

FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION



NEWS STORIES FOR DECEMBER 2010 ON FLORIDA PENSION ISSUES

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[Study: 81% in 401\(k\)s won't be able to retire at 65](#)

By [Robert Steyer](#), Plan Sponsor, December 2, 2010

Eighty-one percent of employees in 401(k) plans won't be able to retire at 65. The study's analysis of 401(k) plans at 110 public and private companies also found that the average participant relying on a 401(k) as the primary savings source will have to keep working until 73 to achieve an adequate retirement income. "Across all age groups and income levels, the employees who contribute the greatest percentage of income have the best opportunity for retirement." "The decision of how much an employee contributes to their 401(k) far exceeds the importance of which investment funds they choose. By increasing your contribution by just 2% to 4% of total income, you can shave years off the age you retire."

[Pension funds need attention](#)

By Michael P. Bonfield, St Petersburg Times, December 1, 2010

The bad news is that the recent economic performance of investments assures further declines in pension plans in the short term, with future uncertainty in the markets leaving many wondering whether the bottom is even in sight. Historically, employees were guaranteed that upon retirement they would receive each year a certain percentage of pay for each year of service. Termed a "defined benefit," this type of plan was based primarily on a formula (police and fire employees generally receive 75 to 85 percent of annual compensation after 25 years of service). The future funding liability fell completely on the employer — in the case of public pensions, the taxpayer. The long-term sustainability of public employee pensions is an issue that can no longer be "kicked down the road." Those of us in the public sector today may not have created the problem, but it is ours to fix.

[Police seek public's support for pension funds](#)

By [William Kelly](#), Palm Beach News, December 25, 2010

The town's police officers are appealing to the public for help in their fight to protect their pensions from deep cuts proposed by the town. The Fraternal Order of Police took out a half-page advertisement in Wednesday's Palm Beach Daily News. "Our concern is if they lessen the pension and rein in the benefits that all other municipalities in Palm Beach County and South Florida give their officers, they are going to have a problem with recruitment, retention and, eventually, quality of service." Town Manager Peter Elwell presented a plan that would slice the cost of pensions for police, firefighters and general employees by about half over 10 years. He has said current pension levels are not sustainable because of escalating costs that threaten to drive the town budget into a string of deficits starting in 2012. According to the police ad, the average police officer's pension would fall from \$56,263, which is the average over the past 10 years, to \$20,094 under the town's plan. Officers also would lose survivor benefits and 2 percent cost-of-living increases for their pensions, the ad points out.

Nationwide pension troubles may affect local landscape

By [Tony Holt](#), Hernando Today, December 24, 2010

"The pension system in Florida is still a very stable system," said Spring Hill Fire Chief Mike Rampino. He said he remains aware lawmakers are looking closer at pension programs and may see it as a fertile place to make cuts. Mostly all government employees, state and local, are part of the Florida Retirement System. Gov.-elect Rick Scott already has vowed to cut more than \$1 billion from the state's pension fund. The public's perception of government pensions also seem to be changing. Millions of people employed in the private sector have seen their 401(k) plans ravaged, frozen or cashed out. They might be less inclined to empathize with their government counterparts. At the very least, Scott has vowed to make government employees contribute more to their pensions.

Farrell Files: Florida's Financial Time Bomb

Mike Farrell, WTSP Channel 10 News, December 15, 2010

Florida State Senator Jeremy Ring, the Chairman of the Senate Governmental Oversight and Accountability Committee, said, "We've got (Florida) cities that are bankrupt. This noose is around their necks." The third city listed in the article - St. Petersburg. So why St. Petersburg and not Tampa? It turns out that not all city pension plans are created equal in the Sunshine State. Tampa's pension plan for city workers, including police and fire, is a stand-alone plan, which means it's funded by the City of Tampa and employee contributions. In addition, Tampa's pension plan is generally not as generous as the plans across the bay. Also, employees in the Tampa system have recently been required to contribute more to the plan to insure it remains solvent. St. Petersburg police and fire pension plans are part of the state pension system. In good times that's not a problem. Today it is a growing problem. In March of this year St. Petersburg told pension participants that their cost of living increases would be cancelled if the State of Florida fails to fund the increase. That seems increasingly likely as Governor Scott has stated publicly that he expects to close the estimated \$3 Billion dollar state budget gap by cutting the Florida's contribution to the state pension plan.

