

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM POTENTIAL RETIREMENT PLAN CHANGES PENSION WORKSHOP MARCH 7, 2014										
<i>Responder</i>	DB Multiplier	DB Employee Contribution	DB Final Average Salary	DB Final Average Salary-Years of Service (yrs)	DB Funded Actuarial Accrued Liability	DB Other	DC	DC Contribution Rate	DC Vesting	DC Participation Percentage
	3.0 General 3.0 UA 3.0 Police	5.16 General 6.16 UA 5.16 Police	5 years 5 years 5 years	25 yrs or 60 25 yrs or 60 25 yrs or 55	88.5%					
Commissioner Becht					Budget Amort. UAAL over 10 yr	COLA				
Gloria Johnson					Issue Bonds for the UAAL					
Gloria Johnson	2.5 Gen, UA, Pol .5 Memb. Diff	Member Incr. Contri. Pay diff	8 of the last 10 years ( or more)							
Gloria Johnson			Accrd Comp Over 10 yrs ( or other)							
Gloria Johnson				30 or age 65 30 or age 62						
Commissioner Perona						Freeze, Close-out DB Plan	DC Plan			
Commissioner Sessions	Reduce employer rate 2-5%	Increase 2-5%								
Commissioner Sessions	Reduction of multiplier 2.5 all employees									

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM POTENTIAL RETIREMENT PLAN CHANGES PENSION WORKSHOP MARCH 7, 2014										
<i>Responder</i>	DB Multiplier	DB Employee Contribution	DB Final Average Salary	DB Final Average Salary-Years of Service (yrs)	DB Funded Actuarial Accrued Liability	DB Other	DC	DC Contribution Rate	DC Vesting	DC Participation Percentage
	3.0 General 3.0 UA 3.0 Police	5.16 General 6.16 UA 5.16 Police	5 years 5 years 5 years	25 yrs or 60 25 yrs or 60 25 yrs or 55	88.5%					
Mayor Hudson	Reduction of Multiplier						DC Plan			
Mayor Hudson						Close City DB Plan Join FRS				

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM POTENTIAL RETIREMENT PLAN CHANGES PENSION WORKSHOP MARCH 7, 2014										
<i>Responder</i>	DB Multiplier	DB Employee Contribution	DB Final Average Salary	DB Final Average Salary-Years of Service (yrs)	DB Funded Actuarial Accrued Liability	DB Other	DC	DC Contribution Rate	DC Vesting	DC Participation Percentage
	3.0 General 3.0 UA 3.0 Police	5.16 General 6.16 UA 5.16 Police	5 years 5 years 5 years	25 yrs or 60 25 yrs or 60 25 yrs or 55	88.5%					
Stanley Fidge Bill Theiss	3.0 Gen,UA,Police	Employee pay .50 Multiplier					No DC Plan			
Stanley Fidge	2.5 Gen,UA,Police Upper Manage- ment, Constitu- tional Officer 3.0 All other						No DC Plan			
Bill Theiss	2.5 Gen, UA					Optional: ROI And Pay Increase	No DC Plan			
Bill Theiss	2.5 Gen, UA					Optional: ROI And Pay Increase	DC Plan	8% to 12%	5-10years and Immediate	10% to 50%
Bill Theiss	2.5 New Employee					Optional: ROI And Pay Increase	No DC Plan			
Bill Theiss	2.5 New Employee					Optional: ROI And Pay Increase	DC Plan	8% to 12%	5-10years and Immediate	10% to 50%
Bill Theiss	2.5 Gen, UA, Pol. .5 Employees	Pay .5 contrib diff				Optional: ROI And Pay Increase	DC Plan	8% to 12%	5-10 years and Immediate	10% to 50%



**Retirement Issues <Watchdog: Virus checked>**

Ed Becht to: 'Robert Bradshaw (rbradshaw@city-ftpierce.com)'

02/14/2014 12:37 PM

"Bill Thiess (bthiess@fpu.com)", "R. N. Koblegard III Esq.  
Cc: (koblegardlaw@bellsouth.net)", "Gloria Johnson  
(gjohnson@city-ftpierce.com)", "NMimms@City-FtPierce.Com", "R.

1 attachment

winmail.dat

Robert,

I had an interesting conversation with Bill Thiess this morning. The FPUA is willing to help pay for the Consultant to appear before the Commission to discuss the various issues involved in modifying our retirement plan, provided they have someone at the "table" that can also ask questions of that consultant. They have over 250 employees that will be affected by our decisions.

That seems like a reasonable request; but maybe I am missing something. Bill is supposed to call you today to discuss it. I don't want to make the discussion too complicated, but maybe having representatives from our various City Unions submit written questions in advance of this meeting with the consultant would assist us in making a wise decision, too.

As I see the analysis, I need for management to have a decent retirement plan that is good enough to attract and retain good employees. I also need to have a cost efficient retirement plan for the taxpayers that foot the bill for the plan. And I need to address the unfunded Pension liability that will negatively affect both the taxpayers that get stuck with that debt down the road, and the current and future Pension fund recipients that will lose their pension when the pension plan goes bust. That can and has happened.

Please either take Bill's call, or call him when you can to discuss the FPUA participation idea before Tuesday's Meeting. And I would like your thoughts on the FPUA idea after you talk with Bill, and your thoughts and the Chief's thoughts (and anyone else's thoughts copied with this email) on the written question idea. It could make the discussion much longer than you were thinking.

Thanks,

Eddie

Edward W. Becht, Esq.

Edward W. Becht, P.A.  
321 South Second Street (34950)  
Post Office Box 2746  
Fort Pierce, FL 34954  
Telephone No.: 772-465-5500  
edbecht@bechtlaw.com<mailto:edbecht@bechtlaw.com>

CONFIDENTIALITY NOTICE: The information contained in this email transmission is sent by an attorney, or his/her agent, and is intended to be confidential and for the use of the individual(s) or entity named above. This email

transmission may also be for the purpose of rendering legal advice and is thereby privileged. If the reader of this message is not the intended recipient, you are hereby notified that any retention, dissemination, distribution, or copy of this transmission is strictly prohibited. If you received this email transmission in error, please immediately notify us by telephone and reply to the original email transmission sender at the above email address. Thank you.



**To:** "jrobinson@city-ftpierce.com" <jrobinson@city-ftpierce.com>, Comm Eddie Becht <CommEddieBecht@bechtlaw.com>,  
**Cc:** "RBradshaw@City-FtPierce.Com" <RBradshaw@City-FtPierce.Com>,  
 "NMimms@City-FtPierce.Com" <NMimms@City-FtPierce.Com>,  
 "LCox@City-FtPierce.Com" <LCox@City-FtPierce.Com>,  
**Bcc:**  
**Subject:** RE: Reminder - Suggestions and/or Option Recommendations Due Tomorrow, Thursday, March 6, 2014  
**From:** Ed Becht <EdBecht@bechtlaw.com> - Wednesday 03/05/2014 09:55 AM

---

All,

All options for reducing expenses of the City taxpayer/FPUA rate payer funded Pension Plan should be considered. I do understand that some employees contribute some money to the plan; but not all of it! Please provide me with a list of what staff considers to be viable options for dealing with the unfunded liability (Isn't it approximately \$15,000,000.00?), and the current and future operating costs, and the lack of COLA. I recommend that we add the amount of the unfunded liability to the General Budget amortized over 10 years as a line item expense. I heard on the news today that Chicago's pension cost will exceed Two Billion Dollars next year. Fort Pierce is in far better shape than that, but we can and should do better for our employees, retirees, taxpayers and rate payers. The retirees have not had a COLA in how long? That is not a rhetorical question.

If I get no recommendations from staff that means you have none, and are completely satisfied with the current situation. I hope that isn't the case. The Retirement Board has had no recommendations for us to date, so they are obviously not concerned with the costs or the unfunded liability or the lack of a COLA. Well, we did finally make the State mandated changes, but please don't glorify making those State mandated changes. I resent the State telling us what to do, and we shouldn't need the State to tell us what to do for a healthy Pension Plan.

In the absence of any pro-active recommendations from staff or the Retirement Board for addressing these real problems (meaning **in addition to** those changes that the State legislature mandated for us) , the Commission will have to adopt some changes without staff's input. You might not like those changes.

This is dangerous game you are playing with your Commission. If staff, as led by this City Manager and the past two City Managers, has no suggestions for cutting pension expenses, then I, for one, will be less than receptive to staff's last minute criticisms of our ideas for any cost saving measures.

Ms. Cox, please make sure that this email dated March 5, 2014, is in the packet that is disseminated to the other Commissioners for the Workshop. And all of the proactive recommendations of staff should also be included in the same packet as an exhibit to this email, if there are any staff recommendations. I hope that there will be some.

Regards,

Ed

Edward W. Becht, Esq.

Edward W. Becht, P.A.

321 South Second Street (34950)

Post Office Box 2746

Fort Pierce, FL 34954

Telephone No.: 772-465-5500

[edbecht@bechtlaw.com](mailto:edbecht@bechtlaw.com)

**CONFIDENTIALITY NOTICE:** The information contained in this email transmission is sent by an attorney, or his/her agent, and is intended to be confidential and for the use of the individual(s) or entity named above. This email transmission may also be for the purpose of rendering legal advice and is thereby privileged. If the reader of this message is not the intended recipient, you are hereby notified that any retention, dissemination, distribution, or copy of this transmission is strictly prohibited. If you received this email transmission in error, please immediately notify us by telephone and reply to the original email transmission sender at the above email address. Thank you.

**From:** jrobinson@city-ftpierce.com [mailto:jrobinson@city-ftpierce.com]

**Sent:** Wednesday, March 05, 2014 9:05 AM

**To:** Comm Eddie Becht; in2lawfl@aol.com; LHudson@City-FtPierce.Com; ralexander@city-ftpierce.com; sessionslawfirm@aol.com; tomperona@gmail.com; TPerona@City-FtPierce.Com; Ed Becht; lindahudsonbailey@yahoo.com

**Cc:** RBradshaw@City-FtPierce.Com; NMimms@City-FtPierce.Com; LCox@City-FtPierce.Com; JohnnaMorris@City-FtPierce.Com; AWilkinson@city-ftpierce.com

**Subject:** Reminder - Suggestions and/or Option Recommendations Due Tomorrow, Thursday, March 6,

2014

**Importance:** High

Good morning Mayor and Commissioners,

Please send your suggestions and/or option recommendations for the actuarial impact study to the Finance Director by tomorrow, Thursday, March 6, 2014. Ms. Johnson's email address is [gjohnson@city-ftpierce.com](mailto:gjohnson@city-ftpierce.com). Her fax number is 772-489-2594.

I have attached a copy of the Finance Director's memo regarding the Pension Workshop on Benefit Changes for your convenience. I have also attached a copy of the previous actuarial impact statement.

A Retirement Board Workshop is scheduled for 2:00 PM on Monday, March 10, 2014 in the 2nd floor conference room at City Hall. All options will be presented, analyzed and ranked and then forwarded to the actuary.

If I may be of further assistance, please let me know.



**Jennifer D. Robinson, Executive Assistant to City Manager**

**City of Fort Pierce**

**100 North US Highway 1**

**Fort Pierce, FL 34950**

**772.467.3032**

**[jrobinson@city-ftpierce.com](mailto:jrobinson@city-ftpierce.com)**

Gloria Johnson

Re: Retirement Options for Workshop

March 4, 2014

As Finance Director for the City and Secretary/ Treasurer of the Retirement System I wear two hats. I know that the City is still in a position where the budget is very difficult to balance our expenditures exceeds our revenues. There is no appropriation for capital, our health care costs continue to escalate and our employees and the City are still experiencing the effects of a struggling economy.

My choice was to select an option that could help in reducing benefit costs for the taxpayer; while, maintaining minimal reduction to the employee benefits in order to keep income in the employees' pockets.

These two selections below accomplish both:

1. When performing the final average calculations the service years are 5; I suggest the years be increased to 8 or 10.
2. Change the retirement service requirements to 30 years of service or age 65; or 30 years of service or age 62.

**Response from Commissioner Sessions re: Options for Pension Workshop**

Jennifer D Robinson to: Gloria J Johnson

03/07/2014 12:03 PM

Cc: Johnna Morris, Robert Bradshaw, Nicholas Mimms

From Commissioner Sessions:

1. Reduce multiplier rate for all employees across the board including the Police Members to 2.5%
2. Reduce employer contribution rate 2 to 5%, which is offset by an increase of 2 to 5% in the employee contribution rate



**Jennifer D. Robinson, Executive Assistant to City Manager**

**City of Fort Pierce**

**100 North US Highway 1**

**Fort Pierce, FL 34950**

**772.467.3032**

**[jrobinson@city-ftpierce.com](mailto:jrobinson@city-ftpierce.com)**



**Response from Mayor Hudson re: Pension Suggestions**

Robert Bradshaw to: Gloria J Johnson

03/06/2014 01:22 PM

Sent by: Jennifer D Robinson

Cc: Johnna Morris, Robert Bradshaw, Nicholas Mimms

History: This message has been replied to.

Mrs. Johnson,

Please review the Mayor's response in the email below.

Jennifer

----- Forwarded by Jennifer D Robinson/cfp on 03/06/2014 01:20 PM -----

From: Linda Hudson <lindahudsonbailey@yahoo.com>  
 To: Robert Bradshaw <RBradshaw@City-FtPierce.Com>, Nick Mimms <NMimms@City-FtPierce.Com>, Gloria Johnson <gjohnson.cfp@city-ftpierce.com>,  
 Date: 03/06/2014 06:25 AM  
 Subject: Pension Suggestions <Watchdog: Virus checked>

In addition to the reduction of the multiplier and the opening of a defined contribution option, I would like to suggest that you study what the City of Stuart did, which is close their plan, and join the Florida Retirement System. This would maintain a defined benefit plan. Options could be offered to employees for additional employee-funded long-term savings. See p. 18 below of the attached pension presentation by James Linn. Pages 18-31 give many examples of how Florida cities have changed their retirement plans to make sure they're sustainable and fair to employees and taxpayers.

*Stuart (2007)- All Employees*

- All City pension plans terminated
- City joined FRS for all employees
- City purchased past service credit under FRS for all employees

Thanks to the retirement board for their hard work on this project.

L Hudson

A question for Gloria: Stan Fidge told me yesterday that in some earlier years (ca 2000-2003), the actuarial recommendation for funding levels was not followed, which was at least one reason that the pension fund is currently underfunded. I had never heard that before and asked him how to confirm that information. He suggested I ask you. Is this true? If so, who made the decision NOT to fund at the recommended levels?



MunicipalPensionReformBegins-8-12-Linn.pdf



**To:** Robert Bradshaw <RBradshaw@City-FtPierce.Com>, Nick Mimms <NMimms@City-FtPierce.Com>,  
**Cc:** Bill Thiess <bthiess@fpu.com>,  
**Bcc:**  
**Subject:** Considerations re: Retirement Plan (s)  
**From:** Linda Hudson <lindahudsonbailey@yahoo.com> - Monday 03/31/2014 09:54 AM

History: This message has been forwarded.

I attended both workshops held by the retirement board on pension reform. I listened, but did not participate in the discussions (in both cases, I left before the meetings were over, due to schedule conflicts).

I want to commend the retirement board members for giving this project time and energy. The retirement board requested and included the recommendations of commissioners, and also welcomed the input of the Chief of Police and the Director of Utilities in their workshop deliberations. The following are my observations and recommendations.

1. The Commission originally requested a study of the reduction in the multiplier from 3 to 2.5 for general and utility authority employees, but not for sworn police officers. I did not hear that considered during the workshops and wonder if it is an oversight, or if the retirement board discussed and rejected the notion. My reason for such a request is that most Florida jurisdictions have a higher multiplier for law enforcement than for other employees.

2. The defined contribution plan did not receive a fair hearing and would not from current employees in the defined benefit plan. In fact, human nature being what it is, I think it is not realistic to expect current employees to be objective about changing any part of the plan, except and unless the changes would be more generous. There is the expressed belief (but no proof) that introducing a defined contribution plan would imperil the current defined benefit funding, even though there is already a defined contribution plan in place. The retirement board, as well as the Chief of Police and the Director of Utilities, have strongly-held, negative opinions of defined contribution plans and represent that their employees share this opinion. Over time, the material provided to the retirement board continuously trumpets superiority of defined benefit plans over defined contribution plans. The actuary, who is a paid consultant to the retirement board, admitted that he was biased toward a defined benefit plan (I'm paraphrasing here and if I'm wrong in this assertion, I will be happy to admit the error).

3. At least three commissioners suggested that the retirement board consider entering the employees of the City of Fort Pierce into the Florida Retirement System. I did not hear this discussed, except that the actuary said that he was not prepared/equipped to investigate this option.

The issue of health insurance costs was brought up as an extraneous matter because it affects the take-home pay of the employee. Health care costs are a burden to both the employee and the taxpayer/ratepayer and the city and the utility authority can do little to control these costs, since this is a national phenomenon and literally beyond the employer's control. City employees now pay \$25 per pay period, plus 50% of dependant coverage. The self-insured FPUA will be looking closely at its health care costs in the coming budget cycle. This is not an insignificant issue, but generally speaking employers are increasingly asking employees to help share the cost burden for this very

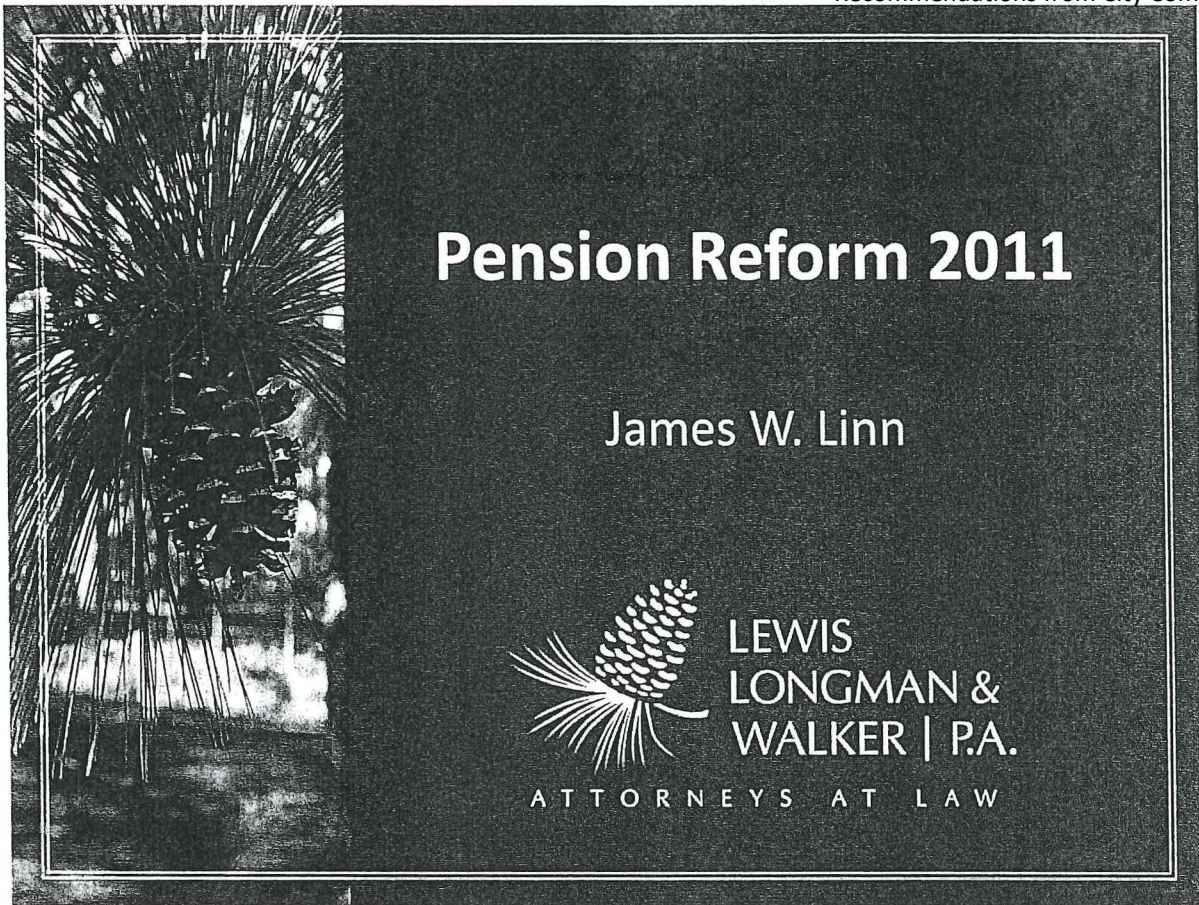
expensive benefit.

Several employees at the retirement board workshop expressed confusion about the goal of their efforts. The Commission's goal is to reduce and control the taxpayer and ratepayer contribution to employee retirement, while maintaining a viable retirement plan that would be attractive to employees, but also sustainable. The employee enjoys a predictable and set contribution to his or her own retirement (5.16% for general and police employees and 6.16% for utility employees). The taxpayer and ratepayer contributions have been increasing. Currently, the employer contribution is about three times the employee's amount. There was discussion at the retirement board workshops about years (over a decade ago) when the taxpayer paid lesser amounts. The retirement board generally agreed that the taxpayer and ratepayer should contribute a minimum annual amount to fund retirement (although this was not voted on). If that is a viable recommendation, then there should be a maximum amount also.

