

The Florida Senate  
**COMMITTEE MEETING EXPANDED AGENDA**  
GOVERNMENTAL OVERSIGHT AND ACCOUNTABILITY  
Senator Ring, Chair  
Senator Siplin, Vice Chair

**MEETING DATE:** Thursday, December 9, 2010

**TIME:** 8:30 —10:30 a.m.

**PLACE:** *Toni Jennings Committee Room*, 110 Senate Office Building

**MEMBERS:** Senator Ring, Chair; Senator Siplin, Vice Chair; Senators Benacquisto, Bogdanoff, Dean, Fasano, Flores, Garcia, Latvala, Margolis, Montford, Norman, and Wise

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TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1		Overview of Governmental Oversight and Accountability Committee	
2		Overview of Public Employee Benefits and Pension Plans: Presentations by Florida League of Cities, Florida Association of Counties and Department of Management Services	

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# Overview of Governmental Oversight and Accountability Committee



**SENATOR JEREMY RING, *CHAIR***  
**SENATOR GARY SIPLIN, *VICE CHAIR***

**DECEMBER 9, 2010**

# Entity Oversight



- **Department of Management Services**
  - Florida Human Relations Commission
  - Public Employees Relations Commission
  - Division of Administrative Hearings
  - Southwood Shared Resource Center
- **State Board of Administration**
- **Department of State**
  - ✦ (except elections and corporations)
- **Executive Office of the Governor**
  - ✦ (except economic development areas)

# Committee Subject Areas



- Public records and open meetings
- State workforce and benefits
- Investment management
- Arts, culture, and preservation
- Technology and infrastructure
- Procurement and contracting
- Administrative procedures
- Government organization

# Potential Committee Issues



- The Florida Retirement System
- Local government pension plans
- State employee benefits
- Management of real estate assets
- State construction management
- DMS contracts for procurement (MyFloridaMarketPlace) and personnel (People First) systems
- Technology governance

# First reference bills which died in the House



Bill #	Sponsor	Summary
340	Wilson	Addresses restrictions on employment of ex-offenders, restoration of civil rights, expunged records
1282	Fasano	Public records exemption for spouses and children of active and former law enforcement, investigatory personnel, and firefighters
1296	Ring	Public records and meetings exemptions for the Medicaid and Public Assistance Fraud Strike Force established in L.O.F. 2010-144.
1706	Alexander	Enhances authority of Legislature over agency contracting that affects the state budget
2204	Alexander	Constitutional amendment requiring Chief Financial Officer to adopt statewide chart of accounts
2206	Alexander	Requires state entities to maintain financial data in chart of accounts adopted by CFO
2250	Alexander	Establishes governance structure for state financial infrastructure, and Agency for Enterprise Business Services



# **Public Employee Benefits and Pension Plans**

**December 9, 2010**

**8:30 AM**

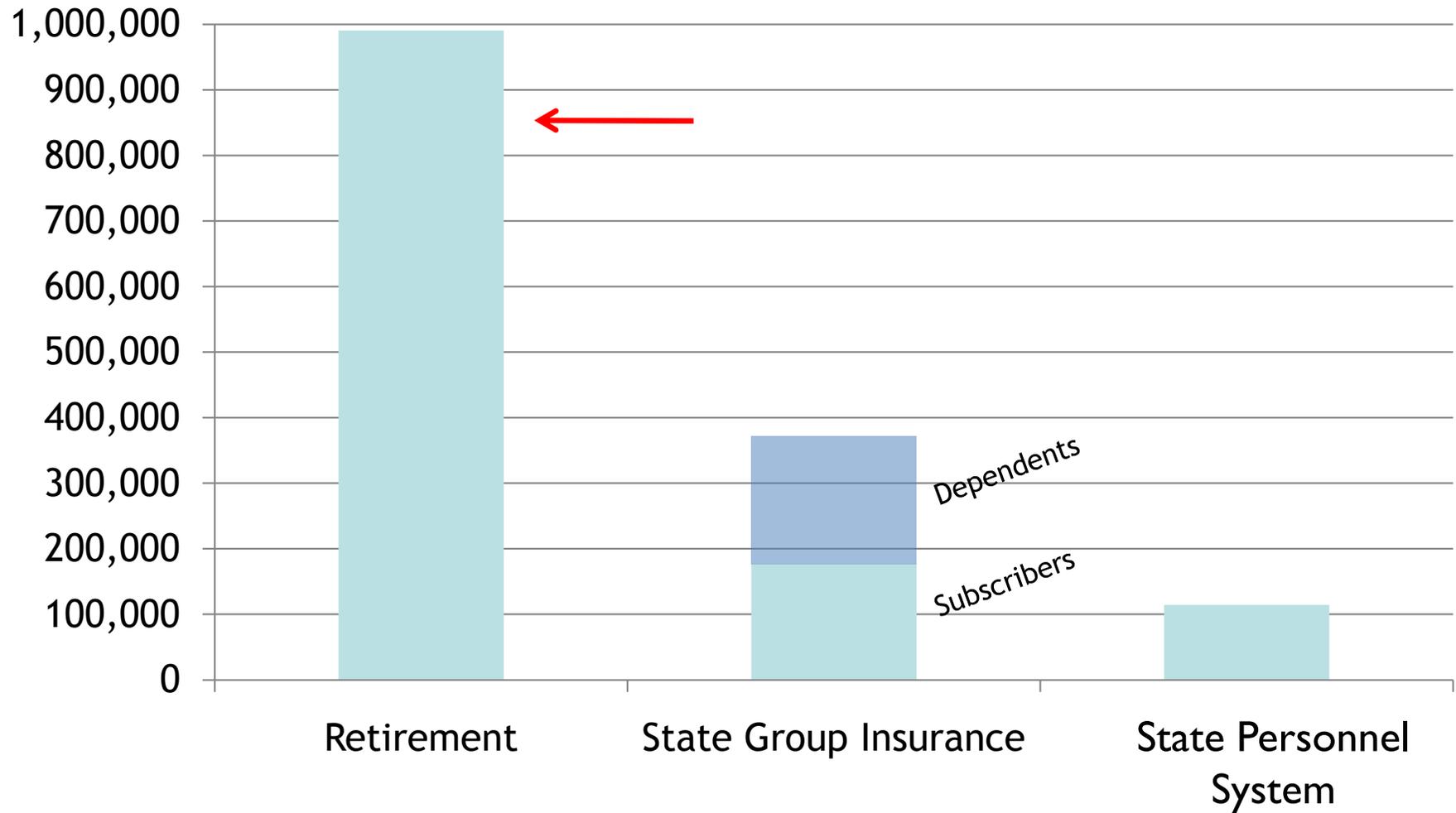
**Senate Governmental Oversight and  
Accountability Committee**

