FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS JULY 2021 ON FLORIDA PENSION ISSUES
Prepared by Fred Nesbitt, FPPTA Media Consultant – fnesbitt911@gmail.com

Florida threatens Ben & Jerry's ice cream sanctions on Israeli boycott

By Camila Hawking, Florida News Times, July 24, 2021

Florida and Texas have both threatened sanctions on Ben & Jerry's ice cream after Ben & Jerry's announced that he would boycott the sale of products in the Israeli-occupied Palestinian territories. Florida Chief Financial Officer Jimmy Patronis advised Ben & Jerry's and its London-based parent company Unilever that Florida would be barred from investing in either company. In addition, businesses are no longer eligible to enter into or renew contracts with state or local governments. "Florida law prohibits the state from investing in companies that discriminate against Israel by refusing to process or terminate business activities on discriminatory issues," Patronis told Ben & Jerry's CEO Matthew McCarthy. Patronis added that he intends to raise the issue at the state cabinet meeting on September 21st. Patronis, Governor Ron DeSantis, and Attorney General Ashley Moody are trustees of the Board of Directors overseeing the State Pension Fund. In January 2019, when the company delisted about 200 West Bank properties, a similar action was easily taken by the state management committee on the home-sharing platform Airbnb. A few months later, when Airbnb changed its policy, the state ban was lifted.

Florida Pension System's John Bradley Builds Conviction Around Oil and Gas

By Preeti Singh, Wall Street Journal, July 12, 2021

This year's acceleration in deal making and fundraising, coupled with the rise in liquidity solutions in recent favor such as blank-check companies and sponsor-led continuation funds, has posed new challenges for backers of private-equity funds even as it has opened up fresh opportunities. WSJ Pro Private Equity caught up with John Bradley, senior investment officer, private equity at the Florida State Board of Administration to learn more about how the roughly $194.7 billion pension system is positioning its private-equity portfolio. The article contains the entire interview.

Public sector pensions are prime beneficiary of federal COVID relief grants

By Keith M. Phaneuf, Connecticut Mirror, July 7, 2021

Editor's Note: The headline is very misleading and the story tries to convince the reader that since the proposed state budget will have a surplus at the end of two years, that the stimulus money will be going to fund state pensions. VERY MISLEADING as the law prohibits state and local government from using funds from the American Recovery Act to fund or reduce the liabilities of public pensions.

Public Retirement Benefits Not What They Used to Be

By Rebecca Moore, Plan Sponsor, July 1, 2021

A report from the National Institute on Retirement Security (NIRS) that aimed to examine Americans' views on public retirement plans says state and local pensions are funded from three sources: employer contributions, employee contributions and investment earnings. Between 1993 and 2018, about 25% of public pension fund receipts came from employer contributions, 11% from employee contributions, and about 64% from investment earnings. "This means that earnings on investments historically have made up the bulk of pension fund receipts, even during two market downturns, and taxpayers are funding only a portion of these benefits," the NIRS says. Nearly three-fourths (72%) of respondents to an NIRS survey agree that state and local employees should receive pensions because they help finance part of the cost by contributing money from each paycheck. Sixty-nine percent say public school teachers deserve a pension to compensate for their lower pay. Similarly, Americans say high-risk jobs are another reason that public employees should receive a pension, with 76% in agreement. In addition, more than three-fourths (77%) of Americans say all workers, not just state and local employees, should have access to a pension.

Now Is The Time To Re-Think Retirement Plan Conventional Wisdom

By Dan Doonan, Forbes, June 30, 2021

Retirement plan design can make or break an employee's ability to maintain their standard of living in retirement. Over the past several decades, many private sector companies implemented a complete overhaul in retirement plan design, shifting from defined benefit pensions to 401(k)-style defined contribution accounts. Originally designed to supplement rather than replace pensions, 401(k) plans have become the primary employer-sponsored plan for many U.S. workers. This transition meant sacrificing a number of important features of pension plans and economic efficiencies. Lost were key attributes unique to pensions that strengthen retirement security: lifetime income, longevity risk pooling, mandatory participation, pooled investments managed by professionals, disability and survivor protections, and targeted income replacement. These inherent advantages of pensions mean that these retirement plans can deliver nearly double the retirement benefits at the same cost as compared to a 401(k)-style defined contribution plan.

Analysis: Illinois public pension plans are 39% funded, 2nd lowest in U.S.

