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Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights

Comment On: EBSA-2021-0013-0001
Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights

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Submitter Information

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General Comment

This regulation should not be enacted because it will likely result in employees being invested in funds by default with higher expense ratios and because it dilutes the focus of investment managers. The companies that manage employees' investments should have a singular focus on low expenses and maximum returns. In the aggregate, this focus improves the ability of workers to save for retirement. By allowing the consideration of environmental, social, or governance concerns in 401(k) investments, this proposal places investment managers in a position of making value judgments about controversial issues with the savings of employees. The sole focus should be on the pecuniary aspects of investments, not the environmental, social, or governance aspects. There is little empirical evidence that ESG-focused funds will bring greater returns, and there is evidence that money managers will charge a higher expense ratio for these funds. I do not think that ESG considerations are unimportant, but they have no place in the decisionmaking process of fiduciaries for retirement funds.