FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Saxena White P.A. Files New Securities Fraud Class Action Against Leslie's, Inc.

By Saxena White, September 8, 2023

Saxena White P.A. has filed a securities fraud class action lawsuit (the "Class Action") in the United States District Court for the District of Arizona against Leslie's, Inc. (NASDAQ: LESL) and certain of the Company's executive officers. The Class Action asserts claims under Securities and Exchange Act of 1934 on behalf of all persons or entities that purchased and/or acquired Leslie's common stock between February 5, 2021 and July 13, 2023, inclusive, and were damaged thereby (the "Class"). The Class Action filed by Saxena White is captioned: **West Palm Beach Police Pension Fund** v. Leslie's, Inc., No. 2:23-cv-01887-SMB (D. Ariz.).

Florida Retirement System notches net 7.5% for fiscal year

By Rob Kozlowski, P&I, September 6, 2023

Florida Retirement System, Tallahassee, returned a net 7.5% for the fiscal year ended June 30. The $185.7 billion pension fund's return fell short of the benchmark return of 10.1% for the period, according to a performance report emailed by Paul W. Groom II, deputy executive director of on 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 9.3%, 7.4% and 8%, respectively, above the respective benchmarks of 8.1%, 6.6% and 7.2%. The pension fund had returned a net -6.3% for the fiscal year ended June 30, 2022.

What Public Pensions Could Do for Private-Sector Retirees

By Girard Miller, OPINION, Governing, September 5, 2023

Many Americans are at risk of outliving their retirement savings. State pension plans could have a new role: selling longevity insurance. It could even save states money in the long run. Here's how it might work: Statewide public pension funds could be authorized by state law, subject to securing favorable federal tax code provisions, to make a tax-deferred exchange of 401(k), 457 and IRA account assets for a lifetime pension payable to state residents by that state's public retirement system. A separate common trust account would be established to hold and invest the assets in accordance with the system's normal pension fund practices, but with a 50 percent limit on risk-asset allocations to stocks and other volatile assets. The advantage of public pension math is that the assumed — and probable — rate of return on such a diversified portfolio is likely to be a bit higher than the actuarial rate that private insurers use for their annuity calculations, which of course are net of profit margins. And public-plan participants would not need to worry about an insurance company going broke. The pricing of such public pension exchanges would have to be based on strict actuarial rules and practices to prevent unsustainable "giveaway" and "adverse selection" features. To focus the program on the middle class, the exchanges should be limited in size so that nobody can receive an annual annuity payout greater than the national median annual household income (around $70,000 today). That's enough for a modest retirement when paired with Social Security, but not for cushy benefits underwritten at the risk of state taxpayers. And unlike many public pensions, there should be no cost-of-living adjustments unless prudently funded actuarially by a lower initial benefit and capped at 3 or 4%.

[U.S. corporate pension plan funding ratios down slightly in August]
By Rob Kozlowski, P&I, September 5, 2023

U.S. corporate pension plan funding ratios dipped slightly in August, but they still remain well above 100%, according to three new reports. Legal & General Investment Management America estimated the average funding ratio of the typical U.S. corporate pension plan fell to 103.6% as of Aug. 31 from 104.9% a month earlier. In its latest monthly Pension Solutions Monitor, LGIMA said the estimated average funding ratio rose despite liability values dropping, because both global and domestic equities suffered weak performance during August. The monitor cited the MSCI ACWI Total Gross index and the S&P 500 index dropping 2.8% and 1.6%, respectively, during the period. Also, the monitor estimates plan discount rates increased 18 basis points during July, with the Treasury component increasing 19 basis points and the credit component tightening by 1 basis point.

U.S. Public Pension Plans Sustain Support for ESG Resolutions
By Janet Yang Rohr, Morning Star, September 5, 2023

Political rhetoric about the aims and efficacy of environmental, social, and governance-focused investing has turned heated in the past year. Public pension funds—irretrievably tied to politics by nature of their public funding—continued demonstrating strong support for ESG shareholder resolutions in the 2022 proxy season, according to a Morningstar review of some of the largest U.S. pension funds. The full study can be found here. These resolutions varied from calls for companies like Costco and Berkshire Hathaway to reduce greenhouse gas emissions to proposals for Alphabet and The Home Depot to conduct and report on racial equity audits. Our analysis of state and local public pension funds from across the United States found that, as a group, their 88% support rate for key ESG resolutions was considerably higher than general shareholders' 56%. What's more public pensions supported key ESG resolutions at a higher rate than the 74% for sustainable funds, which use ESG criteria to evaluate investments or assess their societal impact and pursue sustainability-related themes. While many public pensions have ESG-related sympathies, our review of the U.S. public pension space found no public plans claiming ESG investing as their primary goal. In fact, of the top 10 asset managers by assets under management for U.S. sustainable funds, the key ESG resolution support rates of TIAA/Nuveen, BlackRock/iShares, Dimensional, and Vanguard trail the typical sustainable funds and public pensions. Support for ESG resolutions crossed party lines, though politics made their mark. The voting decisions among individual plans strongly correlated with the partisan lean of a public pension plan's home state. Democratic-leaning states' 97% rate of support approached near unanimity. Plans based in more politically divided split states had an 89% support rate that was still ahead of that of sustainable funds. Republican-leaning states' public pension plans' key resolution support rate was a much lower 66%, though that was still 10 percentage points greater than general shareholders' support. Support for ESG resolutions dropped most noticeably in Republican-leaning states; it is Republican voices that have generally been the loudest in questioning the merits of sustainable investing. Those plans showed the largest year-over-year decline in support, dropping almost 15 percentage points from 2021 to 2022.

