FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS OCTOBER 2021 ON FLORIDA PENSION ISSUES
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Fire Fighters to Benefit From Amendments To Public Service Loan Forgiveness Program

IAFF.org, October 6, 2021

In response to a petition by the IAFF and other stakeholders, the U.S. Department of Education is overhauling its Public Service Loan Forgiveness (PSLF) program in an effort to provide relief for those who fell through the cracks. The changes will greatly benefit fire fighters and EMTs who have student loans. The IAFF has been working with the Department of Education, the Biden administration and other stakeholders to make changes to the PSLF program in order to provide its members with student debt relief. The PSLF program cancels student loans for individuals, including fire fighters and emergency medical personnel, who have worked in public service for 10 years and have made 120 payments on their loans. Unfortunately, the program as administered had significant shortcomings that resulted in a denial rate of over 90% among applicants. The Department of Education has estimated that this overhaul will help more than 550,000 borrowers and will allow roughly 22,000 borrowers to be eligible to have their loans forgiven automatically. Under the new rules, which will be implemented in the coming weeks, the Department of Education will establish a temporary period during which borrowers may receive retroactive credit toward the 120 payments needed for loan forgiveness during a waiver period. The wavier will last until October 31, 2022, and authorize all prior payments from borrowers to count towards loan forgiveness, including payments that did not previously qualify. Borrowers who took advantage of the federal pause on student loan payments during the COVID-19 pandemic will receive credit towards the required payments as if they had continued to make them, as long as they are still employed full time as public servants. More information is available from the Department of Education here.

Ormond Beach to donate $20,000 to the Mary McLeod Bethune Statuary Fund

By Jarleene Almenas, Ormond Beach Observer, October 20, 2021

About 15 police officers and department civilian employees attended the City Commission meeting to show solidarity as Ormond Beach Police Officer Robert Pearson, who represented their call for higher starting pay and better pension plans to improve recruitment and retention. Pearson said OBPD currently has 11 vacant positions out of its 71 allotted, and that the department is down 22% in sworn personnel. Agencies like New Smyrna Beach Police and Daytona Beach Police already offer a higher starting salary, something neighboring Holly Hill Police Department is about to accomplish. OBPD is not the only public safety agency that has come before the commission lately. David Randall, vice-president of the Ormond Beach Professional Firefighters, asked the commission to consider its pension plan for firefighters in comparison to neighboring agencies. Randall said retirement benefits for all future members were reduced in 2014, something many other agencies also did, but have since reversed. Ormond hasn't. The starting hourly pay for firefighters is just $13. Randall asked for "enticing" benefits to retain and recruit firefighters.

City of Longview to hire firm to study firefighters pension plan

By Jo Lee Ferguson, news-journal.com, Oct 25, 2021

The city of Longview will hire a consultant to look for new answers to fully funding the Longview Firefighters' Relief and Retirement Fund. The City Council on Thursday unanimously agreed to hire Summit Financial Corp to perform an actuarial study of the fund at a cost of up to $45,000. Assistant City Manager Rolin McPhee told the council that the city and the fire pension board have been working for some time to improve the fund's standing. Still, the unfunded liabilities in the plan have continued to grow. In the meantime, the state's pension review board has said pensions must be fully funded by 2055. The pension board has been working with the Florida actuarial services firm **Foster & Foster** since 2012. At that time, the firm outlined four steps each for the city and the pension board to take to address the unfunded liabilities in the pension fund. In 2015, the plan's unfunded liabilities were $46 million, he said. By 2018, that number had jumped to $62 million and then grew to $68 million in 2019. Now, it's $70 million, Mack said.

