FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION

PENSION NEWS CLIPS NOVEMBER 2020 ON FLORIDA PENSION ISSUES
Prepared by Fred Nesbitt, FPPTA Media Consultant – fnesbitt911@gmail.com

Citigroup Targeted by Lawsuit from Florida City Pension in Revlon Mess

By Sarah Min, Chief Investment Officer, November 2, 2020

Investors, led by a Florida municipal union's pension plan, are suing Citigroup for fraudulent accounting due to the bank's imbroglio over paying Revlon creditors. A class action securities lawsuit, filed against Citi on behalf of Florida-based **City of Sunrise Firefighters' Pension Fund**, alleges the bank misled it and other Citi stockholders investors regarding its internal accounting controls, risk management, and regulatory compliance. At the heart of the litigation is Citi's mistaken overpayment of $900 million to creditors of Revlon, the beauty company, which is struggling under a large debt load, plus declining business due to changing consumer tastes and the pandemic. The bank is acting as an agent to pay the creditors and thus fend off a bankruptcy filing. The suit was filed on behalf of investors who purchased Citi common stock between February 2017 and October 2020.

Affiliated's $125M Workforce Housing Fund Targets Florida

By Kelsi Maree Borland, GlobeStreet.com, November 25, 2020

Affiliated Development is renewing its commitment to workforce housing projects and social impact investing with the launch of the Affiliated Housing Impact Fund. The $125 million fund will provide equity capital for the development and investment of mixed-income workforce housing in Central and South Florida. Launched this week, the fund already has requisite capital commitments and the initial close is scheduled in December. **Fort Lauderdale Police and Firefighters' Pension Fund, West Palm Beach Police Pension Fund, Hollywood Police Pension Fund, Hollywood Firefighters' Pension Fund and Miramar Police Pension Fund** have already committed capital.

Washington's New Retirement Bill Could Be Great News for Seniors

By Katie Brockman, Independent Tribune, November 13, 2020

The Securing a Strong Retirement Act of 2020, proposed in the House of Representatives by Rep. Richard Neal (D-Mass.) and Rep. Kevin Brady (R-Tex.), could help retirees and workers keep more of their hard-earned savings. While the bill has not passed yet, there are three suggested changes in the legislation that seniors should keep an eye on if the bill becomes law. 1) The age at which seniors were required to take RMDs was previously 70 1/2, until the SECURE Act changed it to age 72. Under the new legislation, lawmakers are proposing changing the age requirement to age 75. 2) Allowing those with retirement account balances (401(k) or traditional IRA) of less than $100,000 to be exempt from RMDs altogether. 3) The contribution limits for 401(k)s and IRAs are $19,500 per year and $6,000 per year, respectively. Under the current law, once you turn 50 years old, you can contribute an additional $6,500 per year to your 401(k) and an extra $1,000 per year to your IRA. The new legislation proposes creating an additional catch-up contribution limit, which would allow workers age 60 and older to save an extra $10,000 per year to their 401(k) or IRA.

10 Ways to Close Public Pension Funding Gaps

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

The best way to close public pension funding gaps, according to **the National Conference on Public Employee Retirement Systems (NCPERS)**, is to reform state and local revenue systems and close tax loopholes. "But that is a long road, and it is beyond the scope of responsibilities of pension trustees and administrators," NCPERS said in a recent research paper called "Ten Ways to Close Public Pension Funding Gaps." "However, we can help ensure that state and local governments are looking at the appropriate data when determining how to fund public services and programs, including pensions." NCPERS notes that when state and local governments are faced with public pension funding gaps, they often default to "knee-jerk solutions" such as shutting down defined benefit (DB) plans in favor of defined contribution (DC) accounts, or altering benefits and contribution formulas, "sometimes to a punishing degree," which it said can lead to serious unintended consequences. As the title of the paper suggests, the organization identifies 10 policy options that can be adapted to a pension plan's specific circumstances and that it said neither undermine public pensions nor cause harmful economic consequences. However, NCPERS said the paper is not intended to offer recommendations, but ideas to consider and explore.

Defined Benefit Plan Sponsors Should Reassess Their Investments

By Lee Barney, Plan Sponsor, November 11, 2020

In light of the coronavirus pandemic and the subsequent lockdowns and pivot to working from home, Willis Towers Watson has issued a report, "Top 10 Investment Actions for DB Plans in 2021," intended to help guide the decisions of defined benefit (DB) plan sponsors. The first thing Willis Towers Watson suggests that DB sponsors do is enhance the governance structure and the framework of their plans. Sponsors should pay particular attention to re-risking, rebalancing and raising liquidity, because those plan sponsors that rebalanced their portfolios following the market sell-offs in March were able to capitalize on the rebound that happened shortly thereafter.

Opinion: There's a way to fix the $4.6 trillion U.S. public pensions mess — Canada shows us how

By Ingo Walter and Clive Lipshitz, Market Watch, November 23, 2020

Most U.S. public pensions plans were in surplus in 2000. Today, based on their own accounting, they hold less than 75 cents on every dollar they owe to their 33 million plan members. Funding gaps are now affecting municipal bond ratings, and COVID-19 has introduced new stresses to public finance. We argue in a recently published study that there is a way out, even for public pension systems as deeply underwater as those in Illinois, Kentucky and New Jersey. The answer? Just look north to Canada to see what can be done. Canada today has a public pension system that is well-funded and sustainable. This was not always the case. Reform does not mean simply finding new ways to invest money in search of higher returns. Many pensions unrealistically target annual returns of 7% or more. Instead, secure pensions require much more than spiced-up investing models. The basics: Acknowledge true deficits. Address past errors through catch-up funding. Align stakeholder interests through appropriate legal structures and governance. Ensure future sustainability through conservative plan design. Enhance investing offices. And mitigate long-term risk by matching fund assets to liabilities. Canada did all that. Here's how. **First**, actuaries were engaged to correctly value funding gaps which were made whole. **Second**, plans were reformulated under joint sponsorship of employer and employee interests. **Third**, the new legal structure led to more conservative funding models. **Fourth**, Canadian governments established sophisticated arms-length investment offices to manage pension assets. **Fifth**, pensions were oriented to investing with the objective of asset-liability matching.

Internal vs. External Management for State and Local Pension Plans

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

As state and local pension plans have increased their investments in alternative assets, they have taken on more external asset managers. However, due to concerns about fees, some large plans have started to reevaluate the size of their external team. This study explores how the number of managers affects fees and after-fee returns, controlling for plan size, asset allocation, and extent of external management. The results suggest that a significant reduction in the number of managers could reduce fees somewhat, but, in terms of after-fee returns, it matters who gets cut. Click here for *Internal vs. External Management for State and Local Pension Plans.*