Give all employees access to retirement savings accounts
Sal DiDomenico and Paul Donato, Commonwealth, September 11, 2023

Massachusetts residents (especially those with low income) are being forced to choose between paying for their basic daily needs and saving toward a secure financial future – something all American workers deserve access to, regardless of their employment status or income level. The Massachusetts Secure Choice Savings Program Act would establish an automated savings program that would automatically enroll workers in an individual retirement account (IRA) in which a portion of their wages would be set aside every pay period. Our proposed legislation would help approximately 1.2 million workers in communities across the state, who currently lack access to a savings plan at work, begin to build a reliable retirement fund. If Massachusetts enacts this legislation, it will join 15 other states that have passed similar laws known as "auto-IRA" or "work and save" programs, including

California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Minnesota, Nevada New Jersey, New York, Oregon, Virginia, and Vermont. Although some of these state programs are relatively new, over 700,000 savers in Oregon, Illinois, California, Connecticut, Maryland, and Colorado have already amassed nearly $1 billion in assets since 2017.
Editor's Note: A story in the August pension clips noted that "The share of workers not having access to a pension plan is highest in **Florida**, where almost 7 in 10 workers are unable to put money away in an employer-sponsored plan."

World's top pension funds see the largest assets fall in 20 years

By WTW Investments, September 11, 2023

The world's largest 300 pension funds saw their assets decline for the first time since 2018, according to this year's Global Top 300 Pensions Funds. This drop is on par with the decline observed in 2008, occurring at a pace that has only been encountered twice in the 20-year history of this annual study. By the end of 2022, combined assets of the world's top 300 pension funds had decreased by 12.9% and now total $20.6 trillion compared with $23.6 trillion at the end of 2021. This represents a sharp correction compared with the 8.9% increase in the assets of the largest 300 pension funds in the previous year. Looking at the very largest, the assets of the top 20 pension funds decreased by 11.8% in the last year, a slight improvement compared to the 12.9% downturn observed within the top 300 funds overall. The top 20 funds accounted for 41.5% of the asset under management (AUM) in the ranking, modestly above 2021's share of 41.0%. Of the top 20 world pension funds, seven are in the United States, with Florida Retirement System ranked #16 out of the top 20 and #16 out of 300 plans.

U.S. Slips Two Notches in Latest Global Retirement Index

By Ted Godbout, National Association of Plan Advisers, September 13, 2023

For the first time in 10 years, nearly all developed countries, including the United States, received a higher overall score for retirement security over the previous year, but most Americans apparently aren't feeling it, as other factors pushed the U.S. down in the rankings. This is according to Natixis Investment Managers' 2023 Global Retirement Index (GRI), which shows that the U.S. dropped two spots to 20th place from 18th in the firm's annual ranking of retirement security among the 44 countries in the Index. The rankings are based on an aggregate of mean scores for 18 performance measures in each of four sub-indices—finances in retirement, material well-being, health, and quality of life—which are combined to provide an overall picture of the environment for retirees. For the four sub-indices, the U.S. ranks as follows in the 2023 GRI compared to the year prior: 13th for finances in retirement, down from 11th; 21st for material well-being, up from 30th; 21st for quality of life, no change; and 25th for health, down from 17th.

U.S. public pension funds stage comeback in latest fiscal year

By Rob Kozlowski, P&I, September 13, 2023

U.S. public pension funds staged an impressive comeback for the fiscal year ended June 30, thanks primarily to strong equity markets. The median return among the 65 pension funds with more than $1 billion in assets whose results had been tracked by Pensions & Investments as of Sept. 12 was 7.6%. The median return among plans tracked by P&I the previous fiscal year was -5.2%. While all pension funds experienced positive returns for the year ended June 30 — with a range of 2.2% to 11.7% — those with limited exposure to alternative investments chalked up the most impressive numbers. It was a stark reversal by all metrics to the numbers posted for the fiscal year ended June 30, 2022.

Public pension plans help close wealth gap in U.S. – NIRS

By Rob Kozlowski, P&I, September 13, 2023

U.S. public pension plans play a significant role in leveling overall retirement wealth and overall family wealth by race and gender, a new report from the National Institute of Retirement Security said. The report, "Closing the Gap: The Role of Public Pensions in Reducing Retirement Inequality," functions as a companion to 51 fact sheets with data from the U.S. Census Bureau and other data sources on income, retirement plans and other household assets that show the retirement equity impact of public pension plans in all 50 states and the District of Columbia. According to the report, 35% of U.S. retirees who are age 65 or older are recipients of pension benefits. Forty-three percent of white men are most likely to have an income from pension benefits, followed by 35% of Black men, 34% of white women and 33% of Black women. The report noted that while Latino men and women are least likely to receive pension benefits, at 25% and 18%, respectively, that source of income is significantly more important than income from 401(k) plans and individual retirement accounts. Only 8% and 4% of Latino men and women, respectively, receive their retirement income from those sources.

