

Religious Accommodation in Defined Contribution Plans¹

To frame our exploration of religious accommodation in employer-sponsored defined contribution (DC) plans, we begin with a touchstone of Christian belief and a contemporary corporate example.

Psalm 139:13–14 *For you formed my inward parts; you knitted me together in my mother's womb. I praise you, for I am fearfully and wonderfully made. Wonderful are your works; my soul knows it very well.*

Pfizer and Faith-Based Screening According to Inspire Investing, Pfizer, Inc. received a –100 rating—the lowest possible—based on ethical screens commonly used in Biblically Responsible Investing (BRI). The rating reflects Pfizer's manufacture of drugs that may prevent the implantation of fertilized eggs and its high score from the Human Rights Campaign's Corporate Equality Index for LGBT advocacy across philanthropy, marketing, and policy domains.²

For investors whose religious convictions compel them to avoid ownership of such companies—even indirectly through their retirement plans—this raises a critical question: **Can employers structure DC plans to accommodate these religious concerns without violating fiduciary standards or incurring undue burdens?**

We argue the answer is yes—and that doing so represents both a compliance imperative and a market opportunity.

The Opportunity: Aligning Values with Fiduciary Duty A significant share of U.S. retirement assets is held in DC plans. As of 2024, these plans accounted for approximately \$12.5 trillion, up from \$3 trillion in 2000.³ Furthermore, 63.9% of families participating in employer-sponsored retirement plans in 2022 held DC plans exclusively, up from 37.5% in 1992.⁴

Simultaneously, 70% of Americans identify as religious, with roughly 63% identifying as Christian.⁵ This suggests that upwards of \$8.75 trillion in DC plan assets may be subject to religious investment considerations.

For plan sponsors, this convergence of personal conviction and financial engagement is not a fringe issue—it's a material reality. The BRI market is expanding rapidly, and employers who anticipate this demand will be well-positioned to serve participants while ensuring regulatory compliance.

Regulatory Landscape: Title VII and ERISA

Two legal frameworks provide the foundation for religious accommodation in retirement plans:

1. **Title VII of the Civil Rights Act of 1964** Title VII prohibits employment discrimination on the basis of religion and requires employers to reasonably accommodate religious practices unless doing so imposes an undue hardship. In *Groff v. DeJoy* (2023), the U.S. Supreme Court clarified

¹A version of the editorial appeared in the first quarter 2025 edition of the BRIQ Newsletter. See <https://www.briqnewsletter.com/files/2025-03-31%20BRIQ%20Newsletter.pdf>.

²See <https://inspireinsight.com/PFE/US>, accessed on February 21, 2025.

³See <https://www.statista.com/statistics/187963/retirement-defined-contribution-plan-total-assets-in-the-us-since-2000/>.

⁴See <https://www.ebri.org/content/new-research-finds-substantial-growth-in-individual-account-retirement-plan-assets>.

⁵See <https://www.pewresearch.org/religion/2025/02/26/decline-of-christianity-in-the-us-has-slowed-may-have-leveled-off/>.

that an “undue hardship” must involve **substantial increased costs** relative to the employer’s business operations. Minor administrative adjustments no longer meet this threshold.⁶

2. **ERISA Compliance and Integration** The Supreme Court has interpreted ERISA in light of Title VII, particularly where religious expression intersects with employee benefit plans. As Moran (2012) notes, the Court has read Title VII’s non-discrimination provisions into the structure of ERISA-governed plans.⁷

Taken together, these rulings support the premise that employers must, when reasonably possible, accommodate religious beliefs in the design and administration of DC plans.

Operational Pathways to Religious Accommodation There are two primary mechanisms through which plan sponsors can offer religious accommodation while maintaining fiduciary integrity:

1. **Inclusion of BRI Funds in the Core Lineup** Plan committees can evaluate and include one or more BRI funds that meet performance, diversification, and fee standards. While this broadens the fund lineup, it introduces complexity, as different religious groups may require different screens. Still, the cost and operational lift are minimal—particularly when viewed in light of regulatory compliance and participant engagement.

2. **Brokerage Window with Religious Exemption** A more scalable approach is to offer a brokerage window and allow religious exemptions for participants who wish to direct their assets accordingly. This solution shifts responsibility from the plan sponsor to the participant while preserving the plan’s fiduciary integrity.

Brokerage Windows: A Scalable, Low-Cost Solution As outlined in Fidelity’s 2021 testimony before the U.S. Department of Labor Advisory Council, brokerage windows provide access to investments outside the core fund lineup, including BRI funds typically excluded from standard offerings.⁸

Fidelity’s BrokerageLink is currently used in 5,348 plans—23% of its DC plan base. Among these, 79% of plan sponsors select the “Expanded Options” model, which offers the widest array of choices. This structure allows participants to invest according to their values without requiring the employer to evaluate every niche fund or philosophy.

For plan sponsors, the brokerage window represents an elegant compliance mechanism: it accommodates diverse values, reduces legal exposure, and does so at minimal cost.

