FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

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Covetrus CEO: First year was 'mixed bag'

By Lisa Wogan, VIN News Service, February 10, 2020

There were smiles all around when Covetrus President and CEO Benjamin Shaw pressed the opening bell for the Nasdaq on Feb. 8, 2019. Covetrus aspires to be a major force in the business of veterinary medicine. One year later, the stock price is down nearly 70%, investors claiming fraud are suing the company and Shaw is out as CEO. Among investors hit hard by the sell-off was the **City of Hollywood Police Officers' Retirement System** in Florida, which claims it lost more than $73,000. Believing it was misled by the company, the pension fund filed a class action on Sept. 30 against Covetrus. The suit alleges that the "[D]efendants made a series of false and misleading statements and omissions concerning the Company's infrastructure and capabilities. The suit was joined in December, by the **Pembroke Pines Pension Fund for Firefighters and Police Officers** in Florida, which claims $582,009 in losses. A judge ruled that Pembroke, which had the largest financial interest in the suit, would be the lead plaintiff in the case. The plaintiffs are seeking unspecified damages plus interest and payment of legal fees.

Orlando Police Officer Who Suffered PTSD After Pulse Massacre Granted Retirement, Pension

By Tess Sheets, Orlando Sentinel, February 14, 2020

Police pension board members voted unanimously to grant disability retirement and a lifelong pension to Orlando police Officer Alison Clarke, who developed post-traumatic stress disorder following the Pulse massacre. Clarke was nearly fired from OPD in November as she awaited the pension board's decision, because her application had been pending for 180 days, the time limit set by the agency's union contract for officers to either win their pension or face termination. But during a Nov. 8 meeting, Clarke was offered the option to take unpaid leave, which she chose. The firing wouldn't have had an impact on her retirement application, but Clarke said she didn't want to leave the agency that way.

UBS reportedly racing to curb outflows at landmark real estate fund

By Thomas Franck, CNBC Markets, February 11, 2020

UBS is reportedly racing to stanch outflows at its landmark $20 billion real-estate fund amid worries about its retail holdings and extended underperformance. Investors are standing by to withdraw some $7 billion from the UBS Trumbull Property Fund as a growing number move away from more cautious funds, a person familiar with the matter told the Wall Street Journal. And while Trumbull isn't the only big-bank property fund seeing outflows, its underperformance versus industry benchmarks has hastened the investor flight. It had performed worse than the NCREIF NFI-ODCE index on a 1-year, 3-year and 5-year basis as of a 2018 presentation to the City of **Naples, Florida, Police and Fire Pension Plans**.

Lakeland officials, police at odds over pay

By Sara-Megan Walsh, The Ledger, February 21, 2020

After more than a year of negotiations, the Lakeland police union and city are struggling to reach an agreement on what constitutes fair pay. Lakeland Police Department and Fire Department employee contracts expired Sept. 30, and neither collective bargaining group has signed a new agreement. "It's an aberration that it takes 20 years on a 19-step pay scale for officers to reach top pay," Jim Diamond (PBA representative) said.

On average, officers working in other Florida cities and across the industry take home maximum pay in 10 to 12 years, according to the union representatives. Another sticking point is Lakeland's police union employees contribute 17% of their salary toward their pension.

Nate Monroe: How will broke city pay for high-dollar, high-risk projects?

By Nate Monroe, Florida Times-Union, February 28, 2020

Mayor Curry's pension reform plan didn't provide the windfall in cash he had once celebrated. Instead, millions in "savings" had to go right back into consecutive years of pay increases and enhanced pension benefits the mayor had to promise union employees years ago so they wouldn't kibosh the deal. The city remains particularly exposed to the risk of a recession since the heart of the reform plan was to essentially push paying off its billions in retirement debt decades into the future. And, perhaps most consequentially, the Master Plan is dead: Curry's desire to sell JEA belly-flopped in epic fashion, igniting public disgust and prompting scrutiny from federal investigators.

