FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Prepared by Fred Nesbitt, FPPTA Media Consultant – fnesbitt911@gmail.com

Want to keep employees? Offer a pension instead of a 401(k)

By Kathleen Steele Gaivin, McKnight Senior Living, April 1 2024
One way to entice employees to stay may be to offer them a pension instead of a hybrid retirement plan that is part pension and part 401(k), suggests a new report from the nonprofit National Institute on Retirement Security. The report focused on public workers in one state, Rhode Island, and found that "shifting employees … from defined benefit pensions in 2012 to a hybrid retirement plan is causing demonstrable changes in public employee attrition" and that "the overall trend indicates increasing challenges in retaining experienced workers." A different recent survey by NIRS offers additional evidence of the appeal of a pension to workers: 77% of respondents said they favor pension plans over other means of retirement savings. In that survey, NIRS found that 401(k) and individual retirement accounts aren't cutting it in terms of relieving anxiety over workers' financial security in retirement. At the same time, however, fewer companies are offering pension plans than in decades past.

Funded ratio of 100 largest U.S. DB pension plans increased 1.7% in February: report

By: Staff, Benefits Canada, April 3, 2024
The funded ratio of the 100 largest U.S. public defined benefit pension plans rose to 78.6 per cent as of Feb. 29, up from 77.7 per cent at the end of January, according to Milliman Inc.'s latest public pension funding index. Individually, public pension plans returned between an estimated 0.0 per cent to 3.2 per cent for the month, gaining roughly $79 billion in total market value, which was offset by a net negative cash flow of approximately $9 billion. Meanwhile, the gap between assets and liabilities shrank by $56 billion to $1.3 trillion at the end of February. Although most plans saw an improvement in their funded status, this month's above-average market performance did not move any plans across either the 60 per cent or 90 per cent funded ratio mark. As a result, by the end of February we're holding on to the gains we saw in Q4 of last year, with 21 plans above 90 per cent funded, and 15 plans below 60 per cent funded.

U.S. corporate pension fund surpluses climb higher in March — 3 reports

By Rob Kozlowski, P&I, April 4, 2024
U.S. corporate pension fund surpluses continued to climb in March, according to three new reports.
Wilshire Advisors estimated the aggregate funding ratio of U.S. corporate plans reached 110.1% as of March 31, an increase of a full percentage point above the 109.1% funding ratio estimated as of Feb. 29. The increase for March was specifically attributed to a 1.7-percentage-point increase in asset values, partially offset by a 0.08-percentage-point increase in liabilities. The total increase of 1 percentage point was due to rounding. 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.

Miami Beach Employees requests partial redemption from J.P. Morgan real estate fund

By Rob Kozlowski, P&I, April 5, 2024
Miami Beach Employees' Retirement System has requested a partial redemption of $45 million from its investment in the J.P. Morgan Strategic Property Fund. The $768 million pension fund requested the partial redemption from the open-end real estate fund managed by J.P. Morgan Asset Management due to performance concerns, said Rick Rivera, executive director. As of June 30, the pension fund had $106 million invested in the

J.P. Morgan fund, according to its most recent available investment report. The manager's portfolio makes up the entirety of the pension fund's real estate asset class, which has a target allocation of 12%.

Public pension funding reaches 2-year high — Milliman

By Rob Kozlowski, P&I, April 22, 2024
The overall estimated funding ratio of the 100 largest U.S. public pension plans improved to 79.7% at the end of March, a two-year high, according to the Milliman 100 Public Pension Funding index. The increase in the funding ratio from the estimate of 78.6% at the end of February was primarily the result of a second straight month of strong market performance. At the end of January, Milliman's estimated funding ratio was 77.7%. The March funding ratio is the highest estimate by Milliman since March 2022, when the ratio was 82.7%. According to Milliman, the aggregate estimated investment return for March was 1.7%, with estimated returns ranging from 0.9% to 2.6% for the month. Also as of March 31, a total of 16 pension plans had funding ratios between 60% and 70% (the same as at the end of February), 18 plans were between 70% and 80% (down from 22), and 26 plans were between 80% and 90% (the same as February).

The Key to Attracting Public Workers? Pay, Not Pensions.

By Jen Sidorova, Reason Foundation, Governing, April 22, 2024
This legislative season, many states are seeing the recruitment and retention of police, teachers and other public workers at the forefront of policy agendas. Some lawmakers propose leaning into antiquated defined-benefit pension plans to appeal to an increasingly mobile pool of workers. While attracting and maintaining a high-quality workforce is important, academic research does not support using these old-fashioned pension plans as a solution. Generational changes and the aftermath of the COVID-19 pandemic have reduced how long many workers stay with a single employer, a trend that applies to both the public and private sectors. Staffing turnover is a reality of the current workforce landscape. But would clinging to or bolstering traditional defined-benefit pensions address this problem? The research says that it is unlikely. There is no robust scientific proof that pensions are superior to other forms of retirement benefits for retaining public workers. On the contrary, there is some evidence that proves otherwise. But instead of addressing modern workforce challenges with the old pensions model, administrators should focus on making retirement plans that match the needs of today's young workers. Adding or improving defined-contribution plans can achieve retirement security goals at a much lower level of risk for taxpayers.
Editor's Note: Opinion piece from the Reason Foundation, a conservative think tank.

