

# FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



## PENSION NEWS CLIPS NOVEMBER 2022 ON FLORIDA PENSION ISSUES

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### Florida voters reject all 3 constitutional amendments

By Jim Saunders and Jim Turner, News Service of Florida, November 9, 2022

Florida voters rejected three proposed constitutional amendments that would have provided property-tax breaks and eliminated the state's Constitution Revision Commission. The proposals, put on the ballot by the Legislature, needed support from 60% of voters to pass. All were below that threshold after receiving little attention during an election dominated by races for governor and a U.S. Senate seat. Amendment 3, which received the most support at 58.7%, would have increased the homestead exemption for teachers, law-enforcement officers, correctional officers, firefighters, emergency medical technicians, paramedics, child-welfare services professionals and active-duty members of the military and Florida National Guard. The change would have saved \$80.9 million for the targeted property owners next fiscal year, with the annual savings growing to \$93.6 million in five years, according to projections. Under current law, homeowners can qualify for homestead exemptions on the first \$25,000 of the appraised value of property. They also can qualify for \$25,000 homestead exemptions on the value between \$50,000 and \$75,000. Any higher property value is taxable. Under the proposal, homeowners in the targeted professions could have received an additional \$50,000 exemption, which would have applied to the property value between \$100,000 and \$150,000.

### Analysis: As Easy As ESG?

Analysis, MENAFN, November 28, 2022

Perhaps it is nothing more than a sign of the times that ESG proponents currently find themselves assailed by both sides of the divide that bedevils today's political environment. On the one hand, US Republicans have begun a broad attack on the notion that environmental, social and governance (ESG) factors should influence investing strategies. Deriding it as 'woke capitalism', **Florida** has passed a resolution barring pension fund managers from taking such issues into account, while Texas has ordered state retirement and school funds to divest holdings in financial companies that are 'boycotting' the fossil fuel industry. Anti-ESG funds are starting to gain traction, while a recent survey finds that America's CFOs largely support these moves. 'I think Republicans would argue that these are not decisions that look exclusively at bottom line,' said Bruni. 'They are about steering the world in a direction that conforms to your ideology or values.'

### How Secure Public Pensions Are in Every State

By Samuel Stebbins, 24/7 Wall Street, November 28, 2022

Public employee pension systems are some of the largest financial liabilities on state government balance sheets. The 50 states have over \$4.5 trillion in cumulative pension liabilities combined, roughly double the total amount all 50 states spent in fiscal 2020. For years, state pension systems were woefully underfunded in much of the country, but according to a recent [report from the Pew Charitable Trusts](#), this trend may be reversing. Driven by higher investment from both employees and employers, state pension systems have largely stabilized as of 2020. Since 2007, states across the country have more than doubled annual pension contributions, often cutting funding for other programs to do so. Still, some states are better positioned to pay public sector employees throughout

retirement than others. Using 2020 data compiled by Pew, 24/7 Wall St. reviewed the on-hand financial assets states have in their pension system as a share of their total projected liabilities – or the amount they will have to pay former public sector employees throughout their retirement. States are ranked from the best funded pensions to the worst.

### **Political spat over climate risks in investments gets hotter**

By Steve Karnowski and Stanley Choe, Greenwich Times, November 1, 2022

The political fight is only getting fiercer over whether it's financially wise or "woke" folly to consider a company's impact on climate change, workers' rights and other issues when making investments. Republicans from North Dakota to Texas are ramping up their criticism of "ESG investing," a fast-growing movement that says it can pay dividends to consider environmental, social and corporate-governance issues when deciding where to invest pension and other public funds. At the same time, Democrats in traditionally blue states like Minnesota are considering whether to make ESG principles an even bigger part of their investment strategies. **Florida** has become one of the hottest battlegrounds for ESG. Gov. Ron DeSantis in August prohibited state fund managers from using ESG considerations as they decide how to invest state pension plan money. And even as his state cleans up from the environmental destruction caused by Hurricane Ian, DeSantis plans to ask the Florida Legislature in 2023 to go even further by prohibiting "discriminatory practices by large financial institutions based on ESG social credit score metrics." Pension funds are often caught in the middle of the battles. Questions are flowing into the Florida Education Association from teachers about what DeSantis' moves will mean for their retirements.

### **Florida Organization Session & Issues to Expect for 2023**

By McGuireWoods Consulting LLC, Lexology, November 29, 2022

On November 22, 2022, 160 Florida lawmakers, many elected to the legislature for the first time, gathered in Tallahassee to be sworn in. During this constitutionally required "organization session," the two chambers also officially nominated their next President of the Senate, Kathleen Passidomo (R-Naples) and Speaker of the House, Paul Renner (R-Palm Coast). With the election over and organization session complete, lawmakers are now focused on preparing for the 2023 legislative session and committee weeks, starting the week of December 12, 2022. The following are the top issues likely to move during the 2023 session: **ESG** - Environmental, social, and governance investing--otherwise known as ESG--refers to a set of criteria or standards which are increasingly being used by corporations and socially conscious investors to screen potential investments. Florida has already banned its \$186 billion pension fund, known as the Florida Retirement System, from investing according to ESG factors. Additional efforts to curb the use of ESG as it relates to state funds can be expected. This is of particular interest to House Speaker Paul Renner.

