Retirement News Highlights

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Investors push 'freedom to invest responsibly' to counter anti-ESG

By Hazel Bradford
Pensions & Investments
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Confronting the political backlash against ESG, hundreds of companies and organizations, including money managers and asset owners, called on policymakers Thursday to allow sustainable investing to continue.

A statement issued by more than 270 signatories during the Ceres Global conference in New York called for protecting "the freedom to invest responsibly." It argued that investors need to consider all material financial risks and opportunities from climate change and other challenges, while policies limiting that approach would hurt everyone.

"Neglecting the robust economic benefits of the clean energy economy — and the substantial public and private investment opportunities that are necessary to achieve this shift — would represent a failure to build a stronger, more resilient U.S. economy and a betrayal of the interests of our stakeholders, shareholders, beneficiaries, customers, and the communities where we do business and live," the statement said.

One signatory, Kirsty Jenkinson, investment director, sustainable investment and stewardship strategies for the $306 billion California State Teachers' Retirement System, West Sacramento, said in a release on the statement that asking investors to ignore pervasive risks like market disruptions caused by climate change, or the investment opportunities offered by a clean energy transition, "is asking us to stop doing our jobs."

Brad Lander, New York City comptroller and fiduciary of the $243.6 billion New York City Retirement Systems, said in an interview that people in the broader investment community and marketplace "understand how absurd and dangerous what the GOP politicians are doing here is."

Responsible investing has "a long and clear structure" based on fiduciary duty to pension fund beneficiaries and others, and anti-ESG politicians are waging what he called a culture war "at the behest of their fossil fuel donors and at the expense" of those beneficiaries, Mr. Lander said.

Not allowing pension fund fiduciaries to consider risks like climate risk "would just wreck what it means to be a fiduciary," he said.

Asset owners and managers “need to keep calm and carry on,” said Anne Simpson, global head of sustainability for Franklin Templeton, at a media briefing on the Freedom to Invest Responsibly initiative.

“We don’t want the ‘woke’ noise to distract us from the day job of making money,” Ms. Simpson said. “We are not woke, we are awake. We have an inviolable duty to be prudent. That means you pay attention.”

The statement, which continues to collect signatories, is coordinated by Ceres and the We Mean Business Coalition.

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House fails in bid to overturn Biden veto preserving DOL ESG rule

By Brian Croce
Pensions & Investments
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House Republicans on Thursday failed to overturn a presidential veto in their quest to nullify a Department of Labor rule allowing retirement plan fiduciaries to consider climate change and other environmental, social and governance factors when selecting investments and exercising shareholder rights.

The 219-200 vote, including one Democratic vote in support, did not garner the two-thirds majority needed to overturn a veto.

President Joe Biden on Monday issued the first veto of his administration after the House and Senate on Feb. 28 and March 1, respectively, approved a joint resolution under the Congressional Review Act to nix the Labor Department rule. The Congressional Review Act lets Congress disapprove — by a simple majority vote — a final rule issued by a federal agency if it has not been in effect for more than 60 legislative days.

The rule— Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights — took effect Jan. 30 and allows ERISA fiduciaries to consider ESG factors. It also maintains the department's position that fiduciaries may not sacrifice investment returns or assume greater investment risks as a means of promoting collateral social policy goals.

The rule is a reversal of two rules promulgated late in the Trump administration that said retirement plan fiduciaries could not invest in "non-pecuniary" vehicles that sacrifice investment returns or take on additional risk and outlined a process a fiduciary must undertake when making decisions about casting a proxy vote.

The Feb. 28 House vote was 216-204 in support of the resolution with all Republicans and one Democrat — Rep. Jared F. Golden of Maine — voting in favor.

Elected Republicans have said the Labor Department rule jeopardizes retirement savings for millions of Americans for a political agenda, but department officials and retirement industry stakeholders contend that the rule is neutral.

Ali Khawar, principal deputy assistant secretary of the Labor Department's Employee Benefits Security Administration, said the political backlash to the rule is misguided.

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