The Center Square, July 19, 2021

The funded ratio of the Illinois public pension plans is estimated at 39 percent, the second lowest percentage among the 50 states, according to a new analysis from the Tax Foundation based on fiscal-year 2019 data. New Jersey had the lowest funded ratio at 36%. **Florida** ranks #18 at 77% pre-funded. Number 1 is South Dakota, pre-funded at 99%. Nationwide, 17 states had pension plans whose funded ratio was less than 66.7 percent, while five had funding ratios below 50 percent, the study states. Historically, state pension funds were classified as defined-benefit plans, which guarantee retirees an annuity for life. More recently, however, states have created defined-contribution plans for new hires, allowing workers to oversee individual accounts and helping states to reduce liabilities over time, the analysis said.

June Marks First Decline in DB Plan Funded Status in Eight Months

By Rebecca Moore, Plan Sponsor, July 9, 2021

The funded status of U.S. corporate defined benefit (DB) plans declined in June, with Insight Investment measuring it at 94%. The firm says liabilities increased by 2.3% as discount rates fell approximately 21 basis points (bps)—largely due to a decline in Treasury rates. Assets increased by 1.2% due to positive equity and fixed-income performance.

Pension Funds Should Report Performance on a Monthly Basis, Markov Says

By Sarah Min, Chief Investment Officer, July 12, 2021

All public pension plans in the US should start reporting their returns on a monthly basis to improve transparency at their funds, say researchers at Markov Processes International (MPI). Moving to monthly data reporting happens to be something the New Jersey-based investment researcher could help with. The company has built its business using returns-based techniques to evaluate whether financial disclosures at funds match up with their asset allocations. The monthly returns analysis can help provide insight into public pension funds in the US that are less transparent, the researchers said. It's a concern for a number of pension funds that have recently been swept up in transparency scandals in states such as Pennsylvania and California. Understanding trustees' risk tolerance, walking board members through the ins and outs of opaque investments, and setting expectations for performance are all more fundamentally needed to encourage transparency at pension funds than is more frequent reporting, allocators say.

Milliman: Public pension funding rises to 82.6%, highest level for index

By Rob Kozlowski, P&I, July 21, 2021

The overall funding ratio of the 100 largest U.S. public pension plans rose to 82.6% as of June 30 from 79% three months earlier, according to the Milliman 100 Public Pension Funding index. The funding ratio is the highest recorded since the inception of the index, according to a news release. It is also the first time since Milliman began the index that the estimated deficit fell below $1 trillion, to $975 billion as of June 30 from $1.17 trillion as of March 31. During the quarter ended June 30, Milliman estimates the public pension plans had an aggregate investment return of 4.26%, with an estimated range of 2.54% to 6.75%. For the 12 months ended June 30, the annualized return was 20%.

Public pension funding topped key threshold on stock-market gains

By Andrea Riquier, Market Watch, July 27, 2021

Public pension-plan funding topped a key benchmark for the first time in tracking history during the second quarter, buoyed by surging financial markets, according to a report released in July. The funded ratio — a metric that describes the amount of assets on hand to pay all expected liabilities for the coming 30 years — rose to 82.6% at the end of June for the 100 largest plans in the country, according to the Public Pension Funding Index from actuarial group Milliman. That's the highest since Milliman began tracking in 2016, and suggests that the largest public pensions, in aggregate, are in better shape than in the past. An 80% funded ratio is often loosely considered a satisfactory level for pensions sponsored by state and local governments and other municipal entities. It's worth noting that more recent scholarship suggests that full funding for public pensions isn't necessary, and that they would do fine with a pay-as-you-go approach, as Social Security does. Still, there are plenty of larger pension plans that remain dangerously underfunded.

Cliffwater: U.S. state pension plans' 10-year returns drop in latest annual report

By James Comtois, P&I, July 29, 2021

U.S. state pension plans saw average median returns of 8.6% and 5.8% for the 10 and 20 years ended June 30, 2020, respectively, said Cliffwater's most recent annual state pension performance report. State plans saw an average annualized return of 9.7% for the 10 years ended June 30, 2019. Pensions & Investments' Pension Fund Returns Tracker shows that the two top-performing state pension plans for the 10 years ended June 30, 2020, were the Oklahoma Teachers' Retirement System and the combined defined benefit plans portfolio managed by the Minnesota State Board of Investment, both returning 9.7%. The report revealed that state plans benefited from not being 100% passive. According to Cliffwater, 75% of state pension plans outperformed a 100% passive portfolio that used a 70% global stocks/30% U.S. bonds allocation over 10 years, while 88% of plans outperformed the same passive 70%/30% mix over 20 years. As of June 30, 2020, the pension plans had an average asset allocation of 46% public equities, 32% alternatives, 21% fixed income and 1% cash. These figures were unchanged from the previous fiscal year.