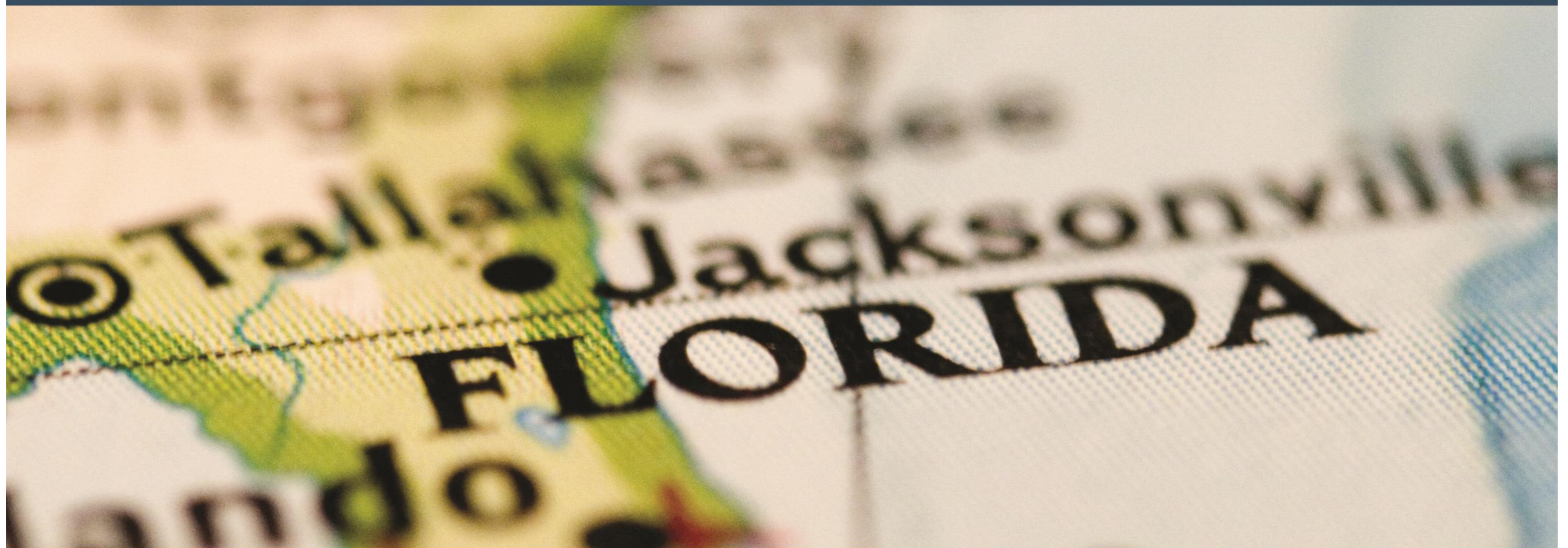


TOUGH CHOICES

FACING FLORIDA'S GOVERNMENTS

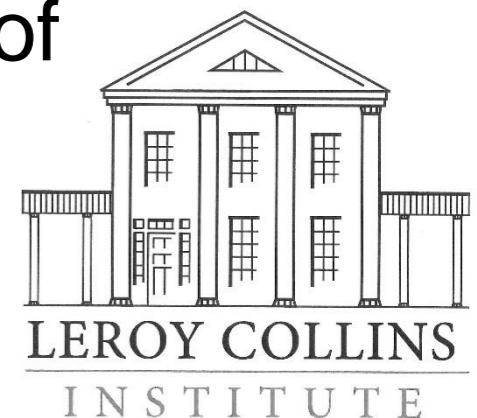


Beyond Pensions: Florida Local Governments and Retiree Health Benefits

Introduction

- What are Other Post-Employment Benefits (OPEBs) and retiree health benefits?
 1. Employer may pay for or reimburse a portion of insurance premiums (explicit benefit)
 2. Employers allow retirees to stay on their employee insurance plans as long as retirees pay the same insurance premium that applies to the younger workers (implicit benefit)

- Why should Floridians be concerned about the cost of retiree health benefits?