This current budget year, employer retirement costs for city employees is budgeted at \$2,758,574 for 354 employees (includes police and enterprise). The FPUA budgeted \$2,377,986 for 274 employees. These are steep prices for City of Fort Pierce taxpayers and ratepayers. This year, the Commission raised taxes, primarily to pay police more, and pay down the debt. The city cannot raise taxes continually to pay increased pension and other personnel costs. There is no money budgeted for salary increases for city employees. City employees have had one increase (2%) in the past five years or so, except for the recent police increases.

Now that the retirement board has had its workshops, I suggest the commission hold its workshop (s), specifically on the details of the current defined contribution plan offered. Further, I recommend that the Commission seek input from an outside source (not consultants who are retained by the city's retirement board) about a defined contribution option, and how it could/will impact the funding of the defined benefit plan. I also recommend that the Commission seek information regarding the possibility of city and utility employees entering the Florida Retirement System.

L Hudson



## 2011 Legislation



- SB 2100 – Florida Retirement System
- SB 1128 – Local Government Retirement Plans

## SB 2100 -- Florida Retirement System Changes



- 3% employee contribution eff. 7/1/11 (was zero)
- No COLA for service after 7/1/11 (was 3%)
- Delayed normal retirement age\*
  - Regular: age 65 or 33 years\* (was age 62 or 30 years)
  - Special Risk: age 60 or 30 years\* (was age 55 or 25 yrs)
- Average final compensation: highest 8 years\* (was high 5)
- 8 year vesting period\* (was 6 years)
- DROP interest = 1.3% for members who enter DROP after 7/1/11 (was 6.5%)

\*changes apply to members who first join FRS on or after 7/1/11

3

## New Florida Retirement System Employer Contribution Rates for 2011 - 2012



FRS Membership Class	Current Employer Contribution	Employer Contribution Beginning 7/1/11	Employer Contribution Beginning 7/1/12
Regular	10.77%	4.91%	6.58%
Special Risk	23.25%	14.1%	19.56%
Senior Management	14.57%	6.27%	16.46%

Above rates include the additional 1.14% health insurance subsidy contribution and administrative/education fee

4

## SB 1128 -- Local Government Retirement Plans



- For service on and after 7/1/11 -- prohibits inclusion of overtime in excess of 300 hours per year and payments for unused sick or annual leave in compensation for pension purposes. OT up to 300 hrs/yr subject to collective bargaining.
- For plans that are subject to collective bargaining, changes are effective for the first agreement negotiated after 7/1/11.
- Applies to all local government pension plans, including police and firefighter plans under Chapters 175 and 185.

5

## SB 1128 -- Local Government Retirement Plans



- Prohibits the use of an actuarial or cash surplus in a government pension plan for any expenses outside the plan.
- Prohibits the reduction of plan sponsor contributions to a local government pension plan below the normal cost.
- Eliminates the requirement in Chapters 175 and 185 that pension benefits be increased whenever member contributions are increased.

6

## SB 1128 -- Local Government Retirement Plans



- Requires that all actuarial reports disclose the present value of the plan’s accrued vested, nonvested and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System’s assumed rate of return (currently 7.75%), “to promote the comparability of actuarial data between local plans.”

7

## SB 1128 -- Local Government Retirement Plans



- Department of Management Services to provide a fact sheet on each participating local government defined benefit pension plan summarizing the plan’s actuarial status.
- Fact sheet to contain a summary of the plan’s most recent actuarial data, minimum funding requirements as a percentage of pay, and a 5 year history of funded ratios.
- Fact sheets to be posted on the Department’s website.

8

## **SB 1128 -- Local Government Retirement Plans**



- DMS to develop a standardized rating system for local government defined benefit pension plans.
- Task Force on Public Employee Disability Presumptions:
  - Made up of management and union/employee representatives appointed by the Senate President and House Speaker, as well as employees of the Department of Management Services and Chief Financial Officer.
  - Task Force report and recommendations must be submitted to the legislature by January 1, 2012.

9



## **Chapters 175 & 185: “Extra Benefits” Still in Play**

10

## Ch. 175/185 Premium Taxes



- Chapters 175 and 185, F.S. provide for a rebate of the state excise tax on property and casualty insurance premiums to cities and districts that have police and fire pension plans.
- The premium tax monies must be used exclusively for firefighter and police pensions, and the local pension plan must comply with the requirements of Chapters 175 and 185.

11

## Ch. 175/185 “Extra Benefits”



- All premium taxes in excess of the “frozen” amount must be placed in the “excess state monies reserve” and used only for “extra benefits”
- “Frozen amount” = premium taxes received in 1998 plus premium taxes used for benefit improvements since 1999 (aka “adjusted base amount”)
- If excess premium taxes are used to provide formula benefits, the cost of the benefit shifts to the local government over time.

12

## Ch. 175/185 Restrictions



- Plan must meet Ch. 175/185 minimum benefits
- If benefits are reduced below 1999 level, plan will no longer be eligible for premium taxes
- Premium tax revenue above the “frozen amount” must be used for “extra benefits”
- Increase in member contributions requires union agreement
- Pension board composition and plan operation set by state statute, and subject to state regulation

13

## Ch. 175/185: Possible Options



- **“Stop & Restart”** – increase frozen amount of premium tax revenue that can be used to reduce government contribution.
- **“Share Plan”** use excess premium tax revenues for defined contribution accounts instead of formula benefits.
- **“Hybrid DB/Share Plan”** – reduce benefits in DB plan to 1999 level. All excess premium tax revenues go to DC “share plan.”
- **Opt out of Ch. 175/185** -- Local governments can stop participating in Ch. 175/185 and stop receiving premium tax revenues. But local taxpayers would still pay the tax.

14

## Legal Guidelines



- Changes in retirement benefits and employee contributions are mandatory subjects of collective bargaining.
- Accrued pension benefits (benefits earned in the past) cannot be reduced or taken away.
- Future benefits can be reduced for current employees who have not reached retirement status.
- Local government is ultimately responsible for unfunded pension liabilities.

15

## Pension Reform Options



- Join FRS
- Reduce Benefits for New Hires (2 Tier)
- Reduce Benefits for All Employees
- Set up Defined Contribution (DC) plan
- Set up Hybrid DB + DC plan
- Increase Employee Contributions

16



## Pension Reform: What Florida Cities Have Done

17

## Pension Reform: What Florida Cities Have Done



### Stuart (2007)- All Employees

- All City pension plans terminated
- City joined FRS for all employees
- City purchased past service credit under FRS for all employees

18

## **Pension Reform: What Florida Cities Have Done**



### **Ft. Lauderdale (2007) - General**

- Closed general employee pension plan
- Set up defined contribution plan for new hires

19

## **Pension Reform: What Florida Cities Have Done**



### **Coral Gables (2009) - Police**

- Increased employee contributions by police officers by 5%
- Reduced pensionable earnings (exclude OT in excess of 300 hrs. and lump sum payments for comp. time)

20

**Pension Reform:  
What Florida Cities Have Done**



**Naples (2009) - Fire**

- “Stop & Restart” implemented; premium taxes City can use to offset City pension contributions increased from \$776K to \$1. 67 million per year
- “Share Plan” set up with excess premium tax revenues

**Pension Reform:  
What Florida Cities Have Done**



**Hollywood (2009) - Fire**

- Reduced 13<sup>th</sup> check benefit for current employees
- Reduced pensionable earnings for current employees (exclude comp. time and blood time payouts; 70% cap on vacation leave payouts; no OT in excess of 300 hrs. over 3 year average)
- Reduced benefits and employee contributions for new hires (2 tier plan)
- “Share Plan” for all employees funded with increases in premium tax revenues

## Pension Reform: What Florida Cities Have Done



### Port Orange (2010) – Fire [Not Yet Implemented]\*

- Reduced wages by 6% (imposed in lieu of increase in employee pension contribution)
- Reduced pension benefits for current and future employees
  - Push back normal retirement date
  - Reduce pensionable earnings (exclude OT)
  - Extend final averaging period from 3 to 5 years
  - Reduce maximum benefit from 90% to 80%
  - Reduce COLA
  - Reduce DROP earnings

\* litigation pending

23

## Pension Reform: What Florida Cities Have Done



### Miami Beach (2010) – All Employees\*

- Wage freeze
- Pension changes for current employees:
  - Increase employee pension contribution by 2%
  - 5 year final averaging period (phased in)
- Reduced pension benefits for new hires (2 Tier)

\* litigation pending – police/fire

24

## Pension Reform: What Florida Cities Have Done



### Delray Beach (2010) – General Employees

- Final average comp period extended from 2 to 5 years
- Normal retirement date delayed to age 62 (was 60)
- Employee contributions increased from 2.5% to 3.05%
- Standard benefit changed to single life annuity (was 60% joint & survivor annuity)
- Line of duty disability benefit reduced from 75% to 60%

25

## Pension Reform: What Florida Cities Have Done



### Miami (2010) – Pension Changes (All Employees)\*

[Financial urgency declared – City Commission adopted wage and benefit reductions 8/31/10]:

- Later normal retirement age
- 5 year average final compensation
- Reduce benefit formula for future service (3%)
- Normal form of benefit: life and 10 years certain (PF); life annuity (General)
- \$100,000 cap on benefits

\* litigation pending

26

## Pension Reform: What Florida Cities Have Done



### Town of Palm Beach (2011) – Fire [Town Council imposed wage and benefit reductions 4/21/11]:

- Pension benefits frozen
- Pension changes for current and future employees:
  - Reduced multiplier for future service (to 1.25%)
  - Defined contribution plan on top of DB plan
  - Normal retirement under DB plan delayed to age 65 (but DC plan distributions may begin earlier)
  - Joint & Survivor Annuity abolished; replaced with life annuity (member may purchase survivor benefit)
  - No COLA
  - Town will withdraw from participation in Ch. 175

27

## Pension Reform: What Florida Cities Have Done



### Palm Bay (2011) – Fire [Settlement Approved 5/19/11]

- 3 year wage freeze
- Reduction in pension benefits for current employees:
  - Reduction in supplemental benefit (from \$25 to \$12 per month per year of service)
- Reduction in pension benefits for future employees:
  - Reduced multiplier - 3.2% after 20 yrs (was 5% after 20 yrs)
  - 2% COLA deferred 6 yrs (was 3%)
  - Line of duty disability benefit - 66% (was 75%)
- Stop/Restart – \$800K one-time transfer from excess premium tax reserve to reduce city’s contribution; \$125K increase each year in “frozen amount”

28

## Pension Reform: What Florida Cities Have Done



### Coral Gables (2011) – General [Settlement approved by union members and City Commission in July 2011]

- Pension benefits frozen
- Pension changes for current and future employees:
  - Reduced multiplier for future service (2.25%)
  - Increase employee pension contribution by 5% (to 10%)
  - 5 year final averaging period (phased in)
  - Delay retirement age to age 65 or Rule of 85
  - Reduced disability benefits
- Future pension cost increases shared by City and employees
- City may establish DC plan in the future for new hires.

29

## Pension Reform: Work in Progress



### Sarasota (2011) – Police [City proposal at impasse; Special Magistrate hearing held in June 2011]

- Pension benefits to be frozen for all employees
- Pension changes for vested current employees:
  - 5 year final averaging period (now 3 years)
  - Reduce COLA from 3.2% to 2.0% beginning at age 67
  - Overtime limited to 300 hours per year
  - Standard form of benefit: 10 years certain & life (now 60% automatic spouse survivor benefit for life of spouse)
  - Reduce DROP interest to 2.0% (now 6.5%)
- DC plan for non-vested current and future employees (maximum combined City + employee contribution = 32%)
- City will withdraw from participation in Ch. 185

30

## Pension Reform: Work in Progress



**Hollywood (2011) – All Employees** [City declared financial urgency; pension changes to be submitted to referendum if agreement with unions not reached by September 1]

- Pension benefits to be frozen for all employees
- Pension changes proposed for current employees:
  - Delayed normal retirement date (Police/Fire - age 55 w/10 yrs or age 52 w/25 yrs; General – age 65 or age 62 w/25yrs or age 60 w/30yrs)
  - Reduced benefit multiplier (2.5% - police/fire; 2.0% - general)
  - 5 year final averaging period (now 3 years)
  - No COLA for future service
  - No DROP
- City will withdraw from participation in Ch. 175 & 185

31



## Looking to the Future

32

## The Future of Public Pensions in Florida – DB Plans



Recent FRS changes provide a clue to the future of DB plans:

- Increased employee contributions – cost sharing is possible
- Elimination of COLA
- Later normal retirement age
  - General: age 65 or 33 years of service
  - Police/Fire: age 60 or 30 years of service
- 8 year average final compensation
- 8 year vesting
- Lower DROP interest rates

33

## The Future of Public Pensions in Florida – DC Plans



- Defined contribution plans are on the rise – for general employees
- DC plans can cost more in initial years than reducing DB plan benefits
- Local governments must weigh:
  - Cost savings (short and long-term)
  - Reduction of risk
  - Impact on employees

34

## The Future of Public Pensions in Florida – Hybrid Plans



- Hybrid DB / DC plans combine:
  - Base DB plan – guaranteed benefit
  - DC plan (with matching employer & employee contributions) on top of DB plan
- Hybrid plans are attractive because they provide:
  - Shared risk
  - Shared cost
  - Some level of guaranteed benefit

35



## Questions?

36



**Defined Benefit Plan Recommendations**

Stanley L Fidge to: gjohnson

Cc: jmorris

03/05/2014 12:36 PM

Good Day Mrs. Johnson,

Thanks for this opportunity to convey the following attached recommendations.



Pension System Recommendations and Suggestions.pdf

Best Regards,

Stanley L. Fidge, MSIA-UPE, CISSP, CPPT  
Network Administrator, MCSA, CCNA, & Security +  
Management Information Systems Department

City of Fort Pierce

100 N. US 1

Fort Pierce, FL 34950

**DID:** (772) 467-3134

**Cityhall:** (772) 467-3000

**Cell:** (772) 475-0104

**Fax:** (772) 489-2594

**Email:** sfidge@city-ftpierce.com

**Web Site:** <http://www.cityoffortpierce.com>

**Click-2-Gov Web Site:** <https://cofpweb01.city-ftpierce.com/Click2GovBP>

**UPE - 11110101111 (1967) - Norwich University Chapter**

**Motto: I Will Try & Seize the Day! P.S. - Have a Great Day while you are at it!**

Date: March 5, 2014

To: Gloria Johnson, Director of Finance

From: Stanley L. Fidge, General Member Trustee and Vice Chairman

Re: Suggestions and Recommendations to ensure the solvency of the defined benefit plan

The recommendation of offering a defined contribution retirement savings account option in the form of a 401k for new employees will further erode the solvency of the defined benefit retirement plan for all current retirees and future retirees and is therefore not recommended. Next, introducing a defined contribution option for new employees will ensure that the defined benefit plan will never achieve 100% funding to then be eligible to offer a Cost of Living Adjustment (COLA) for current and future retirees which is a few of the many reasons that I strongly oppose the introduction of a defined contribution retirement savings account in the form of a 401k. Additionally, the introduction of a defined contribution retirement savings account will increase costs and liabilities over the near and long term and is a duplication of two 457k defined contribution retirement savings accounts that current employees can take advantage to further save for retirement as their disposable income and budget allows them to save and therefore again, there is not cost, liability, and/or employer/employee benefit to introducing a 401k defined contribution retirement savings account option which will only serve to erode the solvency of the defined benefit plan over time and help ensure that inflation will erode the purchasing power of what current and future retirees receive as a benefit from the defined benefit plan due to the lack of a COLA over many years. As a trustee my fiduciary duty is to help ensure the solvency of the defined benefit plan for the sole benefit of its current and future members, a 401k defined contribution plan does not achieve this primary goal and therefore, I cannot support, suggest, nor recommend this option. In addition, this in effect a benefit reduction versus a cost savings alternative in that no City employee at any level within the organization has the disposable income necessary to then be able to save and achieve a dignified retirement solely with a 401k defined contribution plan even with an employer contribution of 10%. Finally, the employer and employee retirement savings revenue stream would be diverted from the pooled risk defined benefit plan to individual employee risk defined contribution accounts as new employees who chose to select that retirement option over time which will only serve to reduce the solvency of the defined benefit plan and is why I cannot support the recommendation as a trustee of the current defined benefit plan.

**Summation:** Recommendation is to not introduce a defined contribution retirement savings account for the reasons noted above.

Next, recommendation is to include all employee groups within the proposed benefit reduction from a 3.0 multiplier to a 2.5 multiplier in order for the employer/taxpayer to receive the full impact of the cost and liability savings through the proposed multiplier benefit reduction. The Police department as the largest employee group should be included in this since their cost and liability is greatest within the defined benefit plan based upon the highest number of employees within that group. In addition, because the benefits received are a negotiable benefit for all employee groups, general (bargaining and non-bargaining), Police, and Utilities Authority members, the reduction in the multiplier should be negotiated through a suggestion of asking all employee groups who should be included to determine if they are willing to increase their contribution currently at either 5.16% or 6.16% to 7.16% for all employee groups while maintaining the current multiplier at 3.0 to balance the give and take of the situation which will yield a “guaranteed” savings to the employer/taxpayer which reducing the employers contribution in correlation to increasing the employees contribution while maintaining the same benefit of a 3.0 multiplier which creates a win-win-win scenario for all groups involved and can be actuarially calculated to determine the cost savings.

**Summation:** Negotiate multiplier benefit to remain at 3.0 for all employee groups in exchange for increasing all employee groups’ contribution rates which will directly reduce employer contribution rates yielding a cost and liability savings for the employer/taxpayer as desired.

Finally as a third recommendation, again considering all employee groups (Police, General, and UA) to yield the largest savings for the benefit of the employer/taxpayer, the multiplier can be reduced for all constitutional and Upper Management employees only from 3.0 to 2.5 to yield for cost savings to the employer. The constitutional and upper management members of the defined benefit plan have more disposable income to save for a dignified retirement and can better withstand a multiplier reduction from 3.0 to 2.5 in that their higher income levels will still afford these members a dignified retirement with the lower multiplier of 2.5 while the middle managers and staff who earn less income still need the 3.0 multiplier to help ensure a dignified retirement. Therefore, in addition to the \$100,000 and 75% cap maximums already instituted to help ensure the solvency of the defined benefit plan in combination with the other State-level benefit changes already adopted that already yield an annual savings to the employer/taxpayer, these two final recommendations will also yield additional cost savings and liability reductions that will need to be actuarially tabulated for the benefit of the employer/taxpayer over time, while allowing the most vulnerable employee members within all employee groups to retain a reasonable benefit to help ensure a dignified retirement and most importantly, these recommendations will also help ensure the long-term solvency of the defined benefit plan which is the ultimate fiduciary duty as a trustee and therein why I can support, suggest, nor recommend to introduce a 401k defined contribution plan that will not help ensure the solvency of the defined benefit plan solely for the benefit of its current and future members.

**Summation:** Negotiate a lower multiplier from 3.0 to 2.5 for all constitutional and upper management members only within all employee groups (Police, U.A., and general members).



FW: Retirement variables

Nina Hurtubise

to:

Gloria Johnson (gjohnson@city-ftpierce.com) , Johnna Morris (jmorris@City-FtPierce.com)

03/03/2014 08:51 AM

Hide Details

From: Nina Hurtubise <nhurtubise@fpua.com>

To: "Gloria Johnson (gjohnson@city-ftpierce.com)" <gjohnson@city-ftpierce.com> ,

"Johnna Morris (jmorris@City-FtPierce.com)" <jmorris@City-FtPierce.com> ,

1 Attachment



Analysis of Potential Retirement Plan Changes.docx

Here are Bill's suggestions.

**Thanks!**

**Nina**

**From:** Bill Thiess

**Sent:** Wednesday, February 26, 2014 3:02 PM

**To:** Nina Hurtubise

**Subject:** Retirement

**Bill Thiess, P.E.**

**Director of Utilities**

Fort Pierce Utilities Authority

206 South 6th Street

Fort Pierce, FL 34950

Telephone (772) 466-1600, Ext. 3200

Fax (772) 468-2412

E-mail: [bthiess@fpua.com](mailto:bthiess@fpua.com)

---

Please note: Florida has a very broad public records law. Most written communications to or from Fort Pierce Utilities Authority employees regarding government business are public records, available to the public and media upon request. Your e-mail communications may be subject to public disclosure.

