FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Spending Bill Includes Seismic Retirement Changes, Curtails Stretch IRAs
By Ashlea Ebeling, Forbes, December 16, 2019

The just-released, $1.4 trillion 2020 spending bill means many Americans will be rewriting their retirement plans—if the budget gets signed into law before the holidays as expected. It includes the SECURE Act—Setting Every Community Up for Retirement Enhancement Act of 2019—which passed in the House 417-3 in May but stalled in the Senate. Basically, the whole SECURE Act was brought over, including the "pay for" revenue-raising provisions. Here's a rundown of some of the major retirement changes in the spending bill.
1. It allows part-time workers to participate in 401(k) plans.
2. It increases the age for required minimum distributions from 70½ to 72.
3. It eliminates the prohibition on traditional IRA contributions for those age 70½.
4. It allows penalty-free retirement plan withdrawals for new parents. (Within a year after a birth or adoption, new parents could take up to $5,000 from a 401(k) or IRA or other qualified retirement plan.)
5. It requires inherited IRAs to be depleted within ten years. Surviving spouses and minor children are still exempt. Applies to anyone who dies after 2019.
Editor's Note: The budget was signed into law. Keep in mind there are exceptions and special classifications within these rules, so before making any retirement decisions based on the new SECURE Act, please consult your financial advisor.

St. Pete firefighter wins case in fight for cancer benefits
By Allison Kropff and Heather Bailey, Channel 10 News, December 17, 2019

This was the first lawsuit filed in the state over the new law granting benefits to firefighters diagnosed with certain types of cancer. Lt. Jason Francis with St. Petersburg Fire won his case against the City of St. Petersburg. He worked for the city's fire department for more than 16 years. He was diagnosed with cancer in January 2019. The city denied his requests for benefits because he was diagnosed prior to the law taking effect on July 1.
Editor's Note: A copy of the judge's order is included in the article.

State Pension Funds Reduce Assumed Rates of Return
ISSUE BRIEF, PEW Trust, December 19, 2019

Financial analysts now expect public pension fund returns over the next two decades to be more than a full percentage point lower than those of the past, based on forecasts for lower-than-historical interest rates and economic growth. Research by The Pew Charitable Trusts shows that since the Great Recession—which started in late 2007 and officially ended in mid-2009—public pension plans have lowered return targets in response to changes in the long-term outlook for financial markets. Pew's database includes the 73 largest state-sponsored pension funds, which collectively manage 95 percent of all investments for state retirement systems. The average assumed return for these funds was 7.3 percent in 2017, down from over 7.5 percent in 2016 and 8 percent in 2007 just before the downturn began. The economy is expected to grow at a modest rate over the next decade, and pension fund investment returns are unlikely to return to historic levels for the foreseeable future. In recognition of these trends, public plans are increasingly adjusting their return assumptions to rates more in keeping with economic forecasts.

Firefighter's suicide spurs initiative

By Emily Sullivan, The Palm Beach Post, December 30, 2019

The Boynton Beach fire fighters' union is pushing for more emphasis on mental health after losing an officer to suicide. Noting Boynton's fallen officer will "guide us into changing this profession," Union President Weeks rolled out an early-stage proposal calling for a joint venture with the city to make a doctor available to help when firefighters experience trauma or suffer symptoms of mental illness. The union would cover treatment and travel costs. The approach could be unique, Weeks said. He couldn't identify any other fire union in the county with a mental health plan like the one he's proposing. The plan would train new firefighters and paramedics on the job's emotional tolls. It would extend support to firefighters' families. A four-hour course could more effectively inform 10 to 12 new hires, as well as the eight still on probation, he said. Families could receive help of their own, stocked with resources and solidarity.

Florida Firefighters Pension Sues Resideo for Securities Fraud

By Michael Katz, Chief Investment Officer, December 5, 2019

The **Hollywood Firefighters' Pension Fund** of Hollywood, Fla. is suing home automation products manufacturer Resideo Technologies, Inc. for allegedly making misleading public statements that artificially inflated the company's share price. The class action securities lawsuit alleges Resideo made multiple misleading public statements, including telling investors that the company would be the market leader in home heating, ventilation and air conditioning controls, and security markets. It also said it would be a worldwide distributor of security and fire protection products. As part of the spin-off, Resideo was promised a license to continue using the Honeywell Home brand of products for 40 years. The suit also said Resideo's high-margin Residential Thermal Solutions (RTS) business, which sells components to manufacturers of heating systems, faced supply chain issues that were driven by industry declines. The company sharply cut back its earnings guidance for 2019 and announced the replacement of its CFO. Resideo's stock fell $5.73 per share, or 37%, on the news.

