

# TOUGH CHOICES

FACING FLORIDA'S GOVERNMENTS



***Collins Institute Research  
on Municipal Pensions  
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January 15, 2015***



# **Collins Institute Municipal Pensions Reports**

- Six reports since February 2011
- Overviews, Trends, Best Practices
- Grades (2011 and 2014)
- Recommendations

# 2014 report

## Grading criteria:

- Funding ratio
- Economic assumptions (expected investment returns)
- Ratio of underfunded liabilities to payroll costs
- Sharing costs with employees
- Employer contributions as a percent of payroll

## Additional Florida cities analyzed

- 2014 report analyzes 320 pension plans in 151 Florida cities from 2005 to 2012

### Slide 3

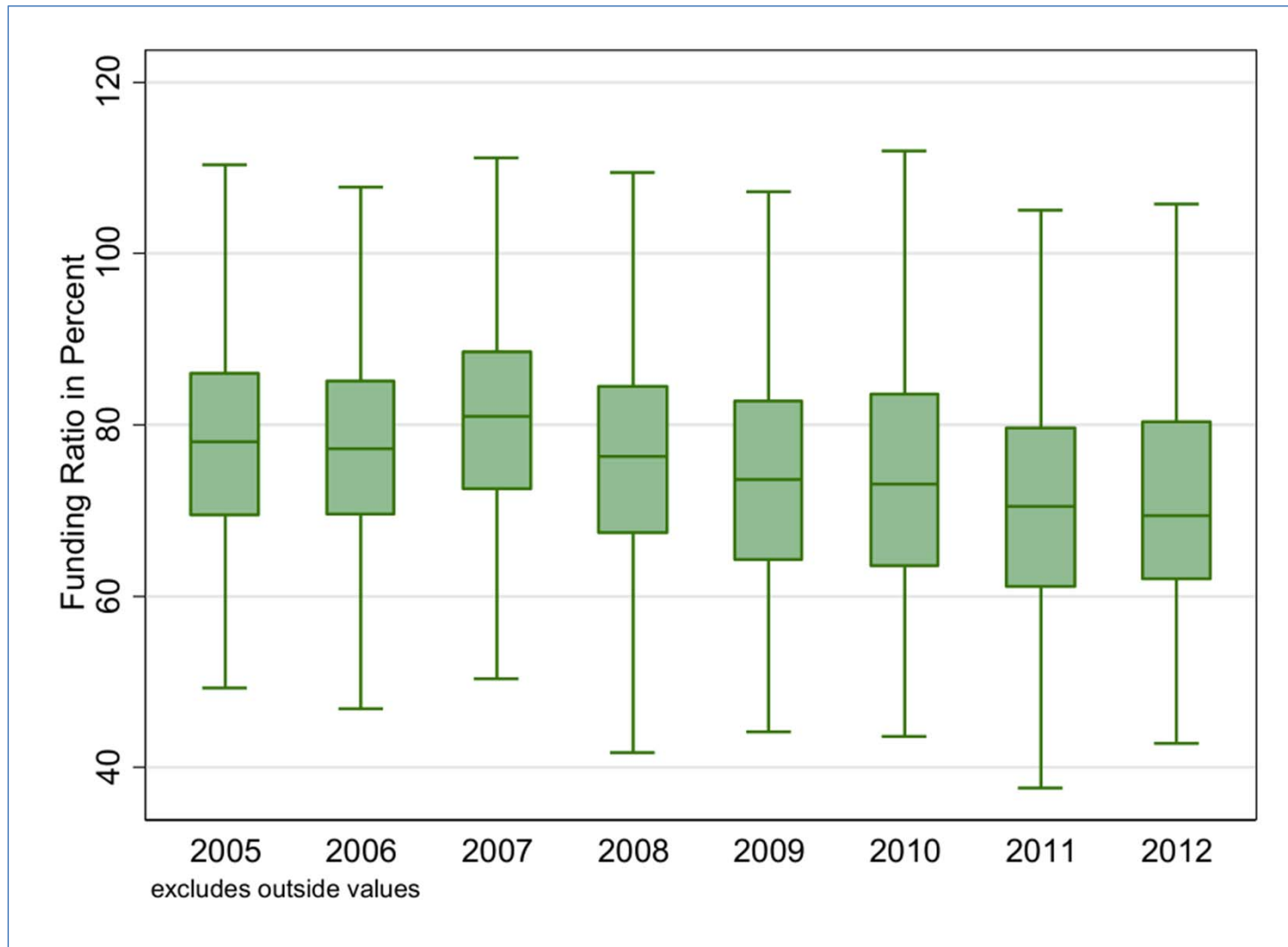
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**DM2** Again: report analyzes 151 Florida Cities