(For additional information, go to [http://www.fpua.com/important\\_information/privacy.php](http://www.fpua.com/important_information/privacy.php))

### Analysis of Potential Retirement Plan Changes

1. Model reduction of multiplier from 3.0 to 2.5 without creating a Defined Contribution Plan (DC Plan).
2. Model increasing employees' contribution to create equal or better savings than reducing the multiplier to 2.5.
3. Model reduction of multiplier from 3.0 to 2.5 for all new employees only.
4. Model introduction of DC Plan alone with same assumptions as before (i.e., 10% contribution, immediate vesting).
  - a. Run again use wide range for assumption of participation. Should cover 10% to 50%.
  - b. Run again using decreased or increased employer contributions (8% to 12%?).
  - c. Run again assuming 5-year vesting.
  - d. Run again assuming 10-year vesting.
5. Model sensitivity of payroll increase assumption (4.5%) on some of the above.
6. Model sensitivity of return on investment assumption (8%) on some of the above.
7. Model combinations of the above:
  - a. Model reduction of multiplier for all (Item 1) with various versions of reduced benefit DC Plans (Item 4). Can changing the default plan be modeled?
  - b. Model reduction of multiplier for new employees only (Item 3) with increasing contributions of current employees by the amount determined in Item 2 above to provide equal or better employer savings for that group. Do not include DC Plan option.
  - c. Model same as "b" above with "optimal" DC Plan option(s).
  - d. Check sensitivity of above to changes in ROI and payroll increase percentage.

**POLICE****FORT PIERCE****MEMORANDUM****To:** Honorable Mayor and Commissioners**From:** R. Sean Baldwin, Chief of Police**Date:** March 9, 2014**Re:** Retirement System Discussion

On May 5, 2014, Commissioner Becht sent an email to City Manager Robert Bradshaw and several staff members asking for suggestions for reforming our retirement system (attached). I am aware that there is a retirement board / staff workshop scheduled for March 10, 2013, which may produce some helpful recommendations. I am unavailable to attend this workshop personally, so for whatever it is worth, I wanted to share my thoughts with the City Commission and other staff members.

My understanding is that we are currently considering changes only to the general and utilities employees' retirement system and not contemplating additional changes to high-risk (sworn police officers) benefits. I have considerable interest and concern for offering a competitive compensation plan for both our sworn and civilian employees, and I believe it is important to consider our retirement system as a primary component of our overall compensation plan.

**Our employee compensation and benefits plan is likely the most critical issue that our municipality faces over the next few years.** It is an absolutely critical issue in providing for public safety. Our current pay plan is simply not competitive. Although we made some adjustments a few years ago to our police pay plans, we are still losing officers to other local agencies due to significant disparity in pay and benefits. Over the last 12 months, we have lost 10 highly qualified officers to other agencies (Port St. Lucie Police, St. Lucie Sheriff's Office, Palm Beach Sheriff's Office, and Broward Sheriff's Office). These agencies are offering significantly better pay and benefits. This problem extends beyond our sworn staff, as we are now seeing civilian employees applying for an increasing number of open positions in the private and public sector. I believe that our public works, planning, and building departments are suffering the same conditions. With the job market opening, it is clear that this condition is only going to get worse.

Likewise, **our employee healthcare benefits are not competitive with other local public employers.** Police officers that leave our employ are citing this as either the first or second reason for leaving, either directly before or after pay. In example, the St. Lucie Sheriff's Office provides full family dependent coverage for \$50 per month, whereas our officers are paying up to nearly \$600 for a family plan that is not nearly as generous. Even closer to home, **City employees are paying considerably more for coverage than their counterparts working for Fort Pierce Utilities Authority (FPUA).** In fact, our City is now one of the very few public

- **Last year, the City accomplished significant retirement reform** by implementing state mandated changes to the way we calculate retirement benefits by capping the amount of overtime (300 hours) and eliminating the use of cashed out vacation and sick time in these calculations. At the same time, **we implemented reforms that were not mandated by the state**, including:

- ✓ Changing the vesting period from 5 to 10 years.
- ✓ Capping the 3.0 percent multiplier to maximum ceiling of 75 percent. The first 25 years of service covers the 75 percent with an annual maximum pension payment not exceed \$100,000.

\*\*\* According to Director of Finance Gloria Johnson, these changes resulted in a \$95,000 savings in FY 2013 and a \$125,000 savings in FY 2014. My understanding is that an actuarial report has not been completed calculating the long-term impact of this reform.

- Unlike other retirement systems around the state and nation, **our employees have made significant contributions towards the cost of the retirement plan**. Over the last 20 years, our employees have averaged a 5.86% contribution to their retirement plan, which is nearly as much as the City has contributed (7.68% for general employees and 7.57% for police employees).
- Prior to 1996, the City was required to contribute a minimum of 7.6% for general employees and 9.61% for police employees. **Since 1996, the City has adjusted its contribution to match actuarial demand on an annual basis**. In the first ten years of this policy, the economy was growing, so the City contributed minimally to the retirement system (**employer contributions were as low as 0% two years in a row**). In the last 10 years of this policy, the economy crashed, so the City has contributed substantially higher rates (**employer contributions were as high as 16.5% in FY 2013**).
- Implementing a defined contribution plan may increase the unfunded liability for the current defined benefit plan over the long term. Under a defined contribution plan, new employees will not be contributing to the defined benefit plan that continues to have vested membership. In effect the City loses the employees as their financial partner in the retirement plan. As the defined benefit plan ages and the number of contributing members falls, the City will be bound to make up the additional unfunded liability.
- City employees making \$30,000 per year (or even less) will likely never be able to save enough money in a 401K type plan (defined contribution) to hold a respectable retirement.

The police department's staff is currently working to cost out the employee turnover that we have suffered over the last few years. While the numbers are not finalized, the initial estimates are startling. I am confident that it is less expensive to maintain a competent workforce than it is to suffer 10-20% in turnover every year.

I hope that this information and the few recommendations that I have made will be useful as the City Commission continues this discussion. Of course, I will be happy to assist in any way possible to help the City Commission improve our pay and benefits plans, so that we can attract and retain the highly skilled workforce that our citizens demand and deserve.

att: Email dated May 5, 2014 (Commissioner Becht)  
*Understanding Public Pension Plan's Unfunded Liability (FPPTA)*  
City of Fort Pierce Retirement Percentage of Payroll Contributions (PD)  
Recommended and Actual Contributions Comparative Statement (Finance)  
FRS Employer Statutory Contribution Rates (2003-2014)  
GASB Funding Retirement Plans FL (Finance)

c: Robert J. Bradshaw, City Manager  
Nicholas Mimms, Deputy City Manager  
Linda Cox, City Clerk  
Gloria Johnson, Director of Finance  
Johnna Morris, Chief Accountant  
Frank Amandro, Deputy Chief  
Greg Kirk, Deputy Chief  
Retirement Board Members

## **RE: Reminder - Suggestions and/or Option Recommendations Due Tomorrow, Thursday, March 6, 2014**

Ed Becht [EdBecht@bechtlaw.com]

Sent: Wednesday, March 05, 2014 9:57 AM

To: Jennifer Robinson; Edward W. Becht

Cc: Robert J. Bradshaw; Nicholas Mimms; Linda Cox; JohnnaMorris@City-FtPierce.Com; Angela Wilkinson; Bill Theiss (bthiess@fpua.com); Sean Baldwin; Gerald DiBartolomeo (jerryd@dmhbcpa.com)

All,

All options for reducing expenses of the City taxpayer/FPUA rate payer funded Pension Plan should be considered. I do understand that some employees contribute some money to the plan; but not all of it! Please provide me with a list of what staff considers to be viable options for dealing with the unfunded liability (Isn't it approximately \$15,000,000.00?), and the current and future operating costs, and the lack of COLA. I recommend that we add the amount of the unfunded liability to the General Budget amortized over 10 years as a line item expense. I heard on the news today that Chicago's pension cost will exceed Two Billion Dollars next year. Fort Pierce is in far better shape than that, but we can and should do better for our employees, retirees, taxpayers and rate payers. The retirees have not had a COLA in how long? That is not a rhetorical question.

If I get no recommendations from staff that means you have none, and are completely satisfied with the current situation. I hope that isn't the case. The Retirement Board has had no recommendations for us to date, so they are obviously not concerned with the costs or the unfunded liability or the lack of a COLA. Well, we did finally make the State mandated changes, but please don't glorify making those State mandated changes. I resent the State telling us what to do, and we shouldn't need the State to tell us what to do for a healthy Pension Plan.

In the absence of any pro-active recommendations from staff or the Retirement Board for addressing these real problems (meaning in addition to those changes that the State legislature mandated for us), the Commission will have to adopt some changes without staff's input. You might not like those changes.

This is dangerous game you are playing with your Commission. If staff, as led by this City Manager and the past two City Managers, has no suggestions for cutting pension expenses, then I, for one, will be less than receptive to staff's last minute criticisms of our ideas for any cost saving measures.

Ms. Cox, please make sure that this email dated March 5, 2014, is in the packet that is disseminated to the other Commissioners for the Workshop. And all of the proactive recommendations of staff should also be included in the same packet as an exhibit to this email, if there are any staff recommendations. I hope that there will be some.

Regards,

Ed

Edward W. Becht, Esq.

Edward W. Becht, P.A.  
321 South Second Street (34950)  
Post Office Box 2746  
Fort Pierce, FL 34954

Telephone No.: 772-465-5500  
[edbecht@bechtlaw.com](mailto:edbecht@bechtlaw.com)

CONFIDENTIALITY NOTICE: The information contained in this email transmission is sent by an attorney, or his/her agent, and is intended to be confidential and for the use of the individual(s) or entity named above. This email transmission may also be for the purpose of rendering legal advice and is thereby privileged. If the reader of this message is not the intended recipient, you are hereby notified that any retention, dissemination, distribution, or copy of this transmission is strictly prohibited. If you received this email transmission in error, please immediately notify us by telephone and reply to the original email transmission sender at the above email address. Thank you.

**From:** jrobinson@city-ftpierce.com [mailto:jrobinson@city-ftpierce.com]  
**Sent:** Wednesday, March 05, 2014 9:05 AM  
**To:** Comm Eddie Becht; in2lawfl@aol.com; LHudson@City-FtPierce.Com; ralexander@city-ftpierce.com; sessionslawfirm@aol.com; tomperona@gmail.com; TPerona@City-FtPierce.Com; Ed Becht; lindahudsonbailey@yahoo.com  
**Cc:** RBradshaw@City-FtPierce.Com; NMimms@City-FtPierce.Com; LCox@City-FtPierce.Com; JohnnaMorris@City-FtPierce.Com; AWilkinson@city-ftpierce.com  
**Subject:** Reminder - Suggestions and/or Option Recommendations Due Tomorrow, Thursday, March 6, 2014  
**Importance:** High

Good morning Mayor and Commissioners,

Please send your suggestions and/or option recommendations for the actuarial impact study to the Finance Director by tomorrow, Thursday, March 6, 2014. Ms. Johnson's email address is [gjohnson@city-ftpierce.com](mailto:gjohnson@city-ftpierce.com). Her fax number is 772-489-2594.

I have attached a copy of the Finance Director's memo regarding the Pension Workshop on Benefit Changes for your convenience. I have also attached a copy of the previous actuarial impact statement.

A Retirement Board Workshop is scheduled for 2:00 PM on Monday, March 10, 2014 in the 2nd floor conference room at City Hall. All options will be presented, analyzed and ranked and then forwarded to the actuary.

If I may be of further assistance, please let me know.



**Jennifer D. Robinson, Executive Assistant to City Manager**  
**City of Fort Pierce**  
**100 North US Highway 1**  
**Fort Pierce, FL 34950**  
**772-467-3032**  
**[jrobinson@city-ftpierce.com](mailto:jrobinson@city-ftpierce.com)**

\*\*\*\*\* LEGAL DISCLAIMER \*\*\*\*\*

Mail is intended for work preparation purposes only. No legal definite promise.

Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public-records request, do not send electronic mail to this entity. Instead, contact this office by phone or in writing.



# Understanding Public Pension Plan's Unfunded Liability

---

**Florida Public Pension Trustees Association (FPPTA)**

2946 Wellington Circle East  
Tallahassee, FL 32309  
800-842-4064     [www.fppta.org](http://www.fppta.org)

## EXECUTIVE SUMMARY

- Florida local retirement plans covering police, firefighters and general employees are not **underfunded**. They do have an unfunded liability. There is nothing intrinsically wrong with having an unfunded liability.
- No Florida public plan sponsor failed to make the annual minimum required contribution to its retirement plan.
- As long as the plan sponsor meets the funding needs of the retirement system over the long term, the unfunded liability will not negatively impact the long term funding progress of the retirement system.
- Most retirement systems have a plan to pay off the unfunded liability in 20 years.
- The fact that a retirement system has an unfunded liability does not mean the plan is underfunded.
- The recent upturn in the stock market – in 2010 and projected for 2011 will help the plan to recover any losses experienced in the 2000-2003 and 2008-2009 market downturns.
- Local government plan sponsors do not have to take drastic and immediate actions to reduce or pay off the plan’s unfunded actuarial liability. It is being “paid down” in the same way you pay down your home mortgage. The annual contributions contain a payment toward this unfunded liability.
- The health of a public retirement plan is not determined by the unfunded liability. The health of the plan has more to do with the city’s ability and willingness to make the minimum required contribution.

## UNDERSTANDING UNFUNDED LIABILITY

“The fact that an unfunded accrued liability exists does not mean that a plan is underfunded. There is nothing intrinsically wrong with having an unfunded liability. Unfunded liabilities are a natural part of retirement system funding, comparable to a mortgage on a home.”

*Jose Fernandez, Principal and Consulting Actuary, Cavanaugh Macdonald Consulting, LLC*

### Unfunded versus Underfunded Plan

There is a substantial difference between **unfunded** and **underfunded** pension plans; however, the media reports fail to make a distinction.

If public pension plans were truly “unfunded,” it would mean the employer pays the current pension benefits out of tax revenues each year. Instead, public plans are prefunded to account for the benefits that accrue over the lifetime of an employee. These funds (contributions by employers and employees, plus earnings on investments) ensure that when the pension benefits of these employees come payable, there will be sufficient funds to pay the benefits.

If a plan was on a “pay as you go basis,” it would be simple to calculate the yearly costs of the plan – but would transfer today’s costs to the next generation, which is unfair. Therefore, plans use prefunding so the costs of pension benefits accrued today are paid today by the taxpayers – so funds will be available tomorrow when the pensions are due. Thus, the current generation saves money for its own retirement; the prior generation did this and the future generation will do likewise.

The term “underfunded” means that the plan sponsor has not made sufficient contributions to fund the present and future liabilities of promised benefits. Recent news accounts include such plans as Illinois, New Jersey and California, where the employer did not make the full required contribution, or enjoyed “contribution holidays” by not making any contributions for several years, or increased benefits without funding these benefits.

In Florida, no public plan sponsor failed to make the minimum required contribution.

### Plan Funding

Funding for local retirement plans is based on a simple formula, referred to as the **Basic Retirement Funding Equation**:

$$C + I = B + E$$

Left Side = Right Side

- C = Contributions (employer and employee)
- I = Investment Income
- B = Benefits Paid
- E = Expenses (administrative)

The left side (plan income) must balance with the right side (plan benefits and expenses). On the left side, for example, when the “I” (investment income) decreases because of a downturn in the stock market, the “C” (contributions) increases, thus requiring more in contributions. If the employees’ contribution rate is fixed, then the increase is borne completely by the employer.

Likewise, on the right side, if the promised benefits are increased (enhanced) or a pay raise is approved, the “B” (benefits) increases and the formula is out of balance. That requires additional contributions on the left side to balance the formula.

**To make it simpler: Money In must equal Money Out!**

The problem with the formula is that in order to figure out exactly how much to contribute, the plan would have to be closed to new members and allowed to operate until all retirees are deceased. At that point, the benefits and expenses actually paid out, and the investment income earned would be known and, using the equation above, the true cost could be determined. Since the plan is ongoing with no intention of closing, an actuary is hired to estimate the true cost of the plan and to determine the systematic contributions needed to meet that cost. With the current defined benefit plan, the costs are prefunded, thus the calculations are more complicated than the simple formula would indicate.

### **Benefit Calculation**

The question raised is, “How are future benefits of employees estimated?” For example, when a new member enrolls in the retirement plan, at that time, the actuary estimates the individual’s pension benefit – making certain assumptions about life expectancy, wage increases, investment returns of the plan, years of life after retirement, inflation, and many other factors. Using these data (based on plan experience studies), the actuary calculates the present value of future benefits the plan will be required to pay to its current participants: those still working who will retire in the future, retirees, and those who have terminated employment but have not yet begun drawing benefits.

**Simply put, the actuarial present value is today’s cost of tomorrow’s retirement payout.**

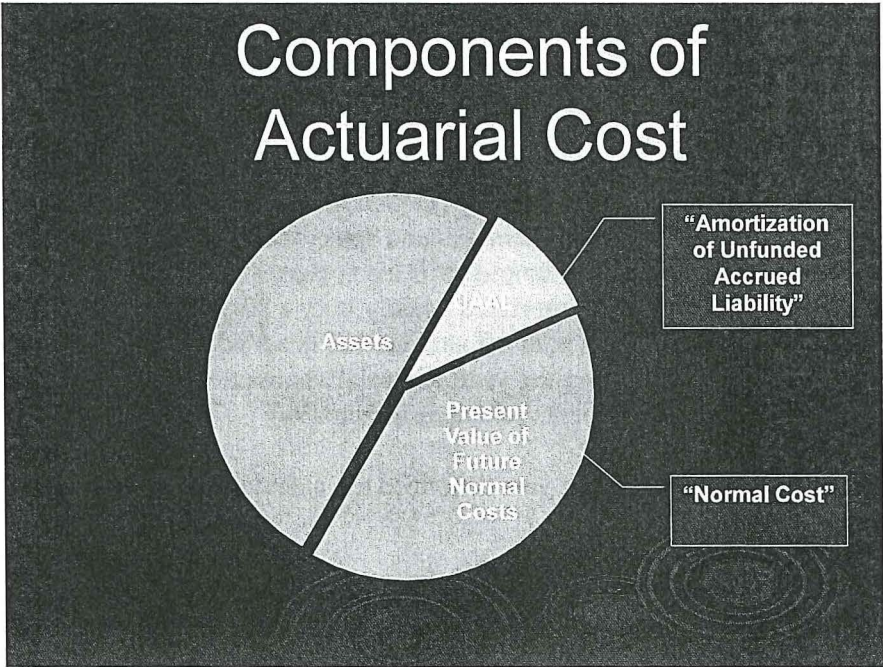
After determining the present value of future benefits for all plan participants, the actuary allocates it to determine the actuarial cost of the retirement plan. This actuarial cost is the difference between the sum of all benefits, refunds, and expenses paid out [*right side of the formula*], and the assets of the plan [*left side of the formula*]. The contribution allocation is broken into two categories: normal cost and accrued liability.

**Normal Cost** – benefits and expenses that have accrued during the given year and are expected to be accrued annually in the future with no changes to promised benefits.

**Accrued Liability** – amount of money needed to pay for benefits (earned so far plus benefits not yet earned) based on a member’s service. This amount is amortized to build the necessary assets over time to cover the liabilities.

Most local plans use the entry-age normal cost method to determine normal costs. Each employee has his/her present value of future benefits allocated on a level basis over the service of the individual between entry age and assumed exit age.

The components of actuarial cost (normal costs plus accrued liability) must balance with the plan assets.



## Plan Value

Once the actuarial cost of the plan is determined, the market value of the plan's assets is calculated. Market value is the price at which all securities can be sold as of a certain date. It is smoothed over several years (usually five years) to address steep fluctuations in gains or losses, and only a portion of unrealized gains or losses is recognized in a single year.

Now that the plan's assets have been determined and measured, they can be compared with the plan's accrued liability.

- ✓ If the assets equal or exceed the liabilities, the plan is considered to be fully funded.
- ✓ If the assets are less than the accrued liabilities, then the plan has what is called an unfunded accrued liability.

Underfunding does not mean the plan is unable to meet its current obligations. After all, having a mortgage is nothing to be ashamed of – as long as you can afford the payments and make them on schedule.

A plan which is 100% funded still is required to contribute to the normal cost. Future contributions and investment earnings are needed to fund benefit obligations as they build in future years. A pension plan requires contributions both to fund benefits currently being accrued (normal cost) and to eliminate any shortfall between plan assets and accrued liabilities (called unfunded accrued liability).

## Unfunded Liability

The unfunded actuarial accrued liability (UAAL) comes about because past assumptions have not been met. Each year, the plan members and sponsor contribute to the normal cost component of the retirement plan. The employer is also responsible for paying down the unfunded actuarial liability, which is amortized usually over a 20-year period. It's like having 20-mini mortgages – each year one is paid off and another is added. These mini-mortgages are based on the plan's gains/losses during the year, actuarial assumption changes based on experience studies, and plan amendments (changes in benefits).

The plan's actuarial report each year describes the calculation for the plan sponsor's contribution costs.

Sample Analysis of City Contribution Requirements

Based on the *Actuarial Report* as determined by the plan’s actuary, the city’s contribution requirements are as follows:

	2010	2009
Entry-Age Normal Cost	\$ 16,876,287	\$ 14,137,059
<b>Amortization of Accrued Liability</b>	<b>\$ 18,334,870</b>	<b>\$ 15,513,308</b>
Expenses	\$ 489,000	\$ 561,000
Interest	\$ 2,190,353	\$ 1,853,593
<b>TOTAL CONTRIBUTION REQUIRED</b>	<b>\$ 37,890,510</b>	<b>\$ 32,064,960</b>
Expected Member Contributions	(\$ 4,933,490)	(\$ 3,697,808)
Expected State Contribution	(\$ 2,708,872)	(\$ 3,000,946)
<b>Net Expected City Contribution</b>	<b>\$ 30,248,148</b>	<b>\$ 25,366,206</b>

The numbers above show that the city is paying down the unfunded liability each year – over the 20-years that these costs are amortized. That amount is the “Amortization of Accrued Liability.” If all assumptions are realized, the amortization payment will cease to exist in 20 years and the minimum required contribution will be just the normal cost. The *Actuarial Report* also shows the amortization schedule of the unfunded liability of the plan.

