

Guest commentary: Florida cities need pension-relief legislation from Tallahassee

By Penny Taylor / Member, Naples City Council

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Against the background of these difficult economic times, municipalities across Florida (and even nationally) are wrestling with the challenges of funding fire and police pensions. The city of Naples is no exception.

Consider this: the city spends almost 50 cents of every salary dollar on the pensions of the firefighters. And, despite recent improvements in the investment markets, those dollars are harder and harder to come by because pension investment portfolios have underperformed anticipated returns.

We are not pointing fingers. No one could have foreseen the economic tsunami that swept the world. Rather, we seek to find solutions that will benefit all, and the changes must begin with state law.

Some background: Taxes are levied on insurance-policy premiums in Florida. This premium-tax revenue is used to help fund the pension obligations. In 1999, the amount of the premium-tax money collected at that time was frozen and any excess, by the new state law, had to fund additional benefits, not the current obligations of the pension.

Until very recently, Florida has enjoyed rising property values and an influx of folks wanting to make Florida their home. Premium-tax revenue increased year by year. And it wasn't too long ago that Naples was struggling with the problems of the lack of affordable housing and the city negotiated higher wages/pension benefits to attract and keep our police and firefighters. A firefighter hired at age 21 can retire at 46 with 100 percent of his salary as a benefit. This benefit was negotiated by the city to remain competitive. The city, of course, was competing with Collier County, the fire districts and other nearby cities for the manpower. In the mid-2000s our actuarial reports were positive and we were able to fund our obligations without worry.

No more. If we don't have comprehensive pension reform, the alternatives are higher taxes, or even a reduction in city services.

About a year ago or so, in the wake of the economic crisis, I suggested to the City Council that a citizen's blue-ribbon financial planning committee be created to look at the city's financial position with their "private-sector" eyes. Made up of seven Naples residents — one selected by each council member — the committee met for about four months and issued a report. (This report is available from the city clerk's office.)

In it, the committee recommended that the city move from a defined benefit program for police and fire pensions to a defined contribution program. In fact, one committee member compared the national pension crisis to the housing crisis five years ago:

The signs of the unsustainability of Naples fire and police pension programs are clear, but the call for reform goes unheeded. And the needed pension reform must start with our lawmakers in Tallahassee.

Consider some of the provisions current state pension law mandates:

1. Pension benefits cannot be reduced without a loss of premium-tax revenue.
2. Any excess premium tax dollars over the “frozen” 1999 amount must fund additional pension benefits. No longer are these dollars a part of the collective-bargaining process.
3. Overtime hours may be figured in the calculation of the final average salary for the purpose of calculating pension, therefore raising the amount of the pension for life.
4. The pension board of a municipality is made up of trustees, the majority of whom may be pension-plan members. Neither the City Council nor city manager control the pension board.
5. State law limits the pension contribution of fire and police employees to 5 percent of pay, even when there are significant investment losses.

The Florida League of Cities has been a strong advocate of statewide pension reform. According to the league, since 1999, state-imposed policies have cost the cities \$284 million! Clearly, and especially against the backdrop of the current economic crisis we face, these costs must be reined in. If not, higher taxes, a drop in our bond rating or even a reduction in services may be the only alternative to fund the pension programs of our cities.

Currently, the league is circulating a bill outlining needed pension reform in Tallahassee. A Senate sponsor has been found and the league is working with the House to identify a sponsor from that legislative body.

It is hoped that pension relief will be high on the agendas of our Tallahassee lawmakers. The city of Naples values the men and women of our fire and police departments. However, the city of Naples did not create the worst economic crisis since the Great Depression. The city needs to regain the tools for collective bargaining taken away from us by state law.

It is that simple.

