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Florida's Pension System keeps drifting closer to disaster — and taxpayers are bailing it out again

By Brian Burgess, The Capitolist, January 3, 2025

For more than 15 years, Florida's pension system has been drifting toward financial trouble, and a new pension report underscores the problem. Year after year, state officials have insisted that the system is stable, relying on strong investment returns and ever-increasing taxpayer contributions to keep it afloat. But as more retirees collect benefits and fewer workers pay in, the cracks in the system are becoming harder to ignore. Now, in 2025, state officials are once again pointing to a small boost in the system's funding ratio—from 82.4% to 83.7%—as proof that things are improving. But that's like celebrating a high tide while ignoring the fact that the ship is still drifting toward the rocks. The underlying problems remain unresolved, and unless lawmakers make meaningful structural reforms, the Florida Retirement System (FRS) is on a slow-motion collision course with reality. One of the biggest issues facing FRS is that it's running on an outdated model that no longer works. There was a time when the system had enough active employees to support its retirees, but today, the workforce has shrunk while retiree rolls continue to grow. The latest figures show that 459,428 retirees are collecting benefits, while only 659,333 active employees are paying in—a dangerously low 1.4-to-1 worker-to-retiree ratio. That ratio will only continue to decline as more public employees retire and younger workers opt for the state's 401(k)-style investment plan instead of the pension. If fewer employees are contributing to the pension system, there's less money coming in to cover the growing number of retirees collecting benefits.

Report: Florida's pension system on solid financial ground

By Steve Wilson, Highland News-Sun, January 4, 2025

Florida's pension system improved its financial position in the past fiscal year according to its annual comprehensive financial report. The Florida Retirement System for state, county and municipal employees enjoyed investment returns of 10.52%, which increased the plan's net position to $199.7 billion, a 6.6% increase compared to the year before ($187.4 billion). The plan's funding ratio improved from 82.4% to 83.7% this year. The plan has liabilities of $6.06 billion, up from last year when those added up to $3.49 billion. Last year, the plan's investments had a return of 7.5%, which is still better than the plan's expected 6.7% rate of return.

Florida shines fiscally

Opinion by Adam Moore, Observer, January 15, 2025

The years since the pandemic recession have been good for state debt and liabilities nationwide, and in particular for Florida. Reason Foundation has created a unique data set by collecting numbers from state- and local-audited financial reports. We recently compared all 50 states' debt and liabilities for 2020 to 2022, the most recent year for which full data is available. The accompanying map graphic gives you a sense of how all states look by the growth in the ratio of state total liabilities to per-capita liabilities, which better shows growth or reduction in state debt driven by state fiscal policies rather than just by changes in population. You can immediately see that Florida looks pretty good relative to most other states. First, almost all states saw revenues and asset values grow during the 2020-2022 period. That helped all but one state — North Dakota — to reduce their debt ratio (the proportion of total liabilities to total assets). Florida, during this period, reduced its liabilities substantially, with the ratio of growth in total liabilities to per capita liabilities falling more than 15%. Total liabilities fell from nearly $73 billion in 2020 to less than $62 billion in 2022. Per capita liabilities shrank from $3,383 to $2,871.

Higher Social Security payments coming for millions of people from bill that Biden signed
By Fatima Hussein, AP Wire, January 6, 2025
President Joe Biden signed into law a measure that boosts Social Security payments for current and former public employees, affecting nearly 3 million people who receive pensions from their time as teachers, firefighters, police officers and in other public service jobs. Advocates say the Social Security Fairness Act rights a decades-old disparity, though it will also put strain on Social Security Trust Funds, which face a looming insolvency crisis. The bill rescinds two provisions — the Windfall Elimination Provision and the Government Pension Offset — that limit Social Security benefits for recipients if they get retirement payments from other sources, including public retirement programs from a state or local government. The change is to payments from January 2024 and beyond, meaning the Social Security Administration would owe back-dated payments. The measure, passed by Congress, says the Social Security commissioner "shall adjust primary insurance amounts to the extent necessary to take into account" changes in the law. It's not immediately clear how this will happen or whether people affected will have to take any action.
Editor's Note: If your Social Security was reduced in the past because of one of these offsets, you will be made whole as of January 2024, but no adjustments will be made for offsets prior to that date. The Social Security Administration (SSA) said it is "evaluating how to implement the Act" and "will provide more information as soon as available." For those who have previously filed for Social Security benefits and they are partially or completely offset, the SAA says, "You do not need to take any action except to verify that we have your current mailing address and direct deposit information if it has recently changed."

