FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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2024 pension plan limits

- $23,000 for 401(k), 403(b) and most 457 Plans.
- $7,000 for Traditional and Roth IRAs.
- 2024 limits on "catch-up" contributions only available to those 50 and older: $7,500 for 401(k), 403(b) and most 457 Plans. And $1,000 for IRAs
- The annual limit on the maximum compensation that can be taken into account for certain retirement plan contributions and deductions will rise to $345,000 (up from $330,000).
- The limit on annual contributions to defined contribution accounts will increase to $69,000.
- Earnings subject to Social Security tax will rise to $168,600.
- Earn up to $22,320 for those collecting Social Security before Full Retirement Age (67 for those born in 1960 and later) without having your benefits reduced. Beyond that amount, you'll have $1 in benefits withheld per $2 of earnings. There are different rules if you reach FRA in 2024.

Florida's public pension fund lost some financial ground in 2023
By Andrew Powell, The Center Square, December 26, 2023

According to its comprehensive annual financial report, Florida's public pension system is in solid financial shape, but its position eroded slightly in 2023. As of June 2023, the market value for the Florida Retirement System pension plan was approximately $185.71 billion, while unfunded liabilities, referred to as the fiduciary net position, was approximately $186.4 billion, 3.4% above fiscal year 2022. While this is an increase from 2022, which had a fiduciary net position of $180.2 billion, it is significantly lower than 2021 which had a fiduciary net position of $202 billion. The FRS had an overall investment gain of 7.5% for 2023, compared with a negative return of 6.27% for 2022. As of July 2023, the FRS funding ratio was 81.4% compared to 81.9% as of July 2022. However, according to the report, the funding ratio on the Governmental Accounting Standards Board statement — which uses a different methodology for its calculations — remained steady at 82.4% as of July 2023.

Florida's public pension fund lost some financial ground in 2023
By Andrew Powell, Washington Examiner, December 27, 2023

According to its comprehensive annual financial report, Florida's public pension system is in solid financial shape, but its position eroded slightly in 2023. As of June 2023, the market value for the Florida Retirement System pension plan was approximately $185.71 billion, while unfunded liabilities, referred to as the fiduciary net position, was approximately $186.4 billion, 3.4% above fiscal year 2022. Currently, active FRS members have an average mean age of 45 years — this includes state and non-state membership — and an average salary of between $50,000 and $64,000 per year. FRS pension plan recipients increased to 415,827 for 2023, up from 409,837 in 2022 and 402,566 in 2021. The FRS is the fourth-largest state retirement plan in the United States. It provides retirement, disability, or death benefits to around 455,601 retirees and approximately 27,767 participants in the Deferred Retirement Option Program. It also offers a variety of services to 646,277 active members. As of June 2023, there were 991 participating employers enrolling new members, while 44 participating employers were closed to new membership. One significant issue identified in the report by State Retirement Director Kathy Gould, was limitations with internal controls to safeguard assets, prevent fraud, waste and ensure accurate financial information.

DC retirement plans for public sector workers? It's a new normal, but it's complicated
By Tom Gresham, ALM Benefits Pro, November 30, 2023

Half of public-sector employees in their 60s with defined contribution plans had less than $40,000 in their retirement savings account balances at the end of 2021, according to one of two new reports from the Public Retirement Research Lab, of the Employee Benefit Research Institute and the National Association of Government Defined Contribution Administrators. The reports, "The State of Public-Sector DC Plans: 2021" and "A Gender Lens on Public-Sector DC Savings Behaviors," focus on the specific challenges that public-sector employees with defined contribution plans face in their retirement saving efforts. While public-sector employees are more likely to have a defined benefit pension plan when compared to those in the private sector, DC plans are playing an increasingly larger role for those entering public sector employment and "understanding participant behavior in public-sector DC plans is critical to ensuring retirement security for participants," according to the PRRL.

