

# FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



## **PENSION NEWS CLIPS JANUARY 2018 ON FLORIDA PENSION ISSUES**

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### **Local pension funds closing the gap with state plans**

By Rob Kozlowski, Pensions&Investments, January 3, 2018

Local pension plans' funding ratios, which have long lagged behind those of state plans, are inching upward because of better investment returns and larger contributions than plans on the state level, according to a brief from the Center for Retirement Research at Boston College. From 2000 to 2012, state and local plans' actual returns were 1.5 and 1.7 percentage points, respectively, below their assumptions. While both state and local plans have had good returns, local plans between 2013 and 2015 had returns 11.3 percentage points more than their assumptions, while state plans' returns were 9.1 percentage points above their assumptions. The brief said the difference was attributed to both higher returns than state plans and because local plans assume slightly lower returns. The brief also noted that the higher returns for local plans could be due to their lower allocations to alternative investments.

### **City and County Retirement Systems Struggling With Funding**

By Rebecca Moore, Plan Sponsor, January 16, 2018

Wilshire Consulting estimates the ratio of pension assets-to-liabilities, or funding ratio, for the city and county pension plans it studied was 67% in fiscal 2016, down from 70% in fiscal 2015. Aggregate pension liabilities grew by 4.9%, or \$32.8 billion, from \$664.5 billion in 2015 to \$697.3 billion in 2016, while aggregate pension assets declined by 0.4%, or \$1.8 billion, from \$465.8 billion in 2015 to \$464.0 billion in 2016. These plans saw their resulting aggregate shortfall increase \$34.6 billion over fiscal 2016 from \$198.7 billion to \$233.3 billion. “Despite relatively strong performance for U.S. stocks, institutional investors found their total portfolio performance dampened by a stronger U.S. dollar, hampering the performance of their non-dollar assets, as well as the United Kingdom’s vote to leave the European Union in June 2016,” says Ned McGuire, Managing Director and a member of the Pension Risk Solutions Group of Wilshire Consulting.

### **Florida counties, schools face higher state pension contributions**

By Lloyd Dunkelberger, Orlando Sentinel, January 16, 2018

As a result of a decrease in the assumed rate of investment return on the \$160 billion FRS pension fund, counties, school boards, state agencies, universities, state colleges and other government entities will have to increase their contributions in the 2018-2019 budget year to make sure there is enough money to pay retirement benefits in the long term. The increased payments total \$178.5 million, according to legislation (SB 7014) approved by the Senate Governmental Oversight and Accountability Committee last week. The Florida Retirement System Actuarial Assumption Conference lowered the projected rate of return on the pension fund’s collection of stocks, bonds, real estate and other assets from 7.6 percent to 7.5 percent last

fall. It was the fourth year in a row that analysts have lowered the assumed rate of return on the fund. With a 7.5 percent assumed rate of return, the Florida pension fund is expected to be able to pay 84.4 percent of its future obligations, with a \$27.9 billion long-term unfunded actuarial liability, according to the consultants.

### **[Fla. Bill Increases State Pension Contributions](#)**

By Michael Katz, Chief Investment Officer, January 22, 2018

A bill introduced by the Florida state senate (SB 7014) seeks to raise the employer-paid contributions for the \$153.6 billion Florida Retirement System's (FRS) retirement benefits by approximately \$178.5 million annually beginning in fiscal year 2018-2019. The public employers that will incur the additional costs are state agencies, state universities and colleges, school districts, counties, and certain municipalities and other governmental entities. The rates are intended to fund the full normal cost, and the amortization of the unfunded actuarial liability of the FRS. In October, Florida's State Board of Administration (SBA) lowered the pension fund's assumed rate of return to 7.5% from 7.6%. For fiscal year 2017, which ended June 30, the FRS reported a 13.77% return on investments. The rate for special risk class normal cost is 12.18% plus the cost to fund the unfunded liability is an additional 10.60%.

### **[Supreme Court will take firefighter pay raise case](#)**

Staff Reports, Florida Politics, January 25, 2018

A divided Florida Supreme Court narrowly decided to hear a challenge to Gov. Rick Scott's veto of firefighter pay raises in the 2015-16 state budget. The Court "accepted jurisdiction" of the case (No. SC17-1434), with the first brief on the merits due by Feb. 14. The dispute involved Scott's veto of a \$2,000 raise the Legislature had OK'd for members of the International Association of Firefighters Local S-20 — representing the Florida Forest Service — for the fiscal year that began on July 1, 2015. The lower court said Scott acted within his authority to veto spending items in the state budget, and that lawmakers could have overridden the veto but did not. Attorneys for the state say the appeals court "merely applied a clearly articulated constitutional right" of the governor to veto spending items. 1st DCA Judge Brad Thomas, who dissented, had said "the question at issue here is whether the governor, by using his veto power, may unilaterally vacate the Legislature's decision to resolve a collective-bargaining impasse.

