FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Report: Florida SBA moved state pension money into higher risk investments

By Nicole Linsalata, Channel 7 News Miami, May 20, 2023

The Florida State Board of Administration is reportedly making a money move considered risky. It hopes it will pay off for some retirees collecting a pension. The investigative journalism site The Lever, which identifies itself as an outlet focusing on money in politics, reported that the SBA, which is the DeSantis administration's pension board, moved state pension money into higher risk investments. These are the pensions earmarked for employees such as firefighters and teachers. "They're high fee. They have very little transparency," said Matthew Cunningham-Cook with The Lever, "and some of those private equity and hedge fund managers have supported the Republican Governors Association, which pumped over $21 million into Friends of Ron DeSantis, this political committee closely associated with the governor." This has led to "significant losses …Ten billion dollars in losses, relative to a plain vanilla index fund of stocks and bonds," he said. What the governor said he has done is sign a law banning the investment of public money into funds that promote environmental, social or governance goals, also known as ESG. The bill passed by the Florida Legislature is currently awaiting the governor's signature.

Gov. DeSantis signs anti-ESG bill into law

By Steven Lemongello, Sun Sentinel, May 2, 2023

Gov. Ron DeSantis signed into law HB3, a bill banning state agencies and local governments from taking climate change and diversity factors into account when investing money. The Government and Corporate Activism Act targets ESG, or environmental, social and governance standards, derided as "woke" by DeSantis and the GOP-led Legislature in their culture war battles. Democrats and some business owners say the law could cost the state money and impact municipal bonds. At an event in Jacksonville, DeSantis called ESG "an attempt by elites to impose ideology through business institutions, financial institutions, and our economy writ large. … They want to use economic power to impose this agenda on our society. And we think in Florida, that is not going to fly here." The bill, which passed both the House and Senate along mostly party lines, also bans banks from applying a "social credit score" and denying services to people based on political opinions or speech, which is defined to include religion, ownership of a firearm, being involved in "fuel-based energy, timber, mining, or agriculture," or supporting the "combating illegal immigration." The state pension fund has already started pulling out of investments in companies with ESG practices, including $2 billion from BlackRock, the largest asset-management firm in the world. The money was dispersed to other asset managers that also support ESG, however.
Also see related article on this topic.

The state legislature shouldn't politicize or micromanage public pension investments

By Swaroop Bhagavatula, Orange County Register, May 2, 2023

California lawmakers are considering two bills that would force the state's pension systems to liquidate the parts of their investments that may be related to fossil fuels and divest from banks that work with gun manufacturers.

Regardless of which side of the political aisle the calls for politically driven pension system divestment come from, these would be bad policies for taxpayers, workers, and retirees. The California Public Employees Retirement System and the California State Teacher Retirement System have over $700 billion in assets. Politicizing and legislating their investment strategies is a bad idea. In its opposition to one of the proposed laws, CalPERS correctly noted that the state constitution and the Public Employees Retirement Law say pension plans should act "solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering the system." Supporting the goals of activists is not on that list. Rather than risking higher costs and more debt by requiring them to make politically driven divestment and investment decisions, CalPERS and CalSTRS must be allowed to focus on their mission of fulfilling the retirement benefits promised to workers.

Ron DeSantis Is Giving Away Florida Pension Money to Wall Street Donors

By Matthew Cunningham-Cook, Jacobin, May 17, 2023

Florida governor and Republican presidential hopeful Ron DeSantis has been crusading against "woke" investments for allegedly threatening his state employees' retirement funds. But the most imminent threat to Florida public employees' retirement dollars appears to be the massive state pension investments that have gone to some of the Republican Party's Wall Street donors under DeSantis's watch. Despite a federal anti-corruption rule designed to prevent donors from receiving pension investments, private equity executives have donated millions to political groups supporting DeSantis, all while the governor oversaw the transfer of more than $1 billion of Florida public employees' retirement dollars into these donors' high-fee, high-risk "alternative investments." Our review found that had the state pension fund instead been invested in a simple, low-cost index fund, compared to its present mix of holdings, teachers, police officers, and other state employees would have about $10 billion more in their retirement funds. "From a distance, it sure looks like the pensioners are getting hurt here," Kathleen Clark, an ethics expert and professor at the Washington University in Saint Louis School of Law, told us. "It certainly seems like it raises the distinct possibility that the decisions that the pension board is making may be serving DeSantis' political interests and not the pensioners' interest." The low-return, high-fee investment strategy under DeSantis — who serves with two other Republicans on the state pension board — has been harmful for the state's retirees, who had already been struggling with subpar retirement payouts.