### **Rising discount rates push U.S. corporate pension funding ratios above 100%**

By Rob Kozlowski, P&I, November 4, 2022

U.S. corporate pension plans' funding ratios now exceed 100% thanks to rising discount rates bringing down pension liabilities, according to three new reports. Milliman, in its latest report of the Milliman 100 Pension Funding index that estimates the funding ratio of the 100 largest U.S. corporate pension funds, said the estimated funding ratio reached 112.8% as of Oct. 31, up from 108.8% as of Sept. 30. The increase was driven by a hike in the discount rate to 5.71% as of Oct. 31, up from 5.36% as of Sept. 30. Milliman also estimated flat investment returns of 0.21% during the month.

## **Great Recession Strengthened Public Pension Systems, Report Says**

By Ray Fazzi, Financial Advisor, November 1, 2022

State and local government retirement systems successfully navigated the global financial crisis from 2007 to 2009 and were able to attain pre-recession asset levels within about six years, a new report says. The research by the National Institute on Retirement Security (NIRS) also found that these pension plans adopted strategies in reaction to the Great Recession that allowed them to ensure long-term resilience. “No investor was immune from the devastating effects of the Great Recession, including public pension plans,” NIRS Executive Director Dan Doonan, one of the authors of the report, said in a prepared statement. “But despite the global turmoil, pension plans didn’t miss a beat delivering promised retirement income to retirees. In fact, more than \$3.8 trillion in benefits have been paid since 2007.” The report noted that public pension plans across the nation suffered significant losses as a result of the Great Recession, which lasted from 2008 to 2009. It took years for pension plans to recover and, as a result of the financial shock, many of them took on a more conservative approach, mainly by lowering their assumed rates of return, improving mortality assumptions and shortening their amortization periods. Researchers found that the median government pension plan took until 2013 to recover its fiscal 2007 asset levels, while the majority of plans were able to achieve this type of recovery by 2014. NIRS also reported that, as of the end of last year, pension plan assets were 88% above 2007 levels and \$3.8 trillion had been paid out in benefits since the Great Recession. There were also \$89 billion in plan withdrawals over that period of time.

## **Financial Vortex Contributes To Looming U.S. Retirement Shortfalls**

By Michael Moran, Financial Advisor, November 11, 2022

A major retirement issue is looming in the United States. The widespread transition from defined benefit (DB) pension plans to defined contribution (DC) plans over the last 20 years has largely shifted responsibility for financing retirement from employers to employees or plan participants. Participants have also been hit with increased market volatility, higher than normal inflation, potentially lower investment returns, (thankfully) longer life expectancies, and a vortex of competing financial priorities. That is a challenging mix. As a result, most people are not saving enough of their earnings to provide even half of their pre-retirement income once they leave the workforce, as confirmed in our annual Goldman Sachs Retirement Savings & Insights Report for 2022. In our annual Goldman Sachs Retirement Savings & Insights Report for 2022, we surveyed 1,566 individuals and found 51% of retirees reported that their current income is less than 50% of their pre-retirement income. Only 25% had more than 70% of pre-retirement income in retirement; 70% is often cited as the benchmark retirees need to maintain their standard of living. A surprising 56% of retirees retired earlier than expected. This often was caused by factors outside their control, such as health reasons or having to care for an elderly family member. Unfortunately, the runway for retirement saving may prove shorter than some workers expect. Generation X is the first generation largely not covered by DB pension plans, which also impacts Millennials and Gen Z. The onus is now on individuals to save for their retirements, and they can all too easily be pushed off track.

## **Most states make actuarially determined pension contributions**

By Larry Rothman, P&I, November 15, 2022

In fiscal 2021, 32 states made at least its actuarially determined pension contribution, and another 12 states contributed 90% to 99%. That's in line with the previous year when 33 states met at least 100% of the ADC. There has been a trend toward more states making payments equal to or greater than the ADC. In 2016, half of the states made 100% or more of the ADC.

## [State-Sponsored IRA Plans Have Potential to Boost Worker Savings](#)

Reported by NOAH ZUSS, Plan Sponsor, November 17, 2022

State-sponsored retirement plans may help workers save more for retirement and help retirees rely less on social services, if their cost effectiveness is not impaired by fees, argues retirement research from Rice University. An issue brief examined state efforts to expand retirement plan coverage for workers who do not have access to retirement benefits from their employer, concluding that state plans are worth exploring but have not yet disproved their critics. The brief notes that a Federal Reserve study of U.S. workers in 2021 found 25% had no retirement savings and 40% felt behind on preparing for retirement. State-sponsored individual retirement account programs deduct regular retirement plan contributions from an employee's paycheck. Despite criticisms, state-administered plans should not be abandoned and because the programs are still relatively new, need time to allow them to mature before their success can be determined.