End the public pension gamble

By Peter Roff, Washington Times, April 22, 2024
Where the public sector is in financial crisis, it's because what goes out is continually more than what comes in. You'd think the politicians would have figured it out. Well, the clock's ticking — with all kinds of bombs waiting to explode and take the economy down. Consider the defined benefit plans that big blue states such as New York, California and Illinois offer to the employees on their payrolls. They're supposed to guarantee large enough pension payments sustain a comfortable, secure retirement. Many of those plans are badly underfunded, some at near-critical levels. According to a Pew study, the nation's public employee pension plans were a staggering $1.25 trillion in debt as late as 2019. Instead of continuing to offer defined benefit plans, states and localities would do well to move to defined contribution plans like the ones that proliferate through the private sector. It's a simple solution even if it is politically tricky to implement. Offering new hires on the public payroll the option of enrolling in private accounts like IRAs and 401(k)s would save tax dollars in the long run, provide workers better returns in plans they own and have a say in managing, and eventually get the taxpayers of the hook if a big plan goes bust.
Editor's Note: This is an opinion piece by a former writer for US News and World Report.

Lawmakers push Wall Street giveaway disguised as increased worker security

By Nancy J. Altman and James W. Russell, Opinion Contributors, The Hill, April 24, 2024
The nation is facing a retirement income crisis. Too many workers will never be able to retire and maintain their standards of living. Employer-sponsored traditional pensions have largely disappeared, replaced with wholly inadequate 401(k)s and other tax-favored individual savings and investment plans. The solution to the crisis is simple: Expand Social Security. Frustratingly, there are politicians and think tanks that instead want to expand the very individual savings and investment approach that contributed to the crisis. Social Security is insurance. Those who are insured pay premiums or insurance contributions to a collective fund out of which benefits are paid when an insured event occurs. In the case of Social Security's wage insurance, employers match their employees' contributions dollar for dollar and the insured events triggering payouts are old age, disability or death leaving covered survivors. In contrast to retirement insurance, in which risks are pooled and the benefits are designed to replace pre-retirement earnings, pay out whatever happens to be in one's individual account at retirement. Investment risk is borne completely by individual account holders. Participants are supposed to use that payout to afford the costs of retirement. Those payouts may be totally unrelated to pre-retirement wages. If members of Congress want to improve retirement security, they should expand Social Security rather than Wall Street-favored individual savings and investment schemes. The absolute worst thing Congress could do is backdoor privatization of Social Security. That would happen if Congress expands private savings schemes and cuts Social Security's modest but vital benefits. That would result in substantially less economic security for the nation's working families. It must be avoided.

Biden issues new rule to crack down on bad retirement advice

By Megan Henney FOXBusiness, April 24, 2024
The Biden administration finalized a new rule to crack down on retirement advice given by financial professionals, a move that has already drawn fierce backlash from Wall Street. The Labor Department regulation aims to ensure that financial advisers, brokers and insurance agents work in the best interests of their clients. It purports to do so by broadening the scope of when these individuals must act as a fiduciary, meaning they have a legal obligation to put their clients' interests ahead of their own. Under current law, advisers are allowed to recommend investments that pay higher commissions but aren't necessarily the best choice for their clients. The rule will take effect Sept. 23. The rule applies to one-time advice for individuals rolling 401(k) plans into IRAs, retirement advisers regardless of which state they are located in and advice to plan sponsors about which investments to make available as options in 401(k)s and other employer-sponsored plans.

Nearly Half of the Largest US Pension Funds are More Than 100% Funded, Milliman Reports

By Matt Toledo, Chief Investment Officer, April 25, 2024
Milliman reported that corporate pension funding is near its all-time highs in the recent results of its 2024 corporate pension funding study of the largest 100 corporate defined benefit plans in the U.S. Among Milliman's findings, the funded status of these plans declined slightly from 99.4% to 98.5%, due to a slight decline in plan discount rates. The funded deficit of these plans increased from $8.5 billion to $19.9 billion in 2023. However, this is far from the $188 billion to $382 billion deficit range that persisted between 2008 and 2020. Nearly half of the largest 100 U.S. corporate DB plans have a funded status of greater than 100%. Of the corporate plans surveyed by Milliman, none of them had a funded status of less than 75%. Still, the average funded ratio of these plans exceeded 120% in 2000 and hit a low of just over 75% in 2012. With funded ratios at all-time highs, the plan sponsors are debating what to do with their funding surpluses.

White House calls on pension funds to adopt stronger labor standards

By Lauren Kaori Gurley, Washington Post, April 23, 2024
White House officials met with leaders from five major pension funds who have committed more than $1 trillion in capital requiring robust labor standards in private-equity investments, in an effort to push more funds to follow suit. The Biden administration is touting these commitments as public pension funds amass growing holdings in private-equity firms, which have been blamed for driving down wages, fighting unionization and cutting jobs.