According to this *Actuarial Report*, the current unfunded liability will be paid down as follows:

<u>Date</u>	<u>Unfunded Liability</u>	<u>Amortization</u>
1/1/2010	\$ 197,362,944	\$ 18,334,870 (see payment above)
1/1/2011	\$ 192,902,750	\$ 18,701,567
1/1/2012	\$ 187,701,774	\$ 19,075,598
---		
---		
1/1/2030	\$ 0	Paid in Full

Most retirement systems saw deterioration in funding levels due to the market correction experienced from 2000-2003 and 2008-2009. This market downturn resulted in increases in contributions by the employer and a decline in the funding assets of the plan. As the market rebounds, the increased value of the assets will positively affect the total assets and reduce the unfunded liability.

The recent upturn in the stock market – in 2010 and as projected for 2011 also will help the plan to recover the losses experienced in 2000-2003 and 2008-2009. For example, most likely, the plan's market value of assets declined in 2009, however, in 2010 the market value gained. These fluctuations are smoothed over 20 years – so that no one year causes wild swings in the city's contribution.

As long as a plan meets the funding needs of the system over the long term, this unfunded actuarial liability will not negatively impact the long term funding progress of the retirement system.

### **Conclusion**

Too many people view the unfunded liability as the lone barometer of the health of a pension system. It is probably the most misunderstood number in the actuary's report. It is important to avoid knee-jerk reactions to the market's volatility. One such reaction is the suggestion of terminating the defined benefit plan and replacing it with defined contribution accounts.

The fact that the retirement plan has an unfunded liability does not mean the plan is **underfunded**. It does not mean that the city has to take drastic and immediate actions to reduce or pay off the unfunded liability. It is being "paid down" in the same way you pay down your home mortgage. Each year the city's contribution includes a payment to pay down the unfunded liability. The health of the plan is not determined by the unfunded actuarial liability. The health of the plan has more to do with the city's ability and willingness to make the minimum required contribution.

**Let's not fix something that isn't broken!**

## ACKNOWLEDGMENTS

The Florida Public Pension Trustees Association (FPPTA) thanks the following public pension experts for their contributions to this paper.

**Jose Fernandez**, ASA, EA, MAAA, FCA, Principal and Consulting Actuary, Cavanaugh Macdonald Consulting, LLC.

Jose is a professional actuary who has consulted with clients in the public sector since 1980. Jose has a broad range of experience in the design, administration and funding of public retirement plans, proposed legislation analysis, experience studies, asset liability forecasts and actuarial audits.

**Brad Heinrich**, FSA, EA, President, Foster & Foster, Inc.

Brad is a Principal at Foster & Foster, Actuarial Consultants for public pensions plans, and has over ten years of actuarial pension and postretirement medical plan experience. Brad is one of approximately 1,700 people worldwide who is both a Fellow of the Society of Actuaries and an Enrolled Actuary per ERISA. He is also a member of the Academy of Actuaries.

**Chad M. Little**, ASA, EA, Partner, Consulting Actuary, Friedman Little Actuaries, LLC.

Chad has specialized in public pension systems since 1994. He has worked on pension plans of all sizes ranging from small local firefighter plans to the Texas Municipal Retirement System. He is known for his creativity (with words, not numbers!) and ability to effectively communicate pension concepts to both trustees and participants.

FPPTA was established in 1984 for the purpose of providing education and information for the Florida public pension systems and protecting defined benefit pension plans through educational seminars and conferences, where distinguished speakers, in an educational environment, focus on issues and subjects of global and national importance as they pertain to trustees and pension boards.

*Florida Public Pension Trustees Association (FPPTA)*  
*2946 Wellington Circle East*  
*Tallahassee, FL 32309*  
*800-842-4064*  
*[fppta@fppta.org](mailto:fppta@fppta.org)*  
*[www.fppta.org](http://www.fppta.org)*  
*February 2011*

**City of Fort Pierce Retirement  
Percentage of Payroll Contributions**

Year	General Members		Utilities Members		Police Members	
	Employer %	Employee %	Employer %	Employee %	Employer %	Employee %
79/80	7.75	7.16	8.08	7.16	10.21	7.16
84/85	7.61	7.16	7.82	7.16	9.59	7.16
89/90	6.02	7.16	7.76	7.16	9.17	7.16
95/96	4.74	7.16	6.41	7.16	4.54	7.16
96/97	4.79	7.16	5.34	7.16	4.98	7.16
97/98	4.67	7.16	6.77	7.16	3.03	7.16
98/99	3.58	7.16	5.18	7.16	0.00	7.16
99/00	0.51	7.16	1.20	7.16	1.45	7.16
00/01	0.00	7.16	0.26	7.16	0.00	7.16
01/02	0.00	7.16	0.26	7.16	0.00	7.16
02/03	2.91	5.16	1.10	6.16	0.00	5.16
03/04	4.67	5.16	3.23	6.16	1.38	5.16
04/05	6.15	5.16	4.93	6.16	3.76	5.16
05/06	8.01	5.16	6.23	6.16	6.76	5.16
06/07	11.05	5.16	11.94	6.16	14.14	5.16
07/08	11.59	5.16	11.01	6.16	14.88	5.16
08/09	9.71	5.16	10.06	6.16	12.26	5.16
09/10	10.36	5.16	10.67	6.16	12.79	5.16
10/11	11.06	5.16	11.86	6.16	12.97	5.16
11/12	12.59	5.16	14.08	6.16	13.51	5.16
12/13	16.50	5.16	18.51	6.16	15.83	5.16
13/14	15.62	5.16	17.26	6.16	15.00	5.16
14/15	15.01	5.16	17.32	6.16	14.14	5.16
<b>20 Year AVG</b>	<b>7.68</b>	<b>5.86</b>	<b>8.18</b>	<b>6.51</b>	<b>7.57</b>	<b>5.86</b>

3/6/14 - Figures provided by Gloria Johnson, Finance Director  
 City of Fort Pierce Retirement and Benefit System  
 Page B-2 titled Recommended & Actual Contributions, Comparative Statement



FRS Employer Statutory Contribution Rates (2003-2014)

As a % of Salary

Year	Cost Items	Regular	Special Risk		EOC		SMSC	DROP	Cost Items	SUS ORP	SMS OAP	Local Annuity	CC ORP	AUTHORITY
		Regular	Admin.	Judicial	L/A/C	County								
7/03 - 6/04	Uniform Blended Rate	6.18	17.32	8.71	17.44	11.28	14.02	8.16	8.00	DC	10.42	12.49	10.43 <sup>1</sup>	CS/CS/SB 958
	UAL	0.00	0(+)	0(+)	0.00	0.00	0.00	0.00	0.00	DC ADM	0.00	0.00	0.00	
	RET	6.18	17.32	8.71	17.44	11.28	14.02	8.16	8.00	ADM	0.01	0.00	0.00 <sup>3</sup>	
	DC ADM	0.10	0.10	0.10	0.10	0.10	0.10	0.10	N/A	UAL	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	TOTAL	10.43	12.49	10.43	
	TOTAL	7.39	18.53	9.92	18.65	12.49	15.23	9.37	9.11					
7/04 - 6/05	Uniform Blended Rate	6.20	17.34	8.73	17.46	11.30	14.04	8.18	8.00	DC	10.42	12.49	10.43 <sup>1</sup>	CS/SB 2230
	UAL	0.00	0(+)	0(+)	0.00	0.00	0.00	0.00	0.00	DC ADM	0.00	0.00	0.00	
	RET	6.20	17.34	8.73	17.46	11.30	14.04	8.18	8.00	ADM	0.01	0.00	0.00 <sup>3</sup>	
	DC ADM	0.08	0.08	0.08	0.08	0.08	0.08	0.08	N/A	UAL	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	TOTAL	10.43	12.49	10.43	
	TOTAL	7.39	18.53	9.92	18.65	12.49	15.23	9.37	9.11					
7/05 - 6/06	Uniform Blended Rate	6.67	17.37	8.76	17.49	11.33	14.07	9.29	8.22	DC	10.42	12.49	10.43 <sup>1</sup>	HB 1907
	UAL	0.00	0(+)	0(+)	0.00	0.00	0.00	0.00	0.00	DC ADM	0.00	0.00	0.00	
	RET	6.67	17.37	8.76	17.49	11.33	14.07	9.29	8.22	ADM	0.01	0.00	0.00 <sup>3</sup>	
	DC ADM	0.05	0.05	0.05	0.05	0.05	0.05	0.05	N/A	UAL	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	TOTAL	10.43	12.49	10.43	
	TOTAL	7.83	18.53	9.92	18.65	12.49	15.23	10.45	9.33					
7/06 - 6/10	Uniform Blended Rate	8.69	19.76	11.39	18.40	13.32	15.37	11.96	9.80	DC	10.42	12.49	10.43 <sup>1</sup>	HB 5025 HB 7085 HB 5063 SB 1802
	UAL	0.00	0(+)	0(+)	0.00	0.00	0.00	0.00	0.00	DC ADM	0.00	0.00	0.00	
	RET	8.69	19.76	11.39	18.40	13.32	15.37	11.96	9.80	ADM	0.01	0.00	0.00 <sup>3</sup>	
	DC ADM	0.05	0.05	0.05	0.05	0.05	0.05	0.05	N/A	UAL	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	TOTAL	10.43	12.49	10.43	
	TOTAL	9.85	20.92	12.55	19.56	14.48	16.53	13.12	10.91					
7/10 - 6/11	Uniform Blended Rate	9.63	22.11	12.10	20.65	15.20	17.50	13.43	11.14	DC	10.42	12.49	10.43 <sup>1</sup>	SB 1802 (2009)
	UAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	DC ADM	0.00	0.00	0.00	
	RET	9.63	22.11	12.10	20.65	15.20	17.50	13.43	11.14	ADM	0.01	0.00	0.00 <sup>3</sup>	
	DC ADM	0.03	0.03	0.03	0.03	0.03	0.03	0.03	N/A	UAL	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	TOTAL	10.43	12.49	10.43	
	TOTAL	10.77	23.25	13.24	21.79	16.34	18.64	14.57	12.25					
7/11 - 6/12	Uniform ER Blended Rate	3.28	10.21	4.07	9.78	7.02	9.27	4.81	3.31	DC - ER	7.42	9.49	7.43	SB 2100
	Uniform UAL Rate	0.49	2.75	0.83	0.77	0.88	0.73	0.32	0.00	DC - EE	3.00	3.00	3.00	
	RET	3.77	12.96	4.90	10.55	7.90	10.00	5.13	3.31	DC - Total	10.42	12.49	10.43 <sup>1</sup>	
	DC ADM	0.03	0.03	0.03	0.03	0.03	0.03	0.03	N/A	FRS ADM	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	ADM	0.01	0.00	0.00 <sup>3</sup>	
	TOTAL Employer Contributions	4.91	14.10	6.04	11.69	9.04	11.14	6.27	4.42	UAL	0.49	0.32	0.49	
	Employee Contributions	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	TOTAL	10.92	12.81	10.92	
	TOTAL Contributions Submitted	7.91	17.10	9.04	14.69	12.04	14.14	9.27	4.42					
7/12 - 6/13	Uniform ER Blended Rate	3.55	11.01	3.94	10.02	6.51	8.36	4.84	4.33	DC - ER	5.14	6.27	5.15	HB 5005
	Uniform UAL Rate	0.49	2.75	0.83	0.77	0.88	0.73	0.32	0.00	DC - EE	3.00	3.00	3.00	
	RET	4.04	13.76	4.77	10.79	7.39	9.09	5.16	4.33	DC - Total	8.14	9.27	8.15 <sup>1</sup>	
	DC ADM	0.03	0.03	0.03	0.03	0.03	0.03	0.03	N/A	FRS ADM	0.00	0.00	0.00	
	HIS	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	ADM	0.01	0.00	0.00 <sup>3</sup>	
	TOTAL Employer Contributions	5.18	14.90	5.91	11.93	8.53	10.23	6.30	5.44	UAL	0.49	0.32	0.49	
	Employee Contributions	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	TOTAL	8.64	9.59	8.64	
	TOTAL Contributions Submitted	8.18	17.90	8.91	14.93	11.53	13.23	9.30	5.44					
7/13 - 6/14	Uniform ER Blended Rate	3.53	11.00	4.17	10.05	6.52	8.44	4.81	4.63	DC - ER	5.14	6.27	5.15	SB 1810
	Uniform UAL Rate	2.19	6.83	30.56	17.00	24.85	23.36	12.27	7.01	DC - EE	3.00	3.00	3.00	
	RET	5.72	17.83	34.73	27.05	31.37	31.80	17.08	11.64	DC - Total	8.14	9.27	8.15 <sup>1</sup>	
	DC ADM	0.03	0.03	0.03	0.03	0.03	0.03	0.03	N/A	FRS ADM	0.00	0.00	0.00	
	HIS	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	ADM	0.01	0.00	0.00 <sup>3</sup>	
	TOTAL Employer Contributions	6.95	19.06	35.96	28.28	32.60	33.03	18.31	12.84	UAL	2.19	12.27	2.19	
	Employee Contributions	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	TOTAL	10.34	21.54	10.34	
	TOTAL Contributions Submitted	9.95	22.06	38.96	31.28	35.60	36.03	21.31	12.84					

(+) UAL for one-time special 12% retiree increase effective Jan 02, paid from surplus when available, otherwise 0.60% for the years 03-04, 04-05, 05-06, 0.61% for the year 06-07, 0.59% for the year 07-08, and 0.60% for the years 08-09, 09-10. Thereafter the cost is part of total UAL.

<p><b>Legend:</b>                  UAL = Unfunded Actuarial Liability                  RET = Retirement                  DC ADM = PEORP Administrative Expense                  HIS = Health Insurance Subsidy                  Uniform Blended Rate = Uniform Rate paid for FRS Pension Plan and FRS Investment Plan</p>	<p>DC = Defined Contribution Rate for Member Account                  ADM = Administrative Expense</p>	<p><sup>1</sup> Contribution rate includes HIS contribution, less any administrative expense.  <sup>2</sup> Rate is established by local authority [s. 121.055(1)(b)2., F.S.].  <sup>3</sup> Administrative expense is determined by the community college.</p>
---	--	---

GASB Funding FL Plans Fiscal 2012 (Source: Director of Finance Gloria Johnson)

City or District	Type	Valuation Date	Revised?	Plan Change	Funding Method	Total Assets	AAL	UAAL	Funded Ratio %	Covered Payroll	UAAL as % of Covered Pay
JACKSONVILLE	PF	10/01/2012	N	After	EAN	853,407,387	2,537,477,306	1,684,069,919	33.6%	133,611,459	1,260.40
OCEAN CITY-WRIGHT FCD	F	10/01/2012	N	None	EAN	5,397,916	15,786,825	10,388,909	34.2%	1,941,208	535.20
OKALOOSA ISLAND FCD	F	10/01/2012	N	None	EAN	4,597,893	13,300,757	8,702,864	34.6%	1,094,407	795.20
VENICE	F	10/01/2012	N	None	EAN	14,604,878	34,115,851	19,510,973	42.8%	2,663,341	732.60
JACKSONVILLE - DISABILITY	G	10/01/2012	N	None	EAN	5,049,000	11,678,567	6,629,567	43.2%	289,579,494	2.30
OCALA	G	10/01/2012	N	After	EAN	84,303,480	188,670,649	104,367,169	44.7%	27,343,524	381.70
MILTON	F	10/01/2012	N	None	EAN	3,225,702	7,038,559	3,812,857	45.8%	657,941	579.50
LONGBOAT KEY	F	10/01/2012	N	None	EAN	12,743,682	27,693,570	14,949,888	46.0%	2,354,945	634.80
PORT ORANGE	F	10/01/2012	N	None	EAN	16,534,587	35,888,034	19,353,447	46.1%	1,964,837	985.00
TEMPLE TERRACE	P	10/01/2012	N	After	EAN	16,005,669	34,055,046	18,049,377	47.0%	2,961,583	609.50
LONGBOAT KEY	P	10/01/2012	N	After	EAN	5,469,947	11,621,830	6,151,883	47.1%	1,001,603	614.20
FLORIDA CITY - ELECTED	G	10/01/2012	N	None	EAN	1,446,799	3,045,435	1,598,636	47.5%	206,790	773.10
SAINT PETE BEACH	F	10/01/2012	N	None	EAN	8,816,258	18,379,036	9,562,778	48.0%	1,565,984	610.70
FORT MYERS	P	10/01/2012	N	None	EAN	70,742,267	145,871,729	75,129,462	48.5%	11,359,363	116.40
CORAL GABLES	GPF	10/01/2012	N	After	EAN	240,113,690	487,630,976	247,517,286	49.2%	39,651,521	624.20
DESTIN FCD	F	10/01/2012	N	After	EAN	9,869,168	19,936,505	10,067,337	49.5%	2,152,791	467.60
COCOA	F	10/01/2012	N	None	EAN	11,059,507	22,171,157	11,111,650	49.9%	1,772,109	627.00
HALLANDALE BEACH	PF	10/01/2012	N	None	EAN	77,899,561	154,386,258	76,486,697	50.5%	12,443,197	614.70
LAKE WORTH	P	10/01/2012	N	After	EAN	22,548,900	44,209,567	21,660,667	51.0%	1,460,425	1,483.20
WEST PALM BEACH	F	09/30/2012	N	After	EAN	78,234,548	152,747,307	74,512,759	51.2%	14,365,314	518.70
TAMARAC	P	10/01/2012	N	None	EAN	5,422,607	10,527,937	5,105,330	51.5%	-	0.00
BONITA SPRINGS FCD	F	10/01/2012	N	None	EAN	32,713,974	62,102,318	29,388,344	52.7%	6,060,748	484.90
FORT MYERS	F	10/01/2012	N	None	EAN	46,305,667	87,617,594	41,311,927	52.8%	8,085,699	510.90
COCOA BEACH	P	10/01/2012	N	None	EAN	7,820,220	14,499,039	6,678,819	53.9%	1,798,182	371.40
PLANT CITY	PF	10/01/2012	N	None	EAN	23,426,927	43,306,295	19,879,368	54.1%	5,555,685	357.80
PORT ORANGE	P	10/01/2012	N	After	EAN	20,855,034	38,472,849	17,617,815	54.2%	3,587,220	491.10
DANIA BEACH [PF]	P	10/01/2012	N	After	AGG	3,934,440	7,215,331	3,280,891	54.5%	-	0.00
HOLLYWOOD	P	10/01/2012	Y	After	EAN	166,024,436	303,650,726	137,626,290	54.7%	13,707,806	1,004.00
MIRAMAR	P	10/01/2012	N	None	EAN	70,277,976	128,310,813	58,032,837	54.8%	12,877,037	450.70
FERNANDINA BEACH	PF	10/01/2012	N	None	EAN	14,353,129	26,129,983	11,776,854	54.9%	3,390,911	347.30
SUNRISE	P	10/01/2012	N	After	EAN	72,267,056	131,526,358	59,259,302	54.9%	13,359,510	443.60
BAL HARBOUR VILLAGE	P	10/01/2012	N	None	EAN	12,220,206	21,883,525	9,663,319	55.8%	1,830,726	527.80
HOLLYWOOD	P	10/01/2012	N	None	EAN	166,024,436	296,378,271	130,353,835	56.0%	13,572,085	960.50
LAKE WORTH	G	10/01/2012	N	After	EAN	56,005,517	99,469,324	43,463,807	56.3%	11,916,382	364.70
SAINT PETE BEACH	P	10/01/2012	N	None	EAN	9,710,750	17,211,887	7,501,137	56.4%	1,252,844	598.70
FORT MYERS	G	10/01/2012	N	After	EAN	72,835,529	128,074,898	55,239,369	56.9%	20,847,217	265.00
HAINES CITY	F	10/01/2012	N	None	EAN	4,080,275	7,165,347	3,085,072	56.9%	1,135,521	271.70
MARCO ISLAND	P	10/01/2012	N	None	EAN	4,522,707	7,946,977	3,424,270	56.9%	2,030,227	168.70
BOYNTON BEACH	P	10/01/2012	N	After	EAN	52,594,653	92,351,033	39,756,380	57.0%	11,789,237	337.20
FERNANDINA BEACH	G	10/01/2012	N	After	EAN	12,754,269	22,385,703	9,631,434	57.0%	4,196,468	229.50
DELRAY BEACH	PF	10/01/2012	N	None	EAN	123,483,089	216,294,781	92,811,692	57.1%	16,867,194	550.20
BOYNTON BEACH	F	10/01/2012	N	After	EAN	50,548,749	88,420,130	37,871,381	57.2%	9,375,520	403.90
BARTOW	G	10/01/2012	N	After	EAN	14,177,233	24,709,286	10,532,053	57.4%	7,865,605	133.90
NORTH MIAMI BEACH	PF	10/01/2012	N	After	EAN	67,840,835	117,287,309	49,446,474	57.8%	5,855,524	844.40
ENGLEWOOD AREA FCD	F	10/01/2012	N	None	EAN	14,150,225	24,353,460	10,203,235	58.1%	3,676,240	277.50
WILTON MANORS [GP]	P	10/01/2012	N	None	EAN	10,499,654	18,049,357	7,549,703	58.2%	229,590	3,288.30
CAPE CORAL	G	10/01/2012	N	After	EAN	133,552,220	229,144,241	95,592,021	58.3%	35,151,182	271.90
LAKE WALES	F	10/01/2012	N	None	EAN	6,103,251	10,476,799	4,373,548	58.3%	1,153,396	379.20

