# FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

**PENSION NEWS CLIPS JULY 2019 ON FLORIDA PENSION ISSUES**
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## Miami commissioners might restore the publicly funded pensions they lost a decade ago

By Joey Flechas, Miami Herald, July 10, 2019

Miami's elected commissioners enjoy a luxury most part-time workers don't have — the ability to give themselves publicly funded pensions. It's a nice perk that comes with the $58,000-a-year gig, and the current commissioners are taking advantage. With an initial vote on the evening of June 27, they quietly took a step toward reopening a pension program for elected officials that closed when the Great Recession ravaged city finances a decade ago. At the meeting, the proposal to resurrect political pensions came grouped with other ordinances that implemented the terms of labor settlements the city reached with the police and fire unions last year — groups of employees who had their pensions capped during a financial emergency in 2010. One of the other ordinances that passed would extend the pension eligibility even further so that about a dozen lawyers in the city attorney's office would be newly eligible for pensions from a separate retirement trust. If approved, the expanded pension program would cost the city an additional $462,000 in the upcoming budget year, according to the city's proposed budget. The total cost for the Elected Officers' Retirement Trust would be $829,000 next year.

## Longview fire pension liabilities increase as trustees adjust numbers

By Jimmy Daniell Isaac, Longview News Journal. July 18, 2019

The bad news for the Longview Firemen's Relief and Retirement Fund is that the amount of money for which the fund is liable has swelled about $12 million since last year. The good news is that the nearly 25 percent increase was expected, as managers of the fund implement changes in how liabilities are calculated. I n the latest actuarial study of the fund released this past week, unfunded liabilities reached $62 million, up from $50 million in 2018. Trustee Chairman Kolby Beckham attributed the increase to two changes made by trustees. The first change was that trustees followed a state Pension Review Board recommendation and lowered their assumed rate of return from 8% to 7.75%. That 0.25% change was responsible for $6 million of the increase in unfunded liability, but the other $6 million is a result of analysts switching from using the 2010 standard mortality rate of all blue collar workers to using last year's mortality table for public safety employees — a table that reflects longer life expectancy for police and firefighters. Drew Ballard, a consulting actuary for **Foster and Foster**, presented the actuarial study findings to trustees. One of the key factors in the results was that the study was based on Dec. 31, a "snapshot in time" date, Beckham said. "A snapshot in time means they pick a single day and they run all the numbers off that day," he said. "The stock market last year was down significantly on Dec. 31, so our fund showed a negative 3% on that day. Two weeks later, we were up 15%, so it was an 18% swing."

## Pension suspension lawsuit in Florida could become a dog fight

By James Call, Tallahassee Democrat, July 22, 2019

A dispute over who gets to supervise the Department of Corrections canine unit almost cost Samuel Culpepper his state pension, according to his lawyers. Earlier this month the State Board of Administration placed a hold on his retirement account after it had been made “aware of an accusation of criminal wrongdoing.” Culpepper’s pension was suspended without him being charged with a crime, with no probable cause affidavit, and without anyone’s name attached to the allegation. With the hold on the pension lifted, Culpepper gets access to 10 percent of the account immediately and must wait 60 days before he can get the rest of the money. When the SBA froze his pension he filed a lawsuit. A day later, after the Tallahassee Democrat reported about it, the SBA notified Culpepper that it had lifted the hold.

## Seminole council approves 5% pay increase for firefighters, puts off other decisions

By Tiffany Razzano, Tampa Bay Newspapers July 24, 2019

During the hearing, the council also decided to cap the firefighter’s pension contribution at 12.5 percent of their pay. Currently, 13.6 percent of their pay goes towards their pension, while the city pays 14.5 percent of their pay into it. Seminole Fire Rescue employees’ contribution to pension is capped at 15 percent. The union requested to cap this contribution at 10 percent, though, indicating that their contribution rate is higher than other local fire departments.