Retirement readiness receding
By Fiona Greig, Palm Beach Post, December 3, 2023

Having enough cash to cover the bills must be job one when it comes to retirement savings. Yet, the retirement gap − the risk of not having enough money throughout retirement to cover typical spending − is widest among late baby boomers in their early to mid-60s, who have low-paid to middle-income jobs, according to new retirement readiness research. This group − who likely could be living paycheck to paycheck now − typically will need nearly as much money to cover their bills in retirement as they do while they're working and collecting a paycheck. But their Social Security checks and other savings might only enable this group of lower-paid workers to cover less than two-thirds of their preretirement spending, according to Fiona Greig, global head of investor research and policy at Vanguard. Millions of people face substantial shortfalls when it comes to living comfortably, not lavishly in retirement. Low-income workers are defined as those who earn roughly $22,000 in the year before retirement. They make less money than 75% of the overall population. For this group, Greig said, Social Security will replace 62% of their pre-retirement income. It's a sizable amount of money, and a bigger replacement figure than for higher-income workers, but we're still looking at a sizable gap. Beginning in 2025, federal law will require companies with new 401(k) plans and 403(b) plans to automatically enroll eligible employees at a minimum employee contribution rate of 3%, but no more than 10%. The employee may opt-out if they do not want to set aside that much of their paychecks. To be sure, employers won't be required to offer 401(k) plans under Secure 2.0. Roughly half of all workers in the United States don't have access to an employer-sponsored plan. So expanding access is important.

New National Institute on Retirement Security Report Examines Impacts of Switching Away from Defined Benefit Pension Plans
News Release, NIRS, December 4, 2023

A new report tracks the experience of five states that shifted new employees away from defined benefit (DB) pensions to defined contribution (DC) or cash balance plans. Among states that switched to a DC plan, costs rose, negative cash flow grew, and employee turnover increased. Additionally, the retirement security of plan participants in DC plans was negatively impacted because of a high degree of "leakage" of retirement assets from the DC accounts that replaced pension plans. These findings are detailed in a new report from the National Institute on Retirement Security (NIRS), No Quick Fix: Closing a Public Pension Plan Leads to Unexpected Challenges. This report examines the experience in five states: Alaska, Kentucky, Michigan, Oklahoma, and West

Virginia. “These five states are a cautionary tale for policymakers considering changes to employee retirement plans in their states,” said Dan Doonan, NIRS executive director and report co-author. “The analysis shows clear patterns across the states studied: retention of workers is poor and closing a pension plan to new employees fails to address any funding shortfalls.” It’s hard to find proof among the public pension plans that have closed in the past 27 years. Instead, switching away from a pension starves the plan of employee contributions while the liabilities remain, creates higher negative cash flow, and leaves taxpayers supporting the costs of two plans for many decades. Moreover, moving away from pensions undermines employees’ retirement security and causes workforce challenges for states that already are struggling to attract and keep workers who deliver essential public services.

Largest U.S. Pension Fund To Invest $100 Billion In Climate Solutions By 2030
By Mindy Lubber, Contributor, Forbes, December 4, 2023

California Public Employees' Retirement System announced plans to invest $100 billion in climate solutions by 2030. CalPERS plans on achieving its goal of cutting emissions from its portfolio investments to net zero by 2050 while assuring long-term financial results for its pensioners. They’re about addressing the major risks that financial markets and companies face as a result of the changing climate—the supply chain disruptions, the diminished worker productivity, the damage to corporate infrastructure and the communities businesses operate in. Risks that continue to escalate. Recent government data shows that weather-driven disasters, including wildfires, flooding, and drought, are happening more frequently in the U.S., costing $150 billion annually, with the number of billion-dollar disasters growing sixfold since the 1980s, from three disasters on average annually to 18 annually in recent years. CalPERS’ investment calculus is based solidly on a transition plan that combines ambition, analytics, engagement, and deep risk assessment. The plan sets a high standard and a plan necessary to remain competitive in the changing economy and take the appropriate steps for managing financial risk and protecting long-term shareholder value.

Fidelity: Retirement Plans Have Increased Focus on Recruiting, Retaining Workers
By Noah Zuss, Plan Sponsor, December 5, 2023

Although plan sponsors remain focused on achieving employee retirement readiness, 25% of sponsors reported that attracting and retaining top employees was a top goal for their retirement plan, a notable increase from 18% in 2021, according to a Fidelity Investments study. Fidelity’s 2023 Plan Sponsor Attitudes Survey found that the top plan sponsor retirement plan goals included providing adequate retirement savings so participants can successfully replace income from their working years (36%) and ensuring plan participants save at a specific rate throughout their working years until retirement (26%).

Plan sponsors may follow IBM's lead, reopen pension plans, consultant says
By Rob Kozlowski, P*I, December 5, 2023

The dramatic news that IBM is replacing its 401(k) corporate match with a cash balance component in its previously frozen defined benefit plan may give other plan sponsors the impetus to move ahead with similar plans, said John Lowell, at October Three Consulting. He added that for some time, he has been in conversation with a number of employers that have at least one member in the C-suite who has been championing some kind of reopening of their defined benefit plans to their fellow executives. Those companies range from one firm that Lowell said has more employees than IBM, down to multiple firms with hundreds of employees. Lowell said that while the IBM plan appears to be a traditional fixed-rate cash balance plan, he said a plan structure that is gaining some traction is what he calls a market-return cash balance plan. That type of plan would be where the interest crediting rate is tied to the investment management of the plan rather than a fixed rate. Overall, Lowell said, when it comes to plan sponsors considering reopening their DB plans in some form, he said the IBM news has "moved the needle from a little bit on the red side of center to somewhere on the green side of center."

