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TRUSTEES ASSOCIATION

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Largest U.S. corporate pension plans' funding ratio hits 100% – WTW

By Rob Kozlowski, P&I, January 2, 2024
The largest U.S. corporate pension plans' aggregate funding ratio reached 100% at the end of 2023, according to a new estimate from Willis Towers Watson. The analysis of pension plan data of 358 Fortune 1000 companies with defined benefit plans estimates the ratio increased from 98% at the end of 2022. WTW's estimated pension plan assets totaled $1.19 trillion as of Dec. 31, a decline of 1% from the previous year due to an active year in pension risk transfer transactions and a drop in cash contributions. However, some loss in assets was offset by an estimated return of 10.4% among the pension plans in WTW's universe. The loss in assets was offset by a decline in liabilities to an estimated $1.19 trillion at the end of 2023 from $1.23 trillion the year before.

Oregon, New York pension plans named co-lead plaintiffs in lawsuit against Fox officials

By Robert Steyer, P&I, January 2, 2024
Public pension plans in Oregon and New York City have been designated co-lead plaintiffs in a lawsuit against some directors and officers of Fox Corp. alleging the company was harmed by the defamation lawsuit against Fox by Dominion Voting Systems that led to a $787.5 million settlement. The Oregon Investment Council and the Oregon Public Employees Retirement Fund, Tigard, and the five independent pension fund boards of the New York City Retirement Systems were named to lead the shareholder derivative lawsuit. In their complaints, the pension funds "highlight Fox's illegal business model of pursuing profits by committing actionable defamation and allege that the company undertook no good-faith efforts to monitor for or mitigate defamation risk," Laster wrote. "The funds also allege that the defendants took no meaningful steps to protect the company and are liable for the harm to Fox that has resulted from their breaches of fiduciary duty, including Fox's $787.5 million settlement with Dominion," he added. "The Board's failures have also brought increased scrutiny on Fox's adequacy to hold an FCC broadcast license."

State-run ‘auto-IRA’ programs aim to close retirement savings gap

By Greg Iacurci, CNBC, January 4, 2024
Roughly half of Americans don’t have access to a workplace retirement plan — but states are increasingly stepping in to fill that gap, both for residents’ wellbeing and their own. About 57 million people — 48% — don’t have access to a pension or 401(k)-type plan at work, according to the University of Pennsylvania’s Pension Research Council. Yet, Americans are 15 times more likely to save for retirement when they have a workplace plan, AARP Research found, and are 20 times more likely to do so if they’re automatically enrolled. By the end of 2023, seven states — California, Colorado, Connecticut, Illinois, Maryland, Oregon and Virginia — had launched so-called “auto-IRA” programs to try filling the 401(k)-access gap, according to Georgetown University’s Center for Retirement Initiatives. Oregon was the first state to do so, in 2017. More states are poised to bring programs online in the next few years: Delaware, Hawaii, Maine, Minnesota, Nevada, New Jersey, New York and Vermont, according to the Center for Retirement Initiatives. Other states — such as Massachusetts, Missouri, New Mexico and Washington — have created different programs, in which employer participation is voluntary. Hawaii’s forthcoming program is also slightly different since it doesn’t automatically enroll workers, meaning they must opt in.

Editor’s Note: Anyone notice Florida is not one of the states?

[State pensions for public workers in Florida could be boosted under new legislation]

By James Call, USA TODAY, January 8, 2023

After a decades-long attempt to steer workers away from the traditional pension plan offered by the Florida Retirement System (FRS), one proposal has emerged to make it more attractive to workers, and another would allow a group of workers who had opted out of the plan to rejoin it. A bipartisan proposal in the Florida Senate restores a 3% annual cost-of-living adjustment (COLA) denied to new hires beginning in 2011. If passed, some 151,000 retired state, county and municipal workers would see an increase. A second proposal would allow those who had left the pension plan when the state started a 401k-style retirement option in 2003 and switch back to the traditional pension, or "defined benefit" plan. More than 3,000 current workers would be eligible. A bill (SB 242) by state Sen. Ed Hooper, R-Palm Harbor and a retired firefighter, and co-sponsored by Sen. Lori Berman, D-Palm Beach, expands the annual 3% COLA, first provided in 1987, to all pensions. That's regardless of when the worker was hired. The bill and its companion (HB 151), by Rep. Demi Busatta Cabrera, R-Coral Gables, says that it is a "legitimate state purpose" to provide retired public employees with "fair and adequate benefits that are managed, administered and funded in an actuarially sound manner...."

[State pensions for public workers in Florida could be boosted under new legislation] is the same article as above, and contains a great short history of FRS starting in 2000.