Key Findings:

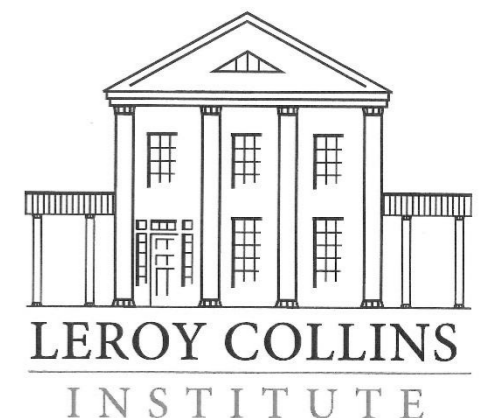
- Florida local governments have accumulated \$8.4 billion in unfunded retirement health benefit liabilities.
- Most of the underfunded liability for retiree health benefits – more than \$6.5 billion – comes from locally-administered plans.
- An additional \$1.9 billion is from the cities' and counties' share of the Florida Retirement System (FRS) health insurance subsidies' unfunded liability. Governments that use the “pay-as-you-go” approach to funding these obligations are placing the financial burden on future taxpayers and employees.
- More accurate and consistent reporting by local governments is needed to capture the full scope of retiree health benefits that have been promised and how those costs are being funded.



Retiree Health Benefits in Florida

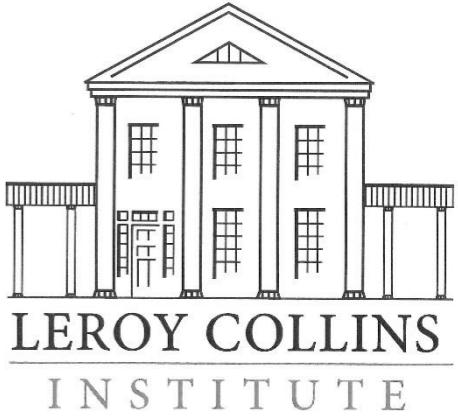
- State-Administered v. Locally- Administered plans
- Explicit v. Implicit benefits

	State-Administered Explicit Benefit (i.e., FRS Health Insurance Subsidy)	Locally-Administered Explicit Benefit	Locally-Administered Implicit Benefit
Cities	A small portion of city employees participate in FRS	Nearly 40 percent of cities in our sample	All local governments provide this benefit as required by Florida Statute (112.0801)
Counties	All county employees participate in FRS	Nearly 50 percent of counties	