[Public Pensions Are Losing Top Talent. Isn’t It Time to Rethink Compensation?]
By Hank Kim, NCPERS Exec Director and Counsel, Governing, December 6, 2023

While recruitment and retention challenges have made headlines only recently as they’ve impacted the private sector, the public sector has been dealing with these issues for decades. Public pensions in particular have struggled with retaining executives and senior-level investment professionals, as evidenced by several recent high-profile departures. Part of the reason for the turnover is the aging public workforce. The pandemic led many older workers, including those in executive positions, to expedite their retirements and rethink their plans to return to the office. A recent survey by the MissionSquare Research Institute found that 36 percent of HR managers at local government agencies are seeing an increase in retirements this year. Further, the work itself has changed substantially in recent years as public pensions operate in an increasingly politicized and polarizing environment. A growing number of public pensions are caught in the middle as politicians aim to earn points with voters through sweeping legislation and policies that restrict how plans can invest, without taking into consideration the complexities of retirement systems’ portfolios or their fiduciary duties. Senior leaders at public pensions face scrutiny from all sides — about funding ratios, investment allocations, COLAs and even staff bonuses — which likely contributes to burnout and ongoing stress in these roles. Public pensions are more akin to a financial services entity than a pure government agency and, as a result, compensation for public plans may need to be looked at with a different lens. Despite the challenges, working for public pensions can be extremely rewarding. But to ensure continued efficiencies that allow them to provide vital benefits to public servants while contributing to the broader economy, compensation needs to be evaluated to reflect the evolving challenges public pensions face today.

U.S. corporate pension plans' funding ratios dip in November – Milliman
By Rob Kozlowski, P&I, December 7, 2023

U.S. corporate pension plans saw their funding ratios drop during November due to falling discount rates, according to the latest Milliman Pension Funding index. As of Nov. 30, the estimated funding ratio of the 100 largest U.S. corporate pension plans was 103.2%, down from 104.1% at the end of October. Despite impressive market returns during November — Milliman estimated an investment gain of 6.53% during the month — the fall in discount rates to 5.55% at the end of November from 6.2% the previous month led to the estimated decline in funding ratios.

It Is A Good Time To Address America’s Retirement Challenge
By Dan Doonan, Exec Dir, NIRS, Forbes, December 8, 2023

Getting on track to pay for our federal spending is certainly a reasonable place to start. But I want to propose another option: Strengthening the nation’s fiscal position when it comes to retirement and better supporting America’s aging population. A serious policy conversation about improving retirement first must start with addressing the Social Security shortfall. Second, it’s always hard to adjust to saving more, but there’s no better time than when wages are rising. Nineteen states have stepped in to address the fact that roughly half of workers lack an employer-sponsored retirement savings plan. These state-facilitated programs are creating the opportunity to save for the lower- and middle-income workers who are finally seeing their earnings increase. The states that have established these programs ***(Florida is not one of the states)*** also expect to save on Medicaid costs in the future, which is another form of investing now to save money down the road. With a strong labor market, plentiful jobs, rising wages and wealth, and an urgent need for people to be more optimistic about our national future, there may never have been a better time to act on these challenges than today. Shoring up Social Security, expanding access to retirement plans, and bringing back pensions would all be worthwhile investments to make while the opportunity is here.

[More Americans optimistic about future of Social Security: Gallup]
By Lauren Irwin, The Hill, December 8, 2023

Americans are more optimistic about the future of Social Security than they have been in recent years, a new survey from Gallup found. Among non-retirees, 50 percent expect Social Security to pay them a benefit when they retire, compared to 47 percent who do not think the system will help them. The response from non-retirees is up from readings taken between 2005 and 2015, when majorities of non-retirees polled said they did not think they would receive benefits from the system, Gallup found. Current retirees believe they will continue to receive full benefits under Social Security. Fifty-three percent of retirees, up from 37 percent in 2019 and 49 percent in 2015, say they will receive Social Security benefits. About 43 percent of respondents believe their benefits will be cut eventually, the survey found. About 66 percent of respondents 50 and older expect to receive benefits, but younger people polled are less confident they will receive benefits from the Social Security system, the survey found.

