# FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

**PENSION NEWS CLIPS OCTOBER 2023 ON FLORIDA PENSION ISSUES**
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## Florida bill seeks change to state pension's cost of living adjustment
By Andrew Powell, The Center Square Contributor, October 26, 2023

A new bill that could change how Florida calculates its cost of living adjustment for retirees has been filed in the Legislature. House Bill 151 is sponsored by state Rep. Demi Busatta Cabrera, R-Coral Gables, and is an act that would amend state law on state retiree COLAs. According to the Florida Retirement System website, those receiving a pension plan through the FRS have their benefits worked out as follows: FRS service time is multiplied by a retiree's percentage value, then multiplied by the retiree's average final compensation, then divided by 12. In the bill text, it states that the benefit of each retiree and annuitant whose retirement date fell before July 1, 2011, will have an adjustment annually every July 1, the first day of the new fiscal year. This adjustment will depend on the retiree's circumstances, but for those who have never had a COLA, their monthly benefit will be worked out by various factors. Monthly benefits payable for the 12 months commencing on the adjustment date will be the retiree's initial benefit and an additional benefit which is a percentage of the initial benefit.

## States Shouldn't Play Politics With Their Investments—Period
By Ike Brannon, Contributor, Forbes, October 11, 2023

The prevalence of state treasurers in the more liberal areas of the country investing their state's pension money in funds that prioritize environmental, social, and governance (ESG) issues makes for bad policy. Such investment priorities are unwise, I've argued, because they effectively prioritize social policy over the best interests of the people whose pensions depend on those returns. Many of the states that have been most aggressive in embracing ESG funds for their state's investments also have sizable pension fund shortfalls, which the politicization of pension investments especially circumspect. State pension administrators should select investment advisors who can achieve the highest return for the least risk, regardless of any political calculus on either the left or the right. Oklahoma—and other states—are hurting their taxpayers and retirees solely to make a political statement.

## DeSantis proposes new Florida sanctions on Iran following Israel attack
By Max Greenwood, Miami Herald, October 10, 2023

Florida Gov. Ron DeSantis said that he plans to roll out new sanctions against Iran during Florida's upcoming legislative session, adopting the disputed position that the theocratic regime in Tehran was "involved in orchestrating" a terror attack in Israel in which Hamas militants killed hundreds, including several Americans. Speaking at a Surfside synagogue, DeSantis placed blame for Hamas' brutality in Israel squarely on the government in Tehran and called on other U.S. states to harden economic penalties against Iran in an effort to choke off funding to Hamas and other militant groups in the region. DeSantis said the forthcoming legislation — intended to show support for Israel — would expand prohibitions on state investment in Iranian businesses to include nearly a dozen sectors, ranging from finance and technology to construction and shipbuilding. It would also ban state and local governments from contracting with companies on that expanded sectors' list. All federal sanctions against Iran would have to be lifted before Florida removed its proposed penalties against Iran.

## [Morningstar added to Florida's Israel-boycott list]

By Rob Kozlowski, P&I, October 25, 2023

Florida State Board of Administration has added Morningstar to its list of "Scrutinized Companies that Boycott Israel." The board's three trustees, who include Florida Gov. Ron DeSantis, approved the action at their Oct. 25 meeting, a livestream of the meeting showed. The list was mandated by a 2016 Florida law that was revised earlier this year to add a requirement of divestment of direct holdings in any company on the list. Previously, SBA was prohibited from adding to any existing positions. According to the revised law, Morningstar will now have 90 days following its placement on the list to cease what the SBA defines as a boycott of the country. If "the company continues to boycott Israel, the public fund must sell, redeem, divest, or withdraw all publicly traded securities of the company from the public fund within 12 months after the company's most recent appearance on the Scrutinized Companies that Boycott Israel List," according to the law's text. As of June 30, the Florida Retirement System held 26,343 shares of Morningstar stock with a total value of $5.9 million. In a statement, a Morningstar spokesperson said, "Morningstar does not support the anti-Israel BDS campaign; it never has, and it never will."

