FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Pension plans critical to recruiting, sustaining strong public-safety workforce — NIRS

By Palash Ghosh, P&I, June 25, 2024

Defined benefit plans may serve as a critical element in attracting and retaining more public-safety employees, according to a new report from the National Institute on Retirement Security. Noting that state and local governments across the nation continue to struggle to fill public safety positions, the report titled "The Role of Defined Benefit Pensions in Recruiting and Retaining Public Safety Professionals," found that a majority of public employee pension plans expect 75% or more their current workforce to retire from the plan, and more than half (52%) of new hires are projected to stay until retirement. The analysis also discovered that while police officers have an average tenure of 18 years, firefighters have an average of 20 years, and all public-safety workers combined have an average of 17.6 years of service. This retention rate contrasts dramatically with the private sector where the median tenure in 2022 was only 4.1 years — meaning they don't stay in the same job for their entire career and are most likely quit to find another position. The report analyzed data from a sample of 28 police and fire pension plans, as well as national datasets. Moreover, the report found, after the fifth year of service, public-safety employee turnover flattens out and remains low until a public-safety worker reaches retirement eligibility. This data suggests that pension plans are working as they were intended by retaining workers during their career and helping employees transition to retirement when it is appropriate.

Can disabled firefighter sue Florida city for cutting her benefits? US Supreme Court will decide

By Martin E. Comas, Orlando Sentinel, June 30, 2024

The U.S. Supreme Court has agreed to decide if a Sanford firefighter can sue for discrimination because the city cut her disability benefits after she retired due to Parkinson's disease. It's an issue that affects millions of people with disabilities who rely on benefits from previous employers, and millions of future employees who will become disabled, Stanley's lawyers said in their petition filed in March to the Supreme Court to hear the case The Atlanta-based 11th U.S. Circuit Court of Appeals ruled in October that Stanley could not sue Sanford under the Americans with Disabilities Act for the loss of her health insurance subsidy because she was no longer a city employee. Three other circuits around the country ruled the same way in similar lawsuits brought by former employees seeking to protect retirement benefits and claiming discrimination. But rulings in two other circuits favored employees, stating that the ADA's requirements are ambiguous and the law was created to protect workers. Stanley asked the Supreme Court to settle the dispute in its next term, which begins Oct. 7. The case is Stanley v. City of Sanford, Florida.

Jacksonville police would get 13% pay raises and corrections officers would get 15% raises

David Bauerlein, Jacksonville Florida Times-Union, June 19, 2024

Mayor Donna Deegan and the Fraternal Order of Police reached a tentative agreement for 13% pay raises for police and 15% raises for corrections officers that she said will help the Jacksonville Sheriff's Office reach its goal of attracting the "best and the brightest." In another change aimed at hiring and keeping officers in Jacksonville, the agreement would return pensions as a retirement benefit for the first time since October 2017 for new police officers. The city would enroll them in the Florida Retirement System starting in 2027. Officers with 401(k)-style investment accounts could opt to go into the state system at that time. Deegan and the police union also want corrections officers to have pensions starting in 2027, but that would be contingent on the state allowing corrections officers to move into the Florida Retirement System without the city having to move all general employees with them into the state plan. After the initial 13% pay raise for police officers starting Oct. 1, they would get another 5% pay raise in the second year of the contract and a 5% raise in the third year. Corrections officers would get pay raises of 15% the first year, 8.5% the second year and 7% the third year. The agreement also would boost the starting pay for new hires. Salaries for police officers would rise from $52,000 per year now to $65,000. The starting pay for corrections officer would go from $48,000 to $60,000.

Jacksonville announces labor deal with fire union, includes FRS pensions

By A.G. Gancarski, Florida Politics, June 7, 2024

The city of Jacksonville has struck a new labor deal with firefighters that will give them a road to traditional pensions in what appears to be another major accomplishment by the Donna Deegan administration in its first year in office. Negotiators have agreed with the Jacksonville Association of Fire Fighters to raise salaries 12% in Fiscal Year 2024-25 and 5% in the next two fiscal years, and that labor accord includes a way out of defined contribution pensions in effect for new hires since 2017 when the Lenny Curry administration closed the traditional and debt-ridden defined benefit program to new entrants.

