Retirement News Highlights

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Who will Florida Gov. Ron DeSantis and trustees pick for top investment executive?

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Engaged in a high-profile political battle against ESG investing, Florida Gov. Ron DeSantis and his Cabinet have launched a search for a top investment management official overseeing $230 billion — with a one-line job description.

And whoever does take the mantle of executive director of one of the country's largest asset owners has to contend with a charged political atmosphere.

The Florida State Board of Administration, Tallahassee, oversees $230.3 billion in state assets including the $181.5 billion Florida Retirement System. The executive director is the board's chief administrative and investment officer reporting to the trustees.

All three trustees of the SBA are elected officials: Mr. DeSantis (as chairman), Chief Financial Officer Jimmy Patronis and Attorney General Allison Moody.

Considered a top GOP candidate for president, Mr. DeSantis has fought a war of words for months against what he calls "woke" investing, with particular ire reserved for BlackRock, the world's largest money manager.

Lamar Taylor has been acting as interim executive director for nearly 16 months. In an email, he said he plans to apply for the job.

The trustees have remained mum on the subject of finding a permanent replacement for prior executive director Ashbel "Ash" Williams Jr. since his retirement on Sept. 30, 2021. In an August email, SBA spokeswoman Emilie Oglesby said: "As far as a timeline for the appointment of executive director, Lamar Taylor was appointed by the trustees to serve as interim executive director and will remain in that position until otherwise directed by the trustees."Mr. Taylor, an accountant and attorney, had been chief financial and operating officer for the SBA since January 2017 before succeeding Mr. Williams on an interim basis. He previously had stints at the SBA of four years each as deputy executive director and deputy general counsel. He received his law degree from the Florida State University College of Law in 1998.

The political overtones of the job were well known by the last top official.

Mr. Williams said in a 2017 interview with Pensions & Investments that the one risk he thought about the most in his position had nothing to do with being a professional investor.

"It's political risk," Mr. Williams said. "The truth of it is when you're running a public pension plan, any legislature at any time can take steps that are either really positive or really negative."

Mr. Williams could not be immediately reached for comment.

Officials mum on qualifications

There has been plenty of turnover at SBA recently. In data provided to P&I by board officials, the SBA had 88 investment staff members as of Sept. 30, down from 108 investment staff members the day of Mr. Williams' departure.

The search for a permanent executive director began just this year, on Jan. 20, nearly 16 months after the retirement of Mr. Williams, who has since joined J.P. Morgan Asset Management as a vice chairman.

The SBA has also been without a deputy chief investment officer since Alison Romano left to become CEO and CIO of the $32.6 billion San Francisco City & County Employees' Retirement System in June 2022.

Posted on the Governor and Cabinet website, the top job listing says "persons interested in applying for the position of State Board of Administration Executive Director may submit a resume and cover letter through either of the following" and provides a mailing address and email address and an application deadline of Feb. 19.

Those few sentences comprise the entirety of the job announcement, which lacks any description of the responsibilities of the position or required qualifications of candidates interested in taking it on. Ms. Oglesby said in an email "the job has been posted with the information provided" and did not provide further comment.

Michael Kennedy, Atlanta-based senior client manager at executive search firm Korn Ferry, said in a phone interview that the content of the job posting surprised him.

"I've seen the announcement, but I'm surprised that there's not a position description outlined in the criteria to be used for the potential candidates," Mr. Kennedy said. "I'm surprised that wasn't attached."

Mr. Kennedy said that these types of roles overseeing public pension funds "are very desirable positions because they're visible, and they have a great deal of scale to them and as a result of that if you're the executive director and CIO, you're overseeing a significant pool of assets."

Korn Ferry recently assisted the $124.7 billion Minnesota State Board of Investment, St. Paul, in the search for an executive director and chief investment officer to replace the retiring Mansco Perry III. Jill E. Schurtz, the executive director and CIO of the $1.2 billion St. Paul Teachers' Retirement Fund Association, was ultimately hired.

Mr. Kennedy said typically a pension fund's investment committee or board will conduct a search internally or will often utilize an executive search firm to assist in the selection of candidates for a position.

Even if they have a strong internal candidate, a board or investment committee will hire a search firm in order to benchmark that candidate's qualifications against those of external candidates, he said.

"Oftentimes, that person will still get the position, but the board feels that they fulfilled their fiduciary responsibilities by looking outside and assessing talent from outside the organization," Mr. Kennedy said.

Whether the trustees of the Florida State Board of Administration have gone through any of these processes is unknown. When the position was last vacant in 2008, the SBA hired executive search firm Hudepohl & Associates to assist the board in eventually hiring Mr. Williams for his second stint at the head of the organization. He previously led SBA from 1991 to 1996.

Anti-ESG environment

At the SBA trustees' most recent meeting on Jan. 17, they approved changes to the Florida Retirement System's investment policy that said ESG considerations will not be included in investment management of the defined benefit plan.

That was the latest salvo in Mr. DeSantis's war of words against ESG. The newly revised investment policy states the board "may not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote any non-pecuniary factors."

In July, Mr. DeSantis announced plans to propose legislation that would prohibit the SBA from using any managers that consider ESG factors when investing the state's money.

