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# **Government Operations Subcommittee**

**Wednesday, January 26, 2011  
2:00 PM  
306 HOB**

**Dean Cannon  
Speaker**

**Jimmy Patronis  
Chair**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

### Government Operations Subcommittee

**Start Date and Time:** Wednesday, January 26, 2011 02:00 pm  
**End Date and Time:** Wednesday, January 26, 2011 05:00 pm  
**Location:** 306 HOB  
**Duration:** 3.00 hrs

Presentations on public employee pension plans:

- Department of Management Services, Division of Retirement
- Florida Association of Counties
- Florida League of Cities

**NOTICE FINALIZED on 01/19/2011 16:04 by Love.John**





# **Public Employee Benefits and Pension Plans**

**January 26, 2011  
2:00 PM**

**House Government Operations  
Subcommittee**

# Florida Retirement System (FRS)

Pension Plan	Investment Plan
<ul style="list-style-type: none"> <li>• Defined Benefit Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Defined Contribution Plan</li> </ul>
<ul style="list-style-type: none"> <li>• Vested after six years of service</li> </ul>	<ul style="list-style-type: none"> <li>• Vested after one year of service</li> </ul>
<ul style="list-style-type: none"> <li>• Provides a lifetime monthly benefit when you retire based on a set formula</li> </ul>	<ul style="list-style-type: none"> <li>• You choose how to receive the balance of your investment account when you retire</li> </ul>
<ul style="list-style-type: none"> <li>• Benefit is based on the following formula:  <b>AFC* x Years of Service x Comp %</b> </li> </ul>	<ul style="list-style-type: none"> <li>• Account balance is based on the following formula:  <b>Contributions + Earnings - Losses</b> </li> </ul>

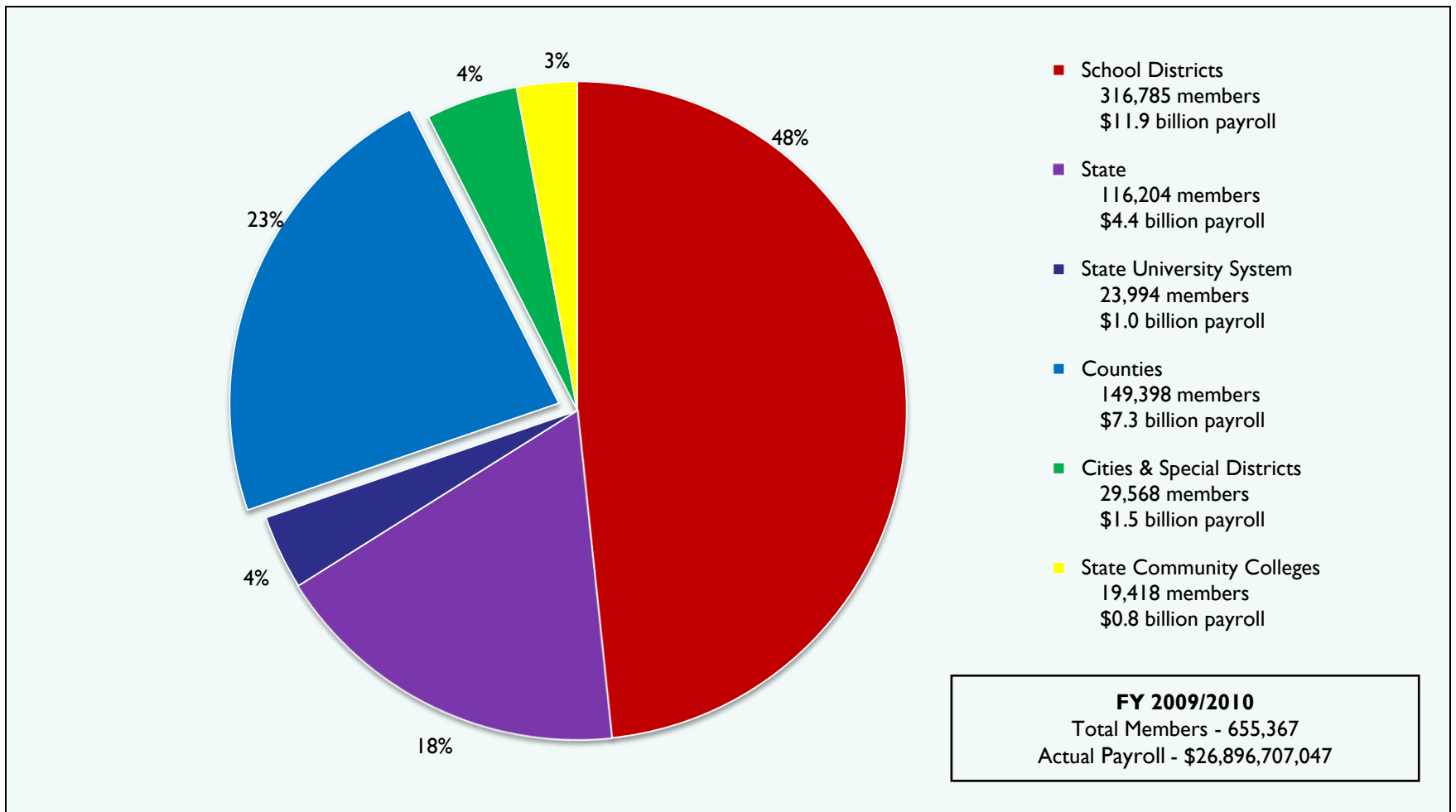
\* AFC = Average Final Compensation

# FRS Active Membership by Employer Group

Employer Group	Pension Plan	Investment Plan	Total	Percent of Membership
School Boards	273,357	43,428	316,785	48%
County Governments	127,498	21,900	149,398	23%
State	96,817	19,387	116,204	18%
Cities and Special Districts	24,952	4,616	29,568	4%
State Universities	19,683	4,311	23,994	4%
Community Colleges	15,278	4,140	19,418	3%
<b>Total</b>	<b>557,585</b>	<b>97,782</b>	<b>655,367</b>	<b>100%</b>

6/30/2010

# FRS Active Membership by Employer Type



**% = Percent of Total Active Members on 6/30/10**

# FRS Active Membership by Membership Class

Membership Class	Pension Plan	Investment Plan	Total	Percent of Membership
Regular Class	485,331	84,867	570,198	87.00%
Special Risk Class	64,734	10,332	75,066	11.46%
Senior Management Service Class	5,693	2,055	7,748	1.18%
Elected Officers' Class	1,774	510	2,284	0.35%
Special Risk Administrative Support Class	53	18	71	0.01%
<b>Total</b>	<b>557,585</b>	<b>97,782</b>	<b>655,367</b>	<b>100%</b>

6/30/2010



# FRS Average Annual Salary

	Regular Class	Senior Management Service Class	Special Risk Class	Special Risk Administrative Support Class	Elected Officers' Class	Average Salary
<b>School Boards</b>	\$37,642	\$98,294	\$57,493	N/A	\$38,279	<b>\$37,790</b>
<b>County Governments</b>	\$42,955	\$99,088	\$61,535	\$53,810	\$76,008	<b>\$49,263</b>
<b>State</b>	\$36,423	\$64,773	\$37,923	\$43,794	\$123,046	<b>\$38,595</b>
<b>Cities and Special Districts</b>	\$47,394	\$107,620	\$66,751	\$73,778	\$14,590	<b>\$50,311</b>
<b>State Universities</b>	\$43,249	\$172,361	\$52,727	N/A	N/A	<b>\$43,642</b>
<b>Community Colleges</b>	\$40,873	\$131,932	\$48,909	N/A	\$60,439	<b>\$41,904</b>
<b>Average Salary</b>	<b>\$39,188</b>	<b>\$80,855</b>	<b>\$53,435</b>	<b>\$44,922</b>	<b>\$78,296</b>	<b>\$41,449</b>

6/30/2010

# FRS Accrual Rates by Membership Class

Membership Class	Accrual Rates
<b>Regular Class</b>	1.60% - 1.68%
<b>Special Risk Class</b>	3.00%
<b>Senior Management Service Class</b>	2.00%
<b>Elected Officers' Class</b>	
Judges	3.33%
All Other Elected Officials	3.00%
<b>Special Risk Administrative Support Class</b>	1.60% - 1.68%

6/30/2010

## Deferred Retirement Option Program (DROP)

- Established in 1998
- Allows members to retire and continue working for up to:
  - 5 Years: Most members
  - 8 Years: K – 12 Instructional Personnel
- Pension benefits accumulate in the FRS Trust Fund
  - Earn 6.5% interest, annually
  - Earn 3.0% cost of living adjustment, annually
- Members must terminate FRS employment after completing DROP

<b>DROP Participants as of June 30, 2010</b>	<b>DROP Payouts July 1, 2009 – June 30, 2010</b>
<b>33,577</b>	<b>\$672,820,378</b>

## Health Insurance Subsidy (HIS)

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- The HIS is a supplemental benefit program that provides monthly benefits to eligible FRS retirees and their surviving beneficiaries to help them cover some of the cost of health insurance coverage. The amount received is based on the member's length of service.
- Since July 1, 2001, the HIS has been \$5 per month for each year of creditable service, with a minimum HIS payment of \$30 per month and a maximum HIS payment of \$150 per month.