OPINION | Like a bad penny

By Sherry Magill, JAXTDY, June 6, 2024

Local folks soon will get an earful about our broken and broke Jacksonville Police and Fire Pension system, if recently elected City Council president Randy White pursues comments quoted recently in the Florida Times-Union. As City Council president, a post he assumes July 1, White will set council's agenda for the next 12 months. "We have big problems in public safety since we've lost the defined benefit plan," White said. He recounted "200 vacancies in corrections," "over 100" in the Jacksonville Sheriff's Office, and only 1/3 the number of applications compared to past years for Jacksonville Fire and Rescue Department positions. By any measure, that's a big fat problem. White blames our defined contribution plan, or put another way, our "closed-to-new-hires" defined benefit plan, for our inability to compete for police officers, fire fighters and rescue personnel. the pension fund's CEO, Tim Johnson, explained that current funding stands at an abysmal 45%. Committee members learned this 45% is a far cry from the 80% required to meet the definition of a healthy system. A pension system's goal is to be 80% funded, explained Johnson, equating to "20 years of benefit in the bank." Our system is 45% funded, with a mere "eight years in the bank." Our pension fund's "unfunded liability"—the amount we owe retirees—is approaching $3 billion, part of which will be covered by a 30 year, half-penny sales tax to begin in 2031

Nike Hit With Class Action After Trouble With DTC Sales Model

The Fashion Law, June 27, 2024

Nike's once-celebrated direct-to-consumer ("DTC") strategy has landed the sportswear company in hot water with a Florida pension fund, with the fund filing a securities class action against two of Nike's executives over the company's alleged misrepresentation of how the retail strategy was performing. Filed in the U.S. District Court for the District of Oregon, the newly-filed suit takes aim at Nike and the executives' alleged insistence to investors and others that the new consumer sales model was a success when actually the truth was much different. According to the June 20 complaint, the **City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines ("City Pension Fund")** argues that Nike's consumer sales strategy – dubbed Nike Direct by the company – was not actually "continuing to fuel" Nike's "momentum" at all. The business model, which Nike launched in 2017, was a drag on the company's performance, despite CEO John Donahoe and Chief Financial Officer Matthew Friend's repeated claims to the contrary over the next several years. The company – in leaning into the popular sales model that sees brands skip the wholesale middleman and sell directly to customers – "largely disengaged" from its traditional wholesale and retail partners to the economic loss of the pension fund and other investors, City Pension Fund alleges. The case is City Pension Fund for Firefighters and Police Officers In the City of Pembroke Pines v. Nike, Inc., John J. Donahoe II and Matthew Friend, 3:24-cv-00974 (D. Or.).

Florida's divestments from China and Iran are advancing
By Jim Turner, The News Service of Florida, June 11, 2024
State moves to divest stock in China-owned companies and to expand sanctions involving companies working with Iran are going "very smoothly," the incoming head of Florida's investments agency said this week. Chris Spencer said about 13 companies are being put on a "continued examination list" that could result in them landing on a list of "scrutinized" companies with links to Iran. Spencer added that about 500 other companies are facing the China divestment list. Lawmakers passed a measure in 2023 dealing with Iran-linked companies and a bill this year about China-related divestment. The expansion of the list of "scrutinized" companies involved with Iran was part of a November 2023 special legislative session in which lawmakers passed measures to show support for Israel in its fight against Hamas, which is backed by Iran. The list was created in 2007 and aimed at companies with links to Iran's petroleum industry. That was expanded during the 2023 special session to companies with links to such things as the financial, construction, textile and manufacturing sectors of the economy. The Legislature this year unanimously passed the bill about China (HB 7071). Signed by DeSantis on May 15, the bill requires the State Board of Administration to develop a plan by Sept. 1 for selling holdings tied to companies that are majority-owned by the Chinese government, the Chinese communist party or the Chinese military. Divestment would then have to occur within one year. The agency has been targeting companies with 50.1 percent or more ownership by the Chinese government.

Scotts Miracle-Gro sued over channel stuffing accusations
by Debra Borchardt, Green Market Report, June 12, 2024
A Florida retirement fund is suing Scotts Miracle-Gro (NYSE: SMG) and some of its executives over poor decisions that caused the value of the shares to fall damaging the group's pension plan. The **Hialeah Employees' Retirement System** is a benefit pension plan based in Hialeah, Florida filed a complaint last week in the Southern District of Ohio outlining the allegations of mismanagement at Scott's. The pension fund claims it bought shares in the company during a period in which the value was inflated as investors were unaware of the true situation with the company's finances. The market period was defined as between November 3, 2021, and August 1, 2023. They claim that once Scott's told investors the truth about the financial situation, the shares sold off causing the fund to see its investment fall as well. The main allegations against Scotts in the complaint revolve around inventory levels, debt levels, and maintaining a specific covenant of the debt regarding a debt-to-EBITDA ratio.

