

# FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



## **PENSION NEWS CLIPS APRIL 2022 ON FLORIDA PENSION ISSUES**

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### **[A memo calls problems within Gainesville's finance department "Extreme"](#)**

By CBS4 Staff, April 21, 2022

City of Gainesville commissioners voted 6 to 1 vote to continue the discussion of the city's finances. The letter raises serious concerns about the state of the city's finance department and ability to accurately report financial statement. The letter says a decision made by the former City Manager to change how the city contributed to employee's pension plans caused issues. The city changed from contributing a percentage of payroll to a flat dollar amount, the letter says. "This caused the pension expense in all general government funds that have payroll and the contribution revenue in the pension funds to be incorrect by large amounts," the letter states. They also say the change resulted in GRU making incorrect contribution amounts.

### **[Florida Gov. DeSantis praises Elon Musk Twitter plan for advancing free speech, 'regime' opposition](#)**

By Renzo Downey, Florida Politics, April 19, 2022

Florida wasn't successful in persuading the world's richest businessman to move to the Sunshine State, but he's still earning Gov. Ron DeSantis' admiration. As the Republican Governor announced a new offensive against Disney and Big Tech, he commended billionaire entrepreneur and executive Elon Musk on Tuesday for attempting to buy out Twitter and "unlock" its free speech potential after Musk became the company's largest shareholder earlier this month. Addressing Florida's possible recourse against Twitter, he noted the Sunshine State's pension fund has shares in Twitter (TWTR). Holding Twitter shares gives Florida a legal avenue to confront Twitter if the company prioritizes politics over its duty to shareholders, he continued. DeSantis suggested Florida should divest from Twitter. During a Cabinet meeting last month, DeSantis said it would be up to the Legislature to create a framework to divest from foreign-owned companies acting against Florida's political interests, which he noted is an area of concern for House Speaker-designate Paul Renner. Some Big Tech companies also have been problematic, the Governor added.

### **[Elon Musk's purchase of Twitter may have benefitted Florida's pension fund](#)**

By Andrew Quintana, Channel 10 (WTSP), April 26, 2022

According to DeSantis, Florida's State Board of Administration (SBA) holds shares of Twitter. The SBA, which the governor is on the board of by law, is in charge of handling Florida's multi-billion-dollar pension fund for state employees. When rumblings of a possible buyout from Musk became public, the governor said Florida reached out to the company's board of directors. "Last week, [the SBA] sent a letter to the board of directors saying, 'look, Elon Musk is putting a very good offer on the table. And, you better have a good business reason why you're not doing it because if it's for politics, we're going to hold you accountable,'" DeSantis said. Whether or not the SBA's letter had any actual impact on the board's decision is unknown, but what is known is that the governor and state officials are happy about it. In a statement released by Florida Chief Financial Officer Jimmy Patronis, he called Musk's purchase of Twitter a "win for Florida's pension system" and even suggested a partnership between the

company and the state. How much of the pension fund relies on stocks varies by state, but according to the SBA, Florida has 53-percent of the fund financed by stock investments — that, however, can be reduced to as low as 45-percent or as high as 70-percent. The rest of the pension is funded by a fixed income, real estate taxes, private investments and cash equivalents. Smith says, every year, the state must find a way to make sure it meets its projections for the pension fund or risk having to allocate funding from other sources, like taxes.

### **Florida SBA Halts Funding to Chinese Investments**

By Jessica Hamlin, Institutional Investor, April 6, 2022

The Florida State Board of Administration, the \$250 billion public retirement system, announced that it has, for now, stopped funding new investment strategies in China as it continues to assess the risks. If other allocators follow Florida's move, it could rattle U.S. and other asset managers that have significant exposure to China through their funds or have invested heavily to set up offices in the country. The ban, which came at a meeting late last month, would include all Florida Retirement System investments. In the meeting, which was led by Governor Ron DeSantis, E. Lamar Taylor, interim chief investment officer, said the decision was made after conversations with the board in December when the trustees instructed SBA to conduct a survey of its holdings in China.

