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Financial Factors in Selecting Plan Investments

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Financial Factors in Selecting Plan Investments

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Submitter Information

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General Comment

Please revise your proposed rule looking to curtail employee retirement plans ability to invest in ESG funds. As a long-time investor, I have found the following: Beyond an ethical basis, investing in ESG funds is about basing investment decisions on a more holistic view of a company made possible by the wide availability of ESG data, rather than limiting investment analysis to traditional financial accounting factors. This helps investors understand how sustainable a firm's long-term business model is, how it treats all its stakeholders, and provides an early warning on environmental and social risks before they affect company value. At a time when consumers and talented workers are more often basing their purchasing and employment decisions, in part, on their view of a company's sustainability, it is critical that investors take these matters into account. To do otherwise would be a breach of fiduciary duty.

Your rule places further restrictions/regulations over a manager's ability to assess the value of their investments. A free market would allow a manager whatever tools necessary to make those assessments. On a very basic level, it would be as if you were asked to enter a sandwich shop with the hopes of investing in their business. You're sitting with the accountant in the office and as they are relaying promising financial data, you see employees being berated and fired and significant filth behind the counters that customers don't always see. Now, someone from the government tells you that you can't factor in those insights into your choice, even though they clearly will, at some point, endanger the viability of the business, and because it goes against your moral compass. This is not the role of the government.

Please answer the question:

What right does the federal government hold to regulate what investment factors or information someone chooses to use in the investment that they choose for their employee pension fund?