FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS MARCH 2022 ON FLORIDA PENSION ISSUES
Prepared by Fred Nesbitt, FPPTA Media Consultant – fnesbitt911@gmail.com

Florida State Legislature Adjourns

HJR 1 Additional Homestead Property Tax Exemption for Specified Critical Public Service Workforce – Representative Josie Tomkow. **HB 1563** Homestead Property Tax Exemptions for Classroom Teachers, Law Enforcement Officers, Firefighters, Emergency Medical Technicians, Paramedics, Child Welfare Professionals, and Servicemembers – Representative Josie Tomkow – PASSED
This legislation authorizes the legislature to grant an additional homestead property tax exemption of $50,000. Homestead property must be owned by classroom teachers, law enforcement officers, firefighters, emergency medical technicians, paramedics, child welfare professionals, and servicemembers. The House companion, **HB 1563**, also passed the Legislature and will be effective if **HJR 1** is approved by the voters. **HB 1563** was read a second and third time on March 10 where it passed favorably in the Senate with a vote of 37 Yeas and 1 Nay. It is now headed to the Governor's desk for his signature. Click here to read the staff final analyses of HJR1. Click here to read the final analyses of HB1563.

SB 226 Care for Retired Law Police Dogs – Senator Bobby Powell - PASSED
HB 25 Care for Retired Law Enforcement Dogs – Representative Sam Killebrew
The legislation establishes the "Care for Retired Police Dogs Program" within the Department of Law Enforcement (DOLE) to provide a stable funding source for veterinary care of retired police dogs. The DOLE may contract with a nonprofit corporation with a dedication to the protection and care of retired dogs. Funds will be dispersed to the former handler and/or adopter for the dog that served for five or more years upon receipt of documentation substantiating the claims of service, as well as a valid invoice for veterinary care. Annual disbursements may not exceed $1,500 per dog. Beginning in the 2022-23 fiscal year, and every year thereafter, the legislature will allocate $300,000 to the DOLE. This bill was received unanimous support in both chambers and will take effect on July 1, 2022. It is now headed to the Governor's desk for his signature.

Budget conference: Lawmakers reach agreement to boost state worker pay
By Gray Rohrer, Florida Politics, March 21, 2022

Florida state employees will see pay raises worth more than $638 million starting July 1, the start of the next fiscal year. Florida state workers will get a pay raise later this year, as House and Senate budget negotiators agreed to hike pay 5.4% across the board, install a minimum wage of $15 per hour for state employees, and increase pay on top of those raises for select groups of workers. The pay for state employees had been a major difference in the spending plans preferred by the House and Senate, with the House wanting a 5.4% increase across the board and the Senate pushing to increase the minimum wage to $15 per hour and use more money to grant raises for those making between $15 and $25 per hour. In all, salaries will increase more than $638 million, with $395 million funding the 5.4% across-the-board increase and $72.6 million going to increase the pay of all employees earning less than $15 per hour to get them to that level.

[Gainesville City Commission approves resolution calling for divestment of holdings in Russian and Belarusian securities]

By Jennifer Cabrera, Alachua Chronicle, March 23, 2022

The Gainesville City Commission passed a resolution calling for divestment of holdings in Russian and Belarusian securities and denouncing the war in Ukraine. The resolution requested the Boards of Trustees for the City of Gainesville Employees Pension Plan and Fund, the Retiree Health Insurance Trust Fund, and the City of Gainesville Police Officers and Firefighters Consolidated Retirement Plan to divest of any current holdings in Russian or Belarusian securities and consider a new operating fund investment policy opposed to future investment of City funds in Russian or Belarusian securities.

[Bill Would Bar U.S. Institutional Investors From Russia]

By Noah Zuss, Plan Sponsor, March 7, 2022

U.S. institutional investment in Russian securities would be barred by a bill introduced by Sen. Marco Rubio, R-Florida. Rubio introduced the bill—Instituting Measures to Protect American Investors and Retirees from Russia Act—because many investors, including retirees and pensioners, hold investments with exposure to Russia but are unaware, he says. Many of the largest U.S. pension funds, including the California Public Employees' Retirement System and California State Teachers' Retirement System, have retirement participant funds with exposure to Russia assets. According to reports, the CalPERS fund has $900 million in Russia exposure, and CalSTRS approximately $800 million.

[Florida Avoids Voting on Divesting from Russian Companies]

By Lawrence Mower, Governing, March 4, 2022

The Florida House avoided taking a stance on divesting the state's $300 million in investments in Russian companies. During a floor session, state Rep. Andrew Learned, D-Brandon, proposed amending a bill to prohibit the State Board of Administration from investing Florida Retirement System assets in any company, Russian or otherwise, that does business with the Russian government. The move was in response to Russian President Vladimir Putin's decision to invade Ukraine. Republican lawmakers, who control the House, ruled the amendment out of order on a technicality.

