

FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



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

[The 'Three-Legged Stool' of Retirement Is Missing a Leg](#)

By John Rekenhaller, Morning Star, July 30, 2024

Once, the tale goes, American workers relied upon a three-legged stool for their retirement income: 1) Social Security, 2) pensions, and 3) personal savings. That metaphor was always rickety, as even at their peak pensions covered less than half of private-sector workers. Today, that figure is 15%. (Government employees are another matter, although those with college educations pay for the pension privilege by receiving lower ongoing wages.) To switch analogies, the middle ground is vacant. Social Security provides subsistence for retirees, while personal savings contribute a risky supplement. Absent is an asset that lands between those extremes, supplementing Social Security benefits, but with relative safety.

[House Republicans detail 'the failure of ESG' in report](#)

By Courtney Degen, P&I, August 2, 2024

House Republicans in the Environmental, Social, and Governance Working Group released a report laying out what they see as the “failure of ESG,” further cementing their views against the framework. The House Financial Services Committee formed the ESG Working Group in February 2023 to “coordinate a response to the troubling increase in efforts to force progressive policies on the private sector,” according to the group’s [Aug. 1 staff report](#). Republicans in Congress have long been critical of ESG investing and repeatedly go after climate-related initiatives from the Biden administration via hearings, legislation and Congressional Review Act resolutions, which seek to overturn federal agency rules. The report specifically homes in on the Securities and Exchange Commission, as it says the agency under Chair Gary Gensler “has and continues to exceed its statutory authority and is testing the bounds of extreme agency overreach.”

[Opinion: Social Security crisis: Voters prefer higher taxes over benefit cuts](#)

By Brett Arends, Market Watch, August 3, 2024

Social Security is in crisis, most Americans are worried about it, and they are surprisingly comfortable with the idea of paying higher taxes to fix it. These are the main takeaways from a new poll just conducted on behalf of the Nationwide Retirement Institute, and if they say anything about the forthcoming election, they must favor presumptive nominee Kamala Harris and the Democrats, who do not want to cut taxes, more than Donald Trump and the Republicans, who do. Some 72% of Americans say they are worried about Social Security running out of funding in their lifetimes, and 79% say they think the program needs to change, the poll reports. Those numbers are highest for millennials and Generation X — those now in their prime earnings years— between their late 20s and late 50s. Nearly four-fifths of both generations are worried about Social Security, and more than a third of them strongly agree that the Social Security system “needs to change.” And to bail it out around two-thirds support raising taxes — not only on somebody else, which is easy, but also on themselves.

[Social Security Benefits Should Not Be Tax Free](#)

By Kyle Pomerleau, AEI, August 2, 2024

Former President Trump recently declared that seniors should not have to pay income tax on Social Security benefits. This may be good politics, but it is bad tax policy. Under current law, up to 85 percent of Social Security benefits are taxable. Taxpayers with Modified Adjusted Gross Income (MAGI) between \$25,000 and \$34,000

(\$32,000 and \$44,000 for married couples filing jointly) are required to add up to 50 percent of their benefits to taxable income, and taxpayers with MAGI over \$34,000 (\$44,000 married filing jointly) are required to add up to 85 percent of their benefits to taxable income. According to the Social Security Administration, nearly 40 percent of beneficiaries are subject to taxation on their benefits. The tax treatment of Social Security is roughly equivalent to the taxation of private pensions. Under current law, pensions distributions made from the pre-tax tax contributions of individuals and employers are fully taxed while any distributions out of post-tax contributions are exempt from income taxation. This tax treatment results in these labor earnings being subject to taxation once: either when earned or when consumed during retirement. Social Security benefits are a mix of pre- and post-tax dollars. Contributions, in the form of payroll taxes, are split evenly between workers and their employers. The employer-side contribution is not included in the income tax base and is effectively a pre-tax contribution. The employee-side contribution is included in the income tax base and is effectively a post-tax contribution. Although the contributions are split evenly between pre- and post-tax dollars, the portion of future benefits funded by after-tax contributions is at most 15 percent according to the Social Security Administration. This implies that at least 85 percent of future benefits should be considered taxable income. Lawmakers could simplify the calculation by requiring 85 percent of benefits be added to taxable income regardless of a taxpayer's income level or tax 85 percent of benefits in excess of a fixed benefit threshold. Trump's proposal is likely less about policy and more about politics. Even so, lawmakers should avoid a policy that simultaneously worsens tax fairness and the federal government's finances.

