FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Departments weigh whether officers who die of COVID-19 should receive line-of-duty death benefits

By Karla Ray, WFTV.com, September 8, 2021

Across the country, more than 130 first responders have died so far this year from the virus. 9 Investigates learned, though, that not all of these deaths will be considered for line-of-duty death benefits. It comes down to proving exposure at work, which is often difficult to do for an officer who may come into contact with many people throughout their workdays. There is now a legislative effort underway to give all first responders the benefit of the doubt in the event of a COVID-19 death, but that won't be heard by lawmakers for months. The Coastal Florida PBA represents thousands of first responders along the coast, from St. Lucie to Clay counties, and Scudiero said this issue is coming up daily as COVID-19 claims the lives of more first responders. Though most law enforcement and firefighters will have medical bills covered under insurance plans, the benefits vary greatly if an officer is considered to have died in the line of duty. "Most agencies right now are flying by the seat of their pants on this: they really don't have the direction, they're waiting for clarity from the court system, the legislature, it's really the wild, wild west right now." A proposed change to state law would include COVID-19 in a list of ailments that would allow first responders the presumption that the virus was contracted on the job, which could level the playing field from agency to agency. However, that wouldn't be heard by the legislature until January, and it may not be retroactive. It also currently includes a provision that requires first responders to get a fully FDA approved vaccine in order to qualify for protections.

Florida pension leader says on track to restrict Unilever

By Ross Kerber, Yahoo Finance, September 21, 2021

Florida's top pension investment officer said he expects the state will restrict purchases of Unilever PLC assets starting in late October after the company's Ben & Jerry's brand halted sales in the Israeli-occupied West Bank. Ash Williams, chief investment officer of the Florida State Board of Administration, which oversees pension assets, said at a webcast state hearing that "we've not seen any meaningful response from Unilever" after discussions with the company. Florida's funds have about $139 million worth of Unilever stock, bonds and subsidiary holdings. State rules would not require the sale of those assets but would prohibit pension leaders from further purchases as of Oct. 26 unless the company changes course.

House Ways and Means Committee Approves Medicare Expansion

By Yuval Rosenberg, Yahoo Finance, September 10, 2021

The House Ways and Means Committee voted to advance a measure expanding Medicare coverage to include vision, hearing and dental care. Under the plan, vision benefits would begin in 2022 and hearing would be added in 2023 while dental coverage would start in 2028. The 24-19 vote to send the measure to the House Budget Committee fell almost entirely along party lines, with Rep. Stephanie Murphy (D-FL) joining Republicans in voting against it.

[Lawmakers Introduce Legislation to Establish Portable Retirement Accounts]

By Rebecca Moore, Plan Sponsor, September 23, 2021

Congressman Jim Himes, D-Connecticut, and Senator Mark Warner, D-Virginia, have introduced the Portable Retirement and Investment Account (PRIA) Act of 2021, designed to provide a retirement savings vehicle to Americans who don't have access to one. The legislation would establish a Portable Retirement and Investment Account (PRIA) Fund and a board responsible for establishing regulations for the fund. The bill says the board will manage the fund in the same manner as the Federal Thrift Savings Plan is managed. The PRIA Act authorizes the director to invest each account into a target-date fund (TDF) based on when the account holder will reach age 65. This is called a PRIA Basic Account. Once assets reach a certain amount, the director would contract with an entity to act as trustee and manage the investments. Individuals could elect to roll over their PRIA Basic Account to a PRIA Choice Account, which would allow them to select their own investments. Accounts for individuals would be established soon after a Social Security number is issued for them. Accounts would start with a $500 contribution, and the government would deposit $50 into the account of anyone who completes financial literacy training.