[U.S. Pension Funds Scramble to Figure Out What to Do With Russian Investments]

By Anna Gordon, Chief Investment Officer, February 28, 2022

The pressure to divest from Russian investments is everywhere. Both from an environmental, social and governance perspective and a financially prudent one, Russian assets are extremely high risk right now. But many of the United States' largest pension funds still have assets in the country, making them vulnerable to even further financial downturn as the war with Ukraine wages on. The United States' largest pension funds, the California Public Employees' Retirement System and California State Teachers' Retirement System both have funds invested in Russian assets. A spokesperson for CalPERS told Reuters that the fund has $900 million in exposure to Russia. CalSTRS has approximately $800 million in Russian exposure, according to Reuters. Colorado's public pension fund had $7.2 million invested in a Russian state-owned bank called Sberbank. The new federal sanctions forced the fund to take its money out of the bank almost immediately.

[U.S. Supreme Court declines to hear case trying to halt CalSavers]

By Arleen Jacobius, P&I, February 28, 2022

The U.S. Supreme Court declined to hear a California taxpayer group's case trying to prevent the further implementation of the $186 million CalSavers Retirement Savings Program, Sacramento, according to the court's order list posted Monday. CalSavers is a defined contribution plan for workers in the private sector in California who do not have access to a retirement plan sponsored by their employers. So far, CalSavers has 233,623 actively funded accounts and more than 30,000 employers have registered, said Katie Selenski, executive director, in an email. The Supreme Court's denial of review preserves Californians' ability "to save for their futures through this portable, simple option," said California state Treasurer Fiona Ma, who chairs the CalSavers Retirement Savings Board. "Without this program, and programs like it across the country, millions of Americans would be left behind."

The Difference in Impact of Inflation on Public and Corporate Pension Plans

By Charles E F Miller, Plan Sponsor, March 3, 2022

The impact of inflation on defined benefit pension plan liabilities might surprise you. For private plans, the news is mostly good. For public plans, it is more challenging and provides a good reminder that public plan sponsors need to keep making their full pension contributions even if times are difficult. For public plans, the outlook is notably different. The rates that public plans use to measure their liabilities are fixed; the average public plan currently uses a discount rate of about 7% for that purpose. Many economists believe that rate is too high, and has already resulted in a stated present value of future liabilities that is lower than it should be. Thus, public plans with already high, but fixed, discount rates will not benefit from an increase in interest rates and corresponding decrease in measured liabilities. In addition to the fact that public plans' liabilities will not decrease, there are two further challenges regarding inflation that plan sponsors must keep in mind as they consider their contribution levels. First, unlike corporate plans, most public plans are open (not frozen), so they continue to accrue liabilities. How does this relate to inflation? In an inflationary environment, wages rise. As public plans calculate their future liabilities, the wages upon which those liabilities are based will surely rise. Even though the discount rate has not changed, the liabilities will be higher. Second, and just as important, most public plans do have COLAs built into the pension payments themselves. As inflation rises, pension payments tied to inflation or to a related index must also rise.

Public Pensions Want to Divest From Russia. But Can They?

Portfolio, Institutional Investor, March 4, 2022

After a week of rushing to enumerate their exposure to Russian assets, public pension funds have started to share their plans to divest from the country. But ongoing closures of the Moscow Stock Exchange, as well as the illiquidity of certain private assets, have made it difficult, if not impossible, for these major funds to divest immediately. "A lot of our managers sold down the position as an active manager should and would do," Ailman said during Thursday's meeting. "Many of them even sold things at distressed prices as of last week. The problem is the Russian stock market hasn't opened this week." As such, the remainder of the holdings can't be sold off. "We will treat those as frozen assets and wait to see how we can get our money out," Ailman said. CalSTRS is in the process of formulating its response to Gov. Newsom.

Putin signs law allowing government to quickly raise pensions – RIA

Reuters News Service, March 8, 2020

Russian President Vladimir Putin has signed a law allowing his government to quickly raise pensions, part of a set of anti-crisis measures after Russia was hit by a wave of economic sanctions over Ukraine, the RIA news agency reported. Another new initiative signed into law by Putin gave individuals and small- and medium-sized businesses the right to request "credit holidays," RIA reported.
Editor's Note: Anyone see a problem with a "pension contribution holiday?"