[Florida Retirement System participants would get 3% COLA under bipartisan bill]

By Rob Kozlowski, P&I, January 10, 2023

Two Florida state senators have introduced a bipartisan bill that would provide a 3% cost-of-living adjustment for all participants in the $176.3 billion Florida Retirement System. The bill, SB 242, was introduced Jan. 9 in the Senate and is co-sponsored by Democratic Sen. Lori Berman and Republican Sen. Ed Hooper and reverses a portion of pension reforms passed in 2011 in the wake of the financial crisis to bolster the system's financial situation. The new bill gives all retirees an annual COLA of 3% effective July 1, 2024.

[Most US Public Pension Funds Are Distressed, per Equable Report]

By Matt Toledo, Chief Investment Officer, January 10, 2023

Most state and municipal public pension funds are distressed or fragile, with funded ratios of less than 90%, according to the Equable Institute's State of Pensions 2023 report, a year-end update. The report used the last reported data available from public pension funds. The report noted that at least 33 funds have not released year-end fiscal 2022 data. The report tracked 232 pension funds in the U.S. At the end of fiscal 2023, the average funded ratio for public pension funds in the U.S. was 78.1%, up from 74.9% in fiscal 2022. Only six states/or jurisdictions had fully funded pensions (funded status above 100%): South Dakota, Wisconsin, Washington, Tennessee, Utah and Washington, D.C. Despite the gain, the overall funding status is still down from a high of 94.4% in 2001. Funded statuses declined sharply after the financial crisis of 2008 and 2009, dropping to 62.4% in 2009 from 92.4% in 2007. The states with distressed status, funded status lower than 60%, include South Carolina (59.9%), Connecticut (57.8%), New Jersey (53.5%), Illinois (50.9%) and Kentucky (50.1%). The report described pension funds with funded ratios of less than 90% as fragile.

[State and local pension fund returns rebound]

By Larry Rothman, P&I, January 11, 2024

State and local pension funds generated an average 7.5% return during their most recent fiscal year, [based on data and estimates from Equable Institute]. That's higher than the average assumed 6.9% return. This year's return was a reversal from 2022's 5.9% loss. Actual state and local pension returns ranged from -4.1% to 13.3%. Among pension plans that reported actual returns, 96 topped their benchmark and 72 fell short. Most pension plans (109 out of 168) had returns within 2 percentage points of their benchmark. Two plans missed their benchmark return by more than 10 percentage points. At the other end of the spectrum, one plan outperformed its benchmark by about 6.5 percentage points.

[Legislative panel says 'yes' to boosting state pensions for retired workers]

By James Call, Tallahassee Democrat, January 12, 2024

A Florida House panel unanimously OK'd a proposal to boost the pensions of roughly a million state workers and retirees with an annual cost-of-living increase of 3%. A pension cost-of-living increase, or COLA, was eliminated in 2011 during the Great Recession. Members of the House Government Operations Subcommittee were unfazed by the measure's estimated $2 billion price tag, saying it's the cost of the Legislature keeping its word. The legislation gives an immediate boost to the monthly pension of 151,000 retirees and pension COLAs to all current workers. Rep. Doug Bankson, R-Apopka, quickly endorsed the bill by telling his colleagues, “We can’t balance our budget on the back of those who paved the way for us.” The bill's next stop (HB151) is the House Appropriations Committee. Its companion in the Senate (SB 242) has yet to be scheduled for a hearing.

Texas bans public pensions from investing in BlackRock, Invesco funds

Editor Natashya Angelica, Investing.com, January 12, 2024

Texas has enacted a ban on its public pensions from investing in funds managed by companies such as BlackRock and Invesco. Despite the prohibition, analyses reveal that the funds in question from BlackRock and Invesco maintain considerable investments within the sector they are accused of shunning. The new policy aims to protect the state's significant interests in the energy sector, particularly oil and gas. Texas officials argue that the investment firms' strategies could harm the state's economy by undermining a crucial industry. This move reflects the state's stance against what it perceives as discriminatory practices against the oil and gas industry. Interestingly, a closer look at the composition of the banned funds indicates that both BlackRock and Invesco have not entirely divested from oil and gas.

Millennials Are The Most Likely Of All Generations To Experience Financial Hardships And Money Troubles, According To Survey

By Jeannine Mancini, Yahoo Finance, January 11, 2024

A National Institute on Retirement Security study revealed that two-thirds (66.2%) of working millennials have no retirement savings. This issue is more pronounced among millennial Latinos, with 83% having no retirement savings. The study also noted that only 5% of working millennials are saving adequately for retirement based on financial expert recommendations. Factors such as employer eligibility requirements are significant barriers, preventing about 45% of working millennials from participating in employer-sponsored retirement plans. Recent research cast a spotlight on the financial vulnerabilities millennials face. The survey, targeting financial advisers, reveals that 43% view millennials as the most susceptible to financial difficulties, surpassing Gen Z, Gen X and baby boomers.