## How bad is the state and local pension crisis really?

By Finn Schuele and Louise Sheiner, Brookings Institution, July 15, 2019

State and local government pension plans hold nearly $4 trillion in assets and provide retirement income to over 10 million Americans. For most of these plans, the value of liabilities for future benefit payments exceed the value of plan assets. According to many journalists, academics, and policymakers, this failure to fully prefund state and local pensions constitutes a crisis. In a paper presented at the 2019 Municipal Finance Conference at Brookings, the presenters provide an alternative view. Instead of focusing on a full prefunding benchmark, they focus on the sustainability of pension plans—whether plans will run out of assets and need to borrow money or be bailed out to meet benefit obligations. They find that benefit payments, as a share of the U.S. economy, are currently at their peak and will remain there for roughly the next two decades. Thereafter, reforms instituted by many plans to lower benefits will gradually cause a significant decline in the size of pension payments relative to GDP. This suggests that the cash flow pressure plans are currently experiencing will eventually recede. In short, the authors conclude that, on the whole, state and local pension systems in the U.S. are not facing in an imminent crisis.

## A Florida pension that’s still working

By Lloyd Dunkelberger, Florida Phoenix, July 24, 2019

Pensions are vanishing from the American workplace. But Florida has a pension fund that is thriving and plays an important role in the lives of more than 1 million workers. It is paying benefits to more than 415,000 retired employees – a majority of them women. And more than 643,000 active workers are anticipating the benefits when they retire. It’s the Florida government retirement system, one of the largest public pension funds in America. The average retiree worked a little over 21 years, earned a salary of $42,000 and is receiving $22,442 in annual benefits, a state Department of Management Services report shows. Workers have contributed 3 percent of their annual salaries to the fund since 2011. Preliminary estimates show the fund had a 6.17 percent return in the fiscal year that ended June 30. Over the last 34 years, since 1985-86, the fund has only had five negative years and has had 21 years of double-digit returns. Currently, the assumed rate is 7.4 percent, which independent financial analysts have warned is too high.

## Former senator: 401(k) plans were 'never designed to be the retirement plan for America'

By Ben Werschkul, Yahoo Finance, June 27, 2019

A former senator and expert on retirement security noted that "we've sort of fallen into" a retirement system built around 401(k) plans but you would "run into tremendous resistance politically" if you tried to change it. Kent Conrad represented North Dakota and is now a senior fellow at the Bipartisan Policy Center. He advocates working within the system that he acknowledges was "never designed to be the retirement plan for America." The senator advocates a series of measures, from improving access to retirement plans at work to modernizing Social Security that he says "would dramatically increase retirement income." Conrad added "the estimates are it would increase the retirement income in this country over the next 40 years by 50%." Conrad supports the ongoing efforts on Capitol Hill to reform the private retirement system, especially measures to make it easier for small businesses to offer plans. But he added that "the elephant in the room is Social Security" which could be depleted in 16 years, according to a recent report by the program's trustees. "I would say the number one challenge is securing Social Security," he said.

## Funding disparity in public pension funds continues to grow – Pew study

By Hazel Bradford, Pensions&Investments, June 27, 2019

Despite revenue growth and strong investment returns, the public pension funding gap for all 50 states still exceeded $1 trillion in 2017, as some states rebounded while others struggled, according to an issue brief released Thursday by The Pew Charitable Trusts. The national pension funding deficit was $1.28 trillion in 2017, the most recent year with complete data. That is down from $1.35 trillion in 2016, due to investment returns of 12% for the median plan. Over the same period, employer contributions fell $28 billion short by actuarial funding standards, Pew found. Post-recession, eight states rebounded to an average funding ratio of 95% in 2017, while the 20 least-funded states declined to 56% funded from 76% in 2007.

## Report highlights US pension shortfall

By Gavin O'Toole, Public Finance International, July 4, 2019

Research by IMF economists indicates that government employee pension fund assets are significantly smaller than their rapidly growing liabilities. A severe shock in the future could affect resources significantly, making fiscal adjustment necessary, the research indicates. In the IMF working paper, ***Public Wealth in the United States***, analyses the evolution of the US public sector balance sheet between 1945 and 2016. They conclude that the country faces "large fiscal adjustment needs" that will require policy changes in the long-term either to raise public revenues in order to keep social promises – or to cut in other areas. The funding status of state and local government pension funds has been volatile, and an aggregate current shortfall of state and local pension funds masks substantial heterogeneity in funding levels across states. "In most cases, the funding status has deteriorated considerably since 2007, driven by large negative returns during the global financial crisis," say the authors.