<b>HIS Recipients as of June 30, 2010</b>	<b>HIS Payments July 1, 2009 – June 30, 2010</b>
269,999	\$338,891,598

# Pension Plan Annuitants By System as of June 30, 2010

<u>System/Class</u>	<u>Count</u>	<u>Average Annual Benefit</u>
FRS – Regular Class	267,301	\$15,567
Special Risk Class	25,248	\$31,536
Senior Management Service Class	2,267	\$41,975
Elected Officers’ Class	2,050	\$42,414
Special Risk Administrative Support Class	165	\$33,153
TRS	4,967	\$29,215
SCOERS	769	\$9,111
TRS-SB	571	\$1,882
IFAS	158	\$10,155
Highway Patrol	47	\$18,238
JRS	6	\$20,130
<u>General Revenue</u>		
National Guard	727	\$18,049
Noncontributory (112.05, F.S.)	51	\$14,324
Judicial Retirement	9	\$75,023
Teachers (238.171, F.S.)	1	\$2,105
<b>Total/Average</b>	<b>304,337</b>	<b>\$17,465</b>

# FRS Actuarial Requirements

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- FLORIDA CONSTITUTION prohibits the state from providing any increased retirement benefits unless the state has made or concurrently makes provisions for the funding of those benefits on a sound actuarial basis (Art. X, s. 14, Florida Constitution)
- FLORIDA STATUTES implement the constitutional provision
  - “Florida Protection of Public Employee Retirement Benefits Act” establishes minimum standards for the operation and funding of public employee retirement systems and plans in the State of Florida (ss. 112.60 – 112.67, F.S.)
  - Section 121.031(3), F.S., requires an annual actuarial study of the FRS

## Funding Methodology

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- Actuarial valuation is performed annually on Defined Benefit (DB or Pension) Plan
  - Valuation determines the actuarial funding status of the DB Plan, as well as proposes employer contribution rates sufficient to fund the Normal Cost of the plan and amortization of the Unfunded Actuarial Liability (UAL), if any
- Blended Rate Study is performed subsequent to the actuarial valuation which ‘blends’ the Normal Cost rates with the Defined Contribution (DC or Investment) Plan deposit rates to establish a uniform employer contribution rate

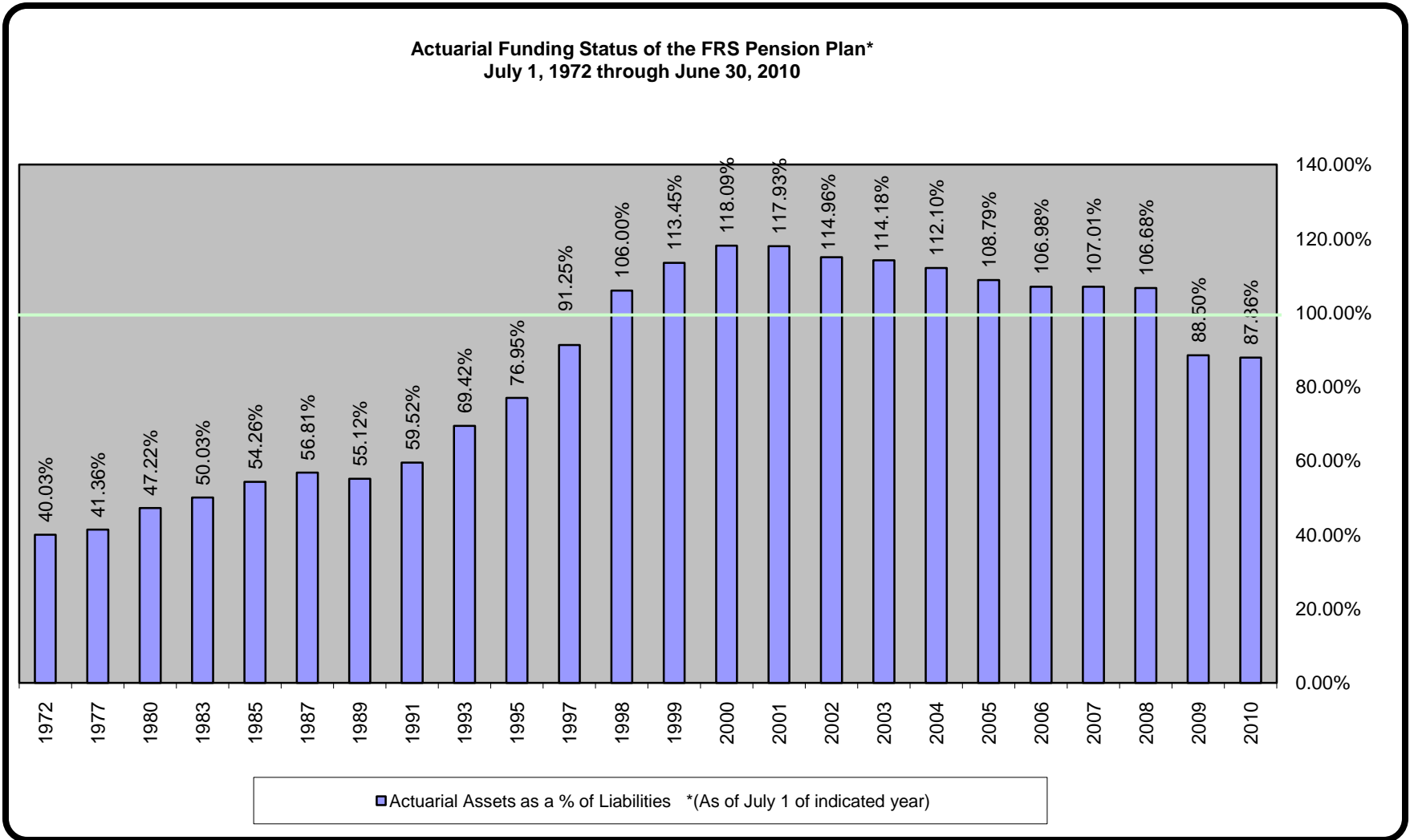
## Actuarial Funding Status

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- As of July 1, 2010, the DB Plan had an actuarial funding level of 87.9%
  - UAL of \$16.7 billion
  - Actuarial deficit is due to market declines in 2008 and 2009 and plan experience
- Historically, the DB Plan has been rated one of the top three funded public retirement plans in the U.S.
  - As all retirement funds were affected similarly, Florida is expected to maintain a high ranking
- Industry experts consider an actuarial funding level of over 80.0% to be a well-funded program
  - Most recent data regarding public pension plan funding indicates that over half of the states providing data have funding ratios below 80.0%



# Historical Actuarial Funding Ratio



# Local Retirement Systems

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- Local Retirement Section
  - Part VII of Chapter 112, F.S.
- Municipal Police Officers' and Firefighters' Pension Office
  - Chapters 175 and 185, F.S.

# Local Retirement Systems

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## Background – Part VII of Chapter 112, F.S.

- **1975 – Constitutional amendment, Section 14, Article X**  
Governmental pension plans funded in whole or part with public money may not increase plan benefits unless the cost of such increase is provided for on a sound actuarial basis.
- **1978 – Chapter 78-170, Laws of Florida (SB 14), the “Florida Protection of Public Employee Retirement Benefits Act”**  
Established Part VII of Ch. 112, F.S., to enact the provisions of the constitutional amendment. Local government plans were required to submit actuarial reports to the Division of Retirement, but no monitoring or enforcement was established at the state level.
- **1979 – Chapter 79-183, Laws of Florida (HB 1046), the “Local Government Financial Responsibility Act”**  
Established triennial actuarial reviews of local plans by the Division of Retirement and enforcement authority.

# Local Retirement Systems – State Monitoring and Enforcement

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- The Division administers Part VII of Chapter 112, F.S., to ensure that affected retirement systems are:
  - “managed, administered, operated, and funded ... to maximize the protection of public employee retirement benefits,” and to,
  - “prohibit the use of any procedure, methodology, or assumptions the effect of which is to transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers.”
- One of the Division’s primary functions is to ensure that Florida’s local governments are funding their pension plans on a sound actuarial basis, without unfairly deferring such costs to future generations.

