FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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It's Checkup Time for Public Retirement Plans

OPINION, Governing, April 29, 2025
It's become a cliché to call the stock market a roller coaster. As the "Trump slump" has seen stock prices approaching the worst post-inaugural performance since Herbert Hoover's election in 1928, mainstream media and think tanks have been quick to point to public pension fund losses and the plunging value of 401(k) accounts. For traditional pension systems, investment risk from market and portfolio underperformance falls on the public employers. Retirees and near-retirees can count on a fixed benefit based on their retirement age, salary history and length of service. The opposite is true for DC plans: Employee-participant-retirees are on the hook entirely if investments turn sour. After systemwide developments of the past two decades, the lessons to be learned from recent experience are quite different for these two types of plans. For defined-benefit pensions, the two major developments of this century have been a movement toward broader portfolio diversification through so-called alternative investments and a sensible but slow movement toward lower actuarial return assumptions after the pensions ate humble pie following the Great Recession and bear market of 2008. The alternative investments have largely featured private equity and private credit (the catchall term for non-bank lending) but also include commodities and hedge funds. Combined, those various categories now comprise some 26 percent of the average public pension fund's portfolio, not counting real estate.

Pension funds diversify into private markets as equity volatility weighs on returns

By Freschia Gonzales, BPM, April 29, 2025
Pension funds worldwide are intensifying their diversification strategies in response to heightened market volatility and geopolitical uncertainty in 2025, according to Artemis. The recent introduction of tariffs by the United States administration has led to significant declines in equity markets, prompting pension funds to reassess their asset allocations. According to the Equable Institute, US state and local pension funds have experienced losses up to US$249bn due to public equity market volatility in 2025. Notably, US$169bn was lost over four trading days between April 3 and April 8, following the Trump administration's announcement of global tariffs. The Equable Institute highlighted that as of fiscal year 2024, state and local pension funds held 58 percent of their assets in non-public equities, including fixed income, private capital, real estate, and commodities.

Rep. Sewell introduces the Retirement Savings for Americans Act

By Staff, Alabama Political Reporter, May 2, 2025
US. Reps. Terri Sewell, AL-07, and Lloyd Smucker, PA-11, and U.S. Senators John Hickenlooper, D-CO, and Thom Tillis, R-NC, introduced the Retirement Savings for Americans Act, bipartisan legislation to help low- and middle-income Americans build wealth and save for retirement. The bill would establish a new program that gives eligible workers access to portable, tax-advantaged retirement savings accounts. If passed, the RSAA would allow the federal government to match contributions for low- and middle-income workers, with the match beginning to phase out at median income. A study by the National Council on Aging found that 80 percent of aging Americans are struggling financially or are at risk of financial insecurity, and therefore, not prepared to retire. In a new ranking of the world's retirement systems, the U.S. scored a C+, mainly because the current system works well for white collar workers but fails gig workers and blue-collar workers. If trends continue, inadequate retirement savings will cost state and federal governments a combined $1.3 trillion in increased spending by 2040.

D.C. Memo: State pension plans safe from market chaos, officials say
By Ana Radelat, MINNPOST, May 3, 2025
As owners of 401(k) plans and Individual Retirement Accounts (IRAs) worry about the impact of President Donald Trump's tariff policies on their retirement money, Minnesota's state workers are fretting about their pensions. Jill Schurtz, the chief investment officer for the Minnesota State Board of Investment, said the state's pension fund is "large enough to bear the brunt of a market crisis." She also says the fund's diversity has shielded it from sharp downturns. Schurtz said 50% of the fund is invested in equities, or stocks; 25% is invested in "fixed income" securities like bonds, certificates of deposit and Treasury bills; and the remaining 25% is used to fund private investment markets. The fund pays $240 million-$250 million in benefits to retirees every month, above and beyond what it collects in contributions. So, it has to grow.

Two major public pension funds make colossal announcement about their priorities: 'Poses a financial risk'
By Margaret Wong, Yahoo Finance, May 5, 2025
Pension funds are putting their money where the green is, and it's paying off in more ways than one. As Sustainable Times reported, two of the U.K.'s largest public pension pools have announced over £330 million in new funding dedicated to green initiatives, from renewable energy to enhanced healthcare. This announcement signals not just a shift in financial priorities but a growing global confidence that climate-aligned investing is also smart economic policy. The London Pensions Fund Authority allocated £250 million, or roughly 3% of its entire portfolio, toward environmental assets through its new Environmental Opportunities Fund.

