FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Prepared by Fred Nesbitt, FPPTA Media Consultant – fnesbitt911@gmail.com

Jacksonville City Council committee supports taking on JEA pension debt

By David Bauerlein, Florida Times-Union, September 17, 2019

The Jacksonville City Council's Finance Committee agreed that if JEA is sold, City Hall will take sole responsibility for several hundred million dollars of pension debt that currently falls on the shoulders of JEA. Jacksonville's woefully underfunded pension plans have been a huge burden on city finances, resulting in voter approval in 2016 of a future half-cent sales tax to ease that chokehold. The Finance Committee voted 6-1 to recommend approval by the full council on an enhanced package of pension benefits for JEA employees if a deal actually happens for the city-owned utility. To cover the cost of those extra benefits, JEA would pay $132 million of the sales proceeds to fully cover the expected cost of making good on those benefits. The legislation also gives entities preparing bids for JEA assurance that if they acquire the utility, they would have no financial responsibility for pension benefits earned by JEA employees and retirees. However, the legislation does not say how the city would pay for JEA's existing share of the unfunded liability in the General Employees Pension Plan.

Ahead of sale, JEA board OKs financial protections for employees

By A.G. Gancarskion, FLAPOL, September 25, 2019

The city of Jacksonville guaranteed the pensions of employees of the local utility ahead of a potential sale with a 16-3 vote. If the utility is "recapitalized" within the next three years, or sold for more than $3 billion as the legislation targets, pensions will be guaranteed. The expected financial impact: $129 million, if a recapitalization goes through.

Retired detective says he got bad advice from DMS. Now he owes $541,000 in retirement payments

By Jeffrey Schweers, Tallahassee Democrat, September 4, 2019

Michael A. Fewless, a 30-year law enforcement veteran with a spotless record, must pay back the $541,000 he received from the state's DROP, lawyers for the state's retirement system said. Fewless said that he got bad advice from David Kent, a retirement specialist with DMS whose job is to answer questions from pension members. DMS said the Department of Management Services, which runs the retirement program, doesn't have a legal obligation to provide accurate information. "Neither Mr. Kent nor the Department can be held liable in negligence for giving out incorrect information because there is no duty of care to provide correct information," Deputy General Counsel Sean Gillis said.

Orlando officer shot in head during Pulse terror attack granted pension

By: Shannon Butler and James Tutten, WFTV, September 23, 2019

The officer shot in the head and saved by his Kevlar helmet during the 2016 Pulse terrorist attack will be able to retire with an in-line-of-duty pension. Officer Michael Napolitano was told he would be fired next week because his limited-duty position would be eliminated. Napolitano had to come back to work or be terminated. The pension board voted to let him retire with his pension, agreeing he does suffer from PTSD and will leave the Orlando Police Department for good.

Council approves tentative budget

By Meghan Bradbury, Sanibel-Captiva Islanders, September 18, 2019

The city of Sanibel also runs two pension plans, one for general employees and the other for police pensions. Both of those combined, the unfunded piece that is determined annually, he said, is down 31 percent, again after a previous historical high. Mayor Ruane said they are paying approximately $4 million down a year. In 2021-2022, approximately another $12 million will be paid down. "At the rate we are paying debt off, the city gets really close to being at a very low level of debt," he said. "It is important for the citizens to know how quick we are paying debt off. We pay as we go and not deferring things."

Florida Retirement surpasses benchmark with 6.3% annual return

By Rob Koslowski, Pensions&Investments, September 23, 2019

Florida Retirement System, Tallahassee, returned a net 6.26% for the fiscal year ended June 30, confirmed John Kuczwanski, spokesman for Florida State Board of Administration, which oversees the money management of the $163.1 billion pension fund. The fiscal year return finished 59 basis points ahead of its primary benchmark return of 5.67%. For the three, five and 10 years ended June 30, the pension fund returned an annualized net 9.63%, 6.55% and 9.8%, respectively, above the respective benchmark returns of 8.9%, 5.7% and 8.8%. The pension fund returned a net 8.98% for the fiscal year ended June 30, 2018.

Report: 'True' cost of unfunded pensions has Florida $12 billion in the red

By John Haughey, The Center Square, September 24, 2019 – as reported on KPVI TV 6

If the state's unfunded pension liability was included in its "true" financial statement, Florida would have $60.9 billion available to pay $73 billion in bills – a $12.1 billion shortfall that has increased by about $500 million since last year, according to an analysis published Tuesday by a government fiscal transparency watchdog. Florida lawmakers used an accounting tweak in the state' fiscal year 2019 budget to defer payments on $22 billion in pension debt, a maneuver that hides the "true cost of government" from voters and "passes this expense on to future taxpayers," Truth in Accounting (TIA) maintains in its 2019 Financial State of the States report. Each Florida taxpayer's share of that debt is $1,800, calculates TIA, a Chicago-based nonprofit dedicated to government fiscal transparency that analyzed and graded all 50 state governments' fiscal health based on their latest Comprehensive Annual Financial Report (CAFRs) filings. Florida is one of 13 states to receive a "C" grade for its financial condition, the same score it received in TIA's 2018 report. TIA's taxpayer burden is a calculation of the state's bills divided by the number of taxpayers. The average taxpayer burden across all 50 states is $8,450, ranging from $200 in Minnesota to $65,100 in New Jersey. Of the $65.1 billion in retirement benefits promised to nearly 400,000 former public workers enrolled in the Florida Retirement System (FRS), the state has not funded $11 billion in pension and $11 billion in retiree health care benefits."