# Local Retirement Systems Plan Administration – General Employees' Plans

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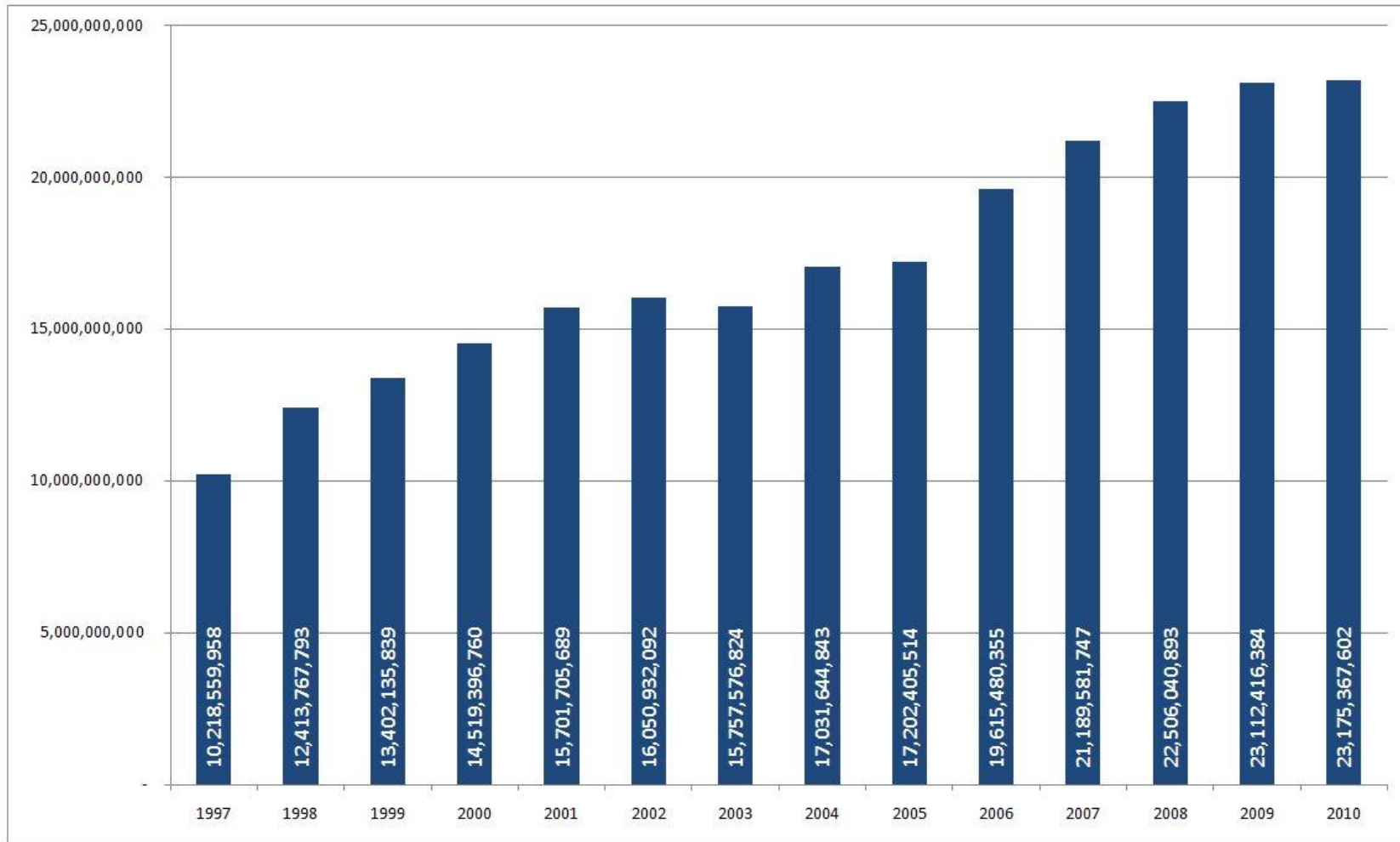
- Plan provisions are established by the local government's legislative body, subject to negotiation between the local government and its employees.
- Plans are administered on a local level by the boards of trustees.
- There are no statutory requirements that address the composition of the board of trustees for general employee pension plans.

# Local Retirement Systems Statistics

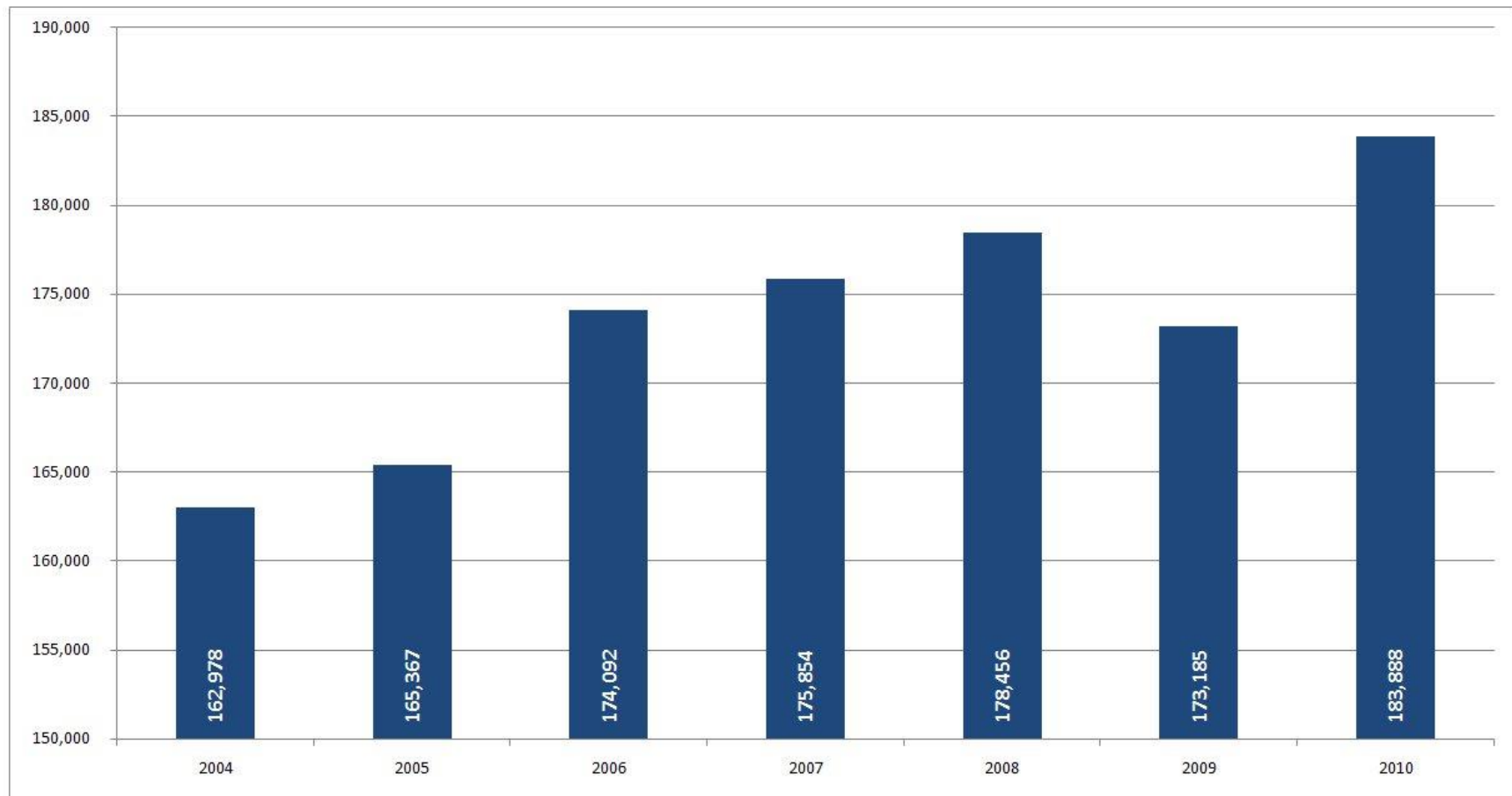
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- The Division reviews each of Florida's local government pension plans at least triennially for compliance with applicable statutes and rules, provides comments and technical assistance, and maintains an actuarial database of all plans to prepare an annual report for the Legislature on the Division's activities, findings and recommendations.
- 489 Plans
- 116,164 Active participants
- 67,724 Inactive (retirees, terminated vested)
- Approximately \$23.2 billion in plan assets invested as of 9/30/2010

# Local Retirement Systems Market Value of Assets – Aggregate from 1997-2010



# Local Retirement Systems Membership History – Aggregate 2004 – 2010





# Municipal Police and Fire Pensions

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## Background – Chapters 175 and 185, F.S.

- **1939, 1953 – Chapters 175 and 185, F.S., established.**

The Legislature established a uniform retirement system for the benefit of municipal firefighters (175) and police officers (185). Access to state insurance premium tax moneys was offered as an incentive to encourage local governments to participate in the program. Eligibility for participation in the tax distribution was only subject to self-certification by the fire and/or police chiefs of compliance with the minimum benefits and standards set forth in the law.

- **1957 – Legislative mandated special study.**

In response to legislative concerns, a special study was conducted by the Municipal Police & Fire Pension Office in the Department of Insurance which found that many pension plans were not actuarially sound and the state moneys were not being properly used to provide benefits to police officers and firefighters.

- **1959 and many times since – Legislative action to adjust program requirements.**

Many amendments enacted to ensure actuarially sound funding and updated reporting requirements to ensure proper use of the state money.

# Municipal Police and Fire Pensions, continued

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- **1994 –**

Compliance with Part VII of Ch 112 added as a requirement to receive state premium taxes.

- **1999 – Chapter 99-1, Laws of Florida enacted.**

Substantial rewrite of the statutes. Clarified that the minimum benefits and standards apply to all participating plans and that state premium tax moneys are to be used for sole and exclusive benefit of plan participants.