[400,000 More Americans on Social Security Died Last Year Than in 2019]

By Ethen Kim Lieser, The National Interest, August 30, 2021

The figure represents an eye-opening seventeen percent year-over-year increase and such double-digit surges were seen across groups that included retirees, spouses, widows, and the disabled. Newly released data from the Social Security Administration (SSA) have revealed that there were nearly four hundred thousand more beneficiary deaths in 2020 over the number witnessed in 2019. The figure represents an eye-opening seventeen percent year-over-year increase and such double-digit surges were seen across groups that included retirees, spouses, widows, and the disabled. According to the U.S. Centers for Disease Control and Prevention (CDC), largely due to the ongoing coronavirus pandemic, approximately five hundred thousand more deaths occurred in the United States in 2020 compared to 2019. Finance experts still say that it is hard to deny the benefits of waiting till age seventy to collect Social Security—which would make one eligible for the absolute maximum payout of $3,895 per month. For comparison, at sixty-two, the earliest possible age to collect, it stands at $2,324. And at full retirement age—currently sixty-six and two months—the maximum benefit is $3,113. However, waiting till age seventy to file does come with its own risks—as one could die earlier than anticipated and end up with less money overall from the Social Security program.

[How Nashville and Davidson County Pension System Got 115% Funded]

By Christine Giordano, Chief Investment Officer, August 30, 2021

For the first time since 2000, the $4.4 billion Metro Government of Nashville and Davidson County's pension system in Tennessee is fully funded, with the plan finishing the fiscal year at 115% funded on a market value basis. The Nashville & Davidson County Metropolitan Government Employees Benefit Trust Fund was up 35.99% for the fiscal year ending June 31 while the benchmark was up 25.78%. "The fund had good, high performance from all asset classes with private equity contributing the most, but even traditional fixed income exceeded the benchmark by over 700 basis points [bps], mainly due to the low duration call," Chief Investment Officer Fadi BouSamra told CIO. The plan targets 42% of its fund to alternative investments, consisting of 12% real assets, 12% private equity, and 18% alternative fixed income.

Stark Inequality: Financial Asset Inequality Undermines Retirement Security

By Tyler Bond, National Institute on Retirement Security, September 2021

This report finds that economic inequality continues to grow, with Blacks and Hispanics owning only a sliver of financial assets. Even though the Gen X and Millennial generations are more diverse, whites continue to dominate when it comes to accumulating financial assets. This economic inequality ultimately translates into financial insecurity in retirement, which is exacerbated by the shift from pensions to individual 401(k) savings accounts. This research is based upon data from the Federal Reserve's Survey of Consumer Finances. It examines financial asset ownership by net worth, generation, and race, and considers three generational cohorts: Millennials, Generation X, and Baby Boomers. Millennials are assessed in 2016 and 2019, while Generation X and Baby Boomers are assessed in 2004, 2010, 2016, and 2019. The research examines financial assets, a broader category than retirement assets.

DiNapoli draws praise for lowering NY State's assumed pension return rate

By Paul Burton, The Bond Buyer, August 30, 2021

New York State Comptroller Thomas DiNapoli cited the strength of the state's pension system in lowering the long-term assumed rate of return on investments by the $268 billion Common Retirement Fund. The rate will drop to 5.9% from 6.8%, DiNapoli said in approving a recommendation from retirement systems actuary.

The Social Security Trust Fund Is in Better Shape Than Expected. For Now

By Ginger Szala, Think Advisor, September 1, 2021

The latest Social Security Trustees report — typically released in April — had bad news: The projected date that the Old-Age and Survivors Insurance Trust Fund, which pays benefits to retirees, was to be depleted by 2033, one year earlier than reported in 2020. The Disability Insurance Trust Fund will pay benefits until 2057, eight years earlier than last year's report. Once the funds are depleted, the OASI should be able to pay 76% of scheduled benefits, while the DI will pay 91% of scheduled benefits. But this is better than some retirement experts feared at the height of the pandemic. Last year's report projected that the combined OASDI funds could be depleted by 2035. During the pandemic, there was analysis circulated that this date could be moved to as early as 2029. In the end, it's only one year sooner at 2034. The bottom line is that we've known for years that either taxes collected will need to rise, benefits will need to be reduced, or inflation adjustments will need to be more modest. It's more than likely that politicians will wait as long as possible before making the hard choices, but the alternative of a 24% benefit cut is a political death sentence.