# Workforce Programs

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- Florida Retirement System
- State Group Insurance
- State Personnel System

# Members Served



# Florida Retirement System (FRS)

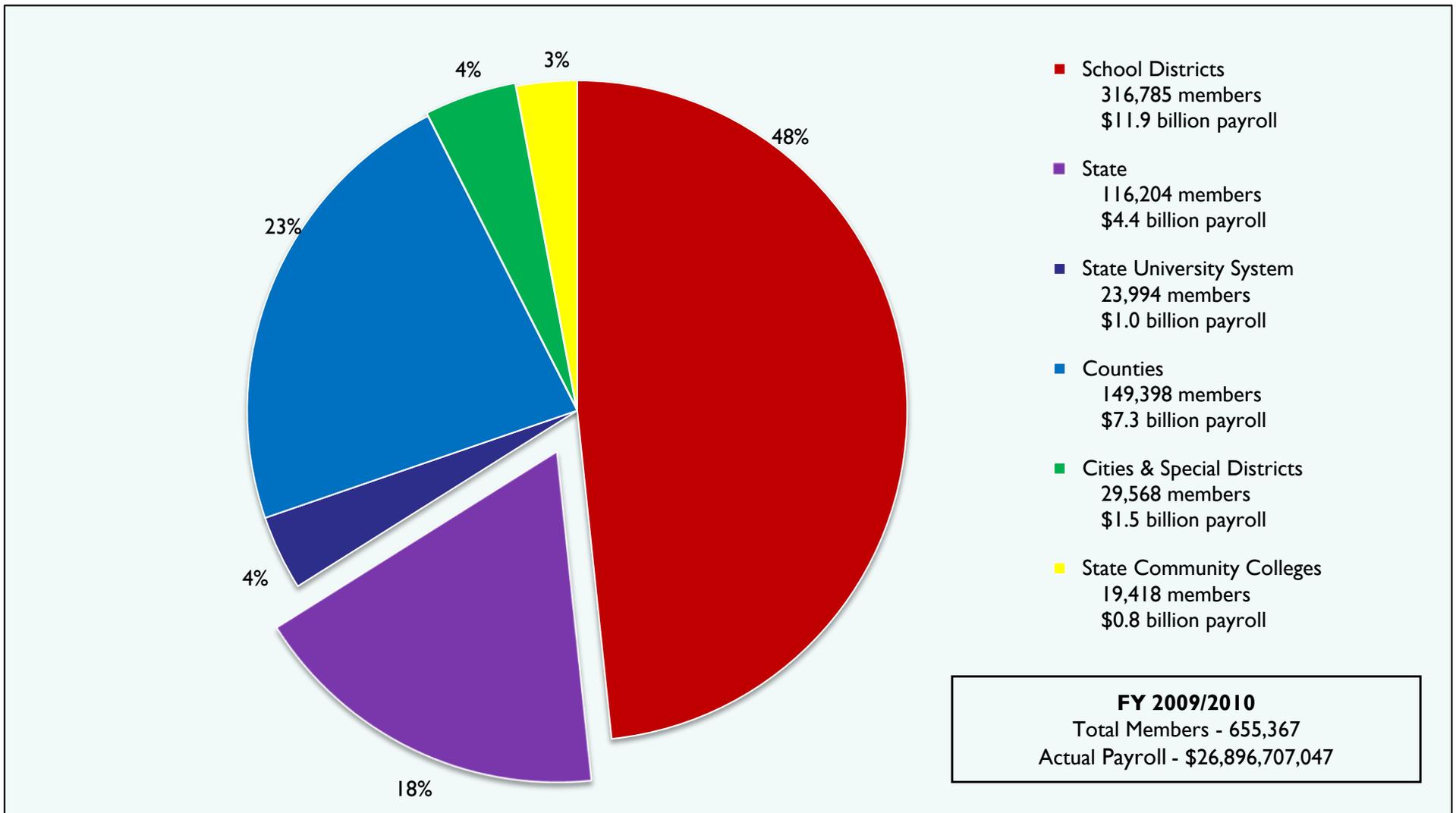
Pension Plan	Investment Plan
<ul style="list-style-type: none"><li>• Defined Benefit Plan</li></ul>	<ul style="list-style-type: none"><li>• Defined Contribution Plan</li></ul>
<ul style="list-style-type: none"><li>• Vested after six years of service</li></ul>	<ul style="list-style-type: none"><li>• Vested after one year of service</li></ul>
<ul style="list-style-type: none"><li>• Provides a lifetime monthly benefit when you retire based on a set formula</li></ul>	<ul style="list-style-type: none"><li>• You choose how to receive the balance of your investment account when you retire</li></ul>
<ul style="list-style-type: none"><li>• Benefit is based on the following formula: <b>AFC x Years of Service x Comp%</b></li></ul>	<ul style="list-style-type: none"><li>• Account balance is based on the following formula: <b>Contributions + Earnings - Losses</b></li></ul>

# FRS Active Membership by Employer Group

Employer Group	Pension Plan	Investment Plan	Total	Percent of Membership
State	96,817	19,387	116,204	18%
State Universities	19,683	4,311	23,994	4%
School Boards	273,357	43,428	316,785	48%
County Governments	127,498	21,900	149,398	23%
Cities and Special Districts	24,952	4,616	29,568	4%
Community Colleges	15,278	4,140	19,418	3%
<b>Total</b>	<b>557,585</b>	<b>97,782</b>	<b>655,367</b>	<b>100%</b>

(Current as of 6/30/2010)

# FRS Active Membership by Employer Type



**% = Percent of Total Active Members on 6/30/10**

# FRS Active Membership by Membership Class

Membership Class	Pension Plan	Investment Plan	Total	Percent of Membership
Regular Class	485,331	84,867	570,198	87.00%
Senior Management Service Class	5,693	2,055	7,748	1.18%
Special Risk Class	64,734	10,332	75,066	11.46%
Special Risk Administrative Support Class	53	18	71	0.01%
Elected Officers' Class	1,774	510	2,284	0.35%
<b>Total</b>	<b>557,585</b>	<b>97,782</b>	<b>655,367</b>	<b>100%</b>

