PENSION NEWS CLIPS JUNE 2021 ON FLORIDA PENSION ISSUES
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The city of Hollywood has a pension debt problem | Opinion

By Raheem Williams and Marc Joffe, Sun Sentinel, June 25, 2021

Despite strong revenue growth over the last decade, the city of **Hollywood's** balance sheet is upside down. The city's most recent financial statement showed a negative net position of $400 million. This amounts to over $2,600 in red ink for each of its 151,000 residents. Hollywood's financial challenges are primarily attributable to over $1 billion in pension and retiree healthcare debt. The three pension systems offered by the city, which provide benefits for firefighters, police officers and general employees, are each approximately 58% funded. By pulling more and more funds from the city's budget each year, this debt could threaten other public priorities like road repairs, public safety and essential government services. If Hollywood's economic growth plateaus or another recession hits, there will not be enough money to both pay retirees and fund essential services. This will likely mean increased taxes, higher contribution rates for employees or benefit cuts. Other large cities in Broward County don't have these issues. **Fort Lauderdale's** employee pension plans, for example, are over 93% funded. Funding for Hollywood's pension plans has deteriorated sharply since 2000, when all three plans had more than 80% of the assets they needed to pay for future benefits. One reason for this is that the city's pension plans use overly optimistic investment return assumptions. For example, the city's Fire and General plans assume annual investment returns of 7.5% and the Police Plan assumes 8%. The average return assumption nationwide is only 7%, and a half of a percentage point difference can add hundreds of thousands more in debt each year. As the Sun Sentinel reported in 2019, Hollywood is one of only five Florida cities to offer pensioners a so-called "13th check" — an extra monthly pension payment when asset returns are strong. To secure the retirement of its public servants and protect taxpayers, city policymakers need a better plan to fund their pension plans and manage the costs of their health plan.
Raheem Williams is a policy analyst and Marc Joffe is a senior policy analyst at Reason Foundation.
Editor's Note: The article below is a response to this opinion piece. Sadly, many of the statistics quoted in the article are inaccurate – our last FPPTA conference shared correct data with attendees with regard to assumed rates of return, etc.

Hollywood is taking steps to handle its pension liabilities | Opinion

By Wazir Ishmael, Sun Sentinel, July 3, 2021

The city of **Hollywood** is aware of and acknowledges each year through its Comprehensive Annual Financial Report the outstanding liabilities in the city's retiree pension and health benefits. For transparency, the report is available on the city's website. Omitted from the Reason Foundation's opinion piece on our pension liabilities, "The city of Hollywood has a pension debt problem," are the multiple steps the city has and continues to take to address its liabilities. Writers Raheem Williams and Marc Joffe contrast Hollywood's retiree health care costs with those of Fort Lauderdale. They state that **Fort Lauderdale** stopped offering retiree insurance premium subsidies to employees hired after 2015. The piece neglects to mention that Hollywood has done the same for general employees hired after April 2016 and for police and fire employees as of 2018. The capping of these subsidies is important: They will continue to diminish and eventually be paid off entirely as those employees who remain entitled process through their eligibility. The Reason Foundation's piece also contrasts Hollywood with the city of

Weston — a relatively young city incorporated in 1996, with only ten employees, no legacy pension or retiree health liabilities and no unions to collectively bargain for such benefits. Weston outsources all its service provision, and so while no pension or retiree health care liabilities show on its financial statements, it does pay its proportionate share of pension and retiree health care liabilities through its contracts with, for example, the Broward Sheriff's Office. As to pensions, Williams and Joffe state that the fire and general plans assume annual investment returns of 7.5% and police 8%. If they had simply reached out to city officials, they would have found that last October, the assumed rate of return for the general employees pension plan decreased to 7.3%. This new return comports to the Florida Department of Management Services data on the 488 pension plans throughout Florida that have a median assumed investment rate of return of 7.25%. The fire plans in the statewide report have a median assumed investment rate of 7.38%, and Hollywood's fire plan is at 7.5%. The police plan is indeed at 8%, but it earned 7.93%, so the assumed rate of return is being met by the actual rate of return. In addition, Hollywood continues discussions with all of our pension boards about additional reductions in the assumed rate of return. In summary, while the opinion piece is accurate in portraying the liabilities the city has reported in pensions and retiree health care benefits, several inaccuracies and omissions could have been avoided if either the Reason Foundation or the Sun Sentinel reached out to the city before publishing. Missing altogether from the opinion piece are the multiple steps the city, its pension boards and collective bargaining units have accomplished that achieved reductions in excess of $200 million in retiree health liability, and the significant strides made in lowering assumed rates of returns and increasing employee contributions, serving to address the pension liabilities and thereby moving the city away from a pension debt problem. We are confident that these steps will in fact promote the future sustainability and growth of the city's financial health.

