FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Tallahassee Firefighter Union "Hopeful" About New Contract

By Shamonee Baker, Tallahassee Reports, January 22, 2021

A prolonged negotiation has now caused the Tallahassee firefighters and the City to enter a special magistrate process to address outstanding issues beginning in February. In the contract summary that the City provided, it states that "The City and Union agreed to the proposed pension contribution reduction of an average of 3%. Pension contribution rates for firefighters hired prior to 10/1/2017 are based on an age 52 retirement as compared to age 65 for general unit employees and age 55 for police officers. Firefighters employed on or after 10/1/17 as agreed to by the parties may retire at age 62." According to the union's website, Tallahassee firefighters' take-home pay is averaged at 14% less than other first responders in the area and they contribute the highest mandatory retirement contribution at 20% when compared to other Florida fire and police departments.

State Retirement System Could See Major Change

By CBSMiami.com Team January 21, 2021

In a potentially major change to the Florida Retirement System, a Senate Republican on Thursday proposed a bill that would require new state employees to enroll in a 401(k)-style plan. The proposal (SB 84), filed by Sen. Ray Rodrigues, R-Estero, would apply to employees joining the retirement system as of July 1, 2022. Currently, employees can choose whether to enroll in a traditional pension plan or what is known as an "investment" plan, which is similar to a 401(k). Republican leaders have long discussed moving away from the traditional pension plan, as many private employers have done. But the idea has run into opposition from groups such as unions that represent state workers. Rodrigues' bill is filed for consideration during the 2021 legislative session, which will start March 2.

Florida should stop doing business with Big Tech, China, Republicans say

By Kirby Wilson, Tampa Bay Times, January 26, 2021

The chairman of the Republican Party of Florida filed a bill Tuesday to stop state and local governments from doing business with some of the conservative movement's top enemies: Facebook, Google, Twitter, Apple, Amazon and the People's Republic of China. The bill, filed jointly by Sen. Joe Gruters, R-Sarasota, the state GOP chair, and Rep. Randy Fine, R-Palm Bay, has two main parts. It prohibits state and local governments from entering into any contract that includes purchasing products made at least 25 percent in China starting in 2023. And starting on July 1, 2021, no state agency or local government is allowed to purchase a product or service from those five technology companies. The bill stipulates that Florida governments would not be allowed to acquire "any good or service made, sold, or provided" by the five tech companies — a sweeping change that would have profound effects on how officials all over the state conduct their business.

[Randy Fine wants state divested from tech giants after Donald Trump's purge from social media]

By Ryan Nicolon, Florida Politics, January 12, 2021

Republican State Rep. Randy Fine is calling on the state to look into its investments with major tech companies and withdraw that money after President Donald Trump was kicked off several social media platforms following last week's Capitol attack. Fine's letter specifically asks the Governor to "order the immediate divestment of any Florida-held equity and debt" in Alphabet (Google's parent company), Amazon, Apple, Facebook and Twitter. "They may get to decide who they do business with. So do we," Fine said. It appears Fine has some back up from Chief Financial Officer Jimmy Patronis, a fellow Republican in the Cabinet. In response to Fine's proposal, Patronis said, "We should consider getting this on the next Cabinet agenda. Big-tech coordinated to shut down conservative accounts but still allows [Venezuelan leader] Nicolás Maduro to spread lies." In 2019, Fine backed a battle against Airbnb after the company removed listings of properties in the West Bank from its website. There too, Fine pushed for Florida to pull any state pension money out of Airbnb. "I will shortly be introducing legislation to forbid any state or local government from conducting any business with these companies, effective July 1 of this year," Fine said. "No Facebook, Twitter, or Google advertising by Florida governments; no use of any Amazon services by any Florida government; no purchases of Apple or Android devices by any government agency."

[Sovereign wealth, public pension giants caught up in U.S.-China tech fight]

By Marc Jones and Tom Arnold, Telecom.com, January 27, 2021

Some of the world's biggest sovereign wealth funds and public pension funds are getting caught in the escalating tensions over technology between the United States and China, a Reuters analysis of their filings data and public disclosures show. They range from Norway and Singapore's giant sovereign wealth funds to Switzerland's central bank and the $1.1 trillion U.S. TIAA, founded over a century ago by Andrew Carnegie as the Teachers Insurance and Annuity Association of America. The Florida State Board of Administration, which manages $200 billion of assets and had small stakes in China Telecom, China Mobile and Xiaomi, according to Refinitiv data, told Reuters it would be adhering to the bans.

[City council's dilemma: should they get full-pay pensions?]