Public-pension funding hits highest since 2007, powered by market returns

By Andrea Riquier, Market Watch, October 27, 2021

Public-pension funding surged in 2021 thanks to buoyant financial markets, taking funding levels to the highest in over a decade. As of June 30, 2021, the aggregate funded ratio of the 100 largest U.S. public pension plans is estimated at 85%, according to the 2021 Public Pension Funding Study from Milliman, an actuarial company, marking what the group calls "a stunning improvement" from 70% in 2020. It's also the highest level of funding in the eight-year history of Milliman's report. According to another data source, Public Plans Data at the Center for Retirement Research, which covers a larger universe of pension plans, the last time funding was so high was 2007. Milliman's report also notes another concern about the long-term status of public pension funding. "The number of active members [people still in the workforce and contributing to the plan] has been essentially flat for the past eight years, while the number of retired and inactive members has increased each year." If financial markets underperform, pension assets often take a big hit — and unfavorable markets often go hand in hand with unfavorable economic conditions. That's why many public finance experts stress that constant discipline in funding a public pension may be more important than hitting a particular funding threshold.

Commentary: Important work for public fund trustees

By Richard M. Ennis, P&I, October 1, 2021

Trustees of public employee pension funds in the U.S. have their work cut out for them. The funds they oversee spend an average of 1.3% of asset value annually on active investment management, by my estimate. Costs have risen steadily and dramatically in recent decades. Collectively, the funds have underperformed passive investment over the last 12 years by an average of 1.55% a year (the passive benchmark comprises 72% globally diversified stocks — 59% Russell 3000 and 13% MSCI ACWI ex-U.S. — and 28% Bloomberg Barclays U.S. Aggregate bonds). On $4.5 trillion of public fund assets in the U.S., that shortfall amounts to a waste of nearly $70 billion a year that taxpayers will have to make up in the years ahead. Most public fund trustees will find these facts discomfiting. They should. Public funds should explore simpler, more flexible approaches to asset allocation. This means gravitating away from asset class silos that impose rigidity with no assurance of benefit. As a result we can expect to see fewer, more comprehensive asset classes being employed as time goes by. As this happens, funds will cease to maintain de facto quotas for various types of expensive active investments, such as 15% in private equity or 10% in hedge funds. Alternative investing should and will become more selective, less wholesale. Large public funds now use an average of more than 150 actively managed portfolios, which is way too many for cost-effective diversification. Costs must come down. Passive investing will grow. This is the look of the future. Public pension funds in the U.S. can and should do better. Much is at stake. Their trustees can catalyze the change required to make it happen. But they have to know what they are looking for — and ask the right questions.

[Social Security Got Its Biggest COLA Bump Ever – Are Rising Food Prices Covered?]

By Georgina Tzanetos, Yahoo Finance, October 18, 2021

The Social Security Administration announced this week that Social Security and Supplemental Security Income benefits for 2022 will be increased 5.9% to help senior citizens cope with prices that this morning are 5.4% higher than last year.

Editor's Note: Great example of a misleading headline. The 5.9% COLA is NOT the biggest bump ever – it is the largest COLA in 39 years, but in 1979, the Social Security COLA was 14.3%. COLAs began in 1975 (8.0%). In 2010, 2011 and 2016, the COLA was 0.0%. Sad how the media misreport information, especially about public pensions.

First Look at New Social Security Benefits Statement

By Andy Markowitz, AARP, October 7, 2021

The Social Security statement, a primary source of information for Americans about their earnings history and expected future benefits, has undergone a visual overhaul. The redesign, unveiled by the Social Security Administration (SSA) Oct. 4, aims to give current and future beneficiaries a quicker, cleaner overview of their Social Security outlook, replacing a text-heavy four-page document with two pages of boxes, charts and graphs. Once mailed annually to tens of millions of workers, the statements are now distributed primarily online via My Social Security accounts.