Jacksonville pension costs trending upward, but they are less than before voters approved sales tax

By David Bauerlein, Florida Times-Union, February 14, 2020

The cost of Jacksonville's pensions will rise for a second straight year, but the burden on city government will still be substantially less than it was before the city enacted pension reform using a voter-approved half-cent sales tax. A January actuarial report by the Police and Fire Pension Fund shows that for the next fiscal year starting Oct. 1, the city will need to contribute $148.5 million to the pension fund. That amount is up from $140.2 million for the current budget. In the two prior years, the city's contribution was $135 million in each year. The higher cost that the city will pay as part of the 2020-21 budget is mainly tied to the pay raises awarded to police and firefighters over the past three years. Starting in Oct. 1, 2017, all new employees hired by the city do not get pensions for their retirement benefits, but instead get 401(k) style plans. But the city still is responsible for the pension benefits for retirees and employees who were already enrolled in the pension program. The Police and Fire Pension Fund remains woefully underfunded with assets able to pay just 48 percent of what the city will have to pay over the years in pension checks for police and firefighters.

Florida governments could see $400M hike in employee retirement contributions

By John Haughey, The Center Square, February 28, 2020

State agencies, local governments and school boards could see significant increases in their retirement-plan contributions for employees if Gov. Ron DeSantis signs into law a bill seeking to chip away at the Florida Retirement System's $22 billion unfunded liability. The bill proposes to increase employer contributions to the Florida Retirement System (FRS), the nation's fourth-largest public-pension plan, by $404.6 million next fiscal year – $232.7 million for school boards – to keep the fund from slipping further underwater. House Bill 5007, sponsored by the House Appropriations Committee, was approved Feb. 13 by the House in an 111-5 vote. It substituted Senate Bill 7044, sponsored by Sen. Ed Hooper, R-Clearwater, and was adopted by the Senate, 38-0, that same day. The bill revises employer contribution rates for the FRS based on DMS' 2019 Actuarial Valuation report. State law requires an annual "actuarial valuation" of the FRS by the DMS be presented to the Legislature by Dec. 31 each year. Lawmakers then use the DMS data to set employer contribution rates for the next fiscal year, beginning July 1.
Editor's Note: The effect of the bill would be to increase employers' contributions for regular employees from 6.75% to 8.28% effective 7/1/2020 and for special risk class employees from 23.76% to 22.73% effective the same date. These numbers come from the staff analyses of the bill.

An Introduction to Police and Fire Pensions

By Jean-Pierre Aubry and Kevin Wandrei, Center for Retirement Research at Boston College, February 2020

Local governments employ nearly all police officers and firefighters and, thus, are mainly responsible for their personnel costs. Pension and retiree health benefits (retirement benefits) for these public safety employees are designed to meet the challenges of a career in a physically demanding occupation, including lower-than-average retirement ages and an increased likelihood of workplace disability. But, news stories often present examples of public safety employees retiring with large pensions at relatively young ages alongside statistics of local government fiscal strains. The prevalence of these stories suggests the need for a careful examination of the retirement benefits that public safety retirees receive and the fiscal stress these commitments put upon local governments. A study of police and firefighter pensions provided some key findings. 1. Pension and retiree health benefits for public safety workers are more expensive than those of other local government workers, largely due to earlier retirement ages. 2. Perhaps surprisingly, though, their retirement benefits make up only a very small share of total local government spending. 3. Some evidence suggests that public safety workers could work longer, which may have implications for plans' retirement age. 4. However, raising retirement ages would have little impact on government finances, particularly since it might involve higher wages to maintain a quality workforce. Click here to read the full report. There is a companion story in Bond Buyer about the report that states: "The findings run counter to the popular belief that public safety retirement benefits are a significant drag on government finances."

Top 1000 Retirement Plans

Pensions&Investments, February 10, 2020

P&I listed the top 1000 largest retirement fund (public and private retirement funds) assets as of September 30, 2019 in its February 10 issue. Seven Florida retirement funds were included: #6 Florida Retirement System $173.8 billion; #446 Florida Deferred Comp $4.6 billion; #691 Tallahassee City $2.5 billion; #700 Jacksonville Retirement $2.5 billion; #738 Tampa Fire and Police $2.3 billion; #775

Jacksonville Police and Fire $2.1 billion; #874 Miami Fire and Police $1.7 billion. The largest is the Federal Retirement Thrift Savings at $601 billion.

