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July 30, 2020

Mr. Joe Canary
Office Director
Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655 U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Re: Financial Factors in Selecting Plan Investments
Proposed Regulation (RIN 1210-AB95)

Dear Mr. Canary:

On behalf of the Minnesota State Board of Investment ("SBI"), thank you for the opportunity to submit comments on the notice of proposed rulemaking entitled "Financial Factors in Selecting Plan Investments" ("Proposal" or "NPR"). Because we believe the Proposal has the potential to conflate environmental, social, and governance ("ESG") risk and opportunity analysis with economically targeted investing ("ETI"), which are distinct activities and should be subject to separate guidance, we urge you to allow the existing guidance to remain in effect and not move forward with a final rule. Further, given the concerns that investors have with a lack of clarity in the NPR, we encourage you to extend the comment period to allow for further public comments.

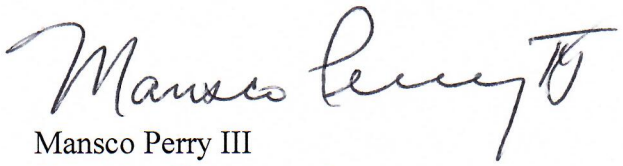
The SBI is entrusted with managing $102.4 billion (as of June 30, 2020) on behalf of tax-qualified state pension plans, state government funds, non-retirement programs, and state-sponsored savings plans. While the SBI is not subject to the provisions of ERISA discussed in the NPR, we are concerned with how the Proposal will impact the SBI's external investment managers. The SBI maintains a set of core investment beliefs, one of which recognizes that "[u]tilizing engagement initiatives to address environmental, social, and governance-related (ESG) issues can lead to positive portfolio and governance outcomes." As a long-term institutional investor subject to state fiduciary law, the SBI encourages investment managers to evaluate economically material ESG risks and opportunities when making investment decisions on the SBI's behalf. We believe that evaluating material ESG risks and opportunities is critical to ensuring prudent management of public funds. This is different from ETI, which encourages investments that accomplish certain policy goals, other than obtaining the best risk adjusted return on investment.

We are concerned that the NPR lacks clarity in the different treatment afforded to ESG risk analysis and ETI. While the NPR appears to acknowledge that it is appropriate to evaluate material ESG risks and opportunities throughout an investment portfolio, the NPR also includes discussion of the "all-things-equal" test, which applies more

appropriately to ETI. We believe the guidance should clearly recognize that it is appropriate for investors and investment managers to consider economically material ESG risks and opportunities when making investment decisions. But in its current form the NPR may be misconstrued to apply the "all-things-equal" test to ESG evaluation. Such a misconstruction would inappropriately imply that ESG evaluation is separate from, rather than intrinsically tied to, evaluating economic risks and opportunities with respect to an investment.

For the foregoing reasons, we respectfully request that Department of Labor withdraw the proposal and maintain the current guidance or similar language.

Sincerely,



Mansco Perry III
Executive Director and
Chief Investment Officer