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CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

MEMORANDUM

Agenda Item No. 11(A)(9)

TO:	Honorable Chairman Jean Monestime and Members, Board of County Commissioners	**DATE:**	February 18, 2015
FROM:	R. A. Cuevas, Jr. County Attorney	**SUBJECT:**	Resolution urging the Florida Legislature to strengthen the current Florida Retirement System to protect participants in the system Resolution No. R-181-15

The accompanying resolution was prepared and placed on the agenda at the request of Prime Sponsor Commissioner Rebeca Sosa.

R. A. Cuevas, Jr.
County Attorney

RAC/smm

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MEMORANDUM

(Revised)

TO: Honorable Chairman Jean Monestime
and Members, Board of County Commissioners

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County Attorney

SUBJECT: Agenda Item No. 11(A)(9)

Please note any items checked.

_____	**"3-Day Rule" for committees applicable if raised**
_____	**6 weeks required between first reading and public hearing**
_____	**4 weeks notification to municipal officials required prior to public hearing**
_____	**Decreases revenues or increases expenditures without balancing budget**
_____	**Budget required**
_____	**Statement of fiscal impact required**
_____	**Ordinance creating a new board requires detailed County Mayor's report for public hearing**
✓	**No committee review**
_____	**Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous _____) to approve**
_____	**Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required**

Approved _____ Mayor

Veto _____

Override _____

Agenda Item No. 11(A)(9)

2-18-15

RESOLUTION NO. R-181-15

RESOLUTION URGING THE FLORIDA LEGISLATURE TO STRENGTHEN THE CURRENT FLORIDA RETIREMENT SYSTEM TO PROTECT PARTICIPANTS IN THE SYSTEM; OPPOSING STATE LEGISLATION THAT WOULD REVISE THE CURRENT FLORIDA RETIREMENT SYSTEM TO SHIFT NEW EMPLOYEES INTO A 401(K)-STYLE INVESTMENT PLAN RATHER THAN THE TRADITIONAL PENSION PLAN

WHEREAS, the Florida Retirement System (FRS) was established in 1970 and is the fifth largest state retirement system in the United States; and

WHEREAS, the FRS is a multi-employer, contributory plan that as of June 2013 provided retirement benefits to 621,774 active members, 346,678 retired members and beneficiaries, and 38,724 members of the Deferred Retirement Option Program (DROP); and

WHEREAS, members of the FRS have two plan options available for participation, including the defined benefit plan, commonly known as the pension plan, and the defined contribution plan, commonly known as the investment plan; and

WHEREAS, FRS is the primary retirement system not only for employees of the State of Florida, but also for employees of all 67 Florida counties, all 67 Florida district school boards, and 28 Florida state colleges and Florida universities; and

WHEREAS, the FRS also serves as the primary retirement system for employees of 186 Florida municipalities and 262 Florida independent special districts that have made an irrevocable election to participate in the FRS; and

WHEREAS, FRS employers are responsible for contributing a set percentage of each employee's monthly salary to the FRS to fund the program; and

WHEREAS, employees in both the FRS pension plan and investment plan are required to contribute three percent of their salaries to fund the program; and

WHEREAS, as of July 1, 2013, the FRS pension plan was 85.9 percent actuarially funded, comfortably above the 80 percent benchmark generally identified for a healthy pension system; and

WHEREAS, compared with other large states, Florida has the second-best funded public retirement system, trailing only New York, according to a study by the Leroy Collins Institute, a non-partisan Tallahassee-based think tank; and

WHEREAS, a 2011 report by the Florida Legislature's Office of Program Policy Analysis & Government Accountability (OPPAGA) found that the FRS pension plan was in the top 10 most financially stable pension plans among the 50 states; and

WHEREAS, during the 2013 session of the Florida Legislature, Representative Jason Brodeur (R – Sanford) filed House Bill (HB) 7011 which sought to revise the FRS; and

WHEREAS, HB 7011 would have closed the FRS pension plan to new employees hired as of January 1, 2014 and required such new employees to participate in a defined contribution investment plan, similar to the 401(k) retirement plans offered by many private employers; and

WHEREAS, passage of HB 7011 was a top priority of then House Speaker Will Weatherford (R – Wesley Chapel), and passed the full House by a vote of 74-42; and

WHEREAS, HB 7011 died on the calendar in the Senate when the Senate did not pass the bill before the end of the 2013 session; and

WHEREAS, the full Senate did consider an amendment to HB 7011 which was similar to the underlying bill, but the amendment died on a vote of 18-22; and

WHEREAS, during the 2014 session, bills again were filed that would have revised the FRS, Senate Bill (SB) 1114 by the Senate Community Affairs Committee, and HB 7181 by Representatives Jim Boyd (R – Bradenton) and Matt Caldwell (R – Lehigh Acres); and

WHEREAS, SB 1114 and HB 7181 would have changed the "default" plan for new employees to a 401(k)-style investment plan rather than the traditional pension plan, and would have also extended the vesting period for the pension plan from eight years to 10 years; and

WHEREAS, HB 7181 passed the full House by a vote of 74-44 but died on the Senate calendar when the Senate did not take up the bill before the end of the 2014 session; and

WHEREAS, SB 1114 also died on the Senate calendar when the Senate did not take up the bill before the end of the 2014 session; and

