PENSION NEWS CLIPS OCTOBER 2020 ON FLORIDA PENSION ISSUES
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Naples to contribute more to pensions to offset lower expected investment returns
By Brittany Carloni, Naples Daily News, October 30, 2020

The city of Naples will have to increase contributions to its three retirement plans after the city's pension board took actions to expect less funding from investments. The city's three pension boards voted to lower the assumed rate of return on city pension investments from 7.3% to 7% beginning Oct. 1, 2020. Starting in 2018, when the investment rate was 7.5%, the pension boards instituted a policy to lower the investment return by one-tenth of a percent every year until it reached 7%. In fiscal 2019 the rate was 7.4%. In fiscal 2020 it was 7.3%. The pension boards' decision to drop the assumed investment return will "make it more of a requirement" for the city to contribute additional dollars to the pensions. The city's contributions to the pension plans are 13% of salaries for general employees, 46% for police and 48% for firefighters for the current fiscal year, according to the city budget. The city estimates these contribution rates would bring in an additional $762,000 in this fiscal year above what the actuary requires, according to the city's budget. Each of the city's pension plans are currently funded between 75% and 85%, according to the city's budget. According to the **Foster & Foster** analysis, the unfunded liability would rise to about $44 million across the three pension plans with an assumed return of 7%. The number also factors in new rates of mortality from the Florida Retirement System.

Financial Transaction Tax Would Compromise Firefighters' Savings
By Thomas Gabriel, Miami's Community Newspapers, October 30, 2020

The Financial Transaction Tax, or FTT (a piece of tax legislation currently circulating in Washington), directly threatens working class Americans like firefighters and could compromise their retirement savings. The policy would place a 1% tax on all financial transactions, like the buying and selling of stocks, bonds, and other contracts, including those that often compromise state and local sponsored retirement funds This fee could deprive ordinary Americans like firefighters of their hard-earned retirement savings by pulling funds from their pensions to pay for it. Additionally, this tax could threaten the futures of firefighter families as they try to save for their kids' educations through tax deferred college saving plans. It is incomprehensible to think that Washington would want to tax firefighters' and public servants' retirements at a time like this. The thought of further compromising Florida's firefighters already-threatened retirement funds amidst a global health and financial crisis is nothing short of unconscionable.

Editor's Note: Thomas Gabriel serves on the Board of Trustees for the **City of Miami Firefighters' and Police Officers' Retirement Trust**.

[Our Public Pensions In Crisis]
By Carrie McCabe, Forbes, October 15, 2020

With interest rates in the US falling to nearly zero, the fate of underfunded public pensions has only gotten worse. The Pew Charitable Trust recently released their 2020 state pension report, The State Pension Funding Gap: 2018. The disparity between well-funded and underfunded state retirement systems is greater than it has ever been. In 2018 only seven states were 90 percent funded, while nine states were less than 60 percent funded. Lowering plan return targets and assumed discount rates can help reduce funding risk. Over the past five years, the average assumed rate of return for state pension fund investments has declined from 7.6 percent in 2014 to 7.2 percent in 2018. But we are now in a zero percent interest rate environment and more needs to be done. Public plan experts currently forecast long-term returns of around 6.5 percent for the typical public plan portfolio.
Editor's Note: **Florida** is one of the seven states funded at 90 percent or better.

[Pension funds get class action status over Perrigo's €1.6bn tax liability]
By Sean Pollock, Independent.ie, October 4 2020

Two Florida public service pension funds have won class action certification in a case alleging pharmaceutical company Perrigo failed to disclose a disputed €1.6bn tax liability to Ireland. The Southern District of New York court rejected Perrigo's argument that the pension funds - **City of Boca Raton General Employees' Pension Plan and Palm Bay Police and Firefighters' Pension Fund** - have "too little knowledge of and too little engagement" with the case to be adequate class representatives. The funds claim Perrigo failed to share the disputed €1.6bn tax liability, which was included in a letter from Revenue it received in October 2018, with its investors. They allege details of the liability were not included in a report in November 2018 sent to the US Securities and Exchange Commission (SEC). They allege Perrigo didn't reveal the liability until an SEC filing in December 2018, leading to Perrigo's share price falling by 30pc in a day. The funds have achieved class action status for all entities damaged by buying the stock between November 8, 2018, through to December 20, 2018. It means several potential lawsuits with similar claims against Perrigo from other investors can be combined into a single proceeding led by one firm.

