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ESG Fight Injects Fresh Risks Into Public Pension Portfolios.

- **Investment decisions driven by politics seen hurting retirees**
- **Many public pensions in US grappling with funding shortfalls**

When Florida Governor Ron DeSantis emerged as one of the most vocal critics of so-called woke money managers, he thrust the state's pension funds into a red-hot debate.

On one side are Republicans, who say ESG investment strategies leave returns on the table for the sake of political correctness. On the other are Democrats who argue failing to account for climate change will exact steep financial costs in the long term.

Both say they're upholding their fiduciary duty to act in the best interests of clients. Making investment decisions based on anything other than performance would violate that obligation. But some research has found that politically motivated investment decisions can hurt long-term performance, costing some state pension funds billions of dollars as they're struggling to keep the promises made to retirees.

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