'Is It Legal?' County Takes No Action, For Now, On Retirement Plan Back Funding That Could Cost $1.9 Million

By William Reynolds, North Escambria.com, June 4, 2021

The Escambia County Commission took no formal action on reimbursing up to $1.9 million in lost retirement income for commissioners and top-level employees after they were allegedly never told of a retirement plan option. The discussion left one commissioner asking if the payout is legal, and one public official saying she controls the county's checkbook and does not like the idea. It's called a 401(a) annuity program, and under state statute is offered only to senior management service employees and commissioners that opt out of the Florida Retirement System (FRS). It's available statewide, not just in Escambia County. The plan does not cost Escambia County taxpayers anything extra when contributions are made in a timely fashion; the employee contributions are exactly the same whether or not the money goes into FRS or the annuity program. FRS has significant administrative overhead and fund liability that is funded from employee contributions. The 401(a) annuity plan participant costs are lower, so participants can earn significantly more retirement dollars. Escambia County has offered a 401(a) annuity program to senior management employees and elected officials since 1997.

2021 Update: Public Plan Funding Improves as Workforce Declines

By Jean-Pierre Aubry and Kevin Wandrei, Center for Retirement Research at Boston College, June 2021

The key findings from this study from the Center for Retirement Research are: The aggregate funded ratio improved from 73 to 75 percent from FY 2020 to 2021. At the same time, contribution rates rose from 21 to 22 percent of payrolls. While initial expectations for public pensions were low due to COVID, financial markets rebounded and municipal tax revenues were quite resilient. Yet one other COVID-related factor – cuts to the state and local workforce – impacted public pension finances in FY 2021.These cuts had little impact on funded status and required contribution amounts, but they do explain the rise in contribution rates, which are expressed as a share of lower payrolls.

[U.S. public pension plan funding rises to 74.7% in fiscal year 2021 – CRR]

By Rob Kozlowski, P&I, June 11, 2021

The estimated aggregate funding ratio of U.S. public pension plans has increased to 74.7% in fiscal year 2021, a report from the Center of Retirement Research at Boston College said. It is an increase of nearly 2 percentage points from the estimate of 72.8% for fiscal year 2020.

[Unfunded Pension Liabilities Have Increased by More Than $900 Billion]

By Cristian Bustos, Entrepreneur, July 1, 2021

According to a report by the American Legislative Exchange Council (ALEC), unfunded state pension liabilities in the U.S. total $5.82 trillion, equivalent to more than $17,000 for every person in the U.S. This represents a $900 billion increase from the council's last year report. The document surveyed more than 290 state-administered public pension plans, listing assets and liabilities within the 2011-2019 period. In the report, ALEC asserts that the cumulative growth of pension payments is putting enormous pressure on state governments, which have to relocate revenue that otherwise should be destined to essential services like public safety and education or tax relief. ALEC's study has also found that the 10 states with the biggest unfunded liabilities have grown rapidly, hence increasing their share of total unfunded liabilities in the U.S. These means that California, Illinois, Texas, Ohio, New York, New Jersey, Pennsylvania, **Florida**, Georgia and Massachusetts, "make up 58% of all unfunded liabilities in the country, up from 57% last year. A change from defined-benefit to a defined-contribution system similar to how 401(k) plans work for employees in the private sector will "improve the health of state pension plans and give them more control over their own retirement savings." This could give public workers more flexibility with their retirement contributions and the opportunity to use their retirement savings in new positions or careers.