(Current as of 6/30/2010)

# FRS Average Annual Salary

	Regular Class	Senior Management Service Class	Special Risk Class	Special Risk Administrative Support Class	Elected Officers' Class	Average Salary
<b>State</b>	\$36,423	\$64,773	\$37,923	\$43,794	\$123,046	<b>\$38,595</b>
<b>State Universities</b>	\$43,249	\$172,361	\$52,727	N/A	N/A	<b>\$43,642</b>
<b>School Boards</b>	\$37,642	\$98,294	\$57,493	N/A	\$38,279	<b>\$37,790</b>
<b>County Governments</b>	\$42,955	\$99,088	\$61,535	\$53,810	\$76,008	<b>\$49,263</b>
<b>Cities and Special Districts</b>	\$47,394	\$107,620	\$66,751	\$73,778	\$14,590	<b>\$50,311</b>
<b>Community Colleges</b>	\$40,873	\$131,932	\$48,909	N/A	\$60,439	<b>\$41,904</b>
<b>Average Salary</b>	<b>\$39,188</b>	<b>\$80,855</b>	<b>\$53,435</b>	<b>\$44,922</b>	<b>\$78,296</b>	<b>\$41,449</b>

(Current as of 6/30/2010)

# Deferred Retirement Option Program (DROP)

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- This program allows participants to effectively retire under the FRS Pension Plan. DROP participants begin accumulating retirement benefits without having to terminate employment for up to 60 months from the date they first reach their normal retirement date or eligible deferral date. DROP participants simultaneously earn a salary and a retirement income.

<b>DROP Participants (as of June 30, 2010)</b>	<b>DROP Payouts (July 1, 2009 – June 30, 2010)</b>
33,577	\$672,820,378

# FRS Contribution Rates by Class for 2010/2011

Membership Class	Contribution Rate
Regular Class	9.63%
Special Risk Class	22.11%
Special Risk Administrative Support Class	12.10%
Elected Officers' Class	
- Judges	20.65%
- Elected County Officers	17.50%
- All Other EOC Members	15.20%
Senior Management Service Class	13.43%
Deferred Retirement Option Program	11.14%

# Health Insurance Subsidy (HIS)

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The HIS is a supplemental benefit program that provides monthly benefits to eligible FRS retirees and their surviving beneficiaries to help them cover some of the cost of health insurance coverage. The amount received is based on the member's length of service. Since July 1, 2001, the HIS has been \$5 per month for each year of creditable service, with a minimum HIS payment of \$30 per month and a maximum HIS payment of \$150 per month.

<u>HIS Recipients</u> <u>(as of June 30, 2010)</u>	<u>HIS Payments</u> <u>(July 1, 2009 – June 30, 2010)</u>
269,999	\$338,891,598

