FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Prepared by Fred Nesbitt, FPPTA Media Consultant – fnesbitt911@gmail.com

Barclays (BCS) Sued for Exceeding Bond Sale Limit by $17.6B

Zacks Investment Research, NASDAQ, September 26, 2022

A lawsuit was filed against Barclays PLC BCS in the U.S. District Court in Manhattan on Friday by two Florida pension plans — the City of **North Miami Beach Police Officers' and Firefighters' Retirement Plan**, and the **City of North Miami Beach General Employees' Retirement Plan**. Shareholders claim that BCS defrauded them with its sale of $17.6 billion more debt than regulators had allowed. Per the complaint, Barclays made "materially false and misleading" assurances in its annual reports that its internal controls over financial reporting were effective. There are claims that BCS overstated profits, and understated operating and "litigation and conduct" expenses by not disclosing the over-issuance in its 2021 earnings releases. The current lawsuit seeks damages for Barclays ADR holders from Feb 18, 2021, to Mar 25, 2022. Over the past year, shares of BCS have lost 32.4% compared with the 15.1% decline of the industry.

Florida Retirement System returns -6.3% for fiscal year

By Rob Kozlowski, P&I, September 1, 2022

Florida Retirement System (FRS) returned a net -6.3% for the fiscal year ended June 30. The $180 billion pension fund's return exceeded the benchmark return of -9.1% for the period, according to a performance report on the website of the Florida State Board of Administration, which oversees the pension fund's investments. For the three, five and 10 years ended June 30, the pension fund returned an annualized net 7.7%, 7.7% and 8.6%, respectively, above the respective benchmarks of 5.7%, 6.2% and 7.4%. The pension fund had returned a net 29.5% for the fiscal year ended June 30, 2021. Among the 56 U.S. public pension fund returns tracked by Pensions & Investments as of Thursday, the median return for the period was -5.4%.

Public Pension Plans Crossed Party Lines to Support ESG

By Jessica Hamlin, Institutional Investor, August 30, 2022

ESG is under attack by Republican politicians, but during the 2021 proxy season pension funds across the U.S. backed the majority of ESG shareholder resolutions. U.S. public pension plans are some of the environmental, social, and governance movement's biggest supporters. Divisions along political party lines might change that.
In a Morningstar analysis of the most recently available 2021 public fund proxy votes on 72 key ESG shareholder resolutions published, U.S. public pension funds in both red and blue states showed higher rates of support for almost all of the measures compared to general shareholders and ESG-focused funds. The analysis included 29 public pension plans — including the nation's largest plans like California Public Employees' Retirement System, New York State Common Retirement Fund, and the State of Wisconsin Investment Board— that directly voted in their proxies and that collectively represented $3.4 trillion in assets under management. Specifically, 90 percent of public pension funds — including 98 percent of funds in blue states and 80 percent of pensions in red states — showed support for key ESG resolutions in 2021. Morningstar looked at individual public pension plans in Democratic- and Republican-leaning states and found a clear partisan lean (pension plans in red states voted more

frequently against ESG resolutions while pensions in blue states voted in favor of them). Most notably, the Teachers Retirement System of Georgia voted against 99 percent of the ESG resolutions it was eligible to vote in and Ohio's Public Pension voted against 67 percent of ESG resolutions. Six public pension plans — all in blue states — voted 100 percent in favor of ESG resolutions.

Florida State Board Bans ESG Considerations in Managing Pension Plan

By Alan Goforth, Treasury and Risk, September 2, 2022

The Florida Retirement System should not consider environmental, social, and corporate governance (ESG) standards when investing in companies, says Republican Governor Ron DeSantis. That message was enforced at the August 23 meeting of the Florida Cabinet, when the governor and his fellow trustees of the State Board of Administration unanimously adopted a resolution restricting the use of ESG factors in making investment decisions in the Florida Retirement System's (FRS's) defined-benefit plan, according to a press release from the governor's office. Instead, Florida's fund managers should invest in a manner that "prioritizes the highest return," said the release. "We're a big pension system," DeSantis told radio host Glenn Beck last week. "And some of these businesses are going to have to choose between going down the ESG rabbit hole or being able to be invested with the state of Florida." FRS is the pension fund for more than 1 million public-sector workers, retirees, and their surviving spouses. **More than 90 percent of its revenue ($46.4 billion in 2021) is from investments**, with the remainder ($4.6 billion) contributed by the state, school boards, local governments, and their employees. The fund paid out $7.5 billion in benefits last year, according to a state audit.