First responders, public employees get big wins in 2023 Legislative Session

By Peter Schorsch, Florida Politics, May 5, 2023

The Florida Professional Firefighters (FPF) landed several of its top priorities this Legislative Session. The proposed budget included provisions to restore age and years of service requirements; improve retiree health insurance subsidies; increase the length of time allowable in the Deferred Retirement Optional Program (DROP); and increase employer contributions to investment plans by 2 percentage points. FPF, a state association representing more than 27,000 firefighters and emergency medical services personnel in Florida, began the fight to restore benefit levels for members last year. This year, the group entered into unprecedented partnerships with the Florida Fire Chiefs, Florida Police Chiefs, Florida Sheriffs, the Police Benevolent Association, the Fraternal Order of Police and the International Union of Police Associations. Agreed upon in the Senate budget package (SB 7024) is the restoration of age requirements for full retirement benefits to 55 and the years of service requirement to 25 years, for special risk employees. The package also increased the retiree health insurance subsidy for all Florida Retirement System (FRS) retirees from $5 per month to $7.50 per month. It also increased the length of the DROP program to 8 years for all FRS members, eliminated the DROP window and increased the DROP interest rate from 1.3% to 4%. All FRS members will also see the employer contribution to their investment plans increase by 2 percentage points. While the Legislative Session saw some failures for firefighters and other public employees — an attempt to restore the cost-of-living adjustment (COLA) didn't clear the Senate — FPF leadership is heralding the Session as a big win for members and other public employees.

[Jacksonville Bold for 5.3.23: BFD … 'Big Florida Deal']

Staff, Florida Politics, May 3, 2023

Very quietly, Jacksonville scored its biggest victory in Tallahassee last weekend, at least since the pension reform legislation in the 2016 Legislative Session. At the time, earning the right to hold a referendum and move new public employees to a defined contribution pension plan was called a "heavy lift," given the extension of a half-cent sales tax that would be in play. The pension reform may not survive Mayor Lenny Curry for too long (even as the sales tax could extend until 2060), but given the interest held by both mayoral candidates in moving police and fire hires to the Florida Retirement System plan, the move allowed for the re-amortization of legacy pension debt and an actual capital improvement budget in recent years.

Voters elect Donna Deegan as new Jacksonville mayor

By Francine Frazier and Carianne Luter, News 4JAX, May 16, 2023

Democrat Donna Deegan defeated Republican Daniel Davis — becoming Jacksonville's first female mayor — in a runoff on Tuesday. Since Jacksonville no longer offers pensions to new hires, only 401K-type programs, many are bypassing Jacksonville for other cities that have better retirement programs. During a recent forum, Deegan addressed the issue. Both candidates said they don't want to see a return to the city pension plan but want to look at the possibility of switching to the Florida Retirement System and pay into that. Deegan: "At some point you can't kick the can down the road on this forever. There is going to be some pain involved, but I do think at the end of the day we are going to have to go back or at least look seriously at going back to defined benefits I don't have a timetable on that, I think it's something we are going to have to look at if we want to obtain the best and the brightest."

Florida Pension Sues Fidelity National Over Worldpay Deal

By Michael Katz, Chief Investment Officer, May 9, 2023

A Florida pension fund has filed a securities class action lawsuit against Fidelity National Information Services Inc. for allegedly failing to disclose material information related to its $43 billion acquisition of payments company Worldpay Inc. The complaint, filed by the Palm Bay Police and Firefighters Pension Fund, alleges that the acquisition led to a goodwill impairment charge of $17.6 billion that caused the company's stock to drop sharply. The lawsuit centers on Jacksonville, Florida-based Fidelity National's $43 billion acquisition of payments company Worldpay in 2019. With the acquisition, Worldpay became part of Fidelity National's Merchant Solutions segment. The pension fund alleges that Fidelity National and its executives made false and misleading statements about the Worldpay acquisition by assuring investors it had "successfully completed the Worldpay integration" and touted the benefits for the company of the integration of Worldpay.

