PENSION NEWS CLIPS MAY 2024 ON FLORIDA PENSION ISSUES

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

Corporate pension funds are fully funded, healthier than ever. Now what?

By Rob Kozlowski, P&I, April 29, 2024

U.S. corporate defined benefit plan executives are mulling over how to take advantage of a new era of funding stability after a second straight year of being fully funded on average, experts said. The publicly traded U.S. companies with the 100 largest defined benefit plans can now boast an average funding ratio of 99.9% as of Dec. 31, according to Pensions & Investments' analysis of the latest 10-K filings. The health of corporate pension plans in 2023 was also helped by an improved investment return environment in both public equities and fixed income. Now that more plans have surpluses, executives have more options than ever. One such option, at times unthinkable over the last two decades, is using pension surplus money to reopen a defined benefit plan. International Business Machines Inc., Armonk, N.Y., shocked the institutional investing community when it announced its decision in November to reopen its defined benefit plan with a cash balance component. The company originally froze its defined benefit cash balance plan to future benefit accruals as of Dec. 31, 2007.

Opinion: 401(k) plans lack one benefit that would make a big difference in retirement

By Olivia S. Mitchell, Market Watch, May 1, 2024

While the U.S. retirement system relies on employer-provided 401(k) plans to help most workers save and invest for their golden years, few of these plans help retirees avoid outliving their old-age savings. The reality is that the only way to do so is to give retirees access to lifetime annuity products, offered by insurance companies providing them with a monthly paycheck for life. Today just one in 10 defined-contribution plan retirees have access to guaranteed monthly income payouts using their retirement-plan assets. Fortunately, things are starting to change for the better, with several new players joining the pool in the recent past. This trend will help millions of retirees by providing them with a monthly paycheck so they won’t run out of money in their later years.

Gentle April for Private-Sector DB Plans

By John Iekel, ASPPA, May 7, 2024

Corporate pension plans’ funded status generally improved by around 1 percentage point. Wilshire reports that the aggregate funded ratio for U.S. corporate pension plans improved by 1.1 percentage points in April, largely the same as the 1-percentage point increase it reported took place in March. The funded ratio moved from 109.7% to 110.8% in April.

Police and firefighter pension funds both embrace — and reject — ESG. Here's why.

By Palash Ghosh, P&I, May 3, 2024

A number of police and firefighter pension funds have embraced ESG investing, even as their largest unions endorsed President Donald Trump and the strategy has become a lightning rod in GOP-led states The Trump administration was hostile to ESG investments, with some industry experts saying the administration's stance had a chilling effect on adoption of the strategies. But that view wasn't shared by every police and firefighter pension fund, and some even having detailed ESG policies in place. Fire & Police Pension Association of Colorado, Denver said the pension fund recognizes that ESG factors present “both financial risks and opportunities.” FPPA has had a formal ESG policy in place since June 2023. The $344 million Anchorage (Alaska) Police and Fire Retirement System does not have an ESG mandate nor does its retirement board intend to use an ESG investment product. Los Angeles Fire & Police Pensions is fully committed to ESG. The pension fund has adopted an ESG policy to incorporate ESG considerations into the analysis of its investment decisions "to the extent that such considerations are financially material to generating the highest risk-adjusted returns in light of the board's investment objectives, risk tolerance, and fiduciary duties." The Reason Foundation said that police and firefighter pension administrators "should avoid politicized investments like ESG, not because some members may not like them but because their duty is to ensure they can provide the constitutionally guaranteed retirement benefits promised to workers." If pension systems make investment decisions based on politics, "regardless of it being the left or right, they've lost sight of their fiduciary duty."

Social Security extends depletion date to 2035, citing economy

By Courtney Degen, P&I, May 7, 2024
Without intervention from Congress, Social Security's combined trust fund reserves are projected to hit depletion in 2035, one year later than previously predicted, according to the Social Security Board of Trustees' annual report. If they did face depletion, continuing income to Social Security's trust funds would be able to pay 83% of scheduled benefits, according to the May 6 report. Martin O'Malley, commissioner of Social Security, said that the extension of Social Security's depletion date is due to job and wage growth. Notably, the trust fund for retirees and their families is set to face depletion in 2033, which is the same projection as last year's report. If that were to happen, the fund's income would only pay 79% of its scheduled benefits starting in 2033. The trust fund for disabled workers and their families does not face a depletion date for the next 75 years, according to the report, but combined together, the trust funds are projected to become depleted in 2035.
Editor's Note: This is a balanced, informative article on the trustees' report. Several news articles had headlines stating that Social Security would go "bankrupt" in 2033.

