

MEMORANDUM

Agenda Item No. 11(A)(6)

TO: Honorable Chairman Jose "Pepe" Diaz
and Members, Board of County Commissioners

DATE: February 17, 2021

FROM: Geri Bonzon-Keenan
Successor County Attorney

SUBJECT: Resolution opposing Senate Bill
(SB) 84 or similar legislation that
would close the Florida
Retirement System pension plan
to new enrollees

Resolution No. R-110-21

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



Geri Bonzon-Keenan
Successor County Attorney

GBK/jp



MEMORANDUM

(Revised)

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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
- ☐ Statement of social equity 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 present ____, 2/3 membership ____, 3/5's ____, unanimous ____, CDMP 7 vote requirement per 2-116.1(3)(h) or (4)(c) ____, CDMP 2/3 vote requirement per 2-116.1(3)(h) or (4)(c) ____, or CDMP 9 vote requirement per 2-116.1(4)(c)(2) ____ 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)(6)
2-17-21

RESOLUTION NO. R-110-21

RESOLUTION OPPOSING SENATE BILL (SB) 84 OR SIMILAR
LEGISLATION THAT WOULD CLOSE THE FLORIDA
RETIREMENT SYSTEM PENSION PLAN TO NEW
ENROLLEES

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

WHEREAS, the FRS is a multi-employer, contributory plan that provides retirement income benefits to 644,348 active members, 432,258 retired members and beneficiaries, and 33,593 members of the Deferred Retirement Option Program (DROP); and

WHEREAS, it is the primary retirement plan for employees of the state and county government agencies, district school boards, community colleges, and universities; and

WHEREAS, the FRS also serves as the retirement plan for participating employees of the 177 cities and 151 independent hospitals and special districts that have elected to join the system; and

WHEREAS, under current law, members of the FRS have two plan options available for participation: the defined benefit plan, also known as the pension plan, and the defined contribution plan, also known as the investment plan, the latter of which is similar to the 401(k) retirement plans offered by many private employers; 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 employees in both the pension plan and investment plan are also required to contribute three percent of their salary to fund the program; and

WHEREAS, as of July 1, 2020, the Pension Plan was 82.0 percent actuarially funded, comfortably above the 80 percent benchmark generally identified for a healthy pension system; and

WHEREAS, in recent years, numerous bills have been filed during the state legislative session seeking to revise the FRS to shift new public employees into a 401(k)-style investment plan rather than the pension plan, either by closing the pension plan to new employees or by defaulting new employees into the investment plan rather than the pension plan; and

WHEREAS, as evidenced by Resolution Nos. R-179-14, R-181-15, R-150-16, and R-1101-16, this Board has consistently opposed such legislation; and

WHEREAS, similar legislation has again been filed for consideration during the Florida Legislature's 2021 session—Senate Bill (SB) 84 by Senator Ray Rodrigues (R – Fort Myers); and

WHEREAS, a House companion bill to SB 84 has not yet been filed; and

WHEREAS, SB 84 would close the pension plan to new enrollees, with the exception of investment plan members who become totally and permanently disabled or die in-the-line-of-duty, and require them to instead participate in the investment plan, effective July 1, 2022; and

WHEREAS, current law makes the investment plan the default choice for new hires, but allows them to opt into the pension plan; and

WHEREAS, closing the pension plan to new public employees and forcing them into the investment plan is likely to lead to higher costs to maintain the current pension plan for both active and retired members and beneficiaries, thereby potentially undermining and destabilizing the long-term fiscal viability of the current pension plan by increasing the unfunded liability of the FRS pension fund; and

WHEREAS, if new public employees are forced into the 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 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 pension plan;
- (2) increasing the 3 percent contribution rates that employees enrolled in the pension plan pay;
- or
- (3) reducing pension plan benefits for retirees and beneficiaries; and

WHEREAS, forcing new public employees into the 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 pension plan; and

WHEREAS, these actuarially-determined rates are likely to increase if most new public employees are forced into the investment plan and are thus no longer contributing to the FRS pension fund; and

WHEREAS, the 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 highest five or eight years as provided under the current pension plan; and

WHEREAS, the investment plan, like any 401(k)-style plan, is also more susceptible to market fluctuation, while the 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 traditional pension plan, and such ease of access to funds may lead employees to use the funds in their investment 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 FRS, closing the pension plan to new public employees and forcing them into the investment plan is likely to increase the unfunded liability of the FRS pension fund and thus potentially destabilize the pension plan; and

WHEREAS, accordingly, this Board opposes SB 84, or similar legislation,

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

Section 1. Opposes SB 84 or similar legislation that would close the FRS pension plan to new enrollees.

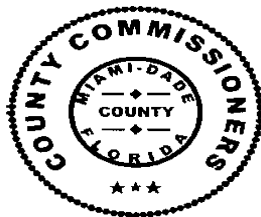
Section 2. Directs the Clerk of the Board to transmit a certified copy of this resolution to the Governor, Senate President, House Speaker, Senator Ray Rodrigues, and the Chair and Members of the Miami-Dade State Legislative Delegation.

Section 3. Directs the County's state lobbyists to advocate against the legislation described in section 1 above, and authorizes and directs the Office of Intergovernmental Affairs to amend the 2021 State Legislative Package to include this item.

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

Jose "Pepe" Diaz, Chairman	aye		
Oliver G. Gilbert, III, Vice-Chairman	aye		
Sen. René García	aye	Keon Hardemon	aye
Sally A. Heyman	aye	Danielle Cohen Higgins	aye
Eileen Higgins	aye	Joe A. Martinez	aye
Kionne L. McGhee	aye	Jean Monestime	aye
Raquel A. Regalado	aye	Rebeca Sosa	aye
Sen. Javier D. Souto	aye		

The Chairperson thereupon declared this resolution duly passed and adopted this 17th day of February, 2021. 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

Melissa Adames

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

MSM

Michael J. Mastrucci