Florida retirees reliant on 401(k) income face uncertainty

By Flexis Salmon and Salene San Felice, Axios Tampa Bay, May 2, 2023

Pension benefits will likely get a boost in Florida's state budget this year. Yes, but: Fewer and fewer workers have access to these kinds of reliable pensions. Instead, most Americans retiring now are going it alone as the first generation to rely primarily on private savings instead of pensions to navigate the financial vortex of retirement. Why it matters: 401(k) plans and IRAs don't generate steady and predictable income, as pensions and Social Security do. The result is a feeling of perpetual insecurity, even among those who've amassed substantial savings. Catch up quick: Those public sector pensions are guaranteed, but when retirement relies on a fixed pool of money like a 401(k), it becomes almost impossible to answer a simple question: How much income do you have?

Ranked: The Best U.S. States for Retirement

By Marcus Lu, Visual Capitalist, May 1, 2023

What is the most important aspect of retirement planning? If you said finances, you're probably right. But have you ever thought about where the best place is to retire? Being strategic about location can make a big impact on your quality of life, and perhaps help your savings go just a bit further. WalletHub ranked each state using 47 metrics across three dimensions: Affordability; Quality of Life; and Health Care. Overall, Florida ranked #2 out of 50 states (tied with Colorado). Florida ranked #9 on affordability; #4 on quality of life; and #28 on health care. Virginia ranked #1 overall and Kentucky ranked last at #50.

New NIRS Report Details Alaska Public Worker Exodus After Switch to DC Plan

By Remy Samuels, Plan Sponsor, May 2, 2023

Since switching from a defined benefit pension fund to a 401(k)-style defined contribution plan in 2005, Alaskan public employees have left their positions at an increased rate, according to data published by the National Institute on Retirement Security in an April report for the state's Department of Education. The percentage of workers leaving Alaska's Teachers Retirement System and the Alaska Public Employees' Retirement System has been significantly higher while both have offered the defined contribution plan than when they offered a defined benefit plan, the Alaska Teacher Recruitment and Retention Study found. This research comes out as Alaska and other communities around the country face significant teacher shortages. While there is no national source of information on teacher vacancies, an academic paper published in August 2022 estimated there are 36,000 vacant teaching positions in the U.S. Pensions are not the only cause of lower retention rates among those in the DC plan, but the report argued that retirement offerings are a significant component of employment terms, and retention tends to be stronger among DB plan participants. Other factors like alternative employment opportunities and salaries can also play a major role in why more teachers are leaving their jobs, the report stated. The report found that turnover is typically lower during the first five years of employment, in both DB and DC plans, as this is the time period before the employee is fully vested. But DC plans generally tend to have more turnover over time, the report showed.

U.S. corporate pension plans stay at or near 100% funded in April

By Rob Kozlowski, P&I, May 3, 2023

U.S. corporate pension plans remained at or near 100% funded in April after slightly positive returns and slightly falling discount rates kept the numbers from moving too much, according to three new monthly reports. Legal & General Investment Management America estimated the average funding ratio of the typical U.S. corporate pension plan was 100.5% as of April 30, up from 100.3% a month earlier. In its latest monthly Pension Solutions Monitor, LGIMA said the estimated average funding ratio rose in April because the equity markets experienced slightly positive returns both in the U.S. and globally during the month, which offset declining discount rates that caused liabilities to rise. The monitor cited the MSCI AC World Total Gross index and S&P 500 index gaining 1.5% and 1.6%, respectively, during the period.

