FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS MAY 2020 ON FLORIDA PENSION ISSUES

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N.J. firefighter's death from coronavirus was 'in the line of duty,' pension board rules

By Rodrigo Torrejon, NJ.Com, May 16, 2020

The death of a Passaic firefighter from complications with the coronavirus was formally declared an "in the line of duty" death by the state pension board, opening up lifetime benefits for his widow and their two children. The process of securing benefits for Tolentino's family took time and investigative work from the Passaic Fire Department. Although Chief Trentacost declared Tolentino's death "line of duty" in a press conference just hours after Tolentino died, the department needed to prove it to the pension board. Working with the health department and information later made available to fire chiefs, investigators were able to trace Tolentino's likely exposure to COVID-19 to a March 14 call on a gas rupture and gas leak at a house on Broadway. Tolentino, along with other Passaic firefighters, flitted in and out of different buildings to help evacuate residents and check for gas levels. Occupants of several of the apartments that Tolentino entered ended up testing suspected positive for COVID-19. The pension board's decision comes as more and more front-liners contract the coronavirus and succumb to its effects. Hundreds of New Jersey police officers, firefighters, EMTs and other first-responders have contracted the virus since the outbreak. NJ Rep. Bill Pascrell Jr., D-9th Dist, cosponsored the Public Safety Officer Pandemic Response Act (H.R. 6509), which would provide death and disability presumption for public safety officers who contract COVID-19. the U.S. Senate passed the Safeguarding America's First Responders Act of 2020 (S3607), introduced by U.S. Sen. Cory Booker, D-NJ, and U.S. Sen. Chuck Grassley, R-IA, which would also extend public safety officer death benefits to first responders whose death is caused by COVID–19.
***Editor's Update**: Below is updated information on the status of the two PSOB bills as of May 29, 2020. When a bill passed by the Senate is held at the Speaker's Desk, it often means the bill will be sent directly to the House floor for a vote without going to a committee. It is unclear what will happen to S 3607 when the House reconvenes.*

H.R.6509 - Public Safety Officer Pandemic Response Act of 2020 - To amend the Omnibus Crime Control and Safe Streets Act of 1968 to provide public safety officer death and disability benefits for certain public safety officers who contract COVID-19, and for other purposes.
In Judiciary Committee

S 3607 - Safeguarding America's First Responders Act of 2020 - This bill extends death benefits under the Public Safety Officers' Benefits Program (PSOB) to survivors of public safety officers who die as a result of COVID-19 (i.e., coronavirus disease 2019). The PSOB program provides death, disability, and education benefits to public safety officers and survivors of public safety officers who are killed or injured

in the line of duty. Specifically, this bill creates a general presumption that a public safety officer who dies from COVID-19 or related complications sustained an injury in the line of duty.
Approved by the Senate on a voice vote on 5/14/2020 – sent to House of Representative on 5/15/2020 and held at the Speaker's Desk.

Cuomo says public employees who died from COVID-19 will get line-of-duty death benefits

By Caroline Linton, CBS News, May 25, 2020

New York Governor Andrew Cuomo said public employees who worked on the front lines of the coronavirus pandemic and died from COVID-19 will receive the death benefits that are normally reserved for people who die in the line of duty. "I want to make sure we repay them — and not just by saying thank you and running nice television commercials," Cuomo said. Full death benefits will be allocated to the families of any state worker who was a frontline worker. He listed transit workers, emergency responders and public healthcare workers as examples. New York City Mayor Bill de Blasio said he would be asking state officials to authorize funds for city workers who died from COVID-19.

Florida Opinions of First Responders

St Pete Polls, May 13, 2020

Voters were asked for their opinion on a range of essential workers, and the results should bring a smile to the face of anyone who must wear a badge or scrubs. More than nine in 10 polled said they approved of first responders such as police, firefighters and paramedics. The approval was near-universal, regardless of party affiliation — just under 92% of Democrats and Republicans said they approved of first responders, while nearly 93% of independents said the same. Police and firefighters have traditionally been viewed as everyday heroes, but another set of professionals have joined the ranks in recent weeks: health care workers.

Reader poll: What factors are most important for police officer job satisfaction?