WINTER HAVEN	G	10/01/2012	N	After	EAN	39,415,446	67,593,282	28,177,836	58.3%	10,692,636	263.50
TEMPLE TERRACE	F	10/01/2012	N	After	EAN	14,063,259	24,078,931	10,015,672	58.4%	2,717,595	368.50
DANIA BEACH [PF]	F	10/01/2012	N	After	AGG	25,877,931	44,016,938	18,139,007	58.8%	2,890,789	627.50
VERO BEACH	G	10/01/2012	N	None	EAN	56,700,541	96,081,699	39,381,158	59.0%	17,094,905	230.40
MIAMI BEACH	PF	10/01/2012	N	After	EAN	545,067,653	922,739,521	377,671,868	59.1%	46,313,650	815.50
NAPLES	P	10/01/2012	N	None	EAN	32,127,985	54,278,420	22,150,435	59.2%	5,035,014	439.90
COCOA BEACH	F	10/01/2012	N	None	EAN	7,606,723	12,791,832	5,185,109	59.5%	1,439,422	360.20
CAPE CORAL	F	10/01/2012	N	After	EAN	89,731,775	150,265,029	60,533,254	59.7%	13,453,644	449.90
LONGBOAT KEY	G	10/01/2012	N	After	EAN	8,090,692	13,548,418	5,457,726	59.7%	2,402,728	227.10
NAPLES	F	10/01/2012	N	None	EAN	31,640,822	53,033,148	21,392,326	59.7%	3,545,457	603.40
FORT WALTON BEACH	F	10/01/2012	N	None	EAN	10,927,529	18,139,496	7,211,967	60.2%	1,946,811	370.50
MADISON	F	10/01/2012	N	None	EAN	1,579,755	2,624,937	1,045,182	60.2%	304,418	343.30
ORMOND BEACH	F	10/01/2012	N	None	EAN	18,032,723	29,850,808	11,818,085	60.4%	2,568,321	460.10
RIVIERA BEACH	G	10/01/2012	N	After	EAN	51,659,997	85,053,079	33,393,082	60.7%	9,008,756	370.70
TITUSVILLE	PF	10/01/2012	N	None	EAN	37,556,780	61,561,065	24,004,285	61.0%	6,746,511	355.80
BOCA RATON	PF	10/01/2012	N	None	EAN	203,322,898	332,333,062	129,010,164	61.2%	29,457,656	438.00
PEMBROKE PINES	PF	10/01/2012	N	None	EAN	316,002,633	515,935,020	199,932,387	61.2%	27,011,016	740.20
WINTER HAVEN	F	10/01/2012	N	None	EAN	15,885,627	25,863,492	9,977,865	61.4%	3,726,486	267.80
PLANTATION	P	10/01/2012	N	After	EAN	87,750,325	142,588,533	54,838,208	61.5%	9,907,061	553.50
SAINT PETE BEACH	G	10/01/2012	N	After	EAN	10,085,672	16,320,434	6,234,762	61.8%	960,352	649.20
SARASOTA MEMORIAL HEALTH CARE	G	10/01/2012	N	After	PUC	181,828,196	293,666,035	111,837,839	61.9%	139,579,218	80.10
WILTON MANORS (VOL)	F	10/01/2012	N	None	EAN	744,775	1,202,603	457,828	61.9%	-	0.00
PENSACOLA	P	10/01/2012	N	After	EAN	63,919,434	103,056,198	39,136,764	62.0%	5,296,929	738.90
SANIBEL	P	10/01/2012	N	None	EAN	10,511,296	16,941,510	6,430,214	62.0%	1,284,662	500.50
HOLLY HILL	P	10/01/2012	N	None	EAN	6,772,900	10,892,829	4,119,929	62.2%	1,041,612	395.50
NEW SMYRNA BEACH	F	10/01/2012	N	None	EAN	14,265,355	22,909,250	8,643,895	62.3%	1,887,813	457.90
NORTH MIAMI BEACH	G	10/01/2012	N	None	EAN	60,520,361	96,695,425	36,175,064	62.6%	10,612,185	340.90
EDGEWATER	G	10/01/2012	N	After	EAN	10,795,757	17,138,842	6,343,085	63.0%	580,324	1,093.00
KISSIMMEE UTILITY AUTHORITY	G	10/01/2012	N	After	EAN	49,704,034	78,944,091	29,240,057	63.0%	15,843,964	184.60
MELBOURNE	P	10/01/2012	N	None	EAN	50,661,081	80,438,085	29,777,004	63.0%	7,915,204	376.20
CORAL SPRINGS	P	10/01/2012	N	After	EAN	113,053,128	178,460,050	65,406,922	63.3%	13,474,217	485.40
POMPANO BEACH [PF]	P	10/01/2012	Y	After	EAN	89,050,746	140,764,857	51,714,111	63.3%	2,492,528	2,074.80
HAINES CITY	P	10/01/2012	N	None	EAN	5,927,924	9,356,856	3,428,932	63.4%	2,103,203	163.00
PALMETTO	G	10/01/2012	N	After	EAN	9,201,168	14,448,153	5,246,985	63.7%	2,672,643	196.30
INDIALANTIC	G	10/01/2012	N	After	FIL	942,301	1,476,737	534,436	63.8%	552,175	96.80
TITUSVILLE	G	10/01/2012	N	After	EAN	37,615,506	58,695,259	21,079,753	64.1%	9,635,133	218.80
PALM BEACH [G,P,F,LG]	LG	09/30/2012	N	After	EAN	3,190,656	4,959,062	1,768,406	64.3%	200,577	881.70
ORMOND BEACH	P	10/01/2012	N	None	EAN	21,143,280	32,902,736	11,759,456	64.3%	2,632,006	446.80
SARASOTA	F	09/30/2012	N	After	EAN	98,841,281	153,495,000	54,653,719	64.4%	1,791,863	3,050.10
PALM TRAN, INC. (ATU-1577)	G	01/01/2012	N	After	EAN	57,037,023	88,489,140	31,452,117	64.5%	24,999,674	125.80
MEDLEY	P	10/01/2012	N	None	FIL	11,981,793	18,575,827	6,594,034	64.5%	2,668,574	247.10
OCALA SUPP	P	10/01/2012	N	None	EAN	43,991,326	68,232,418	24,241,092	64.5%	8,558,207	283.20
SARASOTA	F	09/30/2012	Y	After	EAN	98,739,147	152,546,864	53,807,717	64.7%	1,720,166	3,128.10
HOMESTEAD	P	10/01/2012	N	After	EAN	48,804,755	75,468,812	26,664,057	64.7%	5,511,249	483.80
OVIEDO	F	10/01/2012	N	None	FIL	6,854,446	10,596,199	3,741,753	64.7%	2,922,755	128.00
PANAMA CITY	F	10/01/2012	N	None	EAN	27,694,900	42,806,907	15,112,007	64.7%	2,485,149	608.10
NORTH RIVER FCD	F	10/01/2012	N	After	EAN	11,858,491	18,302,598	6,444,107	64.8%	2,732,537	235.80
ATLANTIC BEACH	P	09/30/2012	N	None	EAN	6,880,124	10,600,187	3,720,063	64.9%	1,548,109	240.30
DELAND	P	10/01/2012	N	After	EAN	16,469,295	25,323,337	8,854,042	65.0%	2,527,223	350.30
WILTON MANORS [GP]	G	10/01/2012	N	None	EAN	10,437,705	15,989,179	5,551,474	65.3%	392,600	1,414.00
HOLLY HILL	F	10/01/2012	N	None	EAN	3,053,693	4,672,305	1,618,612	65.4%	486,099	333.00
MELBOURNE BEACH	P	10/01/2012	N	None	EAN	2,079,266	3,176,905	1,097,639	65.4%	411,573	266.70
PALM BEACH GARDENS	G	10/01/2012	N	None	AGG	2,059,833	3,145,606	1,085,773	65.5%	101,085	1,074.10
PERRY	F	10/01/2012	N	None	EAN	2,403,897	3,670,206	1,266,309	65.5%	381,516	331.90

AVON PARK	F	10/01/2012	N	None	EAN	3,594,103	5,475,749	1,881,646	65.6%	732,830	256.80
DAVIE	F	10/01/2012	N	None	EAN	47,266,964	71,939,337	24,672,373	65.7%	11,259,382	219.10
PUNTA GORDA	F	10/01/2012	N	None	EAN	7,593,369	11,555,811	3,962,442	65.7%	1,619,708	244.60
BOCA RATON EXECUTIVE	G	10/01/2012	N	After	EAN	22,789,967	34,630,704	11,840,737	65.8%	4,821,123	245.60
PEMBROKE PARK COMM SUPP	G	10/01/2012	N	None	AGG	1,079,901	1,635,968	556,067	66.0%	25,956	2,142.30
MIAMI BEACH	G	10/01/2012	N	After	EAN	421,376,041	637,363,774	215,987,733	66.1%	65,053,945	332.00
SANIBEL	G	10/01/2012	N	After	EAN	18,328,716	27,705,226	9,376,510	66.2%	1,325,935	707.20
BRADENTON	F	10/01/2012	N	None	EAN	30,084,877	45,253,127	15,168,250	66.5%	3,861,209	392.80
NORTH PORT	P	10/01/2012	N	None	EAN	20,712,234	31,090,791	10,378,557	66.6%	6,053,388	171.50
WEST PALM BEACH	P	09/30/2012	N	After	EAN	133,503,840	200,221,819	66,717,979	66.7%	16,575,084	402.50
AUBURNDALE	G	10/01/2012	N	After	EAN	12,868,795	19,279,869	6,411,074	66.7%	2,716,654	236.00
POMPANO BEACH	G	10/01/2012	N	None	EAN	123,424,957	185,014,196	61,589,239	66.7%	25,833,472	238.40
ARCADIA	G	01/01/2012	N	After	FIL	1,956,546	2,928,098	971,552	66.8%	686,316	141.60
AUBURNDALE	G	10/01/2012	Y	After	EAN	12,868,795	19,273,002	6,404,207	66.8%	2,716,654	235.70
CAPE CORAL	P	10/01/2012	N	After	EAN	87,092,695	130,313,119	43,220,424	66.8%	14,266,182	303.00
MAITLAND	PF	10/01/2012	N	After	EAN	19,274,488	28,853,193	9,578,705	66.8%	4,622,742	207.20
PENSACOLA	G	09/30/2012	N	After	EAN	115,254,582	172,304,867	57,050,285	66.9%	7,834,617	728.20
TAMARAC	F	10/01/2012	N	After	EAN	51,957,118	77,521,376	25,564,258	67.0%	7,077,620	361.20
PINELLAS PARK	F	10/01/2012	N	After	EAN	37,532,985	55,922,962	18,389,977	67.1%	4,190,929	438.80
STARKE	F	10/01/2012	N	After	EAN	2,085,908	3,104,722	1,018,814	67.2%	375,673	271.20
LARGO	PF	10/01/2012	N	None	EAN	90,132,758	133,804,080	43,671,322	67.4%	13,224,720	330.20
MELBOURNE	F	10/01/2012	N	After	EAN	43,223,693	64,144,221	20,920,528	67.4%	6,020,515	347.50
OCÖEE	PF	10/01/2012	N	None	EAN	28,469,247	42,256,331	13,787,084	67.4%	7,714,088	178.70
SOUTH PASADENA	F	10/01/2012	N	None	EAN	4,970,688	7,379,671	2,408,983	67.4%	861,066	279.80
OAKLAND PARK	PF	10/01/2012	N	After	EAN	45,944,957	68,061,558	22,116,601	67.5%	4,560,724	484.90
BERT FISH MEDICAL CENTER	G	01/01/2012	N	None	UC	19,492,323	28,823,501	9,331,178	67.6%	1,340,868	695.90
ROCKLEDGE	F	10/01/2012	N	After	EAN	7,805,518	11,514,333	3,708,815	67.8%	1,419,030	261.40
SARASOTA	G	09/30/2012	N	After	EAN	116,884,743	172,139,568	55,254,825	67.9%	15,323,219	360.60
PALM BEACH GARDENS	F	10/01/2012	N	None	PUC	40,848,695	59,997,956	19,149,261	68.1%	8,909,034	214.90
EAST LAKE TARPON FCD	F	10/01/2012	N	After	FIL	8,306,469	12,151,096	3,844,627	68.4%	2,057,194	186.90
NORTH MIAMI 748	P	10/01/2012	N	After	EAN	44,577,607	65,146,979	20,569,372	68.4%	8,174,358	251.60
COCOA	G	10/01/2012	N	After	EAN	11,254,112	16,435,966	5,181,854	68.5%	325,223	1,593.30
KISSIMMEE	F	10/01/2012	N	None	EAN	27,223,889	39,738,017	12,514,128	68.5%	4,396,627	284.60
CORAL SPRINGS	G	10/01/2012	N	None	EAN	6,649,343	9,660,844	3,011,501	68.8%	270,617	1,112.80
ORMOND BEACH	G	10/01/2012	N	After	EAN	31,254,611	45,381,998	14,127,387	68.9%	7,781,341	181.60
FORT LAUDERDALE	PF	01/01/2012	N	After	EAN	489,618,089	708,412,149	218,794,060	69.1%	65,318,290	335.00
COOPER CITY	F	10/01/2012	N	After	AGG	16,485,737	23,834,063	7,348,326	69.2%	621,690	1,182.00
LAKELAND	P	10/01/2012	N	None	EAN	86,094,118	124,462,617	38,368,499	69.2%	13,305,212	288.40
POMPANO BEACH [PF]	F	10/01/2012	Y	After	EAN	90,459,204	130,642,659	40,183,455	69.2%	12,229,670	328.60
SANFORD	F	10/01/2012	N	None	EAN	19,278,111	27,860,118	8,582,007	69.2%	3,729,721	230.10
SANFORD	P	10/01/2012	Y	After	EAN	27,572,312	39,862,736	12,290,424	69.2%	5,283,683	232.60
PORT ST. LUCIE	P	10/01/2012	N	None	EAN	44,222,619	63,838,491	19,615,872	69.3%	13,585,376	144.40
NAPLES	G	10/01/2012	N	None	EAN	40,286,392	58,017,689	17,731,297	69.4%	15,661,751	113.20
NORTH BAY FCD	F	10/01/2012	N	None	AGG	2,092,050	3,014,325	922,275	69.4%	846,355	109.00
SAINT CLOUD	PF	10/01/2012	N	None	EAN	26,364,066	37,971,334	11,607,268	69.4%	5,722,243	202.80
JACKSONVILLE BEACH	F	10/01/2012	N	None	EAN	8,887,626	12,779,076	3,891,450	69.5%	2,065,908	188.40
MEDLEY - GENERAL + ELECTED	G	10/01/2012	N	None	AGG	11,826,650	17,012,666	5,186,016	69.5%	1,508,079	343.90
ALACHUA COUNTY LIBRARY	G	10/01/2012	N	After	UC	17,941,778	25,710,712	7,768,934	69.8%	3,337,959	232.70
HAINES CITY	G	10/01/2012	N	After	EAN	12,573,291	17,949,163	5,375,872	70.0%	5,268,563	102.00
VENICE	P	10/01/2012	N	None	EAN	25,088,921	35,792,059	10,703,138	70.1%	3,148,604	339.90
KEY WEST UTILITY	G	01/01/2013	N	None	EAN	62,826,701	89,635,044	26,808,343	70.1%	9,558,105	280.50
WEST MELBOURNE	P	10/01/2012	Y	After	FIL	7,180,002	10,225,430	3,045,428	70.2%	1,589,082	191.60
PALM BEACH [G,P,F,LG]	F	09/30/2012	N	After	EAN	56,303,556	79,887,186	23,583,630	70.5%	4,087,465	577.00
AUBURNDALE	F	10/01/2012	N	None	EAN	4,989,349	7,075,401	2,086,052	70.5%	738,736	282.40

BELLEVIEW	P	10/01/2012	N	None	EAN	2,117,696	2,997,512	879,816	70.6%	393,392	223.60
SARASOTA	P	09/30/2012	N	After	EAN	154,433,315	218,378,348	63,945,033	70.7%	9,411,970	679.40
PALATKA	F	10/01/2012	N	After	EAN	5,754,188	8,119,342	2,365,154	70.9%	757,002	312.40
WINTER PARK	P	10/01/2012	N	None	EAN	34,143,720	48,024,323	13,880,603	71.1%	4,051,827	342.60
LAUDERHILL	P	10/01/2012	N	None	EAN	34,645,341	48,669,944	14,024,603	71.2%	8,844,361	158.60
SARASOTA-MANATEE A	G	10/01/2012	N	None	AGG	14,468,946	20,324,686	5,855,740	71.2%	4,681,625	125.10
FORT WALTON BEACH	P	10/01/2012	N	None	EAN	18,379,668	25,755,221	7,375,553	71.4%	2,178,847	338.50
SATELLITE BEACH	PF	10/01/2012	Y	None	EAN	10,993,450	15,391,050	4,397,600	71.4%	1,982,849	221.80
SATELLITE BEACH	PF	10/01/2012	N	None	EAN	10,993,450	15,391,050	4,397,600	71.4%	1,982,849	221.80
VILLAGE OF NORTH PALM BEACH	G	10/01/2012	N	None	FIL	8,758,198	12,231,978	3,473,780	71.6%	3,203,302	108.40
PALATKA	G	10/01/2012	N	After	EAN	15,133,564	21,039,311	5,905,747	71.9%	2,822,571	209.20
PUNTA GORDA	G	10/01/2012	N	After	EAN	26,345,034	36,581,850	10,236,816	72.0%	7,189,121	142.40
KEY WEST	PF	10/01/2012	Y	None	EAN	55,193,145	76,527,787	21,334,642	72.1%	9,634,039	221.50
KEY WEST	PF	10/01/2012	N	None	EAN	55,193,145	76,527,787	21,334,642	72.1%	9,634,039	221.50
KEY WEST HOUSING	G	01/01/2013	N	None	EAN	5,571,303	7,730,381	2,159,078	72.1%	2,783,925	77.60
DANIA BEACH	G	10/01/2012	N	None	AGG	16,876,962	23,326,022	6,449,060	72.4%	1,319,723	488.70
KEY WEST HOUSING	G	01/01/2012	N	None	EAN	5,211,082	7,190,944	1,979,862	72.5%	2,872,889	68.90
KEY WEST UTILITY	G	01/01/2012	N	None	EAN	61,863,804	85,044,033	23,180,229	72.7%	9,667,272	239.80
MELBOURNE - SPECIAL RISK	G	10/01/2012	N	After	EAN	600,846	823,100	222,254	73.0%	159,908	139.00
BARTOW	P	10/01/2012	N	None	EAN	12,054,173	16,484,217	4,430,044	73.1%	1,667,067	265.70
DAYTONA BEACH	PF	10/01/2012	N	None	EAN	143,698,742	196,661,600	52,962,858	73.1%	15,425,013	343.40
KEY BISCAYNE	PF	10/01/2012	N	After	EAN	19,111,769	26,147,006	7,035,237	73.1%	6,782,023	103.70
KISSIMMEE	P	10/01/2012	N	None	EAN	40,109,175	54,875,585	14,766,410	73.1%	6,685,798	220.90
PLANTATION	G	10/01/2012	N	After	EAN	107,715,029	146,543,290	38,828,261	73.5%	22,518,645	172.40
BROOKSVILLE	F	10/01/2012	N	None	EAN	4,669,793	6,348,213	1,678,420	73.6%	651,086	257.80
JACKSONVILLE BEACH	G	10/01/2012	N	None	EAN	41,828,688	56,760,782	14,932,094	73.7%	10,884,445	137.20
JACKSONVILLE BEACH	P	10/01/2012	N	None	EAN	16,242,797	22,049,077	5,806,280	73.7%	3,743,405	155.10
SOUTH MIAMI [GP]	P	10/01/2012	N	None	EAN	13,768,692	18,630,683	4,861,991	73.9%	2,857,846	170.10
TARPON SPRINGS	F	10/01/2012	N	None	EAN	16,328,630	22,007,732	5,679,102	74.2%	1,765,492	321.70
SAINT LUCIE COUNTY FCD	G	10/01/2012	N	After	EAN	9,992,539	13,450,988	3,458,449	74.3%	2,667,465	129.70
SAINT LUCIE COUNTY FCD	G	10/01/2012	Y	After	EAN	9,992,539	13,450,988	3,458,449	74.3%	2,667,465	129.70
SATELLITE BEACH	G	10/01/2012	N	After	EAN	5,384,278	7,239,284	1,855,006	74.4%	505,167	367.20
SATELLITE BEACH	G	10/01/2012	Y	After	AGG	5,384,278	7,239,284	1,855,006	74.4%	505,167	367.20
ATLANTIC BEACH	G	10/01/2012	N	None	EAN	12,513,031	16,797,167	4,284,136	74.5%	3,713,609	115.40
BOYNTON BEACH	G	09/30/2012	N	None	EAN	100,907,564	135,449,481	34,541,917	74.5%	20,956,556	164.80
NEW PORT RICHEY	P	10/01/2012	N	After	EAN	16,327,898	21,886,886	5,558,988	74.6%	2,144,794	259.20
PANAMA CITY	P	10/01/2012	N	None	EAN	25,029,358	33,448,743	8,419,385	74.8%	3,669,078	229.50
ARCADIA	G	01/01/2013	N	None	FIL	2,075,913	2,768,705	692,792	75.0%	838,596	82.60
MILTON	G	10/01/2012	N	After	EAN	9,690,251	12,898,393	3,208,142	75.1%	2,174,539	147.50
WINTER HAVEN	P	10/01/2012	N	None	EAN	21,724,606	28,914,134	7,189,528	75.1%	4,328,384	166.10
NEPTUNE BEACH	P	10/01/2012	N	None	EAN	5,978,713	7,948,144	1,969,431	75.2%	1,162,572	169.40
DAVIE	P	10/01/2012	N	None	EAN	86,545,636	114,812,797	28,267,161	75.4%	13,014,220	217.20
OVIEDO	P	10/01/2012	N	None	EAN	12,562,078	16,657,973	4,095,895	75.4%	3,286,796	124.60
ARCADIA	PF	10/01/2012	N	None	EAN	7,342,375	9,726,266	2,383,891	75.5%	579,741	411.20
SOUTHERN MANATEE FCD	F	10/01/2012	N	None	AGG	18,425,606	24,417,932	5,992,326	75.5%	3,942,166	152.00
SOUTHERN MANATEE FCD	F	10/01/2012	Y	None	AGG	18,425,606	24,417,932	5,992,326	75.5%	3,942,166	152.00
TAVARES	F	10/01/2012	N	None	EAN	3,894,725	5,150,831	1,256,106	75.6%	1,258,963	99.80
DELTONA	F	10/01/2012	N	None	EAN	15,488,008	20,442,874	4,954,866	75.8%	4,127,685	120.00
JUPITER	P	10/01/2012	N	After	EAN	42,031,105	55,429,250	13,398,145	75.8%	7,683,583	174.40
COOPER CITY	G	10/01/2012	N	After	FIL	21,747,225	28,649,728	6,902,503	75.9%	4,625,087	149.20
OCOOEE	G	10/01/2012	N	After	EAN	22,033,394	29,000,447	6,967,053	76.0%	8,349,507	83.40
LYNN HAVEN	G	10/01/2012	N	After	EAN	10,433,426	13,709,199	3,275,773	76.1%	3,622,330	90.40
PALM BEACH [G,P,F,LG]	P	09/30/2012	N	After	EAN	61,028,427	80,129,109	19,100,682	76.2%	4,241,336	450.30
COOPER CITY	P	10/01/2012	N	None	AGG	21,490,874	28,169,408	6,678,534	76.3%	592,661	1,126.90