State pension fund looks like pinata in bad budget year

By John Kennedy. Financial News & Daily Record, December 10, 2010

With a \$3 billion budget shortfall looming, Florida's pension fund and employee health benefits are shaping up as piñatas that state lawmakers will whack next spring, hoping they will yield millions of dollars in cost savings. A Senate panel Thursday began weighing a wide range of approaches which will effectively set lawmakers at odds with police, fire and other public employees' unions, whose members will bear the brunt of any changes. The Florida Retirement System has 572,000 active employees and 319,000 retired members, with beneficiaries drawn from more than 900 state and local government employers. The \$109 billion fund has had a roller coaster run in the economy, with a projected \$15 billion deficit eased by a 14 percent investment return last year, its best performance in 25 years. City and county officials also warned that one approach they don't want explored is turning to them for more money. They told the committee that state requirements that beefed up police and firefighter benefits and expanded "special risk" classes have strained local government costs.

Morning Bell: Stop the State Bailouts Before They Start

Heritage Foundation, December 28, 2010

Reforming how police and fire workers are paid is an uphill climb politically, but polling shows that once voters are educated, they are open to change. A recent [poll](#) by the Florida League of Cities on Police and Fire Benefits found that, initially, most respondents did believe police and fire benefits were “about right” or “too low.” But when told that police officers and firefighters can retire after 20 years of service and receive 80 percent of their salaries for the rest of their lives, 66 percent of respondents strongly opposed this policy. And when asked if they knew that the retirement pay for an average police officer was over \$70,000 per year, 71 percent said that was too high.

Scott may shrink tax money for public employees' pensions

By Gary Fineout. Ocala Star-Banner, December 11, 2010

Scott wants to cut \$1.4 billion next year from taxpayer contributions to the public employee pension program, and many legislators have signaled their support for the notion. Such a move would, for the first time since 1975, force teachers, firefighters, sheriff's deputies and other government employees to make significant contributions out of their own salaries. Florida is one of only a handful of states in the nation that don't require employees to pay for their pensions. Scott is not expected to offer a specific plan for changing the state pension program until early 2011. But it is clear that he sees the retirement fund as one way to cut spending and help make up for the \$1.4 billion cut he wants to make in state property taxes for schools and \$700 million more in the corporate income tax.

Florida lawmakers weigh changing employee health, pension accounts

By Mary Ellen Klas, Miami Herald, December 9, 2010

Among the options consider as part of pension reform:

- Giving state employees health savings accounts and high-deductible plans that would require people to be more responsible for their health, and to shop around for the most cost-efficient healthcare.
- Phasing out defined benefit retirement programs for new employees and provide incentives for existing workers to shift into 401K-style defined contribution programs.
- Requiring state workers to work longer than the current six years to become vested in the defined contribution plan.
- Requiring all government workers to pay a portion of their retirement benefits. Currently, most employees don't have to pay into the state retirement system.
- Scaling back extra benefits for police, fire and emergency workers.
- Imposing new limits on the amount that cities and counties can dish out in benefits programs.
- Forcing cities like Miami, Pembroke Pines and St. Petersburg, and other cities whose retirement costs now exceed 50 percent of their payroll costs, to whittle down their benefit plans for existing employees.

Sen. Mike Fasano Seeks Cuts in Retirement Benefits for Elected Officials

By: [Gray Rohrer](#), Sunshine News, December 29, 2010

If the Florida Legislature is going to make up the \$3.5 billion deficit facing the state by reducing spending, Sen. Mike Fasano, R-New Port Richey, thinks elected officials should start by cutting their own benefits. Fasano filed a bill this month that would reduce the contributions the state makes to elected officials' retirement funds from 3 percent to 2 percent. Judges' contributions would fall from 3.33 percent to 2 percent. The bill would apply to all levels of government, including local elected officials.

[Fla. employee pension investments create 176 jobs](#)

Miami Herald, December 18, 2010

The Office of Program Policy Analysis & Government Accountability this week issued the study showing 176 jobs have been created so far through the investment of \$73 million since June 2009.

The pension funds were used to buy interests in seven Florida-based technology companies and four private equity funds that invest in such firms.

[Florida needs those billions](#)

Editorial, Palm Beach Post, December 16, 2010

Florida TaxWatch released recommendations that the group says could save the state \$4 billion a year. One is to shift the state pension fund from defined-benefit to defined-contribution. Another is to allow more competitive bidding on contracts. But along with those cost-saving suggestions is a revenue-raising suggestion: Collect the taxes from Internet sales.