[Social Security Reform: Risk and Reward?](#)

BY John Iekel, ASPPA, August 5, 2024

Editor's note: This is the second in a three-part series on a GAO report concerning proposals to reform the Social Security system. [The first is here.](#) The Social Security system could be bolstered by taking steps that would increase its revenue and reduce the costs incurred in providing the benefits it promises, says the Government Accountability Office (GAO) in ["Social Security: Options for Reform."](#) It also discusses options whose effects it says could be indeterminate, but may be worth the risk. And, it adds, there are further actions that may not be directly related to Social Security, but nonetheless could improve its fortunes. **Expand Coverage of State and Local Government Employees.** The GAO observes that around one-quarter of state and local government employees are not covered by Social Security. Extending Social Security coverage to newly hired state and local government employees, they say, would improve the finances of the system—especially at the start, since they would be paying federal payroll taxes but most would not be claiming benefits. The risk, says the GAO, is that if there are no other reforms to the Social Security system, adding state and local government employees will make things harder for the system by increasing the benefits it will be providing.

[U.S. corporate pension plan funding ratios remain above 100% - 4 reports](#)

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

U.S. corporate pension funding changes were muted in July and aggregate ratios remain above 100%, according to four new reports. Wilshire Advisors estimated the aggregate funding ratio of U.S. corporate plans reached 101.5% as of July 31, an increase of 0.1 percentage points above the 101.4% funding ratio estimated as of June 30. The increase in July was attributed specifically to a 2.3 percentage point increase in asset values, mostly offset by a 2.2 percentage point increase 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.

[Weak private equity returns force US pensions to rely on stocks](#)

By Bloomberg News, Investment News, August 5, 2024

The slump in private equity returns has increasingly pushed US pensions and endowments to lean on an old and familiar investment: Stocks. Large public pension funds including California Public Employees' Retirement System, Alaska Permanent Fund, and Teacher Retirement System of Texas, and endowments at Ivy League schools such as Columbia University, have been heavily reliant on public market investments to both bolster performance and free up cash. But chief investment officers concede they've partly been playing for time, leaning

on stocks until private equity starts to pay out again. It worked for the fiscal year that ended June 30 for most big institutional funds, but the recent selloff is a reminder of the risks.

[Public pension funds post highest returns among institutional investors in Q2 — Wilshire TUCS](#)

By Rob Kozlowski, P&B, August 8, 2024

Institutional investors posted modestly positive returns for the quarter ended June 30, with large public pension funds leading the pack, data from Wilshire Advisors showed. Plans in the Wilshire Trust Universe Comparison Service posted median returns of 1.1% and 10% for the quarter and year, respectively, ended June 30. Large public funds (with assets above \$5 billion) posted the highest returns for the quarter across all plan types, with a median return of 1.5%, thanks primarily to higher allocations to public equities and lower allocations to fixed income, while large corporate pension funds (with assets above \$1 billion) — which on average have higher allocations to fixed income than other plan types — bottomed out the list with a median return of 0.6%. For the year ended June 30, small public pension funds (with fewer than \$1 billion in assets) had the highest median return at 11.9%, while large corporate pension funds had the lowest at 5.9%.

[Some Companies Are Now Opting for Pension Plans Over 401\(k\)s](#)

Editorial, Global Banking and Finance Review, August 2024

For decades, 401(k) plans have been the standard retirement savings option that many companies have offered to employees. Pension plan offerings have been in decline since the 1980s. However, a notable shift is occurring as some companies are opting to bring back pension plans over the 401(k). The resurgence of interest in pension plans is driven by the distinct benefits they offer both employees and employers. **Vitech**, one of the leading pension administration platforms, has noticed a paradigm shift in the marketplace. “At Vitech, we have observed a notable increase in companies reconsidering pension systems over 401(k) plans,” said CEO David Burns. This shift is largely driven by the recognition that 401(k) plans alone often fall short in providing adequate retirement security.” According to a 2024 report, 48% of Gen Xers “say they won’t have enough money to enjoy their retirement.” A staggering 31% are concerned that they won’t be able to save enough money to retire. Combined, these numbers indicate that 79% of Gen Xers have serious concerns about their long-term financial stability. Burns broke down three benefits of pension plans over 401(k)s. The advantages he identified include the following: Guaranteed Retirement Income, Financial Predictability, and Employee Retention and Loyalty.

