FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS JUNE 2019 ON FLORIDA PENSION ISSUES

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Pension benefits have been restored to Hollywood's general employees

By David Volz, Hollywood Gazette, June 27, 2019

The Hollywood Commission agreed to an ordinance that will restore pension benefits when the city faced financial urgency. This followed extensive negotiations with AFSCME Local 2432, which represents general employees. A large number of city employees attended the union and cheered the restoration of benefits was announced.

City votes for GRU, property tax increases

By Andrew Caplan, Gainesville Sun, June 5, 2019

After month of deliberations, Gainesville's elected leaders decided to increase electric rates and property taxes to make up what's left of a budget shortfall. Throughout the budget process, the commission has not made any cuts to its budget, with the exception of $790,000 in reduced pension payments.

The 5 Best and 5 Worst States, Financially Speaking

By Chris Butera, Chief Investment Officer, June 6, 2019

Who are the five best and the five worst state governments in terms of financial health? Asset manager Conning, in its State of the States report, finds that overall credit quality for the states is stable, although some are at high risk during a recession and their employee pension funding levels remain poor. Utah, Nevada, Idaho, Colorado, and North Dakota are, in that order, the top states. They show population and employment growth, good balance sheets, and vibrant economies. Citroen, one of the report's authors, also said states where housing markets have rebounded, such as Florida, Nevada, and Arizona, have better credits than their counterparts. The laggards are now saddled with problem-laden balance sheets, housing woes, and significant pension deficits that resulted from the 2008 financial crisis.

Why a Decade of Bull Markets Hasn't Fixed Pension Funding

By Julie Segal, Institutional Investor, June 5, 2019

In 2008, the average U.S. pension fund had 83 percent of what it needed to make good on retirement benefit promises. As of the end of 2018, pensions had only 72 percent, according to Conning's "State of the States" report. "During the past decade, state pensions have had three main roadblocks to improving their funded status: restructuring, underperformance, and reduced contributions," wrote the authors. Pensions have set unrealistically high return expectations for decades. On average, state pension plans have assumed a 7.6 percent return. The effects of underperforming that bogey are stunning. According to

Conning, for instance, from 2015 to 2016, the average "unfunded actuarial accrued liability" grew by 12.7 percent. Though they needed to do the opposite, states with the worst-funded retirement systems consistently under-contributed to their plans over the last nine years. And states with financially healthy plans met or often exceeded their required annual contribution rate. Forty-four states reported pension liabilities in 2018. Of those, 29 had reduced their unfunded balances since 2017.

You're on the Hook for Trillions in Pension Overpromises, And Divestment is Making It Worse

By Helen Raleigh, The Federalist, June 20, 2019

Socially responsible investing (SRI), meaning only investing in companies with "ethical" practices, is not an entirely new concept. Public pension funds have been leading in this since the 1970s. For example, many pulled their investments from South Africa in the '70s, aiming to protest that country's apartheid system. Companies that fail to meet the ESG criteria would be dropped from the investment portfolio and future investment in similar companies prohibited. Alicia H. Munnell and Anqi Chen, two professors from the Center for Retirement Research at Boston College, published a study that analyzes the performances of public pension funds with divestment policies to meet ESG goals. Their analysis shows that the average annual returns of plans in states with divestment requirements are estimated to be 40 basis points lower than plans in states without such requirements, which translates to billions in loss of investment returns. We all know that eventually state and local governments have to either raise taxes or cut retirement benefits they promised to public employees in order to address this huge unfunded liability gap. However, neither is a popular move. Don't expect politicians who are concerned about their political future to do anything necessary but unpopular. That explains why more states are now paying attention to pension funds' investment rates of return, hoping increasing the rate of return will narrow the funding gap so they don't have to make any difficult choices. They will have a rude awakening: to increase the actual rate of return, public pension funds can't afford not to invest in companies that generate impressive growth and profits whether by making guns or delivering fossil fuels. Therefore, it is simply not prudent for pension funds to let leftist policies drive their investment decisions. Public-sector employees and taxpayers should examine their state and local public pension investments and demand these funds not play virtue signaling with their money. U.S. public pension liability is equivalent to $18,300 for every resident. Public pensions can't afford not to invest in companies that generate impressive growth and profits.