NYC pension funds and state of Oregon sue Fox over 2020 election coverage

US News, September 12, 2023

New York City's pension funds and the state of Oregon sued Fox Corporation, alleging the company harmed investors by allowing Fox News to broadcast falsehoods about the 2020 election that exposed the network to defamation lawsuits. The lawsuit accuses the company of inviting defamation claims by amplifying conspiracy theories about the election, including a suit Fox News agreed to settle for nearly $800 million with the voting machine company Dominion Voting Systems. New York City's pension funds are long-term shareholders of Fox Corporation, with shares valued at $28.1 million as of the end of July. Oregon holds shares in the company worth approximately $5.2 million.

Milliman Sees Public Pension Funding Ratios Decline to 75.3% in August

By Matt Toledo, Chief Investment Officer, September 19, 2023

Milliman released the results of its August 2023 Public Pension Funding Index data, an index that tracks data from the largest 100 public defined benefit plans. Pension funding declined in August to 75.3% from 76.8% in July. Milliman attributed the decline in pension funding to poor market performance: The S&P 500 returned negative 1.7% in August, the worst monthly performance of the year. The deficit between assets and liabilities for this group of public pension funds increased to $1.508 trillion from $1.41 trillion by the end of August. Milliman estimated that plans included in the dataset lost $74 billion in market value, on top of net negative cash flows of $10 billion. According to Milliman data, 23 plans have funding ratios below 60%; unchanged from July, 60 plans have ratios between 60% and 90%, up from 58 the month before; and 17 plans have funded ratios greater than 90%, down from 19 in July.

Washington Public Pension System Expected to Be Fully Funded By 2027

By TJ Martinell, The Center Square, September 20, 2023

Washington state's public pension system is expected to be fully funded by 2027, according to the Office of the State Actuary. However, ongoing contributions will still be required for most of the 11 pension plans. Currently, Washington taxpayers spend almost $200 million every two years on that system. At the moment, there are only two pension plans with unfunded liabilities, PERS 1 and TRS 1, which were closed to new members in the 1970s. However, the issue moving forward will be how to respond to overfunded plans, as some are expected to exceed 100% in the next five years. The plan also calls for maintaining an assumed 2.75% annual inflation for all plans. The system's solvency has improved over the past seven years, when it dipped below 84% in 2016. The total funding for all plans now sits just above 95%.

These Are the Pension Funds Posting the Most Consistent Returns
By Alicia McElhaney, Institutional Investor, September 18, 2023

Two public pension funds have found ways to keep annual returns relatively consistent — but in two wildly different ways, according to a new analysis by Markov Processes International. The Teacher Retirement System of Texas, which manages $200 billion, has taken an active approach to investing, hiring managers across strategies, including hedge funds and private equity firms. TRS uses what it calls a fleet strategy, bringing some investment functions in-house to lower costs. Over the past five years, TRS has returned 8 percent, compared to the benchmark's 7.9 percent. Over the past ten years, TRS returned 8.4 percent, while the benchmark posted an 8.7 return. The Public Employees' Retirement System of Nevada, meanwhile, pays lower fees, given that the portfolio is mostly index funds and cash. NV PERS's $54 billion portfolio doesn't track the benchmark quite as closely as TRS's does — the plan's ten-year performance is 9.2 percent, just over the benchmark. But it's still relatively consistent.

U.S. retirement assets continue increasing
By Larry Rothman, P&I, September 22, 2023

U.S. retirement assets totaled $36.71 trillion at the end of the second quarter, according to data published recently by the Investment Company Institute. That marked the third straight quarterly increase after dropping to $32.81 trillion in September 2022. At the end of 2021, retirement assets were $39.73 trillion. Defined contribution assets totaled $10.23 trillion, up from the recent nadir of $8.96 trillion at the end of 2022's third quarter. The bulk, more than 70%, was placed in 401(k) plans. Defined benefit assets ended the period at $11.24 trillion. **State and local pension plans** accounted for about half of the total.

Federal Judge Rejects One of Two Challenges to DOL ESG Rule
By Paul Mulholland, Plan Sponsor, September 22, 2023

A U.S. District Court ruled against 26 states and other plaintiffs in their lawsuit challenging the legality of the Department of Labor's final rule permitting retirement plan fiduciaries to use environmental, social and governance considerations in their decision making about investments. The plaintiffs argued that ESG investing practices would limit the investments that oil and gas companies receive from the public markets, hurting those companies, the states that they operate in, and their employees. Additionally, ESG investing would result in lower returns for defined contribution plan participants, according to the complaint. At the core of the plaintiffs' argument was an allegation that, by expressly permitting ESG in fiduciary decision making, financial interests would be subordinate to politically or philosophically motivated interests.