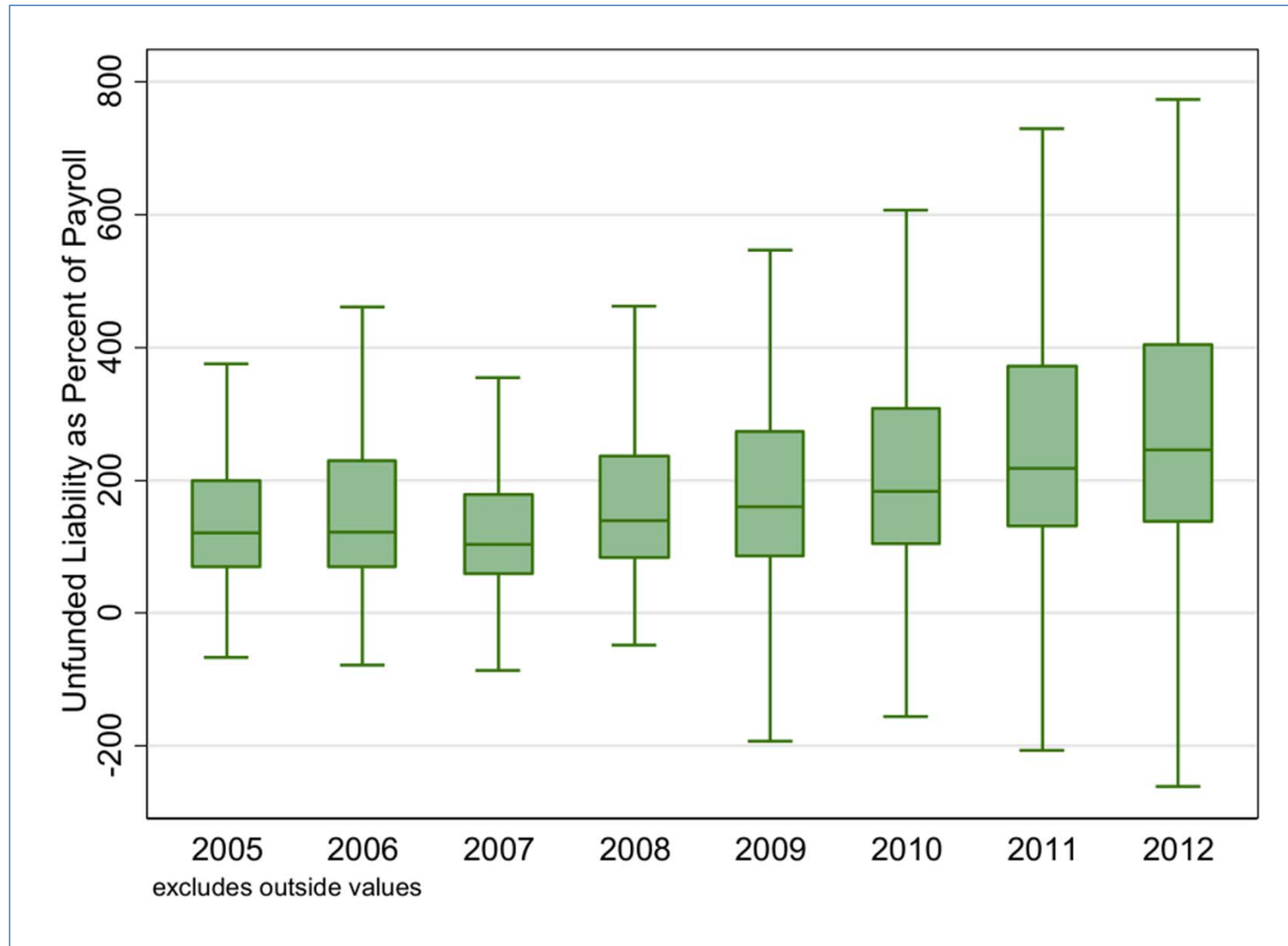
We look at 320 pension plans.