[Reduction in Pension Benefits Leads to Wider Income Inequality, Study Finds](#)

by Michael Katz, Plan Sponsor, August 20, 2024

The continuing decline of the number of defined benefit pension participants in the U.S. is widening America’s income equality gap, which in turn is stunting economic growth, according to a [recent study](#) from the **National Conference on Public Employee Retirement Systems**. The study also found that public policies aimed at cutting public costs by reducing pension benefits or switching to defined contribution plans may actually increase the need for public spending due to “the dynamic interrelationship between pension reforms, income inequality, the economy, and market return.” NCPERS noted in its report that, “for many years,” there has been a shift to defined contribution plans from defined benefit plans, particularly in the private sector, while changes to state and local public pensions include raising employee contributions, cutting benefits and closing pensions to new hires. According to NCPERS, the changes, which it refers to as negative pension changes, “exacerbate income inequality.” The report added that despite the slowdown in economic growth caused by the widening income inequality gap, the impact of pension changes on income inequality and economic growth are often overlooked by policymakers.

[To Fix Social Security, We Face Tough Choices](#)

Center for Retirement Research at Boston College, August 29, 2024

Unless we act now,” President Jimmy Carter warned in 1977, Social Security’s retirement trust fund will run out of money in 1983. That statement triggered several reforms that put the program on a firmer footing. Social Security is once again nearing a critical point. The day of reckoning is expected to come in 2033 if nothing is done

to repair its finances. Retirees' benefits would have to be cut by 21 percent, according to the agency's May report on the trust fund's fiscal status. In this [NewsHour video](#), Alicia Munnell, director of the Center for Retirement Research, which publishes this blog, says reform is long overdue and discusses options for repairing the program. The changes required aren't complicated but will require tradeoffs. Past changes to restore Social Security's fiscal soundness included higher taxes and benefit cuts. In December 1977, President Carter signed legislation that included an increase in the payroll tax. In 1983, Congress made other significant changes, including on the benefits side, by increasing the age at which retirees can collect their full benefit. Retirees who sign up for benefits prior to their full retirement age under the program receive smaller checks every month.

[New Jacksonville pension plan for police, fire could cost taxpayers millions](#)

By Ben Becker, Action News Jax. August 1, 2024

The new pension plans for members of the Jacksonville Sheriff's Office and Jacksonville Fire Rescue Department could cost taxpayers up to \$26.5 million per year. The potential cost will be determined by "the number of current employees who elect to move to the Florida Retirement System (FRS) from the City's DC plan," starting in Fiscal Year 2028. The memo states that the city estimates 50% of employees will participate. That would bring the annual cost to between \$9.63 million and \$13.27 million depending on the eligibility of corrections officers, per state rules. In 2017, defined benefit pensions were eliminated for new hires under pension reform pushed through by former mayor Lenny Curry. The hope is the new contract will improve recruitment and retention of first responders.

[Florida officials work to divest from Chinese government-owned companies](#)

By Andrew Powell, The Center Square, August 17, 2024

The Florida State Board of Administration Audit Committee met this week to discuss the Sunshine State's investment performance and some changes that will impact foreign investment from certain countries. Chris Spencer, the SBA executive director, was tasked by Gov. Ron DeSantis to analyze the state budget upon his appointment. Spencer said during the committee meeting that they have seen a 9.3% increase year-over-year and credited the state's recruitment and retention efforts, as well as a major focus on Florida's IT overhauls. During the 2024 legislative session, lawmakers passed House Bill 7071, which limits the investments the SBA can hold on behalf of the Florida Retirement System which invests in companies owned by the Chinese government. Spencer's two main focuses in his analysis were overseeing the implementation of the bill and updating the state board on its current status. He found that the number of Chinese companies was much higher than initially thought. Spencer said that, as of June 2023, 13 companies had been added to a continued examination list related to the enactment of the legislation.

[This Is the Average Social Security Payment in Every State](#)

By Laura Gariepy, Yahoo Finance, August 22, 2024

Living on Social Security alone can be financially challenging, but many retirees and people with disabilities do it every day. They budget carefully, find clever ways to save money and enroll in assistance programs designed to help people make ends meet, like the Supplemental Nutrition Assistance Program (SNAP). Sometimes, they also move to lower-cost-of-living areas to stretch their dollars further or aim for a higher-than-average payment. It's possible to beat the average Social Security benefit. Those who generally work longer careers — strategically increase their earnings over time — and wait as long as possible to apply for payments. While the average monthly benefit varies by gender and age, here are the average Social Security payments in every state, according to the Social Security Administration. FLORIDA: Overall total average payments for the state of Florida: Total number of beneficiaries: 4,909,642, Total benefits: \$7,577,221,000, Average total benefits: \$1,543.