Finally, U.S. pension plans reach fully funded status
By David McCann, Informa, January 7, 2025

For the first time in 17 years, at the close of 2024 pension plans sponsored by large U.S. companies were fully funded to meet future financial obligations. That's according to Willis Towers Watson's latest funded-status analysis, which examined pension plan data for 361 Fortune 1000 companies with a calendar fiscal year. The analysis estimated that, in the aggregate, those companies' plans were 100% funded. The companies' combined pension obligations declined by 8%, from an estimated $1.25 trillion at the end of 2023 to an estimated $1.12 trillion a year later, buoyed by higher interest rates and continued pension-risk-transfer activity by plan sponsors.

States Take Steps to Shore Up Pension Funding
By Stephanie Connolly, Governing, January 8, 2025
Several state legislatures took steps in 2024 to enhance funding for public pension systems by adopting strategies to increase annual employer contributions to their retirement systems, manage how unfunded liabilities are paid down, and take advantage of surplus revenues to make supplemental payments to improve system funding and further pay down debt. These efforts build on more than a decade of increased contributions to public retirement systems, among other reforms, that have helped many states shore up their pension funding and stabilize their debt. Well-managed retirement systems have instituted policies to ensure that the annual contributions they receive from state governments are sufficient to achieve full funding and pay down unfunded liabilities while keeping costs stable so that the systems are sustainably funded over the long term. Using these practices as a guide, policymakers can evaluate and enhance their retirement policies.

Pension Income Accounted for $1.5T of US Economic Output in 2022
By Matt Toledo, Pension Adviser, January 7, 2025
More than $680 billion in pension benefits were paid to 26.3 million beneficiaries in 2022, according to new research from the National Institute on Retirement Security's "Pensionomics 2025" report, which quantified the economic impact of defined benefit pension expenditures. "Virtually every state and local economy across the country benefits from the spending of pension checks," wrote the report's authors, NRIS Executive Director Dan Doonan and Ilana Boivie. "For example, when a retired nurse residing in the state of Wisconsin receives a pension benefit payment, they spend the pension check on goods and services in the local community. They

purchase food, clothing, and medicine at local stores, and may even make larger purchases like a car or laptop computer. These purchases, combined with those of other retirees with pensions, create a steady economic ripple effect." The research found that of the $680.2 billion paid out to 26.3 million retirees, approximately $371.6 billion was paid out to 12 million retired state and local government employees and their beneficiaries. $91.5 billion was paid out to 2.7 million federal government beneficiaries. Approximately $217.4 billion was paid out to 11.5 million private sector retirees and their beneficiaries, which breaks down as $51.8 billion paid out to 4.1 million beneficiaries of multi-employer defined benefit plans and $165.6 billion paid out to 7.4 million beneficiaries of single-employer plans.

15 state treasurers urge states to divest pension funds from China

By Bethany Blankley, The Center Square, January 7, 2025

More state legislatures and governors are expected to take actions this year related to threats posed by the Communist Party of China (CCP) and People's Republic of China (PRC). Ahead of state legislative sessions beginning, financial officers from 15 states sent a letter to their state pension fund fiduciaries urging them to divest from China. Joining with the Federal Retirement Thrift Investment Board and other state officials, they argue that "investments in China are no longer prudent investments." Trustees of state funds have a duty to investigate and monitor investments and "divest from imprudent investments, in order to ensure that those funds grow and are protected for future beneficiaries," the states' top financial leaders wrote. "The time has come to divest from China. Investments in China increasingly present red flags," citing several reasons.

Public pension funding remains "fragile" but showed improvement in 2024

By Ryan Kushner, Editor, American City & County, January 8, 2025

The funded ratio for U.S. state and local retirement systems in 2024 is on pace to reach 80.2%—a 6.2% increase compared with 75.5% in 2023, according to an analysis by the Equable Institute. State and local pension plans saw investment returns average 10.3% in the past year, a "strong investment performance" compared with the average 6.87% rate of return expected for pension funds, according to Equable. Unfunded liabilities are expected to fall from $1.64 trillion in 2023 to $1.37 trillion in fiscal 2024. However, Equable Executive Director Anthony Randazzo warned that despite strong pension fund investment returns, state and local retirement systems "remain financially fragile." State and local governments contributed a record amount into public retirement systems in 2024, averaging 31.3% of payroll, or $180.7 billion, according to Equable. Equable estimated it will take years of performances similar to 2024 to break the "pension debt paralysis" prevalent in public pension plans. Washington D.C., Nebraska and Tennessee had the highest ratios of funded pension plans in 2024 with 112.5%, 108.5% and 107.9%, respectively. States with the lowest ratios of funded pension plans in 2024 included Illinois (51.6%), Kentucky (54.1%) and New Jersey (56.6%).