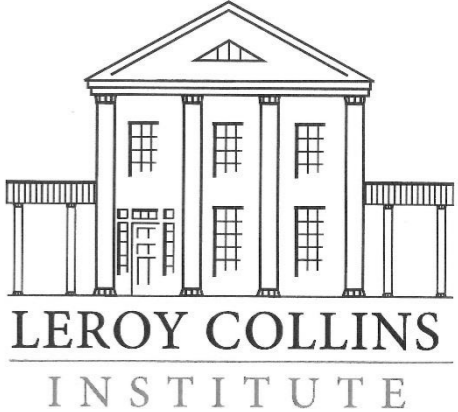
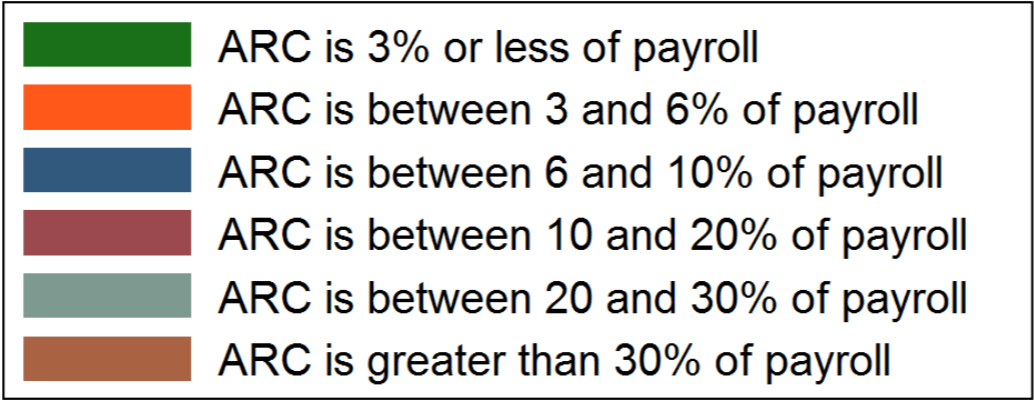
