FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS JULY 2024 ON FLORIDA PENSION ISSUES

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Editorial: Taxpayer-funded public pensions have got to go

By Boston Herald Editorial Staff, Boston Herald, July 9. 2024

How do you fund retirement while raising a family, paying a mortgage or rent, sending kids to school and just getting by? It's easy if you get a job working for the City of Boston – and you don't need to save a penny. As the Herald reported, nearly 200 city retirees are earning over $10,000 a month, or over $120,000 annually in pensions, according to records. Courtesy of the taxpayers. Boston isn't the only municipality with public sector pensions – they're the norm across the country, and a drag on revenues. The question is: why do we still have public pensions? Over the past several decades, private sector employers have either closed or frozen their pensions and turned instead to retirement savings vehicles like the 401(k), which put much more of the onus on workers to save, invest and manage their own money for retirement. If these "DIY" savings plans are good enough for the private sector, they're good enough for public employees. Boston must replace public pensions with 401(k)s. It's time for last call at the taxpayer-funded trough.

Response to Herald Assault on Public Pensions

By Frank Valeri, Mass Retirees Assoc, Mass Retirees, July 9, 2024

The July 9, 2024, editorial "Taxpayer-funded public pensions have got to go" represents a misleading and entirely unfair argument against the Massachusetts public pension systems that is absent relevant facts. First, the editorial leaves readers with the untrue perception that City of Boston employees (and by extension its public retirees) "don't need to save a penny" toward their retirement. This is a false statement. Today's public workforce contribute an average of 10% of their salary into the retirement system. Teachers pay a flat 11% – amongst the highest contribution rates in the country and far more than the 6.2% required contribution into Social Security. Since the Massachusetts public workforce is not covered by Social Security the public pension systems are the primary source of retirement income for public retirees. In fact, non-participation in Social Security saves Boston taxpayers more than $70 million a year. At the state level the annual savings is close to $1 billion. The "nearly 200 city employees" singled out represent less than 1.5% of the 14,700 retired members of the Boston Retirement System -which is set to be fully funded in 2028. Also, conveniently not mentioned is the current average retiree Boston pension which stands at $42,300. Boston's success in fully funding its retirement system more than a decade ahead of the 2040 statutory deadline is something to be celebrated. Not only is the Herald's attack on Boston's public pension system entirely baseless, but it also serves to mislead and inflame the public. Mass Retirees believes that all retirees, public and private sector alike, deserve a secure and reliable retirement. We urge the Editorial Board to join us in strengthening retirement, rather than tearing it down.

Goodyear, Arizona to Fort Myers, Florida: 10 fastest-growing retirement hot spots in America, according to a new study

By Celia Fernandez, CNBC, June 29, 2024

When Americans think about where to retire, they're pretty likely to think about Florida and a June GOBankingRates study of the fastest-growing retirement hot spots around the U.S. shows just that. Four of the top 10 retirement hot spots ranked in the study are in Florida. The Sunshine State also landed 12 spots on the top 50 list. Top 10 retirement hot spots in America (Florida only): Clermont, Fla, North Port, Fla, Fort Myers, Fla, Vero Beach South, Fla.

[U.S. corporate pension funding remains well above 100% in June]

By Rob Kozlowski, P&I, July 8, 2024
U.S. corporate pension fund surpluses remained robust in June on the back of another month of strong investment returns, according to three new reports. Wilshire Advisors estimated the aggregate funding ratio of U.S. corporate plans reached 102.3% as of June 30, an increase of 1.1 percentage points above the 101.2% funding ratio estimated as of April 30. The increase for June was specifically attributed to a 1.1-percentage-point increase in asset values, with no discernible change 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.

US court quashes divestment challenge against New York pension funds

By Mona Dohle, Net Zero Investor, July 8, 2024
A US court has backed three New York City Pension Funds' decision to divest from fossil fuels, dismissing a case put forward by conservative members. Four scheme members had taken to pension funds to court, arguing that the decision to divest from fossil fuels amounted to mismanagement and poorly investing their pension savings. The plaintiffs had the backing of anti-ESG campaign group Americans for Fair Treatment. But the court dismissed these challenges by stating that they did not suffer a detrimental impact from the divestment, due to the pension funds in question being defined benefit plans. The plaintiffs challenged this assertion by stressing that a decision to divest impacted the financial health of their pension plans. Judge Andrea Masley dismissed this as "speculative."