All Successful State Retirement Plans Do These 4 Things

By Angela Rowe, NCSL, January 8, 2025

A record 4.1 million Americans hit the "peak" retirement age of 65 in 2024. This marks the largest surge of Americans turning 65 in the nation's history, a trend expected to continue through at least 2027. Retirement plans must be well-managed to successfully serve new retirees, and that's no easy feat. In addition to providing retirement security for workers, state and local retirement systems strive to ensure the cost of benefits remains stable and sustainable long term. Market volatility and fluctuating economic conditions complicate these goals. Although policy reforms and increased financial contributions have boosted the cash flow of many retirement systems, only a few states have been able to consistently meet these goals. Pew reviewed all 50 states using the key features of model public retirement systems based on more than a decade of research. Regardless of how benefits are designed, the most successful systems share four main practices: retirement security; fiscal sustainability; planning for uncertainty; and investment transparency. With more than 4 million Americans turning 65 each year through 2027, NCSL anticipates that state legislatures in the year ahead will continue introducing legislation aiming to improve the design and management of their retirement systems. The core features to boost transparency, maintain fiscal sustainability and provide workers with a clear path to retirement security.

A boon for US workers or 'incredibly irresponsible'? Expert slams Social Security Fairness Act, says it will lead to 'deeper and faster' benefit cuts — while millions stand to gain from it

Story by Christy Bieber, MSN Money, January 12, 2025

On Jan. 5, U.S. President Joe Biden signed the Social Security Fairness Act into law. The bill is designed to bolster Social Security benefits for a portion of American workers. "By signing this bill, we're extending Social Security benefits for millions of teachers, nurses and other public employees and their spouses and survivors," Biden said. But, despite its name, a number of experts don't believe the legislation to be fair at all. One of them is Brenton Smith of the Heartland Institute, a public policy think tank. He described the bill as "incredibly irresponsible" in a column for MarketWatch. He also says it could result in automatic benefit cuts happening sooner, leaving those who may rely on Social Security worried about their future income. "Where are the people who promised to protect Social Security?" he asked. Meanwhile, the bill's passage was celebrated by public worker groups who argue millions of Americans were being shortchanged when it came to receiving benefits. So, what exactly is the Social Security Fairness Act, and why do Smith and others think it's such a problem?

What's the Social Security Fairness Act? The Social Security Fairness Act makes it possible for those who opted out of Social Security at some point during their career to receive more retirement benefits. It does this in two ways. First, it gets rid of the Windfall Elimination Provision, which could reduce benefits for workers who get pension or disability benefits from an employer that doesn't collect Social Security taxes — such as public service employees. The act also eliminates the Government Pension Offset, which could reduce spousal benefits if you get retirement or disability income from government-based work that doesn't require you to pay Social Security taxes.

What can Americans do? Smith listed a number of Washington, D.C., think tanks — which are often in disagreement — that are aligned in opposition to the legislation. Such discussions serve as a reminder of the importance retirees should place on savings outside Social Security. For one thing, without government action to shore up the program's finances, the possibility of Social Security benefit cuts is very real, with or without this bill. It's up to the politicians to do something about it. One of the think tanks Smith mentioned, the Committee for a Responsible Federal Budget, estimates the Fairness Act will hasten Social Security's insolvency by six months and further reduce lifetime benefits for retirees. But there are other things that may impact the program's finances in the near future. Experts believe some of President-elect Donald Trump's election campaign promises could also accelerate a cash shortfall. Putting money into retirement plans like a 401(k) or IRA can give you some peace of mind knowing you'll have money available to you outside of Social Security.

The New Social Security 'Fairness' Act Is Neither Fair Nor Just – The 74

By Chad Aldeman, The 74, January 13, 2025

On Jan. 5, President Joe Biden signed a law that represents a giveaway to retirees who already have generous state-provided pension benefits. It will undermine the progressive nature of the Social Security program, cost taxpayers billions and force painful cuts down the road. The new bill itself is short and simple, less than 300 words. In a clever bit of marketing, the sponsors dubbed it the Social Security Fairness Act. But the bill isn't about "fairness"; it's about giving a windfall to a relatively small group of people at the expense of taxpayers.

Also see: A $196 Billion Giveaway? Critics Decry The New Social Security 'Fairness' Act

Editor's Note: Worst, most inaccurate reporting I have seen in years on any subject.

Pension Funded Status Rose in December, Ending 2024 Strong

By Remy Samuels, Plan Sponsor, January 13, 2025

2024 marked another strong year for U.S. corporate pension funded status, driven by a net increase in discount rates driving falling pension liabilities, according to analyst firms. Milliman found that U.S. corporate pension plans saw a funded status improvement of $68 billion for the year—a stark contrast to the $31 billion funded status loss experienced in 2023. Aggregate funded status was at 100% for 2024, the first time in 17 years that pension plans closed the year at fully funded or better, according to WTW. Overall, the year-end 2024 funded ratio rose to 105% from 99.5% at the end of 2023, according to Milliman. Plan liabilities decreased by about $94 billion due to an increase in discount rates of 59 basis points. Milliman also found that the fourth quarter of 2024 saw the largest funding improvement of the year.