By Michael Lewis, Miami Today, January 26, 2021

A plan we reported last week to give Doral elected officials pensions for life raised some readers' eyebrows. The tax-funded pensions would equal the half annual pay after six years and full annual pay of anyone elected 12 years or more. Payouts could exceed $2 million for a mayor and more than a half million for each council member. To some, that seems a very generous going-away gift starting at age 60 for part-time roles with no firm duties other than to vote at the 30 meetings last year. The City of Miami recently debated restoring pensions for its own elected officials.

[Public Pensions Aren't Causing State and Local Budget Gaps—The Pandemic Is]

By Richard McGahey, Forbes, December 30, 2020

In the drama over the federal Covid-19 relief legislation, Republicans led by Senate Majority Leader Mitch McConnell (R-KY) rejected state and local budget aid, claiming it would be used to bailout badly managed states, including their public employee pension systems. Although Democrats offered a bill preventing that use of federal funds, McConnell still refused to compromise. Why are Republicans so opposed to public pension funding? Forbes contributor Teresa Ghilarducci, one of the nation's top economists on pensions and retirement policy, thinks it might be popular to oppose public pensions because of what she calls "pension envy"—as private sector workers have lost pensions, public employees are now the most likely to have them. 91% of state and local public sector workers have access to pension plans compared with 67% of full-time private sector workers. Both Democrats and Republicans at one time or another have underfunded the pension promises they made to public employees. Those promises were made to get taxpayers loyal public employees without having to pay much up front in salaries. Good pension plans kept public employees in their jobs, helping reduce costly turnover. The fiscal health of the pension sponsor determines whether the costs of funding the pension plan creates fiscal stress for the state. The estimated total pension fund shortfall is less than 0.2 percent of projected gross state product over the next 30 years for most states, and less than 0.5 percent in states with the largest shortfalls. State and local pension problems have been seriously misrepresented in public debates. And since blue states have higher economic growth rates than red states, they have a stronger ability to sustain its pension debt. But states and cities are suffering from the pandemic recession's impact on their economies and budgets, not because of poor management. And instead of attacking public employee pensions, we should be finding ways to get decent retirement coverage for all Americans.

Data Provides Reasons for Encouraging the Offering of DB Plans

By Rebecca Moore, Plan Sponsor, January 7, 2021

In "Pensionomics 2021," Ilana Boivie, a labor economist, and Dan Doonan, the executive director of the NIRS, say, "DB pension benefits not only provide a secure source of income for many retired Americans, they also contribute substantially to local, state and national economies. DB pensions play a vital role in sustaining consumer demand that ultimately supports millions of jobs." The authors add that pension expenditures might be especially vital to small or rural communities, and reliable pension income can be especially important for stabilizing local economies during economic downturns. The analysis for the 2021 report finds that, in 2018, $578.7 billion in pension benefits were paid to 23.8 million retired Americans.

How Measuring Replacement Income Can Aid Assessment of Public Pension Plans

Pew Trust, January 7, 2021

The Pew Charitable Trusts uses three retirement security metrics to assist policymakers in evaluating how well their plans are expected to prepare public workers for retirement. This fact sheet focuses on the replacement income ratio, a commonly cited indicator that illustrates whether a worker might expect to maintain his or her standard of living in retirement. This ratio—also referred to as the replacement rate—is the percentage of a worker's pre-retirement income that is paid out by a retirement plan. Pew's calculation compares a worker's combined income from a state or city pension benefit, plus Social Security, with his or her pre-retirement take-home pay. About three-quarters of state and local employees participate in Social Security. Our research finds that most career workers in state retirement systems with Social Security coverage can expect full or close to full replacement income (a sum that matches their final take-home pay) during retirement.
Editor's Note: View the full report here.

US Pension Spending Supports $1.3 Trillion in Economic Output

By Michael Katz, Chief Investment Officer, January 12, 2021

While public and private defined benefit (DB) pensions are often criticized by politicians and executives as being too expensive to support, a new report from the National Institute on Retirement Security (NIRS) highlights the major impact pensions have on the US's economic output. According to the report, private and public sector DB pensions in the US generated $1.3 trillion in total economic output in 2018, supported nearly 7 million US jobs, and added nearly $192 billion to federal, state, and local government coffers. The study also found that that in 2018, $578.7 billion in pension benefits were paid to 23.8 million retired Americans, including $308.7 billion paid to approximately 11 million retired employees of state and local government and their beneficiaries. The report also found that pension expenditures have "large multiplier effects" in that each dollar paid out in pension benefits supported $2.19 in total economic output nationally. And each taxpayer dollar contributed to state and local pensions supported $8.80 in total output nationally. The research also noted that these pension expenditures are particularly important for small and rural communities where other steady sources of income may not be readily available.