By Greg Friese, PoliceOne.com, May 13, 2020

Selecting an employer is one of the most important decisions you'll ever make in your law enforcement career. The decision to leave an employer, especially before reaching retirement, might be just as difficult. More than 1,300 PoliceOne readers ranked those factors from most important (1) to least important (8) in a one-question survey. As expected, each factor was selected as most important (1) and least important (8) as well as every spot in between. Defined Benefit Plan (23%) was selected as most important by nearly a quarter of respondents. Promotion opportunity received the least selections as the most important factor.

Florida Pension Fund Sues Ryder System for Securities Fraud

By Michael Katz, Chief Investment Officer, May 26, 2020

A class action lawsuit has been filed on behalf of the **Key West Police & Fire Pension Fund** against Ryder System Inc. alleging the transport company and its top executives committed securities fraud by overstating the residual value of its trucking fleet, which artificially inflated its financial results. The lawsuit alleges that Ryder overstated the residual value of its trucking fleet, which allowed it to record smaller depreciation expenses on those assets each year, and thus artificially inflated Ryder's earnings.

According to the complaint, Ryder represented to investors that its financial results "benefited from lower depreciation associated with increased residual values" and that it had been conservative in establishing the residual values of its vehicles.

Grand Canyon Education accused of stock manipulation in lawsuit filed by Florida city's pension plan

By Russ Wiles, Arizona Republic, May 28, 2020

A lawsuit filed by a Florida pension plan alleges that Phoenix-based Grand Canyon Education Inc. artificially inflated its stock price through financial dealings with a university that it continued to control even after selling the institution. The suit by the **Hialeah Employees' Retirement System** said the corporation purportedly spun off Grand Canyon University as an independent institution yet continued to funnel expenses to and collect disproportionately high revenue from the school. The complaint echoes a prior report from an activist investor alleging wrongdoing. The class-action lawsuit was filed May 12 in U.S. District Court in Delaware.

Jacksonville ERS has enough assets to pay out 11.5 years of pension benefits, study finds

The Center Square, May 22, 2020

The Jacksonville Employees Retirement System, with an assets-to-liabilities ratio of 63 percent, has enough money on hand to pay beneficiaries for 11.5 years, according to a new ranking of public retirement funds from the Wirepoints website. The retirement system ranked 52nd on a list of 148 state and local retirement funds nationwide with at least $2 billion in assets, the website reported. The list, which includes pension systems in every state except Vermont, lists pension funds from fiscally weakest to strongest. The Jacksonville Employees Retirement System has plan assets of $2.02 billion and yearly payouts to beneficiaries of $180 million. The numbers are based on 2018 data, the most recent year for available data, according to Wirepoints, a website that focuses on economic commentary and Illinois government research.

Rubio, Waltz warn Florida about pension fund investments in Chinese companies

By John Haughey, The Center Square, May 20, 2020

Florida Republican U.S. Sen. Marco Rubio is calling on Sunshine State retirement fund managers to purge Chinese companies from the state's $200 billion investment portfolio. Rubio and U.S. Rep. Michael Waltz, R-St. Augustine Beach, called on Gov. Ron DeSantis, Attorney General Ashley Moody and Chief Financial Officer Jimmy Patronis in a letter Tuesday to order the Florida State Board of Administration (SBA) to divest from two specific companies and adopt a policy prohibiting additional investments in Chinese-owned businesses and funds. As of SBA's Feb. 29 performance report, FRS had more than $200 billion in assets invested across over 30 funds, including, according to Rubio and Waltz, significant shares in Hangzhou Hikvision Digital Technology Co. Ltd. and China Unicom (Hong Kong) Ltd.