BRADENTON	P	10/01/2012	N	None	EAN	50,520,702	66,124,218	15,603,516	76.4%	6,776,210	230.30
ORLANDO AVIATION	G	10/01/2012	N	None	AGG	87,170,898	114,144,127	26,973,229	76.4%	11,443,116	235.70
INDIAN HARBOR BEACH	P	10/01/2012	N	None	EAN	6,038,168	7,887,112	1,848,944	76.6%	826,166	223.80
SAINT LUCIE COUNTY FCD	F	10/01/2012	N	None	EAN	163,874,846	213,279,331	49,404,485	76.8%	24,763,675	199.50
SAINT LUCIE COUNTY FCD	F	10/01/2012	Y	After	EAN	163,874,846	213,279,331	49,404,485	76.8%	24,763,675	199.50
ESTERO FCD	F	10/01/2012	N	None	AGG	8,155,956	10,591,334	2,435,378	77.0%	4,070,894	59.80
GULF BREEZE	P	10/01/2012	N	None	AGG	2,779,873	3,608,235	828,362	77.0%	563,728	146.90
LAKE PARK (RETIRED)	P	10/01/2012	N	None	EAN	1,374,695	1,784,148	409,453	77.1%	-	0.00
ORANGE PARK	F	10/01/2012	N	None	EAN	4,384,898	5,679,680	1,294,782	77.2%	953,532	135.80
PALM BAY [PF]	F	10/01/2012	N	None	EAN	55,259,857	71,503,983	16,244,126	77.3%	4,901,789	331.40
TAVARES	P	10/01/2012	N	None	EAN	7,282,426	9,377,312	2,094,886	77.7%	1,416,027	147.90
MOUNT DORA	P	10/01/2012	N	After	AGG	6,024,335	7,744,606	1,720,271	77.8%	1,861,356	92.40
DAVIE - GENERAL & MGMT	G	10/01/2012	N	After	AGG	29,428,849	37,774,639	8,345,790	77.9%	13,169,485	63.40
DAVIE - GENERAL & MGMT	G	10/01/2012	Y	After	AGG	29,428,849	37,774,639	8,345,790	77.9%	13,169,485	63.40
LAKE WALES	P	10/01/2012	N	None	EAN	10,973,115	14,091,606	3,118,491	77.9%	1,940,719	160.70
SOUTH MIAMI [GP]	P	10/01/2012	Y	After	EAN	13,768,692	17,684,100	3,915,408	77.9%	2,857,846	137.00
AVENTURA	P	10/01/2012	N	None	EAN	19,610,921	25,129,927	5,519,006	78.0%	7,663,687	72.00
INDIALANTIC	PF	10/01/2012	N	None	EAN	5,140,713	6,565,944	1,425,231	78.3%	1,026,314	138.90
VILLAGE OF NORTH PALM BEACH	PF	10/01/2012	N	None	AGG	12,605,506	16,081,371	3,475,865	78.4%	3,757,821	92.50
PANAMA CITY BEACH	F	10/01/2012	N	None	FIL	9,356,187	11,906,879	2,550,692	78.6%	1,351,699	188.70
VERO BEACH	P	10/01/2012	N	After	EAN	28,622,785	36,315,246	7,692,461	78.8%	3,043,048	252.80
WINTER PARK	F	10/01/2012	N	None	EAN	33,953,123	43,064,013	9,110,890	78.8%	4,288,651	212.40
ORLANDO	G	09/30/2012	N	None	AGG	175,349,449	222,120,000	46,770,551	78.9%	11,833,293	395.20
SAINT PETERSBURG	G	10/01/2012	N	After	EAN	291,749,598	369,667,300	77,917,702	78.9%	71,322,942	109.20
TEQUESTA [PF]	F	10/01/2012	N	None	EAN	5,291,259	6,708,023	1,416,764	78.9%	1,372,353	103.20
EDGEWATER	P	10/01/2012	N	None	FIL	6,027,461	7,628,278	1,600,817	79.0%	1,111,828	144.00
MIAMI - ELECTED	G	01/01/2012	N	After	PUC	5,922,119	7,480,479	1,558,360	79.2%	335,952	463.90
NEW PORT RICHEY	F	10/01/2012	N	None	AGG	9,406,586	11,829,359	2,422,773	79.5%	896,277	270.30
ORLANDO	P	10/01/2012	N	None	EAN	390,885,388	490,507,471	99,622,083	79.7%	48,578,107	205.10
FROSTPROOF	P	10/01/2012	N	None	EAN	2,881,637	3,612,562	730,925	79.8%	158,329	461.60
COCOA	P	10/01/2012	N	None	EAN	20,380,819	25,407,829	5,027,010	80.2%	2,846,388	176.60
SOUTH WALTON FCD	F	10/01/2012	Y	None	EAN	19,907,352	24,821,844	4,914,492	80.2%	5,626,217	87.30
LEESBURG	G	10/01/2012	N	After	EAN	31,172,936	38,821,147	7,648,211	80.3%	12,742,737	60.00
WEST PALM BEACH	G	09/30/2012	N	None	FIL	30,541,784	37,986,851	7,445,067	80.4%	2,573,346	289.30
RIVIERA BEACH	F	10/01/2012	N	After	EAN	46,830,748	58,171,996	11,341,248	80.5%	4,217,167	268.90
PALM BEACH [G,P,F,LG]	G	09/30/2012	N	After	EAN	69,201,971	85,722,189	16,520,218	80.7%	9,683,803	170.60
BELLEAIR	P	10/01/2012	N	None	FIL	2,130,695	2,641,751	511,056	80.7%	701,450	72.90
PALMETTO	P	10/01/2012	N	After	EAN	8,751,635	10,848,888	2,097,253	80.7%	1,425,061	147.20
DELAND	G	10/01/2012	N	None	EAN	23,018,522	28,494,118	5,475,596	80.8%	2,559,718	213.90
PEMBROKE PINES	G	10/01/2012	N	None	EAN	121,238,849	150,061,082	28,822,233	80.8%	2,845,067	1,013.10
SOUTH BROWARD HOSPITAL (aka Memorial Healthcare)	G	05/01/2012	N	None	PUC	335,263,885	414,253,501	78,989,616	80.9%	464,208,796	17.00
DADE CITY	F	10/01/2012	N	After	EAN	4,671,904	5,771,911	1,100,007	80.9%	364,683	301.60
MOUNT DORA	G	10/01/2012	N	After	FIL	13,195,495	16,300,186	3,104,691	81.0%	4,387,563	70.80
CORAL SPRINGS	F	10/01/2012	N	None	EAN	38,888,640	47,859,558	8,970,918	81.3%	11,696,314	76.70
PARKLAND	P	10/01/2012	N	None	EAN	1,756,197	2,155,927	399,730	81.5%	-	0.00
DELAND	F	10/01/2012	N	None	EAN	9,416,094	11,527,481	2,111,387	81.7%	2,043,800	103.30
MIAMI SPRINGS	PF	10/01/2012	N	After	EAN	22,335,041	27,288,530	4,953,489	81.8%	2,622,925	188.90
ORLANDO	F	10/01/2012	N	None	EAN	285,003,875	346,643,019	61,639,144	82.2%	38,093,974	161.80
WEST MANATEE FCD	F	10/01/2012	N	None	AGG	6,887,608	8,354,169	1,466,561	82.4%	1,826,156	80.30
SAINT JOHNS RIVER PW PK	G	10/01/2012	N	After	EAN	115,814,811	140,280,666	24,465,855	82.6%	19,318,374	126.60
TALLAHASSEE [GPF]	F	10/01/2012	N	After	EAN	159,601,000	193,191,000	33,590,000	82.6%	12,188,000	275.60
BUSHNELL	G	10/01/2012	N	After	EAN	1,355,293	1,639,409	284,116	82.7%	966,407	29.40
LAKE MARY	F	10/01/2012	N	After	EAN	9,785,560	11,833,392	2,047,832	82.7%	2,369,067	86.40
EDGEWATER	F	10/01/2012	N	After	EAN	6,293,563	7,585,819	1,292,256	83.0%	1,528,795	84.50

AUBURNDALE	P	10/01/2012	N	None	FIL	7,563,209	9,097,509	1,534,300	83.1%	1,494,246	102.70
VERO BEACH	F	10/01/2012	N	After	EAN	7,015,782	8,427,439	1,411,657	83.2%	-	0.00
HOMESTEAD	F	01/01/2013	N	None	EAN	6,891,222	8,278,294	1,387,072	83.2%	-	0.00
FORT PIERCE UTILITIES [G, P, UTIL]	G	09/30/2012	N	None	EAN	64,136,000	77,010,991	12,874,991	83.3%	11,801,344	109.10
NORTH MIAMI 691 [GPF]	G	10/01/2012	N	None	EAN	78,835,881	94,565,068	15,729,187	83.4%	12,375,315	127.10
PALM BAY [PF]	P	10/01/2012	N	None	EAN	73,622,794	88,071,278	14,448,484	83.6%	6,967,030	207.40
HOMESTEAD - New Elected & Sr. Mgmt	G	10/01/2012	N	None	AGG	3,314,017	3,955,629	641,612	83.8%	151,500	423.50
TAMARAC	G	10/01/2012	N	After	EAN	30,847,453	36,783,487	5,936,034	83.9%	6,591,390	90.10
PERRY	P	10/01/2012	N	None	EAN	5,250,072	6,244,997	994,925	84.1%	882,917	112.70
SOUTH MIAMI [GP]	G	10/01/2012	N	None	EAN	11,132,152	13,238,398	2,106,246	84.1%	2,003,855	105.10
SOUTHERN MANATEE FCD	G	10/01/2012	N	None	AGG	1,436,085	1,706,809	270,724	84.1%	378,881	71.50
BOCA RATON	G	10/01/2012	N	After	EAN	150,345,970	178,273,672	27,927,702	84.3%	28,583,981	97.70
ROCKLEDGE	G	10/01/2012	N	After	EAN	10,772,667	12,758,132	1,985,465	84.4%	4,155,254	47.80
ALTAMONTE SPRINGS	P	10/01/2012	N	None	EAN	8,488,020	10,040,116	1,552,096	84.5%	3,991,368	38.90
BAY MEDICAL CENTER	G	01/01/2012	N	After	PUC	84,852,382	100,251,000	15,398,618	84.6%	67,145,281	22.90
FORT PIERCE [G, P, UTIL]	G	09/30/2012	N	None	EAN	45,084,000	53,320,328	8,236,328	84.6%	8,625,945	95.50
LAKE ALFRED	G	10/01/2012	N	After	EAN	3,221,178	3,799,701	578,523	84.8%	1,095,004	52.80
SAINT PETERSBURG	P	10/01/2012	N	After	EAN	308,426,180	363,789,632	55,363,452	84.8%	29,687,273	186.50
TALLAHASSEE [GPF]	P	10/01/2012	N	After	EAN	219,840,000	257,806,000	37,966,000	85.3%	22,224,000	170.80
WILLISTON	P	10/01/2012	N	None	AGG	1,231,153	1,438,964	207,811	85.6%	325,985	63.70
SEMINOLE	F	10/01/2012	N	After	EAN	32,971,497	38,418,957	5,447,460	85.8%	3,680,402	148.00
PANAMA CITY BEACH	G	10/01/2012	N	None	FIL	21,624,549	25,178,072	3,553,523	85.9%	6,451,933	55.10
MARCO ISLAND	F	10/01/2012	N	After	EAN	4,122,634	4,794,681	672,047	86.0%	1,526,426	44.00
BAY MEDICAL CENTER	G	01/01/2013	N	After	PUC	87,807,918	102,102,230	14,294,312	86.0%	-	0.00
HOMESTEAD	F	01/01/2012	N	None	EAN	7,371,046	8,551,288	1,180,242	86.2%	-	0.00
BARTOW	F	10/01/2012	N	None	FIL	6,262,478	7,257,446	994,968	86.3%	917,980	108.40
SURFSIDE [GP]	P	10/01/2012	N	After	EAN	7,509,026	8,696,823	1,187,797	86.3%	2,069,206	57.40
TARPON SPRINGS	P	10/01/2012	N	None	EAN	18,259,905	21,165,293	2,905,388	86.3%	3,011,319	96.50
BOCA GRANDE FCD	F	10/01/2012	N	None	FIL	3,034,303	3,510,493	476,190	86.4%	1,100,015	43.30
LAKE MARY	P	10/01/2012	N	None	EAN	11,581,715	13,403,692	1,821,977	86.4%	2,198,303	82.90
LAKE WALES	G	10/01/2012	N	After	FIL	7,482,802	8,658,589	1,175,787	86.4%	2,926,546	40.20
GULFPORT	P	10/01/2012	N	None	FIL	6,540,927	7,560,528	1,019,601	86.5%	1,777,381	57.40
LAKE CITY	P	10/01/2012	N	None	EAN	9,651,404	11,158,589	1,507,185	86.5%	1,613,998	93.40
NORTH PORT	F	10/01/2012	N	None	EAN	27,237,526	31,447,123	4,209,597	86.6%	6,274,808	67.10
BELLE GLADE HOUSING	G	10/01/2012	N	None	AGG	1,588,375	1,830,180	241,805	86.8%	903,579	26.80
JUPITER ISLAND	GPF	10/01/2012	N	After	FIL	10,328,516	11,840,695	1,512,179	87.2%	2,054,448	73.60
CASSELBERRY	PF	10/01/2012	N	None	AGG	10,917,597	12,511,094	1,593,497	87.3%	3,499,263	45.50
MOUNT DORA	F	10/01/2012	N	After	AGG	5,044,876	5,771,294	726,418	87.4%	1,339,769	54.20
SAINT PETERSBURG	F	10/01/2012	N	After	EAN	187,146,800	213,978,647	26,831,847	87.5%	14,055,486	190.90
SEBRING	P	10/01/2012	N	After	AGG	10,563,668	12,076,903	1,513,235	87.5%	1,228,100	123.20
LEESBURG	F	10/01/2012	N	None	FIL	13,027,576	14,866,354	1,838,778	87.6%	3,004,257	61.20
OKEECHOBEE	G	10/01/2012	N	After	AGG	7,944,172	9,058,179	1,114,007	87.7%	3,023,756	36.80
VALPARAISO	PF	10/01/2012	N	After	AGG	1,124,489	1,281,863	157,374	87.7%	297,343	52.90
HOLMES BEACH	P	10/01/2012	N	None	FIL	5,952,088	6,765,498	813,410	88.0%	539,468	150.80
WINTER GARDEN	G	10/01/2012	N	After	EAN	18,177,671	20,608,909	2,431,238	88.2%	6,287,734	38.70
SOUTH MIAMI [GP]	G	10/01/2012	Y	After	EAN	11,132,152	12,534,298	1,402,146	88.8%	2,003,855	70.00
SAINT CLOUD	G	10/01/2012	N	After	EAN	32,206,391	36,174,322	3,967,931	89.0%	9,701,324	40.90
FORT PIERCE [G, P, UTIL]	P	09/30/2012	N	None	EAN	38,399,000	42,983,904	4,584,904	89.3%	5,415,125	84.70
OLDSMAR	F	10/01/2012	N	After	AGG	2,714,391	3,039,133	324,742	89.3%	753,518	43.10
HIALEAH GARDENS	P	10/01/2012	N	After	AGG	11,463,303	12,782,644	1,319,341	89.7%	2,112,481	62.50
PALATKA	P	10/01/2012	N	After	EAN	8,466,545	9,432,688	966,143	89.8%	1,504,792	64.20
PUNTA GORDA	P	10/01/2012	N	None	FIL	10,983,051	12,229,180	1,246,129	89.8%	1,731,061	72.00
SEBASTIAN	P	10/01/2012	N	None	FIL	8,843,096	9,793,255	950,159	90.3%	1,893,717	50.20
ORANGE COUNTY LIBRARY	G	01/01/2012	N	None	FIL	32,747,770	36,196,518	3,448,748	90.5%	5,634,242	61.20

