FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS MAY 2022 ON FLORIDA PENSION ISSUES

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Saxena White P.A. Files New Securities Fraud Class Action Against Pegasystems Inc.

News Release, Saxena White, PA, May 19, 2022

Saxena White P.A. has filed a securities fraud class action lawsuit in the United States District Court for the Eastern District of Virginia against Pegasystems Inc. (NASDAQ: PEGA) and certain of its executive officers. The Class Action asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and U.S. Securities and Exchange Commission Rule 10b-5 promulgated thereunder on behalf of all persons or entities that purchased PEGA common stock between May 29, 2020 and May 9, 2022, inclusive, and were damaged thereby. The Class Action is captioned: **City of Fort Lauderdale Police and Firefighters' Retirement System** v. Pegasystems Inc., et al., No. 1:22-cv-00578 (E.D. Va.) On May 29, 2020, Appian Corporation, a principal competitor of PEGA, filed a civil complaint in the Circuit Court for Fairfax County, Virginia against PEGA and an employee of a government contractor using Appian software, alleging claims for trade secret misappropriation, violation of the Virginia Computer Crimes Act, tortious interference, and statutory business and common law conspiracy. The Appian complaint alleged efforts by PEGA to obtain Appian trade secrets through the contractor's employee, who had access to Appian's software and materials. The complaint further alleged that PEGA's own employees, including its Chief Executive Officer, misrepresented themselves as potential customers of Appian partners to improperly gain access to Appian's trial software.

Florida pension fund sues Elon Musk and Twitter to stop buyout

Staff, The Guardian, May 6, 2022

Elon Musk and Twitter were sued by a Florida pension fund seeking to stop Musk from completing his $44bn takeover of the social media company before 2025. In a proposed class-action lawsuit filed in Delaware chancery court, the **Orlando police pension** fund said Delaware law forbade a quick merger because Musk had agreements with other big Twitter shareholders, including his financial adviser Morgan Stanley and Twitter founder Jack Dorsey, to support the buyout. The fund said those agreements made Musk, who owns 9.2% of Twitter, the effective "owner" of more than 15% of the company's shares. It said that required delaying the merger by three years unless two-thirds of shares not "owned" by him granted approval.

Orlando Police sues Twitter, Musk over takeover timing

By Rob Kozlowski, P&I, May 26, 2022

Orlando Police Pension Fund filed a lawsuit against Twitter Inc. and selected shareholders, including Elon Musk, alleging Mr. Musk's proposed acquisition of the social media company may not lawfully close until 2025. The suit, filed in Delaware Chancery Court, alleges that because Mr. Musk was an "interested stockholder" before the April 25 agreement for his acquisition of Twitter in an approximately $44 billion deal, the takeover cannot close until 2025 without approval of 66.67% of Twitter's voting stock not already owned by him, a court filing shows. The $734 million pension fund is the sole plaintiff in the lawsuit. The suit seeks declaratory judgment that Musk is an "interested stockholder" and to hold the members of Twitter's board accountable for not properly conditioning the merger on the 66.67% vote required by Section 203.

[DeSantis says Twitter relocating to Florida would 'drive up the cost of living for everybody else']

By Jim Turner and News Service of Florida, Cltampa, May 5, 2022

Gov. Ron DeSantis is all for Elon Musk taking over Twitter, but he isn't among the people courting the billionaire to move the company to Florida. As state Chief Financial Officer Jimmy Patronis has made a campaign of trying to entice Musk and Jacksonville Mayor Lenny Curry has offered his city as a new hub for the social-media giant, DeSantis isn't as enamored with luring high-tech businesses from California. "I think we've done very well, particularly over the last few years, attracting businesses that are producing things," DeSantis said Monday while in Jacksonville. "We've worked really hard on vocational and career education. Importing some tech company from San Francisco has not been high on our list. I think that what happens is they'll tend to come in, they drive up the cost of living for everybody else. And OK, yeah, they enjoy our lower taxes. But what are they really providing?"

Don't rush divestment of Florida's shares in Russian companies | Editorial

Editorial, Palm Beach Post, May 15, 2022

It's tempting to say Florida should join the rush to divest from Russian companies to protest the Ukraine invasion. The move to rid the state retirement plan of its Russian shares would fit within the broader international effort to punish Russia for its aggression, deprive it of money to prolong its unprovoked war and isolate it in shame from the community of nations outraged by Vladimir Putin's bloodlust. However, by divesting too quickly, the state would shoot itself in the foot financially, enrich those it wants to punish and do little to force Russia's military to stand down. Florida's retirement system is valued at $200 billion. Of that investment portfolio, the Russian holdings, in such companies as energy giant Rosneft and major lender Sberbank, represent a tiny share. These holdings, worth $300 million as of Jan. 31, have dropped significantly in value since then, as international sanctions took hold, non-Russian companies pulled out or shrunk operations and calls for divestment rang out around the world.