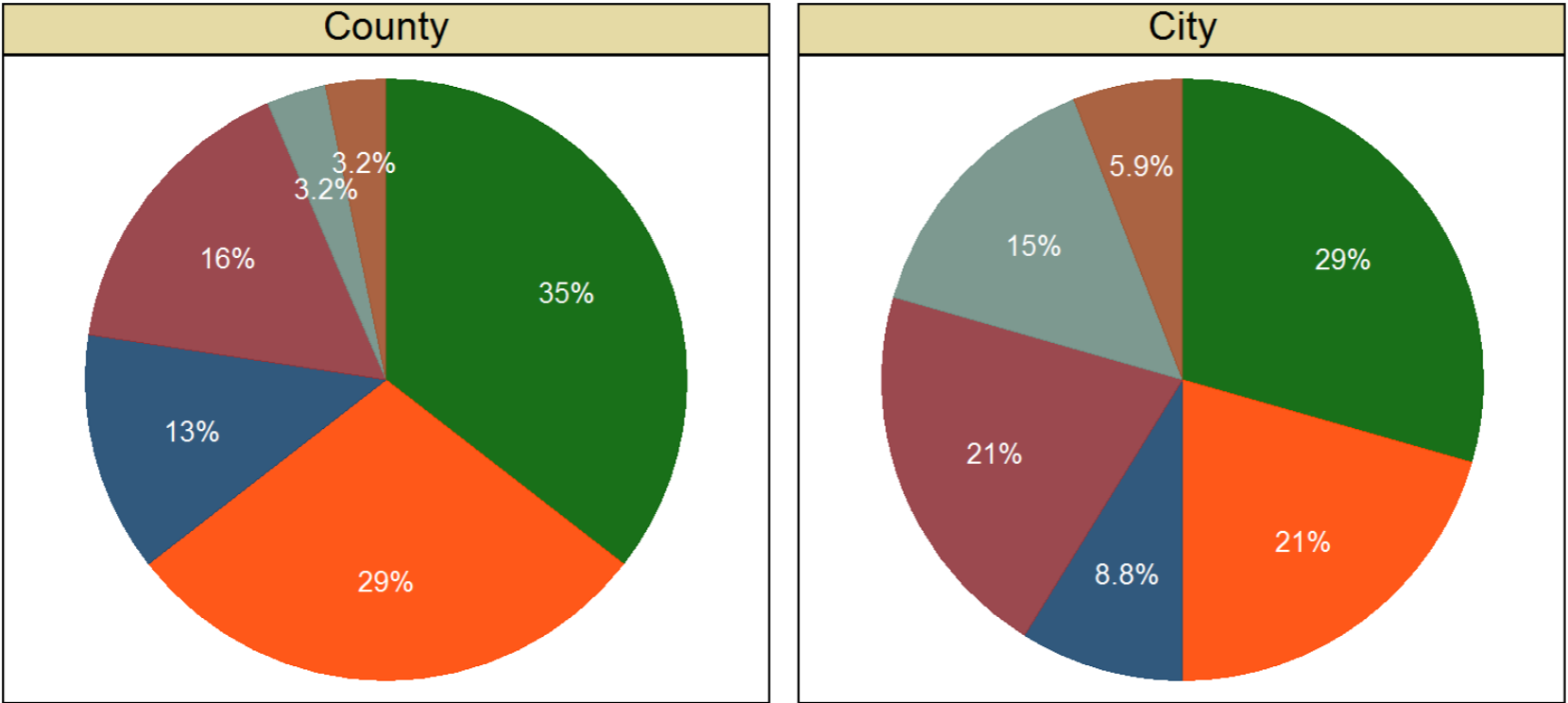
Locally-Administered Explicit Benefits: Liability Levels

