

Governor Scott to decide future of pension bill

State of Florida employees, mainly those working in higher education and law enforcement, may see more changes to their retirement plans.

Each year the Florida Legislature is required by the Florida Constitution to fund the FRS Defined Benefit Plan in an actuarially sound basis. This means that each year an actuarial study is done to calculate what the employer's contribution must be to make the Defined Benefit pension plan actuarially sound. Each year the calculation is different. The Defined Contribution or Investment Plan employer contribution is also calculated with a blended ratio based on the Defined Benefit Plan. The Defined Benefit Plan is constitutionally protected and must be funded. There is no legal requirement or guidelines for the legislators to follow for the Defined Contribution Plan. The Defined Contribution Plan is actually an Investment account and not a pension or retirement plan in reality and is subject to the 401K rollercoaster ride the stock market takes. As the cost of the Defined Benefit goes down for the employer, so does the amount that the employer puts into the investment account. (i.e. the blended ratio). Each year the actuarial rate the employer pays fluctuates dependent upon any changes to the cost of the benefits and/or the surplus. Surplus is anything over 80% for the Defined Benefit plan.

HB 5005, the bill that everyone is concerned about is simply the same budget bill that sets the calculation rate that is filed every year. The rate is set by an actuarial study and is not changeable without another study being ordered. Compounded with the 2 billion shortfall, this has made this issue very difficult. The fact that there are no guidelines or protective laws for the defined contribution plan is the very reason that we have been fighting to keep the defined benefit plan protected, and is also the very reason why the legislature wants to get rid of it. The FOP has already made a strong push to have the Legislature answer for lowering the Defined Contribution amount, but to no avail. The democratic leadership fought very hard to bring the inequities to light, but the Republican leadership blocked it and sidestepped answering any of the hard questions asked. There were hours of debate, and yet on the very last day of the 2012 Session, state lawmakers voted to reduce contributions to the Defined Contribution Investment Plan/Retirement Accounts of the over 100,000 public employees, many of whom are teachers and law enforcement. Given how complicated the issue is, you have probably already figured out that we gave the democratic caucus all of the questions and statements made in debate.

The bill (HB 5005) passed both chambers by wide margins with little discussion and will soon reach Gov. Rick Scott, who said he has not decided whether to sign it.

The legislation reduces government contributions to employees enrolled in an investment plan, known as a defined contribution plan, as opposed to the traditional pension plan for public employees.

Since the end of the Session, the FOP has been working closely with Senator Mike Fasano who is asking Governor Scott to veto this bill because of the devastating effect it will have on our law enforcement members. Senator Fasano is gathering testimonials from FRS Investment Plan members who will be personally affected to try and explain to Governor Scott just how bad this bill treats our members. We asked Hernando County Lodge President Steve Klapka to offer his personal circumstances as the example. Senator Fasano held a press conference on the issue.

In today's news:

Police officers in the defined contribution plan, who are members of what's known as a "special risk" class, would see the state's contribution drop from 18.3 percent of an employee's salary to 12.3 percent.

The result is that employees in the plan will have less money available for their retirement than if the change hadn't been made.

"This is a drastic change," said Steve Klapka, a 25-year sheriff's deputy in Hernando County and long-time president of the agency's Fraternal Order of Police Lodge. "It's a disgrace, in my opinion. You can get a job at UPS, make more money and get a better retirement and not have to risk your life."

Klapka said he is near retirement, but that younger officers who are still building a retirement nest egg will be hit harder by the change. He said Hernando deputies have not had a pay increase in more than four years and with having to make the 3% contribution and now this loss to their plan is these economic times of escalating fuel prices, deputies' dollars are stretched thin.

Klapka said he met Scott last year when the governor attended funeral services for John Mecklenburg, a sheriff's deputy killed in a car crash. "I remember him saying, 'We've got to do more for law enforcement,'" Klapka said of Scott. "This isn't doing more for law enforcement. It's taking away."

The new rates are a side effect of changes legislators made to the pension plan last year, including requiring workers to contribute 3 percent of their pay to their retirement for the first time.

The changes match the reductions in employer contributions to the investment fund with those of pension fund members, so that the employer's costs are equal under both plans.

The bill would affect at least 103,345 employees. That was the number enrolled in the investment plan as of July 1, 2011.

"In all these bills, I have to look at how it impacts the budget," Scott said.