Florida pension fund loses $200M in Russian investments, state rep. says

By Sam Sachs, Channel 8, May 4, 2022

The state of Florida has reportedly lost millions due to investment in Russia. Even before the losses, Florida Democrats had urged the state to divest itself from the money it's invested in Russian companies. Now, Democrat Andrew Learned (D-Brandon) says the state's pension fund has lost $200 million from its investments in Russia, following sanctions on the country due to the war. The state reportedly has $300 million invested in Russia-based companies. In March, Learned proposed an amendment to the state's appropriation bill, which is still under review by DeSantis, to divest the funds. That amendment failed, and Learned criticized his Republican colleagues for their lack of action. Florida's investments in Russian companies are managed by the State Board of Administration. The Florida SBA operates as an investment fiduciary, and before any decision to invest or divest is made, the board must review the funds. By law, the SBA is controlled by the governor, alongside the state's Chief Financial Officer and Attorney General, Jimmy Patronis and Ashley Moody, respectively. According to state officials, the documents published on Twitter by Rep. Learned are the updated pension records, and the review process for potential divestment is still underway.

Asset Allocation Made the Difference for Corporate Pension Funding in 2021

By Anna Gordon, Pension Sponsor, April 29, 2022

Corporate pension plans had a great year. The average funded ratio was 96.3% in 2021, up from 88.1% the previous year and the highest number on record since 2007, according to the most recent Milliman report. In general, the plans that performed the best allocated more to equities and less to fixed income, according to the report. Despite these statistics, corporate pension funds have on average decreased their allocations to equities and increased their allocations to fixed income. Equities now account for 29.0% of the average plan as opposed to 43.9% in 2008. Fixed-income allocations have increased to 51.2% from 41.7% in 2008.The reason for this is the ongoing implementation of liability-driven investment strategies. The trend toward LDI continued this past year, albeit at a slower pace: Fixed income as a portion of the portfolio increased by approximately 0.6%. While LDI often does not achieve returns as high as those of equity-driven strategies, the plans that engaged in LDI also reported lower funded ratio volatility.

State pension funding soars to 83.3% in fiscal year 2021 – Wilshire

By Rob Kozlowski, P&I, May 11, 2022

U.S. state pension plans' estimated aggregate funding ratio at the end of fiscal year 2021 jumped to 83.3% from 70% in the previous year, a report from Wilshire Advisors shows. Based on more than 100 state plans' most recent annual reports, most of which provide data as of June 30, the aggregate funding ratio is based on $3.957 trillion in aggregate assets and $4.752 trillion in aggregate pension liabilities, according to Wilshire's 2022 Report on State Retirement Systems. Asset levels rose 21.6% from $3.253 trillion at the end of fiscal year 2020, well outpacing the rise in aggregate liabilities by 2.3% from $4.647 trillion at the end of the prior fiscal year. Wilshire attributed the rise in assets to an extraordinary investment return environment, along with contributions. The report said contributions accounted for about 5% of the increase in assets, and nearly 30% of contributions came from plan participants. The median discount rate was 7% at the end of fiscal year, down 0.1 percentage points from a year earlier. The range of discount rates was 2.7% to 7.55% for fiscal year 2020, compared with a range of 2.87% to 7.75% the previous fiscal year.

State Pensions Are in the Black, But Red May Be Ahead

By Noah Zuss, Chief Investment Officer, May 12, 2022

Despite state pensions funds’ funded status improving, storms may be on the horizon, because more than two-thirds of those assets are allocated to risky investments, contends Ned McGuire, managing director of asset allocation at Wilshire. “Despite this recent rally, pension fund returns have declined fairly steadily this century, and a combination of trends suggests that will continue.” “With stock valuations well above historical averages and the Congressional Budget Office projecting that real gross domestic product growth—a major driver of equity returns—will be lower in coming years than in fiscal year 2021, future returns are likely to drop as stock prices adjust. Additionally, interest rates have hit all-time lows, diminishing expectations for returns on fixed-income investments, such as bonds.” The Pew report, “State Public Pension Fund Returns Expected to Decline,” finds that in 2019, state pensions allocated 47% of assets to equities, 27% to alternatives and 26% to fixed income and cash; in 1999, 53% was allocated to equities, 18% to alternatives and 29% fixed income and cash. From 1990 onward, in fact, the total allocations from public pension funds to “risky” assets have accounted for between 70% and 75% of investments. Public pension funds assumed average returns of 6.99% in 2021, according to data reported by the National Association of State Retirement Administrators in March.