David Matkin, 9/23/2014

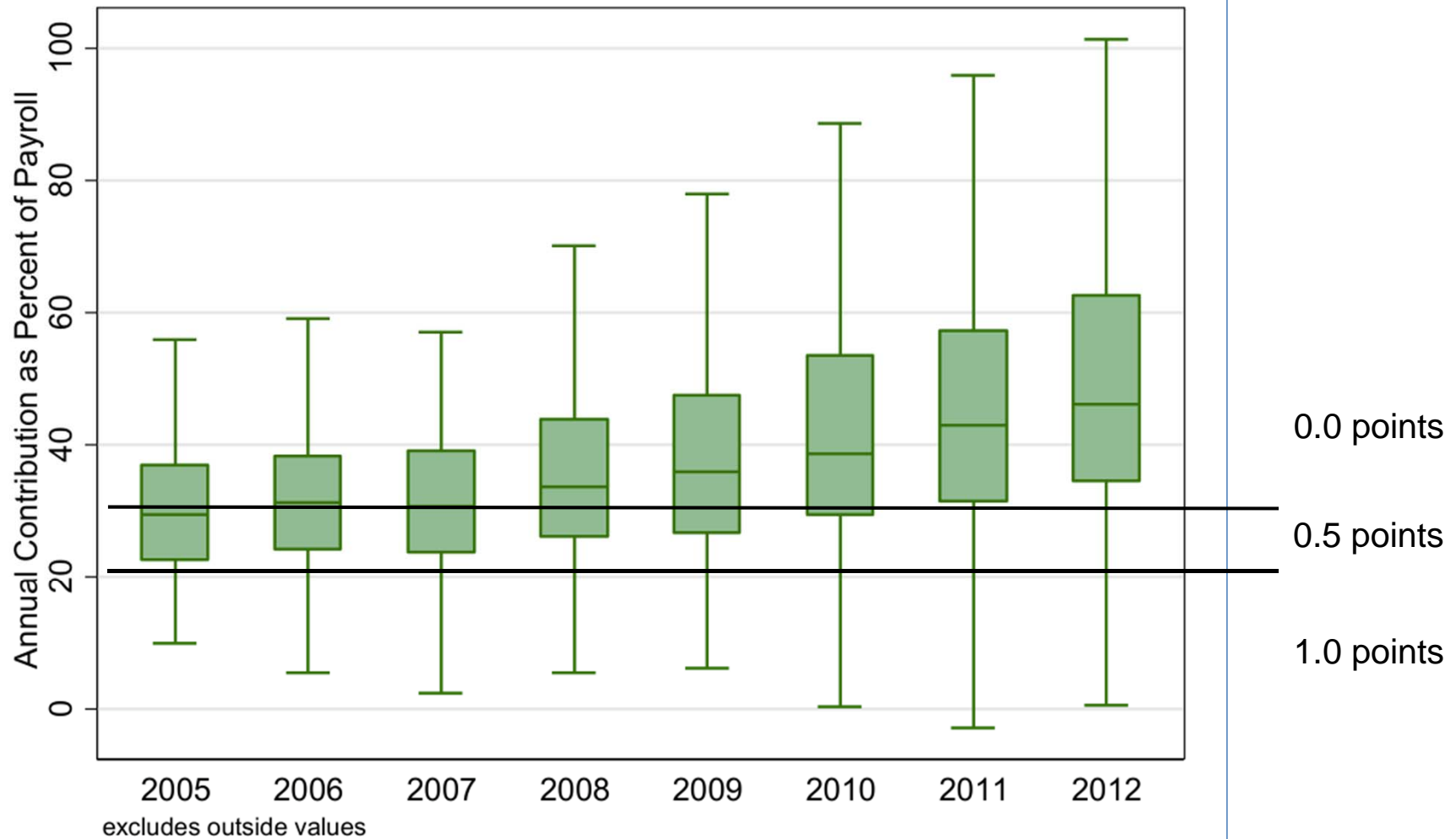
# Funding Ratio