[Local Governments Seek Pension Relief](#)

By: [Kenric Ward](#), Sunshine News, December 29, 2010

Indian River County Commissioner Peter O'Bryan this month urged the state to bring the Florida Retirement System "more into line with the private sector" by requiring contributions from new hires. Currently, local and state governments fully fund FRS. O'Bryan further proposed that counties be permitted to set their own levels of contributions while curbing what he called "lavish benefits." The Florida Association of Counties -- noting that the state's collective unfunded pension liability has risen to \$17 billion (including \$2 billion in the Deferred Retirement Option Program) -- opposes any effort to increase local governments' contribution rates. Counties, cities and school districts paid \$2.6 billion in employee pension costs last year.

[Dear Gov.-elect Scott ...](#)

Editorial, Orlando Sentinel, December 10, 2010

We've reviewed your economic plan, and some of what you propose makes sense. Reducing Florida's high pension costs and reforming Medicaid, for example, could save more than \$2 billion a year. That money could be redirected toward more productive public and private investments.

[Blueprint for a balanced budget](#)

Editorial, Miami Herald, December 12, 2010

Listed here are three major recommendations that lawmakers and Gov.-elect Rick Scott must seriously pursue as they face that deficit and Florida's 12.3 percent unemployment rate, among the nation's highest. **Pensions.** Shift the public-employee pension system to a defined contribution plan or else require employees to contribute to their current defined benefit plans. The private sector, federal government and other states have realigned their pension and benefit plans this way to deal with today's economic reality. Next, reform or eliminate DROP (Deferred Retirement Option Program) for future state retirees. Cut the guaranteed annual 6.5 percent rate of return for retirees to 3 percent. One state, Arizona, discontinued its DROP plan in 2006 after a study revealed it significantly increased the contributions needed to maintain it.

2010 year in review: Pension costs spiral, solutions sought

Longboat Key News, December 31, 2010

2010 could be called the year of the pension. Pensions became a hot topic due to the mushrooming of unfunded liability in the town's three defined benefit pension programs. That liability, which totals more than \$25 million, represents an obligation on taxpayers. Town Manager Bruce St. Denis explained early in 2010 to the Town Commission the factors leading to the pension situation today. His explanation, along with a report from the town's actuary, cited that poor investment returns, enhancements to the benefits packages, as well as a now controversial restructuring of how the town pays its unfunded liability down, all led to the current pension crisis. Like a perfect storm, the pension issue grew by year's end into a contributing factor that led to an impasse between the town manager and the town firefighters in contract negotiations. Adding to the dilemma is the Firefighter's Pension Board, which contracted with a company called Benchmark to perform a forensic investigation and review of how and why the fire pension plan has devolved to one of the most under-funded in the state of Florida. The Town Commission has requested St. Denis provide information on other benefit programs including 401k plans, the cost of the State Fire Retirement System, as well as the cost of a defined contribution plan. The debate now centers on if the community can afford to continue defined benefit pensions or if another option is necessary.

Florida League of Cities Poll on Police and Fire Salaries Shows Public out of Touch Regarding Benefits

By [Mike Shedlock](#), FavStocks.com, December 23, 2010

An Poll by the Florida League of Cities on Police and Fire Benefits shows the public is way out of touch with how generous police and fire benefits are. When asked if benefits were too high, most thought no. When given actual benefit levels most thought the opposite. When it comes to the pay and benefits of police and fire fighters, voters are generally unaware of the array of benefits currently afforded them. Initially and by a large margin most respondents felt these benefits are "about right" or "too low". Almost without exception, voters feel that most of these benefits are too generous. For example, 63% felt retirement benefits should be consistent with other government employees, 66% opposed 20 years and out, and 73% felt that adding overtime to base calculations was unfair. Further, 70% oppose DROP, 71% felt \$70,000 per year average salary was too high, and a whopping 84% felt they should not make the same when they retire as when they are working! Oddly, more than 60% stated that increasing benefits could bankrupt local government yet 77% do not equate these pension benefits to taxes and instead correlate higher taxes to "other spending and other government programs". We can conclude, based on these findings, that the public is largely ignorant or agnostic to benefit packages and salaries currently available to police and fire fighters. However, once they are informed about these benefits, they believe they are excessive and have problems with several of them specifically.