

# FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



## PENSION NEWS CLIPS SEPTEMBER 2024 ON FLORIDA PENSION ISSUES

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### COLUMN: Outdated pensions hold cities back

By Mike Viola, News Herald, September 1, 2024

Many U.S. cities are in poor fiscal shape, mainly due to an outdated relic of the retirement system: pension plans. A report by Truth in Accounting found that 53 of the 75 largest U.S. cities don't have enough funds to cover their pension obligations, and that doesn't consider what would happen if pension funds lost their value in a market downturn. These obligations could kneecap cities in the event of true emergencies, making it more challenging to devote financial resources where they're needed. Paying pension funds in an uncertain investment environment can only take away from responding to actual crises that local governments are meant to handle or from needed improvements to public services like transportation. Pensions are pricey and aren't a great way to attract talent. While existing pension plans need to be honored, it's time for states and municipalities to phase out pensions as a benefit in favor of defined contribution plans. Evidence suggests modern workers would choose the flexibility and control of a higher salary over the future benefit of a pension. America's cities must take the final steps away from fossilized pensions and toward defined-contribution plans that better serve the government and its employees. That's how things are trending, but policymakers must make it a reality.

**Editor's Note:** Mike Viola is a writer for Young Voices.

**Editor's Note:** Also reprinted: [Commentary: Outdated pensions hold cities back — Mike Viola](#)

My Journal Carrier, September 11, 2024

### U.S. corporate pension funding ratios remain above 100% in August — 3 reports

By Rob Kozlowski, P&I, September 4, 2024

U.S. corporate pension funding ratios remained above 100% in August, according to estimates from three new reports. Wilshire Advisors estimated the aggregate funding ratio of U.S. corporate plans reached 102.3% as of Aug. 31, an increase of 0.4 percentage points above the 101.9% funding ratio estimated as of July 31. "August's funded status improved due to the continued increase in asset values, with most asset classes posting positive monthly returns despite an early month drawdown in global equity." 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.

### Companies are once again considering providing pensions over 401Ks

By Jon Stojan, Digital Journal, September 14, 2024

In the competition to attract and retain top talent, an increasing number of companies are rethinking how they can offer enhanced retirement benefits to employees. That has led to the once-again growing popularity of pension plans. Once falling out of favor in comparison to the 401K plan, pensions are now on the rise again. David Burns, CEO of Vitech, one of the top pension administration platforms, noted growing interest among companies to provide employees with pension plans. Burns said companies are seeking to distinguish themselves in a competitive labor market. Companies who want to drive longer term retention of talent see the benefit to offer their workforce more secure retirement options. Economic uncertainty and market volatility have also made the relative security of pension plans attractive to prospective employees. In response, companies are now contemplating pensions, which provide a lifetime payout in retirement, as a way to attract and retain top talent.

## [As Pension Funding Levels Fell in 2022, Higher Contributions Helped States Manage Debt](#)

By: Keith Sliwa, David Draine & Elijah Gullett, Pew, September 10, 2024

From fiscal year 2021 to 2022, the reported funding gap for state pension plans jumped by \$439 billion to \$1.27 trillion. The increase, largely fueled by investment losses, highlights how volatile financial markets continue to expose state and local governments to risk. Yet, despite poor investment returns, in 2022, 49 states still contributed enough to their pension plans to meet a key target, the net amortization benchmark, which measures whether employers' payments are sufficient to prevent pension plan debt—the share of benefit obligations that cannot be paid for with existing assets—from growing. These contributions helped states collectively pay down \$61 billion in pension debt. To help state policymakers and stakeholders understand the fiscal sustainability of their states' pension policies, each year The Pew Charitable Trusts reviews the most recent comprehensively available state pension data and updates its Fiscal Matrix of key actuarial, financial, and budgetary risk metrics. For fiscal 2022, the data shows significant improvement in plans' cash flow and in the adequacy of employers' contributions to pension funds. However, challenges in managing contribution volatility and long-term risk persist.