Longboat commission refuses police desire to join State pension

By Steve Reid, Longboat Key News, December19, 2019

The Town of Longboat Key Police employees were refused in a 7-0 vote by the Town Commission their request to be allowed to enter the Florida Retirement System pension (FRS). The request came as the union representing the Police Department employees sought wage increases as well as admission to the pension and pleaded for what they refer to as "parity" with the Town's Firefighters. The commission backed the contract offer proposed by the Town Manager that includes step raises of 4 percent for officers and 3.5 percent for sergeants. Currently, the police officers and sergeants receive town benefit contributions into a 401(a) account. The Town Commission and Manager desire to keep a defined contribution model that allows predictability in cost for the commission and by proxy, the taxpayers.

Carl Icahn sued over HP/Xerox deal

By Dan Primack, Axios, Dec 14, 2019

A firefighters' pension fund, the **Miami Firefighters Relief and Pension Fund** in Florida, filed a lawsuit on Friday against billionaire investor Carl Icahn over allegations that he bought $1.2 billion of stock in HP after learning that Xerox Corp. wanted to buy HP at a premium, per Bloomberg. Why it matters: Icahn already was Xerox's largest shareholder, with an 11% stake, and now is HP's fifth-largest shareholder. Xerox offered to buy HP for $33.5 billion, but was rebuffed and now plans to go hostile. The lawsuit in New York state court in Manhattan on Friday, alleging Icahn, Icahn Capital LP and High River Limited Partnership breached their fiduciary duties to Xerox by buying HP stock with the knowledge that "Xerox was either considering making an offer to purchase HP, had already approached HP about a possible merger into or acquisition by Xerox, or of the obvious merits of Xerox's potential acquisition of HP." Also see related story.

Florida state government debt down, but pension concerns remain

By John Haughey, The Center Square, December 10, 2019

The state still ended fiscal 2019 carrying $20.6 billion in debt and faces uncertainties – and $22 billion in unfunded liabilities – with its pension plan, Florida Division of Bond Finance Director Ben Watkins told Gov. Ron DeSantis and Cabinet members. The report warned that perhaps the biggest threat to the state's reserve funds and bond ratings – other than hurricanes – is the status of the Florida pension system, which pays benefits to nearly 400,000 retired teachers, state workers, county employees and other public workers. Watkins said the Florida Retirement System Actuarial Assumption Conference, comprised of state accountants and analysts, has recommended the Legislature reduce the "assumed rate of return" on the $160 billion-plus pension fund to 7.2 percent a year, down from 7.4 percent during the 2020 legislative session, which begins Jan. 14. If implemented, Watkins said the fund's projected rate of return would be a "more realistic" 6.6 percent per year.

Florida SBA's Strategic Investments Team Has Its Eye on Energy

By Alicia McElhaney, Institutional Investor, December 19, 2019

The State Board of Administration of Florida sees interesting investment opportunities in the energy market, even as that asset class underperforms, according to documents released by the pension plan. Increasing the strategic fund's investment weight in commodities to five percent, from three percent, is a "high" priority, according to Webster's presentation this month. The retirement system is stepping up its exposure to energy after being hurt by its exposure to the sector. Florida SBA's allocation to commodities tied to energy lost 21.6 percent over the 12 months through September, according to the documents. The Florida retirement system gained 13.5 percent in the year through September, compared to a 13.2 percent return for its benchmark, according to the documents. Over the ten years through September, SBA is up 7.4 percent.

CalPERS Is Divesting From Active Equities. Its Peers Aren't Following Suit

By Alicia McElhaney, Institutional Investor, December 17, 2019

Good news for active managers: Other major pension funds are not following the California Public Employees' Retirement System's lead in terminating equities managers. Over the past three months, CalPERS let go of 14 external active equities managers, leaving three behind, which are now collectively managing $5 billion in assets. The Florida State Board of Administration similarly dropped three managers in the 2017 fiscal year, and four in fiscal year 2018, public pension documents showed. Strategies from Signia Capital Management, Epoch Investment Partners, and William Blair & Company were put on the chopping block between 2016 and 2017, while SBA terminated funds from Fidelity Investments, Franklin Templeton, Harmonic Capital Partners, and Trilogy Global Advisors between 2017 and 2018. However, the Florida pension also made six new investments during the two year period, including allocating to two BMO funds, Los Angeles Capital Management, Alliance Bernstein, Thompson, Siegel and Walmsley, and GMO. John Kuczwanski, manager of external affairs at SBA, said via email that the pension fund added one more equity manager last year, U.K.-based Baillie Gifford.