[Retirement spending in Florida averages $1,194,451, study finds]
The Center Square, October 12, 2020

Average residents of Florida will spend $1,194,451 during their retirement years, in a state where the cost of living is 0.6% more than the national average, according to a [new study from the website 24/7 Wall St.] In Florida, the average monthly housing cost for those 65 and older who own their homes was estimated at $494. And the share of seniors in the state population is 20.5%, according to the report. Nationwide, Americans will spend on average $987,000 during their retirement years, with the average life expectancy at age 65 estimated at 19.4 years, according to 24/7 Wall St. Florida has the second highest percentage of population over age 65 at 20.5%; Maine ranks #1 at 20.6%. Utah ranks #50 at 11.1%.

[Big Changes May Be Coming To 401(k), IRA And Other Retirement Plans]
By Rob Berger, Forbes, October 27, 2020

A bipartisan bill has been introduced in the House that would make significant changes to 401(k), 403(b), IRAs and other retirement plans. From increasing the required minimum distribution (RMD) and catch-up

contributions to expanding automatic enrollment and the Saver's Credit, the legislation is poised to expand retirement savings options for millions of individuals. Ways and Means Committee Chairman Richard Neal (D-Mass.) and Ranking Member Kevin Brady, (R-Texas) today introduced The Securing a Strong Retirement Act of 2020. Referred to as the Secure Act 2, it follows the Secure Act that was passed into law last year.
Editor's Note: Also see Neal and Brady Introduce Retirement Legislation.

Toomey bill would allow use of retirement funds to pay for long-term care insurance

By Paul J. Gough, Pittsburgh Business Times, October 22, 2020

Legislation advanced by U.S. Sen. Pat Toomey, R-Pa., is aimed at helping people pay for long-term care insurance. Toomey's bill, the Long-Term Care Affordability Act, would loosen restrictions on 401(k), 403(b) and IRA regulations to allow people to pay up to $2,500 each year using those accounts without a tax penalty. The legislation grew out of hearings Toomey held in November 2019 about the treatment and care of people with Alzheimer's. It's difficult for people with Alzheimer's or their families to pay for long-term care needs.

Social Security Announces COLA for 2021

By Rebecca Moore, Plan Sponsor, October 13, 2020

Social Security and Supplemental Security Income (SSI) benefits will increase 1.3% in 2021, the Social Security Administration announced today. The cost-of-living adjustment (COLA) will begin with benefits payable to more than 64 million Social Security beneficiaries in January 2021. In addition, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to $142,800 from $137,700. According to the Social Security Administration's website, Social Security will typically replace about 40% of an employee's pre-retirement income after retirement.

Bad News on IRA and 401(k) Contribution Limits for 2021

By: Rocky Mengle, Kiplinger, October 26, 2020

For 2021, employees who are saving for retirement through 401(k)s, 403(b)s, most 457 plans, and the federal government's Thrift Savings Plan can contribute up to $19,500 to those plans during the year. That's the same contribution limit in place for 2020. The "catch-up" contribution limit for employees age 50 or older who participate in these plans also holds steady in 2021 at $6,500. For anyone saving for retirement with a traditional or Roth IRA, the 2021 limit on annual contributions to their IRA account remains unchanged at $6,000.

Summary of the Quarterly Survey of Public Pensions for 2020: Q2

By Melinda Caskey, US Census Bureau, October 2020

For the 100 largest public employee pension systems in the country, assets (cash and investments) totaled $4,094.2 billion in the second quarter of 2020, increasing by 7.6 percent from the first quarter of the 2020 level of $3,803.6 billion. Compared to the same quarter in 2019, assets for these major public-pension systems increased 3.7 percent from $3,946.9 billion.

[2020 Public Plan Investment Update and COVID-19 Market Volatility]
By Jean-Pierre Aubry, Center for Retirement Research at Boston College, September 2020

The brief's key findings from the study are: Despite the market rebound, most public pension plans ended FY 2020 with investment returns that fell short of actuarial expectations. Moreover, the March crash raised concerns about the liquidity needs of public plans, which already must sell assets to pay benefits. In particular, alternatives are harder to value and more illiquid, which make them a poor option for selling in a downturn. However, plans do maintain a cache of Treasuries that could be easily liquidated, so most plans are equipped to weather a sharp downturn.

Moody's: Pension liabilities rise 25% for government plans
By Rob Kozlowski, P&I, October 21, 2020

State and local government pension plans' adjusted net liabilities increased about 25% in fiscal year 2020 due to interest rate declines, according to Moody's Investors Service. Because of the market rebound in the second quarter, however, plans should avoid any real increase in costs or a material worsening in cash flow, according to Moody's "Sector In-Depth" report. According to Moody's estimates, adjusted net pension liabilities for U.S. state and local government pension plans now exceed $5 trillion in aggregate.

