

**FLORIDA RETIREMENT SYSTEM INFORMATION
2011 COST OF LIVING ADJUSTMENT CHANGES NOT ADDRESSED
IN THE 2016 REGULAR SESSION**

The changes that were made by the Florida Legislature to the Florida Retirement System (FRS) in the 2011 regular session were not addressed in the 2016 regular session. Changes in the law limiting the eligibility for the Cost of Living Adjustment (COLA) of employees who were not retired by July 1 2011 were not revisited and funded in the 2016 Legislative session. The Legislature did not enact employer or employee rate assessments specifically for the purpose of funding the reinstatement of the COLA. Reinstating that benefit would have had a major fiscal impact. Therefore the full benefit of the COLA will not be reinstated for those FRS members who were employed on or after July 1 2011, and who were not retired (i. e. were not in DROP).

Remember that to save hundreds of millions of dollars each year, in 2011 the Legislature suspended the COLA for current FRS employees participating in the pension plan. That action reduced the FRS employer rates, and the savings were shown as an increase in available funds in the FEFP for that year. The FEFP run for the First Calculation of FY 2011-2012 showed an increase of available funds of \$859.1 million due to FRS rate adjustments. Some of that change in revenue was due to a reduction in the employer rates due to the addition of the required employee assessment. A part of that savings was related to the cost of the COLA adjustment. The amount of the impact of the elimination of the COLA was not identified in available legislative documents. Subsequent actions by the Legislature have added about \$359 million in rate costs to districts. These rate and cost increases were not shown as reductions in revenues in the FEFP runs that were adopted in the years they were approved.

Because the COLA has not been not reinstated there may be a major shift of new and younger employees away from the pension plan and into the investment plan. A major migration from the pension plan could also have actuarial implications.

The specific language from s. 121.101 (4) and (5) of Florida Statutes is pasted below.

“(4) For members whose effective retirement date is on or after July 1, 2011, the benefit of each retiree and annuitant shall be adjusted annually on July 1 as follows:

(a) For those retirees and annuitants who have never received a cost-of-living adjustment under this subsection, the amount of the monthly benefit payable for the 12-month period commencing on the adjustment date shall be the amount of the member’s initial benefit plus an amount equal to a percentage of the member’s initial benefit. This percentage is derived by dividing the number of months the member has received an initial benefit by 12, and multiplying the result by the factor calculated pursuant to paragraph (c).

(b) For those retirees and annuitants who have received a cost-of-living adjustment under this subsection, the adjusted monthly benefit shall be the amount of the monthly benefit being received on June 30 immediately preceding the adjustment date plus an amount determined by multiplying the benefit by the factor calculated pursuant to paragraph (c).

(c) The department shall calculate a cost-of-living factor for each retiree and beneficiary retiring on or after July 1, 2011. This factor shall equal the product of 3 percent multiplied by the quotient of the sum of the member’s service credit earned for service before July 1, 2011, divided by the sum of the member’s total service credit earned.

(5) Subject to the availability of funding and the Legislature enacting sufficient employer contributions specifically for the purpose of funding the expiration of the cost-of-living adjustment specified in subsection (4), in accordance with s. 14, Art. X of the State Constitution, the cost-of-living adjustment formula provided for in subsection (4) shall expire effective June 30, 2016, and the benefit of each retiree and annuitant shall be adjusted on each July 1 thereafter, as provided in subsection (3).”