# Municipal Police and Fire Pensions- State Monitoring and Enforcement

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- Reviews each locally administered police or fire pension plan created pursuant to these chapters annually for compliance with applicable statutes, including a review of proposed plan changes, and review of their annual report documenting financial and statistical activity for the year.
- One of the Division's primary function is to ensure that the participating city/district adheres to the statutory requirements to provide a uniform retirement system for the police officer and firefighter members of the plans and that the plans are using the state moneys for the sole and exclusive benefit of the police officers and firefighters, as mandated by the Legislature.
- Distributes the insurance premium tax moneys collected within the city or district limits for each plan. Fire distributions are based on a 1.85% tax on property insurance, and police distributions are based on a 0.85% tax on casualty insurance.

# Plan Administration – Municipal Police and Fire Employee Plans

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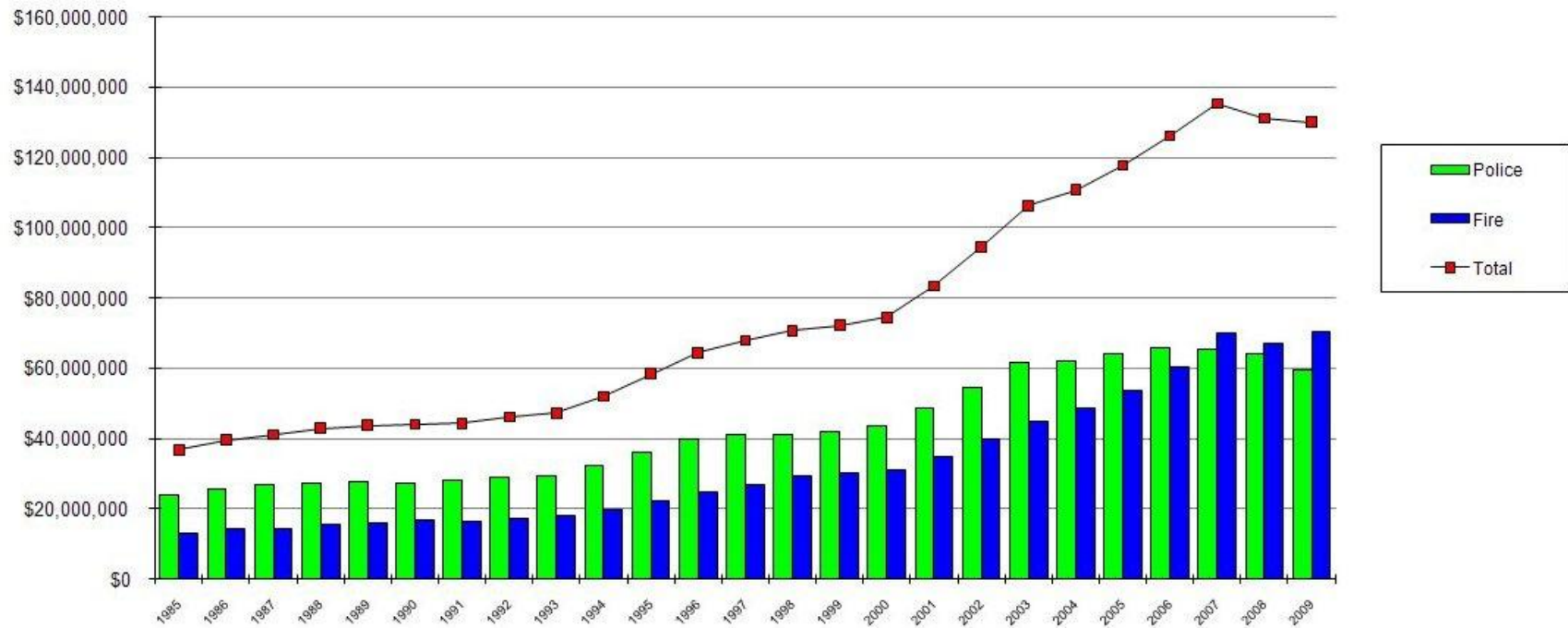
- Plan provisions are established by the local government's legislative body, subject to negotiation between the local government and its employees and the minimum requirements established in Chapters 175 and 185, F.S.
- Plans are solely administered on a local level by independent boards of trustees.
- The composition of the boards of trustees is stipulated in Chapters 175 and 185, F.S., to consist of five board members. Two members are elected members of the plan, two members are legal city residents appointed by the city or district, and a fifth member, elected by a majority of the other four.

# Municipal Police and Fire Pensions - Statistics

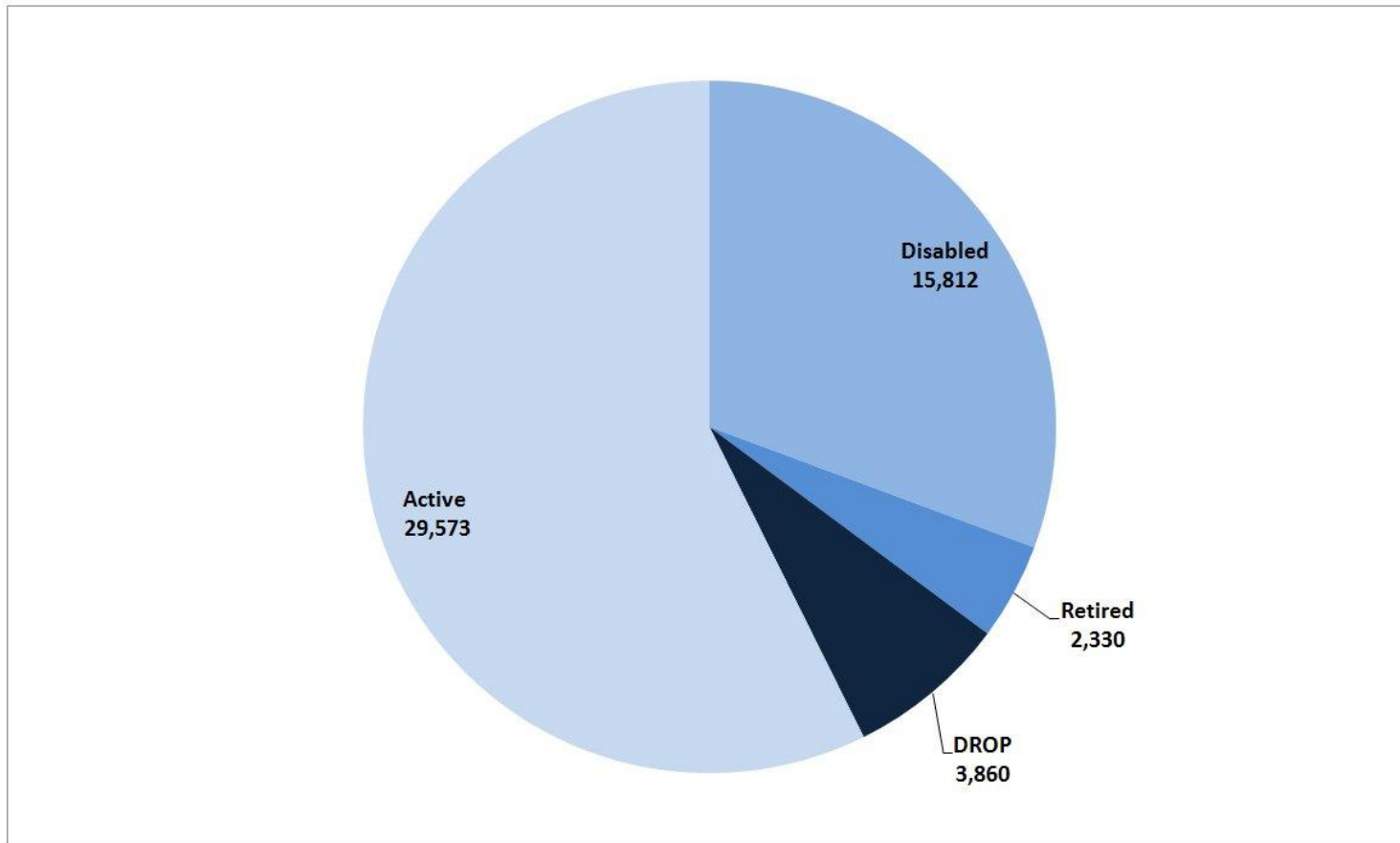
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- As of 9/30/10, 215 Florida municipalities or special districts participated under this program, operating 351 pension plans (177 police and 174 fire).
- For calendar year 2009, total premium tax distributions were approximately \$129.9 million, including \$59.4 million for police and \$70.5 million for fire.
- Over the past 25 years, premium tax distributions have totaled nearly \$1.9 billion.
- As of 9/30/2009, participating plans had total assets invested of approximately \$13.0 billion.

