Florida Public Pension Trustees Association
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Welcome to the August E-Newsletter

Retirement Crisis Puts Pensions in the Cross-hairs

Kimberlie Prior, CEO

There has been a lot of recent reporting that Americans are not ready for retirement. NIRS's issue brief this past winter showed that the concern cuts across all political lines with 80% of Democrats, 75% of Republicans and 80% of Independents sharing the worry about retirement readiness. Meanwhile Employee Benefit News reported in June that about 44% of Americans said their retirement savings are not on track and 40% said they would struggle to cover an unexpected $400 expense. In July, Northwest Mutual's Planning and Progress survey revealed 22% of Americans have less than $5000 saved for retirement and 15% have no savings at all -- and that last is a conservative number compared to some research reports.

There is more, but it's clear that while the economy is strong, working people are still struggling to keep up.

What does that mean for us? It means we must be diligent in protecting public employee defined benefit pensions. We must strive to be smart, educated fiduciaries. We must also be aware that increasing numbers of people in the private sector have no pensions at all and that their perspective informs their perception.

Indeed, the most recent LeRoy Collins Institute "report card" survey of Florida's municipal plans shows a continuing trend of improvement by their standards. The report states, "The good news is that the number of pension systems receiving an A grade increased significantly, from just 21 pension plans in 2011 to 73 plans in 2017. And, the number of plans receiving an F grade fell substantially during that same time period from 60 in 2011 down to just 4 in 2017." In all, more than two-thirds of Florida's municipal pension plans scored a C or better.

This won't stop people from wanting to do away with your pension plans. In fact, as the economy cools down - as it surely will - pressure will mount for cities to save money at the expense of public workers. The same hue and cry over how much they cost and how lavish the benefits are will return.

That's why it's important for you to communicate the cost effectiveness of your DB plans accurately to those who oppose them, and remind city officials that retirement benefits are key to recruiting and retaining quality professionals.

We've extended an invitation to LeRoy Collins to attend our Fall Trustee School, just as we have reached out to the League of Cities. We believe there are strong arguments to defend your pensions, but we also want to hear about the challenges facing plan sponsors. The best way to tackle a problem is together.

Please know the FPPTA stands ready to support you in your efforts. We have infographics, videos and a vast library of research we can share and make available to you. Our research website, Public Pension Institute, is a good starting point.

Let's tell the good story of how defined benefit pensions help public workers retire with dignity, how cost effective they are, and how much they contribute to the economy. The time to tell that story is now, before we face a crisis.

Industry Round Up

Center for State and Local Government Excellence "Benefits continue to be both a key strength for state and local government (with 88 percent indicating their benefits are competitive in the labor market), and an area for continued changes and experimentation. Some of those changes are in the form of adjusting employer/employee contributions to retirement or health care costs, while others have been more non-economic, such as flexible work schedules (51 percent.)" -SLGE 2019 Workforce Survey

NCPERS “One of the many quirks of today’s pension [GASB} accounting rules is that they value the promise of future contributions at zero, which is unlike any other government obligation, from revenue bonds to purchase orders. [As] a result, the strength of the economy behind the pension plan counts for nothing from an accounting perspective. That is clearly a disservice to pension plan participants.” - Tom Sgouros, author *The Case for New Pension Accounting Standards*

NASRA "Nationally, contributions made by state and local governments to pension trust funds in recent years account for just less than five percent of all spending. Overall, the experience for FY 17 reflects a continuation of an improved effort among state and local governments to make actuarially determined pension contributions: on a dollar-weighted basis, the percentage of required contributions that was paid by public employers increased for the fifth consecutive year, while pension costs continued to grow at a slower pace than previous years." - NASRA Issue Brief

FORBES Magazine "Personal savings are going up, but are typical American families really saving more? The data suggest that mainly high-income earners have been saving more in recent years. Typical Americans likely still do not save much as they struggle with slow income growth and high costs. They are thus vulnerable to economic shocks and to an insecure retirement." Dr. Christian Weller, professor of public policy and senior fellow for The Center for American Progress, puts some perspective on who's saving and who's struggling in this column of July 30th.

Compiled by Fred Nesbitt, PhD, FPPTA Media Consultant

Pension News Clips from July

A Brookings Institute report suggests looking at funding status may not be as important as looking at sustainability. FRS is still working, but despite the good news in Florida, PEW reports there are growing disparities in state pensions. The decline in assumed returns may be necessary but is costing plan sponsors, and can DB participants sue a fully-funded plan? These stories and more in this months pension news clips.

Read More

For the last 10 summers AARP has produced an article in their July Bulletin on "**99 Ways to Save**". We are always looking for ways to save. Some of the ideas have been worthwhile over the years and some downright stupid. To check them out go to AARP's Bulletin. And if you are 50 and have not joined, it is a good deal for your membership gets you lots of discounts.

I have listed some of the ideas that I think are worth using:

Max Out Coupon-ing
Use more than one grocery store savings app. Combine Ibotta, Checkout 51 and Shopmium, and save hundreds of dollars a year.

Regifting Rewards
Buy gift cards for up to 35 percent off their face value at CardCash.com and CardPool.com, where the cards are sold by gift-getters who don't want them.

Retroactive Refunds
Stores will often refund the difference if an item drops in price soon after you buy it. Get the Earny app or Paribus app to find and claim refunds.

Free Credit Reports
Visit AnnualCreditReport once a year to request your score from each of the three credit-reporting companies: Equifax, TransUnion and Experian.

Bundle and Save
Companies charge up to 20 percent less if you get home and auto insurance policies from them.

Raise Your Deductible
An increase from $500 to $1,000 can save you up to 25 percent on a homeowner's premium.

More to Spend Less on Life Insurance
Life insurers have price breaks at certain amounts, called price bands. When you move up a band, the cost per thousand dollars of coverage goes down. If you're looking at a $450,000 policy, get a price quote for $500,000 — it might be cheaper for more coverage.

Reimbursed ATM Fees
Most online banks and some traditional banks will reimburse you for fees incurred when you use another bank's ATM. That can save you an average of $4.68 per transaction.

Hire a Haggler
Not a negotiator? Companies like Billfixers and Billshark will haggle with your cable TV company or other service providers in exchange for a cut of your first

year or two of savings. Billfixers says it saves clients $300 a year. Once a year I call the retention department of our cable company to see what deal they can offer me for the upcoming year. I tell them we cannot afford the current rate.

Mortgage Magic
A 30-year $300,000 mortgage at 4 percent costs $1,432 a month. But if you pay $716 every two weeks, you can cut interest payments by $34,000 over the life of the loan.