

HOW TO
NAVIGATE
LOCAL
**PENSION
REFORM**

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Underfunded

- The Unfunded Actuarial Accrued Liability (UAAL) across the state for defined benefit local government plans is now nearly \$10,536,261,190....and counting.¹

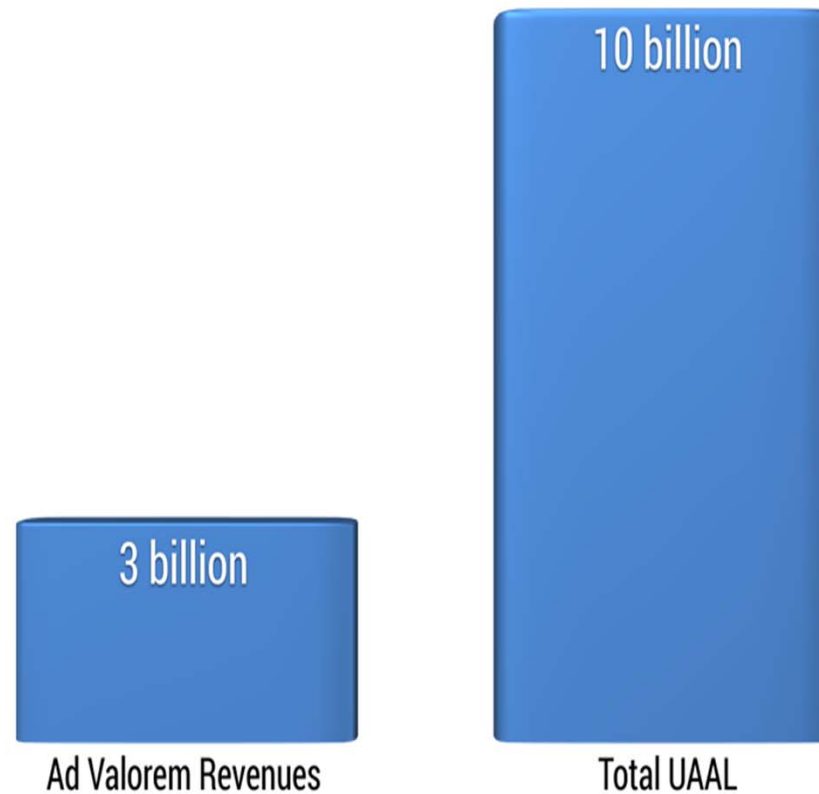
Source: DMS Annual Reports 2014



175/185 Plans

- 175/185 participating plans are Defined Benefit plans: provide a preset, guaranteed lifetime monthly pension payment for employees immediately following retirement
- Cities can choose not to offer the DB plan or conform to 175/185 mandates, but they lose Insurance Premium Tax Dollars used to help fund pension plans.

Underfunded



Source: DOR County and Municipal Gov't Comparison of Taxes Levied FY 13-14 and DMS Annual Reports 2014