## What Americans really think the government should do to fix Social Security

By Lorie Konish, CNBC Markets, July 8, 2019

Just 8% of Americans surveyed said they think the government should take no action to shore up Social Security and that the program will be "perfectly affordable" in the future. The most popular answer from respondents, with 32%, said the government should increase overall funding for the program. The next most popular solution, with 21%, supports a balanced approach that would include reducing individual payments and some tax increases. Meanwhile, 18% said the government should reduce the overall cost of Social Security. When it comes to relying on Social Security-type retirement funding, the U.S. is not alone. Americans surveyed said they expect 45% of their retirement income will come from those retirement benefits, with the rest coming from their workplace retirement plan and from their own savings and investments. Social Security-like systems in all of the survey countries are undergoing some form of financial strain, due to an aging population, longer life expectancy and lower birth rates.

## Good Returns Move State Pension Funded Status Higher in Q2

By Rebecca Moore, Plan Sponsor, July 15, 2019

The aggregate funded ratio for U.S. state pension plans increased by 1.4 percentage points during the second quarter of 2019 ending at 73%, according to Wilshire Consulting. The quarterly change in funding resulted from a 2.6% increase in asset values partially offset by a 0.7% increase in liability values. The aggregate funded ratio is estimated to have increased 6.8 percentage points, year-to-date and 1.5 percentage points for the trailing 12 months. The assumed asset allocation is 29% in U.S. Equity, 18% in Non-U.S. Equity, 10% in Private Equity, 24% in Core Fixed Income, 6% in High-Yield Bonds and 13% in Real Assets.

## Decline in Assumed Returns Increased Public Pension Plan Costs

By Rebecca Moore, Plan Sponsor, July 8, 2019

In the wake of the 2008-09 financial crisis, global interest rates and inflation have remained low by historic standards, and these low interest rates, along with low rates of projected global economic growth, have led to reductions in projected returns for most asset classes, which, in turn, have resulted in an unprecedented number of reductions in the investment return assumption used by public pension plans. Among the 127 plans the National Association of State Retirement Administrators (NASRA) measured in 2017, nearly three-fourths reduced their investment return assumption since fiscal year 2010. A brief from the Center for Retirement Research at Boston College says such a change is generally viewed as a positive development for pension funding discipline, bringing assumptions more in line with market expectations and forcing plan sponsors to increase annual required contributions. However, the researchers say the decline in assumed rates of return is actually due to lower assumed inflation, not a lower assumed real return (that is, the return net of inflation).

## Can DB participants sue a pension plan that's fully funded? SCOTUS will decide this fall

By Nick Thornton, Benefits Pro, July 16, 2019

Does the Employee Retirement Income Security Act allow participants in a defined benefit pension plan to sue sponsors for mismanagement of assets even when a plan is fully funded? The Trump

administration's Solicitor General, Noel Francisco, and the Labor Department's top lawyers say the answer is unambiguous: ERISA absolutely does. Earlier this year, the Supreme Court invited the Solicitor General to file a brief in *Thole v. U.S. Bank*, a class action brought by U.S. Bank retirees in 2013 that alleged the plan's trustees violated ERISA by mismanaging plan assets. The Supreme Court agreed to hear the case during its upcoming fall session. The plaintiffs alleged that equities-only strategy was unduly risky and caused the plan unnecessary losses, and was a violation of by ERISA's prohibited transaction provisions and its prudence provisions, which specifically include adequate diversification of assets as a necessary practice.
***Editor's Note***: While public plans are not covered by ERISA, this case could have implications for public plans based on the SCOTUS ruling.

## [How The Decline Of Pensions Furthered The Racial Wealth Gap]

By Christian Weller, Forbes, July 24, 2019

The gulf between those who will enjoy their golden years and those who will struggle is growing. An ever larger number of American workers will have to make large and painful cuts in their standard of living after they stop working. The retirement crisis comes on the heels of declining defined-benefit (DB) pensions. Riskier and costlier defined contribution (DC) accounts such as 401(k)s and IRAs have taken their place. At the same time, the workforce has changed as non-white workers make up an ever greater share of workers. Yet they are less likely to have a DB pension than whites do. Just as the demographics of the labor market changed, the quality of retirement benefits fell, contributing to a widening racial wealth gap. DB pensions declined as DC accounts became more prevalent. In 1989, 39.3% of all non-retired households had a DC account and 40.0% had a DB pension. By 2016, the share with retirement accounts had risen to 53.9% and the share with DB pensions had fallen to 23.2%. Retirement savings accounts are a poor substitute for DB pensions. In the end, fewer workers than in the past can look forward to a secure retirement.