	# Providing Explicit Benefit	Typical Liability	Combined Liability	% Funded
Cities	37 (of largest 100 cities)	\$24 million	\$3 billion	4.8%
Counties	32	\$33 million	\$3.5 billion	3.5%



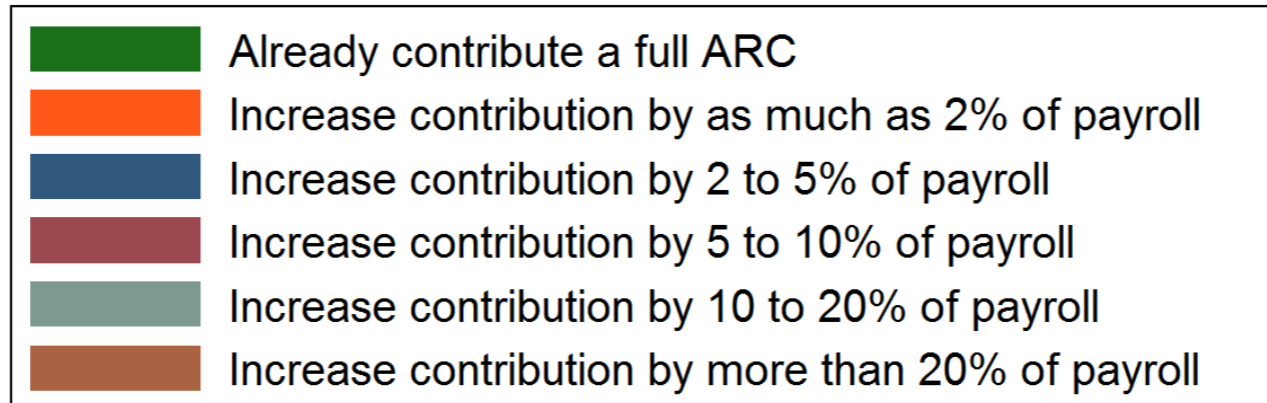
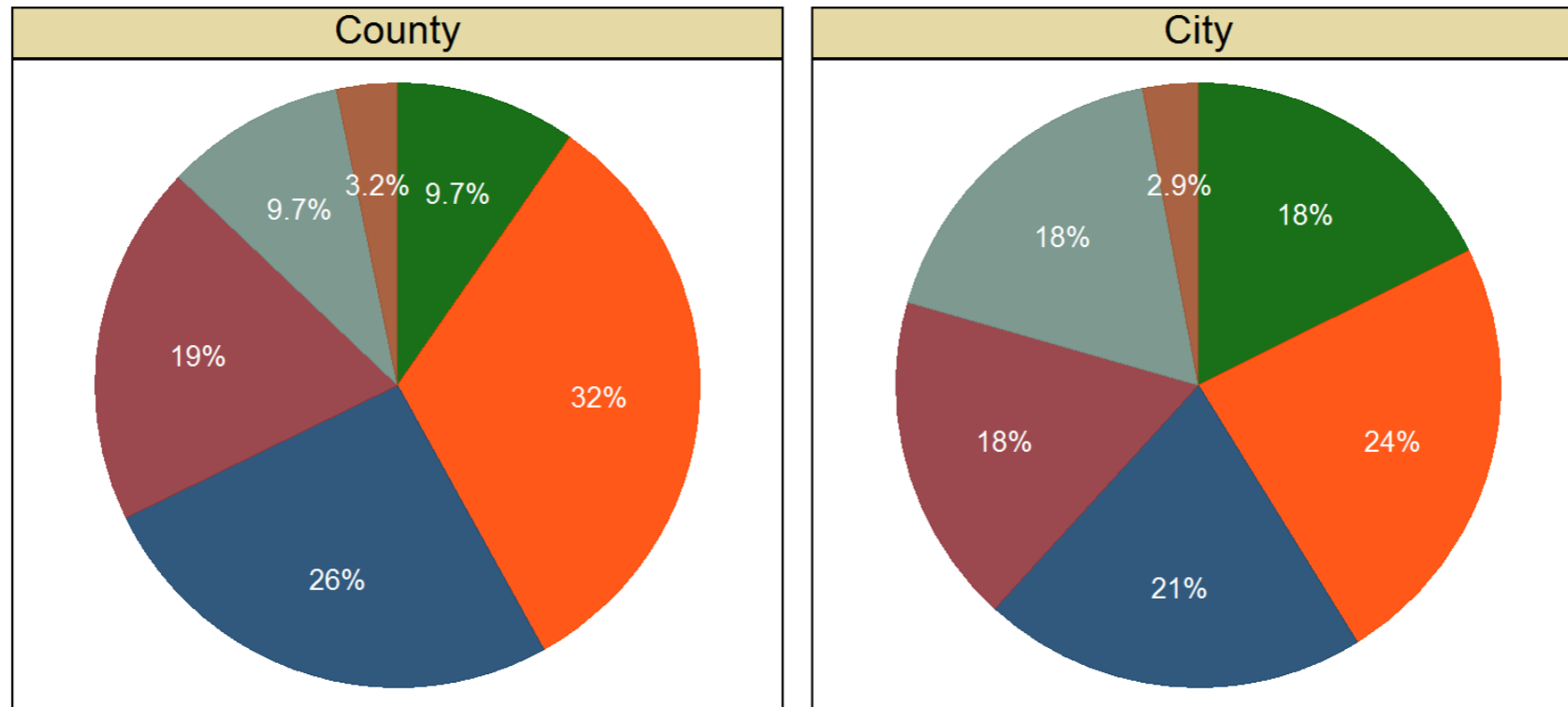
Locally-Administered Explicit Benefits: Contribution Requirements

