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Submitter Information

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General Comment

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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 individual investor holding 401(k) and 403(b) accounts. Those accounts are held at the non-profit TIAA, and were created when I worked in education. ESG investing is important to me, aligned with my values, and also with my continued support of TIAA.

The Proposal reveals a fundamental misunderstanding of how professional investment managers use environmental, social and governance 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. In the US SIF Foundation's 2018 survey of sustainable investment firms in the United States, 141 money managers with aggregate assets of more than $4 trillion responded to a question on their motivations for incorporating ESG criteria into their investment process. Three-quarters of these managers cited the desire to improve returns and to minimize risk over time. Fifty-eight percent cited their fiduciary duty obligations as a motivation. I particularly object to the rule's impact on being able to exclude fossil fuel energy investments, something that is prudent both for the health of my portfolio and the survival of humans.

Numerous studies show that the consideration of ESG criteria in investment analysis generally produces investment performances comparable to or better than non-ESG investments. While we all recognize that "past performance is not a guarantee of future performance," ESG funds have actually out-performed comparable benchmarks this year. It would be prudent to expect continued out-performance based on momentum, increased interest among retail investors, and potential restrictions on institutional investors.

There is no doubt that funds that use ESG criteria are consistent with long-term retirement objectives. 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 criteria in addition to more traditional financial criteria. As a result, it will unfairly, and harmfully, limit plan participants' options and diversification opportunities. I respectfully request that the Proposal be withdrawn. Thank you for your consideration of these comments.

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