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General Comment

A significant wealth gap exists between black and white Americans. The U.S. Department of Labors proposed rule to protect retirement funds currently being depleted by unnecessary research into irrelevant and politically driven shareholder proposals as well as imprudent reliance on unsubstantiated advice from proxy-advisory services will help reduce the overall effect of that wealth gap by shoring up pension funds on which black families disproportionately rely for retirement income.

Overall, black Americans are disproportionately underrepresented in the stock market. A 2017 Gallup poll found only 36 percent of blacks said they invested in stocks. This parallels a 1999 Ariel Mutual Funds/Charles Schwab & Co. survey that found a similar 36 percent of black respondents reporting any exposure to mutual funds while growing up.

A 2014 analysis by Credit Suisse and Brandeis University researchers determined black Americas small footprint in the stock market contributes to the racial wealth gap. Critiquing black financial planning, black entrepreneur J.R. Fenwick recently told NewsOne that [t]he biggest slice of the pie that we leave on the table is stock investing. Furthermore, calling it the easiest and lowest barrier of entry, he advised that [i]f we want to change, we have to get into the investment piece.

Circumstances are improving. Between 2010 and 2017 the number of black households with incomes over $50,000 that participated in the stock market rose by 10 percent. But the gap, and the disproportionate reliance on pension fund income, remains.

The Labor Departments proposed rule would clarify the duties of fund managers and proxy-advisor services. It would ensure that fund managers are using their resources properly avoiding needless research expense and reducing reliance on unsubstantiated advice by politically motivated proxy-advisory services. It also makes sure they are seek the best rate of return for investors instead of using other peoples money to promote a social justice agenda.

Put simply, the new Labor Department rule makes it clear that fund managers those watching over retirement plans regulated by the Employee Retirement Income Security Act (ERISA) arent obligated to vote on every shareholder proposal for all stocks in their portfolios, and should only do so if it is the financial interest of the fund. Additionally, the proxy-advisor firms that fund managers often rely upon for insight on these shareholder proposals must explain their positions and make their case as to why their position is important to investors.

The pension fund managers job is to obtain the highest returns for their funds and ensure the highest level of benefits for worker and pensioner beneficiaries. But a current obsession with environment, social and governance (ESG) issues in the business community has politicized portfolios as proxy-advisors push an agenda on fund managers. Politically correct fund advocacy discounts the well-being of beneficiaries. Thats why new protections are needed.

ESG investing has been used to push diversity rules on corporations, pressure companies not to ally themselves with certain associations and even promote the most divisive of issues such as abortion. Doing so can put companies in fiscal peril and therefore reduce returns, which makes ESG investing a luxury for those who can afford to lose.

These decisions, especially when they concern other peoples money, must be rooted in a return on investment. That is this goal of this proposed rule.

Having more black Americans in the investor ranks either directly or obliquely and doing well by those investments is a compelling national interest. Providing confidence that the hard-earned money they are putting to work for their retirement wont be used to support causes they might not agree with is important to long-term perceptions about the efficacy of stock investing, whether through pension funds, mutual funds or direct action. And protecting against any unnecessary harm to their nest egg will help overcome the stigma that leaves too many people underbanked and uninvested.

Under the proposed rule, the Labor Department would impose safeguards on investments to make investment management a more politically neutral process in a way that particularly matters to black Americans. This is a win for all Americans with their retirement money in mutual funds, and a welcome enticement for potential first-time black investors.

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