Funded Ratio For 100 Largest U.S. Public Pensions Up To 73.4%: Milliman

PR Newswire, Insurance News Net, December 23, 2019

For Milliman's 2019 study, the estimated aggregate funded ratio of the nation's largest public pension plans is 73.4% as of June 30, 2019, with the estimated combined investment return at 7.34% in Q1 2019 and 2.66% in Q2, and aggregate plan assets reaching $3.84 trillion as of June 30. Total Pension Liabilities (TPL) for these plans crossed the $5 trillion mark for the first time, and as of June 30, 2019 Milliman estimates the aggregate TPL to be $5.23 trillion. "Thanks in large part to strong market performance in the first half of 2019, plan assets continue to keep pace with liability growth, buoying public pension funding," said Becky Sielman, author of Milliman's Public Pension Funding Study. "But we're also seeing plan sponsors continue to inject conservatism into their interest rate assumptions, with nearly one-third of these plans lowering rates since the last study. While interest rate assumptions of 8.00% were once the norm, 85 of the public pensions in our study now have assumptions of 7.50% or below."

Kentucky Analysis Dispels Myth of 401ks as Pension Saviors

By Michael Katz, Chief Investment Officer, December 26, 2019

Newly elected Kentucky Gov. Andy Beshear has released a financial analysis of a 2017 pension reform proposal that his predecessor Matt Bevin had commissioned and then kept hidden from the public. What the report shows will not be welcome news to those who claim defined contribution plans are the answer to saving struggling retirement systems. According to the 65-page report, Bevin's pension overhaul plan would have saved Kentucky money in the short term, but over the long term it would have cost state taxpayers more money while providing fewer benefits for retirees. "The proposed 2017 reforms would have cost the state more and forced out many more career employees," Gov. Beshear said. One of the key aspects of Bevin's pension reform plan was moving new employees into defined contribution accounts instead of leaving them in the hybrid pension plan that was established in 2013. But the analysis said that the defined contribution accounts would have been more expensive and cost 4% of employees' salaries rather than the 3% with the hybrid plan. The report also said that closing the existing plan to new employees would have been costly over the long term because the plan would continue to pay benefits to retired members for many years but would have fewer employees paying into it. The actuarial analysis estimated that the eventual expected rates of returns in closed plans would have to be between 3.75% and

4.5% rather than the plans' current assumed rates of 5.25% to 6.25%. It also said that it would have resulted in additional costs of $5 million to $11 million per year over the next 30 years.

Why teach in Alaska?

By Alaska Teachers, Stock Daily Dish, December 1, 2019

The education crisis in Alaska is not related to test scores, indoctrination, per-pupil expenditures or any of the other misleading bullet points that fill campaign flyers and online comment sections. The real, pressing crisis that threatens the long-term quality of Alaska education is teacher attraction and retention. Although it is already hard to attract and retain teachers here in Alaska, especially in our rural and remote areas, this crisis goes beyond the $20 million we lose in annual turnover and the hundreds of unfilled positions harming districts. Those of us hired from 2006 on have little to no incentive to spend a full career teaching in Alaska. In fact, we are incentivized to leave. After our defined-contribution retirement plan is vested after five years of service, we can take Alaska's money to one of the 49 states currently offering a defined-benefit plan and dedicate a full career of service there. Our current retirement system for teachers has created a new industry for Alaska, the "tourist teacher." The tourist teacher comes for a short time, uses our resources, takes our money and flees back to the Lower 48 with a few souvenirs and stories, leaving Alaska students to suffer the consequences. There is not a single financial reason for a teacher to remain longer than five years on a defined-contribution retirement plan. Thousands of Alaskan teachers will continue to ask this question throughout the legislative session, with the hope that Alaska comes to prioritize the betterment of our state by investing in our students. But for many of us, the answer to "Why should I continue to teach in Alaska?" is starting to look like, "Maybe I shouldn't."

Want to hire and keep teachers? Keep their defined-benefit pension protected.