President Biden's Proposed Changes to 401(k) Plans

By Rodney Brooks, USNews, January 22, 2021

President Joe Biden has proposed changes to 401(k) retirement savings plans that will have a big impact on the tax break provided to 401(k) participants. If the Biden 401(k) plan were to become law, the tax deduction for contributing to a 401(k) would be replaced with a tax credit. This 401(k) change would likely result in high earners getting less of a tax break on their 401(k) savings and low and middle earners getting a bigger tax benefit. Here's a look at Biden's proposed 401(k) changes: The 401(k) tax deduction would disappear and workers would instead get a tax credit for 401(k) contributions; The tax advantage of contributing to a 401(k) would be reduced for higher earners and increase for low and middle earners; The creation of an automatic 401(k) for workers without access to a workplace retirement account; Allowing caregivers to make catch-up contributions to retirement accounts. Under current tax law, employees can have a set percentage of their salary invested in a 401(k) and defer paying tax on that money until it is withdrawn from the account. This tax deduction provides the greatest tax break to people with the highest incomes. An employee earning $70,000 a year at the 12% tax rate can put $10,000 into a 401(k) and the tax savings would be $1,200. But a higher earner making $450,000 annually at the 35% tax rate who puts the same $10,000 in a 401(k) gets a tax break of $3,500. Biden's proposal would end the tax deduction for contributing to a 401(k) and replace it with a tax credit. "The proposed tax credit is 26%, whether you are at $70,000 or $450,000." The Biden campaign says this 401(k) change will "equalize" the tax benefits of 401(k) plans among various groups of employees. **The tax changes may also apply to 403(b) accounts for employees of nonprofit organizations, universities and government and 457 accounts for state and local government employees.**

Pension reinstated for Livonia police, firefighters in new union contracts

Susan Vela, Hometownlife.com, January 19, 2021

To recruit and retain quality police officers, Livonia (MI) City Council is **reinstating defined benefit pensions** and, for further enticement, offering more flexible 12-hour shifts. Mayor Maureen Miller Brosnan said those two new elements in the latest three-year union contract means the city is willing to invest in the community as well as its police department, which is now down by 31 officers. The mayor said the potential from adding a pension as an employment benefit is a more diversified workforce.

US Public Pensions' Funded Ratio Soars to Record in Q4

By Michael Katz, Chief Investment Officer, January 22, 2021

The 100 largest public pension plans in the US saw their aggregate funded level surge throughout the year from a low of 66% in the first quarter to end 2020 at 78.6%. It is the highest ratio recorded by the Milliman 100 Public Pension Funding Index (PPFI) since it launched in 2016. The plans ended the year with highs for both assets and liabilities, with their estimated funded status increasing from 72.6% at the end of September, while their aggregate deficit shrank to $1.178 trillion at the end of December from $1.5 trillion at the end of September. Despite the strong end to the year, Milliman cautions that the extent to which the pandemic will impact plan sponsors' ability to fund public pensions remains uncertain. The plans had aggregate investment returns of 8.36% in the final quarter of the year, with estimated returns for individual plans ranging from 4.21% to 12.04%, while the overall annualized return for the 12 months ending Dec. 31 was 11.4%. Meanwhile, the total pension liability (TPL) grew to an estimated $5.513 trillion at the end of the year from $5.472 trillion at the end of the third quarter. And the number of plans in the index with a funded level higher than 90% nearly doubled during the quarter, as 29 of the

100 plans ended the year above that threshold, up from 15 the previous quarter.

Investment Earnings Drive 71% of Public Pension Revenue

StreetSider.com, January 26, 2021

Annual Survey Underscores Traditional Pensions' Safety and Reliability. Earnings on investments accounted for 71 percent of public retirement system revenues, while employer and employee contributions provided 20 percent and 9 percent respectively, according to an annual study by the National Conference on Public Employee Retirement Systems. The share of revenues that comes from investment earnings edged up from 69 percent a year earlier, while the employer contribution dipped from 22 percent. The employee contribution share was unchanged, according to the 2020 NCPERS Public Retirement Systems Study. The annual study, based on responses from 138 state and local pension systems, illustrates in granular detail the fiscal and operational integrity of public pensions, according to Hank H. Kim, executive director and chief counsel of NCPERS. "The data show that a long investing horizon uniquely positions pensions to provide safe, reliable retirement income for millions of public servants," Kim said. "Employers and employees play critical roles by paying into pension funds, but patient, long-term investing is what truly differentiates public pensions from other retirement vehicles." Survey participants had 12.8 million active and retired members and assets exceeding $1.5 trillion in actuarial and market value. They were roughly evenly split between statewide pension systems—51 percent—and local pension systems—49 percent.