FORT LAUDERDALE	G	09/30/2012	N	After	EAN	500,032,464	551,357,605	51,325,141	90.7%	57,447,109	89.30
SEBRING	F	10/01/2012	N	None	FIL	9,964,800	10,985,336	1,020,536	90.7%	836,440	122.00
ORANGE COUNTY LIBRARY	G	01/01/2013	N	None	FIL	35,899,948	39,504,854	3,604,906	90.9%	5,401,961	66.70
MIAMI SPRINGS	G	10/01/2012	N	After	EAN	14,537,003	15,971,613	1,434,610	91.0%	2,821,874	50.80
NORTH MIAMI 691 [GPF]	F	10/01/2012	N	None	EAN	3,106,120	3,413,559	307,439	91.0%	-	0.00
QUINCY	PF	10/01/2012	N	None	FIL	6,139,473	6,714,461	574,988	91.4%	811,740	70.80
LAKE ALFRED	PF	10/01/2012	N	None	EAN	2,274,445	2,486,607	212,162	91.5%	750,077	28.30
DADE CITY	P	10/01/2012	N	After	AGG	6,535,168	7,122,647	587,479	91.8%	1,011,015	58.10
MADISON	P	10/01/2012	N	None	AGG	2,932,786	3,193,723	260,937	91.8%	592,430	44.00
DUNEDIN	F	10/01/2012	N	After	EAN	19,074,012	20,751,867	1,677,855	91.9%	3,110,720	53.90
CLEARWATER	GPF	01/01/2013	N	After	FIL	688,731,221	746,701,092	57,969,871	92.2%	74,422,344	77.90
GULFPORT	G	10/01/2012	N	After	EAN	10,875,712	11,789,309	913,597	92.3%	2,424,556	37.70
WINTER GARDEN	PF	10/01/2012	N	None	EAN	23,946,074	25,941,563	1,995,489	92.3%	6,806,435	29.30
TAMPA	PF	10/01/2012	N	After	EAN	919,393,763	993,831,566	74,437,803	92.5%	96,207,589	77.40
CRESTVIEW	G	10/01/2012	N	After	FIL	11,853,342	12,805,105	951,763	92.6%	3,762,590	25.30
ROCKLEDGE	P	10/01/2012	N	After	EAN	8,736,203	9,435,411	699,208	92.6%	2,273,590	30.80
CRESTVIEW	PF	10/01/2012	N	None	FIL	11,977,512	12,854,415	876,903	93.2%	4,147,740	21.10
SURFSIDE [GP]	G	10/01/2012	N	After	EAN	5,259,451	5,590,633	331,182	94.1%	2,290,751	14.50
FORT PIERCE SUPP	P	09/30/2012	N	None	EAN	10,146,881	10,771,458	624,577	94.2%	5,422,508	11.50
PANAMA CITY (SUPP)	G	10/01/2012	N	None	AGG	2,130,645	2,258,782	128,137	94.3%	1,311,179	9.80
GREENACRES	PF	10/01/2012	N	After	AGG	14,074,637	14,905,359	830,722	94.4%	5,018,761	16.60
GULFPORT	F	10/01/2012	N	None	FIL	2,367,806	2,508,206	140,400	94.4%	846,940	16.60
LEESBURG	P	10/01/2012	N	None	FIL	13,985,699	14,793,748	808,049	94.5%	3,621,679	22.30
STARKE	P	10/01/2012	N	None	EAN	2,863,552	3,027,134	163,582	94.6%	571,086	28.60
NEW SMYRNA BEACH	P	10/01/2012	N	None	FIL	13,975,009	14,747,997	772,988	94.8%	1,635,285	47.30
TRI-COUNTY TRANSIT (ATU-1596)	G	10/01/2012	N	None	EAN	92,836,502	97,947,220	5,110,718	94.8%	32,821,564	15.60
TALLAHASSEE [GPF]	G	10/01/2012	N	After	EAN	831,528,000	874,076,000	42,548,000	95.1%	98,491,000	43.20
DELRAY BEACH	G	10/01/2012	N	None	EAN	94,654,819	98,323,171	3,668,352	96.3%	16,937,526	21.70
WAUCHULA	GP	10/01/2012	N	None	FIL	13,794,913	14,288,507	493,594	96.5%	2,232,223	22.10
CLEARWATER	GPF	01/01/2012	N	None	FIL	664,087,199	681,871,531	17,784,332	97.4%	74,765,020	23.80
PANAMA CITY BEACH	P	10/01/2012	N	None	FIL	12,478,161	12,813,769	335,608	97.4%	2,607,407	12.90
MILTON	P	10/01/2012	N	None	EAN	5,459,730	5,591,490	131,760	97.6%	760,984	17.30
OKEECHOBEE	P	10/01/2012	N	After	AGG	6,044,391	6,187,990	143,599	97.7%	928,285	15.50
ALTAMONTE SPRINGS	G	10/01/2012	N	None	EAN	12,188,195	12,429,282	241,087	98.1%	8,052,707	3.00
LYNN HAVEN	F	10/01/2012	N	None	FIL	3,728,472	3,797,323	68,851	98.2%	735,495	9.40
LIGHTHOUSE POINT	PF	10/01/2012	N	None	FIL	9,555,049	9,687,897	132,848	98.6%	3,108,447	4.30
LADY LAKE	P	10/01/2012	N	None	EAN	4,615,904	4,677,794	61,890	98.7%	1,344,024	4.60
BROOKSVILLE	P	10/01/2012	N	None	AGG	3,524,461	3,560,524	36,063	99.0%	1,155,943	3.10
TEQUESTA	G	10/01/2012	N	None	AGG	2,287,726	2,306,841	19,115	99.2%	1,994,337	1.00
WILLISTON	G	10/01/2012	N	None	AGG	3,625,066	3,627,190	2,124	99.9%	762,313	0.30
LYNN HAVEN	P	10/01/2012	N	None	FIL	5,407,510	5,401,885	(5,625)	100.1%	1,210,208	-0.50
NORTH NAPLES FCD	F	10/01/2012	N	None	FIL	33,983,491	33,924,855	(58,636)	100.2%	8,254,150	-0.70
LONGWOOD	PF	10/01/2012	N	None	AGG	6,337,454	6,244,335	(93,119)	101.5%	2,765,734	-3.40
OKEECHOBEE	F	10/01/2012	N	After	AGG	2,595,508	2,556,559	(38,949)	101.5%	429,008	-9.10
SAINT AUGUSTINE	F	10/01/2012	N	None	FIL	8,525,204	8,340,861	(184,343)	102.2%	1,439,656	-12.80
BELLE GLADE	G	10/01/2012	N	After	AGG	12,880,520	12,524,347	(356,173)	102.8%	2,769,571	-12.90
FLAGLER BEACH	F	10/01/2012	N	None	AGG	1,026,197	996,389	(29,808)	103.0%	245,463	-12.10
MIAMI - OFF-STREET PARKING	G	10/01/2012	N	After	AGG	13,188,670	12,786,439	(402,231)	103.1%	4,046,036	-9.90
JACKSON MEMORIAL HOSPITAL	G	01/01/2012	N	None	AGG	426,182,418	411,464,238	(14,718,180)	103.6%	439,993,058	-3.30
NORTH MIAMI 691 [GPF]	P	10/01/2012	N	None	EAN	6,185,069	5,843,356	(341,713)	105.8%	107,931	-316.60
NORTH BREVARD HOSPITAL (Parrish)	G	10/01/2012	N	None	AGG	46,730,757	43,866,575	(2,864,182)	106.5%	37,971,703	-7.50
VOLUSIA COUNTY (VOL)	F	10/01/2012	N	None	FIL	4,323,436	4,043,946	(279,490)	106.9%	-	0.00
CLERMONT	P	10/01/2012	Y	After	AGG	9,291,324	8,632,023	(659,301)	107.6%	2,424,191	-27.20
CLERMONT	P	10/01/2012	N	After	AGG	9,336,492	8,619,484	(717,008)	108.3%	2,424,191	-29.60

MONROE COUNTY VOL F.F. & EMS	F	01/01/2012	N	After	AGG	849,903	781,709	(68,194)	108.7%	-	0.00
TEQUESTA [PF]	P	10/01/2012	N	None	EAN	2,079,888	1,887,237	(192,651)	110.2%	744,314	-25.90
CLEARWATER	F	01/01/2012	N	After	AGG	6,341,468	5,659,565	(681,903)	112.0%	-	0.00
FLORIDA CITY	P	10/01/2012	N	None	AGG	2,830,029	2,479,441	(350,588)	114.1%	-	0.00
BUNNELL	F	10/01/2012	N	After	AGG	439,257	377,638	(61,619)	116.3%	21,667	-284.40
PALM COAST (VOL)	F	10/01/2012	N	After	EAN	2,623,239	2,171,326	(451,913)	120.8%	-	0.00
FROSTPROOF	G	10/01/2012	N	None	AGG	1,106,835	911,713	(195,122)	121.4%	550,447	-35.40
EAST NAPLES FCD	F	10/01/2012	N	After	EAN	13,005,478	10,696,400	(2,309,078)	121.6%	3,369,504	-68.50
SAFETY HARBOR	F	10/01/2012	N	None	AGG	3,563,115	2,908,691	(654,424)	122.5%	996,003	-65.70
MELBOURNE	G	10/01/2012	N	After	EAN	5,960,314	4,629,592	(1,330,722)	128.7%	510,644	-260.60
BELLE GLADE (RETIRED)	PF	10/01/2012	N	None	AGG	5,260,710	4,002,874	(1,257,836)	131.4%	-	0.00
PLANTATION (VOL)	F	10/01/2012	N	After	AGG	14,526,608	10,660,063	(3,866,545)	136.3%	-	0.00
LAKE HELEN	P	10/01/2012	N	None	AGG	710,588	456,299	(254,289)	155.7%	160,017	-158.90
PALM BAY	G	10/01/2012	N	None	AGG	153,955	46,575	(107,380)	330.6%	-	0.00



Arizona Retirement Analysis

Tom Perona

to:

johnna morris, gloria johnson

03/11/2014 06:56 AM

Hide Details

From: Tom Perona <tomperona@gmail.com>

To: johnna morris <JohnnaMorris@city-ftpierce.com>, gloria johnson <gjohnson@city-ftpierce.com>,

1 Attachment



Arizona Retirement System Comparative Analysis.pdf

Gloria and Johnna Please share this information that I received from Weston Lewis with all members of the retirement board as well as our guests who attended the workshop yesterday. Thank you, Tom Perona

# Arizona State Retirement System



A Comparative Analysis  
of  
Defined Benefit and Defined Contribution Retirement Plans

September 22, 2006

**By:**  
**Paul Matson, Executive Director**  
**Susanne Dobel, Manager External Affairs**

Table of Contents

**EXECUTIVE SUMMARY .....3**

**CONTEXTUAL PREAMBLE .....3**

**ISSUE .....5**

**ANALYSIS OF DEFINED BENEFIT & DEFINED CONTRIBUTION PLAN CHARACTERISTICS.....6**

1. PLAN COSTS 6

*Investment Related Costs.....6*

*Administrative Related Costs .....7*

2. RISKS 9

*Investment Risk Transfer .....9*

*Investment Diversification.....9*

*Demographic Risk Transfer .....10*

*Post Retirement Income Stability Risk.....10*

*Financial Planning Risk.....11*

3. INVESTMENT RETURNS 11

*Asset Allocation Expertise.....11*

*Age Dependency.....13*

4. 4. PLAN MANAGEMENT 13

*Portability.....13*

*Administrative Complexities.....13*

*Member Empowerment.....14*

*Contribution Rate Volatility.....14*

*Demographic Diversification.....15*

*Residual Plan Management.....15*

*Member Reception.....16*

*Education .....17*

5. SPECIFIC GOVERNMENT PLAN CONSIDERATIONS: DEFINED BENEFIT PLANS 17

*Economic Alignment of Interests.....17*

*Employer Going-Concern Status.....18*

*Cross Employer Liability Risk.....18*

*Actuarial Flexibility .....19*

**TABLE 1 PLAN STRENGTH SUMMARY MATRIX.....20**

**CONCLUSION.....21**

**DEFINITIONS.....23**

**REFERENCES.....25**

### Executive Summary

In very broad terms, there are two types of retirement plans that employers may offer to their employees: defined benefit plans and defined contribution plans. Defined benefit plans typically provide a stable lifetime retirement income stream to a retiree, whereas defined contribution plans typically provide a lump-sum value to a retiree, with the retiree determining how to create an appropriate retirement income stream.

Both types of retirement plans are under examination today, both across the United States, as well as in other countries. This examination is occurring in the private sector as well as the public sector, and is occurring among public and private executives, legislators, pension administrators, and citizen groups. While there is much discussion on both sides regarding which is the “better” plan structure – defined benefit or defined contribution – a more detailed analysis of the advantages and disadvantages of the two plan structures will provide decision makers with better information from which to make decisions. Our research suggests that the various characteristics of defined benefit and defined contribution plans can be grouped into five broad categories:

- 1) Plan Costs
- 2) Risks
- 3) Investment Returns
- 4) Plan Management
- 5) Specific Government Plan Considerations

Each of these five categories as well as the relevant sub-categories is discussed in the subsequent sections of this paper.

### Contextual Preamble

We believe that it is important to understand the context within which this paper was developed. Such contextualization is important to any reader, because if the contextual description is accurate, it allows the reader to focus on the document’s statements and conclusions, rather than trying to determine the author’s objectives. Specifically, this paper was developed with the following five objectives and constraints:

➤ Informative

The paper is not designed to advocate. Rather the purpose is to inform. Each reader should be able to obtain factual information from the paper that will assist them in determining what retirement program structure is optimal for their particular circumstance.

➤ Unbiased

The paper is designed to be unbiased. No ideology or ideological values are expressed nor are the logic or fact statements intended to be supportive of any ideological perspective. Both the advantages and disadvantages of various plan designs are discussed.

➤ Rational

The paper is designed to be rational in its structure, presentation, and conclusions. The rational paradigm is fundamentally economic, but also includes sociological and psychological references. Value inferences are not made.

➤ Substantially Exhaustive

The paper is designed to be substantially exhaustive so that a detailed literature review is not required. Substantiality in this context refers to the magnitude and relevance of the various decision factors for plan design.

➤ Useable

The paper is designed to be a useable document. It combines theoretical arguments with pragmatic considerations. It is designed to be a practitioner's and policy-maker's guide to decision-making for retirement plan design.

We believe that the above five objectives and constraints are appropriate, as it is illogical to attempt to force a particular plan design in a situation for which it is ill-suited. Rather, rational decision-makers and participants should come to conclusions with respect to which type of plan design is likely to meet the desired outcomes, based upon facts and logic that are not ideological driven or constructed.

## Issue

Recent increases to the aggregate contribution rate levels paid by both employees and employers to their defined benefit plans has been a significant factor leading to numerous discussions concerning the various advantages and disadvantages of defined benefit and defined contribution plans. The increases in contribution rates, have generally resulted from the following five factors:

- 1) significant improvements to the retirement benefits that occurred prior to 2002;
- 2) low contribution rates during the 1990s;
- 3) lower investment returns during fiscal years 2001, 2002 and 2003;
- 4) improving life expectancies of retirees; and
- 5) expensive and ineffective plan design features<sup>1</sup>.

Numerous publications have discussed the merits of both defined benefit plans and defined contribution plans. Discussions have lead to divergent and often inconsistent approaches, including both defined benefit and defined contribution plan terminations; creating tiered defined benefit plans that allow existing *participants* and retirees to remain in the plan that they are currently in while offering new employees a defined benefit plan with reduced benefits; and creating hybrid plans. Each of these approaches has advantages and disadvantages.

This paper provides an analysis of the costs, risks, returns, plan management, and specific government plan considerations of defined benefit and defined contribution plans, and considers both the advantages and disadvantages of the two types of plans with respect to each attribute.

---

<sup>1</sup> These include such features as allowing service purchases to occur at below market rates, enhancing refund options for non-retiring employees, allowing options that were not fully priced, allowing options in which selection bias could occur, as well as numerous other features.

## Analysis of Defined Benefit & Defined Contribution Plan Characteristics

### 1. Plan Costs

Plan costs refer to the various fees, expenses, and other negative cash flows that either increase the costs of managing the plan, or decrease the rates of return that can be achieved by the plan. There are two broad groups of plan costs: Investment Costs and Administrative Costs. From the perspective of both the plan sponsor as well as the members, costs are a negative attribute only.

#### **Investment Related Costs**

Investment related costs refer to the overall costs involved in managing a portfolio of securities. With respect to defined benefit plans, these costs typically consist of segregated and commingled fees and expenses that are negotiated by the plan sponsor, and typically vary according to the asset class involved, the management style utilized, and the size of assets under management. With respect to defined contribution plans, these costs typically consist of mutual funds management expenses (and in smaller plans possible front and rear loads or sales charges) and also typically vary according to the asset class involved, the management style utilized, and the size of assets under management. Mutual fund investment fees depend on the fund selected, with typical investment expense ratios for a retail active stock mutual fund of approximately 1.25% of assets, and typical retail active bond fund investment expense ratios of approximately 0.75% of assets. Institutional mutual fund fees for defined contribution funds can be significantly lower, but are still typically higher than investment fees paid by large defined benefit plans. As a result, defined benefit plans generally have lower costs per unit of benefit than defined contribution plans. This is primarily due to the fact that defined benefit plans aggregate the funds of hundreds of thousands of employees and are therefore able to receive significant reductions in their investment costs through economies of scale. For small plans, defined benefit costs can be higher than those of defined contribution plans as costs of defined contribution plans tend to increase almost linearly with the number of participants, while defined benefit plan costs, beyond a certain size, increase much more slowly because of pooling.

### Administrative Related Costs

Administrative related costs refer to the overall costs involved in administering the accounts of the member. With respect to defined benefit plans, these costs typically consist of the various salaries, rent and overhead related to the administration, accounting, recordkeeping, custody services, information processing, education and information dissemination that is required to collect, account and pay the various benefits. These costs can be paid for either from the investment assets or from a separate appropriation. For the ASRS, these costs are paid from the assets. For public defined benefit plans, the services related to these costs are typically performed by a combination of public and private employees.

With respect to defined contribution plans, these costs also typically consist of the various salaries, rent and overhead related to the administration, accounting, record keeping, custody services, information processing, education and information dissemination that is required to collect, account for and pay the various benefits. These costs can be paid either from the assets or from a separate appropriation. For defined contribution plans, the services related to these costs are typically outsourced and performed by private employees. Offering individual investment choices necessitates the maintenance of individual accounts that are usually updated daily and made accessible to the participant.

In a review of 12 of the nation's largest defined benefit plans, which provide coverage for more than one-third of all active state and local government employees, the average annual expense ratio was .25%, which includes both investment and administrative costs.<sup>2</sup> These fees are part of the contribution rate and are not charged separately to participants' accounts. Further data on these costs can be found in a research memorandum published by Gabriel, Roeder, Smith & Co., which states, "Per dollar of benefit paid, it is less expensive to provide benefits through a defined benefit plan than through a defined contribution plan."<sup>3</sup>

---

<sup>2</sup> Anderson, Gary W. and Brainard, Keith, (November 2002, updated February 2005), Myths and Misperceptions of Defined Benefit and Defined Contribution Plans, *National Association of Retirement Administrators*, pg. 15.

<sup>3</sup> Murphy, Brian, Sonnanstine, Alan, and Zorn, Paul, (November 17, 2003) List of Advantages and Disadvantages for DB and DC Plans, *Gabriel, Roeder, Smith & Company (GRS) Research Memorandum*.

Combined investment and administrative fees paid by participants in smaller defined contribution plans can exceed 2% and have a direct and substantial impact on the assets available to the participant.<sup>4</sup> Table I below demonstrates the lower assets available to pay benefits based upon six different fees levels ranging from 0.25% - 1.50% based upon a lump-sum investment held for a 15-year period. It demonstrates that a plan cost structure of 1.00% would reduce a participant's 8.25% expected investment return to 7.25%; which when compounded over 15 years would reduce the accumulation of assets by approximately 10% versus a defined benefit cost structure, and therefore significantly reduce the benefits that can be paid from the account. This difference is magnified for longer periods of time and for greater cost differentials, and lessened for shorter time periods or if costs differentials can be reduced.

Table I

Combined Investment and Administrative Fees Analysis: Effect on Net Returns and Final Asset Base Available for Retirement		
Combined Fees - %	Net Returns - %	Reduced Asset Base - %
0.25	8.00	0
0.50	7.75	3
0.75	7.50	7
1.00	7.25	10
1.25	7.00	13
1.50	6.75	16

Assumptions:

Gross-of-Fee Returns: 8.25%

Benchmark Defined Benefit Fee Structure: 0.25%

In general, it is reasonable to estimate that large defined benefit plans have aggregate costs which are approximately 0.5% of assets per year lower per unit of benefit than defined contribution plans, resulting in an asset base available for retirement that, assuming similar returns would be approximately 7% smaller for defined contribution plans than for defined benefit plans. This 7% reduction estimate only takes into consideration the typically higher investment and administrative cost structures of defined contribution plans, and does not take into account the lower investment returns typically achieved by defined contribution plans.

<sup>4</sup> Anderson, Gary W. and Brainard, Keith, Myths and Misperceptions of Defined Benefit and Defined

The combined higher costs structure and lower investment returns of typical defined contribution plans would result in a significantly greater reduction in asset base available for retirement than the 7% described above.

## 2. Risks

### Investment Risk Transfer

Defined benefit plans are structured in such a manner that the employer assumes a portion (or all) of the investment risk, whereas defined contribution plans are constructed in such a manner that the employee assumes virtually all of the investment risk. As a result, defined benefit plans result in contribution rates that fluctuate through time in order to offset investment gains and losses, while maintaining a static post-retirement benefit structure. This is different in a defined contribution plan, where the participant has the option of either forcing their personal contribution rate to fluctuate or changing their expected post-retirement benefit structure to offset investment gains and losses.

Assuming that both employees and employers are on average *risk averse*, defined benefit plans tend to split investment risk between employers and employees,<sup>5</sup> while defined contribution plans tend to place the entire investment risk with employees.

Although it appears that the investment risk issue is related purely to incidence, it is actually related to both incidence as well as magnitude. This risk magnitude issue is discussed in the next section, “Investment Diversification.”

### Investment Diversification

Investment risk is related not only to incidence, but is also related to magnitude. Specifically, the magnitude of the investment risk issue is significantly determined by the diversification strategies available to the plan members or participants. These diversification strategies are in turn related the investment universe available to defined benefit plans versus defined contribution plans. Although it may appear *a priori* that the investment universe is identical for both types of plans, this is not the case. Due to numerous factors including:

---

Contribution Plans, pg. 15.

<sup>5</sup> Private sector defined benefit plans typically absorb the investment risk entirely, whereas public sector plans tend to split the investment risk between the employee and the employer.

regulatory requirements, management requirements, infrastructure requirements, dollar size requirements and cash flow ‘*lumpiness*,’ the defined benefit investment universe is notably more expansive than the defined contribution investment universe. In particular, defined benefit plans are able to invest in the following investment areas that are generally not open to defined contribution participation: private real estate; private equities; commodities; and venture capital, as well as other alternative investments. As a result, the *efficient frontier* for a defined benefit plan is expanded beyond that available for defined contribution plans.

As a result of the above investment universe differential, defined benefit plans should be able to achieve similar returns to defined contribution plans with less risk.