Scott's office has received emails from law enforcement officers urging him to veto the bill. Cpl. John Bartis of the Collier County Sheriff's Office in Naples said the bill will discourage future employees from switching from the traditional pension fund to the investment plan, in which employees manage their money.

Employers generally prefer defined contribution plans because the costs are more predictable.

"Based on these changes, it will be necessary for me to work much longer to make up the difference," Bartis told Scott in an email. "Sir, my family and I voted for you. We know changes had to be made to

make government more efficient, but taking away from good, loyal, hard-working employees was the furthest thing I thought you would do.”

The bill also reduces colleges and universities contributions to workers enrolled in an optional retirement program, or ORP, from 7.4 percent of an employee’s salary to 5.1 percent.

The bill passed the House, 82-35, and the Senate, 34-2, on the session’s final day.

Sens. Jeremy Ring, D-Margate, and Mike Fasano, R-New Port Richey, cast the only dissenting votes in the Senate.

Ring said he could not get “good, clean answers” as to how the bill would affect employees of state universities and colleges who participate in optional retirement programs.

Fasano, the only Republican in the Legislature who voted no, said the bill surfaced in the final hours, and he wasn’t convinced it was in the best interest of public employees. He said he has since learned that about 100 employees of the Pasco sheriff’s office could lose retirement benefits as a result.

“It’s easier to explain a no vote than it is to explain a yes vote,” Fasano said. “I had concerns.”

From an affected FOP member today:

Dear FOP,

*As a concerned member of the FOP who is about to lose \$4300. a year out of my direct deposited retirement fund, I am in need of any and all information any of you might have as to where the FOP is in trying to put a stop to this and any continuing defunding the current Legislators are planning. Please tell me we have a grip on this one, since it just passed the House **March 9th** and according to the guru's at FRS it has been signed into law and goes into effect this July 1st.*

I had expected (possibly prematurely) that there was at least a few of us that would be affected by the theft, and I figured that there would be an option to tack this onto the tail of the current 3% grab by the Governor. When no one had any answer to that I got a bit worried. I cannot afford to give up any of my retirement funding, as you all know we get paid peanuts in this business, and 30% of my retirement being pulled is HUGE. Enough crying about me, does anyone have any answers as to what is or can be done to stop this and any further attacks on our retirement? Thanks for any correspondence, BUCK

From Jeff McAdams today:

Buck,

I have spent several days getting up to speed on HB 5005. What I’ve learned is that on the final day of the session this very bad bill was passed. I also learned that HB 5005 was passed without any public debate and in fact, it was done during reconciliation, which is done outside of the public.

Additional I want to pass on to you that I was advised by a pension attorney HB 5005 does not violate Florida law because it is an investment plan that is not constitutionally protected like the defined benefit

plan is. With that said, those in the investment plan are at much more greater risk of having their state's contributions reduced or possibility even eliminated.

I know the State FOP President Preston as well as a number of other unions have been calling and emailing Governor Scott urging him not to sign HB 5005. President Preston told me a few minutes ago that he plans to continue to work with legislators and the other unions in asking Governor Scott not to sign the bill. Additionally, President Preston is going to be sending out a statewide email calling on all members to email the Governor and ask him not to sign the bill.

If you have not done so already, I urge you to email the Governor today and explain to him how you will be negatively impacted.

I will continue to stay on top of this issue and I welcome any and all suggestions.

Brothers and Sisters,

This is a very bad bill that further erodes hard earned retirement benefits of our FRS members enrolled in the Defined Contribution Plan. It is a legal bill that was done during the budget reconciliation process as it is done each year. The legislators decide how to fund the Defined Contribution Plan and are not obligated by law to fund it at all. This year they have reduced the amount/percentage the employer must contribute to help balance the state budget on the back of the very public employees who can least afford a reduction.

If you are in the FRS Investment Plan, please take a moment and contact Governor Rick Scott and ask him to veto this bill to help secure and protect your future. Contact him at www.flgov.com. Let him know your personal story of just how badly this bill will affect you and your family during these tough economic times. If you are not in FRS contact the Governor in support of our brothers and sisters. If you are retired, contact the Governor and ask him to do the right thing and veto this bill. If you are a teacher or know a teacher contact the Governor. We are not the enemy or the cause of the tight budget. We are the middle class just trying to earn a living with our blood and sweat.