City contemplating going back to old retirement plan

Audio Tape, Johnson City Press, March 10, 2022

The city of Kingsport is looking at changing its retirement plan in an attempt to try and retain employees and also make the city more attractive to potential employees. The plan the city is potentially looking at would be a hybrid model, part of it a defined contribution plan and part of it a defined benefit plan, commonly known as a pension plan. The city was in the state plan for years and actually the first municipality in the state of Tennessee to join in 1949. But, after the Great Recession of 2008, it dropped out and went to a DC account. A big reason for considering the change is because the city finds it hard recruiting potential employees from other municipalities who are already on the state system. Those potential employees do not want to leave and lose or change retirement plans. "We're not competitive to those individuals because of our retirement plan." Since 2012, the city has had 558 resignations (out of 760 active employees). Twelve percent of those who left said retirement was a factor, she said.

Editor's Note: Sorry to say this again, but told you so.

The Smart Way for Public Pensions to Divest from Russia

Opinion, Governing, March 15, 2022

Many want to sanction Putin and Co. at every turn, but it's a mistake to move too quickly. Pension funds actually don't hold that much in Russian assets, and they're sitting ducks for crafty, amoral traders. The New York City controller was first out of the chute with a call to divest the city's pension funds of its Russian assets. Then California, Colorado, Connecticut, Kansas, Illinois, New Jersey and New York state politicians quickly pounced, and more have followed. On principle, the moral imperative is unarguable: Anything we in the NATO alliance can do to starve the leeches in the Russian economy is worth consideration. But as with vodka, where most of the product consumed in the U.S. is actually manufactured everywhere but Russia, appearances and feel-good pronouncements can be deceiving. So let's be sure we learn from the past before we pull the plug on sunken capital previously invested in Russia and its companies. Moreover, let's not go overboard with counterproductive laws prohibiting investments in domestic companies doing business in Russia. For starters, there is almost no reason not to adopt a pension-fund policy that requires divestment from Russia itself and Russian companies — but within a sensible time period. Immediate divestment could run the risk of fire-sale liquidations that only enrich the very people, Vladimir Putin's cronies, who we're trying to punish by allowing them to scoop up assets on the cheap. Today's investment lessons from Russia are an echo of the ones that previously overconfident money managers painfully learned in Venezuela and Libya. Without turning us all into isolationists, that may actually prove to be the more important policy dialog in years for public pension trustees, their staffs, their consultants and money managers.

U.S. retirement system vulnerable to financial disruptions: Morningstar

By Kristen Beckman, Benefits Pro, March 15, 2022

Although the retirement system in the United States appears to be stable, the system is actually quite vulnerable to financial disruptions and economic shocks. This is according to the inaugural Retirement Plan Landscape Report produced by Morningstar. Between 2011 and 2020, the U.S. defined contribution plan system lost 380,000 plans, almost all from plans with fewer than 100 participants, which accounted for 93 percent of plan terminations and 97 percent of newly created plans, the report said. According to the report, 2,115 companies cover half the population in terms of DC participation. This dynamic has made mega plans – those with more than $500 million in assets – more important to the retirement system over time. In 2011, mega plans covered 34 percent of participants, but by 2019 that percentage was closer to 43 percent. Finally, the report found that although their overall importance in the retirement ecosystem is declining, defined benefit plans continue to contribute meaningfully to retirement security, accounting for nearly one-third of distributions in 2019. Total DB plan distributions continue to rise as more participants reach retirement age. Employers are shifting DB plans to DC plans through soft freezes – not allowing new employees to join – or hard freezes – stopping accruals for all participants. Both strategies create complexity around helping participants figure out how much to save in new DC plans and adjust for inflation. Personalized advice will be important to facilitate these transitions, said the report.

[Ukraine legalizes cryptocurrency as it receives millions in crypto donations]

By James Vincent, The Verge, March 17, 2022

Ukrainian President Volodymyr Zelenskyy has signed into law a bill that effectively legalizes the cryptocurrency sector in the country. The decision comes as Ukraine has received cryptocurrency donations worth tens of millions of dollars from individuals and groups hoping to help the country's war effort against Russia. The bill signed by Zelenskyy was approved by Ukraine's parliament last month and "creates conditions for the launch of a legal market for virtual assets in Ukraine." It allows Ukrainian banks to open accounts for crypto firms; appoints the National Bank of Ukraine and the National Commission on Securities and Stock Market as financial watchdogs for the sector; and, as reported by CoinTelegraph, means crypto exchanges and companies that handle other virtual assets will have to register with the government. The state says it will protect citizens' cryptocurrency holdings with the same legal force as its fiat currency, the hryvnia.