WHEREAS, on November 20, 2014, newly-sworn-in House Speaker Steve Crisafulli (R – Merritt Island) expressed interest in renewing former House Speaker Will Weatherford's effort to shift new public employees into an investment-type retirement plan rather than the traditional pension plan; and

WHEREAS, it is anticipated that bills similar to HB 7011 or HB 7181 will be filed for consideration during the 2015 session in an effort to shift new employees into a 401(k)-style investment plan rather than the traditional pension plan; and

WHEREAS, shifting new employees into a 401(k)-style investment plan would make the FRS consistent with most private employers, which do not offer a traditional pension plan and instead offer a 401(k)-style plan for their employees; and

WHEREAS, nonetheless, transitioning towards a 401(k)-style investment plan may undermine and destabilize the long-term fiscal viability of the current FRS pension plan by increasing the unfunded liability of the pension fund; and

WHEREAS, shifting new employees away from the FRS pension plan is likely to lead to higher costs to maintain the current FRS pension plan for both active members as well as retired members and beneficiaries; and

WHEREAS, if more new employees are shifted into a 401(k)-style investment plan, over time there are likely to be fewer and fewer employees for whom contributions are made to support the FRS pension fund and increasingly more employees for whom contributions are made to support their individual 401(k)-style investment accounts; and

WHEREAS, this likely increase in the unfunded liability of the FRS pension plan will have to be addressed by one of, or some combination of, the following:

1. Increasing the contribution rates that the state, counties and other FRS employers pay to the FRS pension plan,
2. Increasing the three percent contribution rates that employees enrolled in the FRS pension plan pay, or
3. Reducing FRS pension plan benefits for retirees and beneficiaries; and

WHEREAS, transitioning from the FRS pension plan to a 401(k)-style investment plan could cost Miami-Dade County taxpayers millions of dollars over the long-term because Florida law requires counties, like all FRS employers, to pay an actuarially-determined rate for each employee to fund the FRS pension plan; and

WHEREAS, these actuarially-determined rates are likely to increase if more new employees are shifted into a 401(k)-style investment plan and are thus no longer contributing to the FRS pension fund; and

WHEREAS, a 401(k)-style investment plan would likely result in lower benefits for employees in retirement because the benefits would be based on a percentage of the employee's

salary over his or her entire career, rather than the salary for the five highest years as provided under the current FRS pension plan; and

WHEREAS, a 401(k)-style investment plan can be more susceptible to market fluctuation, while the FRS pension plan provides a stable, consistent source of income for retirees; and

WHEREAS, funds in a 401(k)-style investment plan are also more easily accessible than those in a pension plan, and such ease of access to funds may lead employees to use the funds in their 401(k)-style plans for expenses that may arise, thus defeating the purpose of setting aside these funds for retirement; and

WHEREAS, while this Board supports efforts to strengthen the current Florida Retirement System, shifting new employees away from the traditional pension plan and into a 401(k)-style investment plan is likely to increase the unfunded liability of the FRS pension fund and thus potentially destabilize the FRS pension plan; and

WHEREAS, this Board urges the Florida Legislature to strengthen the current Florida Retirement System to protect participants in the system, and opposes legislation that would shift new employees into a 401(k)-style investment plan rather than the traditional pension plan,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board:

Section 1. Urges the Florida Legislature to strengthen the current Florida Retirement System to protect participants in the system.

Section 2. Opposes any legislation filed for consideration during the Florida Legislature's 2015 session that would revise the current Florida Retirement System to shift new employees into a 401(k)-style investment plan rather than the traditional pension plan.

Section 3. Directs the Clerk of this Board to send a certified copy of this resolution to the Governor, Senate President, House Speaker, the Chair and Members of the Miami-Dade State Legislative Delegation, and the President and Executive Director of the Florida Association of Counties.

Section 4. Directs the County's state lobbyists to advocate for the action set forth in section 1 above, and to oppose the passage of the legislation set forth in section 2 above, and authorizes and directs the Office of Intergovernmental Affairs to amend the 2015 State Legislative Package to include this item.

The Prime Sponsor of the foregoing resolution is Commissioner Rebeca Sosa. It was offered by Commissioner **Rebeca Sosa**, who moved its adoption. The motion was seconded by Commissioner **Esteban L. Bovo, Jr.** and upon being put to a vote, the vote was as follows:

Jean Monestime, Chairman	**aye**		
Esteban L. Bovo, Jr., Vice Chairman	**aye**		
Bruno A. Barreiro	**aye**	Daniella Levine Cava	**aye**
Jose "Pepe" Diaz	**aye**	Audrey M. Edmonson	**absent**
Sally A. Heyman	**aye**	Barbara J. Jordan	**aye**
Dennis C. Moss	**aye**	Rebeca Sosa	**aye**
Sen. Javier D. Souto	**aye**	Xavier L. Suarez	**aye**
Juan C. Zapata	**aye**		

The Chairperson thereupon declared the resolution duly passed and adopted this 18th day of February, 2015. This resolution shall become effective upon the earlier of (1) 10 days after the date of its adoption unless vetoed by the County Mayor, and if vetoed, shall become effective only upon an override by this Board, or (2) approval by the County Mayor of this Resolution and the filing of this approval with the Clerk of the Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: Christopher Agrippa
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency. NJM

Michael J. Mastrucci