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Financial Factors in Selecting Plan Investments

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General Comment

Mr. Jason A. DeWitt
Office of Regulations and Interpretations Employee Benefits Security Administration Room N-5655
U.S. Department of Labor
200 Constitution Ave., N.W.
Washington, DC 20210
Regarding Rule RIN 1210-AB95

Dear Mr. DeWitt,
In 1973, I joined the New York City Fire Department after serving in the U.S. Army in the Vietnam War. I spent 28 years with the department, retiring with the rank of captain, and later went on to serve as the President of the Uniformed Fire Officers Association.
I would like to register my support for the Department of Labor's recently proposed rules regarding environmental, social, and governance (ESG) investing practices on behalf of pension funds. I served as vice chairman of the New York City Fire Pension Fund, and in recent years have watched as ESG investment strategies have grown in popularity among asset managers. It is my opinion that an inclination toward ESG policies without regard for investment returns violates the fiduciary duty asset managers owe their clients.
The board of a pension fund should be singularly focused on attaining the highest financial returns, adjusted for risk. ESG standards are a diversion from this goal. Last year, the Pacific Research Group released a study that found that ESG funds were "43.9% smaller compared to an investment in a broader, S&P 500 index fund," after 10 years. How anyone could see this as

compliant to fiduciary duty escapes me.
Pension beneficiaries have little to no control over the investment of their retirement money. As such, we owe it to them to manage their funds with the greatest care and with returns as the highest priority, rather than push a political agenda which may not represent the beliefs of the people whose money is being invested.
It is the right of any investor to put their money into stocks and mutual funds however they please, and for many that would include ESG considerations. Pension boards, however, are not individual investors. They handle the retirement savings of private citizens, each with their own opinions on ESG-related issues. The only unifying principle among pension members is the desire for financial security, something that ESG strategies explicitly demote in pursuit of an ideological agenda.
In addition to my past positions, I sit on the board of the Institute for Pension Fund Integrity, where our goal is to remove politics from the management of pension funds. We agree with the Department of Labor's efforts to ensure that these funds are
managed in accordance with the principles at the heart of fiduciary duty: that investments are made following financial considerations first and foremost.
The proposed rules are a positive step towards further codifying the responsibilities held by those we trust with our money. ESG as it exists today - specifically when it underperforms the S&P 500 benchmark - is at best a dilution of fiduciary duty which compromises the integrity of investment strategies. It is my hope that investors and management teams come to this realization before it begins to significantly harm the status of fund values. In the absence of such an epiphany, clarified and improved regulation reaffirming the importance of financial considerations, not political considerations, is necessary for ERISA-managed pension funds.
As long as asset managers are using ESG to demand higher fees for lesser returns, pension funds will not be safe from irresponsible investing. I applaud the rule proposal as a part of a greater effort to maintain pension funds' independence from politics and get them back to their original purpose: protecting Americans' retirement.

Regards,
Richard Brower
Former Vice Chairman of the New York City's Fire Department's Pension Fund
Former President UFOA Loical 854