

FLORIDA

House Bill 5007

Florida has made changes to retirement plan provisions for the Florida Retirement System (FRS) Investment Plan, as presented in House Bill 5007, adopted on March 14, 2022. The stated intent of the legislation is to increase the benefits provided to public employees.¹ Equable Institute has analyzed the proposed changes using [Retirement Security Report](#) methodology, and we report here how these changes to retirement benefits would influence current and/or future FRS plan members.

RETIREMENT BENEFIT SCORE	
PRIOR PLAN ²	ADOPTED CHANGES ³
56.0% of available points	73.7% of available points

EQUABLE'S ASSESSMENT	
PRIOR PLAN	ADOPTED CHANGES
Serves All Members Moderately Well	Serves All Members Moderately Well

KEY POLICY CHANGES

- All members of the Florida Retirement System defined contribution plan will receive a 3% of payroll increase in employer contributions.
- The changes increase employer contributions from 3.3% to 6.3% of payroll, and the increase will be provided as of July 1, 2022.
- There are also changes to allow certain law enforcement officers to participate 36-months longer in a Deferred Retirement Option Program.

WHAT HOUSE BILL 5007 MEANS FOR FRS "REGULAR CLASS" WORKERS

Members of the FRS Investment Plan, a defined contribution plan, will be getting a meaningful boost to their benefits. The previous employer contribution rate combined with a 3% member rate was entirely insufficient to put members on a path to retirement income security. The new total contribution rate is still below recommended levels but is closer.

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN⁴

	AVERAGE FOR ALL WORKERS	SHORT TERM WORKERS <10 Years of service	MEDIUM TERM 10-20 years of service	FULL CAREER >20 years of service
TOTAL HB5007 SCORE Status Quo Score	73.7% Prior Plan: 56.0%	66.5% Prior Plan: 56.7%	63.0% Prior Plan: 49.1%	91.8% Prior Plan: 62.2%
BENEFIT VALUE v. INCOME ADEQUACY TARGET	66.6% of points Prior Plan: 45.1%	50.8% of points Prior Plan: 34.4% Earnings Change: +\$945/yr	57.3% of points Prior Plan: 38.8% Earnings Change: +\$2,396/yr	91.8% of points Prior Plan: 62.2% Earnings Change: +\$6,120/yr
COLA & INFLATION PROTECTION⁵	N/A Prior Plan: N/A	N/A	N/A Prior Plan: N/A	N/A Prior Plan: N/A
FLEXIBILITY & MOBILITY	80.0% of points Prior Plan: 80.0%	80.0% of points Prior Plan: 80.0%	80.0% of points Prior Plan: 80.0%	N/A

This table shows the proposed plan's total Benefit Scores, e.g., the percentage of available points for a given category. We also show how proposed changes would improve or decrease the Benefits Score of the prior plan (the "score change"). And we show what the material effect would be on an average employee's annual retirement earnings, using salary assumptions used by FRS trustees.

A full scorecard for the prior plan is available in the Retirement Security Report Index at www.RetirementSecurityReport.

For a breakdown of score changes by worker class, including for employees classified as elected officials and hazardous members, please visit <https://equable.org/oklahoma-house-bill-2486-retirement-security-policy-scores/>.

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EQUABLE INSTITUTE'S ANALYSIS

The retirement benefit increases adopted via HB5007 will substantially improve income security for FRS Investment Plan members. The

- **Short-Term Workers** will have a defined contribution plan that works much better for them (66.5% of available Retirement Benefits Score points versus 56.7%), though even the improved plan is still only working moderately well.
- **Medium-Term Workers** will also benefit from the increased contributions, though even accounting for the changes the FRS defined contribution plan is only getting 63% of available points for this cohort of workers.
- **Those Regular Class members** who work a full career covered by FRS will benefit the most from the changes, with the enhanced benefits moving them into the "works well for members" assessment given the 91.8% of available points scored.

Increasing the total contributions for the FRS Investment plan from 6.3% (3% member and 3.3% employer) to 9.3% of salary is a big improvement. Enhancing the overall benefits package by nearly a third will mean many more teachers, Florida state workers, and municipal employees across the state will be on a path to retirement income security.

However, the changes did not entirely fix the moderate performance of this retirement plan for Short-Term and Medium-Term workers. Defined contribution plans like this one offered by FRS should have at least 10% to 12% of salary total contributions — which means even the adjusted change is falling short.

Individual plan members can make up the difference with additional voluntary contributions, but they may not be aware of the need to do this on their own without some change to the default amount they contribute.

For further Retirement Security Policy Score analysis visit <https://equable.org/category/rsr-policy-scores/>.

FOOTNOTES: 1 - 6

To read more about the methodology behind our scoring system, please reference the notes section in our extended analysis of the legislation at: <https://equable.org/florida-house-bill-5007>

ABOUT THESE SCORES

These scores are based on a 25-year-old entrant with average starting salary for members of the plan. It is not intended to comprehensively measure every aspect of a retirement plan, but instead to measure the factors that are most important for measuring retirement income adequacy. It is reasonable to compare plan changes against the status quo, but the most fundamental question is whether any retirement plan (the existing benefits or proposed adjusted benefits) is providing retirement income security to all members of the plan. These scores are based on a comparison against a standard benchmark for retirement income adequacy, but there are other reasonable benchmarks too.

ABOUT EQUABLE INSTITUTE

Equable Institute is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.

FLORIDA RETIREMENT SYSTEM

2021 AT A GLANCE

SUSTAINABILITY SCORE⁶

FOR CURRENT INVESTMENT PLAN

Not applicable (DC Plan)

EQUABLE'S ASSESSMENT

FOR FRS PENSION PLANS

Likely Fragile

FUNDED RATIO:	96.4%
TOTAL PROMISED BENEFITS:	\$209.6 billion
UNFUNDED LIABILITIES:	\$7.6 billion
FUNDING SHORTFALL AS A % OF STATE GDP:	0.7%
ASSUMED RATE OF RETURN:	6.8%
YEARS UNTIL ASSET SHORTFALL IS PAID OFF:	7
# YEARS ANNUAL BILL FULLY PAID:	8/10 years
#YEARS PLAN EARNED THE ASSUMED RETURN:	6/10 years
SOCIAL SECURITY	Yes
FY 2023 EMPLOYER CONTRIBUTION RATE:	6.3% DC Regular 7.48% DB
FY 2023 MEMBER CONTRIBUTION RATE:	3.0% DC 3.0% DB
RISK-SHARING TOOLS:	No