Actuarial Projections: Virus Might Cause 'Meaningful' Increase in Death Rate for Elderly
By Sarah Min, Chief Investment Officer, September 29, 2020

Since March, pension actuaries have been crunching the numbers on the coronavirus impact on mortality rates. Investors are wondering how the "observed" mortality rate, which includes excess deaths above what is typically expected during normal times, may impact defined benefit (DB) plans. The number of deaths from the pandemic thus far has surpassed 200,000 total in the United States. But an additional 300,000 coronavirus-related deaths among seniors could increase the overall death rate to 4.7% for seniors by year's end, according to a hypothetical scenario drawn up by researchers. That would be a "meaningful" increase from the 4.1% death rate figure in 2017, when the percentage rate translated to about 2.1 million seniors dying of a population of roughly 51 million people aged 65 and older in the US at the time, the brief said. If that scenario bears out, pension plans could see a "small" impact on the mortality rate, researchers said, meaning that liabilities for retirees would likely be reduced.

California cities can't swap pensions for 401(k) plans if they're in CalPERS under new law
By Wes Venteicher, The Sacramento Bee, September 29, 2020

A Southern California city's attempt to offer 401(k)-style retirement plans to firefighters has led to a new law prohibiting similar efforts to exclude public workers from CalPERS pensions. Gov. Gavin Newsom signed legislation preventing cities and counties from excluding groups of employees from CalPERS pensions when they offer them for other groups. City of Placentia withdrew from a contract with a shared regional firefighting authority in Orange County. Part of what the city had been paying the authority went toward its firefighters' pensions. When the city withdrew from the authority, it moved to create its own fire department. To save money, the city sought to exclude firefighters from its contract with CalPERS, through which the city's police officers and other employees earn pensions. The law "ensures that no class of workers can be excluded and deprived of retirement security when other classes of workers in that local agency enjoy the security of a defined benefit retirement plan."

U.S. Gains Ground in Global Retirement Index

By Ted Godbout, American Society of Pension Professionals and Actuaries, October 2, 2020

In what seems like two steps forward, one step back, the U.S. rose two spots to No. 16 among developed nations for retiree wellbeing in the 2020 Global Retirement Index (GRI). Now in its eighth year, the GRI shows that the U.S. moved up two spots because of better scores in the material wellbeing (26th) and quality of life (21st) sub-indices. The GRI provides a snapshot of the relative wellbeing and financial security of retirees in 44 countries, based on 18 factors which influence retiree welfare across four categories, including finances in retirement, material wellbeing, health and quality of life. Within material wellbeing, the U.S. improved its ranking in the unemployment indicator from 15th to 11th. Its ability to reduce income inequality improved slightly, although it still ranks seventh from the bottom globally, despite ranking in the top 10 (6th) for income per capita. The top three nations worldwide in this year's GRI are unchanged from 2019, with Iceland in first place, Switzerland in second and Norway third.

Funding ratio for Canadian funds rises in Q3

By Rob Kozlowski, P&I, October 2, 2020

The median funding ratio of Canadian pension plans rose to 99% as of Sept. 30, as equity markets continued to show improvement for the second straight quarter, according to a survey from **Aon**. Aon's Median Solvency Ratio rose 3.6 percentage points from 95.4% as of June 30. The median funding ratio had dropped to 89.1% as of March 31 due to the economic impact of the COVID-19 pandemic. The median asset return for the third quarter was 2.5%, while the Canadian 10-year benchmark bond yield rose by 5 basis points and long bond yields increased by 12 basis points, increasing pension liabilities by 1.2%. Median asset returns were 11.5% in the second quarter.

Opinion: 'Pathological' behavior by pension fund trustees leads to billions blown on real estate