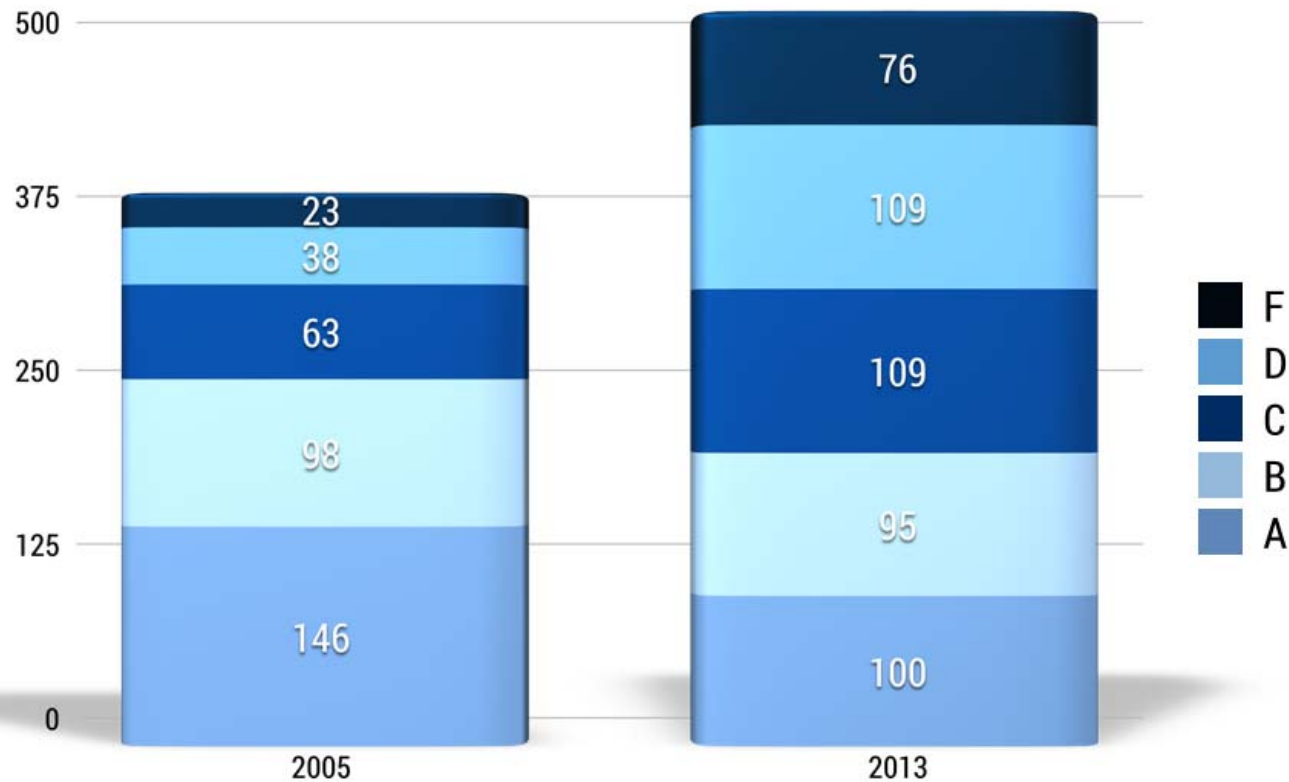
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Impact of 99-01

- Mandated new premium tax revenue used for “extra” benefits only
 - created a “freeze” year (1997)
 - any additional IPT revenue that was brought in above revenue realized in 1997 was to be distributed for “extra” benefits, regardless of the financial health of the pension plan
- These extra benefits were meant to provide special risk employees benefits above those received by general employees
- After the implementation of 99-1 many Florida cities experienced a mass underfunding