[Letters to the Editor: Don't judge me because I collect a pension. I earned that money]

Opinion Letter, Los Angeles Times, May 30, 2021

To the editor: I have a pension and sometimes encounter people who express deep resentment toward retirees like me. They seem to think we are freeloaders or worse. ("We loved our pensions. Then our employers took them away. How was that allowed to happen?" Opinion, May 19). I have always thought of my pension as deferred compensation, since I worked in the public sector for less than I could have earned in the private sector. I feel no guilt about my pension, because I worked in an income-generating office where my personal projects brought between $80,000 and $100,000 per year. Because of a disability, I had to take an early retirement. Thanks to my pension and the so-called entitlement program of Social Security, I am able to live frugally and expect to die long before I become a burden on society. Remember, folks: If you're judging, you don't have all the facts.
Margaret Hamilton, Portland

[The looming retirement crisis looks to states to step up]

By C.J. Marwitz, Benefits Pro, June 03, 2021

A sizeable chunk of the U.S. working adult population has nothing saved for retirement and only Social Security to look forward to. Which is why several states, as well as the retirement industry, are working to bring retirement plans to employees whose employers can't afford to offer them. Since 2012, at least 45 states have implemented or considered establishing state-facilitated retirement savings programs. During the 2020 legislative sessions, at least 20 states and cities introduced legislation or formed study groups to explore options. Today, 13 states and 2 cities have enacted new programs for private sector workers.
Editor's Note: Excellent Q&A on this topic.

[Meadville police see an unusually high number of resignations]
By Mike Crowley, Meadville Tribune, June 5, 2021

An ongoing exodus from Meadville Police Department could leave staffing for the crews that patrol city streets depleted by more than 30 percent next month. City officials said an unusually high number of resignations was likely related to the superior benefits offered by other agencies in the region. The four officers who have or are expected to resign were all hired **after the department switched from traditional pension to a defined contribution plan in 2015**. The change was described in budget discussions at the time as a "critical" element in "long-term pension reform" required to make city expenses more manageable. Eventually, all city positions eligible for retirement benefits were converted to defined contribution plans. Mayor LeRoy Stearns was a member of City Council when the move was approved and expects to see other municipalities in the region follow suit eventually. The impact for the department's remaining officers likely means an increase in overtime.
Editor's Note: I don't like to say this, but, "I told you so."

[Puerto Rico enacts law to halt pension plan cuts]
By James Comtois, P&I, June 11, 2021

Puerto Rico Gov. Pedro R. Pierluisi signed into law a bill preventing future cuts to pension payments. The bill, HB 120, rejects cuts to pension benefits proposed by Puerto Rico's Fiscal Oversight Board, which Mr. Pierluisi said in a news release that there is "no fiscal or legal justification" for its proposed cuts. Mr. Pierluisi added that he found the cut proposed by the board "unfair because it affects the finances of thousands of former public servants who would suffer another blow to their pensions, all due to a legal whim of the board."

[Pensions under fire after PE underperforms]
By Adam Lewis, Pitch Book, June 13, 2021

For decades, state pension funds have relied on the private equity industry to invest retirement savings for teachers, firefighters and other public-sector employees. But in recent years, critics of alternative assets have argued that pension managers, who oversee some $4.5 trillion across the US, would be better served investing in low-cost index funds that track the S&P 500 and avoiding PE's high fees. This past week, public pension fund managers threw PE detractors more red meat, raising larger questions about the longstanding practice of smoothing returns and who exactly holds pension fund managers accountable when they underperform. In Pennsylvania, a half-dozen trustees on the board of the Pennsylvania Public School Employees' Retirement System, a $64 billion pension fund, have reportedly called for the resignation of executive director Glen Grell and CIO Jim Grossman. The trustees have denounced the pension fund's investment performance and its payment of management fees totaling more than $4.3 billion over the past four years, exceeding the roughly $4.2 billion paid in by fund beneficiaries, The Wall Street Journal reported.