States Improved Their Economies in 2021, a Plus for Public Pension Plans

By Larry Light, Chief Investment Officer, May 25, 2020

State governments have on the whole weathered the pandemic in good financial shape, a comfort to their pension plans, which often depend on taxpayer money for contributions. Conning’s annual assessment of states’ financial and economic situations shows a solid picture for 2021. That’s not to say that all will be lovely going forward. “Strong growth in tax revenues will continue, but growth will taper off,” says Karel Citroen, Conning’s head of municipal research. He mentions rising interest rates and inflation as headwinds. A ranking of states in terms of population growth, economic output, government debt, reserves and other metrics places **Florida at the top**, trailed in order by Utah, New Hampshire, Montana and Texas. On the other end of the spectrum, the worst-off state was Louisiana, followed in ascending order by Maryland, West Virginia, Mississippi and Kentucky. Their state pension plans reflect the rankings. **As of 2021, Florida's chief retirement system had an 83.4% funded status versus Louisiana's 66%,** according to Public Plans Data.

State Public Pension Fund Returns Expected to Decline

Issue Brief, Pew Trust, May 3, 2022

About 29 million Americans have been promised retirement benefits through state public sector pension systems. And more than half of those benefits depend on earnings generated by nearly $4 trillion in assets held in trust by those systems. However, with more than two-thirds of those assets allocated to risky investments—publicly traded stocks, also known as equities, and alternative vehicles, including private equity, real estate, and hedge funds—retirement systems' ability to meet their commitments hinges largely on investments that are subject to stock market swings. Market volatility since 2019 underscores the risks and potential rewards that accompany this strategy. The S&P 500 index fell 34% at the start of the COVID-19 pandemic in February and March 2020, which led pension asset values to plummet as well. Then, beginning just a month later, markets soared, pushing returns into positive territory for fiscal year 2020 and up to 27% on average for fiscal 2021—the highest annual returns in more than 30 years. As a result, plan assets increased by over $500 billion, driving the funded ratio—the share of promised benefits that plans have funds to pay for—above 80% for the first time since 2008. Despite this recent rally, pension fund returns have declined fairly steadily this century, and a combination of trends suggests that will continue. With stock valuations well above historical averages and the Congressional Budget Office projecting that real gross domestic product (GDP) growth—a major driver of equity returns—will be lower in coming years than in fiscal 2021, future returns are likely to drop as stock prices adjust. Additionally, interest rates have hit all-time lows, diminishing expectations for returns on fixed-income investments, such as bonds.

A Virginia pension system is considering adding crypto yield farming to its portfolio to boost returns

By Carla Mozée, Market Insider, May 4, 2022

A pension system in Virginia's most populated county may allocate some money to two crypto funds that use yield farming as an investment strategy, a move that could bolster returns for its portfolio, according to reports. Fairfax County became one of the first counties in the US to put pension money into crypto-linked investments in 2019, according to Bloomberg. Fairfax's crypto-focused investments add up to more than 8% of its portfolio. The Fairfax County Police Officers Retirement System and Fairfax County Employees' Retirement System in 2021 invested $50 million into Parataxis Capital Management LLC's main fund, which buys various digital tokens and cryptocurrency derivatives.

Public Pensions' New Quandary: Coping With Geopolitical Turmoil

Opinion, Governing, May 10, 2022

After Russia invaded Ukraine, it took only weeks for American public pension funds to begin yanking money from Vladimir Putin's pariah state. And while a handful of U.S. companies continue to conduct business inside Russia — most notably some large privately held firms — the vast majority have pulled up stakes. On the back burner, but certain to return as time goes on, is whether and how to re-frame pension policies regarding Russia's allies, its petroleum purchasers and, beyond that, businesses that produce or market in other authoritarian and totalitarian nations. ESG investing has taken on a new wrinkle, if the world is now heading toward deglobalization with Western economies pulling away from dictatorships. Call it ESG+G, for environmental, social and governance plus geopolitical investing principles. Leading up to the current geopolitical turmoil, much of the ESG movement has been value laden, rather than algorithmically numbers-driven. The 2022 surge in oil prices has brought out catcalls of negative press for ESG investing. Because there are multiple factors to consider, it's hard to construct a pension fund portfolio formulaically around ESG principles, although various plans do reference ESG concepts in their investment policies. Whether or not there is an actionable economic risk, public-plan professionals must always anticipate and deal with media headlines, public perception and political potshots.

