

PROPOSED LEGISLATION: [FLORIDA HB945 \(2025\)](#) & [SB1126 \(2025\)](#)

FLORIDA RETIREMENT SYSTEM – GENERAL STATE/LOCAL CLASS

OVERALL ASSESSMENT

**MODERATELY BETTER**

For more details on how we make this assessment, please visit:
[Equable.org/RSR-Policy-Score-Methodology](https://equable.org/RSR-Policy-Score-Methodology)

PROPOSED LEGISLATION SUMMARY

- The proposed bills would modify the existing pension tiers of FRS by creating a compounding, 2.0% Cost-of-Living Adjustment (COLA). Currently, COLAs are only paid on years of service from before July 1, 2011.
- All other policy provisions for FRS pensions would remain the same.
- There would be no change to the FRS Investment Plan.

FRS currently offers a choice between a Defined Contribution Plan with normal retirement at age 67 or a Defined Benefit Pension Plan with a normal retirement at age 58. The proposed reforms apply only to the Pension Plan.

HOW WOULD THE PROPOSED LEGISLATION CHANGE THE PROJECTED VALUE OF BENEFITS OR REPLACEMENT RATES FOR DIFFERENT GROUPS OF WORKERS COVERED BY THE RETIREMENT PLAN?

	SHORT-TERM WORKERS <10 Years of service		MEDIUM-TERM WORKERS 10-20 years of service		FULL-CAREER WORKERS >20 years of service	
SHARE OF ACTIVE PLAN PARTICIPANTS	75%		8%		17%	
AVERAGE RETIREMENT BENEFIT PROVIDED BY THE PLAN						
	ESTIMATED ANNUAL BENEFIT	NORMALIZED REPLACEMENT RATE	ESTIMATED ANNUAL BENEFIT	NORMALIZED REPLACEMENT RATE	ESTIMATED ANNUAL BENEFIT	NORMALIZED REPLACEMENT RATE
CURRENT PLAN	\$817	1.0%	\$4,025	4.9%	\$25,907	31.8%
PROPOSED CHANGES	\$1,016	1.2%	\$5,004	6.1%	\$30,889	37.9%
TOTAL VALUE OF BENEFIT EARNED (WITHDRAWN OR TAKEN AS A PENSION)						
CURRENT PLAN	\$19,405		\$95,613		\$615,355	
PROPOSED CHANGES	\$24,122		\$118,858		\$733,693	
NET CHANGE	\$4,718 ↑ INCREASE		\$23,244 ↑ INCREASE		\$118,338 ↑ INCREASE	
RSR RETIREMENT BENEFITS SCORE (BASED ON 70% REPLACEMENT RATE TARGET)						
CURRENT PLAN	2.4 out of 30		3.6 out of 30		25 out of 30	
PROPOSED CHANGES	2.5 out of 30		9.5 out of 30		30 out of 30	
CHANGE IN SCORE	0.1 points ↑ INCREASE		5.9 points ↑ INCREASE		5.0 points ↑ INCREASE	

Notes: Benefit figures are in current dollars. The purchasing power of benefits earned may decline significantly for those who leave service years or decades before they are eligible to withdraw benefits. Estimated benefit values are based on a 25-year-old entrant earning an average starting salary and using the plan's salary growth assumptions. "Total Value" is equal to the net present value of benefits using the plan's reported assumptions from their most recent actuarial valuation. **For more information about the Estimated Annual Benefit, Normalized Replacement Rate, and why those values may differ from your pension benefit calculator, please see our methodology article:** <https://equable.org/methodology-replacement-rates/>

EQUABLE'S ASSESSMENT

Changes to the FRS Pension Plan proposed in HB945 and SB1126 would re-introduce a cost-of-living adjustment (COLA) beginning in 2025. Florida previously offered a COLA up to 3%, but the state legislature has limited the availability of that COLA to just benefits earned prior to July 1, 2011 — effectively eliminating inflation adjustments for those hired after that date and limiting COLAs for those with service before 2011. The new proposed COLA rules would be variable depending on when members entered service with FRS and when they retire. These bills would establish a minimum COLA of 2% with a maximum of 3% depending on how many years they served prior to July 1, 2011. Specifically, it breaks down as follows:

- Tier 1 members (hired prior to July 1, 2011) who retired prior to July 1, 2011 would continue to receive a 3.0% fixed annual COLA.
- Tier 1 members who retired after 2011, but before July 1, 2025, would have a minimum 2.0% COLA that could increase up to 3.0% depending on how much of their service was prior to 2011.
- Tier 1 members who retire after July 1, 2025, will receive a 2.0% fixed annual COLA.
- Tier 2 members (hired after July 1, 2011) would receive a 2.0% fixed annual COLA.

Our overall assessment is that **the proposed changes in HB945 and SB1126 would make FRS pension benefits moderately better than those currently available to Tier 2 members.** Moreover, while the totals on the prior page reflect a comparison of Tier 2 benefits, Tier 1 members would enjoy similar, if not greater, improvements.

That said, the pension reforms proposed in HB945 and SB1126, like all retirement reforms, offer a series of trade-offs that should be taken into consideration.

Positive Elements of the Proposed Changes:

- The proposed bills would improve the benefit offerings to active and retired members of the FRS pension plan by providing them all with a COLA. This will help to protect benefits from inflation and can allow members to enjoy their retirement benefits without them being eroded over time.
- The addition of the COLA for Tier 2 members would result in an increase in the estimated annual benefits and total benefits for all worker profiles. Short-Term Workers would see their total benefits increase by roughly \$4,700, Medium-Term Workers would see benefits raised by more than \$23,000, and Full-Career Workers would have their benefits grow by over \$115,000.

Negative Elements of the Proposed Changes:

- FRS currently has almost \$35 billion in unfunded liabilities and these proposals could increase that if the new COLAs are not pre-funded.
- Any benefit enhancement comes with a cost. As of this publication, there have not been any actuarial analyses published by FRS, the legislature, or a consulting actuary. It is not clear how much the addition of the COLA would cost FRS members, employers, and taxpayers. However, the legislature should consider if it would be better for participants if that same cost was instead used to pay down unfunded liabilities faster before completely restoring the COLA.
- COLAs are a benefit for those members who remain in their jobs for a full career or for long enough that they will claim a pension. This means that this benefit enhancement will only really provide a significant improvement to the roughly 25% of members that are expected to work for more than 10 years.

ABOUT THE RETIREMENT SECURITY REPORT (RSR)

The RSR is a universe of in-depth research, interactive tools and other resources to shed light on the quality and value of retirement benefits for all public workers. All RSR projects are based on data from our comprehensive benefit database of retirement plans offered to public workers and use an open-source scoring methodology that accounts for three primary criteria: Eligibility, Income Adequacy (based on a 70% pre-retirement income replacement rate), and Flexibility & Mobility.