Florida's public pensions are 77.3 percent government funded

The Center Square, September 23, 2019

Taxpayer contributions to Florida's public pension funds in 2017 amounted to 77.3 percent of the total, the 14th highest ratio among the 50 states, according to newly released data by the U.S. Census Bureau. The total contributions for the state's public pension plans amounted to $5.4 billion. Employee contributions stood at only $1.2 billion, while state contributions amounted to $785 million and the local share was $3.4 billion.
Editor's Note: The report and article on Florida fail to mention income from investments, which is a "contribution" to the pension plan. Once that is added, the government funding percentage decreases dramatically. Nationwide, over 70 percent of a plan's income is derived from investment income.

Florida pension plans are 79% funded, study finds

Florida Business Daily, September 15, 2019

The funded ratio of the Florida public pension plans stands at 79%, according to a new analysis from the Tax Foundation based on fiscal-year 2017 data. The state's pension fund has the 15th highest funded ratio among the 50 states, the Tax Foundation study found. The percentage was calculated by comparing the market value of the pension fund's assets to its accrued pension liabilities. The analysis is based on data released by the Pew Charitable Trusts.

Investment Update: How Do Public Plans Value Their Assets?

By Jean-Pierre Aubry and Kevin Wandrei, Center for Retirement Research at Boston College, September 2019

A new government accounting standard requires state and local pension plans to categorize assets based on the method used to determine the fair market value. Level 1 includes frequently traded assets like equities. Level 2 includes less liquid assets like corporate bonds. Level 3 involves appraisals like real estate. For assets that lack a "readily determinable" fair market value, plans can instead use the net asset value (NAV) per share. However, it is possible to assign these "NAV assets" to Levels 1, 2, or 3 by matching them with comparable assets in each level. This reallocation shows that about one quarter of total assets are likely valued based on appraisals (Level 3), which, by definition, are more subjective.
Click here to read the full report.

Public Employees Being Asked to Bear More Pension Burden, Risks

By Michael Katz, Chief Investment Officer, September 12, 2019

According to an issue brief published by NASRA, the number of state and local government employees required to contribute to the cost of their pension benefit has grown in recent years, as most states that previously administered non-contributory plans now require workers to contribute. It also said that many employees are also being required to contribute more toward the cost of their retirement benefit than in the past; with 70% of US states raised rates for employee contributions in the past 10 years. The main types of risk in a pension plan relate to investments, longevity, and inflation, and NASRA said employees who are required to contribute toward the cost of their pension assume part of one or more of these risks, depending on the design of the plan. Contribution requirements for certain employee groups in states such as Missouri and Florida, which previously did not require some employees to make pension contributions, were established in recent years for newly hired employees, existing workers, or both. The brief also said

an increasing number of states are using plans that use variable employee contribution rates that can change depending on the pension plan's actuarial condition or other factors.

Pensions, Recession Pose Risks to State and Local Governments

Bloomberg Markets, September 18, 2019

Tom Kozlik, municipal strategy and credit head at Hilltop Securities, discusses pension funding liabilities for state and local governments and how a recession could impact state governments. He speaks with Bloomberg's Taylor Riggs on this week's "Muni Moment" on "Bloomberg Markets." Video Recording lasting 2:33 minutes.

Variable Arrangements Can Introduce Stability to Public DB Plans

By Rebecca Moore, Plan Sponsor, September 23, 2019

Variable benefit and/or variable contribution arrangements can add flexibility, risk and gain sharing, and potential benefits to public defined benefit (DB) plans and their beneficiaries alike, according to the Center for State and Local Government Excellence. Under such arrangements, a pre-set formula drives occasional adjustments in the plan to maintain long-term stability. A report from the Center for State and Local Government Excellence (SLGE) and AARP says since the 2008 recession, many retirement system administrators and legislatures have been grappling with lower pension plan funded ratios, investment returns that are volatile and projected to be lower than they have been in the past, and related increases or decreases in employer and employee benefit contributions. In varying either the benefit or contribution schedule, the goal is typically to impact various key pension fund metrics, such as the funded ratio, amortization period, or plan cost.