By Kentucky News Connection, Forward Kentucky, December 3, 2019

Defined benefit pensions are a major factor for recruiting and retaining new teachers in the Kentucky, and according to new research by the National Institute on Retirement Security, more than 96% of teachers say whittling away pensions would drastically affect the state's ability to attract new teachers to the profession. The study also found 74% of teachers in the Kentucky would be better off in retirement with a defined benefit pension compared with a 401(K). Some studies have indicated that few teachers stay in the profession long enough to qualify for a defined benefit pension. But the National Institute on Retirement Security report found in Kentucky, more than 60% of teachers work in the school system for 20 years or more – long enough to earn their retirement income. Adams said people outside of the profession may think teachers are getting a handout in the form of a pension. But she said that's a damaging misconception. "Of course, we put 13% of our paychecks into the system every month. So, it really is something that we're vested in," Adams said. "And I think a lot of politicians have maximized that misconception." She added that shifting to a 401(k) account would likely increase turnover among experienced teachers, and put more pressure on already strained staff.

Young people should budget to live to 100, actuaries say

GoodReturns.co,nz, December 3, 2019

The Retirement Income Interest Group of the New Zealand Society of Actuaries made a submission to the 2019 Review of Retirement Income Policies. They pointed out that longevity was increasing but New Zealanders were being given insufficient information about how to make their money last. "Guidance for

New Zealanders is better for accumulation than for the decumulation phase." They said it would be sensible for younger people, especially women, to plan for a retirement that lasted until they were 100.

'It's really over': Corporate pensions head for extinction as nature of retirement plans changes

By Nathan Bomey, USA TODAY, December 10, 2019

The practice of companies sending monthly retirement checks to their former workers is headed for extinction, and remaining pension funds are in tough financial shape. Nearly two-thirds of pension funds are considering dropping guaranteed benefits to new workers within the next five years, according to a human resources consulting firm that studied the matter. Mercer's 2020 Defined Benefit Outlook reported that 63% of companies with defined-benefit pensions "are considering termination" of the plan within half a decade. That would mean the pensions would be closed off to future participants. The number of pension plans offering defined benefits plummeted by about 73% from 1986 to 2016, according to the Department of Labor's Employee Benefits Security Administration. That's due to a mix of reasons, including risk, costs, declining union power and the rise of 401(k)-style defined-contribution accounts.

Cash-Hungry Cities Seek Buyers for Sewer Systems to Pay Pensions

By Fola Akinnibi, Bloomberg, December 17, 2019

As cities across the U.S. struggle under the weight of ballooning pension costs, some are putting their public water and sewer systems on the auction block to come up with cash. Municipalities took in more than a half a billion dollars over the past five years by selling their water and waste utilities to private companies, according to data compiled by Bloomberg. Such sales are increasing in places such as Illinois, where the state alone owes $137 billion to its pension funds and dozens of cities have saved far less than they need to cover all the benefits promised to police, firefighters and other public employees. Jacksonville, Florida, is exploring the sale of JEA -- the largest community-owned water, wastewater and electric power utility the state. The city is seeking at least $3 billion in net proceeds from the profitable utility after paying off $3.6 billion in outstanding debt on its books, according to financial filings. Jacksonville has cited a changing utilities industry as one of the reasons for a sale of an asset that was able to contribute $132.8 million to the city’s general fund last fiscal year. The city’s three pension funds are a collective 55.7% funded and have $3.2 billion in unfunded liabilities, according to its most recent financial report. Still, using proceeds from an asset sale to shore up a pension system carries risk of its own, said Thomas Aaron, a senior analyst at Moody’s. An infusion of cash from a sale would immediately increase a plan’s assets, but those funds would be invested according to the style of the plan -- meaning they are subject to market forces, Aaron said.

Firefighters to remain members of ‘more favourable’ pension scheme

By Ashleigh Webber, Employment Tribunals, 20 Dec 2019

Thousands of British firefighters will be able to return to their pre-2015 pension schemes, an employment tribunal has clarified, after an earlier judgment found changes made four years ago had been discriminatory. In a landmark ruling in December 2018, the Court of Appeal found the decision to transfer younger firefighters into a financially inferior scheme while older members remained on more favourable schemes, had been unlawful on age, sex and race discrimination grounds. The judgment was confirmed by the Supreme Court in June, when it refused to grant the government permission to appeal.