The Myth That Public Workers Don't Care About Pensions

OPINION Hank Kim, NCPERS, Governing, May 13, 2024
Research shows that traditional defined-benefit plans still play a key role in attracting and retaining government employees. To maximize these benefits' impact, employers need to make sure their workers understand them. With financial literacy being a significant challenge in the United States, it is critical that employers provide the necessary education around these benefits to maximize their potential in the battle to attract and keep talent. 74 percent of millennials pursued their role in the public sector because the employer offered a pension and that 84 percent cited this benefit as a major reason for remaining in their current positions. The same study found that 71 percent of millennials would be more likely to leave their jobs in the public sector if their pensions were cut. Employee turnover is expensive, with the annual costs to U.S. businesses estimated at $1 trillion annually. At the same time, pensions are surprisingly cost-effective because of economies of scale and risk pooling. In fact, traditional pensions provide twice as much benefit as defined-contribution plans at the same cost to taxpayers. In the under-35 demographic of the public sector, recent data from the MissionSquare Research Institute found that 1 in 5 employees did not know whether they were participating in a defined-benefit or defined-contribution plan. To maximize the impact of offering a benefit as highly competitive as a pension, employers need to rethink how to effectively communicate with and educate workers.
Editor's Note: This is not only the job of the employer, but also the job of the pension board to educate their members (active and retired) as well as the plan's sponsor and the general public. We have a great story to tell – we just need to tell it.

Record US Corporate Pension Funding Levels Largely Held Up in April

By Natalie Lin, Plan Sponsor, May 14, 2024
Changes to the average funded status of the largest U.S. corporate defined benefit plans were mixed in April as lower stock returns weighed on the positive effect of higher interest rates, according to monthly pension trackers from some of the country's largest pension consultancies. The mixed results come off all-time highs booked in March. In its monthly pension finance update, October Three Consulting found slight declines for its two pension plan trackers. Plan tracker A, which follows pensions with traditional 60% stocks and 40% fixed income asset

allocations improved modestly at less than 1%; its B tracker, which follows a "retirement" track of 20% stocks and 80% fixed income allocation slipped only a fraction of 1%. Although funding status was slightly down, October Three sounded a positive note on the expectation of continued higher rates continuing to "provide a lift to pension finances this year." Pension watchers at Wilshire echoed that optimism both for April and the longer-term, with its aggregate funded ratio for U.S. corporate pension plans seeing an estimated increase in April of 1.1 percentage points, ending the month at 110.8%. The month's uptick was based in part on a 5.2% decrease in liability value from rising Treasury yields, which outpaced the 4.2% decrease in asset value from the market declines among the corporate plans Wilshire tracks.

U.S. public pension plans now overallocated to alternatives vs. target — Preqin
By Palash Ghosh, P&I, May 13, 2024
The U.S. public pension system now has about one-third of its assets allocated to alternative investments, an overallocation that will put pressure on money managers' fundraising. That was one of the findings of a report from Preqin titled "Fundraising from U.S. Pensions: A Guide to Raising Capital" issued May 13. Specifically, the 708 plans in Preqin's database — which collectively have a total of $5.86 trillion in assets — had an average actual allocation of 33.4% to alternatives in plan year 2022, compared with an average target allocation of 30.6%, resulting in an average overallocation to alternative assets of 2.8 percentage points.

These Are the Jobs That Still Offer a Pension
By Meredith Dietz, Life Hacker, May 16, 2024
In an era when employer-sponsored retirement plans like 401(k)s have become the norm, pensions are becoming an endangered species. While pensions were once prevalent across industries, economic pressures and accounting rule changes have led many private companies to freeze or terminate their pension plans. However, there are still a few bastions where traditional pensions survive. Here are some of the jobs that still offer this coveted retirement benefit. #1 - Government jobs - If pensions are your priority, government jobs are the way to go. Many government jobs at the federal, state, and local levels still provide pension plans for their employees. This includes roles like public school teachers, police officers, firefighters, and other civil servants. The retirement benefits are usually part of the compensation package negotiated by public employee unions. Other jobs: Utilities, Unions (jobs covered by union labor agreement), Military and some corporate giants.