ABOUT EQUABLE INSTITUTE

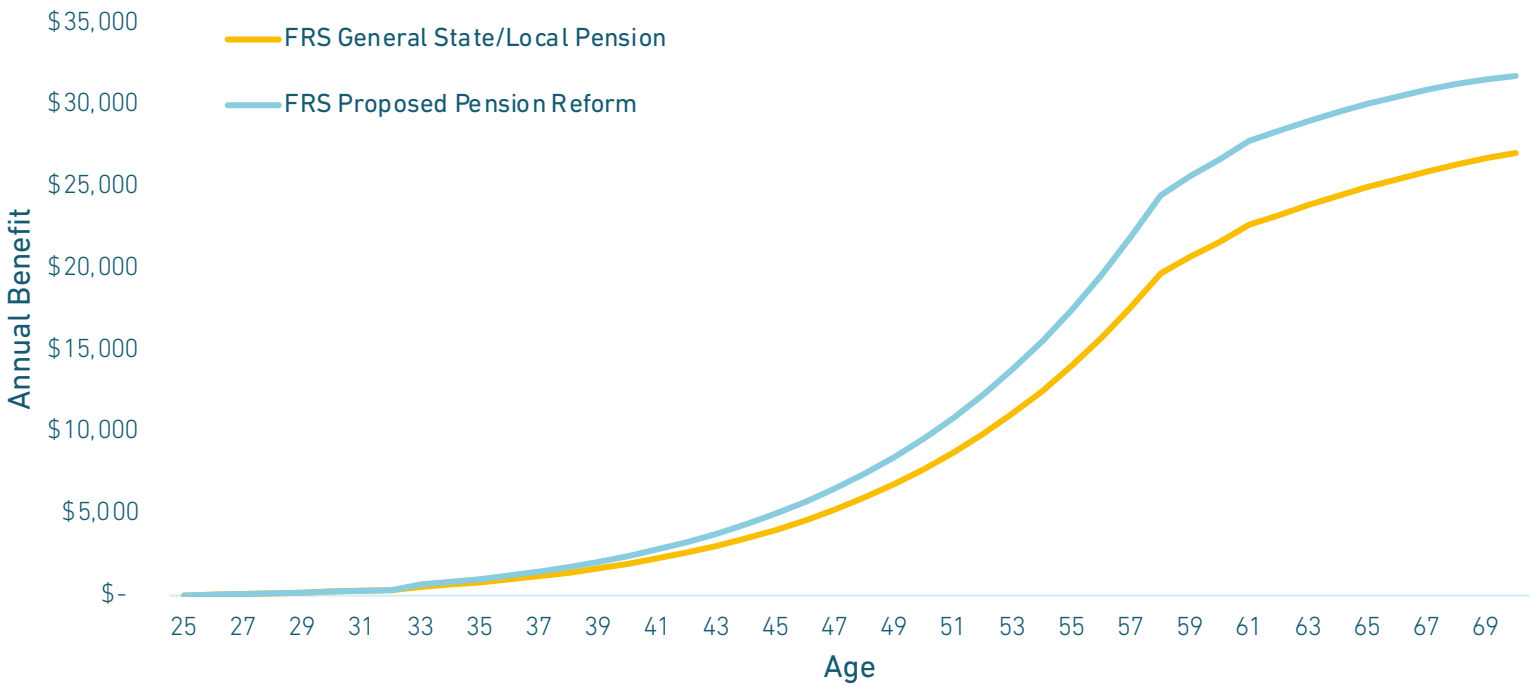
Equable is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments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

BACKGROUND DETAILS

KEY RETIREMENT PLAN BENEFIT PROVISIONS

	CURRENT TIER 2 PENSION PLAN	PROPOSED PENSION REFORMS
MULTIPLIER	1.60% variable up to 1.68% depending on age and completed years of service.	1.60% variable up to 1.68% depending on age and completed years of service.
FINAL AVERAGE SALARY	Calculated as the average of the highest 8-years of a member's salary	Calculated as the average of the highest 8-years of a member's salary
NORMAL RETIREMENT ELIGIBILITY	Age 65 with 8 completed years of service or any age with 33 completed years of service.	Age 65 with 8 completed years of service or any age with 33 completed years of service.
VESTING	8 years	8 years
MEMBER CONTRIBUTION RATE	Members contribute 3.0%	Members contribute 3.0%
REFUNDING POLICY	Members are entitled to their contributions without interest.	Members are entitled to their contributions without interest.
CREDITING RATES	No interest is credited to member contributions in the event of withdrawal.	No interest is credited to member contributions in the event of withdrawal.
COST-OF-LIVING ADJUSTMENTS	None. COLA is available for Tier 1 members, but was eliminated for Tier 2 members (hired after July 1, 2011).	Fixed annual COLA that varies by hire date, retirement date, and service completed before 2011. Minimum annual COLA rate of 2.0% up to 3.0%.

TOTAL RETIREMENT BENEFIT COMPARISON FOR CURRENT PLAN V. PROPOSED CHANGES



This RSR Scorecard has a companion for members in the FRS General K-12 class of benefits. Scores are similar because the only functional difference is the salary growth assumptions provided for FRS for K-12 employees versus Non-K12 employees.