### **Florida SBA's Ash Williams lands at J.P. Morgan Asset Management**

By Palash Ghosh, P&I, April 4, 2022

Ashbel C. "Ash" Williams Jr. was named vice chairman-asset management at J.P. Morgan Asset Management. It is a new position. Mr. Williams was formerly the chief investment officer and executive director of the Florida State Board of Administration, Tallahassee. Mr. Williams will "work alongside J.P. Morgan's team of client advisers, engaging with investors to deliver thought leadership and investment insights that can help clients achieve their investment objectives," the release added.

### **Florida SBA on the benefits of fixed income despite rising rates**

By Sarah Rundell, Top 1000 Funds, April 19, 2022

Traditional fixed income has always provided protection in down equity markets, but it is less effective when rates are rising like today. Still, the \$250 billion Florida State Board of Administration's 18 per cent allocation to fixed income primarily comprising U.S. investment grade bonds remains the best way to protect the portfolio in today's challenging macro environment, said Alison Romano, deputy CIO, Florida State Board of Administration. Since 2007, Florida has steadily pared its fixed income allocation from 29 per cent to 19 per cent (including cash) reallocating to diversifying strategies like strategic investments and real estate. Relative to peers, the retirement fund has a smaller allocation to fixed income than most, and Romano warned Council members that this involves a trade-off between risk and return. The higher allocation to equities and lower allocation to fixed income means the pension plan has experienced higher volatility than many peers: fixed income plays an important role countering risk on many levels, she said listing volatility, tracking error, downside deviation and correlation as a few.

### **Lakeland Employee Pension Reports \$30.28 Million Surplus, Yielding Bonuses to 1,331 Retirees**

By John Haughey, Alkldnow.com, April 5, 2022

The stock market has been good for investors the last two years and among beneficiaries nationwide are public employee retirement plans, including the pension system for city of Lakeland employees and retirees. According to the Lakeland Employment Pension System's board, the \$1.27 billion fund had a \$30.28 million surplus as of Oct. 1 with "no unfunded actuarial accrued liability." As a result, the board in March recommended city

commissioners set aside \$2 million for a retiree bonus. The Lakeland City Commission did so unanimously, approving a resolution to issue bonuses to retired pensioners. Of approximately 2,870 enrolled in the system, about half are actively employed and about half are retirees and their beneficiaries. The retirees and beneficiaries will receive the bonus. Amounts to 1,331 retired pensioners will receive, on average, about \$1,600 each in bonuses by April 30. The city contributes between 15.39% and 19.33% of an employee's annual salary to his/her pension account annually.

### **[GOP flips own script in fighting corporate 'wokeness': The Note](#)**

By Rick Klein, Averi Harper, and Alisa Wiersema, ABC News, April 21, 2022

Debate this week in the Florida legislature might be confusing to anyone familiar with traditional relationships and battle lines in modern politics. Led by a governor with national ambitions, Republican after Republican has lambasted a business behemoth with more than half a century of history in the state. It's been left to Democrats to defend a giant corporation that's long been central to the Sunshine State's tourism industry. Gov. Ron DeSantis' move was framed as payback for Disney's decision to oppose the new law banning gender identity and sexual orientation from being taught in lower elementary grades. But it doesn't stand alone inside a GOP whose relationship with big businesses has been rapidly evolving at least since the Trump era. In addition to taking on Disney, DeSantis pointed out that Florida pension funds hold Twitter stock, threatening to hold that company's board members "accountable" over their handling of Elon Musk's takeover proposal.

### **[Conservative Group Wants to Stop State Pensions From Pursuing ESG Initiatives](#)**

By Richard Vanderford, Wall Street Journal, April 6, 2022

State pension funds should be barred from considering social and environmental factors in their investment decisions, a conservative association said in a push for new state legislation that would clash with the financial industry's efforts to focus on greener investments. American Legislative Exchange Council, an association of state legislators, put forward model legislation that provides states a template for laws to keep pension funds from following so-called environmental, social and governance trends. "Politically motivated investing, by definition, takes rates of return off the table," Jonathan Williams, the chief economist at ALEC, said. ALEC's move comes amid an ideological row between proponents of incorporating ESG considerations into business, including some in the financial industry, and some politicians who argue that banks should stick to making money.