About 18 percent of public employee retirees move out of state

By Jack Griffin, Capitol Fax, June 24, 2019

More than 71,000 people (18%) collecting public pensions from six statewide Illinois retirement plans have moved out of Illinois, taking more than $2.4 billion annually with them. That's roughly 18% of all the pensioners in those systems, according to financial data obtained through public records requests with the six pension programs. **Florida** leads all migration destinations with 14,030 Illinois pensioners (20%), followed by Arizona and Wisconsin with more than 5,600 Illinois public pension recipients now living in each of those states.

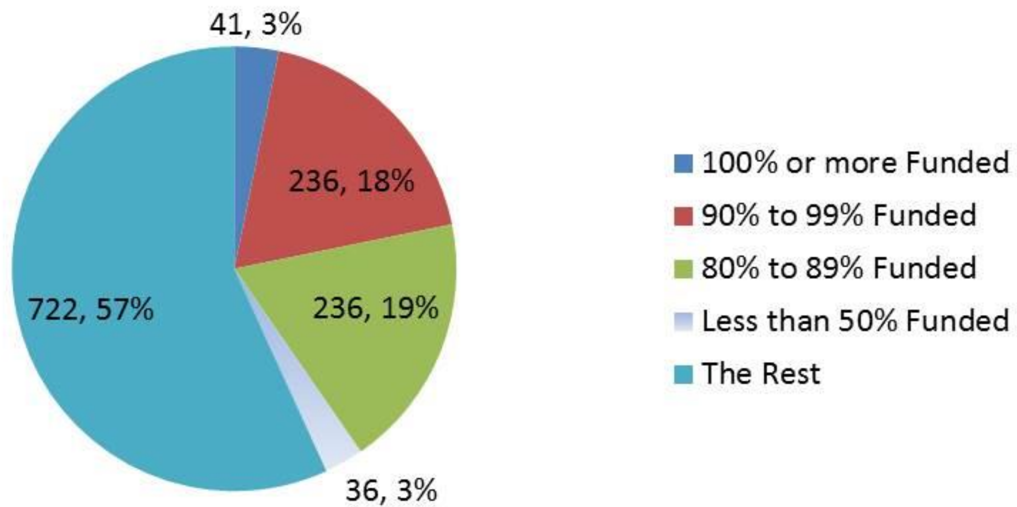
Not All Cities Have A Pension Problem

By Richard A. Ciccarone, President & CEO of Merritt Research Services, Muni Net Guide, June 26, 2019

With so much well-deserved negative attention focused on cities with huge unfunded pension overhangs, it's probably a good time to draw attention to the cities that are not burdened by pension liabilities. Cities,

which maintain adequate pension set-aside contributions based on reasonable actuarial assumptions, usually fit the bill of practicing responsible management and earn a pat on the back. Only about three percent (3%) of all cities with populations of at least 30,000 have fully funded their total pension liabilities. Some of these have even overfunded their plans. Another 18% of these cities have funded their pension liabilities in the 90% to 99% range. That means that approximately 21% of all cities are in very good to excellent shape on pensions. Beyond the best funded cities, 19% of all cities bear a marginally fair to good funding ratio of 80% to 89%. An equal 3% of cities have consolidated pension plan funding ratios of less than 50%. The list of the top 25 funded pension plans in the United States for cities with populations over 30,000 based on the most recent fiscal year audit includes two Florida cities: **Clearwater** funded at 111% and **Riviera Beach** funded at 104%. At the top of the list is the city of Bristol, Connecticut with a substantial 2018 fiscal year end funded ratio of 148.2% and an assumed rate of return of 7.3%.

City Pension Plan Funding: 21% of all Cities Over 30,000 Persons Have a Combined Pension Plan Funding Ratio of 90% or More (Based on Most Recent City Audit – FY18 or FY17)



Source: Merritt Research Services, LLC, City CAFRs and Retirement Plan CAFRs. Chart based on Cities reported and received as of June 21, 2019 with either FY 2018 or FY 2017 audits.