FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION
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Public Pension Plans Are Transparent & Balanced

By Kimberlie Ryals, CEO, Florida Public Pension Trustees Association (FPPTA)

An editorial about a recent workshop intended to gather information and observations on the state of pension plans across Florida (*Times-Union* on Wed. Feb. 25th), called for new state laws overseeing municipal pension plans, the implication being that pension boards require stronger governmental oversight.

As it happens, 265 of the state's 490 municipal pension plans are members of the Florida Public Pension Trustees Association (FPPTA), which offers a rigorous certification program and a continuing education program that focuses on best practices for pension plan trustees. We have a very close-up view of the state of municipal plans across Florida, and would like to offer some clarification to that discussion.

In all but the rarest of cases, pension boards do not negotiate benefits on behalf of employees. Complaints about the generosity of benefits, failure of municipalities to contribute to the plans, or vesting requirements belong squarely on the doorstep of municipal management that negotiates and approves retirement benefits.

Pension boards are comprised, usually, of five or seven people, including representatives from the city and employees, and are supported by investment professionals. Fiduciary responsibility of trustee board members is strictly to the pension fund, not to plan sponsors or union members.

Pension funds do not belong to cities or taxpayers; they belong to the plan's participants. Florida's municipal pension funds were designated as employee trust funds in 1983 after decades of rampant misuse by city officials who often used them to plug holes in budget gaps, and purchased retirement annuities for employees through cronyism. The trusts were established to ensure public workers' hard earned contributions to their retirement funds would be protected and professionally managed.

There is no failure to have municipal government represented, and there is no lack of transparency in the operation of public pension plans. Every plan is audited annually by an independent auditor selected by the plan or city. All records are public records.

Taxpayers do not pay for 100% of pension benefits. Only a tiny portion of tax dollars go directly for pension benefits, usually less than 3% of budget. Taxpayers contribute, on average, about 27% of the pension costs, while employees contribute about 14%. The remaining 59% of the pension cost comes from plan investment earnings.

Lastly, there is no constraint on cities or towns in responding to changing economic conditions. Indeed, a survey currently being conducted by the FPPTA shows that nearly every municipality in Lee County, Broward County and Miami-Dade County (where the results have been tabulated) have enacted significant local pension reforms. Employees have had their contributions increased, their benefits cut, their vesting period lengthened, service careers lengthened and have had limits placed on their cost of living benefits among other changes. A majority of communities in each county has enacted multiple changes.

It would be a grave mistake and a disservice to taxpayers and public workers in Florida to focus on one local pension plan experiencing financial stress, claiming these problems are common across the state. The vast majority of Florida's municipal pension plans are sound, secure and adapting to changing economic conditions.

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Pension reform is a statewide matter

State Rep. Janet Adkins wants to reform how Florida regulates police and fire pension plans.

And a recent legislative workshop should have erased any doubt why new state laws are needed.

Adkins hosted the workshop at City Hall to gather information and observations from stakeholders — including city officials, government entities, citizens groups, residents and union officials — on the state of pension plans across Florida.

It was timely and appropriate that the session, attended by nearly every member of the Duval County Legislative Delegation, was held at City Hall.

It is our community, after all, that's still in the midst of tackling the massively underfunded Jacksonville Police and Fire Pension Fund, which is now being run at such an oppressive financial burden to taxpayers that both its present and looming costs threaten this city's very future.

STATE MUST DO MORE

One clear theme was a sense of concern that the state's current laws on police and fire pensions don't provide Florida communities with enough leeway to make adjustments to the plans when economic conditions change.

And they give too much power to the pension trustee boards that oversee the plans rather than the city governments and taxpayers who provide the money.

“The city is the checkbook, but the board of trustees operates (everything),” said Kraig Conn, legislative counsel for the Florida League of Cities. “It’s never been balanced in the direction of the governments. It’s always been balanced in the direction of the police and fire unions.”

Conn told the Adkins panel that the state should have legislation that adopts a simple theory to using taxpayer money to fund police, fire and other public employee pension plans: “If you’re going to give it away in the good times,” he said, “you have to be able to bring it back in the bad times.”

Conn’s call to untie the arms of local governments was echoed by Florida State professor Carol Weissert, director of the university’s Leroy Collins Institute. For years, the Collins Institute has studied and graded the efficiency of municipal pension plans across Florida.

Weissert said while many police and fire pension plans are properly run and perform well, the state should make it easier for communities to provide more oversight over how the funds are being operated. “State laws should help localities, not constrain them,” Weissert said.

And Councilman Bill Gulliford said that because city governments currently have little flexibility in dealing with police and fire pension funds, Jacksonville and other Florida communities can’t free up the resources needed to raise the salaries of police officers and firefighters.

“We have to play the hand that we’re dealt,” Gulliford told the Adkins panel. “We don’t have the money available (to increase) salaries.”

During the pension workshop, numerous speakers also called for police and fire funds to be operated with more transparency and to undergo extensive forensic audits on a regular basis.

MORE TRANSPARENCY IS NEEDED

The most effective call for greater openness came from area resident Curtis Lee, who has had an extended legal battle with the city’s Police and Fire Pension Fund over accessibility to its records.

Lee said it was critical to begin requiring pension funds to consistently undergo thorough, forensic audits conducted by outside agencies working on behalf of taxpayers.

“We need stronger laws to empower (the public),” said Lee, who also suggested prohibiting anyone from serving more than eight years on a pension trustee board.

To their credit, two of the city’s leading police and fire pension advocates — Police and Fire Pension Fund executive director John Keane and firefighters union president Randy Wyse — made conciliatory and reasoned presentations to the Adkins panel.

Both men professed a desire to work with officials on sensible pension reforms, provided that any changes fully protect the rights and benefits deservedly earned by hardworking police officers and firefighters.

“We think pension reform is important,” Keane told the workshop group.

It is — and that is why it must happen in Florida.

The road to reforming pension regulation in this state will not be an easy one to travel.

But Adkins’ informative, insightful workshop did a masterful job of showing why that path must be taken.