Figure 1: Size of the Actuarially Determined ARC as a Share of Payroll (FY 2011)



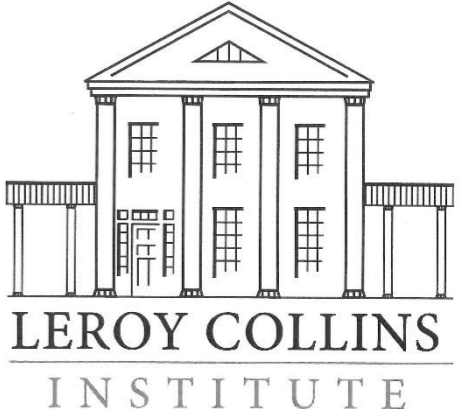
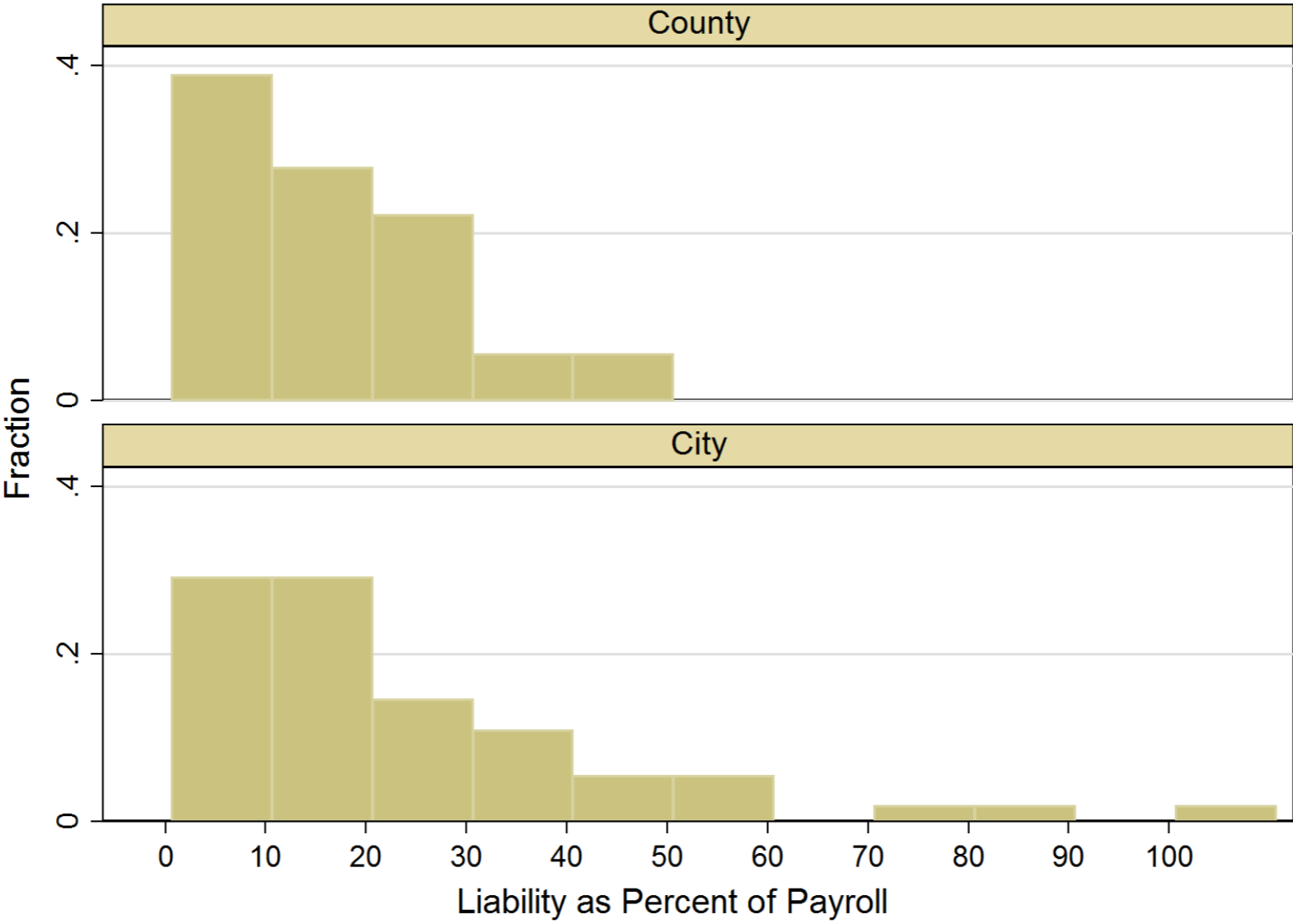
Locally-Administered Explicit Benefits: Contribution Requirements

Figure 2: Increase Necessary to Contribute a Full ARC (FY 2011)