[Pension Worries Ease for States, Localities on Stimulus, Stocks]
By Fola Akinnibi, Bloomberg Markets, June 15, 2021

Public pensions performed better than anticipated during the pandemic, easing the financial strain on state and local governments sponsoring the plans, thanks in part to U.S. aid and stock market gains. The massive federal stimulus has helped head off the dire revenue picture that many governments were facing early in the pandemic. At the same time, record stock market gains and past changes to public pension operations helped drive funded levels higher and push pension management down the list of concerns for state and local governments, at least for now, according to a report from Municipal Market Analytics. As a result, aggregate funding levels for state and local pension funds increased to 74.7% from 72.8%, according to a June report from the Center for Retirement Research at Boston College.

[Despite Market Rebound, Rising Unemployment Hurt Public Pensions]

By Michael Katz, Chief Investment Officer, June 16, 2021

Although cuts to state and local employment in response to the COVID-19 pandemic had only a minor impact on public pensions' funded ratios, they did cause a rise in the required contribution rates, according to a recent report from the Center for Retirement Research (CRR) at Boston College. The report said that despite better-than-expected revenue for state and local governments during fiscal year 2020, a "dramatic reduction" in the size of the state and local workforce has negatively impacted public pension finances. State and local governments laid off nearly 1.5 million workers between March and August 2020, which represents an approximate 0.5 percentage point drop in state and local government employment as a share of the total US population. A 0.5 percentage point drop might not seem like much in response to a major event like a pandemic, but the report said it is similar to the decline seen in the wake of the 2008-09 financial crisis, but that drop took place over a much longer period of time.

These public pension systems used to have too much money. Now they're in crisis. What happened?

By Katie Marriner and Andrea Riquier, Market Watch, June 23, 2021

It's tempting for governments to pull back on funding pensions when times are good but near-impossible to make it up when they're not. In 2001, some of the country's biggest public pension systems were flush. The plan serving Kentucky state workers, for example, was 125.8% funded, meaning it had 25.8% more money on hand to pay all of what it owed current retirees and workers expected to retire for the next 30 years. But not even two decades later, Kentucky's pensions, and some other previously over-funded plans, were in crisis. What happened? In Kentucky, lawmakers approved extra benefits for plan participants — even making them retroactive. There and in other states, legislators decided to skip making necessary payments, freeing up budget money for tax cuts or other expenses. And in every city and state across the country, the financial crisis hit investments hard. At some point, a few careless decisions turned into a crisis. The other two states are New Jersey and Pennsylvania. "Well-funded pension systems are an attractive target for both employees and employers to approve additional awards," said Matt Fabian, a partner with Municipal Market Analytics. What seems like "extra" money, in other words, can be attractive to raid.

'Know Your Social Security Act' Introduced in Congress

By John Sullivan, 401k Specialist, June 25, 2021

The "Know Your Social Security Act" will clarify the requirement for the Social Security Administration (SSA) to mail a yearly Social Security statement to eligible workers. Since 2011, SSA has only mailed annual statements to a limited group of workers: those who are age 60 years or older, are not receiving Social Security benefits, and have not registered for an online account with SSA. Specifically, the bill will require the SSA to mail an annual Social Security statement to all workers aged 25 and older with covered earnings who are not receiving Social Security benefits. The statement shows how much a worker has earned each year of their career; the worker's contributions to both Social Security and Medicare; and the worker's estimated Social Security retirement, disability, and survivor benefits. It also tells workers how to ensure the accuracy of their earnings record so that in the future they will receive the correct Social Security benefit amount.

Judges don't bite on DB defense applying to DC in ERISA cases

By Robert Steyer, P&I, June 28, 2021

Seeking to defeat ERISA complaints, some defined contribution sponsors are using a 13-month-old, pro-sponsor ruling by the U.S. Supreme Court that addressed defined benefits plans. However, at the federal District Court level so far, most judges have rejected this DC legal defense, citing the Supreme Court's 5-4 ruling as making a distinction between DC and DB. The key issue was whether DB participants had standing to sue if they weren't hurt by a sponsor's plan management. Because the DB plan was overfunded in the case of Thole et al. vs. U.S. Bank, NA, the Supreme Court said plaintiffs weren't harmed and thus lacked standing.