMPLICATIONS FOR MANAGERS

- Do not market on the basis of benefits and goals unrelated to financial performance – *Review disclosures, e.g., fund documents, websites*
- Do not too readily treat ESG factors as economically relevant – *Review investment process*
- Need ESG
  - Tools
  - Process
  - Expertise

# Buy-side Solutions

We provide modern technology solutions to Asset Owners, Consultants, Asset Managers and Insurers to help grow and improve their business.

## PFaroe™ DB

Asset-Liability risk analytics for DB pension plans.

*Clients: Pension plans, plan consultants and investment managers*

## PFaroe™ E&F

Investment risk & simulation analytics for endowment portfolios.

*Clients: Endowments & Foundations, consultants and investment managers*

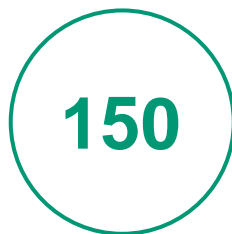
## PFaroe™ Attribution

Understand what is driving performance inc. ESG factors.

*Clients: Investment managers, pension plans & plan consultants*



**Institutions**



**Team members**



**Assets**