OPINION | Public pensions remain a safe bet for retirees

By Dragan Mejic, Colorado Politics, September 7, 2021

Public pension systems are one of the biggest weapons against poverty that most people have never heard of. Nearly 26 million active and retired public employees nationwide rely on public pensions for a secure retirement. Beyond that, they are a sound investment for cities and states, ensuring retirees can cover their living expenses as they age and pumping money back into local businesses and economies. Nationally, each dollar invested in public pensions creates $8.48 in economic activity.

Do all state and local workers receive lifetime annuities?

By Alicia H. Munnell, Market Watch, September 7, 2021

The conventional wisdom is that all state and local government workers receive a lifetime annuity from their employer pension plan. Is that true? My colleagues were particularly concerned about the roughly 6.5 million

employees who do not participate in Social Security (known as "noncovered" workers). They first focused on defined benefit (DB) plans, in which 88% of all state and local workers and 98% of noncovered workers participate. Within this "annuity-first "framework, the four most common payout options are: 1. Single-life annuity: The retiree receives benefits for life. 2. Joint-survivor life annuity: The retiree receives benefits for life. When the retiree dies, the designated survivor — usually a spouse — receives an annuity for life. 3. Joint-survivor period certain annuity: This option guarantees survivor benefits for a specific period — often 10 years. If the retiree dies after the guarantee period, the survivor receives no benefits. 4. Partial lump sum: The retiree receives a portion of the promised annuity as a one-time payment, which is often deposited into a retirement account such as an IRA. Virtually all state and local workers are offered a single- and joint-life annuity. About 40% are offered a period certain annuity, and about a quarter are offered a lump-sum option.

Record Number of Muni Issuers Bet on Pension Debt With Rates Low

By Shruti Singh, Bloomberg, September 9, 2021

A record number of U.S. state and local issuers are selling debt to pay for retirement benefits, tapping borrowing costs near historic lows as they eye surging returns in investments such as stocks. Seventy-four issuers have sold debt to finance pension costs in 2021, the highest number year-to-date in records starting in 1999, data compiled by Bloomberg show. The combined amount of more than $10.3 billion, encompassing all bonds where at least a portion of the proceeds goes toward pension funding, is the highest since the all-time peak in 2003, which included a $10 billion Illinois sale. The offerings have come from states and an array of other borrowers, including cities, townships, fire and school districts, a community college and a university. Growing unfunded liabilities, which add budget stress each year, are a key driver, and with some Wall Street banks anticipating higher long-term rates, the timing appears right. For UBS Group AG's Tom McLoughlin, it adds up to a third major wave of such sales, after one following the 2008 financial crisis and another in 2003. Municipalities nationwide are grappling with a pension shortfall that amounted to around $4.5 trillion as of 2018, according to the Federal Reserve's latest analysis. Years of underfunding and aggressive assumptions for returns at times were big contributors. The pain is only increasing now as the slow recovery in state and local employment from the pandemic has left fewer workers contributing to retirement systems. The gamble for issuers is that they'll be able to earn more investing the proceeds of the bond sales than they need to repay the debt. It's been an appealing option in 2021, with major stock indexes marching to a series of record highs, even as valuation questions are mounting.

Pension tension: 15 states with the worst public pensions

By Richard Binder, Benefits Pro, September 9, 2021

Public pensions took a beating during the Great Recession of 2008, and a recent report from the Equable Institute showed there to be no net recovery from those losses. The report also noted that total unfunded liabilities for statewide plans had increased from nearly $100 billion in 2001 to $1.35 trillion in 2019, with an estimated 2020 total of $1.62 trillion as a result of negative cash flows and market underperformance. Unsurprisingly, the pandemic had something to do with that: Half of the plans that were at least 90% funded by the end of 2019 dropped to 60%-90% funded as a consequence of COVID-19. Additionally, benefits payments are increasing as more people retire, contributing to the negative cash flow, which as of 2019 amounted to $113 billion. A new study from GOBankingRates.com examines which states in the nation are better positioned to continue funding their pensions—and which ones might see rougher waters ahead.
Editor's Note: Florida is not listed in the 15 states. YES!

