

FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



PENSION NEWS CLIPS JUNE 2020 ON FLORIDA PENSION ISSUES

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Public pension plans see continued rebound in May – Milliman

By James Comtois, P&I, June 11, 2020

Funding ratios for the largest public pension plans in the U.S. continued to rebound in May after suffering the largest quarterly drop recorded by the Milliman 100 Public Pension Funding index. Funding for public plans experienced an aggregate 2.68% investment return for the month, the second consecutive positive month after the first quarter's -10.81% return.

Longboat commissioners will vote on police contract at Tuesday meeting

By Eric Garwood, YourObserver.com, June 26, 2020

Town commissioners on Tuesday will consider a new contract for police officers that increases pay an average of about 3.5% annually but doesn't move the local union members into the Florida Retirement System, a key sticking point in 2019 negotiations. Among the contract's key points: Retirement – The town adds a percentage point to contributions to the 401(A) defined contribution plan (12% in Year 1, 13% in Year 2) and continue to match employee's voluntary contribution up to 3%. Town's contribution to the Defined Contribution Plan shall be paid to the employees designated beneficiaries in the event of death while on duty in the line of duty regardless years of service with the town.

Rockpoint closes latest opportunistic real estate fund at \$3.8 billion

By Arleen Jacobius, P&I, June 16, 2020

Rockpoint Group closed its latest opportunistic real estate fund, Rockpoint Real Estate Fund VI, at \$3.8 billion exceeding its \$3 billion fundraising target, according to a spokeswoman. Investors in Rockpoint Real Estate Fund VI include the \$201.4 billion **Florida State Board of Administration**, Tallahassee.

Pension contribution hikes locked in

By Staff Reports, FLAPOL, June 29, 2020

Gov. Ron DeSantis signed the state budget Monday, ensuring substantial pension contribution increases for state government agencies, universities and school districts. The budget increases overall pension contributions by \$404.6 million in the 2020-21 fiscal year, an order of magnitude higher than the increase approved for the fiscal year ending June 30. School districts account for the majority of the increase — about \$233 million. Those increases are outlined in HB 5007, which the Governor is expected to sign.

[Winner and Loser of the week in Florida politics](#)

By Joe Henderson. Florida Politics, May 31, 2020

The biggest loser: China. It's game-on in the big chill between the U.S. and China, and Florida lawmakers are getting in their punches. It sounds like they're just getting warmed up, too. Scott opined on the Fox Business Network that "every citizen of Communist China by law has to spy on behalf of their country." Scott labeled this the "new Cold War." Marco Rubio took his shot as well. He demanded that Florida divest itself of investments in China that help fund the state pension program. U.S. Rep. Michael Waltz, a former Green Beret who represents Florida's 6th District, co-signed a letter with Rubio that read in part, "Florida's hardworking civil servants may not suspect that their publicly administered or managed retirement account invests in firms owned or controlled by the Government of China or the CCP (Chinese Communist Party)." Brrrrrrrr.

[State worker pay raise survives Florida governor's veto; other local projects get budget ax](#)

By Jeffrey Schweers, Tallahassee Democrat, June 29, 2020

Florida's 90,000 state workers gained a big win Monday as Gov. Ron DeSantis signed next year's state budget into law two days before the mandatory deadline, sparing their 3% pay raise from his veto pen. The \$249 million pay-raise package covers all state workers, including nearly 23,000 in Leon, Gadsden, and Wakulla counties. The funding also covers a 7% increase in health insurance premiums and pension contributions.

[Public retirees likely to lose ability to serve in Legislature without losing retirement benefits](#)

By Bobby Harrison, Mississippi Today, June 4, 2020

The board that governs Mississippi's public employees retirement system could revisit and reverse its ruling that retired educators and state and local government retirees can serve in the Legislature while continuing to draw their pensions. The Public Employees Retirement System Board had requested an IRS ruling on whether its decision could negatively impact the federal tax-exempt status of the system, which could be detrimental for the system and its members. The board had voted in 2019 to change its regulation to allow the public retirees to serve in the Legislature and draw their pension as they do in other states, such as **Florida**. But in making the change, board members said they needed approval of the IRS. In a letter sent to the PERS Board in early May, officials at the IRS said: "In this particular instance we have determined that we cannot issue a ruling based on the factual nature of the matter involved."

[ICI: Retirement assets fall 12% in first quarter](#)

By Robert Steyer, P&I, June 17, 2020

Total U.S. retirement assets fell 12% to \$28.7 trillion for the first three months of 2020 vs. the \$32.6 trillion in fourth quarter of 2019, according to data published by the Investment Company Institute. Defined contribution plans' assets dropped 12.3% to \$7.94 trillion in the first quarter vs. \$9.05 trillion for the fourth quarter. These figures encompass all forms of DC plans. Government defined benefit plans reported assets of \$5.95 trillion for the first quarter, down 11.1% from the \$6.69 trillion for the fourth quarter. Private-sector DB plans suffered a 10.5% decline in assets to \$3.16 trillion from \$3.53 trillion.