June Pension Funding Ratios Soar With Interest Rate, Equity Gains

By Natalie Lin, Plan Advisor, July 12, 2024
The overall improvement in pension funding ratios across multiple indices and reports highlights the June continuation of a positive trend for U.S. corporate defined benefit pension plans, with results driven by strong market performance, favorable economic indicators and, for the moment, high interest rates. June was less of a standout for a year of strong funded status for DB plans than a reminder to take advantage of the current run of strength, while having an "appreciation for what might happen" when rates drop. Mercer reported that the estimated aggregate funding level of pension plans sponsored by S&P 500 companies rose by 1% in June 2024 to 109%. The domestic equity market's increase partially offset the decrease in discount rates. By June 30, the estimated aggregate surplus of $136 billion had risen by $17 billion from the previous month. On July 11, the Consumer Price Index released its results from June, falling .01% from May and helping to slow the annual rate of inflation to 3% from 3.3% in May.

Pensions Have 'Critical' Role in Strengthening Public Safety Workforce

By Noah Zuss, Plan Sponsor, July 15, 2024
For states and municipalities, offering public safety workers a sufficient defined benefit pension benefit is key to maintaining a healthy public safety workforce, according to new research, with a knock-on effect on both public safety and protecting property. For states and cities, offering pension plans to police officers and firefighters—particularly—is critical to sustain a robust public safety workforce to fight fires and maintain public safety, according to a National Institute of Retirement Security paper, "The Role of Defined Benefit Pensions in Recruiting and Retaining Public Safety Professionals." Defined benefit pensions support the three Rs of workforce management: recruitment, retention and retirement, according to the paper presented during the webinar. More than half (52%) of new hires in public safety positions are expected to retire as a participant in the pension plan, with an average of 17.6 years of service, NIRS found. While 6% will leave their job due to disability or death, "only 42% are expected to leave for another reason, likely quitting," the paper stated. This contrasts with experience "in the private sector, where the median tenure in 2022 was 4.1 years," according to data from the Bureau of Labor Statistics published in 2022.

[Another Call to Completely Up-End the Country's Private Retirement System]()

By John Sullivan, National Association of Plan Advisors, July 16, 2024

Yet another call to replace the country's private retirement plan system with a massive government program was announced from the Wharton School of the University of Pennsylvania. The authors based their argument on the premise that the 401(k) system primarily benefits wealthy individuals, writing, "A rapidly aging population combined with public policies, including the Pension Protection Act of 2006, have appeared to have little impact on retirement savings for lower-income Americans." The latest proposal for a federal takeover of the private retirement plan system comes at a time of ongoing concern over Social Security's solvency, with possible benefit cuts by 2035. The proposal calls for the federal government to create "personal individual investment accounts" at a custodian. Eligibility would be based on the existing Earned Income Tax Credit criteria and "some adjustments specific to retirement accounts."

Public Pension Contributions Reach Record Yet Problems Persist

By Erin Hudson, Bloomberg, July 16, 2024

State and local government contributions to public pensions hit their highest level last year and investment returns are running above average in 2024, according to a new report by Equable Institute, which said risks are growing as the funds ramp up bets on risky private capital strategies. The annual report projects the national public pension funding shortfall to drop this year to $1.3 trillion from $1.6 trillion in 2023. The average funded ratio of public pensions will increase to nearly 81% from about 76% last year, the group said. The improvement is attributed to record high contribution rates: state and local governments paid more than 31% of payroll or $180.7 billion into their public retirement systems last year, and the average public pension fund generated preliminary returns of 7.4% for the first six months of the year, above the assumed baseline of 6.9%. But that still is not enough to make up for the increase in benefit payments over the past two decades that have consistently left pension plans with negative cash flow. Public pension plans are increasingly shifting to riskier alternative investments, such as real estate and private equity, to make up for the outflows. Alternatives make up about a third of the assets in public pensions, according to the report.

U.S. public pension funding continues to improve in June — Milliman

By Rob Kozlowski, P&I, July 17, 2024

The overall estimated funding ratio of the 100 largest U.S. public pension plans continued to rise in June thanks to positive investment returns for the second month in a row, according to the Milliman 100 Public Pension Funding index. The increase in the funding ratio to 79.9% as of June 30 from the estimate of 79.4% as of May 31 was primarily the result of positive market performance in June. The aggregate estimated investment return for June was 1%, with estimated returns ranging from 0.4% to 2.1% for the month. It was the second strong month in a row of asset gains for public pension plans. Milliman's aggregate investment for May had been 2.3%, with estimated returns ranging from 1.3% to 3.5% for the month. The estimated funding ratio at the end of April had been 77.6%. Also as of June 30, a total of 15 pension plans had funding ratios between 60% and 70% (down from 16 as of May 31), 19 plans were between 70% and 80% (down from 20 in April), and 26 plans were between 80% and 90% (the same as April).