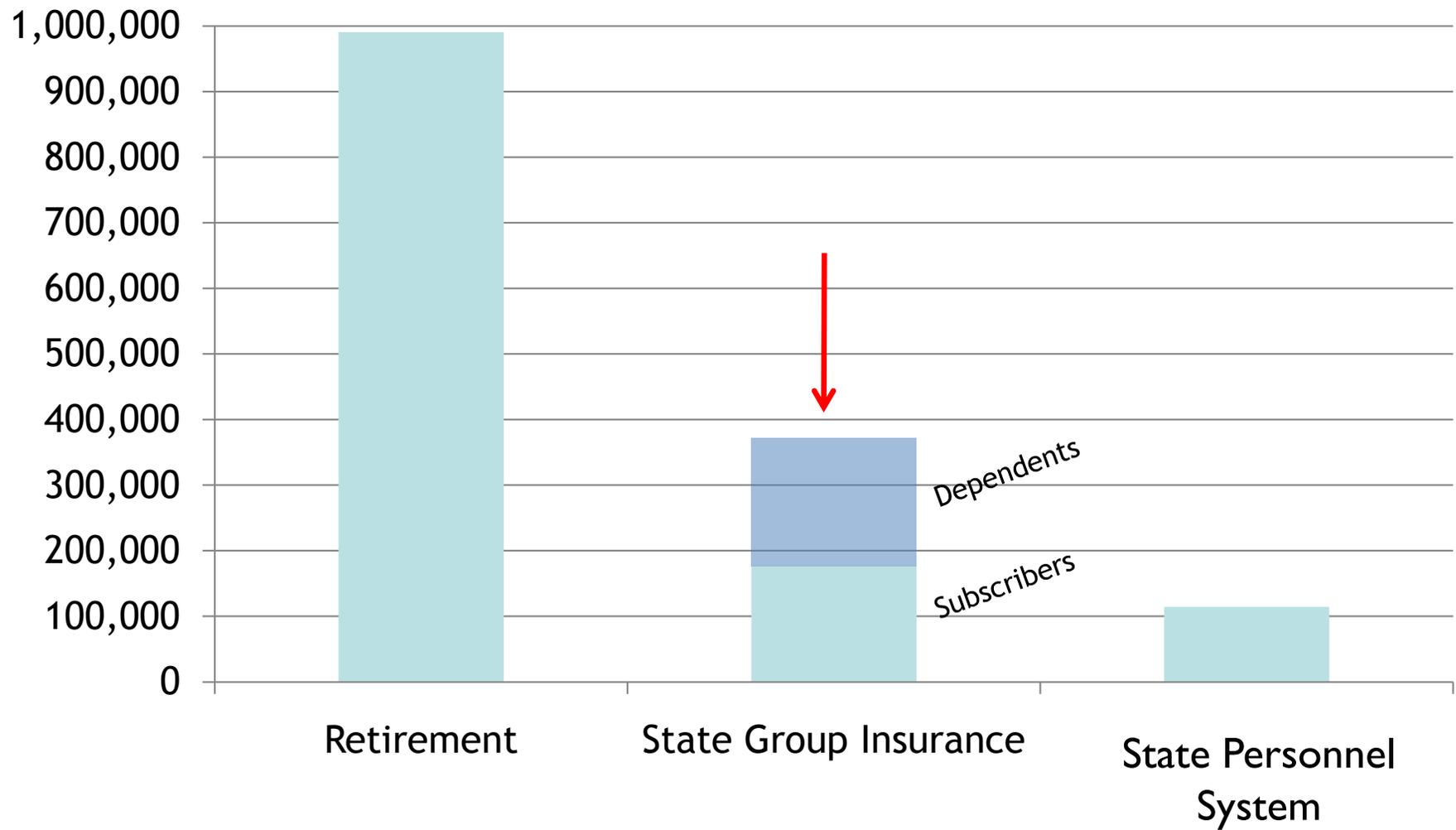
# Annuitants by System

<u>System/Class</u>	<u>Number of Annuitants (as of 6/30/10)</u>
FRS – Regular Class	267,301
Senior Management Service Class	2,267
Special Risk Class	25,248
Special Risk Administrative Support Class	165
Elected Officers’ Class	2,050
TRS	4,967
TRS-SB	571
SCOERS	769
Highway Patrol	47
JRS	6
IFAS	158
<b><u>General Revenue</u></b>	
Noncontributory (112.05, F.S.)	51
National Guard	727
Judicial Retirement	9
Teachers (238.171, F.S.)	1
<b>Total</b>	<b>304,337</b>

# Average Annualized Benefits to Annuitants by System

System/Class	As of June 30, 2010
FRS – Regular Class	\$15,567
Senior Management Service Class	\$41,975
Special Risk Class	\$31,536
Special Risk Administrative Support Class	\$33,153
Elected Officers' Class	\$42,414
TRS	\$29,215
TRS-SB	\$1,882
SCOERS	\$9,111
Highway Patrol	\$18,238
JRS	\$20,130
IFAS	\$10,155
<b><u>General Revenue</u></b>	
Noncontributory (112.05, F.S.)	\$14,324
National Guard	\$18,049
Judicial Retirement	\$75,023
Teachers (238.171, F.S.)	\$2,105
<b>Average All Annuitants</b>	<b>\$17,465</b>

# Members Served

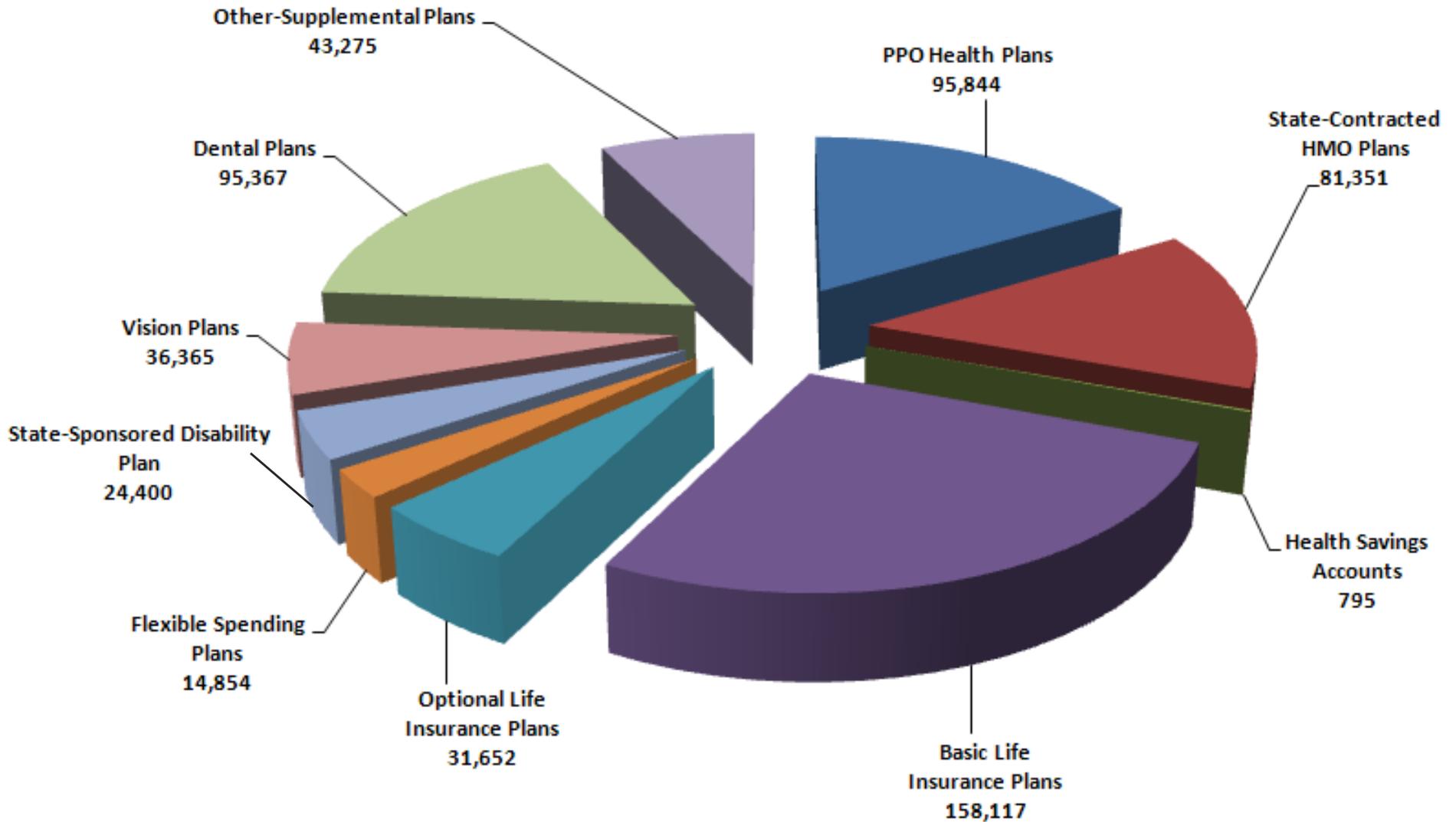


# State Group Insurance

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- Pre-Tax Cafeteria Program
- Employer Contribution Plans
  - Health
  - Life
  - Disability for select classes
- Employee Pay-All Plans
  - Optional life (post-tax)
  - Flexible spending plans
  - Dental
  - Vision
  - Other supplemental products