Annuity reserves declined 7.3% to \$2.15 trillion from \$2.32 trillion. Estimated assets of individual retirement accounts were \$9.51 trillion for the first quarter of 2020, down 13.8% from the estimated \$11.03 trillion for the fourth quarter of 2019. Although total retirement assets dropped 12% during the first quarter, that was better than the S&P 500 index which fell by 20%.

What benefits do employees want the most?

By Grace Ferguson, Multi Briefs, June 17, 2020

Prior to COVID-19, healthcare coverage, paid time off, and retirement plans often ranked as the most desired benefits among employees. During the pandemic, these benefits — while still highly valued — have experienced distinct changes. In the 2018 LIMRA study, 78% of surveyed employees viewed retirement savings plan as the most important benefit, coming in third, behind medical benefits and paid time off. Recently, however, there has been some industry reporting that 401(k) participation is taking a hit amidst the COVID-19 pandemic. Among workers with access to a DC plan, 13% say they have increased their contributions, while 11% say they have decreased it. Of those who once participated but stopped, (that's about 10% overall), more than half (56%) stopped in the wake of the COVID-19 crisis.

Why You Should Worry About the Pension Fund Crisis

By Mark Hulbert, The Street, June 24, 2020

State and local government pension funds are making unrealistic assumptions about their likely future returns. That's bad news for more than just the government workers whose retirement security is dependent on receiving their pension benefits. It's also bad news for taxpayers who will ultimately foot the bill of overcoming shortfalls. And it's also bad news for the economy as a whole, given the sheer size of those deficits. Consider that such pension funds held \$4.8 trillion in assets at the end of 2019, and that Goldman Sachs estimates that those assets represent less than 60% of pension fund liabilities. That implies a funding shortfall of over \$3 trillion, double that of student loan debt. And unrealistic return assumptions are likely to make the problem get progressively worse in coming years. According to a February report from the National Association of State Retirement Administrators (NASRA), the average public pension plan is assuming a 7.22% annualized return going forward. I seriously doubt this target will be met.

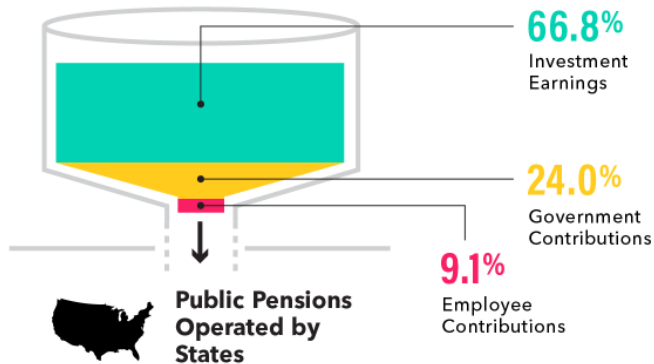
Recession Rocks State and Local Pensions, 'Funding Gap' Possible

By John Dunbar, Bloomberg Tax, June 25, 2020

The economic shutdown caused by the coronavirus will result in a steep drop in tax revenue for state and local governments, forcing them to make difficult decisions about how to fund the state pension systems their employees rely on for their retirement. Pensions are largely funded from three sources: investment returns, employer mandated contributions on behalf of the workers, and employees who give a portion of their salaries. While funds have pared some losses on the investment front thanks to a bounce-back in the stock market, the ongoing recession will create problems for participating employers and the workers themselves. The problem is so serious that states may suspend their contributions, "which would create a funding gap for state pension plans," said Richard Johnson, a senior fellow and director of Program on Retirement Policy with the Urban Institute. Should deficits continue, it would pressure public employers, such as state and local governments, as well as school districts, into more drastic measures for filling the gap in the future. That could mean decreased funding for other priorities as they divert more of their incomes to pension plans as liabilities increase relative to assets. It could also portend future cuts in

benefits to retirees or increases in contribution requirements for employers and workers. The market declines that happened in first quarter of 2020 have all but guaranteed that, at the least, employer-mandated contributions will increase in the near future. Problems will begin in the subsequent years when states and municipalities begin to receive their sales tax revenue allocations and realize it is much less than the past, according to state and local officials. At the same time, they may be asked to increase the amount they contribute to the pension system.

The Three Sources of Public Pension Funding



Based on data from 2018
Source: U.S. Census

Bloomberg Law