FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS AUGUST 2017 ON FLORIDA PENSION ISSUES
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Palm Beach budget: Council working to bolster pension program
By William Kelly, Palm Beach Daily News, August 10, 2017

Palm Beach is working to shore up its pension program. Finance Director led the Town Council through the $5 million plan. The council appeared to like the plan, which includes about $1 million in spending cuts plus using money from funds outside the proposed 2017-18 operating budget. The council asked town staff to find additional money for the pension program, which is under-funded by millions of dollars over the next 30 years, largely because of diminishing returns on stock market investments. Staff proposed a transfer of $2.5 million from the general fund reserve into the retirement fund, during the budget year that begins Oct. 1, to reduce the unfunded liability. The council asked the staff to double it to $5 million. The $5 million is beyond the contribution that the town is obligated to invest each year. That amount, determined by an actuary, is $9.3 million for the 2017-18 budget year.

Lakeland commissioners settle on retiree bonus plan
By Christopher Guinn, The Legend, August 5, 2017

Lakeland city commissioners admit it isn't perfect, but they unanimously agreed to a $511,000 plan to award city government retirees one-time bonuses of $500 or $1,000, based on pension income. Former employees must meet the following conditions to receive the cash: Retired at least seven years ago, Never participated in the DROP pre-retirement program, Receive less than $40,000 a year from their pension. The commission approved two tiers for payments. Those who receive less than $25,000 a year from their pensions will be paid $1,000, while those who receive between $25,000 and $40,000 will be paid $500. The city is planning to come up with a permanent plan to adjusting pensions or awarding bonuses.

Critics Ignore How Public Pensions Benefit U.S. Taxpayers, NCPERS Finds
Business Wire, August 15, 2017

-Public pension plans are resilient, pose little burden on taxpayers, and stimulate the U.S. economy, according to a research report from the National Conference on Public Employee Retirement Systems. The latest report in the NCPERS Research Series, "Public Pensions Are a Good Deal for Taxpayers," dissects several arguments used by ideological organizations to discredit public pension funds on grounds that they are inadequately funded. NCPERS has long argued that underfunding levels are calculated using highly politicized processes in many states and should be taken with a grain of salt. "Critics often advance the false imperative that cities and states should be able to cover their long-term pension liabilities with current revenues," said Hank Kim, executive director and counsel of NCPERS. "But that's not how advance funding models work, whether for public pensions or other long-term goals such as retirement or college savings."

Shock (Not)! Public Employees Like Pensions

By John Sullivan, 401k Specialist, August 23, 2017

Even though public and private sector employers find them impossible to afford, a new study reports that public sector employees with a retirement plan choice overwhelmingly choose defined benefit pension plans over 401k-style defined contribution accounts. While the latter might soon be the only option left, of the eight states studied that offer employees such a choice, the DB pension take-up rates in 2015 were 80 percent or higher in six states. Two of the plans studied had pension take-up rates higher than 95 percent, while **Florida** and Michigan had take-up rates of 76 percent and 75 percent, respectively. Importantly, the research finds that even when the retirement plan default option favors a 401k-style plan, most employees still select a pension plan. The findings are contained in a new study, "**Decisions, Decisions: An Update on Retirement Plan Choices for Public Employees and Employers**." by the **National Institute on Retirement Security**. "Our findings also suggest that the public sector is unlikely to mimic the trend away from pensions as seen in the private sector for two reasons," she added. "First, there is strong employee support for pensions. Second, DB pensions remain the most cost-effective way for public employers to provide a modest and secure retirement benefit for employees who typically earn less than comparable private sector employee." The research also indicates that employees directing their own investments typically tend to earn lower investment returns than that of state pension plans. The investment advantage in public DB pensions can be attributed to three factors: lower expenses, professional asset management and an optimal investment allocation used by the DB plan over decades. DB pension plans also benefit from longevity risk pooling.

Fifth Largest U.S. Pension Plan Posts 13.8% Annual Return

By Laila Kearney, Financial Advisor, August 24, 2017

The Florida Retirement System Pension Plan on Thursday reported a 13.77 percent net return on investments for the year ending on June 30, far outstripping last year's return of less than 1 percent. The state's public employee pension plan, which has $153.5 billion in assets, exceeded its target return by 81 basis points, said the Tallahassee-based State Board of Administration (SBA), which oversees investments. Over the past five years, Florida's pension plan annual average return was 6.8 percent. In the last two decades, it was 7.3 percent. Williams attributed long-term performance to "prudence, patience and diversification." Florida's pension fund is among the five largest in the United States in terms of assets. Most public pension funds rely heavily on investment returns for revenue. If returns are consistently weaker than expected, pension funds can request greater contributions from plan holders or cut costs by reducing benefits.

Jacksonville pension liability looms, but credit markets unfazed

By A G Gancarski, Florida Politics, August 24, 2017

Jacksonville's pension reform package, passed earlier this year, takes effect Oct. 1 — ensuring that all new hires will be placed into defined contribution plans, rather than defined benefit plans. However, those defined benefit plans have a price tag still, and a looming $3.2B unfunded liability to be addressed down the road, according to the FY 17-18 proposed budget. Of course, there are caveats to this — such as pension reform locking up the half-cent sales tax as a guaranteed source of income, once the Better Jacksonville Plan obligation is paid off. And the value of plan investments is appreciating. The value of investments in the General Employee Fund: up 10.8 percent ($215.7M), to $2.21B. Police and Fire

Pension Fund investments are even healthier, with a $277.18M (16.9 percent) appreciation. The biggest mover: US equity markets, with a 30.7 percent ($195M) increase. Of course, there are caveats to this — such as pension reform locking up the half-cent sales tax as a guaranteed source of income, once the Better Jacksonville Plan obligation is paid off. Though one analyst from Bloomberg Intelligence raised worries about "downward pressures" in the credit markets for Jacksonville, Treasurer Joey Greive dismissed the Bloomberg article, saying the "bond results speak for themselves," though later he conceded that "fixed-costs" were an issue for future concern. The article said Jacksonville was "moving toward AA standards … moving in the right direction."

Largo commissioners continue push for property tax hike

By Chris George, Tampa Bay Weekly, August 16, 2017

When discussing the city's rainy-day fund, Largo commissioners say they are concerned because, while it's not pouring yet, the clouds on the horizon sure do look dark. Those ominous clouds represent several financial challenges that will lead to $3.8 million in budget reductions in fiscal year 2019 and 2020 if the city maintains its current course. That's why a consensus of commissioners agreed during a budget work session that a property tax increase was likely necessary to avoid future reductions of services. In the fiscal year 2018 budget, City Manager Henry Schubert detailed several concerns that would precipitate the $3.8 million in reductions, including: A constitutional amendment on the November 2018 ballot that would increase the homestead exemption by $25,000. If approved, Semones said it will cost the city $650,000 in revenue beginning in FY 2020; and a decision by the Police Officers and Firefighters Pension Board to decrease the rate of return assumption for the pension plan, which means the city will have to pay an additional $888,000 in FY 2018.

Florida State Board passes resolution to prohibit Venezuela investments

By Rob Kozlowski, Pensions & Investments, August 17, 2017

Florida State Board of Administration, Tallahassee, passed a resolution to prohibit investments connected with Venezuela. The resolution states, "The current government of Venezuela is intolerable to its people and continues to demonstrate the use of extreme violence and political persecution in the orchestrated suppression of human rights." The resolution, added to the investment policy, prohibits investments with any U.S.-based company or foreign subsidiary of U.S.-based company that does business with the government of Venezuela, and any securities issued by the government of Venezuela or company majority-owned by the government of Venezuela.