[Pension Plan Sponsors Can Tackle Improper Payments]

by Noah Zuss, Plan Sponsor, May 9, 2022

Timely and accurate pension participant data is critical to assist plan sponsors' efforts to guard against improper payments. Pension plan sponsors can implement additional steps and processes, including more frequent participant location and address updates, to prevent payments to deceased participants, overpayments to recipients and missed required minimum distributions, according to industry experts. He advises that pension plans should use population location services more often to find missing participants and update beneficiary information and lists of participants. "The way to do that is to have what is called constant population monitoring," he says. "That means more than once every couple of years." Plan sponsors should follow up an initial letter with a certified mailing, Monica Gallagher, partner at October Three Consulting adds. After those two steps, an employer can reasonably identify a participant as lost or missing, and go to a third party for additional assistance. Plan sponsors should account for the most prevalent causes for improper pension payments to avoid this issue. Beyond missed payments, the most common reason for overpayments is a death, she says. Additional causes are if the participant chose to receive the benefits by a period-only payout option—monthly annuities payments for a guaranteed period of time such as 5, 10, 15, or 20 years—or a level income option that allows a participant to 'level' their income from the pension plan and Social Security benefits.

[Data Breach Results in Lawsuit Against Actuarial Firm]

by John Manganaro, Plan Sponsor, May 9, 2022

A lawsuit filed recently in the U.S. District Court for the Northern District of Georgia underscores the emerging set of cybersecurity risks facing the U.S. financial services and retirement planning industry. The lead plaintiff in the case says Horizon Actuarial Services LLC, a provider of actuarial and administrative services to retirement plans and other client types, failed to properly secure and safeguard sensitive personally identifiable information provided by and belonging to its customers. The types of data allegedly breached include names, dates of birth, health plan information and Social Security numbers. Simply put, advisers, service providers and employers offering benefit plans must all be wary of cybersecurity risks and do their utmost to ensure they do not become victims of increasingly sophisticated and well-equipped cyberthieves.

[Massive Illinois consolidation racing the clock]

By Rob Kozlowski, P&I, May 9, 2022

he creation of two new consolidated pension funds in Illinois is providing plan executives with a rare opportunity to build defined benefit plan investment programs from scratch. But even with a state mandate to combine the assets of more than 600 Illinois municipal police and firefighters pension funds into two multibillion-dollar investment pools, the project faces an external threat. A pending lawsuit challenging the consolidation could break apart the organizations or delay the project, which, under law, is racing against a June 30, 2022, deadline for transferring investment authority to the new funds. In December 2019, Illinois Gov. J.B. Pritzker signed into law the consolidation of the municipal police and fire pension plans outside the city of Chicago into the two pension investment funds, bringing together a then-estimated $15 billion in assets. The law was the result of the findings of a Pension Consolidation Feasibility Task Force that Mr. Pritzker created earlier that year, recommending the consolidation of all the municipal police and fire plans.

[Report: Almost half of public sector retirees don't touch their retirement plans for a decade]

By Andy Castillo, American City & County, May 13, 2022

Once retired, nearly half of public sector employees aren't taking any action with their defined contribution retirement plan funds for at least a decade, according to research from Mission Square Research Institute, which included the analysis of more than 100,000 public service data records. In their first ten years of retirement, researchers found that 48 percent of plan participants didn't take any partial disbursements and 72 percent didn't take any full disbursements. Of the other half, 27 percent drew their first partial disbursement within the same year of retirement; 11 percent took a full disbursement the first year.

[For a Decade, Pensions Wanted Yield From Real Assets. Now They Want Inflation Protection.]

