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DALBAR Finds Critical Omission in DOL's Proposed ESG Rule

Argues that Plan Contributions are Financial Considerations

In its comment letter regarding the regulation of ESG Investments, DALBAR contradicts the Labor Department's argument that only risk-adjusted returns qualify as financial benefits. The DOL's proposed rule would limit the factors fiduciaries can use in selecting plan investments to what the Department defines as "pecuniary" factors. The critical flaw in this approach is that the definition of "pecuniary" fails to include the two most crucial factors in securing retirement income: participation and contributions.

Using its [recent survey](#) of employees, DALBAR found that 76% were likely to participate in a plan that had ESG investments. DALBAR argues that the presence of ESG Investments can increase participation and contribution levels. "For over 25 years, DALBAR's research has shown that behavior has the greatest impact on an investor's long-term outcome. Ignoring factors that impact participation and contributions in the definition of 'pecuniary' was a giant blind spot for the DOL in this proposal. We hope this comment letter will shed light on what is currently a glaring omission," said Cory Clark, Chief Marketing Officer at DALBAR.

DALBAR recommends that the definition of "pecuniary factors" should be changed to include "retirement income" and to add the effect on participation and contribution as a basis for including an investment. "An ERISA plan's singular focus should be to fund participants' retirement income. That notion was cited as the driving force behind this proposal, but ironically retirement income is nowhere to be found in the definition of pecuniary," adds Clark.

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