## [How Asset Allocations of Public Pension Plans Have Shifted](#)

By Remy Samuels, Plan Sponsor, September 10, 2024

As there has become more of an incentive for public pension funds to invest in private markets, asset allocations for these pension funds have shifted dramatically over the years, according to a panel of experts who spoke at the Council of Institutional Investors' 2024 Fall Conference. The National Institute on Retirement Security explained that in 2007, before the global financial crisis of 2008 and 2009, public equities made up about 60% of asset allocations for public pension plans. By 2021, public equities had dropped to less than half of asset allocations. Allocations to fixed income also dropped significantly in these years, and significant growth in allocations to private equity, private credit, real estate and other alternative assets. Across state and local pension plans in the U.S., over the past 30 years, NIRS found that 61.4% of pension revenue came from investment earnings.

## [Despite having no investments, Tim Walz will be fine in retirement. What about the rest of us?](#)

By Melanie Lockert, Salon, September 13, 2024

Democratic nominee Tim Walz's finances made headlines after his financial disclosures showed he owns no stocks or bonds. According to the Survey of Consumer Finances, as of 2022, only 21% of families directly held stocks and 1.1% held bonds. While Walz's lack of investments and diversification potentially make him more relatable, he has something many of us don't — a pension, which is a defined benefit plan. "I'm not so sure he is like most . . . I mean, nobody's got that [a pension] anymore," said Dan Casey, investment adviser and founder of Bridgeriver Advisors and Panic Proof Retirement. "I rarely see people anymore that come to my office anyways that have pensions." A pension is a golden ticket to guaranteed retirement income until the day you die, no matter when that happens. Pensions have become nearly extinct to the general population, **typically reserved for government and public service workers**. According to Bureau of Labor Statistics (BLS) data, only 15% of private industry workers had access to a defined benefit plan, compared to 86% of state and local government workers.

## [In The Struggle For Public-Sector Workers, Pensions Help](#)

By Dan Doonan, Forbes, September 11, 2024

The job market in the United States has been drum tight since the onset of the Covid-19 pandemic. Despite a sharp rise in unemployment during the initial pandemic shutdown, the labor market has recovered over the four years since. Even with the most recent jobs report, the unemployment rate remains at historically low levels, averaging 3.8 percent since January 2023. Additionally, prime-age workers (ages 25-54) are participating in the labor force at strong levels. This labor market means employers still are competing for employees. Workers, especially those with lower-incomes, have seen their wages rise as a result. But there are other forms of compensation and benefits that employers can leverage to compete for talent. A defined benefit (DB) pension plan has long been a tool used by employers to recruit and retain employees, which has proven particularly effective for public-sector workers like teachers, police officers, firefighters, and sanitation workers. The overwhelming majority of local, state, and federal government workers today have access to a pension. Regardless of the structure, a pension plan is available

for most public workers. There is a good reason why public-sector employers continue to offer pensions: these plans keep workers in their jobs for careers. The public sector likely will never out compete the private sector in pay. Private-sector employers can almost always offer a higher salary than public-sector employers. And public-sector employers know that retirement security is best achieved with a pension.

**Editor's Note:** Dan Doonan is the Executive Director of the National Institute on Retirement Security and a frequent speaker at FPPTA conferences.

### [U.S. corporate pension funding ratios fall in August — Milliman](#)

By Rob Kozlowski, P&I, September 11, 2024

U.S. corporate pension funding ratios suffered their largest monthly drop of 2024 in August after falling discount rates caused liabilities to rise, according to the latest Milliman 100 Pension Funding Index. Milliman estimated that the aggregate funding ratio of the 100 largest U.S. corporate pension plans fell to 102.8% as of Aug. 31, down from 103.6% at the end of July. Despite positive market returns during August — Milliman estimated an investment gain of 1.8% during the month — the fall in discount rates to 5.1% at the end of August from 5.3% the previous month led to the estimated decline in funding ratios. While the estimated market value of plan assets gained \$17 billion to finish August at \$1.347 trillion, the drop in discount rates caused liabilities to rise by \$27 billion to finish the month at \$1.31 trillion.

### [Lawmakers Push Plan That Would Increase Social Security Payments](#)

By Suzanne Blake, Newsweek, September 14, 2024

A group of bipartisan lawmakers is pushing a plan that would increase Social Security payments for some Americans who receive pensions. Representatives Abigail Spanberger, a Virginia Democrat, and Garret Graves, a Louisiana Republican, filed a discharge petition this week that could potentially force a vote on the Social Security Fairness Act. The act seeks to repeal two rules that currently lower Social Security benefits for some workers and their spouses and widows if they also receive pensions. The WEP (Windfall Elimination Provision) and government pension offset (GPO) both can cause lower payments for Americans. The WEP reduces the benefits of pension workers if they worked for an employer that did not require them to contribute taxes into the program. Meanwhile, the GPO sees benefits similarly reduced for spouses and widows who also bring in a pension.