By Jessica Hamlin, Institutional Investor, May 13, 2022

In the endless quest for yield, state pensions have been quietly moving a significant amount of money into real assets over the last decade. Now they are hoping these investments can protect them from inflation. Between 2011 and 2021, institutional investors increased their aggregate allocations to real assets — including commodities, precious metals, real estate, and natural resources — by 7.8 percent, according to a new report from Wilshire Associates on state retirement systems. Total public pension plan allocations to U.S. and non-U.S. equity and fixed income decreased by 2.5 percent during the same period. State pensions cut fixed income as rates fell. "Most investors are aware that yields across fixed income have been falling pretty much for the past 10 years," Ned McGuire, managing director at Wilshire, told Institutional Investor. Real assets often have a low correlation to the performance of stocks and bonds, which makes them a potentially ideal holding during periods of market volatility and underperformance. Real assets are also generally positively correlated with inflation, which, while relatively tame over the past decade, has spiraled upward over the last two years, increasing investors' desire for protection. "With yesterday's inflation at over 8 percent again, inflation protection and finding assets that are positively correlated with inflation is now very attractive in the eyes of investors," McGuire said.

[Alaska Shouldn't Undo 16 Years and Counting of Fiscal Responsibility]

By Rachel Greszler, Heritage Foundation, May 19, 2022

Sixteen years ago, Alaska enacted a commonsense, fiscally responsible pension reform bill that put new hires into a defined contribution pension plan as opposed to the state's woefully underfunded Illinois-style defined benefit pension system. That's been a win for workers who now have greater certainty about the value of their retirement accounts and accumulated real wealth. It's been a win for taxpayers by assuring they will not be on the hook for unfunded pension promises that almost certainly would have been made to those workers. And it's arguably a win for politicians who no longer have growing and uncertain pension costs crowding out other desired spending. This change was not easy, and **Alaska is the only state that's accomplished a fully defined contribution plan for all new hires.** Now, Alaska's Legislature is set to pass a bill that would undo it all. The Alaska House of Representatives passed HB 55, which would bring back a pension plan for the state's public safety police and firefighters. The Senate is reportedly poised to pass the bill and Alaska Gov. Mike Dunleavy's final signature is still in question. A major impetus for the bill has been the state's struggles with recruitment and retention for law enforcement. But Alaska is hardly alone in its struggles amid a demoralized American police force stemming from the riots and destruction that followed George Floyd's death in March 2020. The fact that nearly every police force outside of Alaska has a defined benefit pension and is struggling as much or more to attract and retain police officers suggests that adding a defined benefit pension won't move the needle. That's especially true if potential police officers and firefighters consider the sorry state of public pensions across the nation. Owing to perverse political incentives to make promises decades into the future when politicians making the promises will no longer be in office, as well as financial mismanagement, state and local pensions are on track to fund, at best, 80 cents on the dollar (based on their own arguably unrealistic assumptions), and more realistically, less than 50 cents on the

dollar in promised benefits.
Editor's Note: **Florida** local defined benefit plans were funded at 96.5% in FY 2019. The FY2020 data is currently being compiled and analyzed. Maybe other states should look to Florida for guidance.

Putin hikes Russian pensions, plays down Ukraine impact on economy

By Reuters, May 25, 2022

President Vladimir Putin ordered 10% rises on Wednesday in pensions and the minimum wage to cushion Russians from inflation, but denied the country's economic problems were all linked to the war in Ukraine. With annual inflation near 18% last month, the Kremlin leader acknowledged that 2022 would be a "difficult" year for the Russian economy. "When I say 'difficult', it doesn't mean all these difficulties are connected to the special military operation," Putin told a televised meeting of the State Council in Moscow.

Illinois judge affirms constitutionality of combining plans' assets

By Rob Kozlowski, P&I, May 25, 2022

An Illinois judge ruled that two new consolidated investment funds combining the assets of all the state's municipal police and firefighters' pension funds are constitutional. In a summary judgment order, Kane County Circuit Court Judge Robert K. Villa said the December 2019 law signed by Illinois Gov. J.B. Pritzker consolidating municipal police and fire pension plans outside the city of Chicago into the Illinois Firefighters' Pension Investment Fund and Illinois Police Officers' Pension Investment Fund was not unconstitutional under the Illinois Constitution's pension and takings clauses. The lawsuit said the law violated clauses by terminating "plaintiffs' authority to exclusively manage and control their investment expenditures and income," according to the original court filing.
Editor's Note: The state legislature, with the governor's signature, removed all the pension assets from some 600 local government pension plans and placed them into two state funds: one for fire and one for police. The local pension board no longer make investment decisions nor deal with portfolio construction or asset allocation. Their sole function is administering the pension benefit on the local level. Basically in one legislative act, the local pension plans in Illinois were changed.