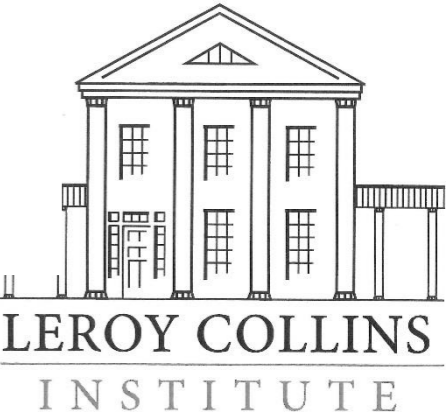
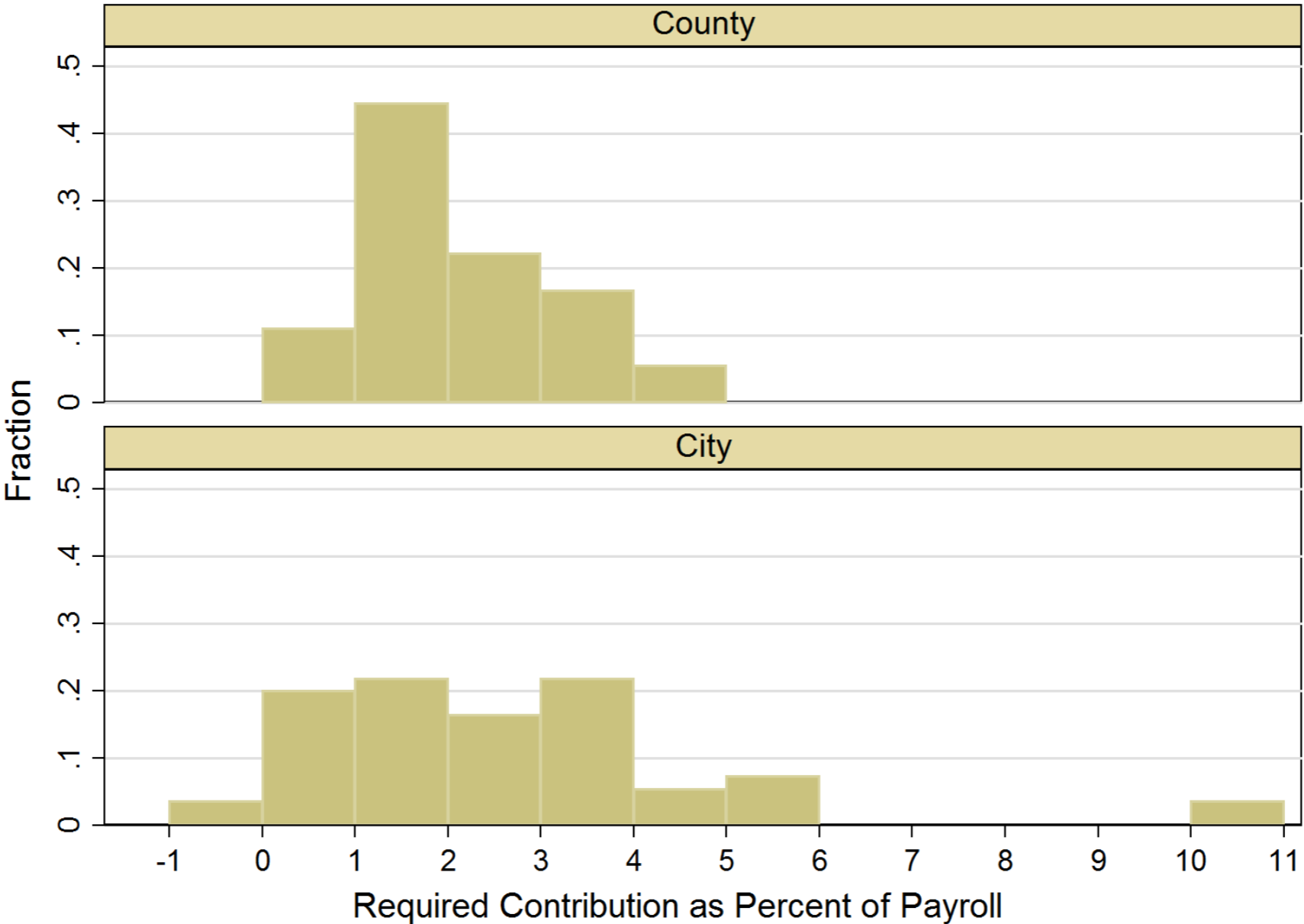
Locally-Administered Implicit Benefits

Figure 3: The Size of Implicit Benefit Liabilities in Florida Cities and Counties



Locally-Administered Implicit Benefits

Figure 4: Required Contribution for Implicit Benefit Plans as a Percent of Payroll



Recommendations

- Enhanced transparency: Information about the funding of retiree health liabilities could be required by the state to be presented on local government's webpages so that local citizens can be better informed.
- Updating Florida Statutes: The state should consider repeal of its mandate requiring localities to provide implicit benefits.



Questions?