Administration officials have been in talks to encourage pension fund managers to adopt higher labor standards in their private equity investments. The five funds include the New York state public-sector workers pension fund, which unveiled Tuesday a new commitment to strong labor standards in private-equity investments, and California's public worker pension fund, CALPERS, which vowed last year to promote strong labor standards in such investments. CALPERS manages retirement funds for some 2 million workers, making it the largest fund in the United States. Also in attendance were leaders from worker pension funds for New York City, the state of Illinois and the International Brotherhood of Electrical Workers union, which all have also adopted labor-friendly policies governing their private equity investments. The challenge for the federal government is that it can govern only private pension funds, whereas states administer public pension funds. But states are strongly influenced by pension policy set by the federal government and are beginning to adopt pro-labor policies with support from Washington. Analysts estimate that public pensions constitute anywhere from a third to half of all assets under private-equity management. CALPERS recently approved a proposal in March to raise its private-equity investment from 13 to 17 percent of its fund.

Nate Monroe: Jacksonville's police and fire pension debt approaches staggering $3 billion

By Nate Monroe, Jacksonville Florida Times-Union, April 26, 2024

COMMENTARY | The pension debt for Jacksonville police and firefighter retirees is approaching a staggering $3 billion and will require taxpayers to put up about $178 million next year to cover City Hall's obligations, according to the latest actuarial report provided in the fall to the Police and Fire Pension Fund, record levels of red ink at a time when city officials are nearing a deal to upgrade EverBank Stadium, considering the construction of a new jail and locked in collective bargaining talks with public-safety unions over pay and other benefits. The unfunded liability rose to $2.83 billion, meaning the pension plan for public-safety retirees is less than 45 percent funded. In only five years over the past two decades has the fund been in worse financial shape, having fallen sharply from an almost 87 percent funded status in 2000. **Eliminating pensions for future hires — at the time, Jacksonville was the only major city to do so for all employees — may also be contributing to a recruitment and retention crisis within JSO and the Jacksonville Fire and Rescue Department,** a problem the unions are asking the city to help rectify with better pay and benefits (another added cost of Curry's reform plan). This could be true within other branches of city government, including JEA, although those pension plans are in generally better shape.

Public employee retirement accounts are getting a boost.

By Drew Wilson, Florida Politics, April 20, 2024

State and local government workers in the Florida Retirement System are poised for a small boost in contributions to their pensions, now that Governor Ron DeSantis has signed HB 151. The bill also reduces the time a retired worker must observe before being rehired by an FRS employer to receive pension benefits and a paycheck simultaneously. Under current law, that period is one year, but with the new law, which takes effect July 1, it is reduced to six months. There's also a small increase in employer contributions, about $30.6 million more than the current year state economists estimate, in the new law. One other change in the law applies to FRS members making more than $275,000 per year. Federal law caps pension benefits at $275,000 per year, but a Florida program allows some workers to receive payments above that level. As of June 30, 2023, there were 646,277 active members of the FRS, including workers at state agencies, state colleges and universities, county governments, 181 cities, 153 special districts and two independent hospitals.

Report: DeSantis Used State Pensions To Rescue Disney CEO Bob Iger

By Nathan Kamal, Inside The Magic, April 9, 2024

Governor Ron DeSantis has been at odds with the Walt Disney Company for months, but it turns out that behind the scenes, he bailed out CEO Bob Iger using the power of the Florida state pension fund. Disney CEO Bob Iger recently faced a serious threat to his leadership of the company. But while Bob Iger had the support of famous names like Star Wars creator George Lucas and JPMorgan Chase CEO Jamie Dimon, it turns out that he also had DeSantis backing him via the Florida State Board of Administration (FSBA), it was a key shareholder vote to bail out Iger. Although Governor DeSantis has not made a public statement about the FSBA votes to bail out Bob Iger, it is impossible that he did not approve of them. The politician is one of three trustees of the FSBA, along with Chief Financial Officer Jimmy Patronis and Attorney General Ashley Moody, who are empowered with ultimate authority over the organization and its funds. DeSantis had to be aware that he was throwing the weight of Florida state funds behind Disney.

[Labor Economist Says 401(k) Era Is Ending]

By Remy Samuels, Plan Sponsor, April 5, 2024

Labor economist, policy consultant and TikTok creator Kathryn Anne Edwards, in a recent webinar with the National Institute on Retirement Security, argued that 401(k) plans alone are failing to solve the retirement crisis in America and that the federal government needs to take a more active role in provide access to retirement savings. Edwards argued the government should stop subsidizing 401(k) accounts (by making contributions tax-deductible), because she says it uses about 1% of the country's GDP (in potential, unrealized taxes) to benefit the retirement savings of the wealthiest 25% of Americans. She instead supports the bipartisan Retirement Savings for Americans Act, which would offer a program similar to the Federal Retirement Thrift Savings Plan. It would essentially give all American workers access to portable, tax-advantaged retirement savings accounts, with federal matching contributions for certain low- and middle-income workers.