Defined Benefit vs. Defined Contribution: Understanding the Costs of Each

By Beth Braverman, Plan Sponsor, September 10, 2021

Among the most commonly cited reasons for the ongoing shift from defined benefit (DB) to defined contribution (DC) retirement plans has been the perception that the latter is a more cost-efficient way to provide retirement

benefits to employees. But comparing the expenses between a DB plan and a DC plan is a difficult task for a plan sponsor, given all the variables that impact a plan. Plan size and participation rates, market performance, contribution levels and interest rates, for example, can all affect the costs of DB or DC plans. The Bureau of Labor Statistics (BLS) finds, for civilian workers, the employer cost for defined benefit plans amounts to 3.2% of total compensation paid, while employer costs for defined contribution plans are 2% of total compensation. Still, experts note there are instances where the DB plan is the more cost-effective option, and some studies find that defined benefit plans cost less overall for employers. A 2019 study by the National Institute on Retirement Security (NIRS) found retirement costs actually went up in four states when they closed their existing pension plans. One state, West Virginia, even reopened its pension plan after a failed attempt at switching to a DC plan. A 2014 NIRS study found that DB plans, modeled with the typical fees and asset allocation of a large public plan, generated a 48% cost savings over a DC plan due to longevity risk pooling, lower fees and professional management.

The State Pension Funding Gap: Plans Have Stabilized in Wake of Pandemic

Issue Brief, Pew Trust, September 14, 2021

The nation's state retirement systems finished the 2021 fiscal year in their best condition since the Great Recession of 2007-09. According to projections by The Pew Charitable Trusts, the gap between the cost of pension benefits those states have promised their workers and what they have set aside to pay for them dropped in 2021 to its lowest level in more than a decade. Pew estimates that state retirement systems are now over 80% funded for the first time since 2008. Such progress would be significant in any year, but the improvement in fiscal 2021 occurred during a recession in which many analysts predicted that revenue losses related to the COVID-19 pandemic would increase retirement fund shortfalls. Instead, Pew found an increase in assets of over half a trillion dollars in state retirement plans, fueled by market investment returns of more than 25 percent in fiscal 2021 (the highest annual returns for public funds in over 30 years) and substantial increases in contributions from taxpayers and public employees to pension funds. Events over the past 18 months highlight the volatility and uncertainty facing state pension plans. For a decade now, state governments have taken important steps to strengthen their pension plans by increasing contributions, adopting changes to plan provisions, and reducing assumed rates of return. This, in combination with federal policies to help states offset revenue losses and stimulate the broader economy to withstand the impact of COVID-19, has mitigated the impact of the pandemic on plan balance sheets and employer costs. In fact, state retirement systems are in a stronger financial position than at any time since the 2007-09 recession. However, with required pension contributions at historic highs, states are facing continued long-run uncertainty. Policymakers can continue to plan for this uncertainty by regularly evaluating the adequacy of plan policies, contributions, and assumptions to improve and maintain pension plan fiscal stability while keeping promises to workers.

U.S. Slips in 2021 Global Retirement Index

By Brian Anderson, 401k Specialist, September 17, 2021

There are 16 other developed nations where retirees are financially better off than that of the United States, and four in 10 Americans say "it will take a miracle" for them to retire securely. The 2021 Global Retirement Index (GRI), released this week by Natixis Investment Managers, shows the U.S. slipped one spot to No. 17. The study finds that many Americans feel their retirement dreams are slipping away, notably as a result of the macro-economic consequences of the COVID-19 pandemic including increased government debt, rising inflation and persistently low interest rates. Savers are shouldering a growing share of the responsibility for funding their retirement and are increasingly looking to the private sector and financial advisors for help. Iceland tops the rankings for third consecutive year. Switzerland, Norway, Ireland, Netherlands, New Zealand and Australia all slipped slightly in retirement readiness but still maintained spots two through seven, while Germany, Denmark and Canada rounded out the top 10. The U.S. moved down one place from last year with lower scores in health, happiness, and government debt, and a higher ratio of retirees to workers. Overall, 41% of American respondents,

including 46% of Generation Y, 45% of Generation X and 30% of Baby Boomers, believe they will need a miracle to be able to retire securely.

