For Immediate Release
May 30, 2019

Media Contact:
Carrie Patrick
carrie@coremessage.com
850.570.5354

LEROY COLLINS INSTITUTE STUDY ON FLORIDA’S MUNICIPAL PENSION PLANS
Good News & Bad News: An Update of Florida Pension Plans’ Grades

The Leroy Collins Institute recently completed a study focusing on the financial condition of municipal pension plans in Florida. This report grades most municipal pension plan in the state, updating its earlier assessments in 2011 and 2014.

The news is both good and bad. The good news is that the number of pension systems receiving an A grade increased significantly, from just 21 pension plans in 2011 to 73 plans in 2017. And, the number of plans receiving an F grade fell substantially during that same time period from 60 in 2011 down to just 4 in 2017. The report includes grades for municipal plans since 2005 (although many plans do not have grades every year).

The bad news is that nearly half of the plans still only receive a C grade or lower. This suggests that a large number of pension plans are at significant risk of slipping back into lower grades.

“This report continues the Institute’s long-standing leadership in charting the viability of Florida’s municipal pensions,” said Lester Abberger, Institute Board Chair. “We are pleased to report the progress of many plans but will continue to monitor the trends which are generally positive but also note some potential problems.”

The typical funded ratio—the most commonly used measure of pension financial health-- is back to the same position that it was before the investment declines in 2008 and 2009. Much of that recovery is due to substantial gains in investment markets. Unfortunately, the extended period of solid investment returns has not left most pension systems better off than they were prior to 2008, and many market observers expect that we are entering an extended period of lower investment returns, where asset growth may lag liability growth, reducing funded levels and increasing contribution costs.

Also, the budgetary costs of pension systems are still relatively high and have not come down significantly since the Great Recession. Some three-quarters of all pensions systems have annual contributions as a percent of active payroll higher than our benchmark. This percentage across the plans has risen slightly since 2015 and is a cause for concern since it means pension costs continue to put budgetary pressure on local governments by crowding-out other services. This is particularly problematic if local governments experience revenue declines in future years.

The Institute used a five-measure approach to examine the condition of municipal pension plans over the past 13 years: funded ratios (the portion of pension liabilities that are covered by plan assets),
unfunded liabilities as a percent of active payroll, annual contribution as percent of active payroll, assumed return on investments, and employee contribution levels.

Analysis of funded ratios reveals that over half of the plans in 2017 were funded between 80 and 99 percent—a significant increase from 2015. However, some 40 percent are still funded below the 80 percent minimum standard often used by pension analysis. Additionally, most municipal pension systems have adopted more conservative investment return estimates. The fifth measure, employee contribution levels, has remained fairly stable over the past decade with 80 percent of the plans requiring employee contributions of 5 percent of more.

Two measures are more problematic: the plans’ unfunded liabilities, as a percent of employee payrolls, are higher than prior to 2008, primarily due to the slow growth in public payrolls. Similarly, the annual governmental contributions remain high for many plans.

Carol S. Weissert, Institute Director, and FSU Political Science professor, highlighted the importance of the Institute’s work in charting the financial trends. “This is comprehensive, well-documented analysis of the current and past financial situations of Florida’s municipal plans. In it we recognize that many plans are making improvements, but there remain those that are not. It is important to recognize this and encourage those plans to shore up their plans over the coming years.”

This report, like earlier ones, highlights the grades of different types of plans—those for general employees, fire fighters, and police. It is noteworthy that plans from each category are recognized as top performers although fire fighter plans typically have lower funded ratios and higher unfunded liability than the typical police officer or general employee plans.

David Matkin, associate professor of public management at Brigham Young University and research fellow at the LeRoy Collins Institute, is the author of this and the earlier two Collins Institute reports.

The reports may be accessed on-line at:


About the LeRoy Collins Institute: Established in 1988, the LeRoy Collins Institute is a nonpartisan, statewide policy organization which studies and promotes creative solutions to key private and public issues facing the people of Florida and the nation. The Institute is located in Tallahassee at Florida State University. Named in honor of former Florida Governor LeRoy Collins, the Institute is governed by a distinguished board of directors, chaired by Lester Abberger. Other board members include executives, local elected officials, and other professionals from throughout the state.