# Premium Tax Distribution History 1985 – 2009



# Municipal Police and Fire Pensions - Plan Membership Breakdown



As of 9/30/2009, the plans include approximately 51,575 members  
(29,025 police & 22,550 fire)





# Florida Retirement System and County Government



**PRESENTATION FOR THE HOUSE  
GOVERNMENT OPERATIONS SUBCOMMITTEE**

**FLORIDA ASSOCIATION OF COUNTIES  
JANUARY 26, 2011**



# Challenges Counties Face



## Property Taxes Collected by Counties

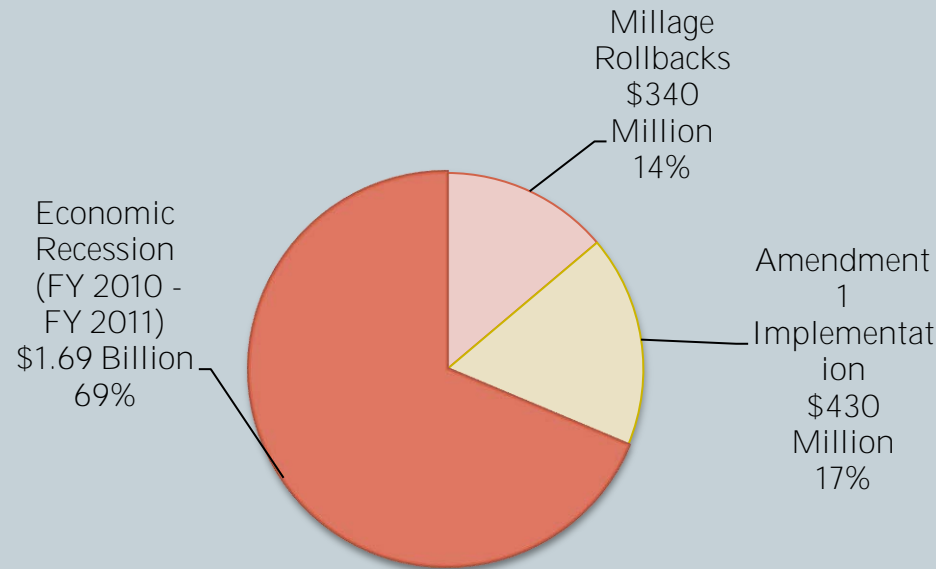
<b>2011-2012 (projected)</b>	<b>\$9.04 Billion</b>
2010-2011	\$9.04 Billion
2009-2010	\$9.62 Billion
2008-2009	\$10.73 Billion
2007-2008	\$11.16 Billion
2006-2007	\$11.5 Billion

- Reduced by \$2.5 billion or 21% since 2006-07
- The aggregate millage rate will likely decrease once final millage rates and property values are set at the end of 2010.

# Challenges Counties Face



- **Estimated Reduction of County Ad Valorem Levies  
\$2.45 Billion (FY 2007 - FY 2011)**

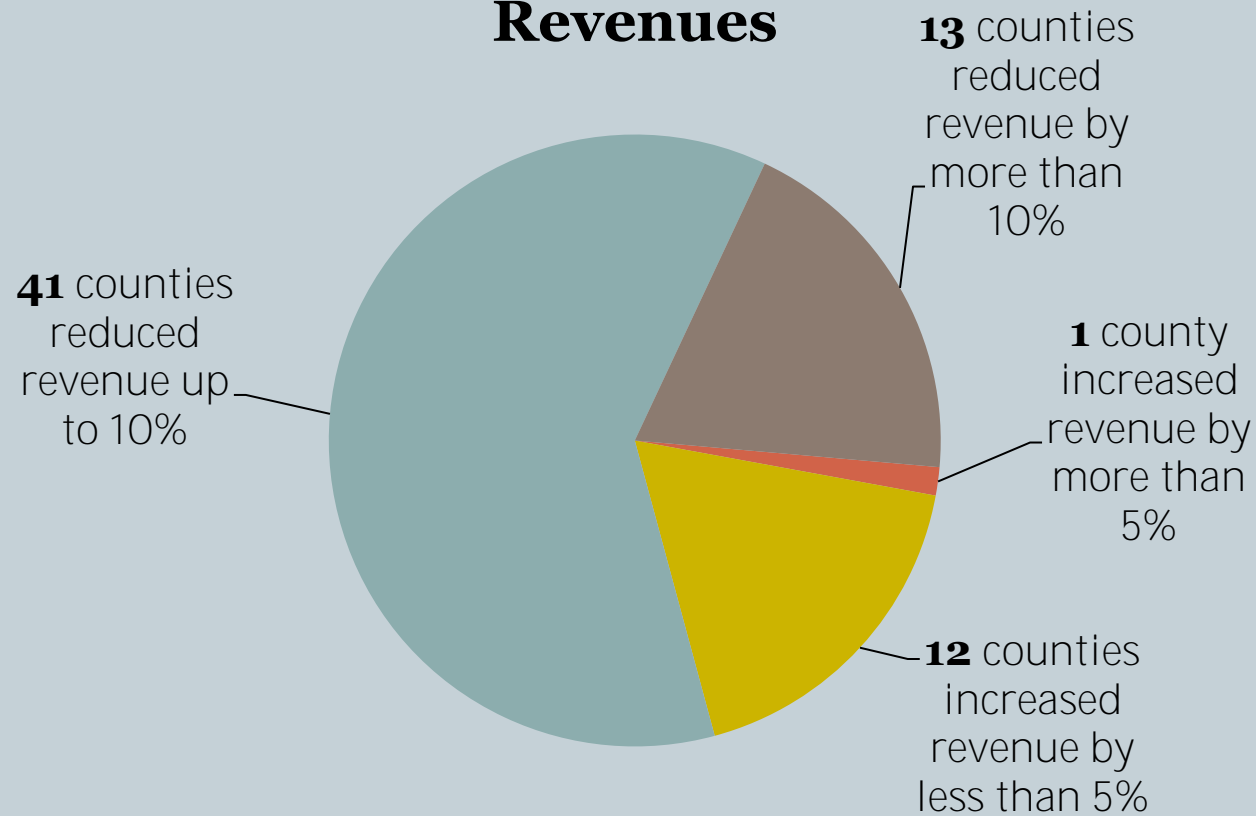


- Three major factors have impacted property taxes in Florida over the last four years: the decline in property values, the implementation of the roll back rates (2007) and Amendment 1 (2008). This year alone counties have reduced revenue by nearly \$583 million (6.5%)

# Challenges Counties Face



## 2010 Tax Year - All Florida Counties Revenues



## Counties and the Florida Retirement System



- Since 1971 counties have been required to participate in the Florida Retirement System
- Local governments cannot establish individual contribution rates
- They simply pay the contribution rates established by the Legislature
- Chapters 112 and 121, F.S.

# Counties and the Florida Retirement System



- Florida Retirement System is a 100% employer-contribution system
- Post employment health insurance subsidy is included in the contribution rate, but DROP is not
- Each Retirement Class has a different contribution rate:
  - Regular
  - Special Risk
  - Special Risk Administrative Support
  - Elected Officers
  - Senior Management Service
  - DROP

# Changes to the FRS



## 2000

- The Investment Plan was established to become operational in 2002
- Special risk annual retirement credit was upgraded to 3 percent for all years between October 1, 1978, and January 1, 1993 for members retiring on and after July 1, 2000
- Increase in the disability requirement benefit and a decrease of the vesting period
- The vesting requirement reduced to six years

## 2001 / 2002

- One time 12 % benefit increase was provided for FRS special risk service between 1978 and 1992, for members retiring before July 1, 2000
- Uniform employer contribution rate was created in 2002 for the defined benefits plan (Pension Plan) and the defined contribution plan (Investment Plan)

# County Employees and the FRS



Employees elect to join one of two retirement options:

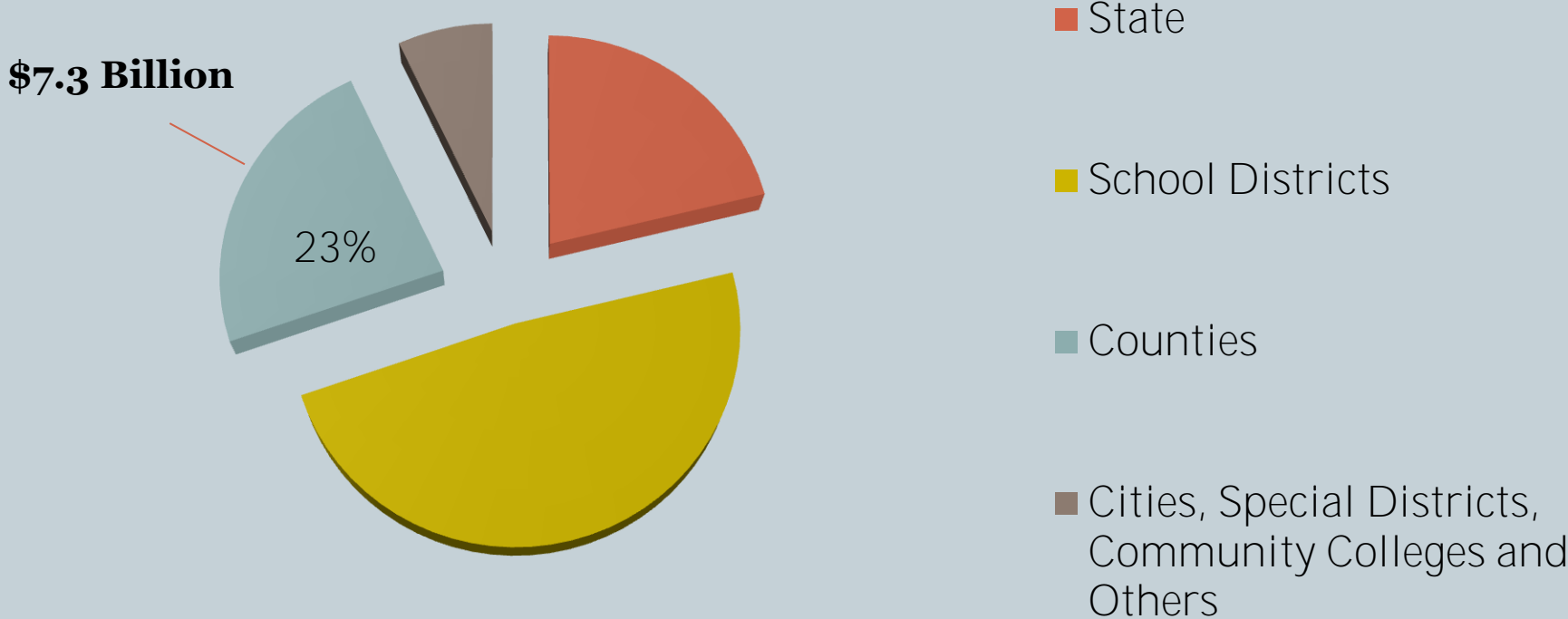
- The Defined Contribution Plan requires the employee to manage his/her own retirement and gives the employee portability
  - Investment Plan with one year vesting
- The Defined Benefit plan is an established set of benefits that will be given to the employee upon retirement regardless of the market conditions
  - Pension plan with six years to vest
- Florida does not have a hybrid option



# Counties and the Florida Retirement System



## Percentage of FRS Membership



- County FRS participants 151,651
  - Total FRS participation near 668,000

# County Employees by Classification



<b>Classification</b>	<b>Employees*</b>	<b>% of Total</b>	<b>Contribution Rate</b>
Regular	105,211	69.4%	.25%
Senior Management Service	1,614	10.6%	.26%
Special Risk	44,221	29.2%	1.33%
Elected Officer	605	0.4%	.41%
Total	151,651	100%	

\*Includes Sheriffs, Clerks of Court, Property Appraisers, Tax Collectors, and Supervisors of Elections. Includes 42 FRS members from the City of Jacksonville.

# Counties and the Florida Retirement System



- \$7.3 Billion - Counties payroll costs for 2009-10
  - Includes all Constitutional Officers (Clerks of Court, Sheriffs, Property Appraisers, Tax Collectors and Supervisors of Elections)
  - Some Constitutional Officers include payroll costs with Boards of County Commission reports to DMS
  - Cannot separate the county payroll costs by class
- County contribution in 2009-10 was \$1,112,205,254
  - 2010-11 estimate is \$1,183,800,000, an increase of \$60 million
  - Expected to increase by \$18.2 million in 2011-12

# 2010 Legislative Proposals



- HB 5607 included similar contribution rates for 2010 to 2009, but added funding for the Unfunded Actuarial Liability in 2011
  - \$143.9 million for 2011
- SB 2022 required all FRS employers to fund ALL of the Unfunded Actuarial Liability
  - \$134.8 million for 2010
  - \$304.5 million for 2011
- HB 5703 suggested that if a plan was 90% funded in 2008, the employer would not have to fund the Unfunded Actuarial Liability
  - \$304.5 million cost avoidance

# Florida Association of Counties



- Reduction of \$2.5 billion in property taxes
- 2010 Session:
  - Unfunded Liability of \$15.4 billion
  - Employee contributions
  - Elimination of the health insurance subsidy
  - Reducing the DROP accrual rate from 6.5% to 3%
- FAC decided to prepare our membership by inviting all the FRS stakeholders to the table

# Florida Association of Counties 2011 Legislative Priorities



- Oppose any FRS benefit changes that result in an increase in the FRS contribution rates.
- Support requiring all legislation that potentially results in an increase in the FRS contribution rate to be analyzed and evaluated to determine the direct fiscal impact of proposed changes to all local and state government to be eligible for consideration.

# Florida Association of Counties 2011 Legislative Priorities



- Support some level of grandfathering to existing employees.
- Support the establishment of a study commission to review the economic and practical impacts of possible changes to the FRS that would maintain competitive benefits for employees and create a more cost-effective system for employers.







# Municipal Pensions Overview



**FLORIDA HOUSE OF REPRESENTATIVES  
GOVERNMENTAL OPERATIONS  
SUBCOMMITTEE  
JANUARY 26, 2011**

**KRAIG CONN  
LEGISLATIVE COUNSEL  
FLORIDA LEAGUE OF CITIES, INC.**

# General Information



- 410 municipalities (cities, towns, villages)
- No requirement to provide a pension plan
- Most provide voluntarily or through collective bargaining
- Municipal employees have the right to collectively bargain for retirement benefits (Florida Supreme Court case)
- Pensions and pension benefit increases must be funded on a sound actuarial basis (Article X, Section 14, Florida Constitution and Part VII, Chapter 112, Florida Statutes)

# General Information



- Options for Municipal Pension or Retirement Programs:
  - Defined Benefit Plan · Defined Contribution Plan · Chapter 175 (Firefighter) or Chapter 185 (Police) Defined Benefit Plan · Deferred Compensation Plan · Florida Retirement System · Any Combination of the Above
- Approximately 150 cities voluntarily participate in various FRS membership classes, but make up less than 5% of the participants/members of the FRS

# General Information



- 203 cities provide approximately 440 different Defined Benefit pension plans (some cities have more than 1: general, police, fire).
- The total asset market value is approximately \$23 billion with approximately 100,000 active employees and 60,000 retirees.
- Approximately 100 cities provide a Defined Contribution pension plan for a class of city employees.
- **Approximately 30 cities provide a “share” plan to police officers or firefighters under Ch. 175 or 185, FS, (this is a DC plan in addition to the required DB plan).**

# General Information



- Over 200 cities operate a DB pension plan under Ch. 175 or 185, FS.
- Of the 440 city DB plans, 335 operate under Ch. 175 (firefighter) or 185 (police), FS, (176 police and 159 fire plans).
- This is 75% of all city DB plans.
- The total asset market value of city Chapter 175 or 185 plans is approximately \$13 billion.
- Information from Florida Local Government Retirement Systems, 2010 Annual Report, DMS.

## **Chapter 175** (Firefighter) **and Chapter 185** (Police Officer) **Municipal Pension Programs**



- **In 1939 the Municipal Firefighters' Pension Fund and in 1953 the Municipal Police Officers' Pension Fund were created by the legislature.**
- Insurance premium tax revenues provided to cities to encourage the creation of Defined Benefit pensions for city firefighters and police officers.
- Insurance premium tax for Fire (175) is 1.85% on premiums for property insurance policies covering property within city limits.
- Insurance premium tax for Police (185) is 0.85% on premiums for casualty insurance policies covering property within city limits.

## **Chapter 175** (Firefighter) **and Chapter 185** (Police Officer) **Municipal Pension Programs**



- Over the past 50 years, cities and state regulators of Ch. 175 and 185 (currently the Division of Retirement) and police/fire unions have often had a contentious relationship.
- The Division frequently views its role as that of **“guardian” of Ch. 175 and 185, even going so far as to** negate city and local police/fire union agreements on pension benefits or the use of insurance premium tax revenues.

## **Chapter 175** (Firefighter) **and Chapter 185** (Police Officer) **Municipal Pension Programs**



Example provisions in Chapters 175 and 185:

- Police/Fire pensions under Ch. 175 or 185 operate under a bifurcated oversight and operation system.
- Cities (plan sponsors) adopt a plan and make any benefit changes.
- Boards of trustees, as established and authorized under Ch. 175 and 185: administer the plans; make all investment decisions; make pension eligibility, including disability pension, determinations; hire plan lawyers, actuaries, and other professionals; and operate without any budget oversight or accountability to the plan sponsors (cities).
- A board of trustees could have a majority of the board also be pension plan members.



## **Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs**



Example provisions in Chapters 175 and 185:

- Police/Fire plan members can not agree to higher member contributions to the plan without there being an increase in pension benefits.
- Ch. 185 (police) provides that city police pension plans must allow at least 300 hours per calendar year of overtime for retirement benefit calculation purposes (equivalent of 37.5 eight hour work days or 7.5 work weeks).
- A police/fire plan is required to meet all of the minimum statutory benefit levels even if the aggregate value of benefits in the current plan exceeds the aggregate value of the minimum statutory benefits.
- Cities are prohibited from using insurance premium tax revenues to pay for police/fire membership in the FRS or provide a Defined Contribution pension plan.

## **Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs**



- Prior to 1999, cities were largely free to bargain with local police and fire unions, or provide for their non-unionized police and firefighters, the pension benefits that best fit the priorities and needs of the city and its police/fire.
- The first bill passed by the legislature in 1999 was a major Ch. 175 and 185 rewrite.
- 99-1 requires all plans to meet the specific Ch. 175/185 **“minimum benefit” standards.**
- 99-1 requires all plans to provide **“extra benefits”** to police and firefighters.
- 99-1 substantially revises how cities use insurance premium tax revenues (note original intent).