# Average Enrollment FY 09-10



# State Group Insurance - Our Customers

## Health Insurance Enrollment, Fiscal Year 09-10

State Agencies	92,607
State Universities	34,828
Benefits Only—Retirees, COBRA, etc.	35,601
Florida Board of Bar Examiners	40
Florida Inland Navigation	6
Justice Administrative Commission	8,457
Legislature	1,684
Miami Dade Expressway	54
State Board of Administration	203
State Courts System	3,692
Tri-Rail	96
West Coast Inland Navigation	3

# Health Insurance Trust Fund

## Summary of the outlook for FY's 09-10 through 13-14

### Financial Outlook

(Dollars in Millions)

	Actual	----- Projected -----			
	2009-10	2010-11	2011-12	2012-13	2013-14*
Beginning Cash Balance	206.2	224.6	226.0	59.0	0.0
Revenues	1,792.0	1,918.1	1,924.7	1,989.7	2,008.6
Expenses	<u>1,773.6</u>	<u>1,916.7</u>	<u>2,091.7</u>	<u>2,324.2</u>	<u>2,591.7</u>
Operating Gain/ (Loss)	<u>18.4</u>	<u>1.4</u>	<u>(167.0)</u>	<u>(334.5)</u>	<u>(583.1)</u>
Ending Cash Balance	<u><u>224.6</u></u>	<u><u>226.0</u></u>	<u><u>59.0</u></u>	<u><u>(275.5)</u></u>	<u><u>(583.1)</u></u>

\* Assumes no carry forward of negative cash balances from prior year.

State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook, August 9, 2010

# Premiums

## Monthly Premiums Effective December 2010 for January 2011 Coverage

		Standard Plan PPO/HMO			Health Investor Health Plan PPO/HMO		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Career Service	Single	499.80	50.00	549.80	499.80	15.00	514.80
	Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
	Spouse	1,243.32	30.00	1,273.32	1,097.64	30.00	1,127.64
SES / SMS	Singe	541.46	8.34	549.80	506.46	8.34	514.80
	Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64
COBRA	Single		534.09	534.09		455.90	455.90
	Family		1,207.82	1,207.82		1,004.81	1,004.81
Early Retirees	Single		549.80	549.80		473.12	473.12
	Family		1,243.34	1,243.34		1,044.32	1,044.32
Medicare Retirees	One Eligible		305.82	305.82		230.52	230.52
	Family		881.80	881.80		722.16	722.16
	Two Eligible		611.64	611.64		461.04	461.04

# Health Insurance

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## Health Insurance Enrollment, Fiscal Year 09-10

	<b>Standard Plan</b>	<b>Health Investor Health Plan</b> <i>high deductible plans with available HSA (health savings account)</i>
PPO	94,950	894
HMO	80,911	440

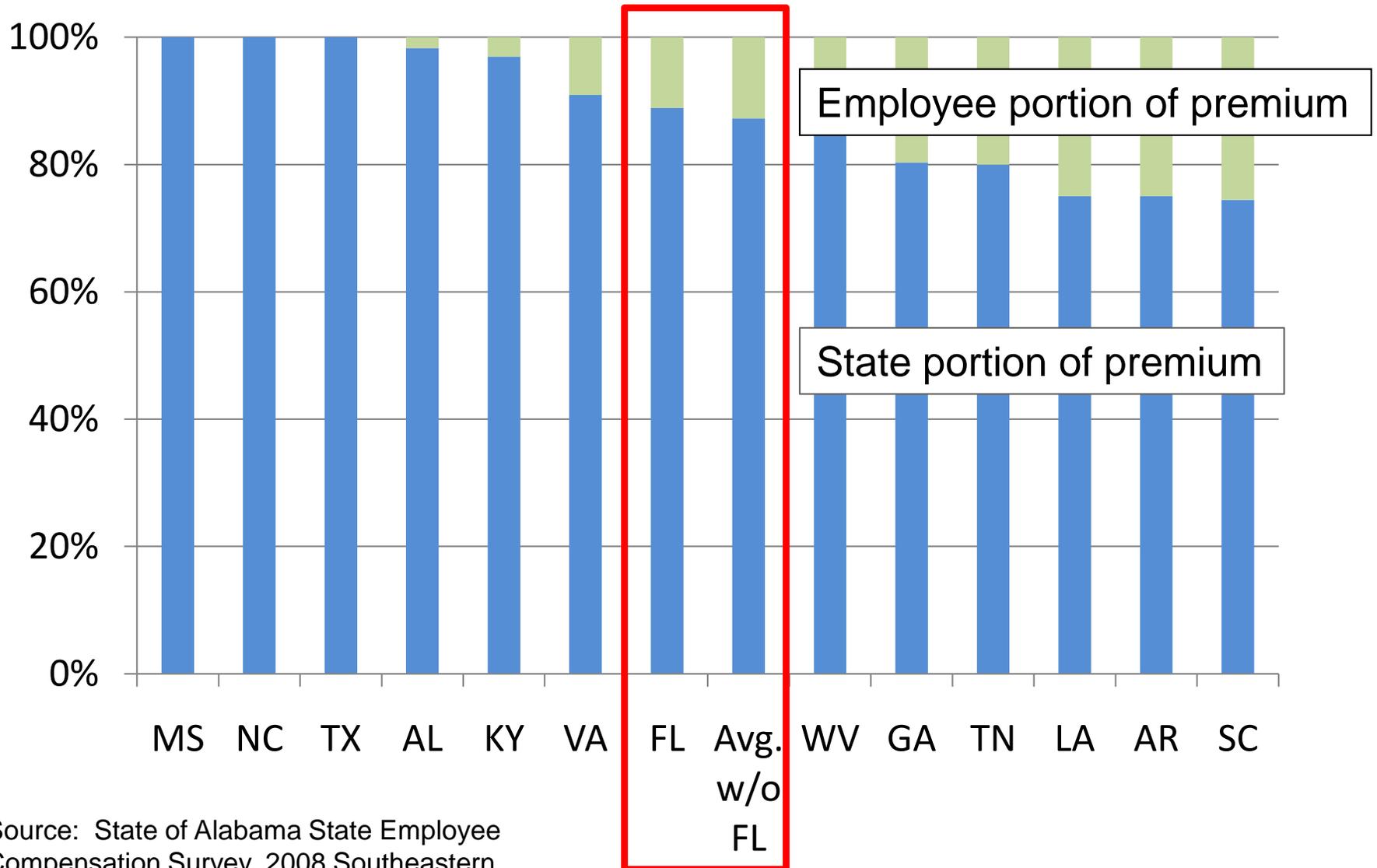
# Premiums – HSA Contributions

## Career Service Example

Individual	Standard	HIHP
Employer	\$499.80	\$499.80
Employee	\$50.00	\$15.00
Total	\$549.80	\$514.80
Employer HSA Contribution	\$0.00	\$(41.66)
Total Remaining in Trust Fund	\$549.80	\$473.14