**Editor's Note:** When they use the word “pension,” they are referring to a government employee who worked in non-Social Security covered employment. About 75% of FPPTA members work for such a government employer. It only affects them if they also qualify for Social Security. Otherwise, there is no impact.

### [Americans Brace for Election's Impact on Retirement Planning](#)

By Natalie Lin, Plan Sponsor, September 17, 2024

As the U.S. presidential election draws near, a retirement lifestyle study from Wealth Enhancement Group LLC shows that 80% of Americans are preparing for potential changes to their retirement plans based on the political outcome, including 73% of those already retired. Among respondents, 23% said they worry about the election's impact on their retirement portfolios. The study also found that 55% of unretired Americans fear inflation has delayed their retirement goals, with the average setback estimated at more than eight years. Inflation concerns are a major focus heading into the election, with 49% of respondents worried about the rising cost of goods and services and 39% anxious about future tax implications. These concerns are compounded by apprehension over government programs like Social Security and Medicare, with 31% of those surveyed, including 38% of Baby Boomers, reporting concern about future stability. Despite these short-term worries, Americans reported being generally optimistic about their long-term retirement lifestyle, with 77% expressing positive emotions such as happiness (45%) and gratitude (37%), according to the survey. Among retirees, 90% reported satisfaction with their decision to retire when they did, and 33% said their retirement is even better than they anticipated.

### **Buoyed by U.S. equities, public pension funds see double-digit returns this year**

By Rob Kozlowski, P&I, September 18, 2024

U.S. public pension funds chalked up a second straight year of positive returns for the fiscal year ended June 30, with half posting double-digit numbers despite a somewhat muted bond market and continuing challenges in private markets. The median return was 9.9% among the 64 pension funds with more than \$1 billion in assets. The median return among plans tracked by P&I the previous fiscal year was 7.6%. For the most recent fiscal year, every tracked pension fund reported positive returns — with a range of 5.9% to 14.5% — and those with greater exposure to public equities and lesser exposure to private markets posted the most impressive numbers, continuing a trend from the prior fiscal year.

### **U.S. public pension funding ratios rise for fourth month in a row — Milliman**

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

The overall estimated funding ratio of the 100 largest U.S. public pension plans rose in August thanks to a fourth straight month of positive investment returns, according to the Milliman 100 Public Pension Funding index. The increase in the funding ratio to 82% as of Aug. 31 from the estimate of 80.8% as of July 31 was primarily the result of positive market performance in August. The aggregate estimated investment return for August was 1.5%, with estimated returns ranging from 0.8% to 2.5% for the month. It was the fourth straight month of positive investment returns. Before the streak began, the estimated funding ratio at the end of April had been 77.6%. As of Aug. 31, a total of 10 pension plans had funding ratios between 60% and 70% (down from 12 as of July 31), 20 plans were between 70% and 80% (down from 21), and 26 plans were between 80% and 90% (up from 25).

### **Recruitment, retention at public pension funds improves as benefits and wages rise – NCPERS survey**

By Palash Ghosh, P&I, September 23, 2024

Public pension funds are starting to feel relief from recruitment and retention woes as they offer increasingly desirable benefit packages. That relief is in tandem with a jump in public sector wage growth, according to a new survey from the National Conference on Public Employee Retirement Systems and CBIZ. The '2024 Public Pension Compensation Survey,' found that nearly one-half of respondents (49.3%) said they were having no problems in attracting and recruiting skilled staff, up from 38% of respondents in a 2022 survey conducted by NCPERS. In addition, the report found that more than 93% of responding organizations now offer a defined benefit plan to employees, which suggests that highly desirable benefits are helping to attract and retain employees. Pension funds are also answering the demand of staff-members who wish to work from home — some 80.6% are now offering a flexible schedule and/or remote work options.