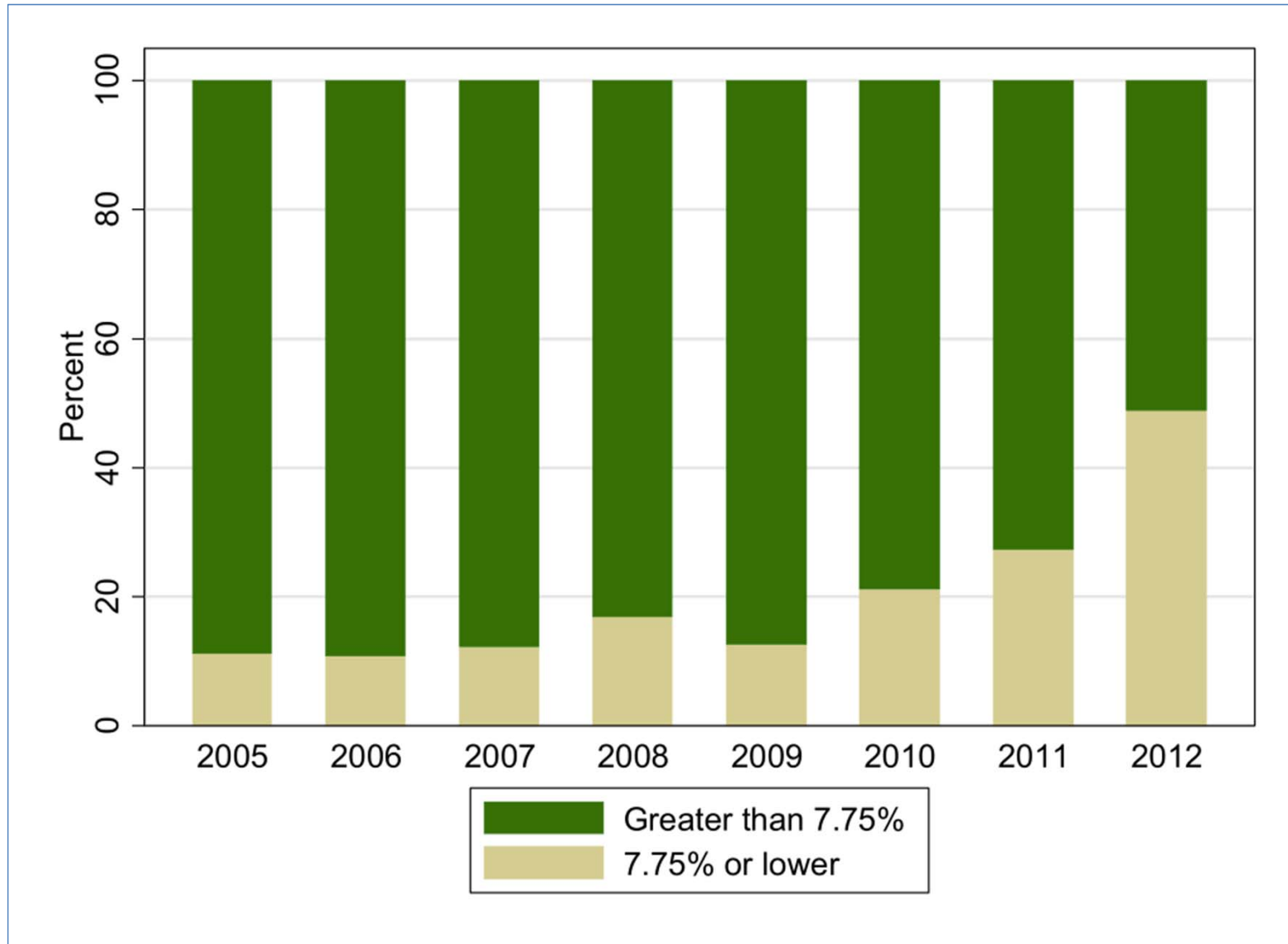
# Unfunded Liability as a Percent of Covered Payroll



