

MIAMI HERALD EDITORIALS: Misleading & Inaccurate

On Sunday, August 30, 2009, The Miami Herald printed the first of a two-part editorial series urging the city of Miami to renegotiate “*budget-busting*” fire and police pensions, and to move away from DB plans to DC plans.

Sadly, the newspaper opted for the low road, baiting readers with a “*wouldn’t it be nice*” laundry list of “*lavish*” pension perks. The two editorials spoke to readers from a platform strong on emotion, but weak on facts – and they both were riddled with misinformation and inaccuracies.

FPPTA believes a strong response to The Miami Herald is required. We submitted a written response challenging the newspaper’s tone and lack of factual research, and it was published September 15, 2009 in the Letters to the Editor section.

In addition, I would like to post the following comments and observations here:

**FROM: Raymond T. Edmondson, Jr., CPPT
FPPTA, Chief Executive Officer**

September 4, 2009

The Miami Herald’s first editorial challenged the city government to renegotiate fire and police pensions, accusing city employees of having too much political influence.

The editorial claimed the government panders to police and fire unions, and to prove it, made a vague reference to legislation enacted in 1999. The paper failed to identify Florida Senate Bill 99-1 by name, and failed to explain this particular law was enacted to reinforce existing Florida State Statutes 175 and 185 – statutes that cities have been violating for years at the encouragement of the Florida League of Cities.

SB 99-1 clarified the intent of existing laws, which was to prevent cities from plundering the premium tax funds to avoid paying their pension obligations. Now, the cities may only use these funds for the cost of extended benefits for police and firefighters – an important and worthy expenditure to ensure public safety.

The premium tax referred to as “extra benefits” is actually for high-risk employees: Police, Fire, Paramedics (or First Responders). This has been in place for years. It is funded by a small percentage tax on insurance premiums from fire and casualty coverages. The State collects and distributes the funds and is also paid out of the fund for their services. This low percent tax created a 3% multiplier for high-risk categories. Most people are not aware that Legislators and Judges are also classified as high-risk and receive this benefit.

Regarding the issue of the State devaluing the municipal tax base, the writer was probably referring to Amendment One. This was a referendum law voted in by the citizens to lower taxes by increasing the homestead exemption. The paper failed to point out that employee organizations opposed Amendment One, showing it would reduce services. The citizens passed Amendment One anyway, and the city’s tax base was reduced along with services.

Only local pension systems are funded with employee contributions. Florida State Retirement System (FRS) does not require an employee contribution. And the paper’s accusation that Deferred Retirement Option Program (DROP) will be a “disaster” is plain wrong. DROP plans save cities money.

Moreover, nowhere does either editorial explain that under-funded city pensions too often are the result of local politicians not contributing their share and taking funding holidays – often for multiple consecutive years. This is irresponsible and not actuarially sound. Employees take no holidays from their contribution payments.

In the second editorial, The Miami Herald urges the city to abandon defined benefit plans in favor of 401(k) style plans. Did the writer not notice that participants in 401(k) plans have suffered in the extreme in this most recent market crash? Participants in actuarially sound defined benefit plans have not. DB plans provide retirement income, disability, death and survivorship benefits so retirees can live with financial certainty during their retirement years, while 401(k) plans give no protection at all. 401K plans do little for the economy. DB plans are essential.

The insinuation that all retirees get a 13th check each year is another example of how the writer played fast and loose with the facts. A 13th check is issued in place of COLA, and is only issued when there is a surplus in funds and is approved by the fund trustees and the city. Additionally, a 13th check is not added to the pension base, hence it is not compounded.

The paper also suggested public workers retire “long before” the age of 50. I know of none. Retirement benefits were established under minimum standards for police and fire pension systems in 1983, according to State Statutes 175 and 185. Most retirement plans have requirements of 55 years of age, and 20 or 25 years of service, and are limited to 80 to 84% of salaries, depending on the multiplier and years of service.

The editorial also implied that larger plans are safer, but this isn’t necessarily so. Look at FRS, which has no employee contribution, an automatic 3% yearly cost of living increase (COLA), and an employer contribution rate of 21% (29% for high risk occupations) - which is predicted to double at the end of 2010. FRS members have extremely limited voice. It is operated with just three trustees who are elected officials: The Governor, the Chief Financial Officer, and the Attorney General. No educational requirements needed. All state funds including FRS are invested by the State Board of Administration (SBA). One of their plans had to be closed temporarily due to a lack of funds – another is paying out more in benefits than it receives in income.

Visit the research and media pages on www.FPPTA.org for well-researched facts on a wide range of pension related issues.

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Other recommended reading:

The History of Public Pensions