Editorial Palm Beach Post Environmental aim is healthy for Fla. Pensions

Palm Beach Post, September 14, 2022

Bad enough corporate America provoked Florida Gov. Ron DeSantis to go after firms seeking to diversify and train their staffs to deal with a demographically changing marketplace. Now, he's taken his anti-woke tear out on state pension investments. Thanks to a resolution pushed by the governor and approved last month, fund managers of the $203.1 billion fund can only weigh the risk or return of a particular investment. Firms profiting from environmental and social governance (ESG) policies no longer will have an edge in evaluations. If there is any state that could benefit from investing in profitable, cutting-edge firms that promote environmental and social governance, it's Florida. Our state is diverse and plagued by the changing climate. If a firm meets basic investment requirements and boasts innovative policies addressing social needs and making big money at the same time, why not? DeSantis has been down this road before. Florida's cruise industry, Walt Disney World and almost any company that wants to better train its employees — they've all run afoul of the governor over COVID-19 mandates or Florida's dubious anti-Woke laws. Florida's pension system has a AAA rating and is still one of the nation's best. The 1.1 million retirees deserve ethical investments and the highest level of fiduciary standards. The governor's political anti-ESG push falls far short on both counts.

Danish pension fund ATP posts -36.4% return, $8 billion loss in first half of 2022

By Sophie Baker, P&I, September 1, 2022

ATP, Hilleroed, Denmark reported a -36.4% investment return for the first half of 2022, with the investment portfolio taking a battering from falling equity markets and rising interest rates. The pension fund said in its half-year update that the investment return was equivalent to a 58 billion Danish kroner ($8.2 billion) loss, compared with a 26.9 billion kroner gain for the same period in 2021. The investment return for the first half of 2021 was 17.9%.

Pensions Aren't the Answer to Your Retirement Anxiety
Opinion by Allison Schrager, Bloomberg, September 3, 2022

It's tempting to think of a steady payout from your employer as the ideal way to fund your golden years, but private investment accounts like 401(k)s are better at securing a nest egg — for those who take advantage of them. Defined benefit pensions are overrated. Even in this scary market, you should be grateful to have a retirement account like a 401(k). The future of retirement should be individual retirement accounts. We should phase out pensions in public sector jobs and make retirement accounts accessible to more people rather than enlarging Social Security. First of all, pensions aren't free. If an employer is putting aside money for your pension, that's money that might otherwise go toward a higher salary. Rising pension costs is one big reason why teacher salaries have stayed so low; as interest rates fell over the years, financing pensions got more expensive, and that adds up to less money available for paying workers. The biggest problem with pensions is that it's very hard to create the incentives to fully fund and invest them responsibly. And when it comes to government pensions, where politicians tend to be short-sighted, it's especially difficult. Alternatively, individual retirement accounts such as 401(k)s are by definition always fully funded because there is no promise of future payments. Transparency is what makes 401(k)-type accounts so unpopular, but that's also what makes them better. With all the uncertainty we face today, that 401(k) is still a better bet in the long run, because they expose something we'd rather not face: It takes a lot of money to retire. At least with a 401(k) we know what to expect and can act on the information.

Politics can take toll on public pension professionals
By Robert Steyer, P&I, September 5, 2022

For a private-sector professional joining a public pension plan as a CIO, high-ranking executive or trustee, the initial experience can be a shock. "The political effect is omnipresent," said Fredrick "Rick" Funston, managing partner and CEO at Bloomfield Hills, Mich.-based Funston Advisory Services LLC. "They aren't really aware of it until they are in (the job)," he said, noting that a public pension fiduciary's job requires a lot more than making investments. Mr. Funston recommends that public pension plan clients hire independent fiduciary counsel for advice, conduct continuing education on fiduciary duties and seek advice from independent consultants. "Trustees have a duty to stay informed," Mr. Funston said. "There has to be open communications between the pension system and legislators." Noting the "fishbowl" nature of public pension funds, "being closer to the public eye is not for everyone," said Keith Brainard, the Georgetown, Texas-based research director at the National Association of State Retirement Administrators. "The political noise is always going to be out there." Mr. Brainard said he doubted a departing pension professional would openly complain about politics. For example, after the Sandy Hook Elementary School Shooting in Newtown, Conn., in late 2012, the boards representing the teachers, board of education and public employee pension funds called for divesting investments in gun manufacturers, which the bureau of asset management completed. The boards of the police and fire department pension funds said divesting "wasn't right for them." Although politicians serve four or eight years, "the pension responsibility never changes and the trustees' duty never changes."

$23.6 trillion in assets sets record for plans
By Douglas Appell, P&I, September 5, 2022

Assets of the world's 300 largest retirement plans rose 8.9% last year to a record $23.6 trillion, in what could prove a bittersweet end to an unprecedented era of easy money, according to the latest annual survey by Pensions & Investments and Willis Towers Watson PLC's Thinking Ahead Institute. Last year's healthy gain was smaller than the 11.5% surge logged in 2020, when policymakers around the world put economic stimulus into overdrive to counter — arguably with too much success — the COVID-19 pandemic's paralyzing effects on the global economy.

