FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS AUGUST 2020 ON FLORIDA PENSION ISSUES
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Councilman proposes early retirement option for city workers amid pandemic
By Jim Piggott, News4JAX, August 25, 2020

There is a move by one Jacksonville City Council member to make changes for city employees by offering early retirement for some who do not want to come back to the office. "We don't know what the future holds," Dennis said. "And we have to look at every aspect of our finances here in the city. And this may be an opportunity to reduce our workforce as well as save taxpayer dollars." Right now, the city employs 9,124 people, and it's unclear how many of them are working from home. Under the proposed legislation, workers who are at least 55 years old and have worked with the city for 10 years could retire with some benefits. Currently, 2,282 city employees are over the age of 55. Those 60 and over who have worked for five years have the same option.

Time running short for Florida's underperforming pensions
By Adrian Moore and Steven Gassenberger, Business Observer, August 11, 2020

The recession and volatility in financial markets is driving up required payments by state and local governments into the Florida Retirement System — just when both face a massive revenue crunch. This raises the question of how much risk should be baked into the system's long-term savings plan. This means facing hard choices. Reducing risk in FRS investments means assuming lower rates of return than originally expected — a struggling economy shouldn't be expected to deliver boom-time investment returns. FRS actuaries have deemed the system's assumed investment return as one that "conflicts with our judgment regarding what would constitute a reasonable assumption" the last several years running, even before this recession. Yet plan administrators have been slow to adjust investment assumptions to match reality.

Beleaguered Public Pension Funds Make Record Gains in Second Quarter
By Heather Gillers, Wall Street Journal, August 4, 2020

Public pension funds set a 22-year performance record in the second quarter, recovering some but not all of their losses from the first quarter. Double-digit stock gains pushed pension returns to a median 11.1% for the second quarter, according to Wilshire Trust Universe Comparison Service. Even with the rebound, median annual returns for the public pensions whose fiscal years ended June 30 were 3.2%, far short of the funds' long-term investment-return target of around 7%. Jay Bowen, manager of the **Tampa Firefighters and Police Officers Pension Fund**, said the market was treating the pandemic more like a natural disaster. Mr. Bowen credits his fund's 17.1% return in the second quarter in part to stocks bought on the cheap while the market was crashing. During the four-week period ending March 24, the police and fire fund bought and sold $500 million in stocks, compared with $180 million during the previous four weeks. The Tampa fund, one of the nation's best-performing public pensions, is up 7% for the 12 months ended June 30.

How This US Pension Fund Is Approaching the Investment Landscape During COVID

By Shoaib Khan, Worth Newsletter, August 2020

Speaking with large U.S. institutional investors like the State Board of Administration of Florida provides a dynamic touchpoint these days. The SBA of Florida manages a number of different investment funds and trust clients, representing an asset total of over $206 billion—the largest portion of this is the Florida Retirement System Trust Fund, which was valued at approximately $163 billion as of June 30, 2019. As markets have been volatile and the world of fund allocation shifts to meet an evolving set of investment realities, challenges and opportunities brought about by COVID-19, senior portfolio manager in the Strategic Investments Group at the SBA of Florida Shoaib Khan shared his intel, of interest to managers seeking an allocation as well as market practitioners inclined to understand how large pension funds are viewing the world and adjusting their sails accordingly.
Editor's Note: The article is in a Q&A format.

States Pull Back on Pension Payments as Virus Ravages Revenue

By Martin Z. Braun, Bloomberg, July 31, 2020

States are projected to face budget shortfalls of about $555 billion through 2022, according to the Center on Budget and Policy Priorities, and without more aid from Washington they will have to cut spending or raise taxes. Postponing pension payments may ease budget pain in the short-run, but it will defer the costs to later years and allow unfunded liabilities, estimated at as much as $5 trillion by the Federal Reserve, to grow. The pension contribution cuts are setbacks for states that enacted reforms in the aftermath of the Great Recession. Record state budget gaps could reignite efforts by officials to reduce pension benefits, raise employee contributions or eliminate traditional pensions altogether. South Carolina's Republican Governor Harry McMaster wants to close the state's $32 billion defined benefit pension plan and move all new state workers into a 401(k)-style accounts.

Court Bans 'Abusive' Spiking, But Sticks With Pension Protections

By Ben Christopher, CAP Radio, July 31, 2020

For 65 years, the California Supreme Court has taken a rigid line on pensions for public employees: Any retirement benefits promised to a worker at the outset of a job can only be reduced if they are replaced with something of equal value. That iron-clad precedent has been dubbed "the California Rule." Today the state's high court carved a little wiggle room into that rule. In a case filed by the Alameda County Deputy Sheriff's Association, the court found that the county was within its rights to exclude certain forms of bonus pay and overtime when determining the future pension calculations of current employees. In the 90-page opinion written by Chief Justice Tani Cantil-Sakauye, the court found that "closing loopholes and preventing abuse of the pension system" was consistent with state law that otherwise makes it exceedingly difficult to renege on promised pension benefits for future work.

[Plans see healthy rebound in Q2]

By Rob Kozlowski, P&I, August 4, 2020

Institutional investors saw very healthy median returns in the second quarter, data from Wilshire Associates show. Plans in the Wilshire Trust Universe Comparison Service posted median returns of 11.07% and 3.36% for the second quarter and year ended June 30, respectively. Wilshire previously reported median returns of -11.87 and -3.67% for the first quarter and year ended March 31, respectively. The second-quarter median return was the best for TUCS plans since 1987.