Here are all of the new Florida laws going into effect next month (July 1)
News4Jax, June 9, 2024
HB 151 — Florida Retirement System
House Bill 151 amends the state statutes regarding the Florida Retirement System. Starting later this year, retirees who have been "terminated" can be reemployed by any employer that is part of the state's retirement system. They can also receive retirement benefits and compensation from the employer, though these retirees may not receive both a salary from the employer and retirement benefits during the six months after they begin retirement.

Time to defuse public pension time bomb
By Peter Roff, Daily Journal, June 1, 2024
Across the states, America's public employee pension plans are a ticking, insolvent time bomb.
Editor's Note: This opinion piece, by a former U.S. News and World Report contributing editor, keeps getting reprinted across the country in smaller newspapers, without any rebuttal. It was listed twice in prior FPPTA news clips. The Daily Journal is a company that operates in Mississippi and owns eight newspapers. The paper says it is: A LOCALLY OWNED NEWSPAPER DEDICATED TO THE SERVICE OF GOD AND MANKIND.

The Upside of a Little Progressive Pension Paternalism
Opinion Girard Miller, Governing, June 4, 2024
Today, for the first time in quite a while, the glass is more than half full for the public sector's pension systems. Recent stock market gains, along with higher bond yields looking forward, will boost the actuarial funding levels

of most systems when they post their upcoming reports, even though some are still far more underfunded than many Fortune 500 corporate counterparts. Tight labor markets now place a premium on the value of a guaranteed pension for workers of all ages, making it a valuable fringe benefit that attracts some employees. There are public pension adversaries who disagree, citing the unfunded liabilities for paying benefits today to retired baby boomers who seldom paid an equitable share of the costs of their pumped-up pensions, but today's competition for talent is the immediate challenge for public employers. Since the 1990s, the defined-contribution (DC) retirement plan industry has been pitching the public sector with 401(a), 457 and 403(b) plans as a better alternative to traditional fixed pensions. With most public retirement systems seeing improved actuarial funding levels, there's an opportunity to offer options that could make government compensation more competitive. But any impetus for change should come from pragmatic public employers, not partisans or lobbyists.

Corporate pension funding jumps in May — 3 reports

By Rob Kozlowski, P&I, June 5, 2024

U.S. corporate pension funds saw their surpluses increase further in May following a month of strong investment returns, according to three new reports. Wilshire Advisors estimated the aggregate funding ratio of U.S. corporate plans reached 100.6% as of May 31, an increase of 0.4 percentage points above the 100.2% funding ratio estimated as of April 30. The increase for May was specifically attributed to a 2.6-percentage-point increase in asset values, partially offset by 2.2-percentage-point rise in liability values. Wilshire's assumed asset allocation is 32% long-duration fixed income, 28% core fixed income, 24% domestic equity, 14% international equity and 2% real estate.

The Risks from State and Local Government Employee Pension Plans: A Stochastic Simulation Analysis

By Mark J. Warshawsky, American Enterprise Institute, June 7, 2024

There is a large professional literature on the correct measurement of the funded status of and indicated employer contributions to government employee pension plans. But static measures do not provide a quantification of the risk that plans could represent in the future in various possible investment environments. This is better done through stochastic simulation projections. Using a 2022 data base of 187 large pension plans, basic plan features and conditions, actuarial relationships, simple economic projections, and varied bond and stock investment returns based on past ten-year historical periods in the US and the current asset allocation of the plans, I create a risk model. This risk assessment is denominated as the range of reasonably possible future actuarial funded ratios and amounts of indicated employer contributions across plans, when investment performance is poor but within historical experience. Several plans would be at or near insolvency, about 11 percent of plans would see very large drops in funded status, while employer contributions would, on average, double, and for about one in seven plans, triple. Read the full working paper by clicking here.