U.S. Public Pensions Gained As Lower Rates Drove Stocks Higher

Martin Z. Braun, Financial Advisor, February 4, 2020

U.S. state and city pensions earned a median 6.1% return on their investments during the second half of 2019 as central bank interest-rate cuts, continued economic growth and the easing of trade tensions with China boosted stocks, according to the Wilshire Trust Universe Comparison Service. The gains, which came during the first half of the fiscal year for most states, put them on track to meet their investment targets for the year. Such plans typically count on annual gains of about 7.25% to ensure they can cover all the benefits promised to retirees, leaving them dependent on increased government contributions if returns continually fall short. The median retirement system allocated almost 50% of assets to U.S. stocks and 11.3% to international equities in the fourth quarter, according to Wilshire. The median retirement system allocated almost 50% of assets to U.S. stocks and 11.3% to international equities in the fourth quarter. Pensions with more than $5 billion assets are less exposed to stock markets because they allocate a median 20% of assets to "alternative investments" like private equity funds that are hard to trade.

Public pensions on track for a positive fiscal year

By Michelle Jones, Value Walk, February 6, 2020

State and city pensions in the U.S. recorded a median return of 6.1% for the second half of 2019, according to data from the Wilshire Trust Universe Comparison Service. A spokesperson said in a press release that interest rate cuts by the world's central banks, ongoing growth in the economy, and progress in the trade negotiations with China raised stock prices. The public pension crisis continues, although adjusted net pension liabilities declined in fiscal 2018. Although 2019 brought more declines in adjusted net pension liabilities, 2020 is expected to bring about a significant shift, according to Moody's Investors Service. Moody's expects falling interest rates to drive increases in pension liabilities for many local governments this year after two years of declines. Many governments report their pensions with a lag of up to one year, which is why their liabilities are likely to decline in their fiscal 2019 results and then spoke in 2020. Local governments aren't even doing enough to tread water, let alone take care of their unfunded liabilities. According to Moody's, contributions relative to revenues ranged from about 1% to 17% among the 50 biggest local governments. Even though most of them had discount rate assumptions at or higher than 7%, 34 of them had tread water gaps in fiscal 2018. The firm also said higher discount rates tend to reduce tread water thresholds. Moody's also warned that volatility in pension investments is a credit risk. The governments that are at a higher risk of material new unfunded liabilities have pension assets that are large compared to their own budgets.

Pompeo Says Some U.S. Pension Funds Play Into China's Hands

By Jeff Kearns, Bloomberg, February 8, 2020

Secretary of State Michael Pompeo delivered a tough warning about China in a speech to U.S. governors, urging caution in business dealings as Beijing looks for ways to exploit U.S. vulnerabilities and expands repression at home. He also had a pointed message for certain U.S. state pension funds that may be investing in ways that fund a Chinese government crackdown on its Muslim minority in Xinjiang province, or even put U.S. military personnel at risk. "As of its latest public filings, the **Florida retirement system** has invested in a company that in turn has invested in surveillance gear that the

Chinese Communist Party uses to track more than 1 million Muslim minorities," Pompeo said at the National Governors Association's winter meeting in Washington.

Canadian Defined Benefit Plans Return 13.6% in 2019

By Michael Katz, Chief Investment Officer, February 4, 2020

Canadian defined benefit pension plans had a median return of 13.6% during 2019, thanks to a sharp increase in equity market returns in the latter part of the fourth quarter, according to data from the Northern Trust Canada Universe.

Men in Cyprus receive 38.2% higher pension than women

By Annette Chrysostomou, Cyprus Mail, February 7, 2020

In 2018 women in the EU aged over 65 received a pension that was on average 30 per cent lower than that of men, while in Cyprus this gap was 38.2 per cent. The largest difference was observed in Luxembourg, where women aged over 65 received 43 per cent less pension than men. Luxembourg was closely followed by Malta (42 per cent), the Netherlands (40 per cent), Austria (39 per cent), Cyprus (38.2 per cent) and Germany (37 per cent). At the other end of the scale, the smallest differences in pension income between women and men were in Estonia (1 per cent), Denmark (7 per cent), Slovakia (8 per cent), Czechia (13 per cent) and Hungary (16 per cent).

To DC and not DB: Japan's pension challenge

By Hans Poulsen, Asian Investor, February 17, 2020

Japan's retirement system is falling under financial duress. The country's companies are trying to shift their employees from defined benefit to defined contribution pension schemes to avoid spiraling pension payment costs.