## [DOL secures key dismissal in challenge to ESG rule]

By Brian Croce, P&I, October 6, 2023

Environmental, social and governance investing has become a political battlefield in recent years, but in the latest salvo, a federal judge with a conservative record backed the Department of Labor in a lawsuit challenging its self-described "neutral" rule permitting retirement plan fiduciaries to consider ESG factors when selecting investments. In a Sept. 21 ruling, Judge Matthew J. Kacsmaryk said the commonly referred to "ESG rule" — officially the Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights rule — which took effect Jan. 30 and allows ERISA fiduciaries to consider ESG factors, does not violate the Employee Retirement Income Security Act, nor is it arbitrary and capricious. In January, Republican attorneys general from 26 states filed a lawsuit — State of Utah et al. v. Su et al. — in U.S. District Court in Amarillo, Texas, arguing that the Labor Department's rule undermines key protections for retirement savers, oversteps the department's authority under ERISA and is arbitrary and capricious. "The 2022 rule 'provides that where a fiduciary reasonably determines that an investment strategy will maximize risk-adjusted returns, a fiduciary may pursue the strategy, whether pro-ESG, anti-ESG, or entirely unrelated to ESG,'" he wrote, citing an April amicus brief filed in support of the Labor Department by retirement expert J. Mark Iwry. "And like prior rules, the 2022 rule allows consideration of collateral factors to break a tie. Thus … the court cannot conclude that the rule is 'manifestly contrary to the statute.'"

## [Japanese pension funds with $600 billion to ink ESG pact]

By Bloomberg, P&I, October 3, 2023

Japanese pension funds managing 90 trillion yen ($600 billion) will join a global initiative for responsible investment, Prime Minister Fumio Kishida said in a speech on Oct. 3. Seven of the nation's public retirement funds will start preparations to sign the Principles for Responsible Investment, Kishida said. The PRI was started by the United Nations in 2006 to encourage investment that takes environmental, social and governance factors into consideration. As the number of members has increased globally, Japanese firms have been slower to join — a situation that Kishida hopes to change.

## [U.S. corporate pension funding rises in September on falling liabilities]

By Rob Kozlowski, P&I, October 5, 2023

U.S. corporate pension plan funding ratios increased in September despite a second straight month of negative market returns thanks to falling liability values, according to three new reports. Wilshire Advisors estimated the aggregate funding ratio of U.S. corporate plans increased 0.7 percentage points during the month to 105.3% as of Sept. 30. The increase was driven by the largest drop in liability values since September 2022 that resulted from the continued rise in U.S. Treasury yields. Wilshire's assumed asset allocation is 31% long-duration fixed income, 28% core fixed income, 25% domestic equity, 14% international equity and 2% real estate.

## Majority of public pension plans miss benchmark
By Larry Rothman, P&I, October 15, 2023

For the 68 public pension funds tracked by Pensions & Investments with year-end returns as of June 30, the one-year median net return was 7.1%. Most public pension funds P&I tracked (38) did not meet their one-year benchmark return. A sizable portion (26) had returns greater than their benchmark. Pension plan returns were largely clustered within 1 percentage point of their benchmark with 38 plans within that range.

## How does the U.S. retirement system stack up against other countries? Just above average.
By Medora Lee, USA Today, October 17, 2023

Above average, but just. This is how the U.S. retirement system ranks in the latest Mercer CFA Institute Global Pension Index, which examines systems in countries across the world. The U.S. system, which is funded mostly by individual retirement accounts (IRA), 401(k)s and Social Security, received an overall grade of C+. It scored 63 out of 100, down from last year's 63.9 and just squeaking in above the 62.9 average of all countries. U.S. scores declined in every subcategory – adequacy, sustainability and integrity – that make up the overall score. But the largest drag was from integrity. Integrity covers regulation and governance and protection, communication and reasonable costs for individuals in the system. The top three countries, according to the research, are: No. 1 Netherlands (score of 85/100); No. 2 Iceland (83.5); No. 3 Denmark (81.3). The bottom three countries, according to the report, are: No. 1 Argentina (score of 42.3/100); No. 2 Philippines (45.2); No. 3 India (45.9).

