Retirement News Highlights

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CalSTRS hit by third-party data breach impacting 415,000 participants

By Palash Ghosh
Pensions & Investments
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California State Teacher's Retirement System, West Sacramento, said it recently experienced a data breach involving PBI Research Services, affecting 415,000 participants and beneficiaries.

PBI Research Services, a third-party vendor that provides services to pension funds on confirming participants' deaths to ensure proper payments and prevent overpayments, is in the process of merging with Berwyn Group.

The $456.6 billion California Public Employees' Retirement System, Sacramento, also was recently hit by a similar breach of its participants' personal data, also involving PBI. That incident impacted the personal information of 769,000 retirees.

CalSTRS and PBI used a file transfer application hosted by PBI to transmit files containing member information for that purpose, the pension fund said in a notice on its website.

The breach impacted about 415,000 CalSTRS participants and beneficiaries, according to an emailed statement Monday from the $309.3 billion pension fund.

On June 4, PBI initially informed CalSTRS that its systems were involved in a "mass exploit of a vulnerability" in a secure file transfer system. On June 8, PBI confirmed that the incident involved files containing the personal information of some CalSTRS participants and beneficiaries.

Immediately afterward, CalSTRS started an investigation to identify the participants and beneficiaries whose information was involved in the hack. On June 16, CalSTRS determined that the breach included the names, Social Security numbers, birth dates and ZIP codes of some 415,000 CalSTRS participants and beneficiaries.

The participants and beneficiaries whose data were breached will receive letters identifying "resources available to them to help protect their personal information, as well as contact information for a dedicated call center staffed by trained representatives who can assist in answering questions about the incident," the statement added. Those letters will be mailed this week.

CalSTRS further said in the statement that it is "evaluating the relationship with PBI Research Services and security measures in place" and that is continues to work to "ensure that all of our service providers implement security measures that protect our members' information."

"Pension payments are not affected by this incident," CalSTRS added in the statement.

"CalSTRS is committed to ensuring the privacy and security of our members' personal information, and we know that members are concerned," said Cassandra Lichnock, chief executive officer, in the statement. "CalSTRS acted as quickly as possible to notify the members whose information was involved."

PBI spokesman Michelle Griffith couldn't be reached for comment.

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House Republicans identify priorities for combating ESG

By Courtney Degen
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House Republicans' ESG Working Group identified eight priorities to focus on for the remainder of the 118th Congress, according to an interim report the group released.

The House Financial Services Committee announced the creation of the ESG Working Group in February, which Chairman Patrick McHenry, R-N.C., said is meant to "combat the threat to our capital markets posed by those on the far-left pushing environmental, social and governance proposals." The group is led by Rep. Bill Huizenga, R-Mich., and made up of eight other Republican committee members.

"Across the nation, boardrooms are being held hostage by those who push policies that will lower returns for Americans trying to build a brighter and more financially secure future," Mr. Huizenga said in a news release Friday. "House Republicans will stand up, defend the free market, and the ability for Americans to make their own financial decisions as they see fit."

The group's eight priorities include revamping the proxy voting process, ensuring transparency and accountability of proxy advisory firms, and instituting policies to better align shareholder voting decisions with shareholder economic interests.

In addition, the working group is set to focus on increasing oversight of large asset managers and improving accountability and transparency of ESG rating agencies.

In the news release, the working group also said it aims to "strengthen oversight and conduct thorough investigations into federal regulatory efforts that would contort our financial system into a vehicle to implement climate policy," referring to the SEC's climate disclosure proposal, and "demand transparency, responsibility, and adherence to statutory limits from financial and consumer regulatory agencies."

On Wednesday, Mr. Huizenga and Rep. Andy Barr, R-Ky., who also serves on the House Financial Services Committee, reintroduced a bill to block the SEC's climate disclosure proposal. Republican lawmakers on the committee have long been critical of the proposal, stating it exceeds the agency's authority.

Lastly, the ESG working group said it plans to "protect U.S. companies from burdensome EU regulations, safeguarding American interests in global markets."

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BlackRock CEO Larry Fink says he no longer uses term 'ESG': 'It's been totally weaponized'

By Cheyenne Ligon
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BlackRock CEO Larry Fink said he no longer uses the term "ESG" — shorthand for environmental, social and governance — due to the growing political backlash against the concept in investing.

During a fireside chat with David M. Rubenstein, co-chairman of global private equity firm The Carlyle Group, at the Aspen Ideas Festival on Sunday, Mr. Fink said the term has been “entirely weaponized” by both the “far left” and the “far right,” according to an audio recording of the conversation.

"I'm not blaming one side or the other, but it has been totally weaponized," Mr. Fink said. "In my last CEO letter, the phrase ESG was not uttered once, because it's been unfortunately politicized and weaponized."

The comments represent something of an about-face for Mr. Fink, who, along with his firm, have become the face of ESG investing over the past several years. But BlackRock has increasingly come under fire from politicians and activists on both sides of the aisle, who have alternately accused Mr. Fink and his firm of pushing a "woke" agenda and harming the oil and gas industry, and not doing enough to divest from fossil fuels.

Republican governors and other state officials have pulled billions of dollars in public pension funds out of BlackRock to punish it for its ESG efforts, while activists on the left have increasingly targeted BlackRock and its executives with public protests against the firm's climate impact.

Earlier this year, BlackRock began providing home security services, including security guards and improved home security systems, to both Mr. Fink and President Rob Kapito, citing "potential threats to their safety that have originated in connection with their roles."

Mr. Fink told Mr. Rubenstein that BlackRock's business had lost $4 billion in mandates as a result of the political debate over ESG investing, which he described as "90% misinformation."

However, Mr. Fink stressed that the money the firm lost from Republican states was more than made up for by other institutional inflows.

"We had one of the best years ever," Mr. Fink said of 2022. "But I'm ashamed of being part of this conversation. When I write these (CEO) letters, it was never meant to be a political statement. I don't believe they were written as a political statement. They were written to identify long-term issues for our long-term investors."

Mr. Fink later walked back his statement that he was "ashamed" to be part of the ESG debate in response to a question from a reporter.

"I write about stakeholder capitalism, and I'm a big believer that you have to focus on all of your stakeholders," Mr. Fink said. "So, there's nothing to be ashamed about (ESG). I just don't use the word ESG anymore. I'm not going to use the word ESG because it's been misused by the far left and the far right."

When asked to clarify how the term had been misused by the far left, Mr. Fink said: "They don't care that it's not my money. They're asking us to do things that we're not permitted to do, and they would like us … to decarbonize," Mr. Fink said. "That's not my money. I mean, if our client wants to decarbonize, we're willing to work with them and help them in that pathway. We're investing in more decarbonization technology than we ever had in the last two years. But we've worked with our asset owners in blue states and red states and our job is to be working with them and helping them build a long-term solution."

During the wide-ranging conversation, Mr. Fink stressed that BlackRock's focus was on the long term, telling the audience that 55% of BlackRock's $9.1 trillion in assets under management is retirement assets.

"The problem is most of the narrative and financial markets is the tick-tock of the day," Mr. Fink said. "The financial media always talks about the hot trade, the great thing to hear, where you should put your money — none of that matters for long-term investing like retirement."

"The reality is, if the markets go up or down any one year, it has very little bearing if your liability is a 30-year liability of retirement," Mr. Fink added. "That was the fundamental foundation of all the 12 (CEO) letters that I wrote so far, which were all about long-term issues that I believe would impact positively to all the owners of our assets."

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