Employers keep offloading pensions to insurance companies

By Emile Hallez, Investment News, June 7, 2024

Companies with defined-benefit pensions have been racing to offload those retirement plan liabilities to annuity providers via pension risk transfers, doing so at a record pace in the first quarter. Through March, there were $14.6 in pension-risk transfer premiums, more than double the amount seen during the first quarter of 2023, according to data this week from Limra. That represented 146 contracts, a 26 percent increase from a year ago. Still, it is far from the all-time high seen during any quarter, which was over $26 billion during the third quarter of 2022. Many large pension sponsors have previously paid insurance companies to take over their pension risks, although the trend is trickling down to smaller companies, resulting in smaller average plan sizes but a higher number of transactions, according to Limra.

House Republicans accuse ESG-focused pension funds, other investors of antitrust violations

By Courtney Degen, P&I, June 12, 2024

Partisan differences were clear at a House hearing June 12, when Republicans accused CalPERS, Arjuna Capital and other institutional investors that consider environmental, social and governance factors of violating antitrust laws. The hearing followed the release of an interim report on June 11, in which Republicans on the House Judiciary Committee said pension funds, asset managers, proxy-advisory firms and environmental groups are coordinating a "climate cartel" to force companies to'"decarbonize" and "reach net zero." CalPERS' Bienvenue said the pension fund's "primary fiduciary duty is to make good investments to fulfill our responsibility to our members … (which) requires effective identification, monitoring and management of risks and opportunities, including climate change risk." At the end of a tense line of questioning, Rep. Harriet Hageman, R-Wyo., actually told the witnesses, "you are evil in what you are attempting to do," as she said they and their organizations want to "destroy" the commercial production of cheap energy.

Top managers, pension funds split vote for Elon Musk's $56 billion pay package

By Rob Kozlowski and others, P&I, June 14, 2024

U.S. and international pension funds and other asset owners mostly voted against Elon Musk's $55.8 billion pay package at electric carmaker Tesla, but other large institutional investors supported it — and Musk prevailed. One of the larger pension funds to support Musk's pay package was the **Florida State Board of Administration**, Tallahassee, which manages $254 billion in state assets, including the $193.2 billion Florida Retirement System Pension Plan and holds 2.9 million Tesla shares. The proposal to ratify an award of stock options worth up to $55.8 billion passed with about 72% of votes cast in favor.

Public Pension Funded Status Reached 79.4% in May

By Matt Toledo, Chief Investment Officer, June 18, 2024

The funded status of the largest 100 public pension plans of the U.S. increased to 79.4% at the end of May, according to Milliman's public pension funding index. The funded level increased from 77.6% at the end of April, helped by strong market returns. According to the Milliman 100 PPFI report, the 1.8 percentage point increase in funded status of these plans represented a $111 billion rise, although there is a $1.293 trillion shortfall between plan assets and liabilities. Total assets of these plans reached $4.989 trillion, with liabilities reaching $6.282 trillion at the end of May. From the month prior, liabilities increased from $6.268 trillion at the end of April, and assets increased from $4.864 trillion. Milliman estimates that plans within the PPFI returned between 1.3% and 3.5% during the month. By Milliman's count, out of the 100 plans tracked by the PPFI, 15 have a funded ratio of less than 60%, 62 plans are between 60 % and 90%, and 23 plans are higher than 90%. Of the 100 plans, only 10 are in a funded surplus; seven of these have a funded status between 100 and 105%, one plan has a level between 115% and 120%, and two plans are between 125% and 130%.

Long-term public pension returns don't top 60/40 index — Center for Retirement Research

By Robert Steyer, P&I, June 20, 2024

Long-term investment returns for public pension plans show virtually no difference between their often-complex strategies and a simple 60% equity/40% bond index, according to research by the Center for Retirement Research at Boston College. Taken as whole, public pension plans' annualized net returns were 0.03% less than the 60/40 index returns from June 2000 through June 2023. (Both annualized net returns were about 6.1% during this period). The returns varied during certain times based on comparing the net asset-weighted annualized returns of 145 public pension plans in the CRR database. CRR researchers compared pension fund returns to a hypothetical portfolio of 60% U.S. stocks (Russell 3000 Total Return index) and 40% U.S. bonds (Bloomberg U.S. Aggregate Bond index), with a 10-basis-point management fee. The public pension plan returns outperformed that 60/40 strategy for the June 2000-June 2007 period. However, they trailed the index for the June 2007-June 2014 and June 2014-June 2023 periods, the report said.

Editor's Note: Article based on the same research: **Opinion: State and local pension plans have gained nothing from complex investing**