Public Equity Allocations Lead the Way for Public Pension Funds

By Matt Toledo, Chief Investment Advisor, July 25, 2024

In 2023, public pension funds, endowments and other institutional allocators saw weaker returns from alternative investments like private equity, but stronger returns from public equities, which have historically underperformed the former, according to a review by Markov Processes International Inc. The pension funds that performed best last year typically had higher allocations to equites, and MPI expects that trend to continue through 2024, based on the projected 2024 returns of some of the largest public defined benefit plans in the U.S. According to MPI projections, the aggregate of 47 pension funds, each with more than $20 billion in assets under management, will return 11.3% gross of fees in fiscal 2024, a reporting period that for most ended on June 30. Most public funds have not reported their fiscal 2024 returns. Across the board, MPI projects public pension funds will outperform their 2023 returns. U.S. equities are projected to account for the most asset class contributions to fund performance across the board. In fiscal 2022, the reverse was true: Private equity was among the only positive-returning asset classes in institutional portfolios tracked by MPI, while the S&P 500 declined nearly 20% due to inflation and other financial instability that came as the COVID-19 pandemic eased. According to MPI, the pension funds with the lowest projected returns in fiscal year 2024 are among the highest allocators to private equity.

Oklahoma judge permanently blocks enforcement of controversial anti-ESG law

By Margarida Correia, P&I, July 19, 2024
Oklahoma District Court Judge Sheila Stinson issued a permanent injunction against enforcement of a controversial anti-ESG law banning public pension funds from doing business with financial firms said to be hostile to the oil and gas industry. A lawsuit filed by Don Keenan, a retiree, challenged the constitutionality of the law, arguing that it was vague and violated the state constitution's "exclusive benefit" rule requiring state pension systems to operate solely for the benefit of state pensioners. Keenan filed the lawsuit Nov. 7 against Oklahoma Treasurer Todd Russ, arguing that the law put his pension savings at risk. The ruling to permanently halt the enforcement of the law follows Stinson's decision on May 7 to halt it temporarily. The controversial law, known as the Energy Discrimination Elimination Act, requires firms to sever ties with firms that factor environmental, social and governance issues into their investment decision-making.

U.S. public pension funds earn 10-year median return of 15.2% from private equity

By Arleen Jacobius, P&I, July 22, 2024
Private equity produced a median annualized return of 15.2% over 10 years for U.S. public pension funds, according to a report by the American Investment Council. The AIC report examines the private equity investments of 200 U.S. public pension funds for the years December 2021 to December 2023, with most dates as of June 30, 2023. The U.S. public pension fund earning the highest private equity return was the $6.4 billion Vermont State Retirement Systems, with an annualized 20.5% over 10 years. The Illinois State Board of Investment, which oversees the investment management of about $24 billion in combined assets, had the next best private equity return with an annualized 18.83% over 10 years, followed by $8.6 billion New York City Board of Education Retirement System with an annualized 18.81% private equity return over 10 years.

Circle the wagons': State pension funds are dumping Chinese investments

By Phelim Kine, Politico, July 26, 2024
A growing number of states are forcing public employee pension funds to divest from China, pulling out of the world's second-largest economy because of hostility toward Beijing and fear that U.S. assets could be frozen if conflict breaks out in the Indo-Pacific. Five states — Indiana, **Florida**, Missouri, Oklahoma and Kansas — have directed state fund administrators to begin the divestment process over the past year. And more are considering doing so — the latest sign of deteriorating relations between the U.S. and China. While the states that have taken such steps are heavily Republican, the trend reflects a souring in the perception of China in the U.S that goes beyond political parties. For years, pension funds clamored alongside U.S. companies to invest in a growing economy that many once believed would become less authoritarian as it modernized. Now the states are looking at China and seeing a pile-up of risks. They aren't alone. The Federal Retirement Thrift Investment Board, the main U.S. federal government pension fund, announced in November that it would stop investing in Hong Kong and China-listed stocks due to worsening U.S.-China friction.

Alaska Lawmakers Debate Changes to Public Workers' Pension Plan Design

By Corryn Hall, Pew, July 29, 2024
In their 2024 session, Alaska lawmakers debated pension policies for state employees and public school teachers in an effort to boost worker recruitment and retention. The measure under consideration would have reinstated a defined benefit pension plan for these workers 16 years after such a program was closed in favor of a 401(k)-style retirement plan. The session ended in May, but the legislation could be offered again next year—in part because policymakers know the state still needs to address workforce issues. Alaska once offered a defined benefit plan

that guaranteed lifetime payments to workers upon retirement. In 2006, the state switched to a defined contribution plan for new hires in response to mounting unfunded liabilities. In Alaska's case, a combination of investments that didn't meet expectations and a mistake by the plans' actuary in the early 2000s led to a gap between what was needed to fund state employee and teacher pensions adequately and what had been set aside. That financial pressure led to the switch to a defined contribution plan nearly 20 years ago. **Although states have changed plan types for a variety of reasons, mostly in the hopes of saving money, several have shown that defined benefit pension plans with guaranteed benefits can be offered at affordable and predictable costs.**