CalSavers Continues to See Retirement Plan Registrant Increase
By Noah Zuss, Plan Sponsor, December 12, 2023

The CalSavers retirement savings program continued to enroll employers and collect assets in November ahead of the approaching December 31 deadline for employer compliance, as of the latest data. In November, 124,571 employers registered with the state-run auto-IRA program for private sector employees, while 46,865 made payroll deductions, and the state reported 471,303 funded participant accounts. Saver assets under management increased by $74 million in November, reflecting 12% growth for the month, to a total of $688.6 million. CalSavers is one of 21 retirement savings programs sponsored by local governments: 19 state programs and two city programs.

U.S. pension funds heavily invested in China complicate Washington’s crackdown, new analysis finds
By Karen Gilcrest, CNBC, December 12, 2023

U.S. proposals to clamp down on investments in China may be being undermined by continued funding from some of America’s biggest institutional investors, new analysis shows. The majority of U.S. public pensions, as well certain universities and non-profit organizations, have committed funds to China and Hong Kong, including in sensitive technologies — some as recently as this year, according to a report by Future Union, a non-partisan trade organization. The 74 largest contributors have allocated more than $70 billion to companies in China and Hong Kong via more than 1,100 investments in various funds, including those with exposure to tech majors such as TikTok-maker ByteDance, Tencent and Alibaba. FRS has 44 investments in China, for a total of $1.609 billion.

Fidelity Says Pensions and Other Institutions Are at a ‘Critical Crossroads’
By Michael Trasher, Institutional Investor, December 13, 2023

Pension funds, endowments, foundations, insurance companies, and other institutions reported an average actual rate of return of 12.3 percent in 2020 and 12.7 percent in 2021 — well above their long-term target of 7.5 percent, according to a survey of 500 institutions by Fidelity. Since then, there has been less to celebrate. Institutions returned 1.1 percent in 2022 and the new market regime in 2023 has made the economic future opaque. Despite lower returns and uncertainty, most institutions are unfazed and making few changes to asset allocations. When Fidelity asked investors if they were confident they would achieve their target return in the next three years, 54 percent said they were in 2022 and 51 percent said the same this year. Confidence might be up in 2023 because a portfolio of 60 percent stocks and 40 percent bonds is up 13.2 percent, according to Pariseault. Sixty percent of the institutions surveyed by Fidelity said they “struggle to move an idea through to action quickly enough” when it came to their strategic asset allocation. Smaller, tactical shifts to portfolios can make a meaningful difference but getting the overall portfolio allocations right is what matters most. Fidelity’s research has found that strategic asset allocation design accounts for 85 to 90 percent of investment outcomes.

[PODCAST: Williams Mullen's Benefits Companion - ESG Investing by Retirement Plans]

On this episode of Williams Mullen's Benefits Companion, host Brydon DeWitt is joined by Beryl Ball, principal financial advisor at CAPTRUST, who offers insight on ESG investing by retirement plans and what benefits administrators need to know to stay compliant given recent court rulings.

[Will 2024 Be The Year Of The Pension Comeback?]
By Dan Doonan, Exec Director, NIRS, Forbes, December 18, 2023

Defined benefit (DB) pensions are having a moment. Following IBM's recent announcement that the company will resume offering a pension plan to its employees, there is much speculation that other companies will follow suit. On the public sector side, the town council in Trumbull, Connecticut, earlier this month unanimously voted to resume offering pensions to its police officers to address worrisome staffing shortages after switching a decade ago to a defined contribution (DC) plan. There's also an active debate in the Alaska legislature about returning to pensions for public employees as the state faces a deeply troubling shortage of employees who deliver essential public services. It shouldn't come as a surprise that employers are reconsidering pensions. The U.S. now is fully four decades into the 401(k) experiment, and it is abundantly clear that these plans just can't do the retirement job alone. Most middle-class Americans are unable to accumulate enough savings to be self-sufficient in retirement without a pension. Meanwhile in the public sector, there is growing evidence that closing pension plans has had a multitude of negative consequences: higher costs for employers and taxpayers, greater negative cash flow for plans, more employee turnover, and less retirement security for employees.

[NYC pension case tees up first test of GOP fiduciary duty theory]
By Amy Roy and Robert A. Skinner, Harvard Law School Forum on Corporate Governance, December 18, 2023

For nearly two years, Republican officials and conservative commentators have proclaimed in various settings that consideration of environmental, social and governance (ESG) factors in investing is in breach of fiduciary duties owed by asset managers and pension officials. While this legal theory has been cited in the issuance of state attorney general opinions and the launching of investigations, public officials have yet to bring any formal claims that would serve to put the fiduciary duty theory to the test in court. Instead, privately-funded litigation against three New York City pension plans has teed up the first direct judicial review of the anti-ESG fiduciary theory. Sponsored by a conservative anti-union organization, Americans for Fair Treatment ("AFFT"), the action filed this year in New York state court challenges the decision by the pension plans to divest from most of their fossil fuel holdings. The plans filed a motion to dismiss the claims, and the motion is now fully briefed by the parties and awaiting the decision of the court.