### **[Mayor says 'Seminole is still booming' in State of the City address](#)**

By Tiffany Razzano, Tampa Bay News, January 31, 2018

Mayor Leslie Waters provided the annual State of the City address at the City Council meeting. Waters pointed to the city's approximately \$17 million budget for 2018 that represents "fiscally responsible spending" while offering "exciting, diverse events" and "infrastructure improvements" — all based on "a millage rate that has not increased in 11 years." The Seminole Fire Rescue's firefighter's pension fund is 89 percent funded. "One of the best funded levels in Florida," she said.

### **[Bill aims to help spouses of fallen Tampa first responders](#)**

By Mitchell Perry, Florida Politics, January 16, 2018

Legislation that would increase the benefits paid to the spouses of police and firefighters employed by the City of Tampa who lost their lives in the line of duty advanced in a House committee. The bipartisan bill

(HB 1139), sponsored by Tampa Republican Shawn Harrison and House Democratic Leader Janet Cruz, also of Tampa, authorizes the city to enter into a supplemental contract with certain firefighters and police officers to increase their pension under certain circumstances. It increases benefits paid to surviving spouses from 65 percent to 100 percent of the member's final year's earnings while surviving children will receive a portion of up to 30 percent yearly until they reach adulthood. If the member has more than one child, that 30% portion is divided evenly. The proposed change was negotiated between the City of Tampa, Tampa Police Benevolent Association, Inc., and the International Association of Firefighters Local 754, ratified by their respective memberships, and approved by the Tampa City Council.

### [Review of the Brooksville Police Pension Plan](#)

By Julie Magligo, Hernando Sun, January 15, 2018

Patrick Donlan with **Foster and Foster**, the actuary for the city of Brooksville police pension plan, presented a summary of the police department's pension fund to the city council. He explained that that back in 1996, everyone was in the Florida Retirement system and then the state allowed cities/ municipalities to opt out of the Florida Retirement system. New employees went to the locally controlled retirement system and existing employees would stay in the Florida Retirement system if the municipality decided to maintain a local pension plan. Donlan had a positive outlook over the performance of the pension plan. "Over the past 20 years if you would have... stayed in the Florida Retirement System, the city would have had to put in \$2.9 million and instead they only had to put in \$852,000," he said. "Last year was a good year for investments, salary increases were lower than expected, we had more terminations than we expected, basically everything from the pension plan perspective that could go right, went right in 2017," he continued. Donlan stated that the benefits are better with the city's plan and the contribution is less in comparison to the state system. The pension plan's assumed rate of investment at 7.25 percent is conservative in comparison to the FRS assumed rate of 7.6 percent.

### [Public Pensions Are Delivering on Promises to Retirees, Annual NCPERS Study Shows](#)

Business Wire, January 24, 2018

Public retirement systems produced solid returns, kept a lid on expenses, and adopted more conservative investment assumptions during 2017, according to a wide-ranging annual study by the National Conference on Public Employee Retirement Systems. The [2017 NCPERS Public Retirement Systems Study](#) reflects how pension trustees, managers, and administrators are constantly pursuing fiscal and operational improvements, said Hank H. Kim, executive director and chief counsel of NCPERS. "The nation's pension systems are deeply committed to their mission of providing a secure retirement for millions of firefighters, police officers, teachers, and other public sector workers," Kim said. "Over the seven years we have conducted this annual study, pension systems have grown increasingly confident in their ability to adapt to pressure and deliver on their promise to retired public servants."

### [NASRA says N.J. reduction has company](#)

By Robert Steyer, Pensions&Investments, January 8, 2018

NASRA last published a formal study of assumed rates of return in February 2017, and an updated version will be published next month. In the 2017 study, NASRA found 53 state and local public pension plans had assumed rates of return between 7% and 7.5%, while 52 had rates between 7.5% and 8%. Another 19 had rates of 7% or less, while three had rates higher than 8%. Preliminary updated results show the

number of plans with rates between 7% and 7.5% has climbed to 62, while the number of plans at 7% or less has jumped to 29. Also, the number of plans with rates of 7.5% to 8% has dropped to 35 and only one has a rate higher than 8%.