# Annual Required Contribution as a Percent of Payroll

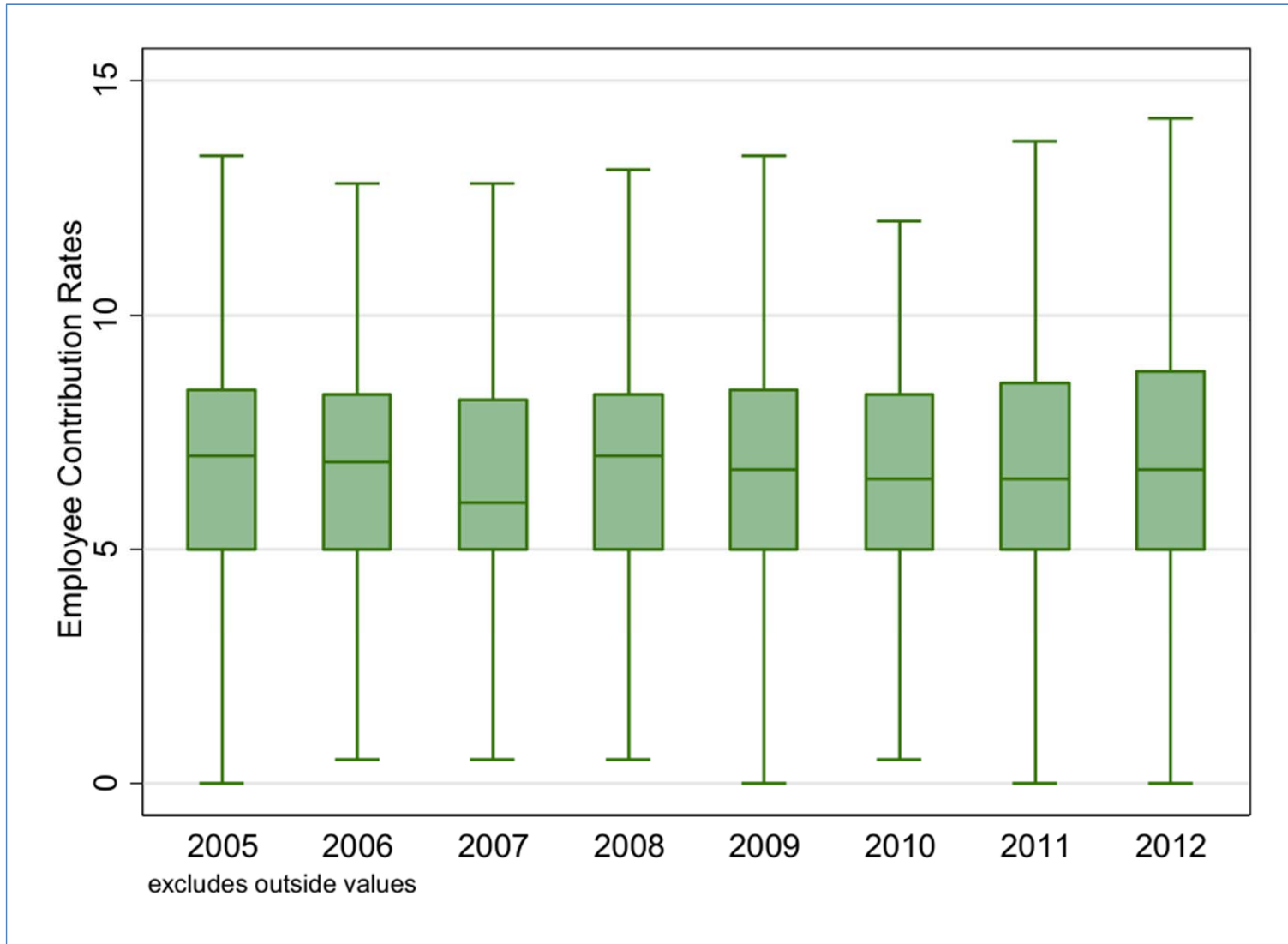


# Assumed Return on Investment (ROI)





# Employee Contribution Levels



# Assigning Grades

Total Points	Assigned Grade	2007	2012
4 to 5.5	A	33%	14%
3 to 3.5	B	26	12
2 to 2.5	C	22	28
1 to 1.5	D	14	35
0 to .5	F	5	11

# Top Performers

- Top Performers were defined as plans that received at least 4 points (plans we graded an A)
- 14.6% of plans were classified as top performers.
- 25/48 (53%) police and/or fire plans

# Poor Performers

- Plans that received less than 1 point (plans we graded an F) are classified as “poor performers”
- 10.6% of plans were classified as poor performers
- 25/34 (74%) are police and/or fire

# Change over time

- The number of A or B grade plans decreased from 50% in 2007 to 30% in 2012
- The number of C grade plans held stable from 2007 to 2012
- The number of D grades increased from 14% in 2007 to 35% in 2012
- The number of F grades increased from 5% to 11% in three years

# **Pension Recommendations:**

Revise statutory restrictions on use of premium tax dollars that link increases in tax premium funds to the provisions of additional benefits

Review and amend benefit calculations methods

Raise retirement benefit recipient age  
Stabilize retirement contributions

# **Health Benefits Recommendations:**

Consider repeal of law requiring implicit subsidization of health care benefits

Provide state oversight of local retiree health plans

# Conclusions

- Pension challenges continue
- Not all plans are in trouble
- State law should help localities, not constrict them
- Health benefits are also important

