

February 19, 2025

The Honorable Mark T. Uyeda
Acting Chairman
U.S. Securities and Exchange Commission (SEC)
100 F Street, NE
Washington, DC 20549

The Honorable Vince Micone
Acting Secretary
U.S. Department of Labor (DOL)
200 Constitution Ave NW
Washington, DC 20510

Dear Acting Chairman Uyeda and Acting Secretary Micone,

We write in response to the [letter](#) sent by several state financial officers on January 28, 2025. This letter contains claims which we disagree with regarding the fiduciary responsibilities of retirement plan managers and the necessity of assessing long-term financial risks. We believe that it is critical to rebut these assertions and reaffirm the essential role that prudent risk management plays in securing the financial futures of millions of working Americans and retirees.

Retirement Plan Fiduciaries Must Consider Long-Term Financial Risks

The letter relies on the Court's claims in *Spence v. American Airlines*, suggesting that evaluating broad categories of risk factors is merely a 'pretext' for pursuing non-pecuniary goals and that considering long-term financial risks is unnecessary. This characterization is both incorrect and dangerously misleading.

Retirement plan fiduciaries must consider long-term financial risks because they are investing over the entire expected lifespans of their plan participants and beneficiaries. Unlike short-term investors, who may be focused on quarterly returns, fiduciaries managing pension funds, 401(k)s, and other retirement accounts must take a multi-decade approach to investment risk. This means evaluating all factors that could materially impact long-term financial performance, including risks related to governance failures, workforce management, regulatory changes, and climate impacts.

Ignoring long-term risks—whether they stem from financial instability, workforce issues, or environmental changes—would itself be a breach of fiduciary duty. It is the responsibility of investment professionals to ensure that portfolios remain resilient across market cycles, economic disruptions, and emerging global risks. The notion that fiduciaries should overlook material risks because they extend beyond immediate financial reporting periods is both shortsighted and contrary to responsible investment management.

Rebutting Misguided Assertions

The letter further cites the Court in *Spence v. American Airlines*, which dismisses climate change as an 'unproven and nebulous issue' and suggests that labeling it as financially material is merely a rhetorical device. This assertion is entirely contradicted by real-world financial data. Investors—including some of the world's largest asset managers—routinely evaluate the

financial impact of extreme weather events, regulatory shifts in energy policy, and the economic costs of climate-related disruptions.

The decision in *Spence v. American Airlines*, which dismissed long-term financial interests as a “mere pretext,” fails to reflect the fundamental reality of long-term investing. Fiduciaries are not speculators—they are stewards of trillions of dollars in assets that must sustain retirees for decades. The risks associated with climate change, governance failures, and other systemic issues are not speculative concerns but present-day financial realities affecting market valuations, insurance costs, supply chains, and infrastructure resilience.

Fiduciary Duty Requires Comprehensive Risk Evaluation

Fiduciaries may reasonably disagree over the importance of these long-term financial risks, and these differing views are an inherent part of the free enterprise system where market participants freely trade securities and make proxy voting decisions based on their own investment philosophies. The government should not seek to impose the views of a subset of investors who do not believe that long-term financial risks are material to investors onto the rest of the marketplace. This laissez faire philosophy is embedded in the DOL’s existing regulations of retirement plan fiduciaries that states that fiduciaries may, but are not required to consider such risks.

The SEC and DOL have long recognized that investment professionals must be free to assess risks that could impact portfolio performance over time. Any attempt to limit fiduciaries’ discretion undermines investor confidence and financial security. Politicizing risk assessment does not protect American retirees; it actively weakens their financial futures by restricting prudent investment management.

Regulatory Overreach Would Harm Investors

Restricting fiduciaries from considering legitimate financial risks would put American workers and retirees at a significant disadvantage. Global investors are not operating under these same restrictions, meaning U.S. retirement funds could become less competitive and more vulnerable to market disruptions. If policymakers impose artificial limits on what risks fiduciaries can consider, it could lead to:

- **Weaker investment performance** due to incomplete risk assessments.
- **Greater exposure to market volatility** from ignored risks.
- **Increased financial vulnerability** for retirees relying on pension and retirement savings.

A free and fair market requires that investment professionals have the autonomy to make informed decisions based on financial principles, not politically motivated restrictions.

Conclusion

We urge the SEC and DOL to uphold their commitment to protecting the ability of fiduciaries to exercise their professional judgment in assessing long-term financial risks. Efforts to politicize investment management and restrict fiduciary discretion threaten the financial security of millions of retirees.

The very essence of fiduciary duty is to make investment decisions that serve the best interests of plan participants and beneficiaries over the long term. Imposing artificial barriers that prevent

investment professionals from considering material risks does not just undermine free markets—it jeopardizes the financial stability of hardworking Americans who rely on well-managed retirement plans.

We strongly encourage the SEC and DOL to resist efforts to limit fiduciary discretion and impose politically driven constraints on investment decision-making. Ensuring that fiduciaries can operate with the full breadth of risk assessment tools available is essential to maintaining trust in our financial system and safeguarding the future of America's retirees.

Signed,

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Julie Blaha, Minnesota State Auditor

A handwritten signature in black ink, appearing to read "Malia Cohen".

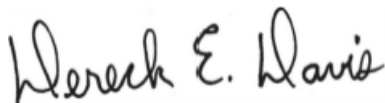
Malia Cohen, California State Controller

A handwritten signature in black ink, appearing to read "Zach Conine".

Zach Conine, Nevada State Treasurer

A handwritten signature in black ink, appearing to read "Colleen C. Davis".

Colleen C. Davis, Delaware State Treasurer

A handwritten signature in black ink, appearing to read "Dereck E. Davis".

Dereck E. Davis, Maryland State Treasurer

A handwritten signature in blue ink, appearing to read "James Diossa".

James Diossa, Rhode Island State Treasurer



Michael W. Frerichs, Illinois State Treasurer



Deborah B. Goldberg, Massachusetts State Treasurer and Receiver-General



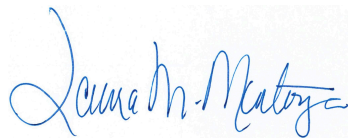
Brad Lander, New York City Comptroller



Brooke Lierman, Maryland State Comptroller



Fiona Ma, California State Treasurer



Laura M. Montoya, New Mexico State Treasurer



Michael Pellicciotti, Washington State Treasurer*



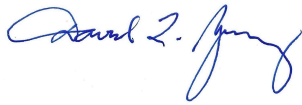
Mike Pieciak, Vermont State Treasurer

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Erick Russell, Connecticut State Treasurer

A handwritten signature in black ink, appearing to read "Elizabeth Steiner".

Elizabeth Steiner, Oregon State Treasurer

A handwritten signature in blue ink, appearing to read "David L. Young".

David L. Young, Colorado State Treasurer

** Washington State Treasurer Pellicciotti has signed on solely in his official capacity as State Treasurer*