### **Demographic Risk Transfer**

Defined benefit plans are structured in such a manner that the employer and the aggregate body of employees share the demographic risk, whereas defined contribution plans are constructed in such a manner that the employee assumes the demographic risk.<sup>6</sup> As a result, defined benefit plans result in contribution rates that fluctuate through time in order to offset changes in demographic experience, while maintaining a static post-retirement benefit structure. This is different in a defined contribution plan, where the participant has the option of either forcing their personal contribution rates to fluctuate or changing their expected post-retirement benefit structure in order to offset personal demographic experience.

Assuming that both employees and employers are on average risk averse, defined benefit plans tend to split demographic risk between employers and employees, while defined contribution plans tend to place demographic risk entirely with employees.

### **Post Retirement Income Stability Risk**

Defined benefit plans are typically structured in such a manner that the post-retirement income stream is a fixed amount based on some combination of salary, years of service, and a multiplication factor, whereas defined contribution plans are structured such that the post-retirement income stream is unknown at least until retirement, and possibly also during retirement. As a result, the post-retirement income stream is essentially the same (*uni-*

---

<sup>6</sup> This is typically true of government defined benefit plans only. In most private sector defined benefit plans, the employee does not share such demographic risk as they do not make contributions to the plan.

*modal*) for similar individuals under a defined benefit plan, but is significantly more varied (*platykurtic*) for similar individuals in defined contribution plans. The result is a more even distribution of post-retirement income for defined benefit plans and a much less even distribution of post-retirement income for defined contribution plans. A social value metric would be needed in order to determine whether a large or small standard deviation of post-retirement income streams is preferred, and to therefore determine whether a defined benefit or defined contribution plan offers the appropriate distribution of financial results, but it is clear that post-retirement income is more stable among defined benefit plan members than it is among defined contribution plan participants.

### **Financial Planning Risk**

Defined benefit plans are designed to provide a fixed, stable, and known post-retirement income level, whereas defined contribution plans do not allow for such stability unless a typically low-yielding fixed income investment is utilized. As a result, financial planning issues and concerns are typically easier to plan for and resolve for defined benefit plan members than for defined contribution plan participants. Greater emphasis on financial planning can mitigate the uncertainty around post-retirement income levels in defined contribution plans, but they can not eliminate the uncertainty. Also, the additional required focus on financial planning that defined contribution plans engender are costly to their participants in terms of both financial expenses as well as time allocation.

An additional financial planning risk that is typically absent from defined benefit plans but exists with defined contribution plans is the savings risk. This risk results from the fact that defined benefit plans require an employee, or employer in private sector plans, to save for the employee's retirement, whereas in defined contribution plans there are no such required savings. As a result, defined benefit members are more likely to accrue adequate retirement income than are defined contribution participants.

## **3. Investment Returns**

### **Asset Allocation Expertise**

Defined benefit plans require the sponsor or an engaged third party to make the most critical investment decisions – referred to as asset allocation decisions – whereas in a defined

contribution plan the individual participant is typically required to make the asset allocation decisions. Specifically, in defined benefit plans, the sponsor will engage a series of experts to determine an appropriate asset allocation – utilizing a combination of quantitative, empirical, and theoretical analysis – that is expected to achieve the greatest unit of return per unit of risk. Defined contribution plans require participants to self direct an investment strategy, usually utilizing a variety of mutual funds or possibly individual securities through what is known as a brokerage window. In order to partially mitigate participant risks inherent in defined contribution plans in this area, many defined contribution plans now provide a series of specific investment options called lifestyle funds that are intended to make these critical asset allocation decisions for the participant. This mitigates the potential risk to the participant; however the participant must still actively choose to outsource the asset allocation decision to the particular vendor in order to achieve this risk mitigating benefit.

As a result of the asset allocation decision making process described above, the individual participant in a defined contribution plan assumes the largest and most critical risk for producing a return on his account sufficient to fund his retirement benefits, often utilizing a personal non-expert skill set. Participants who excel at investment management may directly benefit from returns that exceed market averages, whereas participants who do not excel at investment management and do not utilize a risk appropriate lifestyle fund may be directly harmed from returns below market averages.

Empirical evidence indicates that the professional investment management provided by defined benefit plans has consistently provided higher rates of return than those of defined contribution plans. Although participants with sophisticated knowledge of investments may produce gains in their individual accounts, studies have shown that the average participant is a passive investor and receives rates of return significantly below those of DB plans. A study by Buck Consultants on the Nebraska Retirement System in 2000 found a highly significant difference in the returns from 1983-1999: the defined benefit plan averaged an 11% return and the defined contribution plan averaged 6% return.<sup>7</sup>

---

<sup>7</sup> Slisinsky, David, EA, MAAA, Buck Consultant, (2000) Actuary for the Nebraska Retirement Systems who authorized the 2000 Study which supported the change from Defined Contribution Plans to Cash Balance Plans.

As a result of the greater asset allocation financial expertise that is typically utilized in defined benefit plans, defined benefit plans are able on average to obtain higher rates of return than defined contribution plans.

### **Age Dependency**

Due to the *going-concern* nature of defined benefit plans, as well as their membership age diversity, the typical defined benefit plan is able to retain an investment *risk profile* that is relatively independent of individual aging, whereas the individual nature of a defined contribution plan requires the individual participant to modify their investment risk profile based upon age-specific characteristics. As a result, defined benefit plans typically allow for an investment structure that has a higher risk/return tradeoff and subsequently can reasonably be expected to obtain higher returns than a defined contribution plan.

## **4. Plan Management**

### **Portability**

Defined benefit plans enable members to transfer the full accumulated account balances when they move from employer to employer, but these account balances do not typically reflect the full value of employer contributions. Defined contribution plans enable participants to transfer the full accumulated account balances when they move from employer to employer, which includes the full value of both employee and employer contributions. As a result, defined contribution plans typically allow a larger percentage of the available money to move with employees as they move from employer to employer, potentially increasing the balances available to the more mobile employees upon retirement.

### **Administrative Complexities**

Defined benefit plans rely on a combination of assumptions that include longevity, turnover, retirement ages and investment returns. As time passes, each of these assumptions will deviate from expectations, causing plan funded status and contribution rates to diverge from expectations. In addition, the intrinsic complexities of defined benefit plans lead to a greater possibility of plan design feature decisions being made without a full understanding

of all the various implications. As a result, defined contribution plans tend to be easier to administer and have greater financial certainty for employers.

### **Member Empowerment**

Defined benefit plans operate virtually independently of the employees financial decisions, whereas the success of defined contribution plans substantially depends on active participation and engagement of employees. Consequently, employees of defined contribution plans may feel a greater sense of empowerment with their ability to affect their future financial security. It should be noted, however, that this sense of financial empowerment has a significant risk for the employee, in that even if they properly plan, save, and invest, they may have an insecure retirement future.

### **Contribution Rate Volatility**

Contribution rates to a defined benefit plan are based on actuarial valuations and as a result the rates will fluctuate from year to year as a result of such factors as investment returns and plan experience being different from actuarial projections. The periodic change in rates can reasonably be expected to be difficult for both employees as well as employers to plan and budget for. Defined benefit plans can mitigate contribution rate fluctuations by utilizing various approaches including: careful management of asset allocations, smoothing investment returns, utilizing forward looking actuarial assumptions, managing benefit administration and utilizing less period-sensitive actuarial methodologies.

Contribution rates to a defined contribution plan are determined in the plan document and once set are constant unless the document is changed. For this reason, many employers have established profit sharing defined contribution plans instead of a standard 401(k) plan. The mandatory employer contributions to a defined contribution plan must be made without regard to the financial condition of the employer, but are known in advance and not dependent upon investment returns or actuarial assumptions.

Contributions to defined contribution plans have the advantage of being both stable and known, whereas contributions to defined benefit plans will almost certainly fluctuate through time, often quite significantly.

**Demographic Diversification**

Defined benefit plans are designed in such a manner that they are diversified on two demographic axes on which defined contribution plans are not. First, defined benefit plans are cross-sectionally diversified in a fashion similar to life insurance companies. As a result, the particular mortality characteristics of an individual will not require modification of investment strategy as is the case with defined contribution plans. In addition, defined benefit plans have time series diversification, which allows for inter-generational member diversification. As a result, the particular demographic characteristics of an individual will not require the modification of investment strategy that would be required with a defined contribution plan.

**Residual Plan Management**

Residual plan management refers to the various issues and complexities that result from managing a retirement plan after it has been closed. Such legacy retirement plans have various issues that should be addressed prior to their closure. In general, defined benefit plans have a multitude of significant and complex issues that arise upon plan closure, whereas defined contribution plans have significantly fewer and less complex issues that must be addressed upon plan closure. As a result, defined benefit plans have a disadvantage compared to defined contribution plans when being implemented in that any future closure of the defined benefit plan will likely be significantly more problematic.

In particular, closing a defined benefit plan has consequences in each of the following areas: allocation of unfunded liabilities; volatility management of contribution rates; multi-plan administrative complexities; and human resource morale issue. With respect to the allocation of unfunded liabilities, the closed plan will be required to allocate this accrued deficit among a static or decreasing employee base because there will not be any new entrants into the plan. As a result, the remaining employees can reasonably be expected to have the same normal cost component, but an increasing amortization component to their retirement contribution rates, resulting in a higher overall level of future contributions for the remaining plan members. With respect to the volatility of contribution rates, the static or decreasing employee base in the closed plan will increase the volatility of contribution rates both for plans with an unfunded accrued liability as well as for plans with an accrued surplus. As a

result, the remaining employees and/or employers can reasonably be expected to have significant increased volatility in their required contribution rates.

With respect to multi-plan administrative complexities, the various administrative and investment management functions would need to be performed for two plans, each utilizing very different infrastructures and platforms. As a result, the administrative and investment management cost burdens would reasonably be expected to increase.

Finally, providing a defined benefit plan to one set of employees and a defined contribution plan to another set of employees would reasonably be expected to result in potentially significant morale issues. The two different plans could be perceived as offering different levels of benefits to different employees. This could be perceived as an old versus new employee differential treatment issue, or it could be perceived as an inter-generational differential treatment issue. In either case, it could reasonably be expected that morale would be negatively affected. Organizations with average or above-average turnover rates should specifically consider any possible morale consequences of offering two different plans with perceived benefit differences.

### **Member Reception**

Both defined benefit plans and defined contribution plans have a number of positive attributes for both employees and employers, and offer specific advantages under different circumstances and in different situations. Irrespective of the various positive and negative attributes of the two general types of retirement plans, there is a relatively strong body of knowledge that indicates that employees who have a defined benefit plan view a conversion from a defined benefit structure to a defined contribution as significantly negative. Empirical evidence in numerous states, counties, and municipalities across the country indicates that the support for defined benefit conversions or closures among employees is extremely low. When given a choice to migrate from a defined benefit plan to a defined contribution plan, very few public employees have chosen the defined contribution option. Specifically, when offered the choice between a defined benefit plan and a defined contribution plan, research

data indicates that approximately 95% of the employees have chosen to stay with the defined benefit plan.<sup>8</sup>

### **Education**

There is a significant differential in the level of education that is typically required for members of a defined benefit plan versus participants in a defined contribution plan. Specifically, since defined benefit members are not making investment decisions, they do not need significant financial planning skills to manage the defined benefit component of their retirement plan. Defined contribution plan participants do, however, require quite significant financial planning skills to manage the defined contribution component of their retirement plan. With respect to education, it is also important to note that studies indicate that employers and administrators have a difficult time in effectively educating and advising defined contribution participants. This is potentially a significantly negative aspect of defined contribution plans that requires ongoing attention.

## **5. Specific Government Plan Considerations: Defined Benefit Plans**

There are a number of areas in which public sector defined benefit pension plans have both modest absolute advantages over private sector defined benefit pension plans, and significant comparative advantages over private sector defined benefit pension plans. It is important to appreciate these advantages, as appropriate application of the advantages they should result in more cost effective human resource management by government entities. There do not appear to be any significant areas in which private sector defined benefit plans have either absolute or comparative advantages over public sector pension plans. The four areas of absolute and comparative advantages are as follows.

### **Economic Alignment of Interests**

Government sponsors of defined benefit plans typically have an alignment of economic interest that does not exist in most private sector plans. Specifically, private sector defined benefit plans, with the exception of grandfathered defined benefit plans which can

---

<sup>8</sup>DB/DC Fact Sheet, *Overview of Plan Types and their use among Statewide Retirement Systems*, National Association of State Retirement Systems, pg. 2.

allow for employee contributions, are typically funded 100% by employer contributions, whereas public sector plans are typically funded both by the employee and employer. As a result, there is an automatic alignment between the employee and the employer with respect to the plan's cost structure, benefit structure, and risk profile in government defined benefit plans (especially those in which the employee contribution rates are variable) that is non-existent in most private sector plans.

### **Employer Going-Concern Status**

The going-concern nature of most government sponsors significantly reduces, and possibly eliminates, the worst case default scenario that exists in the private sector. This is a significant differentiating issue for government sponsors, as it represents a major risk area for private sector defined benefit plan participants. Even with Federal Pension Benefit Guaranty Corporation (PBGC) guarantees discussed below, private sector defined benefit members have significant default risks that fundamentally do not exist for public defined benefit plans and their members. Attempts to reduce the default-risk in private sector funds, including those in the "2006 Pension Protection Act", typically increase both the volatility of contribution rates as well as the volatility of corporate cash flows.

### **Cross-Employer Liability Risk**

Private sector defined benefit plans are legally bound to participate in a federal guaranty program, referred to as the Pension Benefit Guaranty Corporation, and as a result must make insurance premium payments to the PBGC based upon the number of participants in the plan as well as the risk classification of the plan. The results of this are three fold: first, it increases the cost structure of the defined benefit plan; second, it forces well managed private sector plans to pay insurance premiums based on the risks of other, possibly less well managed plans; three, it results in a mild form of moral hazard for the private sector defined benefit pension plan industry. Public sector plans do not participate in such guarantee plans, and therefore have both a modest cost advantage over private sector sponsors, in addition to not incurring cross employer liability risk that is mandated in the private sector.

**Actuarial Flexibility**

Public sector defined benefit plans have a number of advantages over their private sector counterparts in the area of actuarial flexibility. Specifically, private sector defined benefit plans are subject to what is known as liability valuation risk – forcing the plans to change their liabilities periodically based upon interest rate levels rather than any intrinsic plan factors or long-term rate of return assumptions. The result is significantly greater volatility in contribution rates in private sector defined benefit plans.

In addition, private sector defined benefit plans are subject to what is known as asset ‘mark-to-market’ risk – the process of forcing the plan to recognize the changing value of its assets over short periods of time based upon current market circumstances, rather than allowing the smoothing of gain and loss recognition. The result will again be significantly greater volatility in contribution rates in private sector defined benefit plans.

In general, public sector plans have significantly greater ability than private sector plans to modify the fluctuations in contribution rates.

**Table 1**  
**Plan Strength Summary Matrix**

Plan Characteristics	Defined Benefit Plans	Defined Contribution Plans
<b>Plan Costs</b>		
1. INVESTMENT RELATED COSTS	+	
2. ADMINISTRATIVE RELATED COSTS	+	
<b>Risks</b>		
3. INVESTMENT RISK TRANSFER	+ EE	+ ER
4. INVESTMENT DIVERSIFICATION	+	
5. DEMOGRAPHIC RISK TRANSFER	+	
6. POST RETIREMENT INCOME STABILITY RISK	+	
7. FINANCIAL PLANNING RISK	+	
<b>Investment Returns</b>		
8. ASSET ALLOCATION EXPERTISE	+	
9. AGE DEPENDENCY	+	
<b>Plan Management</b>		
10. PORTABILITY		+
11. ADMINISTRATIVE COMPLEXITIES		+
12. MEMBER EMPOWERMENT		+
13. CONTRIBUTION RATE VOLATILITY		+
14. DEMOGRAPHIC DIVERSIFICATION	+	
15. RESIDUAL PLAN MANAGEMENT		+
16. MEMBER RECEPTION	+	
17. EDUCATION	+	
<b>Plan Characteristic Totals = 17</b>	12	6

## Conclusion

There are both positive and negative attributes of defined benefit and defined contribution plans and there is no single best solution for all circumstances. Rather, each of these attributes should be considered in the context of the specific fiscal, operational, human resource, and social circumstances of the employees and employers.

What do appear to be generalized observations about medium and large defined benefit plans and defined contribution plans are:

1. Plan Costs: Defined benefit plans appear to be notably less expensive per unit of benefit than defined contribution plans.
2. Risks: Defined benefit plans appear to be able to provide less risk than defined contribution plans.<sup>9</sup>
3. Investment Return: Defined benefit plans appear to achieve notably greater returns than defined contribution plans.
4. Plan Management: Defined benefit plans and defined contribution plans each offer a unique set of management issues with defined contribution plans being more simple to administer, but without a clear advantage to either.
5. Government authorities have notably different structures, characteristics, environments, and flexibilities in a number of areas that provide them with both absolute as well as comparative advantages in offering defined benefit plans.

If the goal of a retirement plan is to provide the least expensive method of providing a basic guaranteed replacement income to the members, then the defined benefit plan appears to provide a significant advantage for the majority of participants if the plan choices are mutually exclusive. If the plan choices are not mutually exclusive (and they are not), then it appears that the most appropriate strategy may be to provide a balanced approach with a defined benefit plan as the primary income replacement vehicle and a defined contribution plan option such as 457, 403(b), or Supplemental Retirement Savings Plan, to provide an

<sup>9</sup> Although the level of risk is lower with defined benefit plans, this lower risk level resides partially (or wholly with most private defined benefit plans) with the employer, whereas in defined contribution plans virtually none of the higher risk resides with the employer.

additional but discretionary option for additional pre tax retirement savings with no additional cost requirements for the employer.

## Definitions

*Absolute Advantage:* An advantage that accrues to an entity because it is able to produce an outcome with less resource requirements than another entity.

*Administration Fee:* A fee that is customarily paid for by employee as an annual deduction from their account. These fees may be high if it is a new plan and reduced or eliminated as the account balances increase.

*A priori:* An expectation based upon logic but made in the absence of research or statistical evidence.

*Comparative Advantage:* An advantage that accrues to an entity because it is able to produce an outcome with less relative resource requirements than another entity.

*Diversification:* Spreading of risk by putting assets in several categories of investments – stocks, bonds, money market instruments, and precious metals, for instance, or several industries, or a mutual fund, with its broad range of stocks in one portfolio.

*Efficient Frontier:* The set of portfolios on the minimum variance frontier, but with maximum expected return for each given level of standard deviation.

*Going-Concern:* The idea that a company will continue to operate indefinitely, and will not go out of business and liquidate its assets. For this to happen, the company must be able to generate and/or raise enough resources to stay operational.

*Lumpiness:* An uneven and typically unpredictable distribution of cash flows.

*Member:* An individual in a defined benefit plan.

*Participant:* An individual in a defined contribution plan.

*Platykurtic:* Describes the relatively flat condition for a distribution. This condition is evaluated against the normal distribution and its attendant bell-shaped curve.

*Risk Averse:* Term referring to the assumption that, given the same return and different risk alternatives, a rational investor will seek the security offering the least risk – or, put another way, the higher the degree of risk, the greater the return that a rational investor will demand.

*Risk Profile:* The degree to which various risks are important to a particular investor.

*Uni-Modal:* A distribution that has one most frequently occurring value.

### References

Actuarial Valuations of June 30, 2006, for Arizona State Retirement System, Public Safety Personnel Retirement System, Arizona Corrections Officer Retirement Plan, the Arizona Elected Officials Retirement Plan, The City of Phoenix Employee Retirement System and the Tucson Supplemental Retirement System.

Anderson, Gary W. & Brainard, Keith, (November 2002, updated February 2005), *Myths and Misperceptions of Defined Benefit and Defined Contribution Plans*, National Association of Retirement Administrators.

DB/DC Fact Sheet, *Overview of Plan Types and their use among Statewide Retirement Systems*, National Association of State Retirement Systems.

Murphy, Brian & Sonnanstine, Alan & Zonr, Paul, (November 17, 2003), *List of Advantages and Disadvantages for DB and DC Plan Research Memorandum*, Gabriel, Roeder, Smith & Company (CRS).

Slishinsky, David, EA, MAAA, (2000), *Nebraska Retirement System 2000 Study*, Buck Consultants.

### Other Materials or People Referenced

Allen, Melone, Rosenbloom, VanDerhei, (1997, Eighth Edition) *Pension Planning – Pension, Profit Sharing and Other Deferred Compensation Plans*.

Anderson, Gary W. & Brainard, Keith, (2004). *Profitable Prudence: The Case for Public Employer Defined Benefit Plans*, Pension Research Council Working Paper, The Wharton School, University of Pennsylvania.

Bartlett, Laura, Vice President, Putnam Investments (March 2006).

Mandel, Harry, Actuary for West Virginia Teachers Retirement System, *study that resulted in the closing of the defined contribution system and creating a defined benefit plan.*

Morris, William, CIO, Fire and Police Pension Association of Colorado

Sean Collins, (December 2003, Vol. 9, No. 6) *The Expense of Defined Benefit Pension Plans and Mutual Funds*, Perspective - Investment Company Institute Newsletter.