BlackRock keeps $7 billion Oklahoma pension fund contract after anti-ESG law pause
By Bloomberg, P&I, May 17, 2024
The Oklahoma Public Employees Retirement System approved the extension of investment contracts with BlackRock, a decision that comes after a judge paused the state's anti-ESG law targeting the company. Pension board members extended the contracts with BlackRock for the management of $7.3 billion of investments at a May 16 meeting. BlackRock is one of the firms on a list of companies that Oklahoma's Republican Treasurer Todd Ross says "boycotts" the fossil fuel industry. The list was created as a result of a state law called the Energy Discrimination Elimination Act. In accordance with the legislation, state agencies and political subdivisions — like cities — can't contract with a firm unless it verifies that it doesn't engage in energy boycotts. The law also calls for pension funds to divest from companies on the list.

Commentary: There's a bold fix to America's broken retirement system
By Teresa Ghilarducci, P&I, May 21, 2024
Blackrock CEO Larry Fink made headlines with a shareholder letter warning about our broken retirement system, noting that "nearly half of Americans aged 55 to 65 reported not having a single dollar saved in personal retirement accounts. Nothing in a pension. Zero in an IRA or 401(k)." About 80 million working Americans are left out. That's because 172 million workers pay Social Security tax but only about 92 million have a retirement account at work. They have no feasible way to credibly supplement their Social Security. The American pension system ranks 22 out of 47 countries, getting a barely passable C+ on the prestigious Melbourne Mercer Global Pension Index. The U.S. system ranks below Kazakhstan, mainly because of lack of coverage of retirement

benefits and many workers withdraw money from retirement before they retire. There is a bold proposal, the Retirement Savings for Americans Act, which would provide every qualified worker who doesn't have access to an employer-sponsored retirement account, with a retirement savings vehicle modeled after the successful federal Thrift Savings Plan (TSP). One of the most effective features of the RSAA is that the federal government would provide a matching contribution of up to 5% for low and moderate-income workers. Research shows when low-income workers got a generous match in the federal Thrift Savings Plan (TSP), they saved even more for their retirement. A federal match incentivizes people to report all their earnings and stay in the formal economy. The RSAA is the missing piece in America's retirement puzzle, as it will bring everyone without a plan into the wealth building system.

Public pension funding ratios dip in April – Milliman

By Rob Kozlowski, P&I, May 20, 2024

The overall estimated funding ratio of the 100 largest U.S. public pension plans fell to 77.6% at the end of April following a month of negative investment returns, according to the Milliman 100 Public Pension Funding index. The drop in the funding ratio from the estimate of 79.7% at the end of March was primarily the result of negative market performance in April following positive returns in February and March. At the end of February, Milliman's estimated funding ratio was 78.6%, and at the end of January, it was 77.7%. According to Milliman, the aggregate estimated investment return for April was -2.1%, with estimated returns ranging from -3.7% to -0.9% for the month. As of April 30, a total of 20 pension plans had funding ratios between 60% and 70% (up from 16 at the end of March), 20 plans were between 70% and 80% (up from 18), and 24 plans were between 80% and 90% (down from 26).

How do women in the public sector assess their retirement security?

By Aleena Oberthur and Mollie Mills, Route Fifty, May 22, 2024

The public sector has long been seen as a reliable provider of retirement security. But a recent survey suggests that some younger workers—especially women—have significant concerns about their future financial health. When public workers who are 35 or younger asked if they worried about being able to save enough for retirement, 44% of female respondents in this age bracket said they were very or extremely worried, compared with only 31% of male respondents. The nationally representative online survey of 1,004 state and local government employees age 35 or younger was conducted by Greenwald Research in March and April 2023.The results indicate that more emphasis may be needed to ensure that women in the public sector are informed about their retirement options and have the knowledge they need to make empowered decisions. Overall, women in the United States are more likely to face retirement insecurity than men. Poverty rates among people age 65 and older are about 12% for women compared with about 9% for men. Women also save less for retirement while working and, once retired, receive about 80% of the income in retirement that men receive.

'It's time to solve the problem!' Workers want a steady retirement income stream

By Tom Gresham, ALM Benefits Pro, May 23, 2024

A white paper argues that employers and advisors have become too hesitant to offer guaranteed lifetime income options because of perceived risks and complexities and says that "there is a clear need to reverse the trend away from retirement income security." The paper, "A Call to Action on Retirement Income, It's Time to Solve the Problem" emphasizes that "until and unless American workers begin to regain access to retirement income from their employer-sponsored retirement plans, the price will become steeper with each passing year."

