Received: July 22, 2020
Status: Pending_Post
Tracking No. 1k4-9hyh-t599
Comments Due: July 30, 2020
Submission Type: Web

PUBLIC SUBMISSION

Docket: EBSA-2020-0004
Financial Factors in Selecting Plan Investments

Comment On: EBSA-2020-0004-0002
Financial Factors in Selecting Plan Investments

Document: EBSA-2020-0004-DRAFT-0287
Comment on FR Doc # 2020-13705

Submitter Information

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General Comment

Dear DOL,

Last month, you proposed new rules that alter ERISA-governed retirement plan standards. The potential changes imply ESG criteria are non-financial in nature by isolating such factors from more traditional benchmarks, potentially affecting the calculus fiduciaries make when offering ESG options for their plans.

The ruling implies that ESG investing somehow impedes one's fiduciary responsibility when it comes to adding an ESG option in a 401(k) plan. This is at odds with the reality that 2019 saw nine of the biggest ESG funds outperform the S&P's 500 Index; seven of those beat their market benchmarks over the past five years.

See attached chart for a comparison of the S&P 500 and Vangard and iShares ESG funds.

Meanwhile you are permitting Private Equity funds in retirement plans. Private Equity funds are some of the most complex, non-transparent instruments to understand, often have high fees, and do not have a benchmark comparison.

ESG investing has become mainstreamed over the past couple of years: in 2018, ESG investing represented almost a quarter of the globe's professionally managed assets, over $20 trillion in assets under management (AUM). This implies that ESG is no longer a "fringe" investment, but rather seen as a core offering.

I consider this action to be unconstructive, and that the DOL's time and energy might be better spent focusing on the continuing conflicts of interest and lack of transparency pertaining to fees. I ask that this ruling not be enforced so we can continue to offer investments that meet the dual goals of increased profits and positive social impact.

Attachments

SUSA_SPY_ESGV_chart


MSCI USA ESG Select ETF Price % Change
S&P 500 ETF Trust Price % Change
d ESG US Stock ETF Price % Change
Jan '19
Jul '19
Jan '20
Jul '20
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