What to do with the public-service pension surplus that's piling up?
By Kathryn May, Policy Options, July 29, 2024
OTTAWA – There's a behind-the-scenes battle brewing over how to use billions of dollars of surpluses piling up in the federal public service pension plan. The country's largest pension plan has been running a surplus for years, but it has now reached a "non-permissible" level under the law, sources indicate. The government will have to reduce the surplus once the Office of the Chief Actuary provides an updated report on the plan and its surplus size this fall. As of March 2023, Treasury Board reports the plan was running a $42.4-billion surplus.

Hollywood Police Officers reduces fixed-income manager lineup
By Rob Kozlowski, P&I, July 9, 2024
Hollywood Police Officers' Retirement System terminated Garcia Hamilton & Associates from a $10 million active domestic core fixed-income portfolio. The $457 million pension fund's board approved the termination at its May 17 meeting, recently released meeting minutes showed.

Fort Lauderdale General Employees eliminates emerging markets equities
By Rob Kozlowski, June 26, 2024
Fort Lauderdale General Employees' Retirement System has eliminated its emerging markets equity asset class and raised its target to domestic equities. The board's vote resulted in the elimination of the pension fund's 12% target to emerging markets equities. As a result of the deletion of emerging markets equities, the board approved raising the target to domestic equities to 52% from 40%. Other changes were the raising of the targets to real estate to 15% from 10% and private equity to 6% from 5% and lowering the target to fixed income to 12% from 15% and eliminating the 3% target to cash. The target to international equities remains unchanged at 15%.

Donna Deegan says Lenny Curry's Jacksonville pension reform put cops, fire in 'bad position'
By A.G. Gancarski, Florida Politics, July 9, 2024
Jacksonville Mayor Donna Deegan is continuing to sell her proposal to put fire and police on Florida Retirement System (FRS) pension plans. And she's saying that the pension reform under her predecessor is part of the reason why, as the move put public safety workers and their departments in a "bad position." "I think that if you look at what has happened over the last, you know, decade or so, I think there was a belief earlier that perhaps more police departments and fire departments were going to go to a 401k sort of system and that didn't happen," Deegan said. So, when it didn't happen, it really put our police and fire into a bad position in terms of being able to both recruit and retain talent. And if you can't do that, then it's hard to have a really effective department.

South Florida widow says her husband thought he had lifetime pension but didn't receive it after death due to mistake
By Heather Walker, Darcelle Hall, 7 News Miami, July 2, 2024
The widow of a South Florida firefighter thought her husband's pension would be enough to take of her. But she says she's left with nothing because of a major mistake. Doug was a Tamarac firefighter for more than 25 years. The last few were spent on disability before he passed away in 2018. Elizabeth says he died believing his pension would take care of her for the rest of her life. Elizabeth called the City of Tamarac to ask about his pension. But she was told her husband didn't have one. The city told her that Doug should have converted his disability plan into a regular retirement pension. He would have had the option to choose a plan that paid Elizabeth for the rest of

her life. But Doug never picked one. Elizabeth says she was never told he needed to do anything. Since Doug didn't pick a plan, the trust fund board granted her a 10-year pension plan with payments spread across four years. The money stopped in 2022. A city spokesperson told us "…This specific case falls under the jurisdiction of the board of trustees of the fund and not directly with the City of Tamarac. Ms. Griffith has been advised to pursue her case through the court system…"

New Florida Employment Laws Effective July 1

By Katie Molloy, and Cayla Page, National Law Review, July 8, 2024
In Florida, 167 new employment-related bills took effect July 1. Employment Changes for Public Employees July 1 has brought about new requirements binding public employers. Florida Retirement System – House Bill 151: With the rising cost of living across the country, re-entering the workforce can provide retirees with additional income. House Bill 151 reflects changes to the Florida Retirement System (FRS), altering several laws related to retirees and their benefits. HB 151 is relevant to retirees, potential retirees, public employers, and stakeholders in public pension funds in the Florida Retirement System. Of most importance, beginning July 1, 2024, retirees who have been "terminated" can be reemployed by any employer that is part of the state's retirement system. Termination occurs when "a member ceases all employment," with certain exceptions provided by Section 121.021(39)(a), Florida Statutes. However, while these individuals may receive retirement benefits and compensation from their public employer, they may not receive both a salary and retirement benefits during the first six calendar months immediately subsequent to the date of retirement. Looking ahead, HB 151 also has closed the Florida Retirement System Preservation of Benefits Plan to new members beginning July 1, 2026.