Largest 100 Corporate Pension Plans See Strong Increases in Funding Surplus
By Matt Toledo, Chief Investment Officer, May 5, 2025
The largest U.S. corporate pension funds had a collective funding surplus last year for the first time since 2007, according to Milliman's 2025 Corporate Pension Funding Study. Funding ratios of the Milliman 100 rose to 101.1% in fiscal year 2024, up from 98.5% in 2023. This is the first time these companies have had an average funding surplus since 2007, when that figure stood at 106%, before falling to 79% during the financial crisis of 2008 and 2009. In fiscal 24, the funding surplus rose to $13.8 billion, improving from a $19.9 billion deficit in 2023. Out of the 100 plans Milliman tracked, more than half are in surplus, with 12 plans reporting a funding ratio greater than 125%. Only one plan reported having a funding ratio of less than 80%.

Lehigh County Employees pauses investments in Tesla stock
By Rob Kozlowski, P&I, May 8, 2025
Lehigh County Employees' Retirement Fund, Allentown, Pa., has directed its active external managers to pause any further purchases in Tesla stock until its board's next meeting. The $631 million pension fund's board voted 4-2 in favor of the resolution at its May 6 meeting. In a board resolution, the retirement plan's board directs that manager of actively managed funds in which it currently invests "shall not make any new purchases of Tesla from now until the next board meeting." The board also directs its investment consultant Cornerstone Advisors Asset Management "deliver, no later than 2 weeks before the next board meeting, an analysis of the fund's current exposure to Tesla and an assessment of the financial, governance, and reputational risks the board should be aware of with Tesla and other stocks," according to the resolution. The resolution cites Tesla's 71% year-over-year decline in net income to $409 million in its first-quarter earnings report, a 9% decrease in total revenue during the period to $19.3% and a 20% drop in automotive revenue year-over-year to $13.9 billion.

U.S. state pension plan funding drops in Q1 — Wilshire Advisors
By Rob Kozlowski, P&I, May 9, 2025
U.S. state pension plans' aggregate funding ratios fell slightly during the first quarter due primarily to negative market returns, according to a new estimate from Wilshire Advisors. The firm estimated that the aggregate funding ratio among U.S. state pension plans dipped to 78.6% as of March 31 from 80.4% at the end of 2024. The 1.8-

percentage-point drop in funding ratio was driven by a decline in asset values. The assumed asset allocation used in the estimates, which are based on fiscal year 2024 data, was 29% domestic equities, 22.5% core fixed income, 14.5% each international equities and real assets, 14% private equity and 5.5% other.

Plan sponsors should be required to offer guaranteed retirement income — Nationwide's Eric Stevenson
By Courtney Degen, P&I, May 9, 2025
"No one wants a mandate," however, mandating that retirement plan sponsors offer guaranteed retirement income should not be controversial, according to Eric Stevenson, president of retirement solutions at Nationwide Mutual Insurance Co. "Every plan should have at least an option for the participant to choose guaranteed retirement income," Stevenson said. "It works in everything else that we do … just giving people the choice is a huge first step, and it's amazing that we haven't given more people choice in this space." In general, much of the debate around a mandate has stemmed from legislation that would require automatic entry into IRAs or 401(k)-type plans. When a plan participant reaches retirement, they're often met with a sum of more than $100,000, and they "can't afford to lose all that money," Stevenson said. That's why Nationwide is an advocate of guaranteed income solutions, which can help retirees manage their money throughout the rest of their lifetime, he said.

Massive US pension fund announces seismic shift away from one type of risky investment: 'Poses a real threat'
by Simon Sage, MSN Money, May 13, 2025
The New York State Pension Fund will be divesting over $30 million in investments across 39 coal, oil sands, and shale oil and gas companies, according to Net Zero Investor. Meanwhile, it will be pouring $2.4 billion into climate funds. The new investment includes the FTSE Russell TPI 1000 Climate Transition Index, the Oaktree Power Opportunities Fund VII, and the Vision Ridge Partners Sustainable Asset Fund IV. These funds support electrical infrastructure, renewable energy generation, agriculture adaptation, and decarbonization. The new investments are part of New York's Sustainable Investments and Climate Solutions Program, which aims to reach $40 billion in investments. It currently holds $26.5 billion. Investment in oil and gas companies since 2016 has been in the neighborhood of $7 trillion, while the economic costs of sea-level rise alone have been projected at $3 trillion. Besides the damage they're doing, fossil fuels are becoming less profitable businesses.