On Dec. 1, fellow SBA trustee Mr. Patronis announced the state's Treasury department was terminating BlackRock from the management of $2 billion in the state's long-duration portfolio and its short-term investment portfolio due to what he termed in a news release as CEO Laurence D. Fink's "campaign to change the world" in utilizing ESG standards. Mr. Patronis' office has investment authority over those portfolios.

Later in December, Mr. Patronis announced he had sent a letter to the SBA's Mr. Taylor recommending the board terminate BlackRock from the $13.2 billion it manages. Bryan Griffin, Mr. DeSantis' spokesman, would not say whether the governor shared those sentiments.

Mr. Taylor referred questions regarding ESG and BlackRock to prior statements by the board.

In a Dec. 8 email, the spokeswoman, Ms. Oglesby, said: "Consistent with our fiduciary duty required by law, all managers used by the SBA are selected solely for the purpose of maximizing financial return, managing risk, defraying reasonable costs and diversifying plan assets, and any investment made by managers on behalf of the SBA is based on contractual terms that incorporate this fiduciary standard of care."

But regardless of Messrs. DeSantis' and Patronis' sentiments, they do not have any authority over the day-to-day investment management of the State Board of Administration. The SBA is a constitutional entity created in the Florida Constitution of 1885 and subsequent legislation delegates the executive director as its chief administrative and investment officer with broad authority.

The trustees have the authority to approve policies recommended to them by the executive director, but they are not involved in the actual investment management of the plan.

As SBA General Counsel Maureen Hazen put it a presentation at the board's Sept. 13 investment advisory council meeting: "This is what the executive director is authorized to do: Pretty much everything. I mean, not quite, but almost. And this goes back to sort of the governance model demonstrating that the trustees are really a policy board."

Despite being assigned significant investment authority, the executive director still must contend with the political risk referenced by Mr. Williams.

While Messrs. DeSantis and Patronis, who have both held their respective offices since January 2019, have made no secret of their disdain for BlackRock and the concept of ESG investing, Mr. Williams has in the past publicly praised BlackRock's embattled CEO.

In January 2020, Mr. Fink announced in an employee letter the firm would incorporate sustainable investment principles firmwide and intended to increase sustainably managed assets more than tenfold over the next 10 years to more than $1 trillion from $90 billion it managed at the time.

In an interview with P&I after the release of the letter, Mr. Williams said that Mr. Fink's letter contained "a very well-chosen message because it effectively bridged the philosophical argument, the tilting-at-windmills aspect of ESG principles that troubled many pension fiduciaries, and the economic reality of investments."

Mr. Williams then said that Mr. Fink's focus on the immediacy of climate change "that is occurring far faster than anyone expected" helped to make his letter "a good, sobering document for the investment industry and the world." He added at the time that while SBA had no ESG investment policy, staff was increasingly focusing on the impact of climate change, particularly rising sea levels along Florida's ocean coast.

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Democratic lawmakers create sustainable investment caucus to address ESG investing

By Courtney Degen
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Two Democratic lawmakers announced the launch of the Congressional Sustainable Investment Caucus on Wednesday, which will aim to inform policy related to environmental, social and governance investing.

"The size and importance of (the ESG) space demands Congressional understanding to understand those markets, to ensure access to those markets and robust investor protections, and to make sure that we have transparent and consistent disclosures and definitions," Rep. Sean Casten, D-Ill., said at a press conference in his office.

The caucus, also known as the CSIC, will be co-chaired by Mr. Casten and Rep. Juan Vargas, D-Calif. Other founding members include Reps. Bill Foster, D-Ill., Raúl Grijalva, D-Ariz., and Emanuel Cleaver, D-Mo., a new release states.

According to the US SIF's Report on US Sustainable Investing Trends, there were $8.4 trillion in sustainable investment assets under management at the beginning of 2022.

"The market has spoken," Mr. Vargas said at the press conference. "To investors across the country, ESG issues are material and must be accounted for when making financially sound and responsible investment decisions."

According to Mr. Vargas, the caucus will inform lawmakers on the benefits of sustainable investment and advise policymaking; host events and discussions with investors, fund managers, companies and regulators; and support federal agencies, including the SEC, in advancing rules and regulations pertaining to sustainable investment.

The announcement comes amid attacks on ESG investing from several Republican state and federal officials, who have often called the movement "woke."

The SEC unveiled a highly contested rule proposal in March that would require public companies to disclose an array of climate-related information in their periodic reports and registration statements. This led to several GOP-led bills, including one in December, that would block the rule proposal, though the bills would need to be reintroduced in the new Congress. The SEC is working to finalize the climate disclosure rule by the end of April, according to their updated regulatory agenda.

Mr. Casten said the creation of the caucus was partly "for defensive reasons," adding that "when capitalism is working well but you're not winning, you tend to call it woke capitalism."

Lisa Woll, CEO of US SIF, said at the press conference that "sustainable investment is in the mainstream of finance" because investors that don't consider ESG factors are "not adequately assessing risk and missing an opportunity to both make better investments and to contribute to a more sustainable economy."

Ceres, a non-profit working to advance sustainable investing, also voiced their support for the CSIC.

"Today, we welcome the formation of the House Sustainable Investment Caucus to help drive better understanding in Congress of the forward-looking and responsible investment practices our economy needs to flourish," said Mindy Lubber, Ceres president and CEO, in a statement.

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