

Cutting off FRS for New Employees Would Cost Taxpayers More and Provide Retired Workers Less

The “Cash Balance” Scam

- **Adequately funded cash-balance plans with comparable benefits cost about the same as traditional pension plans.** The only way to really save money is by lowering benefits, increasing employee costs and reducing employer costs.
- **There's no good financial reason to close the FRS pension plan to new hires.** The FRS is in good condition. In fact, it is recognized as one of the top ten state retirement systems in the nation.
- **Moving new hires into either a “cash balance” or a 401k-style plan would cost taxpayers more and destabilize the system.** Without an influx of new hires, costs for current employees – and the price to taxpayers – go up. A 2010 study showed that closing the pension system to new hires would add hundreds of millions in costs to taxpayers each year.
- **Closing the plan would deliver retirees less.** While a “cash balance” plan is technically a defined benefit plan, **the guaranteed annual benefit is eliminated.** Retirement benefits are determined by the accumulated amount in the account, as in a defined contribution plan.
- **If the Legislature applied the new employee contribution the way it was intended, the FRS would be even stronger than it already is.** The FRS is currently 86.9 percent funded, well above the recommended standard of 80 percent. In 2011, the Legislature reduced compensation for public employees by 3 percent, supposedly to fund retirement. The money should have gone back into the retirement system, but unfortunately was used to balance the state budget.

Did you know?

- ⇒ Studies show that every dollar paid in public pension benefits in Florida creates \$1.64 in total economic activity. About two-thirds of money paid out comes from investment earnings, so every dollar invested in retirement plans from taxes supports an even better \$4.47 in total economic output.
- ⇒ Investment earnings, not taxpayer dollars, fund the majority of retirement benefits.
- ⇒ Benefits represent less than 2.4 percent of the state and local budgets in Florida, well below the national average.
- ⇒ Corporate subsidies, official tax breaks and unofficial tax dodging cost Florida at least \$3.8 billion per year — more than 400 percent the annual cost of maintaining FRS. Let's fix THAT before penalizing middle-class employees for a lifetime of service.