By Brett Arends, MarketWatch, October 6, 2020

Finance professor Timothy Riddiough says some of the people running America's 6,000 state and local public pension plans are exhibiting "pathological investment behaviors." These pension fund managers invest in the same assets, then hope to beat the market, he says. They take foolish bets to try to get out of their funding crisis, like gamblers hoping to win back their losses. They engage in "delusional benchmarking, giving themselves A's and B's for C and D work." They are pouring somewhere nearing 10% of their members' money into private real estate ventures that have a dismal track record and which they won't be able to exit easily if they need to. The National Association of State Retirement Administrators disagreed. "Public pension funds are long-term investors and invest in diversified portfolios that are intended to maximize investment returns within an acceptable level of risk. As a group, public pension funds invest around 7% of their assets in real estate. As part of their required due diligence, public pension funds continually review their asset allocations and risk profiles to ensure they are optimizing risk and investment return." It added: "Although the report author accuses public pension fund managers of a 'herd mentality,' in fact, many public pension funds do not invest in real estate at all, and among those that do, there is a wide range in the percentage of their portfolio that is invested in real estate. Moreover, the author's attempts to link growing pension underfunding to increased allocations to real estate are purely speculative: public pension funds have been diversifying their portfolios for many years after investing predominantly in just two asset classes: public equities and bonds. Such diversification is prudent and part of a sound investment and risk management strategy."

These Are the World's Best (and Worst) Pension Systems in 2020

By Matthew Burgess, Bloomberg Wealth, October 19, 2020

The Netherlands and Denmark have cemented their positions as having the best pension systems in the world, even as other countries falter during the Covid-19 pandemic, according to an annual global survey. The countries again took the top two slots in the Mercer CFA Institute Global Pension Index published Tuesday, drawing praise for holding their nerve and not allowing citizens to drain their accounts during the crisis. The United States came in 18th with a C+ grade, a system that has good features "but also has major risks and/or shortcomings that should be addressed," the report said, suggesting raising the minimum pension for low-income pensioners and increasing social security funding. In top placed Netherlands, at present most workers enjoy defined benefit plans based on lifetime average earnings and a universal state pension. That means a worker gets about 80% of their pre-retirement earnings after stopping work, according to Organization for Economic Co-operation and Development data. That's a world away from the situation in Japan and the United Kingdom, where the so-called replacement rates are about 37% and 28% respectively.

How much pension debt does your state have?

By James McAllister, Ballotpedia News, October 25, 2020

Unfunded liabilities refer to a pension fund's debts—the payments owed to members of the pension fund that exceed its assets of current capital and their projected investment returns. This difference between assets and liabilities is monitored as an indicator of pension fund performance, management, and ability to pay retiree benefits. In the years between 2003-2018, combined state pension funds' unfunded liabilities have grown from $233 billion to $1.237 trillion. According to the United States Census Bureau, there were 296 state-administered pension funds in fiscal year 2018. In that same year, state government pension funds held $2.98 trillion in assets and carried $4.22 trillion in liabilities, resulting in a funding gap—the funds' combined unfunded liabilities, or pension debt—of $1.237 trillion. The trend between 2003 and 2018 showed a steady decline in the funded ratio for state pension funds as the growth in fund liabilities outran the growth in assets. The funding ratio of states' pension funds dropped from nearly 90 percent in 2003 to below 80 percent in the six years between 2003 and the Great Recession year of 2009. The aggregate state pension fund ratio dropped to a low point of 65.9 percent in 2016, before rebounding to the 70 percent level in 2018.
Editor's Note: Click here to read the full report.

US State Liability Burdens Fall to 5%; Five States Top 20% Driven by Pensions

Fitch Ratings, October 26, 2020

Net pension liabilities, adjusted by Fitch to a 6% investment return assumption, fell to 2.7% in fiscal 2019, from 3.1% in fiscal 2016, and has been volatile, driven by shifting market values for pension assets. States have tightened pension management over the last decade, trimming benefits, lowering return targets and raising contributions, but only a few states have seen lower pension burdens. This is because falling investment return assumptions raise liabilities, more than offsetting the incremental gains from lower benefits, higher contributions and other assumption changes. Five states continue to carry elevated long-term liability burdens above 20% of personal income in fiscal 2019, including Illinois (at 27% of personal income), Connecticut, New Jersey, Hawaii and Alaska. For all of them, pensions remain the driver of elevated liabilities. Conversely, 37 states carried burdens below 10% of personal income, which Fitch views as low.

Public plans' social investing may impact returns, social goals

By Hazel Bradford, P&I, October 27, 2020

Social investing by public pension plans may yield lower returns and be less effective at achieving social goals, according to a Center for Retirement Research at Boston College brief. The brief, ESG Investing and Public Pensions: An Update, looks back at social investing activity by public pension plans since the 1970s that was partly in response to state mandates to divest from "sin stocks" like tobacco or make economically targeted investments. More recent ESG investing by public plans "where the goal, at least, is to maintain market or better returns, is definitely a step forward. But both data and theory show that stock selection is not the way to reduce smoking or slow the rise in the earth's temperature," the brief concludes.