[Public Pensions Plowed $179 Billion into State and Local Government Coffers in 2018, Study Shows]

By Hank Kim, BusinessWire, May 5, 2020

Public pension funds helped power the U.S. economy during 2018, generating $179.4 billion more in state and local government revenues than taxpayers put in, according to a biennial study by the National Conference on Public Employee Retirement Systems. Public pensions' positive financial impact rose 30.6 percent from the $137.3 billion level notched in 2016, according to the study, "Unintended Consequences: How Scaling Back Public Pensions Puts Government Revenues at Risk." The 2020 edition of the study builds on NCPERS' 2018 landmark analysis of how investment and spending connected to pension funds impact state and local economies and revenues. NCPERS's analysis of the data also showed: (1) The economy grows by $1,372 for each $1,000 of pension fund assets. While the figure sounds small on the surface, the size of pension fund assets—$4.3 trillion in 2018—means that the impact of this growth is greatly magnified, the study found. (2) Investment of public pension fund assets and spending of pension checks by retirees in their local communities contributed $1.7 trillion to the U.S. economy. (3) Economic growth attributable to public pensions in turn generated approximately $341.4 billion in state and local revenues. Adjusting this figure for taxpayer contribution $162 billion yields pensions' net positive impact of $179.4 billion.

Local governments will spend more on debt, pensions – Moody's

By Hazel Bradford, P&I, May 4, 2020

Local governments' fixed costs for debt and retirement obligations will take up a greater share of revenue because of the ongoing coronavirus pandemic, Moody's Investors Service said as the ratings firm announced it had changed the 2020 outlook for them to negative from stable. The downgrade cited immediate drops in income and sales taxes due to unemployment and reduced consumer spending, and expected declines in property tax revenue, adding that states dealing with their own fiscal demands related to the coronavirus are unlikely to offer local governments much support. Moody's is projecting that the U.S. economy will contract by 5.7% in 2020, not fully returning to pre-coronavirus levels until the third quarter of 2021, and that the pace of recovery will vary by how regions relax social distancing guidelines.

Why Private Sector 401ks Not the Best Model for Public Sector Retirement Plans

By Brian Anderson, 401K Specialist, May 7, 2020

Workers in the public sector generally have much longer tenures, on average, than those in the private sector. This is one big reason a new report says 401k-like defined contribution plan designs from the private sector are not good models for the public sector. The tenure differences and the public sector's prevalence of offering defined benefit pension plans underscores the need for public sector-specific research on DC plans and programs, according to a new study from the Public Retirement Research Lab (PRRL). Tenure for public-sector workers across all classes is longer than private-sector worker tenure, which translates into different retirement program needs, given that employee tenure is a critically important topic when it comes to designing retirement programs. For the new study, "Trends in Public-Sector Employee Tenure," PRRL collects and analyzes public sector defined contribution data "to provide unbiased, actionable findings to better inform public plan design, management, innovation, and legislation," according to a statement announcing the study results.

[Public Pensions Could Suffer for Years from Pandemic Losses]

By Michael Katz, Chief Investment Officer, May 8, 2020

US public pension plan sponsors and administrators are likely entering a period of fiscal stress, and rising pension obligations caused by the sudden pandemic-induced recession are expected to be felt for years by US state and local governments, according to a report from S&P Global Ratings. S&P said US public pension funds in aggregate lost approximately $850 billion during the first quarter of the year, and that they would need to rebound sharply during the second quarter to maintain the average funded ratio from a year ago. The immediate concern for US public pensions is their liquidity position, according to the report, as a pension plan's liquidity position mitigates near-term shocks. Pension asset portfolios without enough cash to cover benefits could be forced to sell return-seeking assets at inopportune times. Over the long term, plans will likely have to consider adjustments to reduce plan costs and contribution increases to alleviate budgetary pressures. Additionally, benefit tiers, employee contribution increases, and cost of living reductions are all options that are likely to be used to reduce contributions. However, additional actions may be limited since many of these actions have already been used.
Editor's Note: A larger discussion of liquidity is contained in a companion article entitled, It's a Terrible Time for Pensions to Have Weak Liquidity.

State Bankruptcy Is Harsh, but Might Help Some Workers

By Tracy Miller, Inside Sources, May 05, 2020

It's a hardline stance, and bankruptcy is not something to take lightly. Still, we shouldn't dismiss the idea offhand as merely an alternative to bailouts, or as some kind of punishment for fiscal troublemakers. In some specific cases, it may open the door for reforms that help balance the concerns of taxpayers, the need to pay government workers what they've been promised and our ability to give future workers a comfortable retirement. Pension funds that are deep underwater. Almost every state and local government pension plan is underfunded, and several states have plans that are less than 50 percent funded. Bankruptcy would not be right for every state or situation, and we should think carefully about what other consequences it might bring. It could add uncertainty to the market for state government bonds, raising borrowing costs for all states. And if a state declared bankruptcy, it could contribute to panic in already-stressed financial markets. But let's also remember that it's about more than avoiding a federal government bailout of state pension plans. If bankruptcy were to give states the option to fix what has so far been politically impossible to fix, then let's at least have the conversation.
Editor's Note: What the article fails to mention is there is no provision in law for states to declare bankruptcy.