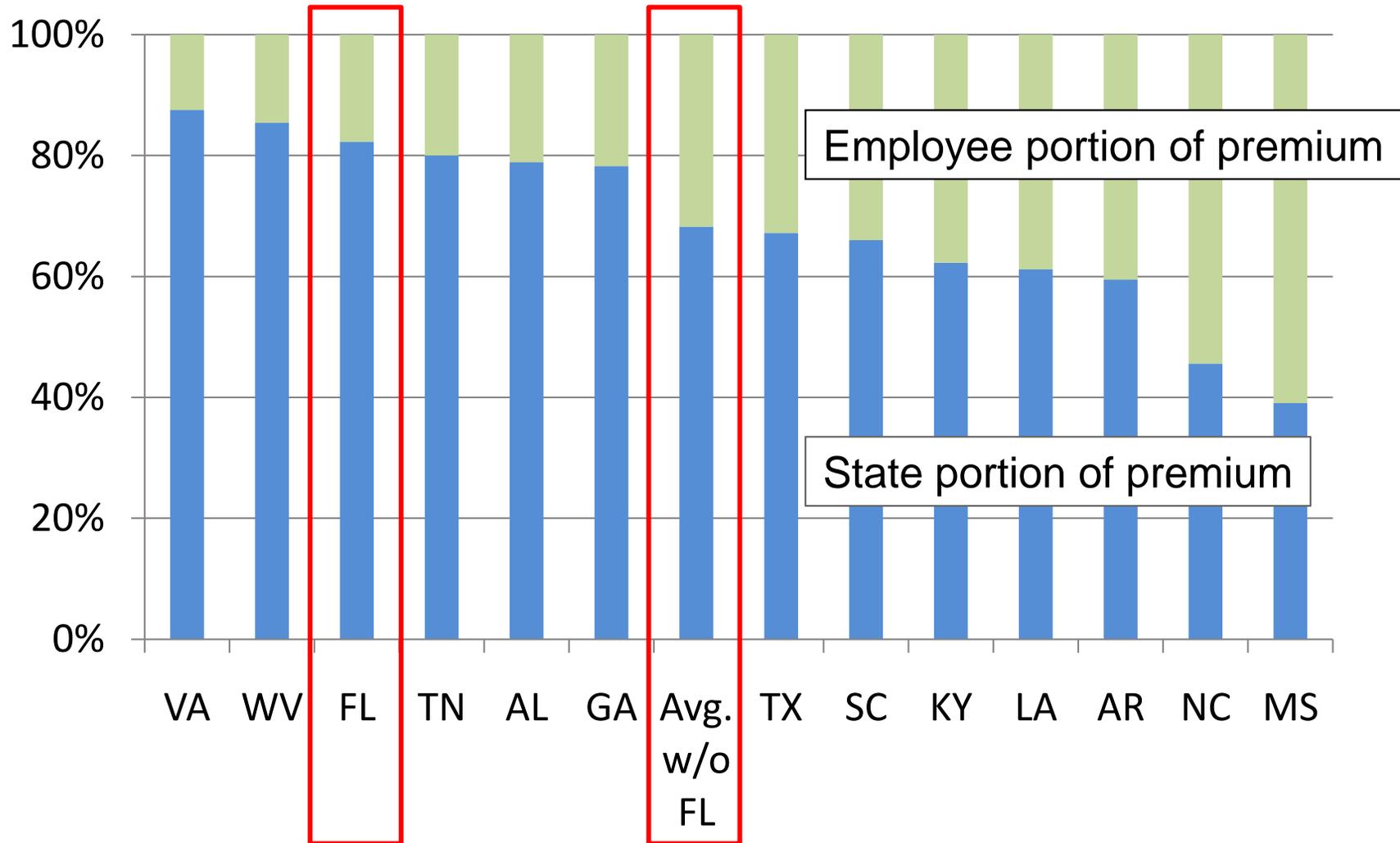
Family	Standard	HIHP
Employer	\$1,063.34	\$1,063.34
Employee	\$180.00	\$64.30
Total	\$1,243.34	\$1,127.64
Employer HSA Contribution	\$0.00	\$(83.33)
Total Remaining in Trust Fund	\$1,243.34	\$1,044.31

# Individual Health Insurance Coverage Southeastern State Plan Comparison



Source: State of Alabama State Employee Compensation Survey, 2008 Southeastern States Survey

# Family Health Insurance Coverage Southeastern State Plan Comparison



Source: State of Alabama State Employee Compensation Survey, 2008 Southeastern States Survey

# Questions and Answers

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Thank You

Department of  
Management Service

# Florida Retirement System and County Government



PRESENTATION FOR THE SENATE  
COMMITTEE ON GOVERNMENT OVERSIGHT  
AND ACCOUNTABILITY

FLORIDA ASSOCIATION OF COUNTIES  
DECEMBER 9, 2010



# Counties and the Florida Retirement System



- Since 1971 counties have been required to participate in the Florida Retirement System
- Local governments cannot establish individual contribution rates
- They simply pay the contribution rates established by the Legislature
- Chapter 121, Fla. Stat.