[House Bill Would Allow 401(k) Withdrawals to Pay LTC Premiums]

By Ted Godbout, NAPA, March 23, 2022

Legislation has been introduced in the House of Representatives to allow tax- and penalty-free withdrawals to pay for long-term care insurance. Rep. Ann Wagner (R-MO), the Vice Ranking Republican on the House Financial Services Committee, introduced the Long-Term Care Affordability Act (H.R. 7107) on March 16. The bill would allow individuals to withdraw funds from their 401(k), 403(b), 457(b) and IRA accounts to pay for long-term care insurance without being subject to the 10% early withdrawal penalty. The legislation would also allow up to $2,500 in withdrawals annually per individual to be excluded from income tax, provided the amount is used to pay for qualified LTC insurance for the individual, their spouse or a dependent. The bill was referred to the House Ways and Means, and Education and Labor committees. It is the House companion to legislation (S. 2415) introduced in July 2021 by Sen. Pat Toomey (R-PA), who sits on the Senate Finance Committee.

[House Votes To Roll Back Oklahoma Pension Reforms]

By Ray Carter, OCPA, March 24, 2022

House lawmakers voted to roll back a 2014 pension reform that was projected to save taxpayers $3.8 billion over 30 years and instead provide state workers retirement benefits that are not available to the typical private-sector worker in Oklahoma. House Bill 2486 eliminates a defined-contribution retirement plan, similar to a 401(k) plan in the private sector, and instead places most state government workers in a defined-benefit plan. Lawmakers voted in 2014 to shift all new state government employees (aside from teachers or those working in hazardous positions, such as police and firefighters) into a 401(k)-style retirement plan. When she signed the reform into law, then-Gov. Mary Fallin noted, "The system as it stands today is not financially sound or sustainable. Moving future hires to a 401(k)-style system helps to ensure we can pay our current retirees and employees the benefits they have already earned." In a 2014 interview, McDaniel said the cost of defined-contribution plans is predictable for state government, and also noted that defined-benefit plans involve moral hazard that causes politicians to rapidly inflate the system's unfunded liability by increasing benefits without covering the cost.

[Russia blocks NY pension systems from dumping $300M in Moscow stocks]

By Susan Edelman, NY Post, March 26, 2022

New York's pension systems want to dump nearly $300 million invested in the Moscow stock market, but can't because Russia has blocked foreigners from selling shares. Since Russia began its invasion and brutal attacks on

Ukraine, the trustees of all five NYC employee pension systems have voted to divest from $185.9 million in Russian companies and securities. But Russia has stymied the New York pension systems and others across the country which want to divest. Moscow closed its stock market to foreigners on Feb. 25 – a hard-ball move seen as retaliation for a US and European freeze on Russian central bank assets.

House Ready To Vote On Raising RMD Age To 75

By Tracey Longo, Financial Advisor, March 28, 2022

The House is scheduled to vote on the Securing a Strong Retirement Act (SECURE 2.0), which would increase both to three years. It also would impose a three-year limitation on recontributions. the age investors must start required minimum distributions (RMDs) and the catch-up amounts that older investors can sock away in IRAs. The bill would increase the RMD age to 73, 74 or 75, depending on when an investor turns age 73. For instance, for those who turn age 73 after December 31, 2023, and before January 17, 2030, the RMD age is 73. For those who turn age 74 before January 1, 2033, the RMD age is 74 and for those who turn age 74 after December 31, 2032, the applicable RMD age is 75, according to the bill. SECURE 2.0 would also create richer catch-up contribution limits, hiking the catch-up limit to $10,000 for IRAs and $5,000 for SIMPLE IRA beginning in tax year 2022 for those who attain age 62 before the close of the taxable year. The bill also expands automatic enrollment in 401(k) plans by requiring 401(k), 403(b) and SIMPLE plans to automatically enroll participants in the plans upon becoming eligible, with the ability for employees to opt out of coverage. If passed, SECURE 2.0 would also allow employers to fund long-term part-time employees' retirement plans by reducing qualification from 500 hours over three years to two years and allow employers to create student loan matching programs. Under SECURE 2.0, repayment of qualified birth or adoption distributions would be limited

Editor's Note: The legislation, approved on a 414-5 vote in the House of Representative. It now moves to the Senate for consideration.

Private Equity's Opaque Costs Mystify the Pensions That Pay Them

By Sabrina Willmer, Bloomberg Businessweek, March 29, 2022

A Bloomberg analysis of data collected from more than two dozen U.S. public pension plans shows that most of those investors aren't tracking details of so-called partnership expenses across their private equity portfolios. Some say the task is too difficult because fund managers are reporting the costs in vastly different ways or fail to break out expenditures at all. For a large public pension system, these expenses can amount to tens of millions of dollars a year. It's an issue set to come into greater focus as regulators scrutinize the private equity industry's high fees and lack of transparency. In February, the Securities and Exchange Commission proposed a rule that would require the firms to better disclose certain costs and categorize their fund expenses. Public pension officials take the stance that private equity fees are worth the returns the firms can deliver. But without itemized disclosure of expenses, it can be difficult to tell whether firms are abiding by their contracts, says Jennifer Choi, a managing director at ILPA. "Having an understanding of what it costs to generate those returns is important," she says.