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# **Government Operations Subcommittee**

**Wednesday, January 16, 2013**

**3:30 PM - 6:30 PM**

**Webster Hall (212 Knott)**

**Will Weatherford  
Speaker**

**Jason T. Brodeur  
Chair**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

### Government Operations Subcommittee

**Start Date and Time:** Wednesday, January 16, 2013 03:30 pm  
**End Date and Time:** Wednesday, January 16, 2013 06:30 pm  
**Location:** Webster Hall (212 Knott)  
**Duration:** 3.00 hrs

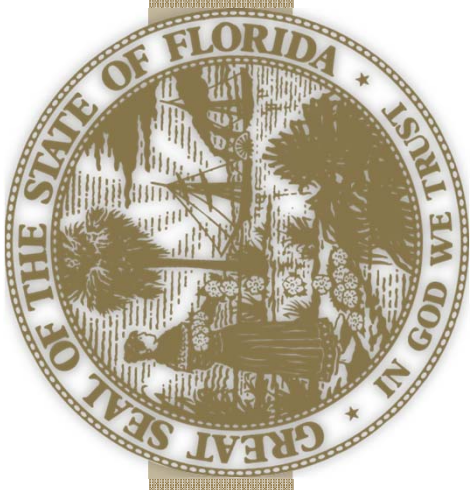
Presentations on the Florida Retirement System:

- Department of Management Services, Division of Retirement
- State Board of Administration

Presentation by the Department of Management Services, Division of Retirement, on local pension plans for public employees

**NOTICE FINALIZED on 01/09/2013 16:14 by Love.John**





# Florida Retirement System

January 16, 2013

House Government Operations Subcommittee



## Florida Retirement System (FRS)

### Pension Plan

- Defined Benefit Plan
- Vested after eight years of service if initially enrolled on or after July 1, 2011.
- Vested after six years of service if initially enrolled prior to July 1, 2011.
- Provides a lifetime monthly benefit when you retire based on a set formula.

• Benefit is based on the following formula:

$$\text{AFC}^* \times \text{Years of Service} \times \text{Accrual \%}$$

### Investment Plan

- Defined Contribution Plan
- Vested after one year of service.
- Member chooses how to receive the balance of the investment account after retirement.

• Account balance is based on the following formula:

$$\text{Contributions} + \text{Earnings} - \text{Losses} - \text{Administrative Expense Charges}$$

\* AFC = Average Final Compensation



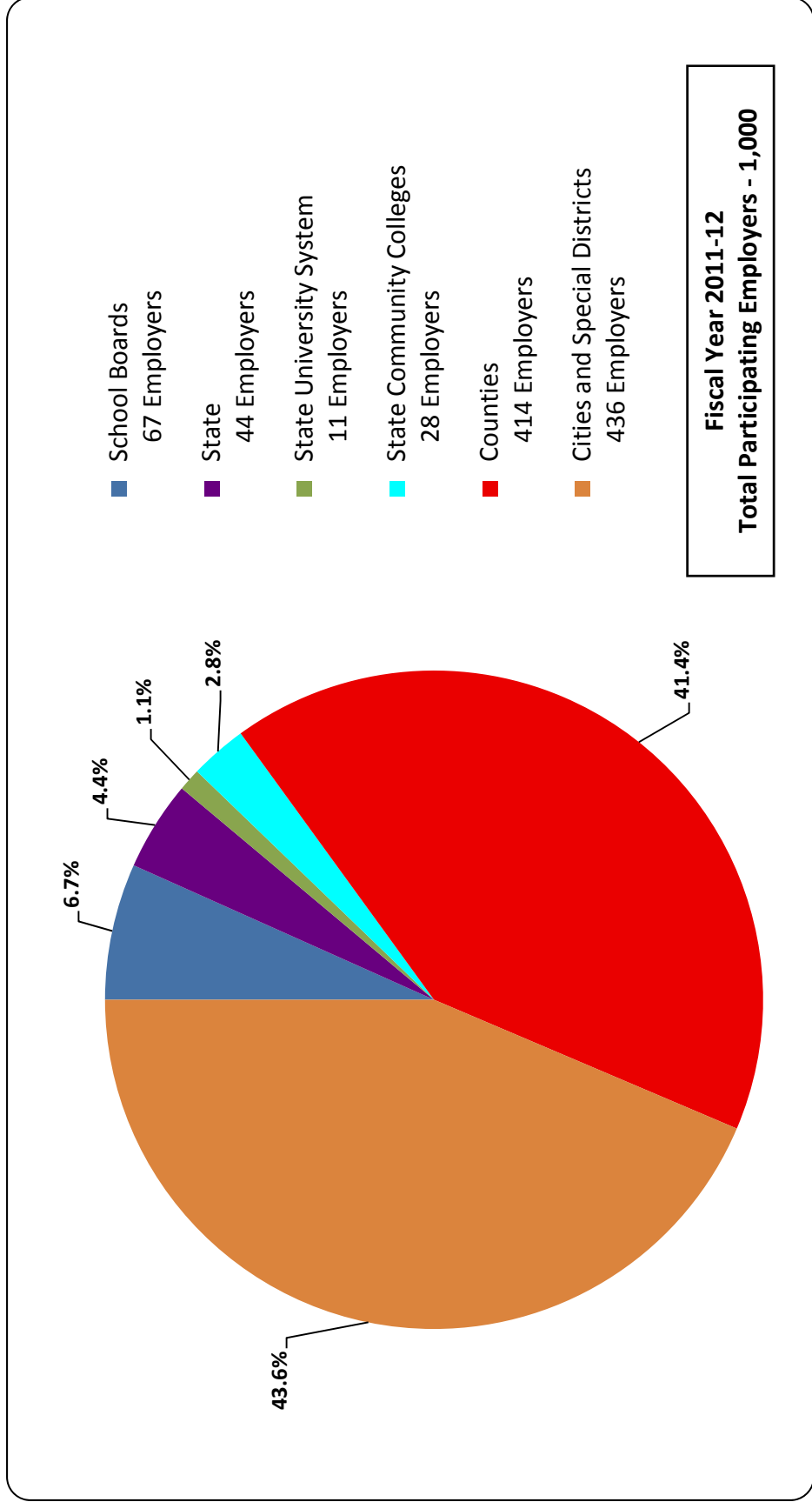
## Division of Retirement

### RESPONSIBILITIES

- Administer Defined Benefits Programs of the Florida Retirement System (FRS), the 4<sup>th</sup>-largest public pension plan in the U.S. with \$127.1 billion in assets (as of November 30, 2012).
- FRS Investment Plan responsibilities include: administration and maintaining each member's account throughout career and retirement. Financial Guidance Program provides investment advice for Investment Plan members and general financial planning for all FRS members. Choice Program provides education about the differences in the two programs and processes members' initial elections and second elections.
- FRS Pension Plan responsibilities include: enrolling members and agencies, collecting and accounting for contributions and payroll data, determining vesting and membership eligibility, maintaining each member's service credit records throughout career and retirement, calculating transfer costs between plans, calculating benefits, maintaining retired payroll and benefit payments, and administering survivor and disability benefit programs.
- Administers State University System Optional Retirement Program (SUSORP), Senior Management Service Optional Annuity Program (SMSOAP), limited administration of State Community College System Optional Retirement Program, and Retiree Health Insurance Subsidy (HIS) Program.
- Monitors State's 492 local government public retirement systems (non-FRS participants) for actuarial soundness and reviews 351 local government police officer and/or firefighter pension plans participating under chapters 175 & 185 for compliance with statutes and distributing insurance premium tax money.



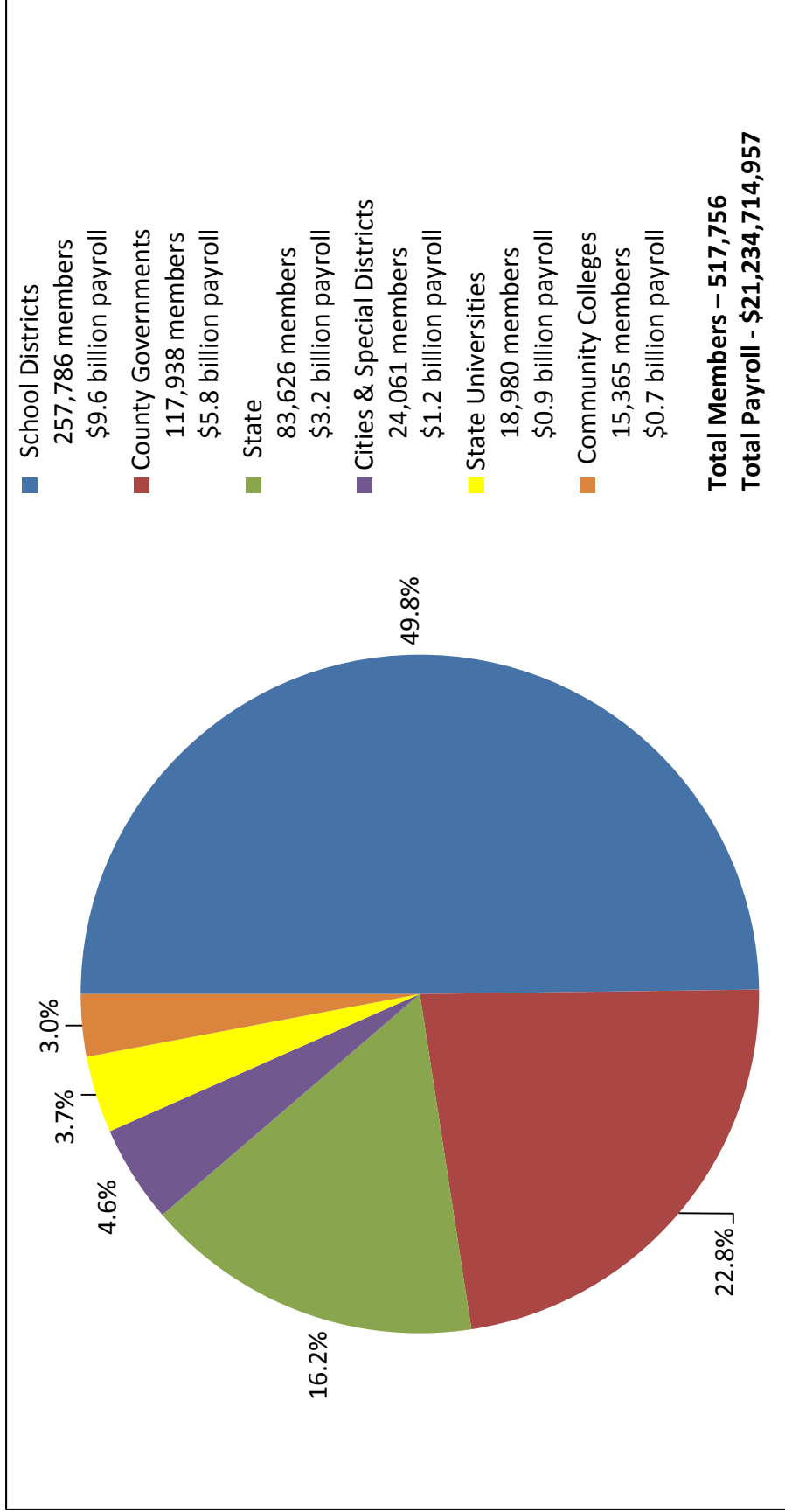
# Employers by Employer Group



% = Percent of Total Active Employers on June 30, 2012



# Pension Plan Membership by Employer Group

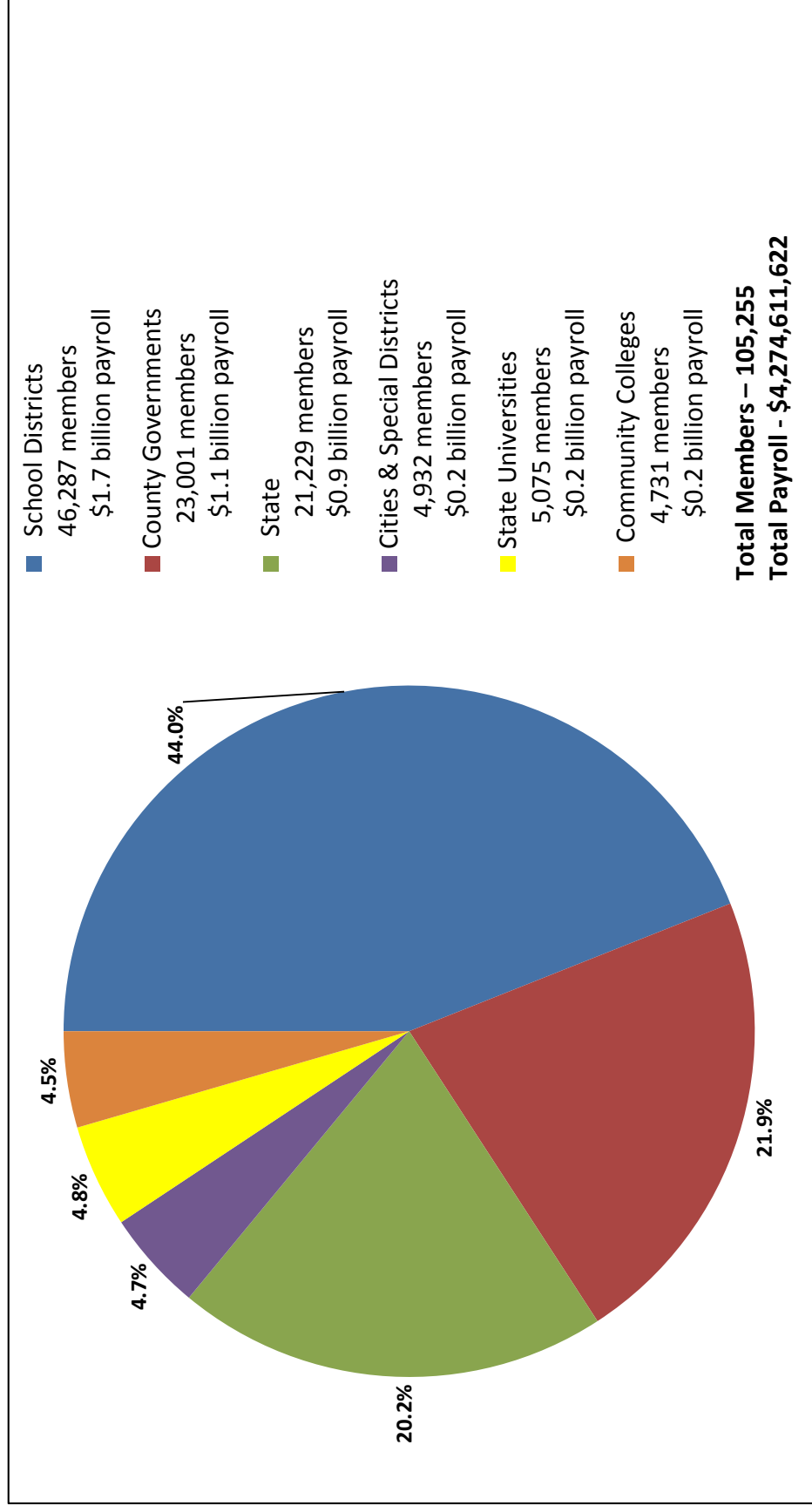


% = Percent of Total Active Employers on June 30, 2012





# Investment Plan Membership by Employer Group



% = Percent of Total Active Employers on June 30, 2012

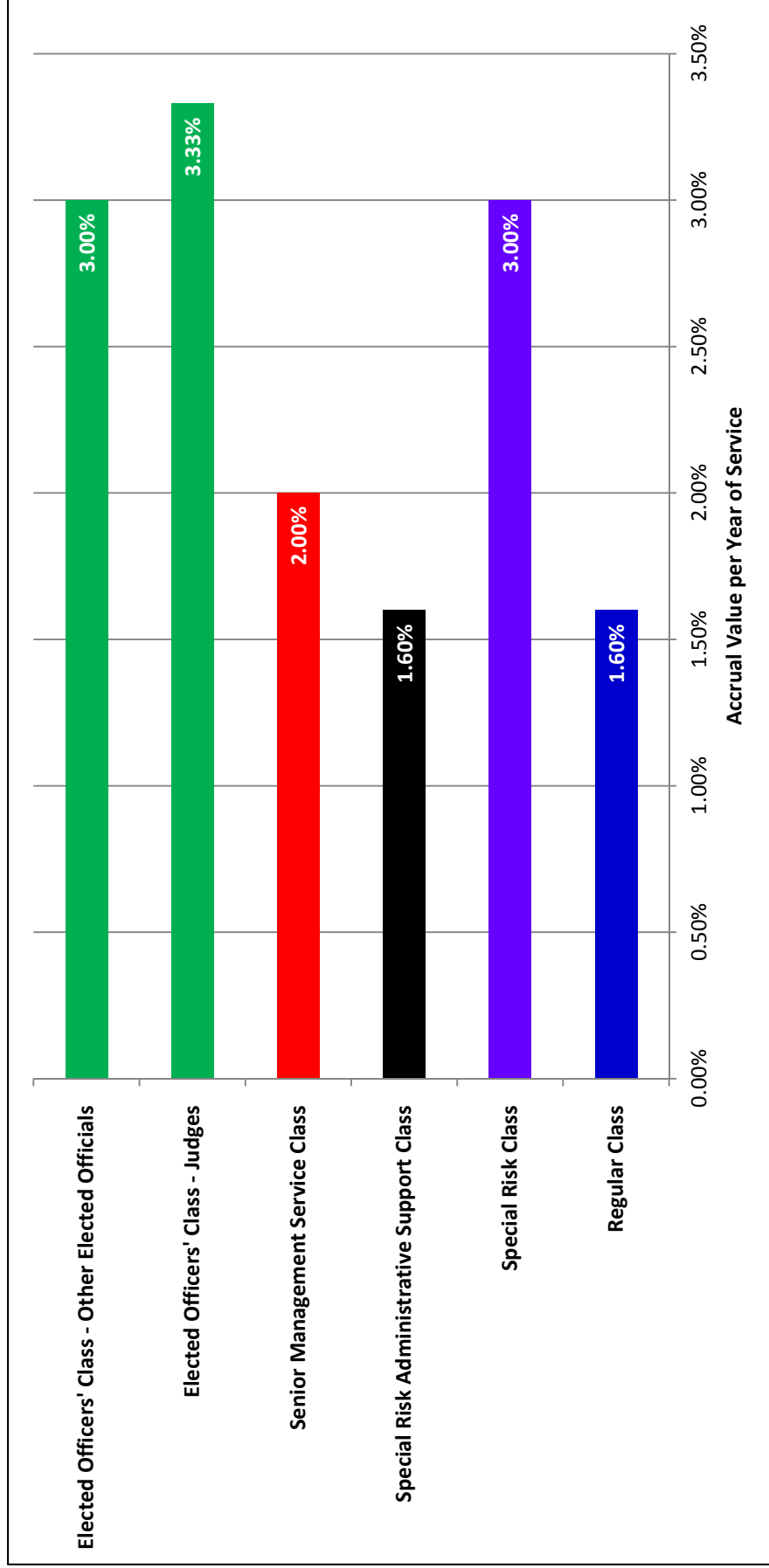


## Legislative Changes Last Three Years

- Pension Plan members initially enrolled on or after July 1, 2011:
  - Vest after eight years (instead of six years).
  - Reach normal retirement after 30 years of service or age 60 for Special Risk Class members (instead of after 25 years or age 55), or after 33 years of service or age 65 for all other classes (instead of after 30 years of service or age 62).
  - Benefits are calculated using the highest eight fiscal years' salaries (instead of the highest five fiscal years' salaries).
  - No post-retirement cost-of-living adjustment.
- Pension Plan members initially enrolled before July 1, 2011, do not have a cost-of-living adjustment for service earned on or after July 1, 2011.
- Require 3 percent employee contributions on a pre-tax basis for compensation reported on or after July 1, 2011.
- Close renewed membership to new participation for retirees initially re-employed on or after July 1, 2010.
- Increase required termination period to finalize retirement from one calendar month to six calendar months for retirements effective on or after July 1, 2010.



# Pension Plan Accrual Rates by Membership Class





## Deferred Retirement Option Program(DROP)

- Allows members to retire and continue working for up to:
  - Five Years: All Members
  - Employer may approve up to three additional years for K-12 instructional personnel.
- Pension benefits accumulate in the FRS Trust Fund.
  - Earn monthly interest (1.3% interest annually for DROP begin dates July 1, 2011 and after, or 6.5% interest annually for DROP begin dates before July 1, 2011).
  - Earn annual cost-of-living adjustment.
- Members must terminate employment with FRS employers after completing DROP.
- Employers pay the DROP and Health Insurance Subsidy contribution rates.

<b>DROP Participants as of June 30, 2012</b>	<b>DROP Payouts July 1, 2011 – June 30, 2012</b>
40,556	\$680,715,081



## Disability and Survivor Benefits

- In-line-of-duty disability and survivor benefits are available from first day of employment.
- Non-duty disability requires eight year vesting. Non-duty survivor benefits require six or eight year vesting depending upon the first enrollment date of the member.
- Disability retirement requires total and permanent disability from all employment. Available to both Pension Plan and Investment Plan members.
- In-line-of-duty survivor benefits for Pension Plan members provide one-half of salary at death payable for the spouse's lifetime or until the youngest dependent child reaches age 18.
- Non-duty survivor benefits for Pension Plan members provide a lifetime benefit to a spouse or disabled dependent child, or until age 25 for a non-disabled child.



## Health Insurance Subsidy (HIS)

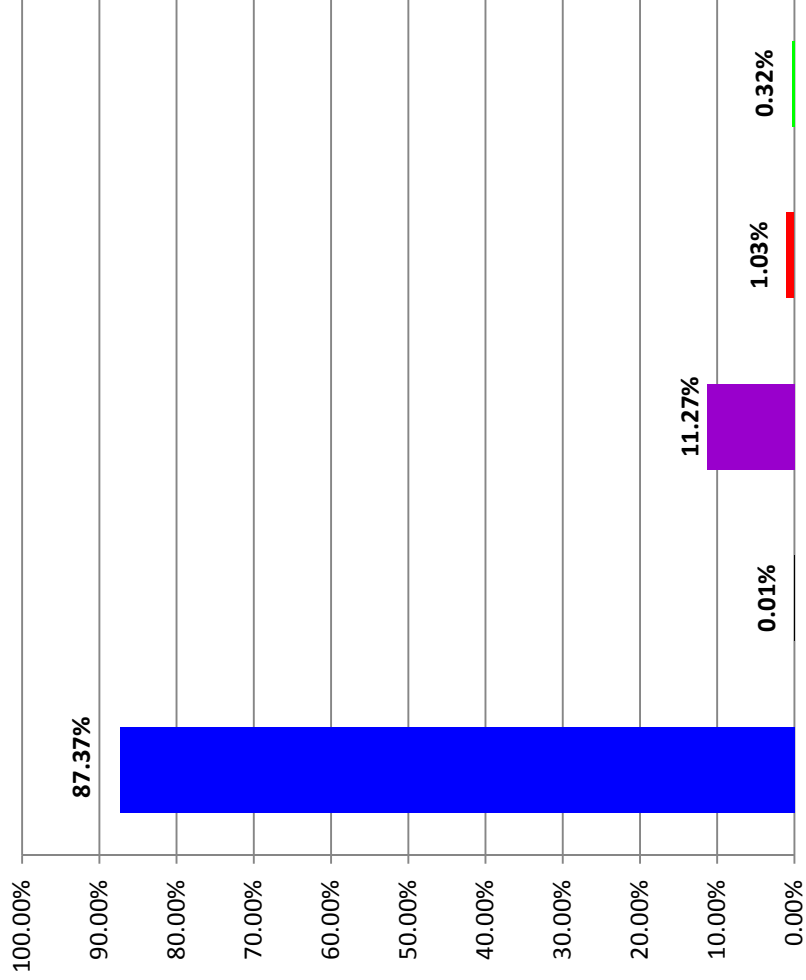
- Based on the member's total years of service at retirement with a minimum monthly benefit of \$30 and a maximum of \$150.
- Available to Pension Plan members or eligible beneficiaries upon retirement.
- Available to Investment Plan members after retirement who:
  - Meet the Pension Plan vesting requirement depending upon the member's first enrollment date.
  - Meet normal retirement based on Pension Plan normal retirement depending upon the member's first enrollment date.
- Surviving spouses are eligible for a continuing benefit.
- Funded by a 1.11% employer contribution rate. Benefit payments began exceeding contributions in the 2009-10 year.

<b>HIS Recipients as of June 30, 2012</b>	<b>HIS Payments July 1, 2011 – June 30, 2012</b>
297,303	\$374,443,538



# Pension Plan Membership By Class

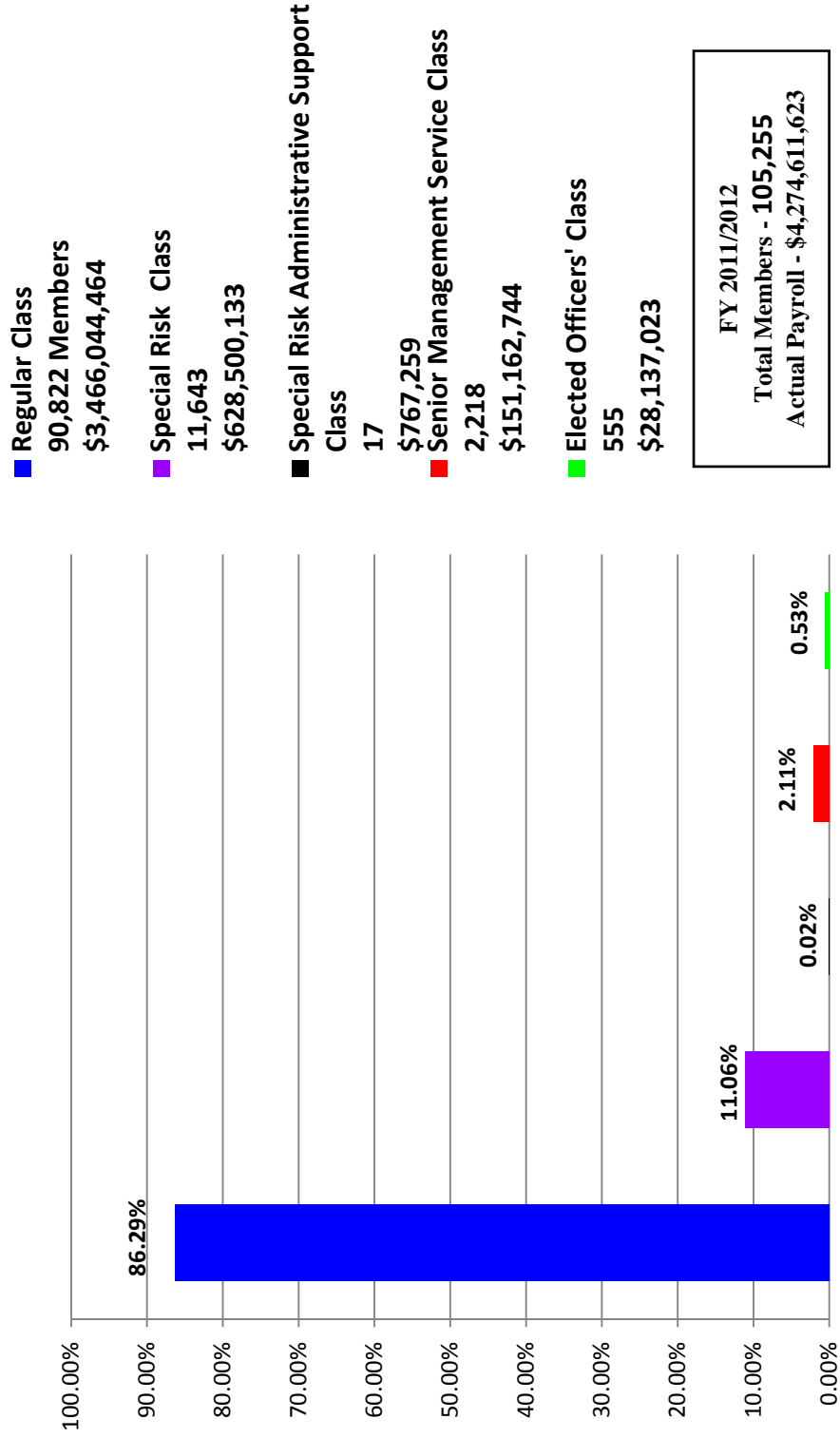
■ Regular Class	452,373 Members	\$17,476,158,561
■ Special Risk Administrative Support Class	42	\$1,967,319
■ Special Risk Class	58,362	\$3,169,570,533
■ Senior Management Service Class	5,328	\$442,914,003
■ Elected Officers' Class	1,651	\$144,004,541



**FY 2011/2012**  
**Total Members - 517,756**  
**Total Payroll - \$21,234,714,958**



# Investment Plan Membership by Class







**Average Annual Salary by Class and Employer Group**

	<b>Regular Class</b>	<b>Senior Management Service Class</b>	<b>Special Risk Class</b>	<b>Special Risk Administrative Support Class</b>	<b>Elected Officers' Class</b>	<b>Average Salary</b>
School Boards	\$37,143	\$95,282	\$55,696	\$34,618	\$38,672	\$37,295
County Governments	\$42,818	\$98,528	\$62,613	\$41,459	\$75,610	\$49,616
State	\$36,773	\$64,073	\$38,584	\$45,381	\$122,745	\$39,115
Cities and Special Districts	\$46,395	\$109,393	\$65,322	\$85,194	\$14,797	\$49,250
State Universities	\$44,939	\$180,250	\$53,843	N/A	N/A	\$45,308
State Colleges	\$42,636	\$138,287	\$45,998	N/A	\$33,176	\$43,634
Average Salary	\$39,053	\$80,000	\$54,813	\$46,349	\$78,233	\$41,459



## Pension Plan Annuitants By System

System/Class	Count	Average Annual Benefit
FRS – Regular Class	294,413	\$16,506
Special Risk Class	28,295	\$34,262
Senior Management Service Class	2,910	\$44,557
Elected Officers' Class	2,189	\$44,577
Special Risk Administrative Support Class	169	\$34,764
Teachers' Retirement System	4,557	\$32,149
State and County Officers and Employees Retirement System	617	\$10,224
Teachers' Retirement System Survivor Benefit Fund	506	\$1,883
Institute for Food and Agricultural Sciences Supplemental Retirement	171	\$10,953
Highway Patrol	39	\$17,666
Judicial Retirement System	4	\$14,996



## Pension Plan Annuitants By System

System/Class	Count	Average Annual Benefit
<b>General Revenue -</b>		
National Guard	772	\$18,120
Noncontributory (Section 112.05, F.S.)	32	\$16,173
Judicial Retirement	7	\$74,824
Teachers Supplemental Benefits (Section 238.171, F.S.)	1	\$2,233
<b>Grand Total/Average</b>	<b>334,682</b>	<b>\$18,625</b>

- Total FRS Benefit Payments - \$7.4 Billion
- Total General Revenue Payments - \$15.5 Million



## Other Defined Contribution Programs

- State University System Optional Retirement Program – for faculty, executive service, and administrative and profession staff of universities in the State University System.
- State Community College System Optional Retirement Program – for faculty and certain administrators of state colleges.
- Senior Management Service Optional Annuity Program – for specified state senior managers.
- Local government senior managers may withdraw from the FRS to participate in a retirement benefit offered by their employer.



## FRS Actuarial Requirements

- **FLORIDA CONSTITUTION** prohibits providing any increased retirement benefits unless concurrent funding of those benefits is provided on a sound actuarial basis.  
(Article X, Section 14, Florida Constitution)
- Actuarial valuation is performed annually on the Pension Plan.
  - Valuation determines the actuarial funding status and proposes employer contribution rates sufficient to fund the Normal Cost of the plan and amortization of the Unfunded Actuarial Liability (UAL).
- Uniform or Blended Rate Study is performed subsequent to the actuarial valuation which 'blends' Pension Plan contribution rates with the Investment Plan contribution rates to establish a uniform employer contribution rate by membership class and for DROP.



# 2012-13 FRS Contribution Rates

	Regular Class		Special Risk Class		Elected Officers' Class		Senior Management Service Class	
	Regular	SR Admin Support	SR Regular	SR Admin Support	Judicial	L/A/C	County	DROP
<b>Blended Employer Contribution Rates</b>								
Blended Normal Cost Rate	3.55	11.01	3.94	10.02	6.51	8.36	4.84	4.33
Uniform UAL Rate*	0.49	2.75	0.83	0.77	0.88	0.73	0.32	0.00
IP Administration and Education Program Fee	0.03	0.03	0.03	0.03	0.03	0.03	0.03	N/A
HIS Contribution	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
<b>Total Employer Contribution Rate</b>	<b>5.18</b>	<b>14.90</b>	<b>5.91</b>	<b>11.93</b>	<b>8.53</b>	<b>10.23</b>	<b>6.30</b>	<b>5.44</b>
*(Payroll base includes SMSOAP, SUSORP, and SCCSORP)								
<b>Employee Contribution Rate</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>
<b>Total Contribution Rate Submitted by Class</b>	<b>8.18</b>	<b>17.90</b>	<b>8.91</b>	<b>14.93</b>	<b>11.53</b>	<b>13.23</b>	<b>9.30</b>	<b>5.44</b>



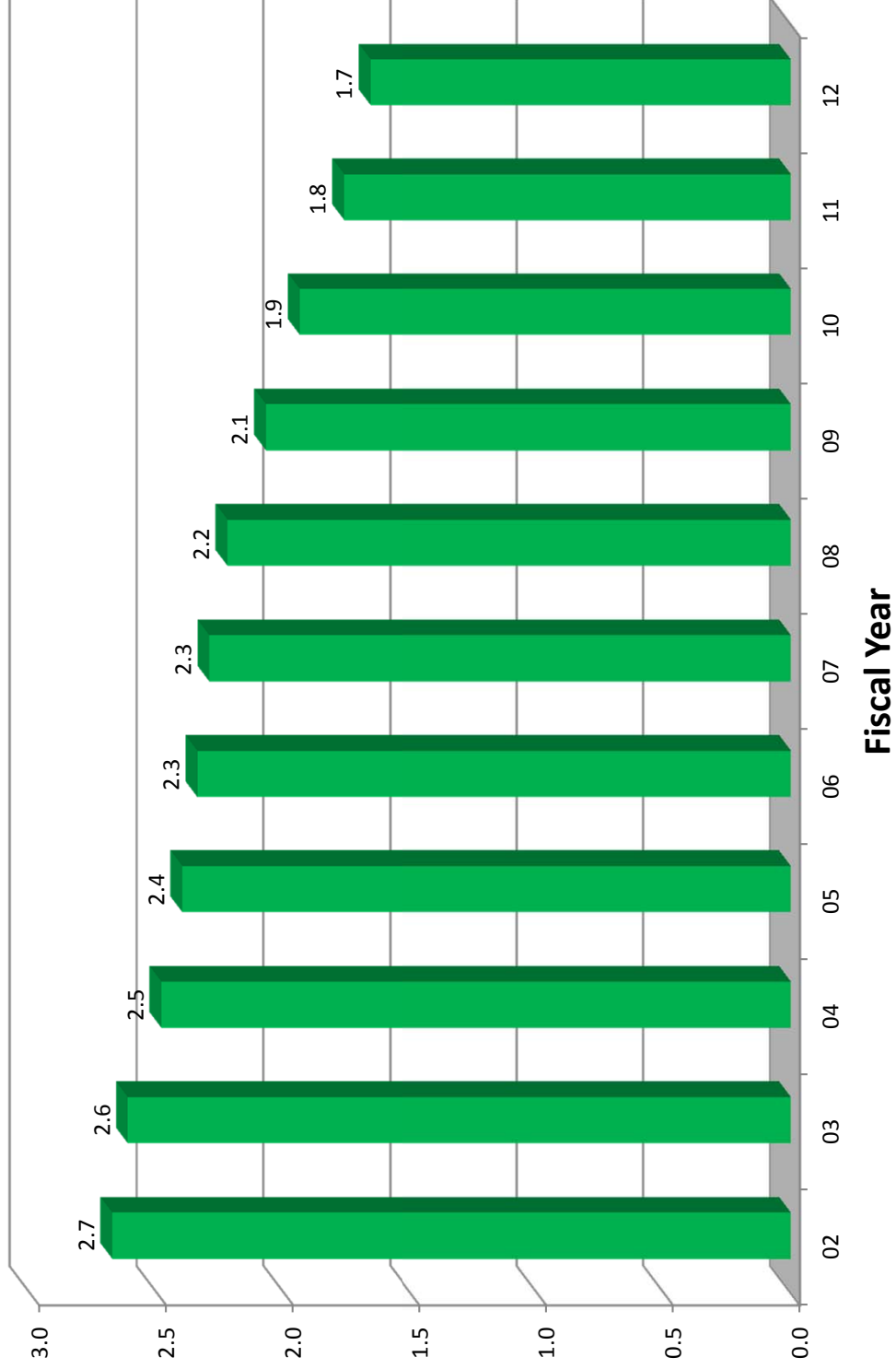
## Actuarial Funding Status

- As of July 1, 2012, the Pension Plan was 86.9% funded.
  - UAL of \$19.3 billion.
  - Actuarial deficit is due to market declines in 2008 and 2009, not fully funding UAL contributions, and plan experience.
- Based on the 2012 valuation, the FRS Pension Plan's funded ratio is projected to continue to decline from the current 86.9% over the next five years:

2012-13	2013-14	2014-15	2015-16	2016-17
85.9%	85.4%	85.0%	84.5%	84.3%
- Over the next 10-15 years the funded ratio will continue to decline before beginning a gradual rise to 100% after 30 years based on assumptions being met and recommended contribution rates being funded.
- 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 have funding ratios below 80.0%.



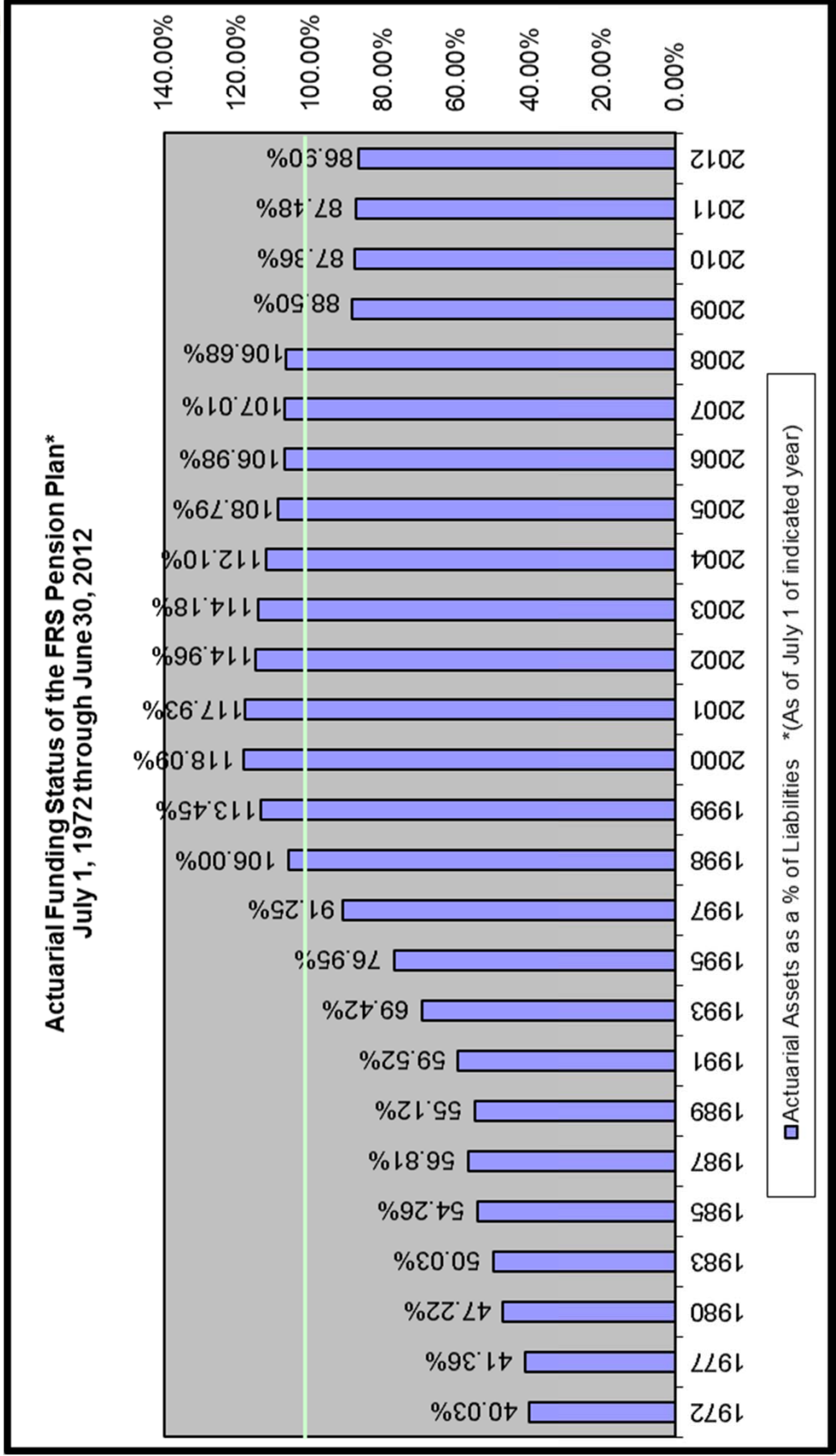
# Ratio of Active Members to Retirees







# Historical Actuarial Funding Ratio

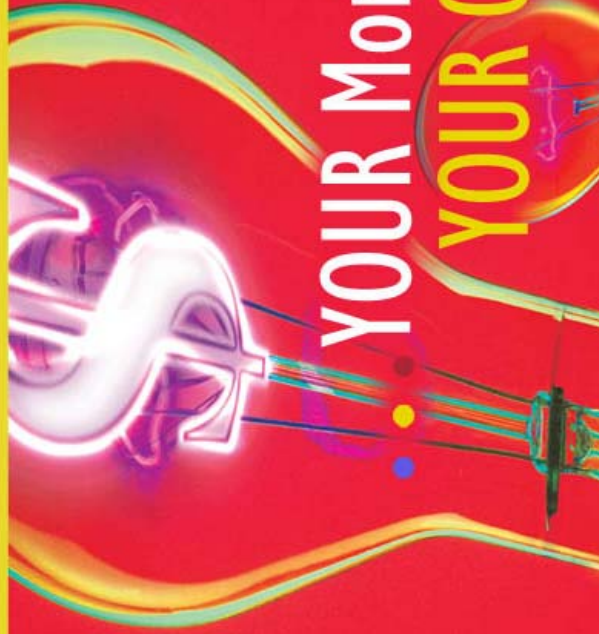
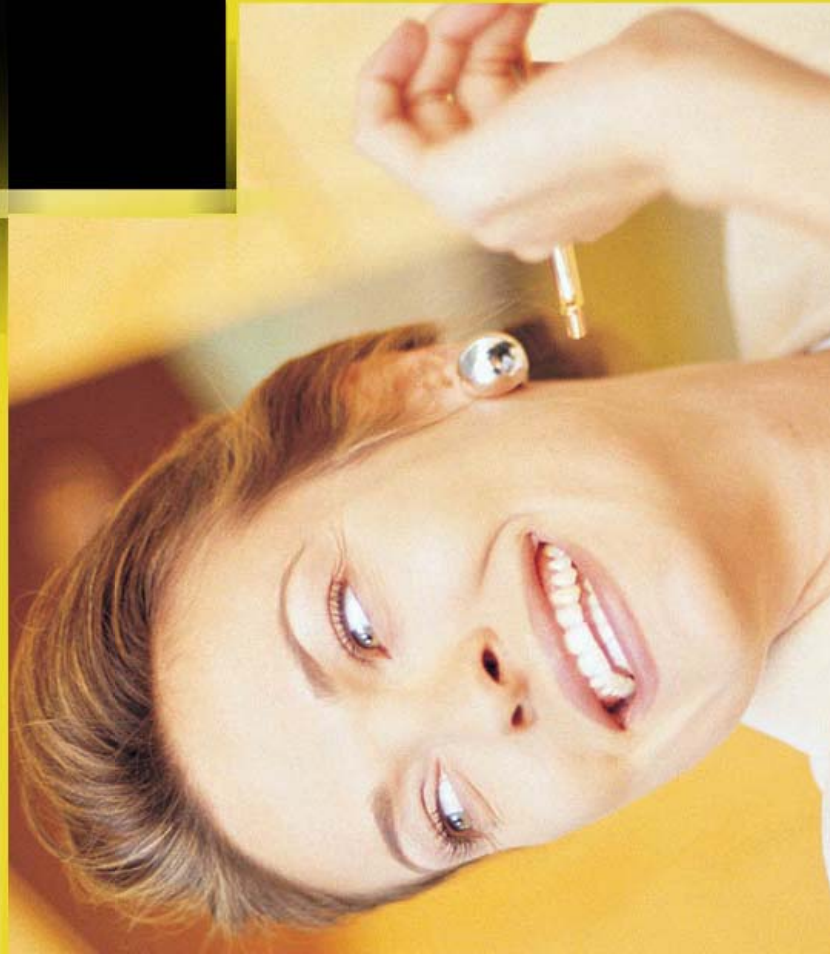




# FRS Investment Plan



Florida Retirement System





## Two FRS Retirement Plans



Pension  
Plan

OR



Investment  
Plan

or Hybrid Option



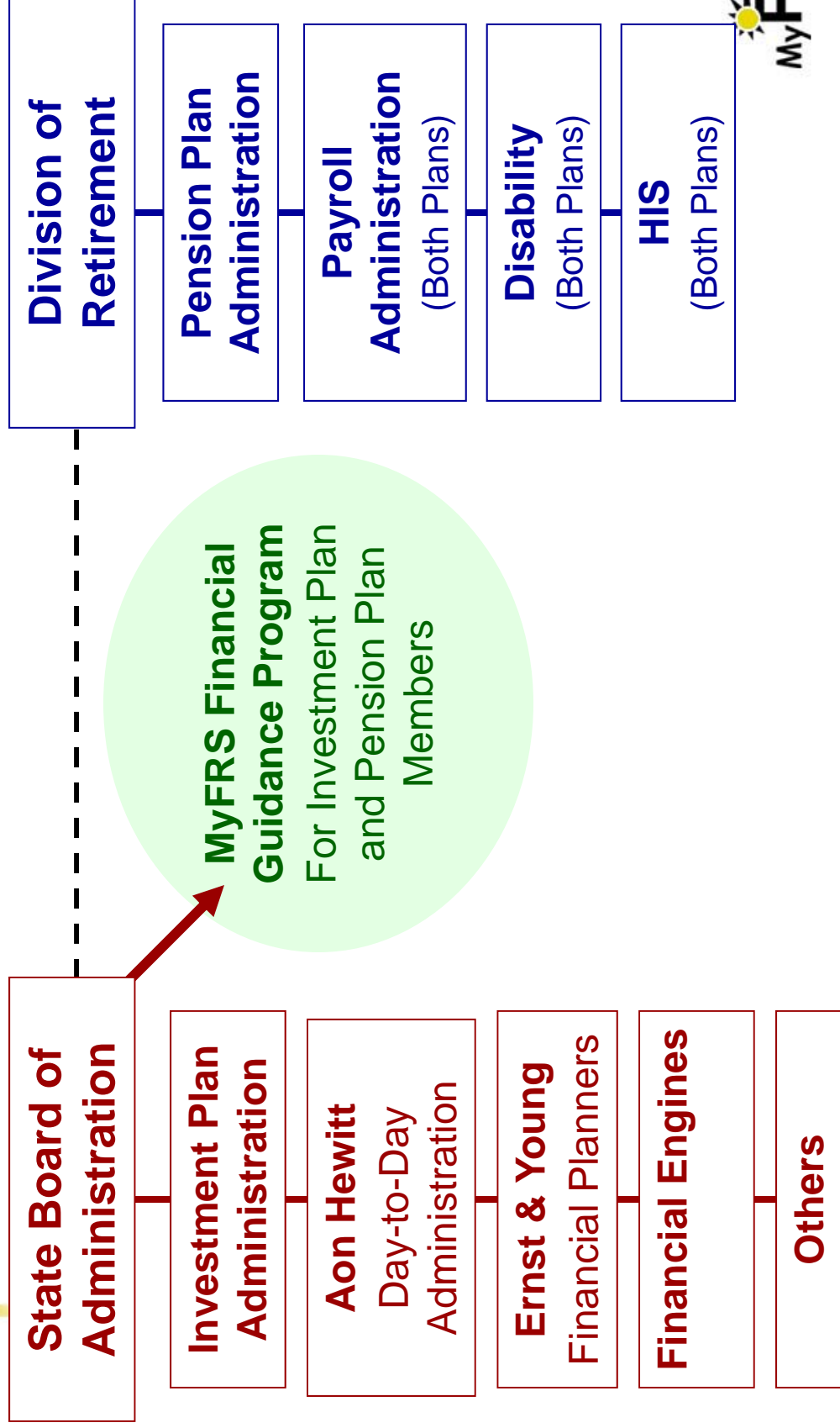


# Investment Plan Snapshot as of November 2012

- **Assets:** \$7.418 Billion
- **Members:** 145,268 Active- 107,639  
Inactive- 37,629
- **Average Account Balance:** \$51,020
- **Average Age:** 46
- **Average Years of Service:** 8.14
- **Retirees:** 63,874
- **Distributions:** \$5.524 Billion
- **Lump Sum Payouts:** 39%
- **Rollovers:** 61%



# MyFRS Partners



# Enrollment Process for New Employees



MyFRS Financial Guidance Line 1-866-446-9377





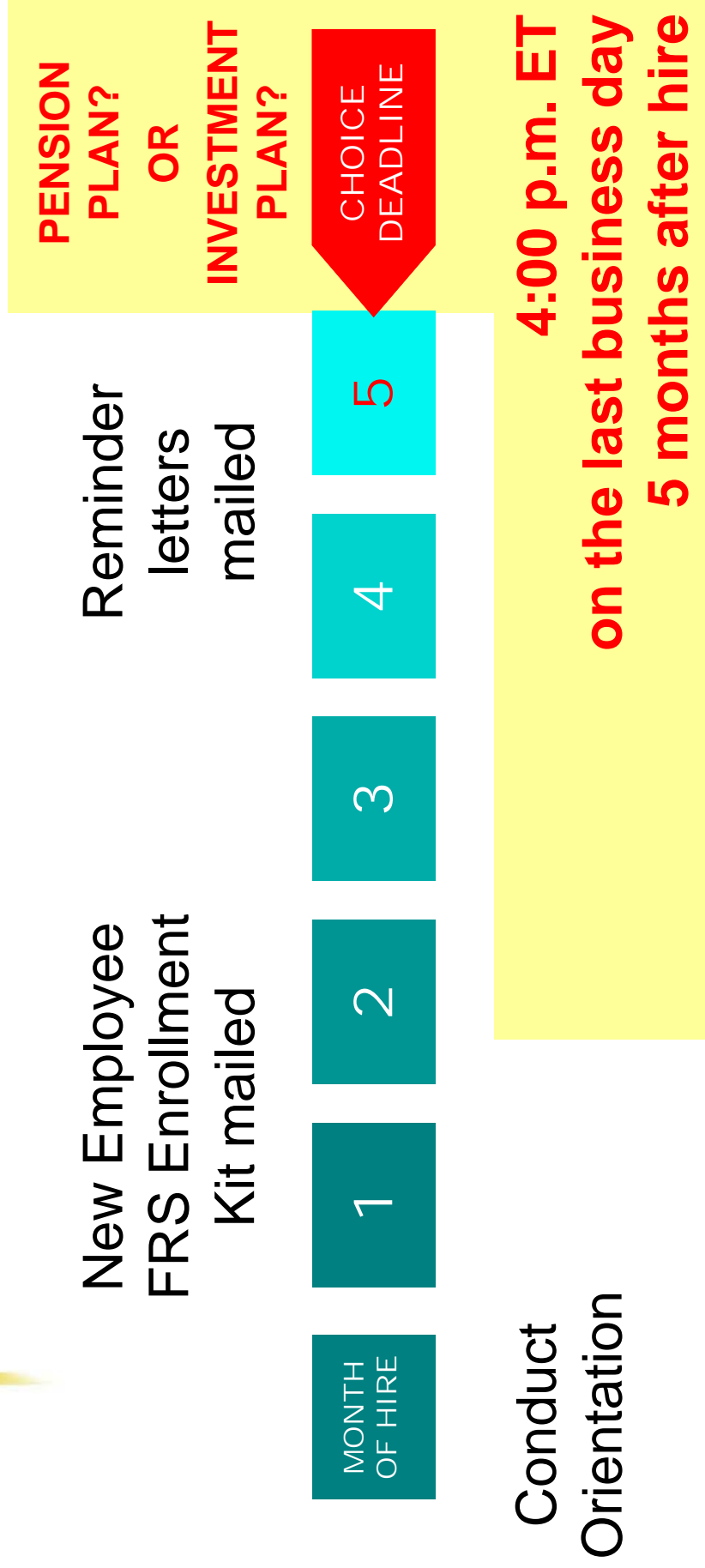
## New Hires – FRS Membership

- **Required** for all full-time/part-time regularly established positions
- **Other annuity or optional programs**
  - **Senior Management Service Class** employees (including Elected Officers' Class employees who choose to join that class)
  - **State University System** faculty and administrative and professional employees
  - **State Community College System** faculty and certain administrators (if their college offers an optional retirement program)





# New Hires – Enrollment Process





# FRS Enrollment Kit

- New Employee FRS Enrollment Kit
  - Options for New Employees
  - Benefit Comparison Statement
  - Wallet cards
  - Video
  - Investment Fund Summary
  - EZ Enrollment form
  - Privacy & Services Agreement





# Reminder Letters

- 2 letters
- 1<sup>st</sup> letter → month 4
- 2<sup>nd</sup> letter → month 5, 10<sup>th</sup> day
- EZ form in both
- New hire list on [MyFRS.com](http://MyFRS.com)





# New Employee Elections

	<b>Default to Pension Plan</b>	<b>Pension Plan</b>	<b>Investment Plan</b>
<b>FY 08-09</b>	25,923 (56%)	10,672 (22%)	11,116 (23%)
<b>FY 09-10</b>	21,501 (56%)	8,158 (21%)	9,071 (23%)
<b>FY 10-11</b>	21,049 (53%)	9,042 (23%)	9,960 (25%)
<b>FY 11-12</b>	20,064 (53%)	6,976 (18%)	10,937 (29%)
<b>FY 12-13*</b>	<u>7,588 (59%)</u>	<u>2,172 (17%)</u>	<u>3,061 (24%)</u>
<b>Total</b>	96,125 (54%)	37,020 (21%)	44,145 (25%)

\*As of November 30, 2012

# 2nd Election



MyFRS Financial Guidance Line 1-866-446-9377





## 2nd Election

- One-time opportunity to switch plans
- Must be an active employee earning salary & service credit



## Second Elections

	<b>Pension Plan</b>	<b>Investment Plan</b>	<b>Total</b>
<b>FY 08-09</b>	373 (8%)	4,160 (92%)	4,533
<b>FY 09-10</b>	289 (6%)	4,420 (94%)	4,709
<b>FY 10-11</b>	381 (4%)	8,330 (96%)	8,711
<b>FY 11-12</b>	351 (5%)	6,443 (95%)	6,794
<b>FY 12-13*</b>	<u>213 (9%)</u>	<u>2,136 (91%)</u>	<u>2,349</u>
<b>Total</b>	1,607 (6%)	25,489 (94%)	27,096

\*As of November 30, 2012

# Investment Plan Features



MyFRS Financial Guidance Line 1-866-446-9377







## Investment Plan Vesting Period

- One year of service versus 6 or 8 years in the Pension Plan
- Pension Plan service counts toward vesting, but Pension Plan years retain that vesting schedule



# Investment Plan Contributions

<b>Membership Class</b>	<b>Employee</b>	<b>Employer</b>	<b>Total</b>
Regular Class	3%	3.30%	6.30%
Special Risk Class	3%	11.00%	14.00%
Special Risk Admin	3%	4.95%	7.95%
EOC-Judges	3%	10.23%	13.23%
EOC- Leg/Cabinet/State			
Attorney/Public Defenders	3%	6.38%	9.38%
EOC- County Officers	3%	8.34%	11.34%
Senior Management			
Service	3%	4.67%	7.67%

Note: Employers also pay .03% for plan administration, 1.11% for Health Insurance Subsidy Coverage and varying rates included in the Blended Rate for disability coverage.





## Investment Plan Rollovers

- Current, Former, and Retired members
  - Roll qualified plans \$\$ ⇄ Investment Plan
- Current and former DROP participants
  - Roll DROP \$\$ ⇄ Investment Plan
  - Low-cost funds and inactive admin. fee



# Investment Plan Disability Benefits

- Must have a total and permanent disability
- Regular Disability
  - 25% minimum, must have 8 years service credit
- ILOD Disability
  - 42% or 65% minimum, eligible from first day
- Division approval
  - Investment Plan \$\$ ⇌ Pension Plan
  - Disability benefits under Pension Plan provisions
- 2<sup>nd</sup> Election not required
- Recovery ⇌ transfer back to Investment Plan



## Investment Plan Death Benefits

- Vested, no distribution → full value of account balance to beneficiary
- Spouse beneficiary
  - Choice of distribution
  - Defer distribution
- Other beneficiary
  - One year to decide
  - 5-year payout or lifetime annuity
- Line of duty



# Investment Plan Survivor Counseling

- Free, objective financial guidance
- Investment Plan beneficiaries only
- Automatically notified by mail
- Available for one year

**FRS SURVIVOR Financial Counseling**  
for Investment Plan **BENEFICIARIES**

**MyFRS**  
Financial Retirement System

**So Many Questions**  
Facing your financial security is a challenging task under the best of circumstances. When faced with the financial issues that immediately arise, it often seems that you are overwhelmed by the choices. Survivor Financial Counseling for Investment Plan beneficiaries provides the objective financial counseling you need to address your concerns concerning issues such as:

- Should I take the FRS Investment Plan assets as a lump sum or over a period of time to receive the benefits over a period of time?
- Do I need an attorney to assist with an estate plan?
- Can I handle my own tax return, the estate tax return, and my loved one's final tax return, or do I need the assistance of a tax professional?
- Will I have enough money to help pay for my living expenses if I am no longer working?
- What should I do with my life insurance proceeds?
- Do I need a will?
- How do I handle my minor children as my beneficiaries?
- Am I entitled to Social Security survivor benefits? Are my children? If so, for how long?

**Impartial Guidance**  
FRS Survivor Financial Counseling is an FRS paid benefit—meaning it is available to you at absolutely no cost. It is provided to you through direct access to Ernst & Young Financial Planning professionals who are sensitive to your circumstances and prepared to address your unique financial concerns.

**Comprehensive Support**  
By using this service, you'll receive invaluable assistance from a professional who will work with you to help you understand your options and to identify your financial goals, needs, and priorities.

**Personal Financial Counseling** — You can speak with an Ernst & Young financial planner by phone or in person to discuss your financial situation and to identify your financial goals, needs, and priorities.

**Financial Planning Assistance** — Your Ernst & Young financial planner will prepare a written personal financial plan summarizing the issues discussed and providing strategies for meeting your financial objectives.

**Objective Financial Planning** — Because you will have full access to an Ernst & Young financial planner to address any additional questions you may have, you can be confident that you are receiving the best possible advice. Help is literally just a phone call away.

**FRS Survivor Financial Counseling For Investment Plan Beneficiaries**  
Please contact our financial planner at 1-866-446-2977, Option 2  
Monday through Friday, 9:00 am to 5:00 pm Eastern Time

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## Investment Plan Payment Options

- Rollover
- Lump-sum
- On demand or scheduled
- Annuity payments
  - Survivor
  - 3% COLA
- Combination



# Health Insurance Subsidy (HIS)

- \$5/year of creditable service
  - \$30 minimum/month
  - \$150 maximum/month
- Eligibility
  - 6 years, if enrolled prior to July 1, 2011
  - 8 years if enrolled on or after July 1, 2011
- Early distribution ⇨ Pension Plan normal retirement
  - Special Risk: Age 55 + 6 years or 25 years, enrolled prior to July 1, 2011; Age 60 + 8 years or 30 years, enrolled on or after July 1, 2011
  - All other classes: Age 62 + 6 years or 30 years, enrolled prior to July 1, 2011; Age 65 + 8 years or 33 years, enrolled on or after July 1, 2011
- Hybrid Option ⇨ Pension Plan benefit
- Surviving spouse



# Investment Funds



MyFRS Financial Guidance Line 1-866-446-9377





# Investment Fund Categories

Investment Fund Categories	Number of FRS IP Funds
Money Market Fund	1
Treasury Inflation Protected Securities Fund	1
Fixed Income Funds	4
U.S. Stocks Funds	8
Foreign Stocks Funds	3
Balanced Funds	3



## Investment Fund Fees Annual Fees as of November 2012

Investment Fund Categories	Range of FRS IP Fund Fees	Average Mutual Fund Fees
Money Market Fund	0.06%	0.24%
Treasury Inflation Protected Securities Fund	0.02%	0.54%
Fixed Income Funds	0.05% - 0.60%	0.55%
U.S. Stocks Funds	0.02% - 0.92%	0.85%- 1.36%
Foreign Stocks Funds	0.02% - 0.53%	0.87%- 1.14%
Balanced Funds	0.04%- 0.06%	0.90%



# Investment Fund Returns Since Inception July 2002 through November 2012

Investment Fund Categories	Managed Return	Target Return
Money Market Fund	2.02%	2.05%
Treasury Inflation Protected Securities Fund	7.19%	7.17%
Fixed Income Funds	6.05%	5.62%
U.S. Stocks Funds	7.83%	7.51%
Foreign Stocks Funds	8.47%	7.20%
Balanced Funds	6.42%	6.27%

# ADVISOR SERVICE



MyFRS Financial Guidance Line 1-866-446-9377





## ADVISOR SERVICE

- Powered by Financial Engines for **ALL FRS** members
- MyFRS.com
- Financial Guidance Line
- Advice on one other plan if in Pension Plan (i.e. 457, 403(b))



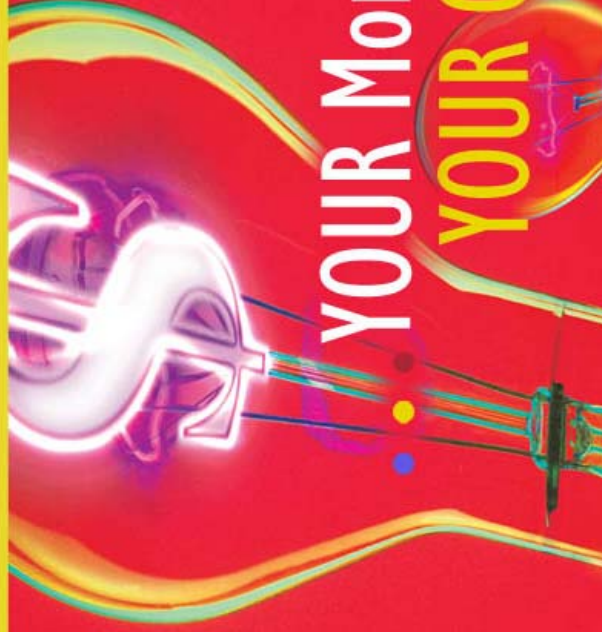
# Questions



# FRS Investment Plan



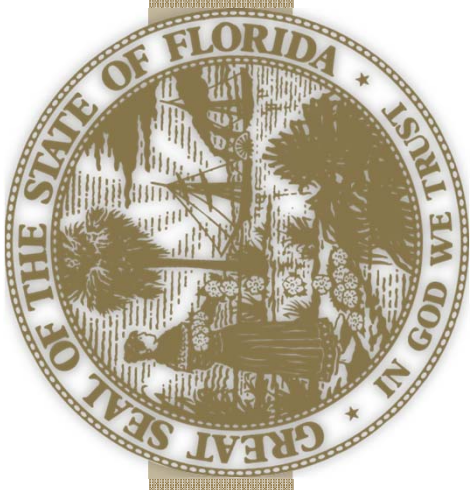
Florida Retirement System



**YOUR Money**  
**YOUR Choice**







# Local Government Pension Plans

January 16, 2013

House Government Operations Subcommittee

## Local Government Pension Plans

### State Monitoring and Enforcement



- The Division of Retirement administers Part VII of Chapter 112, Florida Statutes, to ensure that affected retirement systems are:
  - Managed, administered, operated, and funded ... to maximize the protection of public employee retirement benefits.
  - 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.



## Local Government Pension Plans Background

### **Part VII of Chapter 112, Florida Statutes:**

#### **1975 – Constitutional amendment, Article X, Section 14**

- Governmental pension plans must be funded 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 Chapter 112, Florida Statutes – Actuarial soundness of public retirement systems. Local government plans 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 by the Division of Retirement.



## Local Government Pension Plans 2011 Legislation

- A plan and recommendations for a standardized rating system to classify the financial strength of local government defined benefit plans was provided to the Governor, Speaker, and President.
- Online scorecards available that summarize the status of each plan.
- Valuations prepared after July 1, 2011, have additional reporting disclosure requirements.

## Local Government Pension Plans Administration



### General Employees' Plans

- 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; no statutory requirements for composition of board members.



## Local Government Pension Plans Statistics

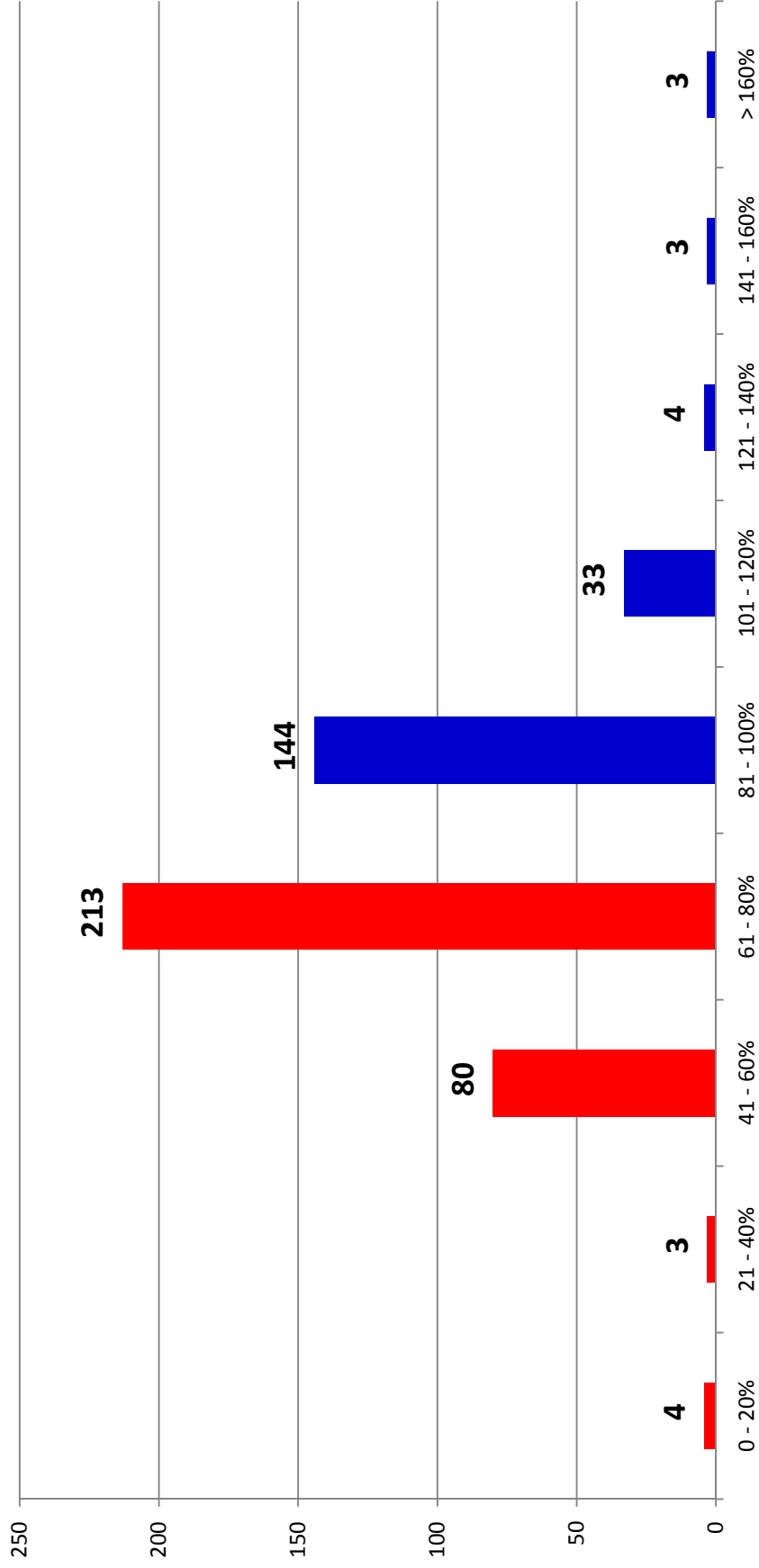
- 492 Plans
- 111,267 Active Participants
- 78,975 Inactive Participants (retirees, terminated vested)
- Approximately \$23.9 billion in plan assets invested as of 9/30/2012.
- Average funding percentage – 76.1%<sup>1</sup>
- 61% of plans are funded at or below 80%,.
- 39% are funded above 80%.

<sup>1</sup> Excludes plans whose funded ratios were not within two standard deviations of the mean. Some plans are not prefunded and are represented at 0.00%.



# Local Government Pension Plans Statistics

## Distribution of Funded Ratios Florida Local Government Pension Plans

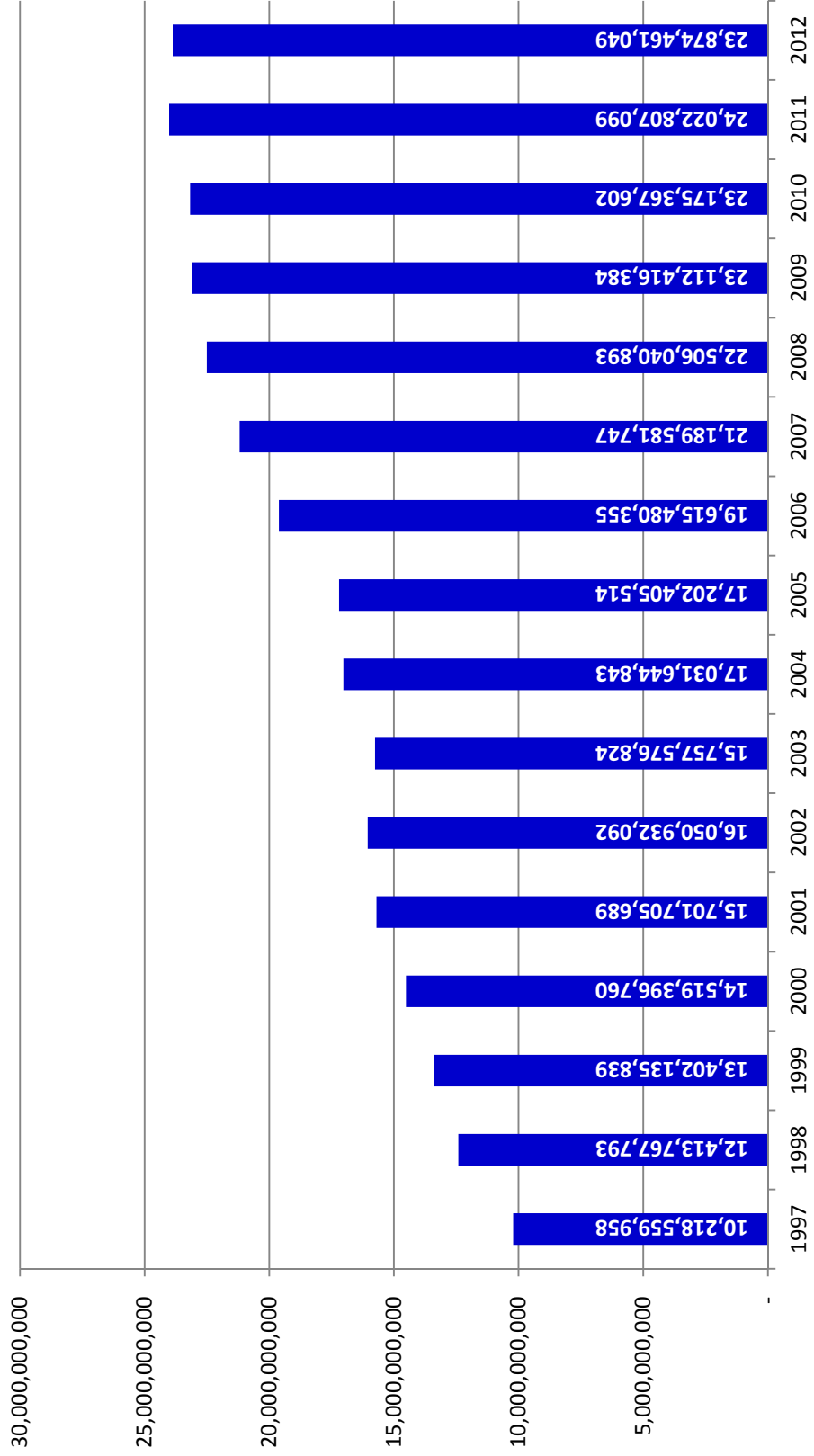






# Local Government Pension Plans Statistics

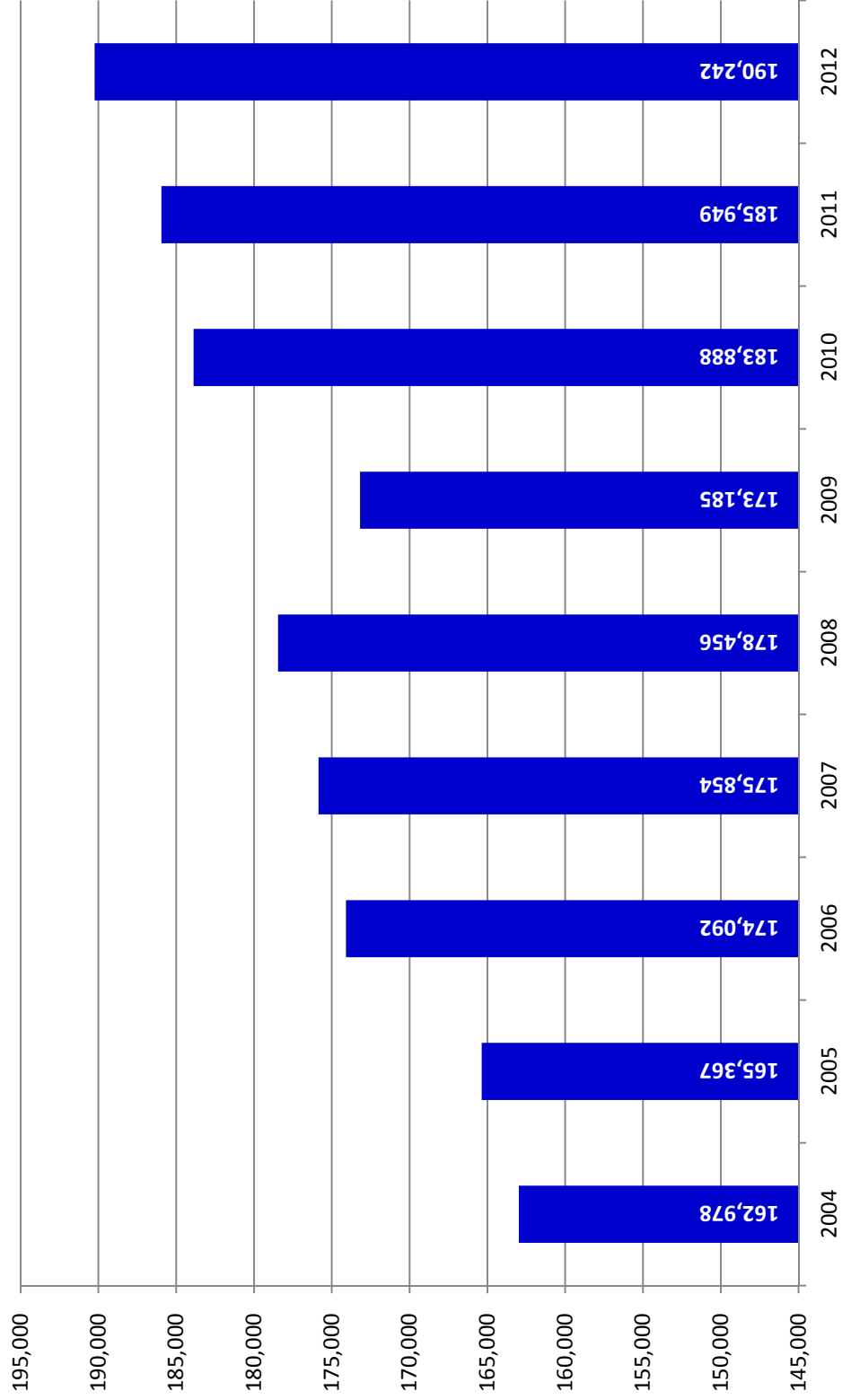
## Market Value of Assets 1997 - 2012





# Local Government Pension Plans Statistics

## Membership History 2004 - 2012





## Municipal Police and Fire Pensions

### State Monitoring and Enforcement

- As of September 30, 2012, 215 Florida municipalities or special districts participated under this program, operating 351 pension plans (176 police and 175 fire).
- Reviews police or fire pension plans annually for compliance with statutes, a review of proposed plan changes, and review of their annual report.
- Ensure that plans provide a uniform retirement system for the police officer and firefighter members and that the plans use the state moneys for the sole and exclusive benefit of the police officers and firefighters.
- Distributes the insurance premium tax moneys collected within the city or district limits for each plan.
  - Fire 1.85% tax on property insurance (homeowners' insurance).
  - Police 0.85% tax on casualty insurance (automobile insurance).



## Municipal Police and Fire Pensions Background

### 1939, 1953 – Chapters 175 and 185, Florida Statutes, established.

- Uniform retirement system model created that could be followed 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 premium tax distribution initially only required self-certification of compliance with the minimum benefits and standards set forth in the law by the fire and/or police chiefs.

### 1957 – Special study mandated by Legislature.

- Special study commissioned by the Legislature 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.



## Municipal Police and Fire Pensions Background

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

- Many amendments enacted to ensure statutory compliance with actuarially sound funding and updated reporting requirements.

**1994 – Premium tax eligibility tied to Part VII, Chapter 112, Florida Statutes.**

- Compliance with the sound actuarial funding requirements of Part VII of Chapter 112, Florida Statutes, added as a requirement to receive state premium taxes.

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

- Substantial rewrite of the statutes.
  - Clarified applicability of minimum benefits and standards to all plans.
  - Addressed use of state premium tax moneys.

**2000 – 2012 Several additional amendments to Chapters 175 and 185, Florida Statutes.**

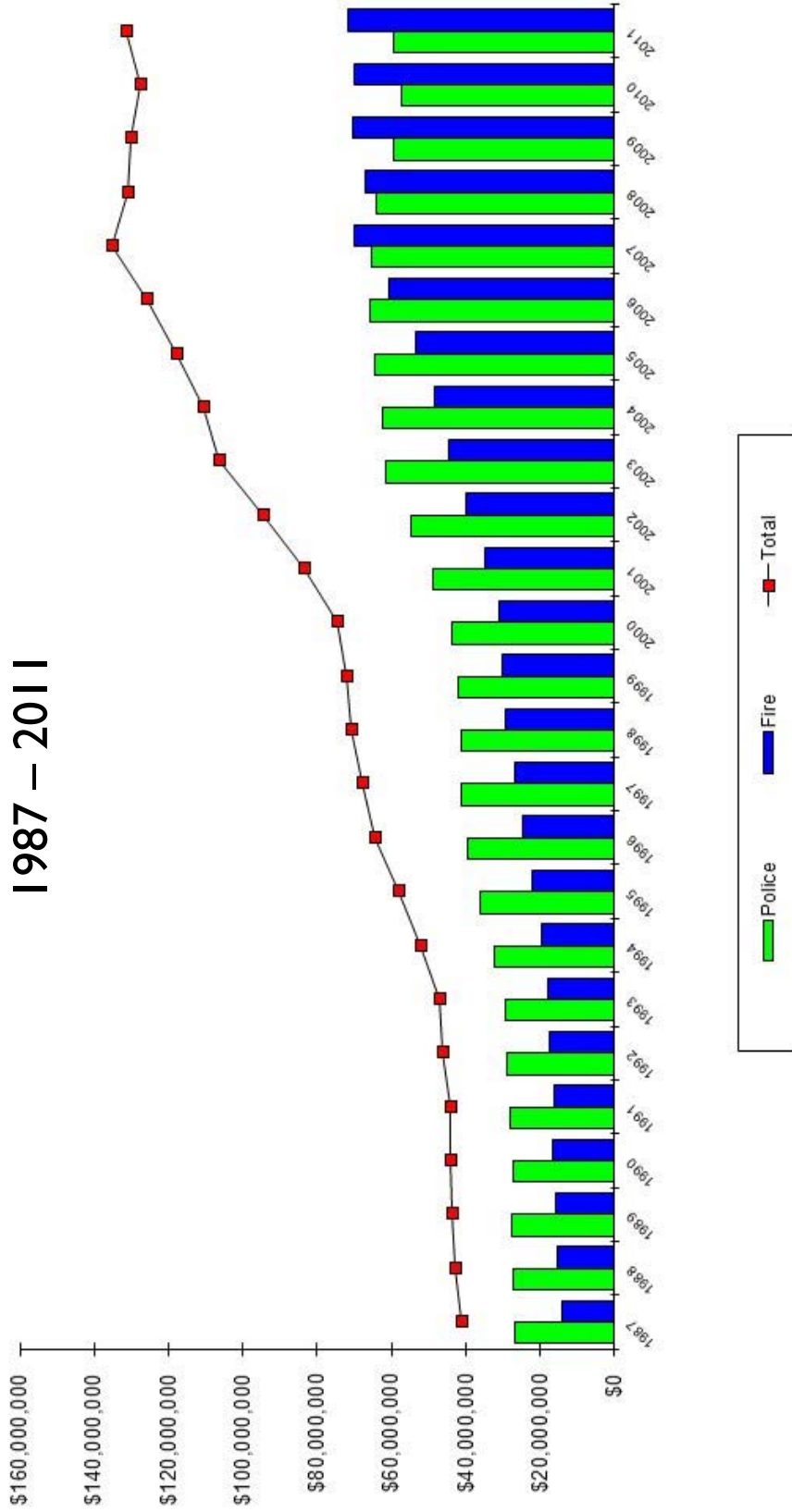
## Municipal Police and Fire Pensions Plan



- 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, Florida Statutes.
- 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, Florida Statutes, 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
  - One member is elected by a majority of the other four trustees.



# Premium Tax Distribution History

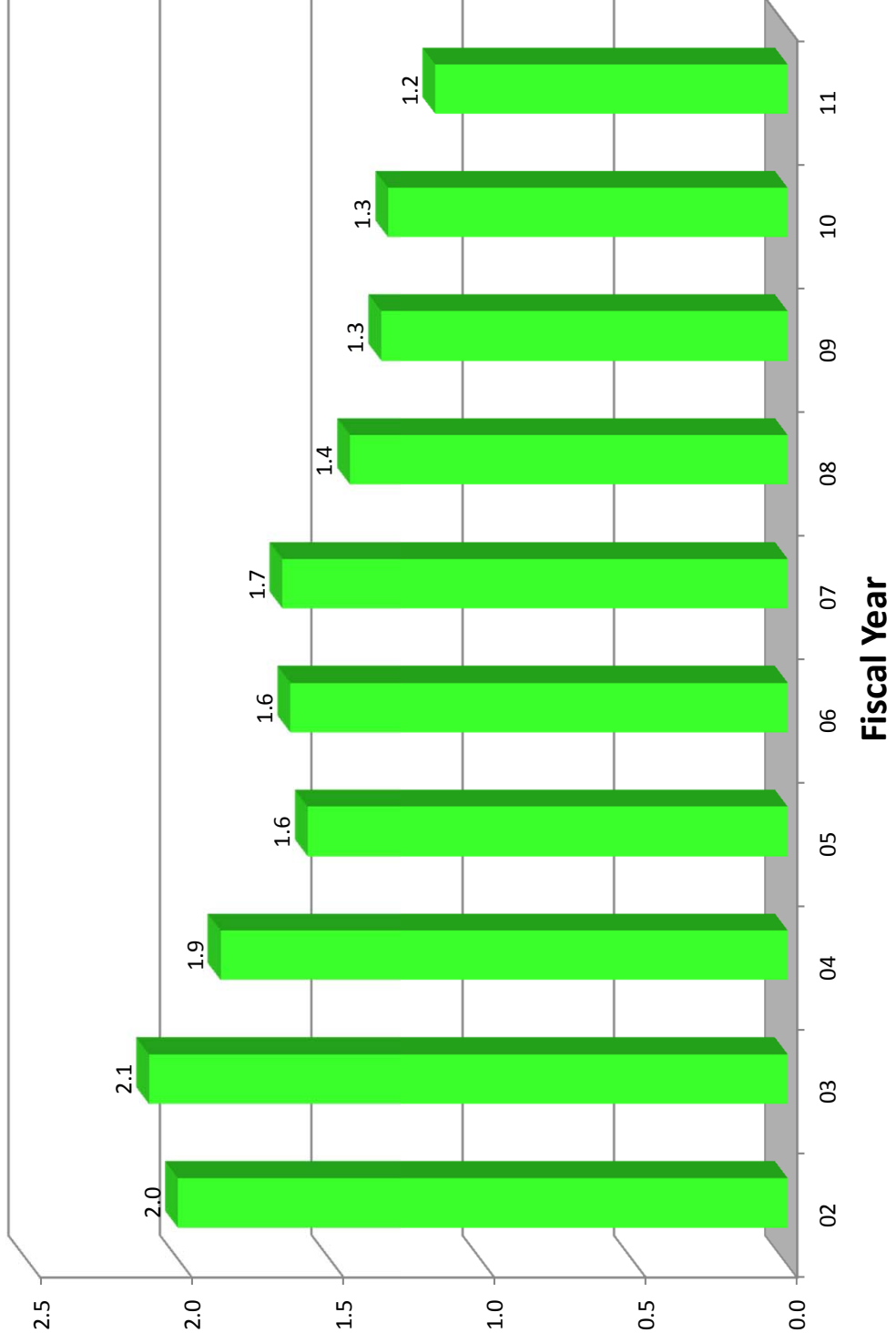


For calendar year 2011, total premium tax distributions were approximately \$131.4 million, including \$59.6 million for police and \$71.8 million for fire.



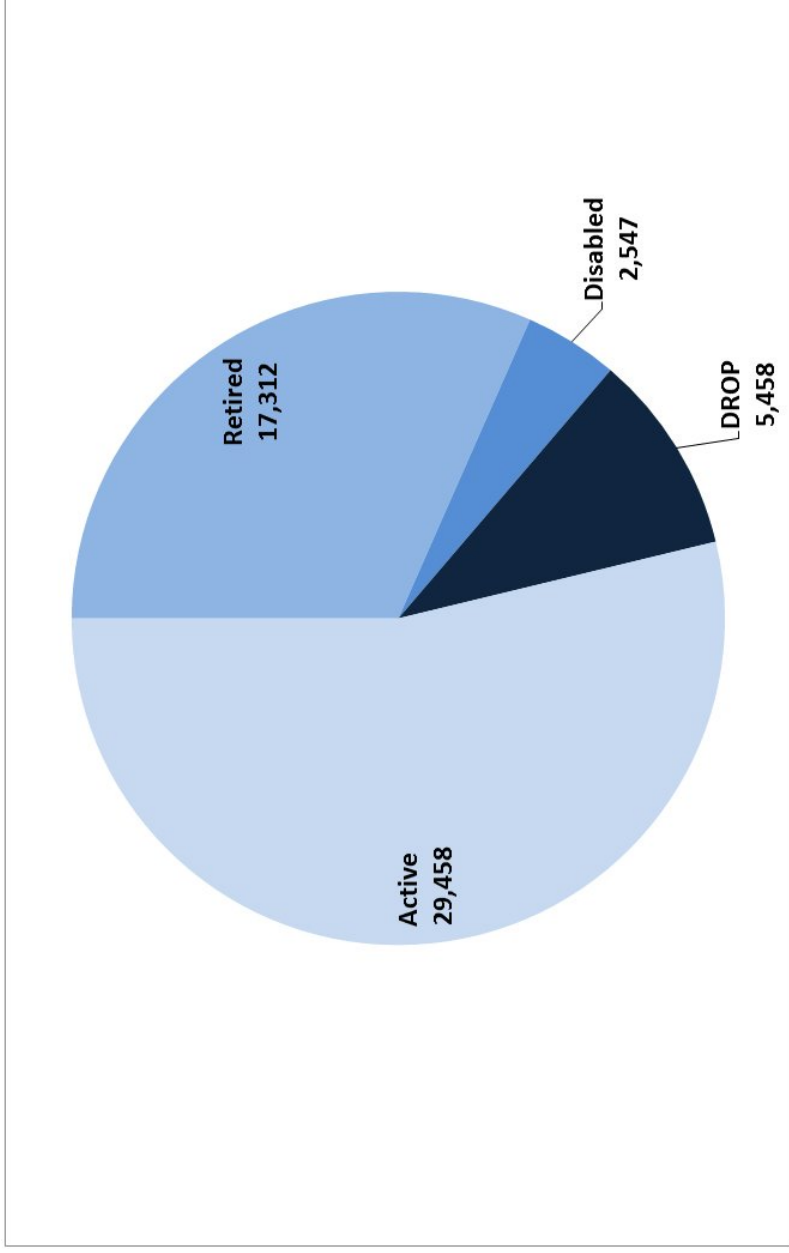
# Ratio of Active Members to Retirees

2002 - 2011





# Municipal Police and Fire Pensions Plan Membership Breakdown



As of September 30, 2011, the plans include approximately 54,775 members (31,065 police & 23,710 fire). The breakdown for 2012 will not be available until the summer of 2013. Participating plans had total investments of approximately \$13.9 billion.