[Private credit attracts billions from U.S. pension funds]
By Bloomberg, P&I, December 18, 2023

U.S. state and local retirement funds are pumping billions into private credit, joining the stampede into a booming sector of finance in the pursuit of higher returns. These systems are collectively allocating at least $100 billion of their roughly $5 trillion in assets into private debt, according to Equable, a bipartisan pension researcher founded by public finance leaders. While that's only a sliver of their holdings at present, funds' private credit positions have been steadily growing and are poised to take off as pension plans including the California Public Employees' Retirement System — the largest among its peers and a bellwether — show a keen interest in committing more to the space.

Experts Predict Expansion of Retirement Income Solutions in 2024
By Remy Samuels, Plan Sponsor, December 22, 2023

IRIC identified the following retirement industry trends to watch in 2024: *Increased focus on retirement readiness: *Market innovation: New retirement income products, including both guaranteed and non-guaranteed solutions, are expected to become more available, as there is an increased demand for solutions and investment strategies. *Growing participant demand: Participants interest in solutions that provide more certainty about their financial future in retirement is expected to increase. *Customized investment solutions: Plan sponsors are exploring more personalized and customized investment solutions, such as target-date funds that take into account individual employee circumstances and risk tolerances, as well as retirement goals and retirement income needs. *Increased employee education and communication: Plan participants seek help from their employers when it comes to saving and planning for retirement. Plan sponsors are expected to make education and employee communication about retirement plans a high priority in 2024.

Retirement Assets in State Automated Savings Programs Hit $1 Billion
By: Kim Olson, Pew, December 22, 2023

Automated savings programs, intended to help private sector workers put earnings away for their retirement, hit a major milestone in November: Cumulative account assets across the seven state programs topped $1 billion. Since 2017, when Oregon launched a pilot for its OregonSaves program, momentum has been building around automated savings for private sector workers who lack opportunities to save for retirement through their jobs. Six other programs have launched in the past five years—Illinois Secure Choice (2018), CalSavers (2019), MyCTSavings (2022), Maryland$aves (2022), Colorado SecureSavings (2023), and RetirePath Virginia (2023)—and they are transforming the savings landscape for tens of thousands of small businesses and their employees. State retirement savings programs have automatically enrolled more than 800,000 workers.

Parrish Medical Center to make one-time cash payment to retirees as it changes pensions
By Tyler Vazquez, Florida Today, December 22, 2023

Parrish Medical Center is ending its pension program for retired employees and will give its retirees one-time cash payouts. In a recent letter sent by Parrish to those affected former employees, the company said "the decision to terminate the pension Plan will not reduce the benefits you have earned under the plan." Those affected will be able to take the money accrued in their pension as a cash payment or have it rolled over into another eligible plan such as an IRA or a 401(k). The change for Parrish comes as a bill was recently introduced by Rep. Randy Fine (R-Palm Bay) that could see Parrish, which is publicly owned, sold to a for-profit health care company. Under the bill, The North Brevard County Hospital District board that operates Parrish would be required to seek an independent appraisal of the hospital district's assets, then put the assets up for sale to gauge interest from potential buyers. Proceeds from a possible sale would be transferred to the County Commission for use in county government operations.

Public Pensions: New Discount Rate, New Strategy?
By Colyar Pridgen, Capital Group, NCPERS Blog, December 5, 2023

A recent change in actuarial reporting standards may make this an opportune moment for public pension plan sponsors to take a fresh look at their fixed income allocations. The Actuarial Standards Board now requires that actuarial reports for public pensions reflect plan liabilities using a discount rate based on the yields of high-quality bonds, as corporate pension plans do. This does not replace public plans' long-standing approach to the discount rate, which is based on long-term expected returns. The actuarial reporting change is unlikely to drastically alter public plans' use of their traditional discount rate or their overarching investment philosophy. However, it creates a secondary implied funded status that could experience greater volatility and create “bad optics.” Mitigating some of that volatility could be worthwhile to plans, especially if achievable within the confines of the existing investment philosophy. Consequently, public pension plan sponsors may want to consider whether allocations to actively managed long duration credit would better align with long-term return goals compared to existing fixed income.