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Submitter Information

Name: Linda Raynolds

General Comment

July 22, 2020
Office of Regulations and Interpretations US Department of Labor
Room N-5655
200 Constitution Avenue NW Washington, DC 20210
RE: Proposed rule on Financial Factors in Selecting Plan Investments (RIN 1210-AB95)
To whom it may concern:
I write to provide comments in response to the Department of Labor's proposed rule, "Financial Factors in Selecting Plan Investments" (RIN 1210-AB95) (the "Proposal").
I am an investor whose assets have been managed in as much an ESG fashion as possible over the last forty years. Originally these were my own investment criteria and decisions, because "green" management was not offered as a service by any but just a couple of specialty firms, such as Calvert. In those days I probably missed out on opportunities to increase my assets by not investing in oil and gas. However, today with ESG being a widely offered investment strategy, the returns I have seen, especially during the pandemic, have way outperformed the market.
I have recently been in conference with one of my investment banks, a major international player, about their own decisions across the board regarding funding fossil fuel exploration and development. Besides seeing such investments as contrary to the face they want to present to the public, they are concluding that it no longer makes sense for them to invest in these sectors.
Another of my brokerage managers already uses a basic ESG filter for all their holdings. My portfolio criteria are stricter than theirs, but as far as they are concerned, a company that takes care of its employees and considers their ecological impact will do better in the long run than one that doesn't. Again, my financial returns have outperformed the benchmarks.

The Department of Labor fails to articulate a rational connection between the relevant facts and the proposed rule. The Proposal reveals a fundamental misunderstanding of how professional investment managers use environmental, social and governance (ESG) criteria as an additional level of due diligence and analysis in the portfolio construction process. Investment managers increasingly analyze ESG factors precisely because they view these factors as material to financial performance.

The Proposal is likely to have the perverse effect of dissuading fiduciaries, even against their better judgment, from offering options for their plans that consider ESG factors as part of the evaluation of material financial criteria. As a result, it will unfairly, and harmfully, limit plan diversification and perhaps compel plan participants to choose options that are either more risky or less profitable.

I respectfully request that the Proposal be withdrawn. Thank you for your consideration of these comments.

Sincerely, Linda Raynolds, private investor