## [U.S. pension plans take variety of benchmarking approaches](#)

By Valerie Ge, P&I, November 21, 2022

This report intends to provide insights into the overall and asset class benchmarks selected by the 50 largest U.S. public defined benefit plans. The top 50 plans are selected based on their reported U.S. DB asset totals in Pensions & Investments' 2021 survey. Eleven out of 50 plans did not disclose enough detailed information, and 10 plans had a fiscal year ended other than June 30. [Click here to read the 14 page report.](#) Due to the complexity of public plan reporting and different approaches to sub asset classes, asset allocation and performance ranges can be too broad for meaningful comparison, and thus comparing the asset allocation and benchmarking of different plans can be reductive without adequate context.

## [Crypto fallout leaves U.S. retiree benefits mostly unscathed](#)

By Bloomberg, P&I, November 21, 2022

While it seemed like everyone was jumping into the cryptocurrency market in the last few years, one major investor showed restraint — a bet that seems to be paying off. Most of the largest U.S. state and local government pension funds have dodged the ongoing fallout from the collapse of crypto exchange FTX by not directly investing in digital tokens. For the pensions that have dipped into the risky asset class, the investments represent just a small amount of the retirement funds' portfolio, and much of the limited exposure is indirect via crypto-related stocks or other investment products. Nearly all of the top 10 US pension funds by assets said they are not invested in bitcoin or any other cryptocurrencies, according to an informal survey by Bloomberg. **A notable exception is the Florida Retirement System, with \$182 billion in assets, which said they invested \$119 million of net-assets in bitcoin, ether and solana.** Houston Firefighters' Relief and Retirement Fund allocated 0.5% of its \$5.5 billion assets last year into crypto. Handling the retirement benefits of over 6,600 active and retired firefighters, the Houston fund are among a few to invest in both bitcoin and ether.

## [Public Pension Investment Update: Have Alternatives Helped or Hurt?](#)

By Jean-Pierre Aubry, Center for Retirement Research at Boston College, November 2022

Fiscal year 2022 was a difficult one for state and local pension plans, with the decline in the stock market erasing much of the gains from 2021. And, recent media reports by Pensions and Investments, the Wall Street Journal, and others have suggested that alternative investments are one reason why reported returns don't look worse. But focusing on the short-term impact of specific asset classes ignores the fact that public pensions are long-term investors. The key question is: have alternatives helped or hurt pension funds' long-term investment performance? The brief's key findings are: In FY 2022, public pension plans experienced negative asset returns, and some say it could have been even worse without alternative investments. But the real question is have alternatives (private equity, hedge funds, real estate, and commodities) helped or hurt over the

long term? The results suggest that, from 2001-2022, alternatives have not helped overall returns – although they may have reduced volatility. [Public Pension Investment Update: Have Alternatives Helped or Hurt?](#)

### **Miami Beach Fire & Police makes first private equity commitments**

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

Miami Beach (Fla.) Fire & Police Pension Fund approved its first two private equity commitments totaling \$25 million. The \$984 million pension fund's board approved commitments of \$15 million to Private Equity Core Fund X, a private equity fund of funds managed by 50 South Capital Advisors, and \$10 million to Dover Street XI, a secondary private equity fund managed by HarbourVest Partners, at its Sept. 15 meeting, recently released meeting minutes show. They are the first private equity commitments for the pension fund. The board at its July 21 meeting approved the creation of a new 3% target to private equity, minutes of that meeting show. The minutes said the new target is funded from a reduction of the target to public equities. Investment consultant **AndCo Consulting** assisted.

### **Labor Department Approves ESG Funds for 401(k) Plans**

By Tom Lydon, ESG Channel, November 25, 2022

In what could be a major boon for the long-term growth of environmental, social, and governance (ESG) funds, the Department of Labor announced that it will allow the use of ESG funds in 401(k) plans, reversing the prior administration's opposite policy. While exchange traded funds are making gradual inroads in the 401(k) space, the Labor Department's decision could spur more adoption of ESG funds of all types across a variety of usage cases. Translation: It's possible that as more workers add ESG index funds and the like to employer-sponsored retirement plans, they may add ESG ETFs to discretionary accounts or their self-directed retirement accounts. Additionally, the Labor Department's decision is seen as empowering investors and, believe it or not, removing some of the politicization from the ESG fund conversation. The Labor Department didn't make the decision simply to undo something the prior administration committed to. That type of pettiness doesn't serve investor outcomes. Rather, stakeholders were involved in the process.

### **New York Attorney General seeks to ban retirement funds from investing in digital assets**

By James Field, CoinGeek, November 25, 2022

The aftershocks of the FTX disaster continue to roll on. The latest tremor for the industry came on November 22, as New York Attorney General (NYAG) Letitia James urged lawmakers to prohibit employer retirement plans and IRAs from investing in digital assets. In a letter to Congress, James proposes legislation that would ban digital asset investment by retirement plans and, adding a cherry on top, also requests the scrapping of two Acts currently on the table, namely the Retirement Savings Modernization Act and the Financial Freedom Act of 2022. The former would allow 401(k) plan fiduciaries to make digital assets an investment option, while the latter would constrain the Secretary of Labor from prohibiting investments in digital assets. This latest move by the NYAG against the asset class she describes as having “no intrinsic value on which their prices are based” comes uncoincidentally in the wake of the FTX collapse.