Oregon Public Employees powers to 6.3% return on strength of private equity
By Arleen Jacobius, P&I, September 9, 2022

Oregon Public Employees Retirement Fund, Salem, earned a net 6.3% return for the fiscal year ended June 30, outpacing its -0.7% benchmark, according to reports to the Oregon Investment Council, which oversees the $93.3 billion pension fund. Oregon PERF's return comes amid a fiscal year when most of its public pension fund peers have posted negative returns. The pension fund returned an annualized net 10.3% for the three years ended June 30 relative to a benchmark of 8.9%; 9.3% for five years, above its 8.6% benchmark; and 9.3% for 10 years vs. its 9.2% benchmark. By comparison, the pension fund returned 25.5% on its investments for the year ended June 30, 2021. The pension plan has a 6.9% assumed rate of return. The OPERF board is expected to review its assumed rate of return next summer. Paola Nealon, managing principal at the council's general investment consultant, Meketa Investment Group, told the council that one of the reasons for the pension fund's "very strong numbers" for the fiscal year was due to its 8-percentage-point overweight in private equity. As of June 30, OPERF had an actual allocation of 28% private equity, 21.9% public equity, 16.6% fixed income,13.6% real estate, 7.9% real assets, 4.9% diversifying assets, 2.6% opportunity portfolio, 2.5% cash and 2% risk parity.

World’s 300 Largest Pension Funds’ Assets Rise to Record $23.6 Trillion
By Michael Katz, Chief Investment Officer, September 12, 2022

The 300 largest pension funds in the world saw their assets under management increase by 8.9% to a record $23.6 trillion in 2021, according to a report from WTW’s Thinking Ahead Institute. The Government Pension Investment Fund of Japan remained at the top of the list as the world’s largest pension fund for the 20th straight year, with assets of more than $1.73 trillion. Norway’s Government Pension Fund Global was second with just under $1.44 trillion, and South Korea’s national pension fund was third with just under $800 billion. Despite the record in assets, growth has slowed from 11.5% in 2020. However, WTW’s report says this should be expected after the strong performance in the markets during 2020. Still, it was enough to increase the cumulative growth to 50.2% during the five-year period of 2016 through 2021. According to WTW’s research, North America accounts for 45.6% of the world’s 300 largest pension funds’ assets, up from 41.7% at the end of 2020. European pension funds account for 25.9% and Asia Pacific funds account for 25.5%, while Latin America and Africa account for the remaining 4%. Nearly half (148) of the top 300 pension funds are from the U.S., and account for nearly 40% of the total assets under management. Defined benefit fund assets continue to account for the majority, or 63.5%, of the total assets; however, that share has gradually declined over the years as defined contribution funds (23.8%), reserve funds (11.8%) and hybrid fund assets (0.9%) have slowly increased their share.

Gen Z savers most likely to opt out of pension contributions
By Jack Gray, Pensions Age, September 15, 2022

Young people aged between 18-24 (Gen Z) are the most likely age group to opt out of making pension contributions, with 17 per cent of this cohort doing so, according to research from Penfold. The study also found that 15 per cent of Millennials, aged between 25 and 41, were opting out of contributing to their pensions. Generation X, or people aged between 42 and 57, were opting out at the lowest rate at 10 per cent and were also the most likely to make additional pension contributions. According to Penfold, 32 per cent of Gen Z savers that were opting out of their pensions were doing so in order to save for a home, while 31 per cent were opting out to save for material goods and **28 per cent to afford a holiday abroad**.

Facing Staff Shortages, Trumbull Debates Return to Defined Benefit Pensions for Police
By Sophia Muce, CT Examiner, September 13, 2022

Town officials may reinstate a defined benefit pension plan for local police officers in an effort, they say, to improve employee retention. Police departments across the state have struggled to hire officers over the last few years. Trumbull (CT) is no different – the full strength of the department is 82 officers, but the town currently employs 69. “Everybody’s having a recruitment issue in probably a lot of professions,” said Chief of Police Michael Lombardo. “We’ve had that issue like everybody else, but we’re also now dealing with a retention issue.” According to Lombardo, **eight letters of resignation last year 2021 from the department mentioned the absence of a defined benefit pension plan as their reason for leaving.** According to a 2019 report by Yankee Institute, a conservative-leaning think tank, about three-quarters of Connecticut towns offer at least one defined-benefit pension plan, guaranteeing a fixed pension after retirement.

[US: The great unfreeze - does it make sense to reopen DB plans?]