[U.S. DB pension payouts generating US$1.5 trillion in economic output: report]

By Staff, Benefits Canada, January 14, 2025

In 2022, U.S. retiree spending — driven by private and public sector defined benefit pension payouts — generated US$1.5 trillion in total economic output and supported 7.1 million jobs, according to a new report by the National Institute on Retirement Security. It found in addition to the impact on employment and economic activity, DB pension payouts added $224.3 billion in tax revenue at the federal, state and local levels. The report noted $680.6 billion in pension benefits were paid to 26.3 million retired Americans in 2022, including $371.6 billion paid to 12 million retired employees of state and local government and their beneficiaries, as well as $217.4 billion paid to roughly 11.5 million private sector retirees and $91.5 billion paid to nearly 2.7 million federal government retirees. Each dollar paid out in pension benefits supported $2.28 in total economic output nationally and each taxpayer dollar contributed to state and local pensions supported $7.79 in total output nationally. The largest economic impacts from pension expenditures were in the food services, health care and retail trade sectors.

[Public Pension Funds Remain in 'Fragile State,' per Equable Report]

By Michael Katz, Chief Investment Advisor, January 15, 2025

Despite registering an average annual investment gain of 10.3% and raising funded ratios by nearly five percentage points in 2024, public pensions remain in a "fragile state," according to the Equable Institute's State of Pensions year-end report. In 2024, state and local pension funds easily outperformed their average assumed rate of return of 6.87% and raised their funded level to 80.2% from 75.5%. However, according to the report, those figures belie the facts that the robust returns still underperformed many public equity indexes and that funded levels are still too low. Despite the gain, 2024 was the 17th straight year public pension funds' average funded ratio remained below 90%, which Equable considers the minimum threshold for pensions to be deemed resilient. The report added that "the need for contribution rate increases remains as urgent as ever, irrespective of the budgetary pressures this creates." A [2024 issue brief] from the National Association of State Retirement Administrators found contributions made by state and local governments to pension trust funds in recent years accounted for 5.1% of all non-federal spending. Between 1994 and 2023, pension fund revenue was derived 28% from employer contributions, 11% from employee contributions and 61% from investment earnings, NASRA reported.

[Pension crises 'will start to bite' over next decade, WEF risk report finds]

By Natalie Tuck, Pension Age, January 15, 2025

Pension crises "will start to bite" over the next decade in super-ageing societies, according to the World Economic Forum's (WEF) Global Risks Report 2025. Super-ageing societies feature as a key theme in this year's edition, which is linked to risks such as inequality and societal polarisation. A super-ageing society is when over 20 per cent of a country's population is over 65 years old. Several countries have already exceeded that mark, such as Japan, Italy and Germany. However, many more countries across Europe and Eastern Asia are projected to do so by 2035. Globally, the number of people aged 65 and older is expected to increase by 36 per cent, from 857 million in 2025 to 1.2 billion in 2035.

[CalPERS CIO makes his case for total portfolio approach to stakeholders]

By Arleen Jacobius, P&I, January 15, 2025

CalPERS CIO Stephen Gilmore made his case for the nation's largest public pension fund to change strategy and become one of the first in the U.S. to use a total portfolio approach, in remarks at the $519.6 billion pension fund's Jan. 14 stakeholders meeting. The total portfolio approach would be a marked change from the traditional strategic asset allocation. One way to improve outcomes for the pension fund is to invest the portfolio "as a whole rather than thinking about asset class by asset class," Gilmore told the group of stakeholders, including retirement plan members, retirees and employers. He noted that a survey of 26 large asset owners released by Willis Towers Watson in July revealed that over 10 years, those funds using total portfolio theory outperformed asset owners using strategic asset allocation by 1.8%.

Largest U.S. public pension plans' funding levels range from 71.4% to 98.6%

By Larry Rothman, P&I, January 24, 2025

The largest U.S. public pension plans' funding ratios vary widely, based on a recent analysis of fiscal year 2024 public filings and Pensions & Investments' data. The funding status of the largest 10 plans ranged from 71.4% to 98.6%. New York State Common Retirement Fund, Albany, and New York State Teachers' Retirement System, Albany, were funded at 95.8% and 98.6%, respectively, California Public Employees' Retirement System, Sacramento, and California State Teachers' Retirement System, West Sacramento, had funding ratios of 71.4% and 75.9%, respectively. **FRS is funded at 80.7%.**