Strategic Implications for Plan Sponsors and Financial Professionals

From a fiduciary perspective, failing to accommodate religious beliefs—especially when doing so is low-cost and administratively feasible—may expose sponsors to legal risk. From a business perspective, recognizing and supporting faith-based investing can improve participant satisfaction, engagement, and retention.

For investment professionals and plan advisors, the ability to offer a religious accommodation strategy—particularly through the brokerage window—creates a clear value proposition. It signals respect for participants’ values and provides a pathway for trillions of dollars in potential BRI-aligned capital to enter the marketplace.

⁶See *Groff v. DeJoy*, No. 22-174, 600 U.S. ___ (2023), page 18.

⁷See Beverly I. Moran, “The Right to Religious Accommodations in Pension Plans,” *Cornell HR Review*, 2012. Available at <https://ecommons.cornell.edu/items/5e6a1f52-40c1-4057-8b6c-315d3383318e>, page 2.

⁸See <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/fidelity-testimony-on-brokerage-windows.pdf>. Quotes in this section are taken from her testimony.

Case Study: Economic Damage from Religious Accommodation Failure

Jane is an evangelical Christian with strongly held religious belief related to investing in companies whose management team actively seeks to promote cultural issues that are in direct opposition to Bible-based Christianity. Jane recently graduated with a master's degree in operations management and landed a job with Lennox AI, LLC (LAI), a company seeking to apply artificial intelligence to improving agricultural production techniques leading to improvements in long-run sustainability.

LAI's investment committee offers a defined contribution plan along with a matching program up to 3% of Jane's salary. Upon careful examination of the equity funds offered, Jane request religious accommodation via a brokerage window so she can access BRI-based funds. As this is an atypical request, it was denied. Jane concludes that the only alternative is the stable value option as she cannot invest in the provided equity funds.

Jane enjoys a highly successful 30-year career. We consider three possible performance paths for her DC plan: 1) (SV) Invest in the stable value option because equity fund investment violates religious beliefs. 2) (BRI) Invest in a portfolio of BRI-based funds within a "but for" scenario where one assumes the religious accommodation was made. 3) (SEI) Invest in some equity investment based on provided funds in violation of her beliefs.

The simple analysis below highlights one set of performance paths based on the following assumption. 1) Here the impact of monetary inflation is assumed to net out—wage inflation nets out with inflation impacts on investment returns. 2) SV is assumed to grow at -1%, BRI is assumed to grow at 10%, and SEI is assumed to grow at 8%. 3) The correlation between BRI and SEI is 0.95. 4) The standard deviation of total returns are as follows: SV = 0%, BRI = 20%, and SEI = 17%. Our assumptions reflect a few professional observations. If we assume 3% inflation on average, then SV is 2% on average, BRI is 12% on average, and SEI is 10% on average. SV is relatively constant and typical less than inflation. BRI funds tend to be exclusionary; hence, the standard deviation is higher than SEI. Finally, based on extensive research related to the BRIQ Newsletter, the historical correlations between BRI funds and non-BRI funds in the same fund category are extremely high. Thus, there are three alternative strategies for Jane.

Strategy 1 (SV): Invest in stable value option.

Strategy 2 (TDC): Invest in existing portfolio of selected funds (high fee, poor performance).

Strategy 3 (BRI): Invest in portfolio of BRI funds.

Simple analysis in the table below on these three projected returns and assuming \$100 deposit into the DC plan each month over 30 years results in the following outcomes. For each additional dollar invested per month, the stable value ending balance (SV EB) dollar delta increases only \$93.73 because the overall ending balance is dramatically less than the investment due to inflation. The traditional DC plan ending balance (TDC EB) dollar delta experiences an increase of \$454.59 and the BRI ending balance (BRI EB) dollar delta experiences an increase of \$691.61. The economic damage to Jane is most severe if the stable value option is pursued suffering a \$59,789.21 loss. The traditional DC plan results in \$23,703.23 loss. As a percentage of the original investment, these losses are severe and warrant a brokerage window consideration.

	Investment	SV EB	TDC EB	BRI EB
PV:	\$36,360.00	\$9,466.75	\$45,913.58	\$69,853.85
\$100.00	\$36,000.00	\$9,373.02	\$45,458.99	\$69,162.23
Dollar Delta:	\$360.00	\$93.73	\$454.59	\$691.62
Economic Damage:	\$33,162.23	\$59,789.21	\$23,703.23	
Damage Percentage:	47.95%	86.45%	34.27%	

Conclusion: Doing Right Is Also Good Business Plan sponsors and fiduciaries are not merely custodians of financial assets—they are stewards of trust. As religiously motivated investing becomes more visible and legally supported, forward-thinking professionals should embrace strategies that serve participants with integrity and efficiency. The religious accommodation will avoid significant economic damage being suffered by religious employees.

Religious accommodation through the brokerage window is a low-cost, high-impact solution that aligns with regulatory guidance, fiduciary principles, and participant values. It is not just permissible—it is prudent.

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