By Maria Teresa Cometto, IP&E, September 2022

US defined benefit (DB) public and corporate pension funds are responding differently to inflationary pressures. Public schemes are more concerned about the negative impact of financial market turmoil on their returns, while corporates are enjoying the rising discount rates that are lowering their liabilities and improving their funded status. **Russ Kamp, managing director at Ryan ALM**, also thinks unfreezing corporate DB plans is a great idea. “Among our new clients, some multi-employer plans are thinking about that. Especially now with the Great Resignation [unprecedented numbers of people quitting their jobs] going on, guaranteed benefits can attract and retain talent.” Public schemes’ funding ratio was only 75% in 2021, according to the Center for Retirement Research at Boston College. Besides investing less in fixed income and more in alternatives, a growing number are adopting riskier strategies to achieve better returns: they invest borrowed money or use leverage. Last July, for example, the California Public Employees’ Retirement System (whose funded status is 80%) started adding leverage for the first time in its 90-year history. Many public funds were dissatisfied with the return on investment grade fixed income, and they sought returns through larger allocations to private equity and other alternatives. In the US equity bull market, they had trouble getting to their target. Now, with the drop in equity markets and in fixed income markets, the share of their portfolio that’s in private markets is at or above their target weight. That may slow down their appetite for alternatives. Jon Pliner, US head of delegated portfolio management at WTW, has seen increased interest in leverage and believes that when used properly leverage can reduce overall risk level. “Proper diversification of risk premia into non-traditional asset classes such as real assets, alternative credit and, where suitable, hedge funds and private equity help to ensure inflationary environments are less impactful to the portfolio, and thus to a plan’s funded status.

[The U.S. retirement system gets a ‘C+’ grade, experts say — even though it’s worth $39 trillion. Here’s why]

By Greg Iacurci, CNBC, September 19, 2022

The U.S. retirement system may seem flush — yet it ranks poorly in relation to those in other developed nations. Collectively, Americans had more than $39 trillion in wealth earmarked for old age at the end of 2021, according to the Investment Company Institute. However, the U.S. places well outside the top 10 on various global retirement rankings from industry players, such as the Mercer CFA Institute Global Pension Index and Natixis Investment Managers 2021 Global Retirement Index. According to Mercer’s index, for example, the U.S. got a “C+.” It ranked No. 17 on Natixis’ list. Where the U.S. largely lags behind those countries, experts said, is that its retirement system isn’t set up so that everyone has a chance at a financially secure retirement. Consider this statistic: Just three of the 38 countries in the Organization for Economic Co-operation and Development rank worse than the U.S. in old-age income inequality, according to the bloc of developed countries. Indeed, poverty rates are “very high” for Americans 75 years and older: 28% in the U.S. versus 11%, on average, in the OECD. Just over half — 53% — of U.S. workers had access to an employer-sponsored retirement plan in 2018. That’s an improvement from nearly 49% a decade earlier, he found. The U.S. has a voluntary retirement savings system. The federal government doesn’t require individuals to save, or businesses to offer a pension or 401(k). Individuals also shoulder more personal responsibility to build a nest egg as businesses have largely transitioned away from pension plans.

As Vote Looms, State-Conducted Survey of Public Employees Shows Strong Opposition to Closing Defined-Benefit Retirement Plan

By North Dakota United, The Times Record, September 20, 2022

The results of the most recent survey conducted by the State of North Dakota's Human Resource Management Services (HRMS) Division show strong employee opposition to proposed changes, as the North Dakota Legislature's Interim Retirement Committee prepares to take a vote on the future of the North Dakota Public Employees Retirement System (NDPERS) defined-benefit retirement plan. In a 2022 Total Rewards Survey, state workers were given a series of statements about the compensation and benefits they receive as employees and asked to rank how much they agreed with each statement on a scale of 1 to 5. Out of 3,858 responses to the statement "I prefer to have a Defined Benefit (DB) Retirement Plan rather than a Defined Contribution (DC) Retirement Plan," 42 percent rated it as 5, or Strongly Agree. Of the 3,840 who ranked how much they agreed with the statement "I prefer to have a defined contribution (DC) retirement plan rather than a defined benefit (DB) retirement plan," the rate of 5 – Strongly Agree responses plummets to only 3 percent.

Milliman: Largest U.S. public pension plans' funding ratio dips to 75% in August

By Rob Kozlowski, P&I, September 23, 2022

The overall estimated funding ratio of the 100 largest U.S. public pension plans fell to 75% in August due primarily to negative investment returns for the month, according to the Milliman 100 Public Pension Funding index. During the month of August, Milliman estimated that public pension plans had an aggregate investment return of -2.6%, with an estimated range of -4.1% to -0.9%. The estimated funding ratio as of July 31 was 77.3%, up from 74% a month earlier thanks to a modest market recovery during that month. Milliman estimated that only 19 of the 100 largest U.S. public pension plans had funding ratios above 90% as of Aug. 31. Of the 100 plans measured by the index as of Aug. 31, 24 plans were below 60% funded, up from 22 as of July 31. A total of 17 plans had ratios between 60% and 70%, 17 plans were between 70% and 80% and 23 plans were between 80% and 90%.