

Showdown looming over Florida's pension plan

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By: Gary Fineout, Florida Tribune

Florida lawmakers this week will begin their first steps in reforming the state's massive pension plan, a move that could yield tremendous savings yet also trigger a potentially politically explosive showdown with teachers, firefighters and police officers from across the state.

Governor-elect Rick Scott is counting on pension reform as a key ingredient in helping carry out his "7-7-7" plan that calls for tax cuts as an effort to jumpstart the state's fragile economy.

Scott initially proposed mandating that state workers and others pay part of their pension costs. Scott then would use the savings to help pay for his tax cuts, including a cut in property taxes. But other ideas have surfaced lately, including the idea of shutting down the main pension plan to any new hires.

"The plan right now is that everything is on the table," said Sen. Jeremy Ring, D-Margate and chairman of the Senate panel that will hear from cities and counties about pensions on Thursday.

Florida is home to one of the state's largest pension plans in the nation, with assets worth more than \$100 billion. There are nearly 1 million people enrolled in the Florida Retirement System, including nearly 700,000 active employees, most of them working for school districts.

The fund right now has only enough funding to cover 87.9 percent of its overall obligations to current and future retirees.

But Florida is one of the few states in the nation that does not require employees who participate in the pension plan to contribute anything. The state eliminated the contribution requirement back in the '70s.

"Our state employees have the best deal in the country," Ring said. "They don't contribute and that's wrong."

But state lawmakers can expect a backlash if they decide to mandate contributions. It will be viewed as a pay cut during tough economic times and it comes when state employees haven't had an across-the-board pay raise since 2006. And it wouldn't just hit state employees. It would also hit the pocketbooks of teachers, deputies and county workers.

"If you are going to hit everybody in the Florida Retirement System that's hundreds of thousands of people," said Doug Martin with the American Federation of State, County and Municipal Employees. "You are going to be cutting pay for state workers, teachers, police officers and firefighters. That's a pretty good way to make folks unhappy."

Scott maintained in his jobs plan that he could save \$1.4 billion by forcing employees to contribute more for their pension. He repeated that statement in a speech he gave last month to the Council of 100.

“At every level of government-local, state and federal-public sector pensions are a ticking fiscal time bomb,” Scott said at the time. “Florida has to bring its pension system into line with other states’ plan by increasing employee contributions. Doing that will save almost \$1.4 billion dollars.”

But it’s not clear if that math would quite work. That’s because the state only paid nearly \$678.7 million in 2009 to cover state employees. By contrast, counties, cities and school districts paid \$2.55 billion to cover their employee contribution costs.

Employee contributions, however, are not the only thing that could change the pension plan and the way it works.

Lawmakers could change how long it takes an employee to be vested in the system, or require all new employees to join a defined contribution plan that works more like a typical 401 (k) plan where the amount earned for retirement is based on investment choices made by the employee instead of the existing defined benefit plan that guarantees a retirement payment based on salary and years of service.

Former Gov. Jeb Bush pushed to set up a defined contribution plan for employees, but employees were still given a choice whether to stay with the defined benefit plan or move to the defined contribution plan.

Ring said that while many changes would be considered he said he does not want to come up with a “Draconian” plan for state workers or one that would unfairly penalize state workers who have been working for more than 20 years.

“We have to do it in a judicious way that makes sense for the state,” Ring said. “My plan this year is not to really throw out a bill that’s going to shock the world.”

Ring does not know yet when an actual bill will appear. He also does not yet have a House counterpart on pension reform. But a spokesman for House Speaker Dean Cannon said that the speaker is interested in pursuing changes during the 2011 session.

“He’s very supportive of efforts to reform Florida’s pension system that will ensure the sustainability of the program,” said Katherine Betta.

Betta said that Florida is not facing the “shortfalls” befalling other states but that “reform is necessary to make sure we can maintain that record.”