COMPELLING PENSION PROPOSITION

By Corinne Lamesch, Chair, and Camille Thommes, Director General, Association of the Luxembourg Fund Industry (ALFI), International Banker, September 26, 2019

Pensions are intended to act as protection against poverty for retired citizens and to afford them an adequate standard of living. As a result, 2060 will see just two people of working age for each retired person, as opposed to four a few years ago. This much-cited rising dependency ratio is responsible for the growing pension liabilities that many European and other states face and must address. The difference between the level of pensions coverage that is required and that which will likely be attained, or the pensions-savings gap, has been estimated at about EUR 2 trillion per year for the upcoming 40 or so years in Europe. In an attempt to counter the effects of this "missing money" on Europe's economic development, a shift has begun for many states from defined-benefit schemes to defined-contribution schemes. This shift is also transferring the pensions-savings-gap risk to the citizens—individual workers and future retirees. There is broad agreement that savings from the first and second pillars—state and occupational pensions—will be thinly spread to generate livable incomes to pensioners. It is the third pillar in the form of private pensions that is becoming paramount, and investment funds with it.

Retirement System Problems Contribute to Financial Inequality

By Rebecca Moore, Plan Sponsor, September 25, 2019

Financial asset inequality among Americans continues to increase, and combined with dangerously low retirement savings among most households, poses a significant threat to retirement for working

Americans, researchers say in an Issue Brief released by the National Institute on Retirement Security (NIRS). The researchers contend that financial asset inequality is exacerbated by regressive tax incentives for retirement savings and unequal access to employer-provided retirement plans. They found that the share of Baby Boomer financial assets owned by the wealthiest 5% of households in this generation grew from 52% in 2004 to 60% in 2016. Over the same time period, the share of financial assets owned by the top 10% of Baby Boomer households grew from 68% to 75%, and the share owned by the top 25% grew from 86% to 91%. The share of assets owned by the bottom 50% of Baby Boomer households shrank from 3% in 2004 to less than 2% in 2016. The data show Generation X and Millennials appear to have reached comparable degrees of financial asset concentration among the wealthiest households as Baby Boomers, at younger ages.

How to Solve the Public Pension Crisis

By Randall W. Forsyth, Barron's, September 27, 2019

Thanks to the bull market in stocks and the recovery in home prices, household wealth hit a record $113.5 trillion in the second quarter. That's up 88% from the cyclical nadir of the first quarter of 2009 and 59% above the previous peak in the third quarter of 2007. In the public sector, however, the story is less favorable. State and local pensions have $8.8 trillion of liabilities, of which only 52% is funded after a decadelong bull market. Falling interest rates have been a major propellant of higher asset prices, but also have lowered pension funds' income. Standard & Poor's says the median assumed return of state retirement funds is 7.25%. But according to Wilshire Trust Universe Comparison Service, the median public defined-pension plan's return was 6.79% as of June 30, down from 8.40% a year earlier. Remember, these are bull-market results, and backward-looking. Looking ahead, getting close to public pension funds' return targets will force them into the riskiest assets, according to Moody's Investors Service.

Municipal DB Plans Face Increased Cost Pressures

By Rebecca Moore, Plan Sponsor, September 26, 2019

Since the Great Recession, municipal defined benefit (DB) plans have taken center stage as one of the key sources of long-term credit risk in what has historically been a remarkably stable, low-risk asset class, S&P Global Ratings notes. The 2008 financial crisis and subsequent economic downturn led to steep declines in asset values for U.S. municipal pension funds, followed by a period of inconsistent and often below-target investment performance. S&P Global Ratings believes these issues have frequently been exacerbated by underfunding, where many municipalities continue to contribute less than actuarially recommended rates to their pension funds and where states have often failed to update statutory formulas in a timely manner to better align with actuarial recommendations. For the the cities' largest pension plans, the survey found funding levels were more or less stable from 2016 to 2018, on average improving by 5.4% over the three-year period. Plan funding practices, investment performance, and, in the case of Houston, the issuance of pension obligation bonds (POBs) are key factors that S&P Global Ratings attributes to the largest year-over-year changes. The average and median funded ratios for the 15 cities' largest pension plans were 66% and 70% in fiscal 2018, respectively.

Secrets to Success in Managing a Pension Fund

By Barry Ritholtz, Bloomberg Opinion, September 3, 2019

How often does it happen that a public pension fund chooses someone to manage its money — and then sticks with that person for 43 years? Only one streak I know of has lasted this long. The Atlanta-based investment-counseling firm Bowen, Hanes and Company Inc., run by Jay Bowen, has received national acclaim for its long tenure overseeing the **Tampa Fire and Police Pension Fund**. The Pension Fund Board of the City of Tampa uses a 20-year timeline for its beneficiaries. When Bowen took over the fund from his father, he said all of the bloody fights were finished, and his charge was to keep running the same analyses the firm had always done. Its top-down approach assesses how the government's trade, monetary, tax, fiscal and foreign policies affect their investments in stocks and bonds. Over the past century, Bowen notes, there has never been a 20-year period that has not included all four of these macro-events: a bull market, a bear market, a speculative bubble and a war.

Editor's Note: This is an audio recorded discussion with Jay Bowen.