Public Pensions Rally in Chaotic Stock Market, But Bigger Bills Still Coming for Governments

By Liz Farmer, Route Fifty, August 7, 2020

A three-month stock market rally has helped public pension systems stave off massive financial losses, but the pandemic-driven recession is still expected to drive up government retirement debt in the coming years. Results are still preliminary, but early figures show public pension systems reporting annual earnings between 3% and 5% for the fiscal year ending June 30. That represents about half of what the annual earnings assumption was for most plans. Unless governments make up the difference—an unlikely response in a budget climate even more dire than the 2008 recession—unfunded liabilities will increase.

A Shockingly Small Number of Americans Receive All the Traditional Sources of Retirement Income

By Christy Bieber, Record and Landmark, August 14, 2020

For a long time, the retirement system in America was built around a simple concept: Those who had left the workforce would be supported by a "three-legged stool." These three legs included Social Security, pension income that was provided by an employer and guaranteed to last for life, and savings that people amassed during their working lives. According to recent research from The National Institute on Retirement Security, just 6.8% of older Americans receive money from Social Security, a defined contribution plan (such as a 401(k) plan), and a defined benefit plan (an employer pension that provides guaranteed income). In fact, 40.2% of Americans 60 or over who don't work full time rely solely on Social Security. Just over 15% of Americans get income from a DB plan or DC account.

Covid-19 Could Increase States' Pension Debt By $1.6 Trillion

By Liz Farmer, Forbes, August 18, 2020

The S&P 500 hit a new all-time intra-day high on August 18, highlighting a dramatic rebound — but the volatile market has left a scar on public pensions this year. A new report estimates the wild swings driven by the Coronavirus pandemic will amount to a $1.62 trillion loss in 2020. That would bring the total funded ratio across the 50 states to 67.9% — nearly its lowest point in modern history. The estimates of the Covid-19 impact on pensions come from the Equable Institute, a relatively new nonprofit made up largely of folks who have advocated for pension reforms and cost-saving measures. The bottom line, though, is that pension plan earnings this year will fall far short of where they need to be to keep their funded ratio flat. (The median long-term expected rate of return is 7.25%.)

The Status of Local Government Pension Plans in the Midst of COVID-19

By Jean-Pierre Aubry and Kevin Wandrei, Public Plans Data, August 2020

Despite the recent market recovery, during fiscal year 2020, local government pension plans will see virtually no change in their average funded ratio. And, going forward, the strains on government finances due to the recession could make it harder for localities to pay their required pension contributions. But projections show that local plans are quite sustainable on a cash-flow basis. Most can pay benefits indefinitely at their current contribution levels. The only exceptions are the very worst-funded plans, which face the real risk of exhausting their assets. These are the conclusions from the Public Plan Data study.

State Pensions Entered Pandemic in Worse Position than in 2008

By Michael Katz, Chief Investment Officer, August 20, 2020

Despite the benefit of the longest-running bull market in US history, new research finds that statewide public pension funds entered the COVID-19 recession in a worse position than they did the Great Recession of 2008. According to a report from bipartisan nonprofit Equable Institute, some 80% of public pension funds are not resilient enough to withstand a market downturn in the future. The report defines a resilient pension as one that has a funded ratio of 90% or higher for at least two to three consecutive years. That's a near complete reversal from 2001 when nearly 75% of statewide pension plans had funded levels of 90% or higher. The report also estimates that unfunded liabilities for state-managed pension funds will increase to $1.62 trillion this year from $1.35 trillion last year, bringing the aggregate funded ratio to "near its lowest point in modern history" at 67.9%. The report analyzed trends in funding, investments, contributions, cash flow, and maturation for 143 of the largest statewide retirement systems with at least $1 billion in accrued liabilities in all 50 states. The report found that five states—California, Illinois, New Jersey, Texas, and Pennsylvania—account for more than half of the public pension unfunded liabilities in the US with an estimated $693 billion in unfunded liabilities.

Public Pension Investments Largely Recover After Pandemic-Related Slide

By: David Draine, Keith Sliwa & Emma Wei, Pew Trusts, August 25, 2020

State pension plan investments largely recovered by the end of June after several dramatic market drops linked to the economic effects of the COVID-19 pandemic. At the same time, the spread of the novel coronavirus has caused steep declines in economic activity and state revenue, which will complicate states' efforts to make expected annual contributions to worker retirement programs. Although state pension plans' investments were down by double digits earlier this year, they came back to just above breakeven for the fiscal year that ended June 30. Still, a Pew analysis estimates that the typical pension fund likely fell short of target returns by between 4 and 5 percentage points for the 2020 fiscal year, based on estimated market returns of 2 to 3% for such plans.

Netherlands, Denmark, Australia Rated World's Top Pension Systems

By Michael Katz, Chief Investment Officer, August 5, 2020

The Netherlands, Denmark, and Australia were ranked as the top three pension systems by country, according to a report from Visual Capitalist. Meanwhile, Thailand, Argentina, and Turkey were ranked the worst. Rounding out the top 10 systems were Finland, Sweden, Norway, Singapore, New Zealand, Canada, and Chile. The United States ranked 17th. The report culled data from the Melbourne Mercer

Global Pension Index (MMGPI) to determine which countries' pension systems are best equipped to take care of their elderly citizens and which are the worst.