

Legislative Committee Article

This past legislative session, FREA members all around the state actively lobbied their Representatives and Senators to keep from losing our HIS (Health Insurance Subsidy). Both the HIS and the 3% COLA (Cost Of Living Adjustment) had come up for discussion in committee, but that House committee only introduced a bill which would have done away with the Subsidy. Thanks to the efforts of so many of our members combined with lobbying efforts of several other groups, we stopped that bill and still have our HIS.

All around the state, we are hearing people (and legislators) say that retirees in the FRS (Florida Retirement System) are getting "fat" while everyone else is struggling to stay afloat in this tough economy. We also hear that FRS pension programs are draining away tax revenues that government units should be spending on services. It is important that the word gets out that these two statements are absolutely false.

First, below are the figures on average 2009 benefits for FRS retirees by member class:

- Regular class (87.2% of all retirees) - \$15,036;
- Senior Management (1.1%) - \$40,918;
- Special Risk (11.3%) - \$30,203;
- Elected Officials (0.4%) - \$40,863.

This isn't all the classes, but their percentages are below .1% and therefore do not affect overall data.

The overall average was \$16,843. According to U.S Bureau of Labor Statistics data for the past 20 years, wages and salaries of state and local government employees (figuring in retirement benefits) were 6.8% for state and 7.4% for local lower than private sector employees with similar education and experience. The disparity may not be that great in Florida (and here local government employees fare better than state employees), but generally speaking, government employees are certainly NOT getting "fat" here (a few \$300,000 plus salaried guys may be).

Second, the FRS gets its funds from two sources: (1) required contributions from employers of participating governmental units and (2) investment earnings from the FRS Trust Fund managed by the SBA (State Board of Administration). While investment earnings fluctuate up and down, over a period of 25 years (1982 - 2007), nationwide 68 cents of every pension retirement benefit dollar came from investment earnings. I'm sure Florida did better than the national average because the SBA performance is regularly ranked in the top quartile. The required contribution rate is however, going up in July for the 2010 - 2011 fiscal year. The stock market is still low which causes our Fund value to be lower, and last year our actuarial liability (all benefits promised for the future), jumped from \$124 B to \$134 B due to changes in the assumptions used to calculate the liability; we are living longer. Therefore, the Trust Fund assets are now less than the actuarial liability, so the required contribution rate must reflect an effort to raise the Fund back to 100% funded status For information, the Trust Fund was only at 40% of the actuarial liability in 1970, and is now at 90%; we are soundly funded. In July, the required contribution

rate for Regular class will increase from 9.85% of payroll to 10.9% (this includes the 1.1% for HIS), and the rate for Special Risk will go from 20.9% to 23.3% (other classes will also adjust slightly). Generally in state and local governments (and probably large corporations), 10% of payroll for employee retirement benefits is not considered excessive.

Undoubtedly, legislators will be looking to find ways to cut spending again next year. We can expect FRS to come under attack for the contribution rate is one government "expense", and the HIS and COLA affect this rate.. We may be able to better our chances by getting legislators educated about the two myths mentioned above during the next 6 - 7 months; also we definitely want to keep in contact with them during this time to share our concerns. We can inform them that FRS retirees received \$4.7 B in pension benefits to spend last year which undoubtedly was a stabilizing factor for the Florida economy. Had these retirees been on the "investment" versus the pension plan, this figure would have been cut by 50% or more. Much of what we will have to deal with next session depends on what happens in world economies and the amount of devastation that the oil spill winds up doing to Florida's economy.

For those members who lobbied against Senate Bill 6 (the one that tied teacher pay to student test scores) last term; it will be back next year, and we may not have a governor who will veto it if it passes again. FREA has always had a legislative priority to protect Florida's Public Education System, and I think a great majority of us felt we should lobby against SB - 6 this year, so many of us did! Think about what can we do to prepare for this battle and suggestions to add to my thoughts about how to prepare for our battle to keep our COLA & HIS; we need the best thinking of our collective minds. Whatever information we get can be shared quickly through this fantastic thing called the internet; if you don't have access to it, I urge you to get it if you can. However, we'll continue to communicate through our printed *Bulletin* and the phone network to reach all our members.

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