### **Pondering pensions: Three SF propositions would change benefits for public employees**

By Thomas Hughes, Bay City News, September 23, 2024

San Francisco voters will consider three ballot propositions in the November general election related to public employee pensions for police, firefighters, registered nurses and 911 operators. Prop. F deals with police retirement benefits. It would allow certain eligible officers, sergeants and lieutenants to start collecting — but not receiving — their full pension while remaining full-time employees. It is meant to help boost staffing levels and increase officer retention, but opponents disagree on its effectiveness and question its cost. Prop. H asks voters to reconsider a change that was made in 2012 for firefighters hired after Jan. 7 of that year that requires them to work three more years than previously hired firefighters to receive their maximum pension. Previously, firefighters could earn that mark by age 55. The change approved by voters in 2012 meant that newer firefighters would work until at least age 58 to earn the maximum benefit, which is 90% of their last year's salary, if they achieve certain benchmarks. Prop. I would make a change to pension eligibility and calculations for registered nurses.

### **China Raises Retirement Age For The First Time In Decades: What It Means For Global Pension Systems**

By Kaili Killpack, Yahoo Finance, September 24, 2024

China, a country with one of the lowest retirement ages in the world, will raise its retirement age starting in January 2025. At that time, China will gradually increase its retirement age over the next 15 years. Currently, the

retirement ages in China are 60 for men and 50 for women in blue-collar jobs and 55 for women in white-collar jobs. The increase will put the retirement age for men at 63 and for women, it will be 55 for blue-collar workers and 58 for white-collar workers. China's current retirement ages were set in the 1950s when life expectancy was much lower. Back then, people lived to be around 40 years old.

### **City Council backs historic contracts with police and firefighter unions**

By David Bauerlein, Jacksonville Florida Times-Union, September 11, 2024

Agreements with the police and firefighter unions that will award double-digit pay raises this year and return pensions for new hires in 2027 won support from Jacksonville City Council members who said in the same breath the contracts will constrain what the city can afford in future budgets. Mayor Donna Deegan's administration negotiated the three-year agreements and said they will give the Sheriff's Office and the Fire and Rescue Department the ability to compete with other cities and counties for the most talented first-responders. In addition to boosting pay for police, firefighters and corrections officers, the city will once again offer pensions by 2027 for new hires in those jobs. Todd Norman, chief of employee and labor relations for the city, said when Jacksonville ended pensions for new hires in 2017, city leaders expected others in Florida would do the same. That didn't happen. "The pension is still the gold standard in public safety," Norman said. "It's the 'golden handcuffs.' It keeps folks on board, and it's what is expected."

### **Florida Retirement System returns 10.5% for fiscal year, below benchmark**

By Rob Kozlowski, P&I, September 9, 2024

Florida Retirement System Pension Plan returned a net 10.5% for the fiscal year ended June 30. The \$198.2 billion pension fund's return fell short of its benchmark return of 11.1% for the period, according to a performance report. While the return fell below the pension fund's benchmark, it exceeded the median return of 9.8% among the 55 U.S. public pension funds whose fiscal-year 2024 returns have been tracked by Pensions & Investments as of Sept. 9. For the three, five and 10 years ended June 30, the FRS Pension Plan returned an annualized net 3.7%, 8.2% and 7.4%, respectively, above their respective benchmarks of 3.6%, 7.7% and 6.7%. The pension fund had returned a net 7.5% for the fiscal year ended June 30, 2023.

### **Florida Cabinet meeting lasts less than four minutes**

By: Jay Waagmeester, Florida Phoenix, September 24, 2024

The Florida Cabinet, sitting as the State Board of Administration, convened and adjourned in less than four minutes Tuesday. The Cabinet met over the phone to vote on five items, including an update to the state's list of companies doing business with disfavored governments. DeSantis said Florida has "really led the charge nationwide" on refusing to do business with such "scrutinized companies." The State Board of Administration — one of a number of Cabinet agencies, including the Board of Executive Clemency — oversees the state's pension and other investments. Chris Spencer, its director, presented the quarterly report on scrutinized companies with activities in Sudan, Iran, Northern Ireland, Cuba, Syria, and Venezuela. Ten companies related to Iran were reclassified from "continued examination" to being named as "scrutinized companies" as a result of guidelines that took effect this year following a 2023 law. Those companies are incorporated in France, Russia, China, Japan, India, and the Netherlands. Now the state is prohibited from investing in companies dealing with the Iranian financial, construction, manufacturing, textile, mining, metals, shipping, shipbuilding, and port sectors. Companies with more than 10% of revenues or assets in those sectors are sanctioned.