2020 Update: Market Decline Worsens the Outlook for Public Plans

By Jean-Pierre Aubry, Alicia H. Munnell and Kevin Wandrei, Public Plan Data, May 2020

The update's key findings of this research study are: (1) If markets remain at their current levels through June, state and local pension plans will end FY 2020 with negative investment returns and reduced asset values. (2) As a result, their aggregate funded ratio will slip below 70 percent, and they will face higher actuarial costs going forward. (3) While this outcome is a step backwards in plans' funding progress, most plans will have enough to pay benefits indefinitely. (4) Some of the worst-funded plans, though, do face an increased risk of exhausting their assets, and the cost of covering benefits on a pay-go basis would be very high. Click here to read the full study.
Editor's Note: FRS fiscal year ends in June; most local plan fiscal year ends September 30.

[Public Pensions Swoon in Worst Quarter Since Credit Crisis]

By Martin Z. Braun, MSN Money, May 13, 2020

The median government employee pension, whose assets are heavily weighted toward U.S. stocks, lost about 13% in the first three months of the year, according to data released Tuesday by the Wilshire Trust Universe Comparison Service. Public pensions have lost almost 8% since the beginning of the fiscal year on July 1. The losses will put even greater strain on states facing budget shortfalls that by one estimate could total $650 billion over the next three years. Public pensions will almost surely miss their assumed annual return targets of 7%, pushing states and local governments to increase funding or cut costs by raising employee contributions or freezing cost-of-living increases. Municipalities that reduce pension payments will only see their unfunded liabilities grow. During the first quarter, the S&P 500 index plunged 20%, its biggest quarterly decline since 2008, and international stocks fell 23%. Stocks rebounded in April as governments passed massive stimulus plans and the Federal Reserve pledged to use all its tools to stave off a depression. To dampen the impact of market gyrations, most government pensions phase in additional contributions when returns fall short of targets.

Milliman analysis: April market rebound helps public pensions recover half of Q1 losses, with $200 billion funding improvement

By Milliman, Inc., KHQQ6, May 11, 2020

Milliman, Inc. released a special April edition of its Public Pension Funding Index (PPFI), in light of the COVID-19 pandemic and resulting market volatility. Milliman's PPFI consists of the nation's 100 largest public defined benefit pension plans. Our latest analysis shows funding for public pensions in April rebounded significantly from the first quarter of 2020, with an aggregate 5.92% investment return for the month – welcome news after Q1's dismal -10.81% asset performance. April's market gains led to a $200 billion funding improvement for the PPFI, enabling public pensions to recover half of their losses from the previous two months. We estimate that the aggregate deficit shrank from $1.819 trillion at the end of March 2020 to $1.619 trillion at the end of April. The resulting funded ratio climbed significantly, from 66.0% at the end of March to 69.8% as of April 30.

The Arrival Of The 'Unavoidable Pension Crisis'

By Lance Roberts, Seeking Alpha, May 25, 2020

At the end of the year, we will find out the true extent of the damage. However, this is not, and has not been, a real plan to fix the underfunded problem. “Hope” for higher rates of sustained returns continues to be the only palatable option. However, targeted returns have continuously fallen short of the projected goals. There is a simple reason why pensions are in such rough shape: The amount owed to retirees is accelerating faster than assets on hand to pay those future obligations. Liabilities of major U.S. public pensions are up 64% since 2007, while assets are up 30%, according to the most recent data from Boston College’s Center for Retirement Research. **Problem #1**: Demographics - The number of pensioners has jumped due to longer lifespans and a wave of retirees over the past decade, while the number of active workers remained relatively stable. **Problem #2**: Markets Don’t Compound - The assumptions regarding current and future demographics, life expectancy, investment returns, levels of contributions or taxation, and payouts to beneficiaries, among other variables, consistently turn out wrong.