

July 30, 2020

The Honorable Eugene Scalia  
Secretary  
United States Department of Labor  
200 Constitution Ave, N.W.  
Washington, DC 20210

Dear Secretary Scalia,

I am writing in support of RIN 1210-AB95, the U.S. Department of Labor's proposed rule to confirm that ERISA (Employee Retirement Income Security Act of 1974) requires pension plan fiduciaries and fund managers to select investments based solely on financial considerations.

This rule clearly states that a fiduciary or fund manager should not sacrifice financial return or accept additional risk to promote a public policy, political or any other non-financial goal, which has recently been referred to as "ESG" (environmental, social and governance) themed funding. ESG criteria has the potential to distract fiduciaries and fund managers and put the financial success of these plans at risk.

The Arizona Commerce Authority (ACA) supports the U.S. Department of Labor's proposed regulation because it keeps retirement funds and private pensions free from risk of missing out on success based on ESG criteria. It has been proven that ESG criteria excludes potentially good investments, lacks diversification, makes it difficult for fund managers to find qualifying stocks, and creates very small and insufficient choices.

It is important to note that funding, products and technologies from some of the potential ESG-qualifying companies comes from the legacy of companies or firms that may not match ESG criteria. For example, the ESG criteria is so restrictive that even companies who are pivoting to new energy-saving technologies could be left out due to their legacy that doesn't meet the indistinct ESG standards. Recently, it has been shown that strictly ESG-driven funds underperform and do not fully maximize returns.

For the reasons stated above, the ACA supports the proposed rule, RIN 1210-AB95. We strongly believe that fiduciary and fund managers, under ERISA, must select investments based on financial conditions, should be solely focused on the success of the plan, and not be limited and required to rule out certain investments based on very strict and limiting criteria.

Sincerely,



Sandra Watson,  
President & CEO  
Arizona Commerce Authority