The National Retirement Risk Index: Version 2.0

By Yimeng Yin, Ariqi Chen and Alicia Munnell, Center for Retirement Research at Boston College, May 9, 2023

The National Retirement Risk Index (NRRI) measures the share of working-age households that is "at-risk" of being unable to maintain their pre-retirement standard of living in retirement. The exercise involves comparing households' projected replacement rates – retirement income as a percentage of pre-retirement income – with target rates that would allow them to maintain their living standard. The key finding is that roughly half of the nation's working-age households are at risk of falling short even if they work to age 65 and annuitize all their assets. This result is stable over time, with some ups and downs reflecting economic and market fluctuations.

[Milliman analysis: Corporate pension funding ratio falls for second straight month despite investment gains in April]
PR Newswire, May 8, 2023

The [Milliman 100 Pension Funding Index] (PFI) analyzes the 100 largest U.S. corporate pension plans. During April, the Milliman 100 PFI funding ratio fell from 100.1% at the end of March to 99.5% as of April 30. The decline was due to an eight-basis-point drop in the monthly discount rate, from 5.00% in March to 4.92% for April. This caused the PFI projected benefit obligation to rise by $10 billion in April, to $1.361 trillion. This result was only partly offset by a moderate investment gain of 0.62% for the month, which boosted the market value of plan assets by $2 billion. Looking forward, under an optimistic forecast with rising interest rates (reaching 5.32% by the end of 2023 and 5.92% by the end of 2024) and asset gains (9.8% annual returns), the funded ratio would climb to 108% by the end of 2023 and 121% by the end of 2024. Under a pessimistic forecast (4.52% discount rate at the end of 2023 and 3.92% by the end of 2024 and 1.8% annual returns), the funded ratio would decline to 93% by the end of 2023 and 85% by the end of 2024.

France Raises Retirement Age: Is the U.S. Next?
Retirement Daily, The Street, May 11, 2023

With the uproar in Paris over the retirement age increase, many wonder if the U.S.is next. American lawmakers have already floated the idea of raising the retirement age amid rising concerns about whether the government can sustain Social Security and Medicare as the huge cohort of Baby Boomers and Generation X heads into retirement. Jonathan Price, National Retirement Practice Leader and SVP for Segal, an employee benefits consulting firm, shares that it's not a question of "if" America will need to address social security, but "when". The article provides five insights into why we will need to raise the retirement age.

ESG-Related Divestment Triggers Public Pension Participant Suit
By Nevin E. Adams, JD, NAPA, May 15, 2023

Citing an "unlawful decision to elevate unrelated policy goals over the financial health of the Plans," a new participant suit has charged three New York plans with jeopardizing the retirement security of plan participants. More specifically, the suit (Wayne Wong v. NYCERS, TRS and BERS) targets the New York City Employees' Retirement System ("NYCERS") (a $77.5 billion defined benefit plan); the $64 billion Teachers' Retirement System of the City of New York ("TRS"); and the $5.9 billion Board of Education Retirement System of the City of New York ("BERS") for violating their duty to administer their plans "solely in the interests of the Plans' participants and beneficiaries, and for the exclusive purpose of providing retirement benefits." Instead, the suit asserts that the defendants here "…breached their fiduciary duties and abused their control over plan assets by divesting the Plans of approximately four billion dollars of holdings in companies involved in the extraction of fossil fuels, in a misguided and ineffectual gesture to address climate change."

Connecticut Pension Funds Underperform, Yale Report Reveals Decade-Long Mismanagement
By Staff Report, CT News Junkie, May 15, 2023

A report from the Yale School of Management reveals that Connecticut's state employee pension funds have been among the worst performing in the nation over the past decade. The mismanagement of $40 billion in fund assets has compounded the state's already burdened unfunded pension liabilities, one of the highest per capita in the country. That's despite recent cash infusions from Gov. Ned Lamont totaling $5.8 billion. The pension woes, which have plagued several administrations, have been 30 years in the making. As of June 30, 2022 Connecticut has the second worst performance of any state in the nation on a three-year and five-year annualized basis and the fifth worst on a 10-year basis. The report points to “unusual asset allocation decisions and poor external investment manager selection” as the primary factors behind the pension funds’ underperformance. Yale argues that if Connecticut’s investments had yielded median returns for all 50 states, the state would have accrued an additional $27 billion over the last decade. This would be nearly enough to fully fund Connecticut’s pension obligations and significantly reduce taxes. The report found that not only has “Connecticut made mistakes in asset allocation, its track record in external investment manager selection is checkered at best,” and those external managers are “underperforming benchmarks and peer states.”