46 Plans Lost A-Rating in 8 Years



Source: DMS Annual Reports 2005 and 2013

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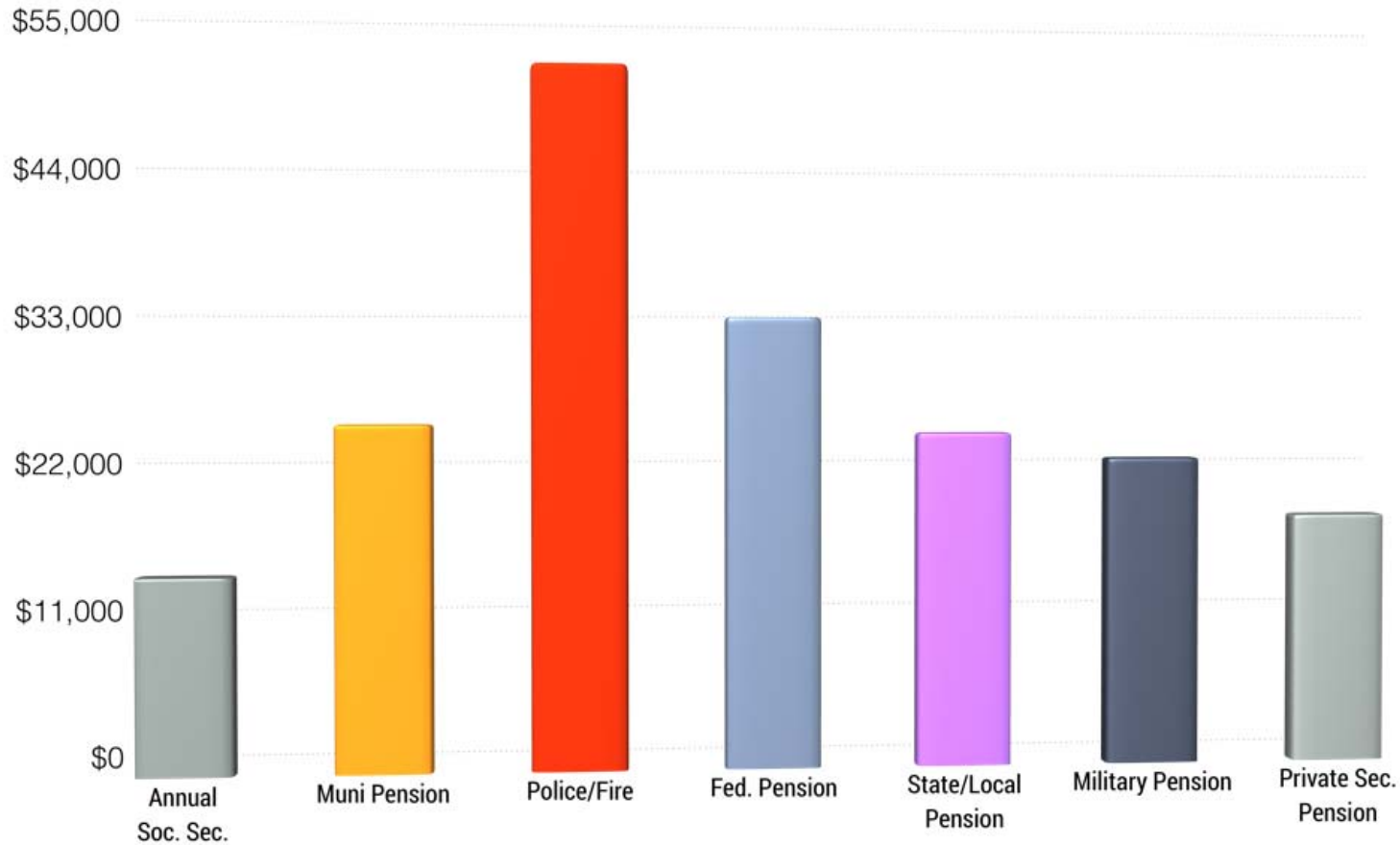
Unsustainable

- Growing Costs
 - Annual pension contributions as share of total covered payroll for general employees have increased from 18% in 2004 to 25% in 2010
 - For public safety plans it has increased from 28% to 41% during the same time period ¹

Source: DMS



Compare Average Annual Benefits



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Characteristics of Good Reform

- Security
- Sustainability
- Transparency and Accountability



Characteristics of Problem Plans

- Most common symptoms of pension troubles are benefits included in pension contracts, the benefits include
 - 13th checks
 - Deferred Retirement Option Program (DROP)
 - High percentage cost of living adjustments (COLAs)
 - High multipliers
 - Spiking
 - Disability presumptions



Characteristics of Problem Plans

- Other common symptoms are found in the execution of pension management, these include
 - Unrealistic actuarial expected returns on investments
 - Pension Holidays
 - Collective bargaining restrictions
 - Political considerations



Reform 175/185

- Reduce mandatory minimums
 - Raise Retirement Age
 - Change AFC Calculation
- Eliminate Minimum Benefits
 - Allow cities to determine what they can competitively afford through collective bargaining negotiations.



Reduce or Eliminate COLAs

- Eliminate compounding interest on benefits
- Tie COLAs to consumer price index
- Freeze automatic COLAs
- Eliminate COLAs

Reduce or Eliminate DROP Benefits

- Reduce the guaranteed interest on accumulated benefits to the FRS level of 1.3 percent
- Discounting COLAs on DROP benefits
- Drop DROP

Limit Pensionable Income

- Cap pensionable overtime hours to a maximum percentage of pay
- Eliminate the use of overtime in AFC calculations

Cap Pensionable Pay or Benefits

- Cap pension payouts to a certain percentage of their pay or AFC
- Establish a maximum retirement benefit per year



Cap the Local Contribution

- Cap the normal contribution rate for a local government at a percentage of an employee's base salary
- Limits liability of taxpayers and maintains DB plan
- Doesn't shift risk to employees
- Cap wouldn't include IPT, employee contributions or UAAL payments

“Ticking time bomb.”

Tampa Bay Times

“Eerily Similar to the
Predictions for Detroit.”

Watchdog Wire

“The unions have frisked the taxpayers
long enough.”

The Palm Beach Post

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