Employer mandate for offering a retirement plan faces headwinds

By Brian Croce, P&I, September 17, 2021

A proposal to require employers that don't offer retirement plans to automatically enroll employees in individual retirement accounts or 401(k)-type plans could be a "game changer" for the nation's retirement landscape, sources said. But while retirement security is typically one of the few bipartisan issues left in Washington, the automatic retirement plan proposal only has the backing of Democrats, which could complicate future negotiations on retirement security legislation, like a SECURE Act 2.0 package. The House Ways and Means Committee in a 22-20 vote advanced the automatic retirement plan proposal on Sept. 9. The vote was part of a markup where the committee considered a series of legislative proposals under a budget reconciliation process. The markup was part of Democratic efforts to pass a $3.5 trillion social spending plan aimed at addressing climate change; expanding Medicare, paid family and medical leave and child-care options; and establishing universal prekindergarten, among other items. If signed into law, the measure — which would take effect Jan. 1, 2023 — would require employers to offer a 401(k) or IRA, with exceptions for governments, churches and companies with five or fewer employees or less than two years in business. It does not cover employees under 21, and any employee can opt out.

Study gauges Utah police, firefighter dissatisfaction as agencies battle turnover

By Mark Shenefelt, Standard Examiner, September 17, 2021

New research shows an accelerating trend of Utah police and firefighters leaving their occupations, but a Weber County legislator is proposing retirement system changes he hopes will help curb the exodus. Of workers in the Tier I group — those who were in the system before the 2011 changes — 56% say they are "definitely" staying for 20 years or more, Adams said. But of those in the Tier II group, with reduced benefit availability, only 14% definitely plan to stay 20 years. A decade ago, as state and local governments were suffering from the fiscal effects of the Great Recession, the Utah Legislature created a Tier II that extended the retirement date to 25 years, with Tier I employees staying at 20. The change also **removed a defined-benefit funding mechanism** and required employees to pay some toward their retirements. Further, lawmakers imposed a one-year cooling-off period that served to prevent officers from "retiring in place" and continuing in the same job.

State Pensions Reach Highest Funded Level in 13 Years

By Michael Katz, Chief Investment Officer, September 23, 2021

For the first time since 2008, US public-worker pension plans are projected to be more than 80% funded, which can be attributed to increased employer contributions and a fierce bull market, according to a study from Pew Charitable Trusts. "Such progress would be significant in any year, but the improvement in fiscal 2021 occurred during a recession in which many analysts predicted that revenue losses related to the COVID-19 pandemic would increase retirement fund shortfalls," said the study. Yet, instead of funding declines the research found an increase in assets of more than $500 billion in state retirement plans, which was buoyed by market investment returns of more than 25% in fiscal 2021 as well as sharp increases in pension contributions from taxpayers and public employees. Pew said it is the highest annual returns for public funds in over 30 years, and the nonprofit organization estimates that state retirement systems will have less than $1 trillion in accumulated pension debt for the first time since 2014.

[State and local pension plans funded status holds steady despite pandemic]
Mission Square Research Institute, September 23, 2021

A new analysis finds that through the first quarter of 2021, state and local retirement plans have accumulated assets of $5 trillion in defined benefit (DB) pension plans and $531 billion in defined contribution (DC) plans. Despite the early economic disruption of the COVID-19 pandemic, the average funded ratio among state and local pension plans has held steady at 72% for plans included in the Public Plans Database (PPD).These findings are contained in new research from Mission Square Research Institute (formerly the Center for State and Local Government Excellence at ICMA-RC), "Public Plans Database – Snapshot as of September 2021."

Pension funding is down over the last decade, but has held steady through the pandemic
By Andy Castillo, American City and County, September 27, 2021

Two decades ago, most American cities were making adequate contributions to their municipal pension funds—the national funded ratio-average for cities across the nation was more than 100 percent. But that percentage dropped when the dot-com bubble popped, and in 2007, the Great Recession pushed it down further. It's hovered in the low 70s since 2012. At the pandemic's onset last year, there was concern that suddenly tightened budgets would drive municipalities further into the hole, exacerbating an already serious fiscal problem. That hasn't been the case so far, according to an analysis of public retirement plans released this month by MissionSquare Research Institute. Most pension plans continued making all or most of their annual contributions throughout 2020.