How ESG Became Villainized

Video interview, Institutional Investor

In the first episode of a new video series, Chris Ailman and Bob Maynard discuss how paying attention to long-term business risks like governance and environmental issues turned into “woke” investing.

DB Plans Report High Returns in Q1 2023

By Remy Samuels, Plan Sponsor, May 22, 2023

Despite a lackluster 2022 performance for defined benefit plans, endowments and foundations, and high-net-worth investors, new data from Investment Metrics, a Confluence company, shows that corporate DB plans rebounded in the first quarter of 2023. Corporate DB plans reported median returns of 5.3% this quarter, the best returns for any category tracked in Investment Metrics’ Q1 2023 “Plan Universe Allocation & Return Analysis” report. This comes on the heels of a “devastating” year in 2022, when the median corporate DB plan return was negative 18.9%. The most comparable period, according to Investment Metrics, was Q4 2008, which had a gross median return of negative 24.1%. More corporate DB plans increased their allocation to fixed income during the quarter than in 2022. Even though this a more defensive approach to investing, DB plans saw improved returns when bond markets rebounded.

Opinion: Taxpayers may be on the hook for another $1.5 trillion for state and local pensions

By Brett Arends, Market Watch, May 22, 2023

While everyone in Washington is fretting about the U.S. debt ceiling, here’s another $1.5 trillion that everybody forgot about. That’s the sea of red ink in the 100 largest public sector pensions, according to the latest report from consulting firm Milliman, which tracks the numbers. You know you’re in trouble when $1.5 trillion in debt can be “overlooked.” A trillion here, a trillion there, and pretty soon you’re talking about real money. Milliman, which looks only at the 100 biggest public sector pensions, says their overall funding levels “improved slightly to 74.8% as of April 30 from 74.5% a month earlier.” Or, to put it another way, they are still short by about 25 cents on the dollar. Of the 100 biggest plans, Milliman estimates that only five are fully funded and only 17 have at least 90 cents of assets for each dollar of liabilities. A quarter of the funds have less than 60 cents on the dollar.

'Lifechanging for generations to come': Bill would be win for first responder retirement benefits

By Maria Serrano, Spectrum News 13, May 9, 2023

A bill unanimously passed by the legislature will soon be heading to the governor’s desk that aims to restore retirement benefits to some government employees. Leaders for the Florida Professional Firefighters Association said the bill would restore county firefighters, corrections officers, and sheriff’s deputies' retirement benefits lost in 2011. Senate Bill 7024 will be life-changing news for those that take part in the Florida Retirement System. The 2011 legislative changes to the Florida Retirement System negatively affected county firefighters by increasing the required years of service to five years higher than the industry standard. He’s hopeful this bill will address the recruitment and retention problem in Florida and get more young firefighters interested in the profession. All county firefighters are required to be part of the Florida Retirement System.

3 New York City pension funds are being sued for divesting from fossil fuels as Republican politicians take aim at anti-ESG investing

By Saijel Kishan, Martin Z. Braun and Bloomberg, Fortune, May 12, 2023

In a new attack against ESG investing, three New York City pension funds were sued for allegedly breaching their fiduciary duty by selling billions of dollars of fossil-fuel assets. The plaintiffs, represented by Donald Trump's former Labor Secretary Eugene Scalia, claim the retirement plans' decision to divest roughly $4 billion in fossil fuel investments is "a misguided and ineffectual gesture to address climate change," according to the complaint filed in New York state court. They said the plans have "a duty to act prudently in making investment decisions." The move to exclude fossil-fuel investments was made in 2021. Then last year, oil and gas stocks soared following Russia's unprovoked invasion of Ukraine, with the MSCI World Energy Index rising more than 40%. New York City Comptroller Brad Lander, who oversees the pension plans, has been actively pressing asset managers to do more to address climate change. The lawsuit emerges as Republican politicians across the US criticize environmental, social and governance investing. They have launched probes into Wall Street's ESG efforts and introduced anti-ESG bills, while states including Texas and Florida have restricted business with banks and investment firms that push to address climate change and workforce diversity.