### **[How Many Public Workers without Social Security Could Fall Short?](#)**

By Jean-Pierre Aubry, Alicia H. Munnell, Laura D. Quinby and Glenn Springstead, Center for Retirement Research at Boston College, April 2022

About 5 million state and local workers are not covered by Social Security on their current job. The law requires that their pension plans provide a benefit equal to what they would have received upon retirement if they were covered by Social Security. While all plans meet the letter of the law, a prior study found that 43 percent of them do not provide lifetime benefits equal to Social Security for some workers. The workers who lose out are those who leave in mid-career, as their pensions are based on wages when they depart, whose real value erodes over time. This new study finds that this group accounts for about 17 percent of current noncovered workers, so hundreds of thousands could fall short. [Click here to read the full report.](#)

**Editor's Note:** In Florida, 75% of local defined benefit plan participants are covered by Social Security, while 25% are not covered by Social Security. This information comes from a study by FPPTA of the characteristics of the FPPTA member plans compared to all the local defined benefit plans in Florida. The data can be found at [fppta.org](http://fppta.org) – log into your account and go to Resources.

## **Are U.S. Public Pensions Hiding Funding Risk by Allocating More to Private Equity and other Alternatives?**

SWFI, April 4, 2022

Both U.S. public pension funds, university endowments, and sovereign wealth funds, in the aggregate, have increased asset allocation targets to private equity dramatically since 2003. The adoption of private equity is manifold. Private equity investments tend to perform well when there are exit opportunities and this happened when the Federal Reserve, Bank of Japan, and European Central Bank printed vast amounts of money during the COVID-19 pandemic and lockdowns. Private equity risks, and to a greater extent – venture capital investments, are on the risk horizon as various stock markets are being jolted by a wide range of factors including rampant inflation. Over the past decade, public asset owners have been able to mask the volatility of their investment portfolio by investing more in private equity and venture capital. Why? Private equity firms are the main one's valuating their portfolio companies. Private equity firms, venture capital firms, and other financial companies are required under Generally Accepted Accounting Principles (GAAP) to “mark to market” the value of their underlying company holdings on a quarterly basis. Private equity firms value their holdings and communicate changes to their investors. Some of the largest U.S. public pension fund investors in private equity by amount include Florida State Board of Administration (FRS). The Milliman 100 Public Pension Funding Index (PPFI) estimated funded status of the 100 largest U.S. public pension plans increased from 83.9% at the end of September 2021 to 85.5% at the end of December 2021. Milliman calculated the deficit between the estimated assets and liabilities decreased to US\$ 833 billion at the end of December 2021, down from US\$ 919 billion at the end of September 2021.

## **State pension plan funding slips in first quarter, says Wilshire**

By Rob Kozlowski, P&I, April 22, 2022

U.S. state pension plans' aggregate funding ratio was 81.4% as of March 31, a 5.3 percentage-point drop from the end of the year, according to Wilshire Advisors estimates. The drop in the estimated aggregated funding ratio from 86.7% as of Dec. 31 resulted from a 5.6% decrease in asset values along with a 0.5% increase in liability values, according to Wilshire. Ned McGuire, managing director at Wilshire, said in a news release that significant asset volatility was the story of the first quarter. The study's assumed asset allocation of U.S. state pension plans is 31% domestic equities, 23% core fixed income, 17% international equities, 14% real assets, 9% private equity and 6% high-yield fixed income.

## **Benefits Jump as a Reason to Join or Stay with an Employer**

By Stephen Miller, HSRM, April 27, 2022

With the tight labor market showing little sign of abating, employers are finding it more important to use health and retirement benefits to attract and keep workers. The 2022 Global Benefits Attitudes Survey of more than 9,600 U.S. employees at large and midsize companies, found that: 60 percent of respondents cited their employers' retirement benefits as an important reason they remain with their current employer, compared with 41 percent in 2010; Nearly half said their company's retirement programs (47 percent) and health care benefits (48 percent) were important reasons why they joined their employers, versus 25 percent and 32 percent who said so in 2010, respectively. The survey also found more employees are willing to have additional money deducted from their paychecks for better benefits: 59 percent would pay more for enhanced retirement benefits, up from 54 percent in 2020; and 46 percent would forgo added pay for a more generous health care plan, up from 36 percent.