US Corporate Pension Plans Ended 2023 at Record Funding Levels

By Matthew Toledo, Chief Investment Officer, January 18, 2024

The funded status of the largest U.S. corporate pension funds hit an all-time high at the end of 2023, with many trackers finding U.S. plans fully funded. In December, pension trackers shared mixed results on funded status increases in corporate defined benefit plans, but most trended upward. According to analysis by WTW, funded status for the largest U.S. corporate pension plans will end 2023 at 100%. WTW’s tracker, which tracks 358 Fortune 500 companies that sponsor U.S. defined benefits plans, sees funded status for these plans rising to 100% as of the end of 2023, all the way up from 77% during 2008’s global financial crisis. According to WTW, funded status increased last year due to strong returns in equities, offsetting liability headwinds that resulted from rising interest rates. According to WTW’s tracker, 2023 is the first year since the financial crisis when funded status ended the year at 100% or more.

Illinois high court hands lawmakers a rare pension-overhaul victory

By John O'Connor, Associated Press, January 19, 2024

The Illinois Supreme Court endorsed the consolidation of local police and firefighter pension systems, a rare victory in a yearslong battle to find an answer to the state's besieged retirement accounts. The court's unanimous opinion rejected claims by three dozen working and retired police officers and firefighters from across the state that the merger of 649 separate systems into two statewide accounts violated the state constitution's guarantee that benefits "shall not be diminished or impaired." For years, that phrase has flummoxed Illinois governors and legislatures trying to cut their way past decades of underfunding the retirement programs. Statewide pension systems covering teachers, university employees, state employees, judges and those working for the General Assembly are $141 billion shy of what's been promised those current and retired workers. In 2015, the Supreme Court overturned lawmakers' money-saving overhaul approved two years earlier.

Government Employee Pensions Are Underfunded: Taxpayers Will Make Up The Difference – OpEd
By Doug French, Eurasia Review, January 21, 2024
Defined benefit plans are A-OK if fully funded, but many government employee defined benefit plans are not. In fact, an academic study finds there are incentives for government defined benefit plans to be underfunded. Sarah Anzia and Terry Moe explain the logic behind underfunded government pensions in Perspectives on Politics:
"Another basic feature of pension politics is that public workers and their unions have incentives to support the chronic underfunding of their own pensions. Due to state statutes, constitutions, and judicial decisions, pensions promised by state politicians are backed by strong legal protections almost everywhere; and public workers thus know they will eventually get what they are promised even if their pension plans are currently underfunded. Indeed, because full funding on a regular schedule would be tremendously costly for state (and local) budgets—crowding out other services, forcing higher taxes, making the true costs of pensions painfully transparent to citizens—public workers and their unions have incentives to prefer that their pension plans be underfunded. Underfunding enables the fiscal illusion that pension benefits are much less expensive than they really are. If public workers and their unions want increasingly generous benefits in future years, they need to convince the public that these benefits are not costly to provide. At the same time, underfunding keeps employee contributions to their own pension funds at low levels; and by keeping contributions by their employers down, they are freeing up public money for other government services, keeping public workers employed—and providing funds for their own salaries and raises. "

US Public Pension Plans Ended 2023 at Funding High
By Michael Katz, Plan Sponsor, January 30, 2024
As markets rallied during November and December, so did the funded status of the 100 largest U.S. public pension funds, which ended 2023 at their highest point of the year, 78.2%, according to consulting firm Milliman. The market rebound helped spur a combined $349 billion increase in funding. The aggregate funded level of the plans, as tracked by Milliman's Public Pension Funding Index, rose to that 78.2% figure from 75.9% at the end of November and 72.4% at the end of October. The plans earned estimated investment returns of 5.2% and 3.3% in November and December, respectively, with returns for individual plans ranging from 2.5% to 7.7% in November and 1.7% to 5.0% in December. The total asset value of the plans increased to $4.857 trillion as of the end of December from $4.704 trillion at the end of November and $4.480 trillion at the end of October. The market value of the plans increased by approximately $233 billion during November, offset by $9 billion in net negative cash flow, and by approximately $162 billion during December, again offset by $9 billion in net negative cash flow.

Dallas Vows to Solve Its $4 Billion Pension Shortfall—But How?
By Bethany Erickson, D Magazine, January 30, 2024
The city and its pension systems appear to be progressing in their joint quest to make the retirement plans solvent, but one Pension Review Board official reminded officials last week that the clock is ticking before the state steps in. City officials are confident they will deliver paths to solvency ahead of their November deadline. Keith Brainard, the chair of the review board's actuarial committee, said the challenges faced particularly by the Dallas Police and Fire Pension Fund "are the result of years of poor governance and poor decisions made by multiple entities, including the legislature, the city, and the pension fund." Since there is plenty of blame to go around amid a looming deadline, "assigning fault would be a waste of time." The Employees' Retirement Fund faces a $1 billion shortfall. The police and fire fund, which administers the pension program for over 10,000 current and

retired officers, is short by $3 billion. The city has known it would need to fix an expected shortfall since 2015, when it became clear that the pension fund's investments were not generating the expected returns. The police and fire fund is still working to course-correct the previous board's investments that didn't generate enough in returns to keep enough money in the fund once pensioners got wind of the shaky status and started making withdrawals.