DeSantis hates ESG programs. Here's why Tampa Bay companies have them

By Jay Cridlin, Tampa BayTimes, May 18, 2023

With a few swoops of a blue pen, Gov. Ron DeSantis on May 2 signed into law a bill targeting "government and corporate activism" — or, as a statement from his office later put it, "a worldwide effort to inject woke political ideology across the financial sector." "And with that," he said to applause, "ESG is officially DOA in the state of Florida." DeSantis has called ESG part of the "woke mind virus" infecting America, labeling it an "elite-driven phenomenon" designed to "exercise power over our society" and "change policy when it comes to things that they don't like." House Bill 3, signed this month, prohibits the state from factoring ESG into pension investments, blocks local municipalities from weighing ESG criteria when writing bonds, and enables the state to penalize lenders who use ESG ratings in loan decisions. The Times spoke with leaders at three major local companies about ESG programs and why they matter. But a growing number of investors and ratings agencies do scrutinize ESG decisions. For some, it's a matter of principle. For others, the concerns are practical: Is this company equipped to adjust to evolving global standards? Can it attract top young talent for whom ESG issues are important? Is it at risk of one day finding itself in a public relations firestorm?

Florida is a circus of the absurd

By Pam McVety, Your Turn, Tallahassee Democrat, May 21, 2023

lorida is a circus of the absurd. In the center ring under the spotlight with a top hat and whip is our governor and with a snap of his whip, the legislature passes bills that restrict and harm us to further his political ambitions. The press has done an excellent job of covering how abortion has been restricted, gun ownership has expanded, gay rights are being trampled, and higher education has been politicized, but there is another harmful piece of legislation that needs a spotlight on it. A Forbes article last November, reported that PwC, a large accounting firm, says that "investors globally are embracing ESG investing on a massive scale – seen soaring 84% to $33.9 trillion by 2026". First, this law if it followed the ALEC policy, may have established unworkable legal demands, according to a Harvard Law School Forum on Corporate Governance article, "The Liability Trap: Why the ALEC Anti-ESG Bills Create a Legal Quagmire for Fiduciaries Connected with Public Pensions". Second, the state may lose money, as the S&P 500 Fossil Fuel Free Index from 2013 to 2023 outperformed the S&P 500 Energy (sector), demonstrating that fossil "free" investments over the long haul may be a better way to make money. Third, you

and I are being forced to let that 800-pound gorilla rampage around Florida, in order to help the fossil fuel industry keep making obscene profits and help the governor further his political ambitions. Only in the circus of the absurd does it make sense to write laws that may be unworkable, lose money, and destroy the livability of the planet for a single industry and the political ambitions of one man.
Editor's Note: See related article, "It's Time to Call a Truce in the Red State/Blue State ESG Culture War" from Harvard Law School Forum on Corporate Governance.

How boards are responding to investor and political pushback on ESG goals

By John Kell, Fortune, May 14, 2023

The anti-ESG backlash has largely been driven by the energy industry, says Professor David Webber. Many southern states, like Texas, are particularly worried about job creation for the oil and gas sectors—and any perceived economic hit that could occur as investments flow in a different direction amid a global energy transition that's well underway. "Boards don't have an easy job ahead of them in the coming years, but ultimately, boards are going to be responsive to incentives," says Webber. He points out that states with the largest public pension plans—California, New York, Illinois, and Massachusetts—are all very supportive of ESG investing. "There's just more dollars out there on the pro-ESG side," he notes. Inflows into sustainable funds soared from $5 billion in 2018 to more than $50 billion in 2020 and then to nearly $70 billion in 2021, according to McKinsey. More than 90% of S&P 500 companies now publish ESG reports in some form. Advocates say anti-ESG efforts could cost states millions. A study commissioned by Ceres, As You Sow, and the Sunrise Project found that taxpayers across six states—Kentucky, **Florida** (estimated $97 million), Louisiana, Oklahoma, West Virginia, and Missouri—could face more than $700 million in additional interest charges on municipal bonds as a result of anti-ESG actions.