Most DB Plan Sponsors Seeking an Exit

By Rebecca Moore, Plan Sponsor, October 8, 2021

Two different surveys find that the majority of defined benefit (DB) plan sponsors are seeking to cut ties with their plans. State Street Global Advisors (SSGA) surveyed 100 U.S. corporate DB plan sponsors and found that only 5% of respondents intend to keep their plans open indefinitely, with the vast majority seeking to exit (62%) or achieve self-sufficiency (33%). Self-sufficiency is when a plan reaches a certain level of assets such that the sponsor expects to be able to sustain the plan by investing those assets on a low-risk basis and pay members' benefits as they arise without any additional support from the sponsor. The latest MetLife Pension Risk Transfer Poll, a survey of 253 plan sponsors that have de-risking goals (either near- or long-term) for their DB plans, found 93% plan to completely divest all their DB pension plan liabilities. MetLife notes that this is a sizable increase from the 76% of DB plan sponsors that indicated the same in 2019. Among those planning to fully divest all their DB plan liabilities, 20% said they plan do to so in less than two years, while 55% said they plan to do so in two to five years.

Editor's Note: These statistics put additional pressure on public sector defined benefit plans.

State and local governments have issued more pension bonds this year than ever before

By Andrea Riquier, Market Watch, October 1, 2021

U.S. municipalities are increasingly issuing bonds to pay down their accumulated pension obligations, a step akin to "gambling," according to an analysis out Monday. The report, from muni bond market stalwart Municipal Market Analytics, notes that nearly 80 state and local governments have issued such bonds so far in 2021, the most on record back to 2000. The amount issued so far, $10.5 billion, is dwarfed by the roughly $16 billion issued in 2003. Governments have been enticed to issue the bonds by the strong equity market and continuing low interest rates, although MMA notes both conditions are ripe for change. Issuing pension obligation bonds is essentially a coin toss, the report points out. If a government uses bond proceeds to make a large lump sum contribution to the pension plan, and pension administrators manage to meet their investment objectives, it's money well spent. The 80 issuances so far this year have been almost exclusively local governments, but most of those participate in state-wide pension plans, which typically invest at least 70% of their assets in stocks and alternatives, MMA notes.

It's important to note that some recent scholarship supports the idea that local governments often unnecessarily subordinate immediate taxpayer needs for the long-term health of their pensions. Many public finance guidelines advise a pension plan be able to pay out all necessary benefits to current employees and retirees for 30 years. But some experts now suggest that a pay-as-you-go system like Social Security would work just as well.

[Pittsburgh City Council to declare city pension fund 'minimally distressed']

By Ariel Worthy, WESA, October 11, 2021

Pittsburgh City Council will declare the city's pension fund "minimally distressed." According to City Controller Michael Lamb, the fund is now has 70% of the money it needs to meet obligations to city workers —compared to 30% in 2005. City Council will also discuss an ordinance that would remove the Social Security offset for non-union employees. In 2004, when the city was under a state oversight program known as Act 47, it limited payments out of the pension fund to non-union workers. Those employees had their pensions reduced by the amount they could expect to receive through their Social Security. Council will discuss reversing that policy.

[US Public Pension Fund Invests In Bitcoin For The First Time]

By Namcios, Bitcoin Magazine, October 21, 2021

The pension fund for Houston's firefighters, the Houston Firefighters' Relief and Retirement Fund (HFRRF), announced today that it had purchased bitcoin for the defined benefit plan's portfolio, making it the first announced investment in BTC by a public pension fund in the U.S. HFRRF acquired BTC and another cryptocurrency in a $25 million purchase facilitated by the institutional bitcoin services provider NYDIG, who will also provide custody services to the pension fund, Bloomberg reported. NYDIG has set up a private fund, which it will manage, to acquire and custody the assets on behalf of HFRRF. HFRRF plans to nourish the partnership with NYDIG going forward to allow its over 6,600 benefactors to leverage the suite of bitcoin-focused services provided by NYDIG's full-stack platform. HFRRF benefactors include active and retired firefighters and survivors of firefighters. The purchase marks the first-ever bitcoin investment by a public pension in the U.S., which has the potential to benefit HFRRF members significantly over the long run if BTC continues to appreciate against the dollar as it has for the entirety of its lifetime.

Good Quote:

"First responders and government employees are our neighbors and our friends. They live their lives in service to their communities and their country, and they deserve the retirement they were promised. It is quite literally the least we can do."