Wisconsin Becomes The First State to Buy Bitcoin (BTC), These 3 States May Be Next

By Caden Pok, Yahoo Finance, May 23, 2024

For cryptocurrency to become more valuable and for the prices to go up, more people need to own it. One of the most robust and most feasible ways for this to happen is with institutions investing directly in bitcoin or into bitcoin indirectly through the spot ETFs, which were released in January. While some entities, such as MicroStrategy (MSTR), have taken the route of investing in bitcoin directly, others, such as the State of

Wisconsin, have begun investing indirectly. Either way, it is still a positive for cryptocurrency, as more people are investing and gaining exposure to the asset class. The State of Wisconsin Investment Board bought over $160 million of spot bitcoin ETFs. More funds could begin investing. Speculators have started thinking of states that could follow Wisconsin's investment strategy, and two states that come to mind are **Florida** and Wyoming. These states, in particular, are known for their openness to cryptocurrency and for passing pro-crypto laws. This could create a climate within the states that is more open to crypto as an investment, leading to the state's pension funds buying bitcoin or other crypto assets.

Defined Benefit Pensions Are Alive And Well

By Dan Doonan, Forbes, May 28, 2024

Defined benefit pensions are a reliable source of retirement income and remain extremely popular among workers today. Despite claims of their demise, DB pension plans are alive and well, paying benefits to 25 million people, holding $11.8 trillion in plan assets, and more than $600 billion in benefits paid annually to support seniors, per an Investment Company Institute report. About 90% of the state and local government workforce has a pension plan. While pensions are less common among private sector workers than they were 50 years ago, we're starting to see a reevaluation of this type of corporate retirement plan, which workers like and value. The National Institute on Retirement Security got to work following the hearing and prepared a report in response to the HELP Committee's RFI. That report, Policy Ideas for Boosting Defined Benefit Pensions In The Private Sector, recommends six potential actions Congress could take to boost pension plans in the private sector.

Fire And Police Pension

Tampa.gov, May 22, 2024

Active Member Contributions. On May 22, 2024 the pension board voted to decrease the employee pension contribution rate from an estimated annual average of 18.68% to an estimated annual average of 16.59%. This decision was based on the recommendation of the Fund's actuary. This rate is an estimated annual average based on the projected payroll for all plan members accruing benefits as of FYE 09/30/2023. Individual rates will be higher or lower depending on actual pensionable earnings. This is due to the full-scale contribution rate (FSCR) outlined in the pension contract. In essence, the FSCR intends for higher earning individuals to contribute slightly more to offset expected higher pension benefits payable in the future. Additionally, you will see contribution deductions increase over the first few paychecks and level off at 17.75750% upon reaching $12,500 of cumulative pensionable earnings.

Jimmy Patronis' Office rebukes D.C. Democrats' concerns over Florida's ESG stance

By Caden DeLisa, The Capitolist, May 21, 2024

Florida's Chief Financial Officer Jimmy Patronis' office rebuffed criticisms from Washington Democrats regarding the state's stance on environmental, social, and governance (ESG) investing. Frank Collins, Patronis' Chief of Staff, defended Florida's policies in response to a letter from Representatives Jerrold Nadler and J. Luis Correa that questioned the financial impact of these policies on state taxpayers. Nadler and Correa's letter to Attorney General Ashley Moody and Patronis raised concerns about the negative financial consequences of Florida's anti-ESG stance. They cited studies suggesting that similar laws in other states had increased borrowing costs, reduced economic activity, and added expenses for public pension funds. The representatives further argued that prohibiting ESG factors in investment decisions injects politics into financial management and jeopardizes public investments.

U.S. state laws take aim at pension investment in China

By Jack Stone Truitt, Nikkei Asia, May 30, 2024

U.S. states are forcing public pension funds to divest from Chinese-owned companies, citing national security risks amid rising tensions between the world's two largest economies. Florida Gov. Ron DeSantis signed a law this month that requires the state investment board to cease investing any of its $250 billion of assets in any entities with more than 50% ownership by the Chinese government, Chinese Communist Party, or Chinese military. It also requires the divestment of any current direct holdings in China "to ensure foreign adversaries like China have no foothold in our state," DeSantis said on X, after signing the bill into law. Roughly $277 million of Florida's primary pension fund is exposed to Chinese state-owned entities, or 0.16% of the entire fund, according to a March legislative analysis of the bill.

Former Doral officials sue city for revoking their lifetime pensions. The mayor responds

By Verónica Egui Brito, Miami Herald, May 16, 2024
Four former Doral city officials filed a lawsuit in response to the city council's revocation of a pension plan that gave the city's elected officials lifetime pension, health and life insurance. The Elected Officials Pension Plan was approved in January 2021 and revoked in June 2023. It benefited elected officials who served at least eight years or two full terms, no longer held office, and had reached age 60.