## Column: America's retirement system is mediocre. The new House speaker wants to make it downright awful
Opinion by Michael Hiltzik, LA Times, October 27, 2023

Back in my school days, a "C" grade was a certification of rank mediocrity. That's the right way to think about a recent scorecard on which the U.S. retirement system scored an inexcusably deficient C+. That grade placed the U.S. behind Netherlands, Iceland and Israel (all A's); and Australia, Belgium, Britain, Canada, Finland, Germany, Ireland, New Zealand, Norway, Portugal, Sweden and Switzerland (all solid B's or B+). *(See above article).* But if you're hoping that things will improve for American retirees in the near future, the accession of Rep. Mike Johnson (R-La.) to the post of House speaker should give you pause. Johnson is a long-term advocate of cutting Social Security and Medicare benefits through changes such as raising the retirement and eligibility ages for the programs. He also has advocated scrutinizing the cost of those programs through a "bipartisan debt commission" that inevitably would place them in the deficit-reduction cauldron along with other spending. After his rise to the speaker's chair, Johnson immediately promised to create this panel.

## Public Pensions Help Close the Wealth Gap
California Teachers Association, October 17, 2023

A NEW REPORT finds that defined benefit pensions, especially public pensions, provide a key buffer against economic hardship for women, Blacks, Latinos and those without a four-year college degree, and narrow the wealth gap among older families. Defined benefit plans offer guaranteed retirement benefits for employees. The report finds that public pensions play an outsized role in the retirement income security of older adults and reduce wealth inequality by race and gender. As private pension coverage declines, according to the report, public sector retirement benefits form a bulwark of middle-class retirement security, particularly for marginalized communities who have been shut out of other wealth-building opportunities. Read the report at nirsonline.org/reports/closingthegap.

## Corporate pension funded status drops

By Larry Rothman, P&I, October 17, 2023

The average corporate pension funded status dipped to 104% in September from 104.4% the previous month, based on data tracked by NISA Investment Advisors. In July, the funded status was 105.4%.

## Is it time to stop worrying about pensions?

By Liz Farmer, Route Fifty, October 18, 2023

I'm writing about the latest public pension plan numbers—which are the best they've been since the Great Recession and the Financial Crisis slashed assets by one-third between 2007 and 2009. Nationally, pensions now have 77% of the assets they need to meet all their future unfunded liabilities, and the Equable Institute predicts that will rise to 78% this year. It's the highest funded ratio for pensions since 2009. What's more, funding discipline has improved over the last decade. Data collected by the Boston College Center for Retirement Research shows that more governments have been paying their full pension bill. Last year, 98% of the average pension bill was paid, compared with just 81% back in 2011. Some would also say that those bills are more realistic than they were before the Great Recession as many pension plans have shifted their investment return assumptions downward from 8% in 2009 to a median of 7% today. Future liability growth has also been tamed as thousands of governments have enacted pension reforms and cuts to create different benefits for new employees. However, now is not the time to relax about the health of public pensions. The rising costs for retiree benefits—including retiree health care—and a more volatile investment environment mean that pensions will remain a fiscal pressure on state and local governments budgets for the foreseeable future.