House passes bill reviving pensions for public employees, Senate expected to consider it next year
By Mark Sabbatini, Juneau Empire, May 13, 2025
A bill reviving a traditional pension system for public employees nearly 20 years after it was eliminated passed the Alaska House of Representatives, the first major step in what supporters say is a two-year process that will continue during next year's legislative session. House Bill 78 passed by a 21-19 vote, with all members of the Democratic-led majority in favor and the 19-member Republican minority opposed. The Senate is not expected to begin detailed consideration of the bill until the session reconvenes next January. Sharply divided House floor debate saw supporters argue the state can't afford not to restore pensions due to high employee turnover and shortages, which costs the state $76 million a year just for recruiting and retraining. HB 78 would add an average of $39 million a year to state public employee retirement costs between 2027 and 2039, according to a legislative financial analysis.

Corporate Pension Funding Rebounds in April Despite Market Volatility
By James Van Bramer, Plan Sponsor, May 15, 2025
U.S. corporate pension funds saw a modest recovery in April, as rising discount rates reduced plan liabilities enough to offset a shaky stock market. The improvement followed a rocky first quarter, which suffered from a more severe equities downturn. According to Milliman, the funded status of the largest 100 U.S. corporate pension plans grew by $3 billion during April, while the funding ratios of these plans increased to 102.9%, up from 102.7% in March. The modest rise follows an $11 billion funded status decline in Q1. Pension liabilities fell by $10 billion in April to $1.22 trillion, driven by a 7-basis-point rise in monthly discount rates, which were 5.57% in April, according to Millman. Meanwhile, pension assets dipped $8 billion during the month to $1.25 trillion due to a negative 0.12% investment return.

[U.K. pension funds signal shift away from U.S. assets amid policy unpredictability]

By Sophie Baker, P&I, May 15, 2025

Almost one-quarter of U.K. defined benefit funds are actively rethinking their investments in U.S. assets amid tariff uncertainty and concern over global volatility. Consultant Willis Towers Watson conducted a poll of attendees at its client forum May 8, finding that 24% of respondents are considering cuts to their U.S. exposure. The sample covered 97 pension funds. The reassessment of their positions is being driven by unpredictability over tariffs, rather than the levies President Donald Trump is set to impose on countries across the globe, WTW said in a statement following the forum. The reaction is also not related to any one policy. "It's the recognition that policy uncertainty itself is now a market factor. We note recent positive negotiations between major trade blocs are a step in the right direction — but do little to remove this uncertainty."

[Rising Discount Rates Drove Down Pension Liabilities in April]

By James Van Bramer, Chief Investment Officer, May 19, 2025

The largest U.S. corporate pension funds had a modest recovery in April, as rising discount rates reduced plan liabilities enough to offset a shaky stock market. The improvement followed a rocky first quarter, which suffered from a more severe equities downturn. The funded status of the largest 100 U.S. corporate pension plans grew by $3 billion during April, while the funding ratios of these plans increased to 102.9%, up from 102.7% in March, according to Milliman. The modest rise follows an $11 billion funded status decline in Q1. Pension liabilities fell by $10 billion in April to $1.22 trillion, driven by a 7-basis-point rise in monthly discount rates, which were 5.57% in April, according to Millman. Meanwhile, pension assets dipped $8 billion during the month to $1.25 trillion due to a negative 0.12% investment return.

[More than half of pension funds exceed private equity allocation targets]

By Dylan Thomas and Neel Hiteshbhai Bharucha, S&P 500 Global, May 2025

Pension funds were the institutional investors most likely to be over their target allocation to private equity as global economic shifts clouded the outlook for private equity fundraising. More than half of government-, corporate- and union-sponsored pension plans showed an overallocation to private equity in their latest publicly available financial reports, according to S&P Global Market Intelligence data. Corporate pension plans had the highest number of overallocated sponsors compared to underallocated. **Public sector pension plans had 112 overallocated and 82 underallocated in private equity.**

[AI in pensions: An opportunity not to be missed]

By Lou Davey, Pensions Expert, May 21, 2025

The rise of artificial intelligence has sparked the interest of policymakers, but trustees understandably may be more cautious. IGG's Lou Davey looks at the risks and rewards of using this technology in pension scheme governance. In recent years, few technologies have generated more excitement, or anxiety, than artificial intelligence (AI). AI adoption is already transforming the financial services industry, and recent research has claimed that AI could boost the UK economy by £550bn over the next decade.

Editor's Note: While the article references the UK, it is an excellent discussion of AI and its potential impact on the pension world – from investment to the replacement of trustees. A good educational read.