# Counties and the Florida Retirement System



- Florida Retirement System is a 100% employer-contribution system
- Post employment health insurance subsidy is included in the contribution rate
- Each Retirement Class has a different contribution rate:
  - Regular
  - Special Risk
  - Special Risk Administrative Support
  - Elected Officers
  - Senior Management Service
  - DROP

# County Employees and the FRS



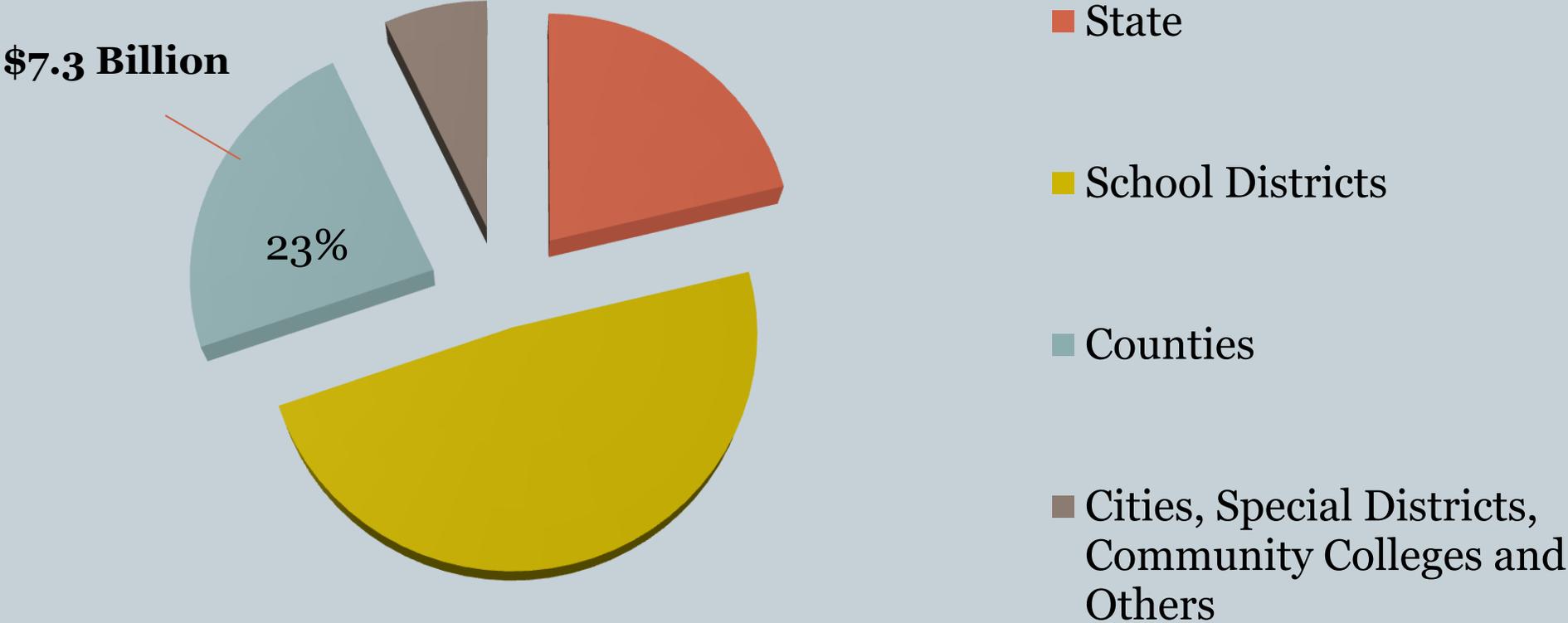
Employees elect to join one of two retirement options:

- The Defined Contribution Plan requires the employee to manage his/her own retirement and gives the employee portability
  - Investment Plan with one year vesting
- The Defined Benefit plan is an established set of benefits that will be given to the employee upon retirement regardless of the market conditions
  - Pension plan with six years to vest
- Florida does not have a hybrid option

# Counties and the Florida Retirement System



## Percentage of FRS Membership



# Counties and the Florida Retirement System



- **\$7.3 Billion - Counties payroll costs for 2009-10**
  - Includes all Constitutional Officers (Clerks, Sheriffs, Property Appraisers and Tax Collectors)
  - Some Constitutional Officers include payroll costs with Boards of County Commission reports to DMS
  - Cannot separate the county payroll costs by class
  
- **County employees enrolled in the FRS**
  - 149,398 individuals
  - Overall participation near 668,000

# 2010 Legislative Proposals



- HB 5607 included similar contribution rates for 2010 to 2009, but added funding for the Unfunded Actuarial Liability in 2011
  - \$143.9 million for 2011
- SB 2022 required all FRS employers to fund ALL of the Unfunded Actuarial Liability
  - \$134.8 million for 2010
  - \$304.5 million for 2011
- HB 5703 suggested that if a plan was 90% funded in 2008, the employer would not have to fund the Unfunded Actuarial Liability
  - \$304.5 million cost avoidance

# Florida Association of Counties



- **2010 Session:**
  - Unfunded Liability
  - Employee contributions
  - Elimination of the health insurance subsidy
  - Reducing the DROP accrual rate from 6.5% to 3%
- **FAC decided to prepare our membership by inviting all the FRS stakeholders to the table**

# Florida Association of Counties 2011 Legislative Priorities



- Oppose any FRS benefit changes that result in an increase in the FRS contribution rates.
- Support requiring all legislation that potentially results in an increase in the FRS contribution rate to be analyzed and evaluated to determine the direct fiscal impact of proposed changes to all local and state government to be eligible for consideration.

# Florida Association of Counties 2011 Legislative Priorities



- Support some level of grandfathering to existing employees.
- Support the establishment of a study commission to review the economic and practical impacts of possible changes to the FRS that would maintain competitive benefits for employees and create a more cost-effective system for employers.



# Municipal Pensions: 2011 Reform Proposals



**FLORIDA SENATE COMMITTEE ON  
GOVERNMENTAL OVERSIGHT AND  
ACCOUNTABILITY  
DECEMBER 9, 2010**

**KRAIG CONN  
LEGISLATIVE COUNSEL  
FLORIDA LEAGUE OF CITIES, INC.**

# General Information



- 410 municipalities (cities, towns, villages)
- No requirement to provide a pension plan
- Most provide voluntarily or through collective bargaining
- Municipal employees have the right to collectively bargain for retirement benefits
- Pensions and pension benefit increases must be funded on a sound actuarial basis
- Options for Municipal Pension or Retirement Programs:
  - Defined Benefit Plan • Defined Contribution Plan •
  - Chapter 175 (Firefighter) or Chapter 185 (Police) Defined Benefit Plan •
  - Deferred Compensation Plan • Florida Retirement System •
  - Any Combination of the Above
- Approximately 150 cities voluntarily participate in various FRS membership classes, but make up less than 5% of the participants/members of the FRS

# General Information



- 206 cities provide approximately 440 different Defined Benefit pension plans (some cities have more than 1: general, police, fire).
- The total asset market value is approximately \$23 billion with approximately 100,000 active employees and 60,000 retirees.
- Approximately 100 cities provide a Defined Contribution pension plan for a class of city employees. Approximately 30 cities provide a “share” plan to police officers or firefighters under Ch. 175 or 185, FS, (this is a DC plan in addition to the required DB plan).
- Over 200 cities operate a pension plan under Ch. 175 or 185, FS
- Of the 440 city DB plans, 330 operate under Ch. 175 (firefighter) or 185 (police), FS, (177 police and 153 fire plans).  
This is 75% of all city DB plans.
- The total asset market value of city Chapter 175 or 185 plans is approximately \$12.8 billion.
- This information is from 2009 and 2010.

# Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs



- In 1939 the Municipal Firefighters' Pension Fund and in 1953 the Municipal Police Officers' Pension Fund were created by the legislature.
- Insurance premium tax revenues provided to cities to encourage the creation of Defined Benefit pensions for city firefighters and police officers.
- Insurance premium tax for Fire (175) is 1.85% on premiums for property insurance policies covering property within city limits.
- Insurance premium tax for Police (185) is 0.85% on premiums for casualty insurance policies covering property within city limits.
- Over the past 40 years, cities and state regulators of Ch. 175 and 185 (currently the Division of Retirement) and police/fire unions have often had a contentious relationship. The Division frequently views its role as that of “guardian” of Ch. 175 and 185, even going so far as to negate city and local police/fire union agreements on pension benefits or the use of insurance premium tax revenues.

# Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs



- Prior to 1999, cities were largely free to bargain with local police and fire unions, or provide for their non-unionized police and firefighters, the pension benefits that best fit the priorities and needs of the city and its police/fire.
- The first bill passed by the legislature in 1999 was a major Ch. 175 and 185 rewrite.
- 99-1 requires all plans to meet the specific Ch. 175/185 “minimum benefit” standards.
- 99-1 requires all plans to provide “extra benefits” to police and firefighters.
- 99-1 substantially revises how cities use insurance premium tax revenues (note original intent).
- 99-1 requires additional insurance premium tax revenues over a base amount to be used to provide additional or “extra” pension benefits to police/fire.

# Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs



- “Extra benefits” is defined as benefits in addition to those given to general employees and in existence in a police/fire pension plan after March 12, 1999.
- The March 12, 1999 date punishes cities that offered heightened pension benefits to their police/fire prior to March 12, 1999.
- In aggregate numbers, cities have had to provide over \$400 million in “extra” pension benefits to police/fire since March 12, 1999. \$400 million is the amount of additional insurance premium tax revenues over the base amount.
- City taxpayers have funded \$400 million in pension costs while at the same time an additional \$400 million in tax proceeds was required to be spent on new or extra pension benefits for police and firefighters.

# Chapter 175 (Firefighter) and Chapter 185 (Police Officer) Municipal Pension Programs



- 99-1 did not specify exactly what “extra” benefits must be provided.
- Examples of extra benefits that have been negotiated include:
  - An increased benefit multiplier (multipliers of 3%, 3.5%, 4% and even higher)
  - Yearly cost-of-living adjustments
  - Lower retirement ages
  - A 13<sup>th</sup> monthly pension check
  - The creation of “share plans”, a DC plan funded with additional insurance premium tax revenues that is in addition to the required DB plan
- Effect of 99-1 and other state mandates has been to massively increase cities’ funding liabilities and to create a structural deficit that worsens with every passing year.
- As a result, many cities are paying amounts equal to 50, 60, and 70 percent of a police officer or firefighter’s salary toward funding their pensions.
- By comparison, counties and the state typically pay only 20 to 25% for employees in the Special Risk Class (police and firefighters) of the FRS.

# Disability Presumptions



- Section 112.18, Florida Statutes, establishes a disability presumption for firefighters and police officers who suffer any health condition caused by hypertension or heart disease. The presumption is that the condition occurred because of the job.
- The presumption may be “overcome” only upon meeting a high evidentiary standard.
- The presumption is frequently used to obtain workers’ compensation and disability pension benefits.
- Removal of the presumption does not mean that firefighters and police officers are not entitled to workers’ compensation or disability pension benefits, rather it means that they would have to show entitlement to the benefit just like every other benefit claimant.

# Subsidized Insurance Coverage for Retirees



- Section 112.0801, Florida Statutes, requires every governmental entity that provides life, health, accident, hospitalization, or any other kind of insurance for its officers and employees to allow retirees, and their eligible dependents, the option to continue to participate in the insurance plan.
- Retirees and their eligible dependents must be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees.
- This is a significant other post-employment benefit (OPEB) mandate on government employers.

# Pension Reform Proposals



1. Stop the “extra” pension benefits mandate. Allow cities to use insurance premium tax revenues to pay for the current level or a reduced level of pension benefits for police/fire.
2. Allow cities to unilaterally transition to the FRS, defined contribution plans, or another pension program for fire/police and continue to receive insurance premium tax revenues to pay for the pension expenses.
3. Require that determinations of average final compensation for police/fire include salary only, and do not include pay for overtime, unused leave times, or any other additional payments.
4. Allow collective bargaining to provide for greater police/fire plan member contributions without the requirement to provide greater pension benefits.
5. Require a majority of the pension board of trustees not to be pension plan members.
6. Allow cities to meet the minimum benefits requirement in Ch. 175/185 by providing pension benefits that in the aggregate exceed the Ch. 175/185 minimums.

# Pension Reform Proposals



7. Allow cities to unilaterally establish one or more Ch. 175/185 plans or a “tiered” plan (such as, providing a different level of pension benefits for new hires) without losing insurance premium tax revenues.
8. Require budget oversight of pension boards of trustees, and require a detailed accounting of pension board of trustees’ expenses.
9. Allow cities desiring to place fire/police into the Special Risk Class of the FRS the opportunity to purchase past credit service at an up to 3% annual accrual rate rather than the current up to 2%.
10. Restrain the state Division of Retirement’s non-rule based administrative activities and restrict the Division’s broad interpretations of the provisions in Chapters 112, 175 and 185, FS, that result in increased pension costs to cities.
11. Remove statutory disability presumptions for firefighters and police officers claiming disability pension or workers’ compensation benefits.
12. Remove statutory requirements that governmental entities offer subsidized health, hospitalization and other insurance coverage to retirees.