## Bipartisan Support Shown for Federal IRA in Re-Introduced Bill

By Paul Mulholland, Plan Adviser, October 20, 2023

Members of both parties and both legislative chambers re-introduced the Retirement Savings for Americans Act. The legislation would create an automatic individual retirement account program for low- and middle-income workers, similar to programs already operating in many states. The 2023 version of the bill is similar to the 2022 version. The contribution limits are the same as regular IRAs, and the contributions are post-tax. The program would be administered by the Department of the Treasury and would feature a 1% automatic match and up to a 4% tax credit match that would be phased out with income. The program would also automatically enroll participants at 3% of their income, with an option to opt out or increase their contributions. The bill specifies that the program must have a government security fund, a fixed-income fund, a common stock fund, a small-cap stock index fund and an international stock index fund. The bill is sponsored by Senators Thom Tillis, R-North Carolina, and John Hickenlooper, D-Colorado, in the Senate, and Representatives Lloyd Smucker, R-Pennsylvania, and Terri Sewell, D-Alabama, in the House. The bill received supporting statements from DoorDash and Uber, whose gig workers would stand to benefit from a federal IRA program.

## U.S. state pension plans' funding ratios fall in Q3

By Rob Kozlowski, P&I, October 23, 2023

U.S. state pension plans' aggregate funding ratios fell in the third quarter to the lowest level since the end of 2022, according to Wilshire Advisors estimates. For the quarter ended Sept. 30, the estimated ratio dropped by 3 percentage points from three months earlier to 75.2%, the result of an estimated 3% decrease in asset values exacerbated by an estimated 0.8% increase in liability values. It is the lowest estimated ratio since Dec. 31, when Wilshire estimated an aggregate funding ratio of 73.6%. The September level is down from a peak of 79.9% as of July 31. Wilshire's assumed asset allocation of U.S. state pension plans is 31% domestic equities, 23% core fixed income, 15% real assets, 14% international equities, 13% private equity and 4% high-yield bonds.

## [Florida State Board of Administration still without permanent leader after 2-year vacancy]

By Rob Kozlowski, P&I, October 26, 2023

Florida State Board of Administration is still without permanent leadership more than two years after the retirement of its executive director and chief investment officer Ash Williams — and there's no word when or if there will be a selection made any time soon. It is the longest such leadership vacancy among the largest U.S. asset owners, now lasting longer than the entire tenure of recently departed CalPERS CIO Nicole Musicco. Robert Tornillo, director of cabinet affairs, said DeSantis' office is handling the search. Repeated attempts by Pensions & Investments to contact personnel at the governor's office for further information remain unsuccessful. Whoever does take the mantle of executive director of one of the country's largest asset owners has to contend with a charged political atmosphere. The slow-motion succession process currently in place stands in sharp contrast to the one that occurred the last time the SBA position was vacant. In December 2007, Coleman Stipanovich resigned as executive director of the board, and the board hired executive search firm in January to assist with recruitment, the search formally launched the week of Feb. 4 and was completed in July when Williams was offered the position.

## [Long live public pension funds!]

By Rob Kozlowski, P&I, October 23, 2023

When Pensions & Investments launched in 1973, the passage of ERISA was on the horizon and corporate defined benefit plans faced a bright future that has since faded as the majority of private-sector workers have been moved to defined contribution plans. Will public-sector DB plans face a similar fate? Experts say despite numerous challenges, including lower capital market projections, rising contribution rates and an often charged political environment, public pension plans should continue to "muddle through" for decades to come. Anthony Randazzo, executive director of the Equable Institute, said in an interview that so many public pension plans remain open because "in the ideal form, pensions are really great benefits." In the corporate space, however, Randazzo notes that companies always balanced the cost of benefits against their usefulness as a recruiting-and-retention tools. On the public-sector side, Randazzo said pension plans have persisted because the benefit has been seen as necessary for generations now "and thus it's politically challenging to tackle pensions." Both corporate and public pension plans had the great fortune during the 25 years before the global financial crisis of being present in a spectacularly beneficial market return environment. U.S. public pension plans have gradually made their rate of return assumptions more realistic, with the average falling to 6.88% in 2023 from 8.07% in 2001.