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Financial Factors in Selecting Plan Investments

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Submitter Information

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General Comment

Office of Regulations and Interpretations
U.S. Department of Labor
Washington, DC 20210

Attention: Proposed rule on Financial Factors in Selecting Plan Investments (RIN 1210-AB95)

To whom it may concern:

I am the owner of an RIA that provides investment advise to small business owners who sponsor employee retirement plans and to individuals who participate in employer-sponsored retirement plans.

I am writing to provide comments in response to the Department of Labor's proposed rule, "Financial Factors in Selecting Plan Investments," which relates to ERISA-regulated retirement plans. I believe this rule should be withdrawn, as it goes against the ethos of free and fair market principles to which we all subscribe in the United States of America. A free and fair competitive marketplace is crucial to a strong economy and strong society. Failure to allow fiduciaries to consider all material risk factors, including ESG criteria, would be to the detriment of plan participants. My clients are explicitly requesting ESG-based investment fund options in their retirement plans - as both sponsor and participant.

Additionally, retirement plan managers should be given the right to consider all dimensions associated with their plans, including ESG criteria. ESG criteria has been shown in numerous studies to produce investment performance superior or in line with non-ESG investments. Just this year, ESG investment funds have proven to be more resilient during the recent stock market plunge caused by the COVID-19 pandemic. ESG criteria acts as a positive screen for superior funds and does not in any way dissuade from plan managers' pecuniary priorities. Managers should not be shut out from competitive opportunities in the marketplace.

Consider this example. Fossil fuel company performance has been poor in recent history and the outlook for this sector is equally poor. Investors understand this point and ESG factors recognize it. This proposed rule would forbid a retirement plan manager from investing in funds that exclude fossil fuel investments solely because the fund says it's doing it in the prospectus or has "ESG" in the fund name. This proposed rule would be preventing that retirement plan manager from fulfilling their fiduciary responsibility to exclude those investments that are expected to perform poorly. How is that in the participants' best interest?

I respectfully ask that the US Department of Labor withdraw this rule and continue to allow retirement plan managers to operate within a free and fair marketplace.

Sincerely,