## **Chapter 175** (Firefighter) **and Chapter 185** (Police Officer) **Municipal Pension Programs**



- 99-1 requires additional insurance premium tax revenues over a base amount to be used to provide **additional or “extra” pension benefits to police/fire.**
- **“Extra benefits” is defined as benefits in addition** to those given to general employees and in existence in a police/fire pension plan after March 12, 1999.
- The March 12, 1999 date punishes cities that offered heightened pension benefits to their police/fire prior to March 12, 1999.

## **Chapter 175** (Firefighter) **and Chapter 185** (Police Officer) **Municipal Pension Programs**



- In aggregate numbers, cities have had to provide **over \$400 million in “extra” pension benefits** to police/fire since March 12, 1999. \$400 million is the amount of additional insurance premium tax revenues over the base amount.
- City taxpayers have funded \$400 million in pension costs while at the same time an additional \$400 million in tax proceeds was required to be spent on new or extra pension benefits for police and firefighters.

## Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs



- 99-1 did not specify exactly what “extra” benefits must be provided.
- Examples of extra benefits that have been negotiated include:
  - An increased benefit multiplier (multipliers of 3%, 3.5%, 4% and even higher)
  - Yearly cost-of-living adjustments
  - Lower retirement ages
  - A 13<sup>th</sup> monthly pension check
  - **The creation of “share plans”, a DC plan funded with additional insurance premium tax revenues that is in addition to the required DB plan**

## **Chapter 175** (Firefighter) **and Chapter 185** (Police Officer) **Municipal Pension Programs**



- Effect of 99-1 and other state mandates has been to **massively increase cities' funding liabilities and to** create a structural deficit that worsens with every passing year.
- As a result, many cities are paying amounts equal to 40, 50, and 60 percent of a police officer of **firefighter's salary toward funding their pensions.**
- By comparison, counties and the state typically pay only 20 to 25% for employees in the Special Risk Class (police and firefighters) of the FRS.

# Disability Presumptions



- Section 112.18, Florida Statutes, establishes a disability presumption for firefighters and police officers who suffer any health condition caused by hypertension or heart disease. The presumption is that the condition occurred because of the job.
- **The presumption may be “overcome” only upon** meeting a high evidentiary standard.
- Tobacco users are not excluded from the presumption.

# Disability Presumptions



- The presumption is frequently used to obtain **workers' compensation and disability pension** benefits.
- Removal of the presumption does not mean that firefighters and police officers are not entitled to **workers' compensation or disability pension** benefits, rather it means that they would have to show entitlement to the benefit just like every other benefit claimant.



# Subsidized Insurance Coverage for Retirees



- Section 112.0801, Florida Statutes, requires every governmental entity that provides life, health, accident, hospitalization, or any other kind of insurance for its officers and employees to allow retirees, and their eligible dependents, the option to continue to participate in the insurance plan.
- Retirees and their eligible dependents must be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees.
- This is a significant other post-employment benefit (OPEB) mandate on government employers.



## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Name of City	Plan Type	Required City Contribution (as a percentage of payroll)
Wilton Manors	Police	213.3
Sarasota	Fire	186.9
Lake Worth	Fire	126.3
Pembroke Pines	Police/Fire	88.4
Miami Beach	Police/Fire	81.9
Cooper City	Police	75.6
Hollywood	Fire	72.9
Hollywood	Police	68.8
Sebring	Fire	68.3
Cooper City	Fire	67.5
Coral Springs	Police	67.5
Medley	Police	66.3
Longboat Key	Police	66.2
Port Orange	Fire	65.8
Saint Petersburg	Fire	62.3
Pompano Beach	Police	62.2
Hallandale Beach	Police/Fire	61.8
Pensacola	Fire	60.3
Cocoa	Fire	58.2
Fort Myers	Police	57.5
Port Orange	Police	57.4
Bal Harbour Village	Police	57.3
Fort Myers	Fire	56.4
Homestead	Police	56.2
Lantana	Fire	54.7
Village of Palm Springs	Police/Fire	50.3
Pensacola	Police	50.1
Coral Gables	Police/Fire	49.6
Pinellas Park	Fire	48.5
Fort Lauderdale	Police/Fire	48
Jacksonville	Police/Fire	47.5
Bay Harbor Islands	Police	47.1
Melbourne Beach	Police	46.4
North Miami Beach	Police/Fire	46.4
Edgewater	Police	46.1
Longboat Key	Fire	46.1
Palm Beach	Fire	46
Cape Coral	Fire	45.8
Davie	Police	45.5
Miramar	Police	45.5
New Smyrna Beach	Fire	44.8

## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Delray Beach	Police/Fire	44.7
New Port Richey	Police	44.1
Venice	Fire	44.1
Holly Hill	Police	43.5
Plantation	Police	43.3
Miami	Police/Fire	42.6
Lauderhill	Fire	42.4
Palm Beach	Police	42.2
Riviera Beach	Fire	40.4
Miami Shores Village	Police	40
Cape Coral	Police	39.9
Palm Beach Gardens	Police	39.8
Daytona Beach	Police/Fire	38.8
Venice	Police	38.7
Oakland Park	Police/Fire	38.5
Jupiter	Police	38.2
Panama City	Fire	38
Saint Pete Beach	Police	38
Cocoa Beach	Police	37.4
Tamarac	Fire	37.1
Sarasota	Police	35.9
Sunrise	Police	35.8
Temple Terrace	Police	35.5
Palm Beach Gardens	Fire	35
Indian River Shores	Police/Fire	34.8
Pompano Beach	Fire	34.5
Oldsmar	Fire	33.8
Davie	Fire	33.3
Riviera Beach	Police	33.2
Starke	Fire	33.2
Melbourne	Police	32.9
Saint Petersburg	Police	32.9
Lake Worth	Police	32.6
Williston	Police	32.1
Madison	Fire	32
Indian Harbour Beach	Police	31.9
Largo	Police/Fire	31.6
Sanibel	Police	31.5
Fernandina Beach	Police/Fire	31.4
Bartow	Fire	31.3
Winter Haven	Fire	31.2
Orlando	Police	31.1

## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

West Palm Beach	Fire	31.1
Safety Harbor	Fire	31
Lake Wales	Fire	30.9
Maitland	Police/Fire	30.6
Perry	Fire	30.6
Leesburg	Fire	30.4
Miramar	Fire	30.1
Boynton Beach	Fire	29.9
West Melbourne	Police	29.9
Marco Island	Police	29.6
Boynton Beach	Police	29.4
Kissimmee	Fire	29.1
Bradenton	Fire	28.9
Brooksville	Fire	28.5
Holmes Beach	Police	28.4
Marco Island	Fire	28.4
Orange Park	Police	28.3
Kissimmee	Police	28.1
Sunrise	Fire	28
Panama City	Police	27.8
Pinellas Park	Police	27.7
Orlando	Fire	27.6
Cocoa	Police	27.5
Plant City	Police/Fire	27.5
Cocoa Beach	Fire	27.4
Eustis	Police	27.1
Bradenton	Police	27
Sebring	Police	26.9
Fort Walton Beach	Fire	26.6
Sanford	Fire	26.6
Ormond Beach	Police	26.4
Naples	Fire	26
Ocala Supp	Police	25.9
Marathon	Fire	25.6
Sanford	Police	25.6
Flagler Beach	Fire	25.5
Fort Walton Beach	Police	25.4
Naples	Police	25.3
Hialeah	Police/Fire	25.1
Avon Park	Fire	24.7
Sebastian	Police	24.7
Lake Wales	Police	24.4

## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Winter Haven	Police	24.4
Lake Mary	Police	24.3
Ocala Supp	Fire	24.3
Key West	Police/Fire	24.2
North Miami 748	Police	24.2
Clearwater	Police/Fire	24.1
Winter Park	Fire	24.1
Lake City	Fire	23.9
North Port	Police	23.9
Clermont	Police	23.8
Palatka	Fire	23.8
Lake City	Police	23.7
Winter Park	Police	23.6
Gulf Breeze	Police	23
Hialeah Gardens	Police	22.9
Temple Terrace	Fire	22.6
DeLand	Police	22.5
Dunedin	Fire	22.5
Lauderhill	Police	22.5
Boca Raton	Police/Fire	22.4
Satellite Beach	Police/Fire	22.4
FL RETIREMENT SYSTEM SPECIAL RISK CLASS		22.2
Greenacres	Police/Fire	22
Lake Helen	Police	22
Macclenny	Police/Fire	21.9
Neptune Beach	Police	21.9
Apopka	Police	21.8
Winter Garden	Police/Fire	21.8
Atlantic Beach	Police	21.7
Lynn Haven	Fire	21.7
Tavares	Fire	21.7
North Port	Fire	21.4
Altamonte Springs	Police	21.3
Lantana	Police	21.2
Aventura	Police	21
Bushnell	Police	21
Lighthouse Point	Police/Fire	20.9
New Smyrna Beach	Police	20.9
Auburndale	Fire	20.8
Chattahoochee	Fire	20.8
Surfside	Police	20.8
Palm Bay	Fire	20.4

## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Golden Beach	Police	20.3
Valparaiso	Police/Fire	20.3
Punta Gorda	Police	20.1
Bartow	Police	20
Seminole	Fire	20
Dade City	Fire	19.8
South Pasadena	Fire	19.8
Dania Beach	Fire	19.7
Deerfield Beach	Fire	19.7
Tampa	Police/Fire	19.7
Auburndale	Police	19.5
Edgewater	Fire	19.5
Avon Park	Police	19.4
Dunnellon	Police/Fire	19.3
Eustis	Fire	19.3
Ormond Beach	Fire	19.2
Titusville	Police/Fire	19.1
Palmetto	Police	19
Haines City	Fire	18.7
Lake Mary	Fire	18.7
Punta Gorda	Fire	18.7
Coral Springs	Fire	18.6
Crestview	Police/Fire	18.3
Casselberry	Police/Fire	18.2
Port St. Lucie	Police	18.2
Perry	Police	18.1
Tarpon Springs	Fire	18.1
Vero Beach	Police	18
Lakeland	Police	17.9
Village of North Palm Beach	Police/Fire	17.9
Saint Augustine	Fire	17.4
Indialantic	Police/Fire	17.1
Orange Park	Fire	17
Milton	Fire	16.9
Panama City Beach	Police	16.9
Mount Dora	Fire	16.8
Belleview	Police	16.6
Deltona	Fire	16.6
Labelle	Fire	16.5
Lynn Haven	Police	16.5
South Miami	Police	16.5
Panama City Beach	Fire	16.4

## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Tallahassee	Fire	16.4
Quincy	Police/Fire	16.3
Ocoee	Police/Fire	16.2
Palatka	Police	15.8
Indian Shores	Police	15.7
Okeechobee	Police	15.6
Miami Springs	Police/Fire	15.3
Mount Dora	Police	15.2
Milton	Police	15
Oviedo	Police	15
Tavares	Police	14.7
Belleair	Police	14.4
Oviedo	Fire	14.4
Wauchula	Police	14.4
New Port Richey	Fire	14.3
Apopka	Fire	14.2
Gulfport	Police	14.2
Live Oak	Fire	14
Howey-In-The-Hills	Police	13.9
Lady Lake	Police	13.9
Jacksonville Beach	Fire	13.8
Jacksonville Beach	Police	13.8
Tallahassee	Police	13.5
Haines City	Police	13.4
Dade City	Police	13.1
Saint Pete Beach	Fire	13
Tarpon Springs	Police	12.9
Key Biscayne	Police/Fire	12.8
Holly Hill	Fire	12.7
Marianna	Fire	12.5
Melbourne	Fire	12.5
West Palm Beach	Police	12.5
Saint Cloud	Police/Fire	11.9
Arcadia	Police/Fire	11.6
Palm Bay	Police	10.9
Brooksville	Police	10.6
Tequesta	Fire	10.4
Okeechobee	Fire	10
Rockledge	Fire	9.6
Saint Augustine	Police	9.3
Eatonville	Police	8.9
Tequesta	Police	8.1



## CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

<b>Starke</b>	<b>Police</b>	<b>7.5</b>
<b>Gulfport</b>	<b>Fire</b>	<b>7.4</b>
<b>Longwood</b>	<b>Police/Fire</b>	<b>7.1</b>
<b>Rockledge</b>	<b>Police</b>	<b>7</b>
<b>Flagler Beach</b>	<b>Police</b>	<b>6.8</b>
<b>Leesburg</b>	<b>Police</b>	<b>6.8</b>
<b>Gainesville</b>	<b>Police/Fire</b>	<b>6.1</b>
<b>Madison</b>	<b>Police</b>	<b>4.4</b>
<b>Deland</b>	<b>Fire</b>	<b>3.3</b>
<b>Lake Alfred</b>	<b>Police</b>	<b>3.2</b>
<b>Marianna</b>	<b>Police</b>	<b>1</b>
<b>Shalimar</b>	<b>Police</b>	<b>0</b>

Source: Florida Local Government Retirement Systems, 2010 Annual Report,  
Florida Department of Management Services





Division of Retirement  
Municipal Police Officers' & Firefighters'  
Retirement Trust Funds' Office  
PO Box 3010  
Tallahassee, Florida 32315-3010  
Toll Free: 877.738.6737  
Tel: 850.922.0667  
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Governor Charlie Crist

Secretary Linda H. South

December 3, 2010

Honorable Tomas P. Regalado  
Mayor of Miami  
Post Office Box 330708  
Miami, Florida 33233-0708

Re: Miami Firefighters' and Police Officers' Retirement Trust Fund

Dear Mayor Regalado:

This is to acknowledge receipt of an e-mail dated September 29 from Dania Orta on behalf of the Board of Trustees (Board) with a copy of Ordinance No. 13202 (File No. 10-01091) and a later e-mail dated November 10 with a copy of the actuarial impact statement "For Ordinance File No. 10-01091, As Applicable," approved by the Board.

It appears that the ordinance makes a number of reductions in benefits for service after October 1, 2010. The actuarial impact statement indicates that it reflects the issue of applicability to members eligible to retire on September 30, 2010, as interpreted by the Board and the Legal Counsel for the Board. However, it does not reflect the limitations on benefit reductions under Sections 175.351(1) or 185.35(1), Florida Statutes (F.S.).

Please let our office know if any of the reductions found in the ordinance reduce benefits below those in effect on March 12, 1999 (the effective date of Chapter 99-1, Laws of Florida). If so, please explain how such reductions comply with the statutory provisions found in Chapters 175 & 185, specifically ss. 175.351(1) and 185.35(1), F. S.

Failure to comply with the statutory provisions will jeopardize the future receipt of the state premium tax moneys as provided under Chapters 175 and 185, F. S.

Thank you for your cooperation and assistance in this matter. If you have any questions or if this office can be of assistance, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Patricia F. Shoemaker".

Patricia F. Shoemaker  
Benefits Administrator  
Municipal Police Officers' and  
Firefighters' Retirement Funds

pfs

cc: Thomas M. Gabriel, Chair, Miami Police & Fire Pension Plan  
Dan Givens, Administrator, Fire Fighters' Pension Plan  
Sarah M. Wong, Administrator, Police Officers' Share Plan  
Stephen H. Cypen, Plan Attorney  
Robert D. Klausner, Fire Share Plan Attorney

Randall L. Stanley, Plan Actuary  
Robert H. Nagle, Plan Administrator  
Keith E. Brinkman, Bureau Chief, Local  
Retirement Systems

We serve those who serve Florida.



**Historical Insurance Premium Tax Distributions  
1982 – 2009  
Police and Fire – Combined**

	<b>Premium Tax Distribution</b>	<b>Estimated Amount Required for "Extra Benefits"</b>	<b>Annual Increase/(Decrease)</b>	<b>Percentage Increase/(Decrease)</b>
1982	\$22,872,000		\$2,239,000	10.85%
1983	\$25,453,000		\$2,581,000	11.28%
1984	\$31,463,000		\$6,010,000	23.61%
1985	\$36,713,000		\$5,250,000	16.69%
1986	\$39,550,000		\$2,837,000	7.73%
1987	\$41,066,000		\$1,516,000	3.83%
1988	\$42,923,000		\$1,857,000	4.52%
1989	\$43,689,000		\$766,000	1.78%
1990	\$44,017,000		\$328,000	0.75%
1991	\$44,309,000		\$292,000	0.66%
1992	\$46,149,000		\$1,840,000	4.15%
1993	\$47,229,000		\$1,080,000	2.34%
1994	\$52,036,000		\$4,807,000	10.18%
1995	\$58,349,000		\$6,313,000	12.13%
1996	\$64,485,000		\$6,136,000	10.52%
1997	\$67,871,000		\$3,386,000	5.25%
<b>Base Year</b> 1998	<b>\$70,687,000</b>		<b>\$2,816,000</b>	<b>4.15%</b>
1999	\$72,220,000	\$1,533,000	\$1,533,000	2.17%
2000	\$74,502,000	\$3,815,000	\$2,282,000	3.16%
2001	\$83,417,000	\$12,730,000	\$8,915,000	11.97%
2002	\$94,600,000	\$23,913,000	\$11,183,000	13.41%
2003	\$106,276,000	\$35,589,000	\$11,676,000	12.34%
2004	\$110,739,000	\$40,052,000	\$4,463,000	4.20%
2005	\$117,786,000	\$47,099,000	\$7,047,000	6.36%
2006	\$126,119,000	\$55,432,000	\$8,333,000	7.07%
2007	\$135,290,000	\$64,603,000	\$9,171,000	7.27%
2008	\$131,111,000	\$60,424,000		
2009	\$129,956,000	\$59,269,000		

**TOTAL ESTIMATED AMOUNT OF \$404,459,000 REQUIRED FOR "EXTRA BENEFITS"**

Source: Department of Management Services, Division of Retirement, Municipal Police Officers and Firefighters' Retirement Trust Funds Office