[Census Bureau Releases 2024 Annual Survey of Public Pensions]

Press Release Number: CB25-TPS.39, May 29, 2025

Public pensions in the nation totaled nearly $6 trillion in 2024, according to the Annual Survey of Public Pensions (ASPP) released by the U.S. Census Bureau. State and local governments in 2024 invested $5.99 trillion in short- and long-term assets in pension plans, up 9.24% from $5.48 trillion in 2023. More than 36 million people (including inactive employees not currently contributing to pensions but eligible for future benefits) participated in state and local retirement plans in 2024. Employees contributed 75.77% and the government contributed (on behalf of employees) 24.2% of the total $305.79 billion invested in state and local government retirement plans in 2024. State and local government pension plans in 2024 provided $405.45 billion in benefit payments to beneficiaries (retirees as well as their spouses or dependent children), up 9.26% from $386.67 billion in 2023. Visit the Annual Survey of Public Pensions webpage for more information.

More State Pension Plans Target Smaller, Direct Infrastructure Deals in 'Their Own Backyards'
By James Comtois, Institutional Investor, May 29, 2025
With capital increasingly scarce and institutions paring down the number of GPs on their rosters, managers are courting state pensions by offering "fund of one" deals to target smaller, local investments. Barings has been partnering with state pensions to target lower-middle-market local infrastructure investments, an often overlooked part of the sector. Recently, the MassMutual subsidiary partnered with the $70 billion Maryland State Retirement and Pension System to launch a $250 million real assets program for middle-market deals and emerging managers. The focus is on the energy transition, digital infrastructure, and transportation. The program includes $50 million earmarked for in-state infrastructure and Maryland-based emerging managers.

Governor signs legislation compensating firefighters for training injuries
By A.G. Gancarski, Florida Politics, May 23, 2025
Gov. Ron DeSantis has signed SB 1202, which ensures firefighters who are totally and permanently disabled in training exercises will still have insurance coverage for themselves and their families, including spouses and children under the age of 25. Total and permanent disability must be determined by two independent doctors to qualify for this coverage. Republican Sen. Stan McClain, the bill's sponsor, said during floor hearings that because of this law, this class of firefighters "will receive the same family health insurance premium benefits as those injured in emergency response."

Report: Some Florida state funds didn't meet investment benchmarks
By Steve Wilson, The Center Square, May 26, 2025
A recent report by the Florida Legislature's research arm found that the Florida Retirement System's pension and investment plans did not meet their one-year benchmarks. The report by the Office of Program Policy Analysis and Government Accountability also found that the Investment Plan didn't meet its three-year benchmark, while the Pension Plan failed to meet its 25-year funding objective. The State Board of Administration, which administers Florida's defined-benefit pension and alternative 401K type plans for state and local retirees had its major investment funds gain $27.2 billion in market value since the last review by OPPAGA in 2023. Most of those gains came in the pension fund, $18.3 billion, due to strong returns on the plan's investments.
Also see: **Report: Florida's Sinking Pension System Keeps Taking on More Water,** By Brian Burgess, The Capitolist, May 27, 2025

Public Pension Funding Stable – Milliman
By: Russ Kamp, CEO, Ryan ALM, Inc., May 30, 2025
Milliman has released the output of their Public Pension Funding Index (PPFI), which covers the largest 100 public DB plans. Despite the turbulent markets during the month, the index showed a slight investment gain of 0.4%. This compares to the -0.12% experienced by corporate plans and reported through Milliman's Pension Funding Index, that covers the top 100 corporate plans. Among the largest public funds individual plans' estimated returns ranged from -1.8% to 1.4%. In aggregate, the plans added about $24 billion in market value during the period, increasing AUM to $5.213 trillion at the end of the month. Furthermore, the deficit between plan assets and liabilities was unchanged since March at $1.34 trillion.

My Wish List as a Pension Trustee
By: Russ Kamp, CEO, Ryan ALM, Inc., May 13, 2025
I've been a trustee for a non-profit's foundation fund. I haven't been a Trustee for a defined benefit pension plan, but I've spent nearly 44-years in the pension industry as both a consultant and investment advisor working with many plan sponsors of varying sizes and challenges. As anyone who follows this blog knows, Ryan ALM, Inc. and I are huge advocates for DB pension plans. We believe that it is critical for the success of our retirement industry

that DB pension plans remain at the core of everyone’s retirement preparedness. Regrettably, that is becoming less likely for most. However, if today I were a trustee/plan sponsor of a DB pension plan, private, public, or multiemployer, this would be my wish list: