

**Florida Retirement Security Coalition**

**The Facts About Florida's  
Public Retirement Plans**

**February 2013**



## Introduction

Retirement plans for state and local government workers affect millions of Floridians and boost the state economy. These plans directly impact about 1.2 million current or former public employees in Florida and millions of their dependents and other family members. In addition, tens of thousands of Florida businesses benefit each day when retirees spend their retirement checks on goods and services in every community in Florida.

These vital benefits are provided through the Florida Retirement System and almost 500 local government retirement plans.

*The Facts About Florida's Public Retirement Plans* is designed to help policymakers, business owners, and other Floridians understand how these public retirement plans work for the people and economy of our state.

## Eight Key Facts About Florida's Public Retirement Plans

### *1. The Florida Retirement System is fiscally sound.*

**The Florida Retirement System (FRS) is in sound financial condition and stronger than retirement plans in almost all other states.** "Compared to other states, the pension plan is better funded," concludes the Florida Legislature's office of policy analysis.<sup>1</sup> Florida is "a top performer when it comes

to managing its long-term pension liability,” one independent study said.<sup>2</sup> Another ranked the FRS among the top 10 state pension systems in the U.S. in a 2011 national analysis.<sup>3</sup>

Some states have overburdened state retirement systems, but Florida is not one of them.

## ***2. Public retirement plans allow Florida workers to take care of themselves after retirement and not rely on other government services.***

**Retired public workers don't get rich from their retirement plans.** In fact, the average annual payment from the Florida Retirement System is only about \$18,000.<sup>4</sup> But those dollars are crucial income for many Floridians after their work years are done. That money helps retired workers take care of themselves instead of relying on other government programs. Without traditional retirement plans, they run the risk of outliving their retirement savings, at a large cost to the public treasury.

## ***3. State and local retirement plans provide important support to the state and local economies.***

In 2011 the Florida Retirement System paid out about \$6.7 billion in retirement payments.<sup>5</sup> Local government retirement systems paid out almost \$2 billion more.<sup>6</sup> These dollars support retirees and circulate throughout the economy. That money is spent in Florida for food, clothing, housing and other necessities and supports thousands of jobs spread throughout every community in the state. Every dollar paid in public pension benefits creates \$1.64 in total economic activity in Florida. And **every tax dollar invested in retirement plans supports \$4.47 in total economic output** (because investment earnings and employee contributions finance the lion's share of state and local pension plans).<sup>7</sup>

## ***4. Traditional retirement plans cost taxpayers less and provide greater benefits to retired workers. Closing the FRS pension plan to new workers would cost taxpayers more and deliver less to retirees.***

Most members of the Florida Retirement System are enrolled in the FRS “defined benefit” (DB) plan. Retirees receive a set pension benefit based on years of service and compensation. The FRS also offers a less popular “defined contribution” (DC) plan, which provides no guaranteed payment. The contribution is defined, but not the eventual benefit, as in a 401(k).

**A change recommended by some – forcing all new FRS employees into the defined contribution plan – would cost the state and local governments more money and reduce benefits to public workers. It would be an inefficient use of tax funds.**

Defined contribution plans by their very nature cost more than defined benefit plans, many studies have concluded. In fact, a defined contribution plan can cost employers (and taxpayers) almost twice as much as a defined benefit plan.<sup>8</sup> That's because defined benefit plans take advantage of economies of scale, professional management, and long-term investment horizons unavailable to individual investors trying to manage their own accounts.

An actuarial study performed at the request of the Legislature in 2010 concluded that forcing all new employees into the FRS defined contribution plan would almost double pension debt and cost taxpayers billions of dollars more over the long run.<sup>9</sup>

### ***5. Most local government retirement plans also are on sound footing.***

Most of the 492 local government retirement plans, covering about 180,000 active employees and retirees,<sup>10</sup> are on sound footing.<sup>11</sup> Even a disputed report attempting to grade local retirement systems based on only two criteria provided passing grades to two-thirds of the plans.<sup>12</sup> Some local plans, however, face long-term funding problems. Steps have been taken or are being considered in those localities to put the plans on sounder footing. In general, shortfalls of local plans are the result of turmoil in the financial markets during the Great Recession,<sup>13</sup> combined in some places by underfunding of the retirement plan by the local governing body.

### ***6. The Florida Retirement System, funded at a strong level already, would be even stronger if the Legislature had funded it at the recommended rate in past years.***

For the last three years the amount necessary to fully fund the unfunded actuarial liability has not been appropriated by the Legislature. While the Legislature had difficult choices to make to balance the budget, the FRS would be even stronger and the unfunded liability lower if the Legislature had met its obligation to fully fund the UAL.<sup>14</sup>

**Postponing payments increases pension debt and therefore requires more taxpayer contributions. It also makes the unfunded liability look larger than it otherwise would.**

***7. Significant changes have already been made to retirement plans to the detriment of public employees. Any new legislation would inflict further, needless damage to public workers' economic security.***

By mandating that three percent of public employees' pay be taken each year for retirement and eliminating future cost-of-living increases, the 2011 Legislature made significant changes to the FRS that have cost public workers more than \$1 billion to date. Billions more will be lost in future years by first responders, teachers, and other public workers – many of whom already are compensated at less than the national average.

The effect goes far beyond a three-percent annual loss in income available for spending. The 2011 changes will cost public workers up to \$329,000 over their working years, one Florida Supreme Court justice noted in opposing the majority opinion upholding the 2011 law. The elimination of the cost-of-living increase “will result in a 4% to 24% reduction” in total retirement income for public employees, the justice said.<sup>15</sup>

**This damage to the financial condition of state employees should be recognized and further damage avoided, especially since the FRS is in good condition.**

***8. Retirement security for public workers benefits everyone in Florida – and many public servants you know personally.***

Retirement legislation considered in Tallahassee is important to all of us. **If you're not one of the more than one million Floridians who depend on public employees' retirement systems for economic security after your work years are done, you know many of them.** They're your children's teachers, school bus drivers, and cafeteria workers. They're the school resource officers, law enforcement officials, firefighters, emergency medical technicians, and correctional officers who work every day to keep us safe. They're the public servants who work with veterans and Floridians with developmental disabilities. They make our health care, court, and park systems work. They're vital to creating the quality of life we enjoy in Florida and their financial well-being is important to our economy. And many of them are on call 24 hours a day, every day, or work shifts taking care of the public welfare while the rest of us sleep.

## The Basics: Facts About the Florida Retirement System

The Florida Retirement System (FRS) is the primary retirement plan for employees of state and county government agencies, district school boards, community colleges and universities. It also serves as the retirement plan for employees of cities and independent special districts that have chosen to join the system. School districts employ half of FRS members, counties 23 percent, state agencies 16 percent, cities and special districts five percent, state universities four percent, and community colleges three percent.<sup>16</sup>

The FRS is the retirement plan for 1,000 government employers: 67 district school boards, 28 community colleges, 11 state universities, 414 county agencies, 436 cities and special districts, and 44 State of Florida agencies.<sup>17</sup>

Almost 1.1 million Floridians directly participate in the FRS, making it the fourth-largest public retirement system in the nation. They include about 644,000 employees (2011 figures), about 335,000 retirees or their beneficiaries, 45,000 in the Deferred Retirement Option Program (DROP), and 90,000 terminated vested members.<sup>18</sup>

The average salary of a participant is \$42,026. The average benefit for a regular annuitant is \$18,066, and \$16,045 for participants in the Regular Class. About 220,000 retirees receive less than \$2,000 per month.<sup>19</sup>

Women comprise 63 percent of FRS participants.

Workers in the FRS system now pay three percent of their salaries toward their retirement, as the result of a 2011 law recently upheld by the Florida Supreme Court. In addition, FRS employer agencies contribute a set percentage of salary for each member. The percentage is set aside is based on the membership class of the employee. The five classes are Regular Class, the 87 percent of FRS members who don't qualify for any other class; Senior Management Service, for those in senior management positions; Special Risk Class (law enforcement officers, firefighters, correctional officers and correctional probation officers, paramedics, emergency medical technicians, youth custody officers, and specified health care employees); Special Risk Administrative Support (Special Risk Class members now in an administrative support position); and Elected Officers.<sup>20</sup>

Contribution rates for each class are set by statute and consist of a normal cost contribution and an unfunded liability contribution.<sup>21</sup> The funding level needed for the FRS unfunded actuarial liability is amortized over 30 years, similar to a home mortgage.<sup>22</sup>

FRS members choose among three types of retirement plans. The Pension Plan is the traditional defined benefit plan. Employers contribute a percentage of employees' salaries to the plan, and employees receive a defined monthly benefit if they have at least six years of service and meet other eligibility requirements.

Under the Investment Plan, which became available in 2002, employers contribute a set percentage of employees' salaries to the plan each year and members select investment options and are responsible for managing their own retirement accounts. There is no guaranteed result, as there is in the defined benefit Pension Plan. The third option, a Hybrid Plan, allows employees to keep current Pension Plan benefits but participate in the Investment Plan for future employer contributions.<sup>23</sup>

Sixteen percent of total FRS members have chosen the Investment Plan.<sup>24</sup>

From 1998 through 2008, when the stock market decline eroded assets, the FRS was actuarially funded at more than 100 percent. This means actuarial assets exceeded actuarial liabilities. In 2009 through 2012, the funded percentage fell below 100 percent.<sup>25</sup> As of July 1, 2012, FRS assets totaled \$127.9 billion and liabilities totaled \$147.2 billion, leaving an unfunded actuarial liability (UAL, or the excess of actuarial liabilities over actuarial assets) of \$19.3 billion. This means the FRS is 86.9 percent funded,<sup>26</sup> compared to the 80 percent generally identified as the benchmark for a healthy pension system.<sup>27</sup>

The Division of Retirement of the Department of Management Services administers benefit payments for the FRS and the State Board of Administration manages investments of FRS assets.

## Historical Overview

Key decisions made in the past by the Legislature created the pension system that workers rely on and provide the background for changes being debated today. These decisions explain how the FRS was created, why it was established as a noncontributory plan for employees, how local systems were established, and significant changes made in 2011 to both the state and local plans.

The Florida Retirement System was established in 1970 to provide an actuarially sound defined benefit retirement system, replacing several older systems. In 1975, the FRS became noncontributory, meaning participants were not required to contribute a portion of their salary to the retirement system.<sup>28</sup>

That 1975 decision was made to save the state money and to reduce an unfunded actuarial liability. At that time, regular FRS workers paid four percent of their pay into the system, while special risk workers paid eight percent. But workers could receive a refund when they left state employment, creating the unfunded liability. The state therefore assumed all contribution costs to avoid the liability.<sup>29,30</sup>

In 1980, annual cost-of-living adjustments (COLA) of up to three percent were provided, and in 1987, the annual COLA was set at three percent. In 2000, the Investment Plan was established, to be implemented in 2002.<sup>31</sup>

## **Contributions Mandated in 2011**

The Legislature in 2011 made significant changes to the Florida Retirement System. Those changes reduced total compensation for public employees like police, firefighters, and teachers and other school employees by hundreds of millions of dollars each year. FRS employees were required to contribute three percent of their pay after July 1, 2011, to their pension. The legislation also eliminated cost-of-living adjustments on retirement payments, lengthened the vesting requirement from six to eight years, and weakened the formula used to determine average compensation on which retirement payments are based.<sup>32,33</sup>

**The money saved from these changes did not go the FRS, however, to shore up the funding for the retirement system. Instead, those dollars were used to balance the state budget. The givebacks by public employees, therefore, did not help to strengthen the retirement system.**

## **The Current Debate**

As several other states grapple with large liabilities in their pension systems, some in Florida have maintained that the Florida Retirement System and many local retirement plans are “unsustainable”. They advocate significant additional changes to the laws that provide retirement security to more than a million Floridians.

But the Florida Retirement System is in good condition – much better than most states. While states like Illinois, California and Kentucky work to get a handle on large future pension liabilities, the FRS is 86.9 percent funded on an actuarial basis system,<sup>34</sup> well above the 80-percent level considered adequate by pension experts. In fact, the FRS would be in even better shape had the Legislature appropriated the full recommended amount to pay off the UAL. It has underfunded that obligation for the last three years, however.<sup>35</sup> The result will be an increase in the UAL, and therefore the obligation of taxpayers.

## **Closing the Defined Benefit Pension Plan: Costs More, Delivers Less**

Despite the good health of the FRS, some advocate closing the traditional defined benefit (DB) plan, which now is the preferred choice of most FRS participants. Advocates of change would require all new state employees to participate in a defined contribution (DC) plan,<sup>36</sup> similar to a 401(k). In that case, all

new employees would be responsible for managing their own retirement funds and assuming all risks of a stock market downturn.

In effect, the current FRS pension plan accomplishes what insurance does – shifting risk to a large group, with each individual of the group bearing only a small risk. Abandoning that system for new hires imposes a high risk on those public employees.

**Many actuarial studies have identified two major problems with forcing new employees into defined contribution plans: (1) It costs the taxpayers more money, and (2) It delivers less in retirement income for workers.**<sup>37,38,39</sup>

The costs to Florida from closing the DB plan were determined in a 2010 actuarial study. Closing the plan to new hires at that time would have almost doubled the UAL, and therefore taxpayer obligations, over 15 years, the study found. (See the actuaries' explanation of increased costs in the endnote.)<sup>40</sup>

- (1) **Taxpayer costs go up** because when a defined benefit plan is closed, it still covers current employees and retirees and future benefits continue to accrue. But new employees are not paying into the system to help fund future benefits. This increases the employer's (taxpayers') contribution rate. And since more of the plan's assets are used to pay benefits, without being replenished by contributions from new employees, more assets will be held in lower-paying short-term securities, thereby reducing investment returns.
- (2) **Employees earn less** in defined contribution plans for several reasons. Each employee in a DC plan makes her own investment decisions, and few will match the performance of investment professionals hired to oversee DB plans. Secondly, DB plans cost less to manage due to economies of scale, while employees managing their own DC plans have to pay the expenses for their individual accounts. And defined benefit plans have a long time horizon with a large, constantly replenishing set of employees, so they can invest in riskier assets that may increase investment income. Individual DC investors, by contrast, invest more conservatively as they age to preserve assets since they have a shorter time period to recover any losses.

## **Problems With Closing DB Plans Have Been Evident Throughout the U.S.**

- The National Association of State Retirement Administrators notes serious consequences from closing pension plans to new hires:
  - ... including increasing administrative costs associated with running two plans, forgoing or undermining economic efficiencies of traditional pension plans, accelerating pension costs for employees in the closed plan, worsening retirement insecurity, and potentially damaging employer recruitment and

retention efforts. Moreover...401(k)-type plans...are inherently not as effective or efficient as a primary source of retirement income. By pooling mortality and investment risks, traditional pensions reduce participants' risk of outliving retirement assets and can provide the same benefit at nearly half the cost of a defined contribution plan.<sup>41</sup>

- Cautions about 401(k) plans being relied upon as the primary retirement vehicle are underscored by a report in January indicating that more than one in four workers have dipped into retirement funds to pay everyday living costs like mortgages. These workers not only reduce their retirement savings but also must pay penalties for early withdrawals from 401(k) plans.<sup>42</sup>
- A New Mexico study found that shifting from a defined benefit to a defined contribution system would decrease retirement benefits, increase total costs, undermine the health of the retirement system, or some combination of the above.<sup>43</sup>

Furthermore, the New Mexico study said, "Switching to a DC plan is likely to result in lower and less secure retirement benefits for many long-term governmental employees, including teachers, police officers, and firefighters...."

- The New Mexico study noted that several states have backtracked on DC plans "due to inadequacy of plan benefits or increased costs."<sup>44</sup>
- A study by the National Institute on Retirement Security found that "a DB pension plan can offer the same retirement benefit at close to half the cost of a DC retirement savings plan. **Specifically, our analysis indicates that the cost to deliver the same level of retirement income to a group of employees is 46% lower in a DB plan than it is in a DC plan.**"<sup>45</sup>

The study found that a DB plan can save 15 percent because it better manages longevity risk, or the risk that money will run out in retirement, by pooling large numbers of individuals. Another five percent is saved because a pooled DB plan can maintain a balanced, diversified portfolio over time, whereas individuals become more conservative after retirement to preserve income. Finally, a DB plan's superior investment returns, achieved through professional management, deliver a given level of benefit at a savings of 26 percent.<sup>46</sup>

## The Facts About Local Retirement Plans

About 240 municipalities and special districts sponsor 492 defined benefit retirement plans for local government employees – police officers, firefighters, and general government workers. These plans

provide pension benefits to about 176,000 members – 107,000 active employees and 69,000 retirees or beneficiaries.<sup>47</sup>

These plans are created in three ways: local law plans, created by local ordinance; chapter plans, created pursuant to Chapters 175 (for firefighters' plans) and 185 (for police plans) of Florida Statutes; or special act plans, created by a legislative act mandating a local government to create a local pension system.<sup>48</sup>

Chapters 175 and 185 do not govern pensions from government entities whose firefighters and police officers are eligible to participate in the Florida Retirement System.<sup>49</sup>

Local plans are funded from several sources, including employee and employer contributions and investment earnings.<sup>50</sup> The 351 Chapter 175 and 185 police and firefighter plans<sup>51</sup> also are eligible to receive revenue from state insurance premium tax collections on property and casualty policies written within the boundaries of the local government. Access to the insurance premium tax was provided to encourage local governments to participate in the uniform retirement system.<sup>52</sup> The Firefighters Pension Trust Fund under Chapter 175 receives 1.85 percent of the gross receipts on property insurance premiums written within the boundaries and the Police Officers Retirement Trust Fund under Chapter 185 receives 0.85 percent of gross receipts of auto insurance.<sup>53</sup> The premium tax earned the municipalities' pension trust funds about \$131 million in calendar year 2011.<sup>54</sup>

Local governments' legislative bodies, subject to collective bargaining with employees, set local plan provisions. The plans are administered on a local level by boards of trustees.<sup>55</sup>

Generally, investment earnings provide 74 to 76 percent of funds in municipal defined benefit plans, employers 14 to 16 percent, and employee contributions six to 10 percent.<sup>56</sup>

For firefighters and police officers, minimum standards provide retirement at age 55 with 10 years of service, or age 52 with 25 years of service. At least a two percent retirement benefit for each year of service is required, multiplied by average final compensation (based on the five best of the last 10 years' pay).<sup>57</sup>

The Division of Retirement of the Department of Management Services, through the Bureau of Local Retirement System, monitors local retirement systems and oversees local police and firefighter pensions.

## **Current Proposals Affecting Local Plans**

As it did with the Florida Retirement System, the 2011 Legislature made significant changes to local plans. Changes included eliminating payment of used annual and sick leave from calculation of benefits

and establishing a limit of 300 hours of overtime to be used in the calculation of benefits.<sup>58</sup> Since the adoption of that legislation, however, the Department of Management Services has interpreted the overtime provision to allow local governments to reduce overtime included in the definition of contribution to less than 300 hours.<sup>59</sup> The interpretation has a significant impact on police plans, since 1999 legislation set a minimum benefit of 300 hours of overtime to be counted as compensation for retirement calculations.

New proposals affecting local plans are also being considered by the 2013 Legislature.

Dramatic changes should be carefully considered for several reasons. First, the changes made in 2011 have improved the condition of many local plans. Restructuring and employee givebacks have already occurred and abuses eliminated. Secondly, action should not be taken based on a one-time snapshot of a retirement plan or an analysis based only a few factors. Third, no one-size-fits-all solution exists. Each of the 492 local retirement plans is unique; the challenge is trying to improve a few without damaging others relied upon by Florida firefighters and police officers. Strong plans with governments and employees who have acted responsibly should not be punished with sweeping legislation aimed at a few other plans.

It is also important for policymakers to determine the causes of weaknesses in any individual plan. Lower investment returns following the near-collapse of the financial system hurt them all. But some plans have been underfunded by the governing bodies of municipalities and special districts for unique local reasons, through no fault of pension participants.

Finally, policymakers should respect local control and let any individual local pension problem be resolved at the local level.

## Frequently Asked Questions

***I've heard that the pension plans covering state and local workers are "unsustainable," and that without big changes they'll bankrupt the state or at least cause taxes to skyrocket.***

This is a myth. The Florida Retirement System is in good financial condition, as are most local retirement plans. They are pre-funded, with money set aside each payroll period, pooled together and then invested, to provide a trust fund to pay future retirement benefits. Pension payments generally do not consume a large portion of tax dollars. Money set aside for retirement constitutes less than three percent of state and local tax revenue. That money is used as part of the total compensation of public workers like teachers, firefighters and law enforcement officers who perform some of the most important tasks in Florida.

***Why should public employees have guaranteed pensions when most workers today participate in more risky 401(k) plans?***

Public employee retirement plans and other benefits are designed in part to close the gap between private- and public-sector pay. Public employee salaries are lower than those in the private sector, both nationally and in Florida. State and local workers nationwide have a "wage penalty" of almost 10 percent, and total compensation, even with retirement and other benefits, does not match total compensation of private-sector workers.<sup>60</sup>

In Florida, the average salary in 2011 for a worker in the state personnel system was \$37,898, 10 percent lower than the average for a private-sector worker. The average state employee salary is lower than in 2008, while the average private-sector salary is up four percent.<sup>61</sup> That's because state workers have received no general pay increase since fiscal year 2006-07 or even a one-time bonus since 2007-08.<sup>62</sup>

Florida's state employee salaries are lower than those in other states, ranking near the bottom in a national study.<sup>63</sup> And the state ranks lowest in the nation in state employee personnel costs and the number of state employees per 10,000 population. In fact, Florida spends half as much in payroll costs for state workers than the national average.<sup>64</sup>

Taking away the defined benefit plan from public employees hurts them and taxpayers. "...[C]losing a pension and shifting to a DC plan for new hires is less cost-efficient....Closing or freezing a plan is likely to lead to many unintended consequences....[M]any state level studies have found that closing a DB plan could cost substantially more than modifying it."<sup>65</sup>

***Why shouldn't state and local workers participate in investment plans like 401(k) plans, rather than in guaranteed plans like they have today?***

Actually, traditional retirement plans provide a bigger bang for the buck both for employers and workers than investment plans like 401(k)s. Requiring new workers to enroll in the defined contribution

investment plan delivers a double whammy: It would cost taxpayers more and provide less in retirement income for public workers.

Traditional defined benefit plans like the FRS pension plan play an important role in making retired public employees self-sufficient in retirement. A national study found that defined benefit pensions help reduce poverty. DBs were associated with 1.72 million fewer poor households and about three million fewer near-poor households. Hundreds of thousands of Americans avoided food, shelter, and health care hardships because of their DB pensions.<sup>66</sup>

***Don't retirement benefits for public workers require a large portion of our tax dollars?***

No. Despite claims that we can't afford them, benefits for public employees generally represent only about three percent of state and local budgets and even less in Florida.<sup>67,68</sup>

***Don't taxpayers foot the bill for most of the funding for public employees' pensions?***

Investment earnings do most of the work in funding retirement for public workers. Contributions made by workers and employers are invested and the earnings compounded over time. Investment earnings fund over two-thirds of retirement benefits.<sup>69</sup>

***Is it true that traditional pensions like the FRS defined benefit pension plan help women and minorities?***

Yes. Women and minority groups are at greater risk in retirement than white male co-workers. They generally make less money over their careers to invest on their own. And because the life expectancy of women is greater, women tend to outlive their savings more than men do. Traditional pensions, with a guaranteed retirement payment for life, shrink the gender and race differences in retirement.

## Glossary

**Annuitant:** An annuitant is a person who receives a retirement benefit from the FRS or a local retirement plan.

**Defined benefit (DB) plan:** A defined benefit plan is a traditional pension that relies on pooled investments from many workers and offers a predictable, defined monthly benefit in retirement. It provides a steady income stream guaranteed to last for the remainder of a retiree's life.<sup>70</sup>

**Defined contribution (DC) plan:** A defined contribution plan, like a 401(k), provides benefits based on accumulation of contributions in individual accounts. The amount of contributions, instead of benefits, is defined. Participants determine their own investment choices and assume all risks. DC plans do not create an actuarial liability for the sponsoring government agency.

**Pension:** Money paid regularly to a worker after retirement. A pension is retirement income that cannot be outlived by the recipient, but is guaranteed throughout the life of the retiree.

**Unfunded actuarial liability (UAL):** An unfunded actuarial liability is the excess of actuarial liabilities over actuarial assets.

**175 and 185 plans:** These numbers refer to the sections of Florida Statutes that govern firefighters and police officers pension funds. Chapter 175 governs fire plans Chapter 185 governs police plans.

**99-1:** A piece of legislation passed in 1999 that amended Chapters 175 and 185 to provide for minimum benefits for all police and fire pension plans receiving funding from the state. The legislation also required that “additional premium tax revenues” after 1997 could be used solely to pay for “extra retirement” benefits for police and firefighters above those provided to general employees.

## Endnotes

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<sup>2</sup> “The Widening Gap Update,” The Pew Center on the States, June 2012.

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<sup>3</sup> “Special Report: Best and Worst State Funded Pensions,” The Fiscal Times, March 24, 2011.

<http://www.thefiscaltimes.com/Articles/2011/03/24/States-Short-Change-Pension-Funds.aspx#page1>

<sup>4</sup> “Annual Report, The Florida Retirement System and Other State Administered Systems,” July 1, 2010-June 30, 2011. [https://www.rol.frs.state.fl.us/forms/2010-11\\_Annual\\_Report.pdf](https://www.rol.frs.state.fl.us/forms/2010-11_Annual_Report.pdf), Page 64.

<sup>5</sup> “Annual Report, The Florida Retirement System and Other State Administered Systems,” July 1, 2010-June 30, 2011. [https://www.rol.frs.state.fl.us/forms/2010-11\\_Annual\\_Report.pdf](https://www.rol.frs.state.fl.us/forms/2010-11_Annual_Report.pdf), Page 41.

<sup>6</sup> “2012 Local Governments Annual Report,” Florida Department of Management Services.

[http://www.dms.myflorida.com/human\\_resource\\_support/retirement/local\\_retirement\\_plans/local\\_retirement\\_section/local\\_government\\_annual\\_reports](http://www.dms.myflorida.com/human_resource_support/retirement/local_retirement_plans/local_retirement_section/local_government_annual_reports)

<sup>7</sup> “Pensionomics 2012: Measuring the Economic Impact of DB Pension Expenditures,” National Institute on Retirement Security, Florida fact sheet.

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<sup>8</sup> “A Better Bang for the Buck, The Economic Efficiencies of Defined Benefit Pension Plans,” National Institute on Retirement Security, August 2008.

<http://www.nirsonline.org/storage/nirs/documents/Bang%20for%20the%20Buck%20Report.pdf>

<sup>9</sup> Letter to Division of Retirement, July 8, 2010, Re: Study Reflecting the Impact of Closing the Florida Retirement System Pension Plan including Projected Blended Rates for the next 30 Fiscal Years, Milliman.

<sup>10</sup> “Quick Facts on Florida’s Local Government Retirement Systems,” Florida Public Pension Trustees Association, February 21, 2012. [http://www.fppta.org/FPPTA/MR\\_QuickFacts.aspx](http://www.fppta.org/FPPTA/MR_QuickFacts.aspx)

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- <sup>11</sup> “2012 Florida Local Government Systems Annual Report,” Division of Retirement, Department of Management Services, Appendix A. [https://www.rol.frs.state.fl.us/forms/Appendix\\_A.pdf](https://www.rol.frs.state.fl.us/forms/Appendix_A.pdf)
- <sup>12</sup> “Years in the Making: Florida’s Unfunded Municipal Pension Plans,” Leroy Collins Institute, September 2012. <http://collinsinstitute.fsu.edu/sites/collinsinstitute.fsu.edu/files/SEP%202012%20Years%20In%20The%20Making%20report.pdf>
- <sup>13</sup> Memo to All Florida Pension Plans from Klausner Kaufman Jensen & Levinson, Re: LeRoy Collins Institute September 2012 Report, October 5, 2012. [Response-to-Collins-Study-1900631\\_10232012\\_Response\\_to\\_Collins\\_Study](http://www.rol.frs.state.fl.us/forms/Response-to-Collins-Study-1900631_10232012_Response_to_Collins_Study)
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“If future members cannot join the DB plan, the result is a declining DB payroll base on which contributions to fund the DB plan are traditionally made. This would produce increasing contribution rates as the payroll over which the cost of the UAL is spread declines....

“Over time, the DB plan cost per DB participant would increase as the less expensive shorter service and younger participants are eliminated from participation in the DB plan....

“Over time, the State Board of Administration may lose the ability to invest with a long-term perspective as annual cash flow becomes more and more negative. Under a closed plan, as the active population shrinks and the retired Florida Retirement Security Coalition

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population continues to grow, benefit payments will exceed the contributions made to the plan by continually increasing amounts. This will possibly necessitate future changes in asset allocation in order to provide sufficient sources of cash for benefit payments, which in turn could impact the rates of return earned by the Fund's assets....thereby putting upward pressure on costs."

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