

## **Retirement, Employee Health Insurance and Accrual of Leave Week Three**

From an economic perspective three issues may be addressed to both limit long-term liabilities and improve cash requirements in the short-term: Florida Retirement System; Employee Health Insurance; and, Accrual of Annual and Sick Leave.

Remember present retirees and those vested in FRS will not be adversely affected by changes. Changes will affect those not vested or new hires at some future date; generally, date appears to be January 2011. The following is a list of possible ideas contained in bills or included in Tax Watch recommendations:

- Increase Contribution rate by only 1% with other changes
- Remove choice of defined benefit option-new hires and those not vested only. Low probability that this will occur this year.
- Retirement plan could become partially contributory.
- Vesting period could be increased from six to ten years.
- Several bills may decrease the maximum percentage of average compensation a retiree may receive; remember the formula is... number of years X percentage(1.6 to 3) X average final compensation... the maximum could be decrease to 70%, 80% or 90%.
- Increase years for eligibility for retirement from 30 to 33 and/or increased age of retirement if vested from 62 to 65. Retirees may not receive the insurance subsidy after December 31, 2010.
- Reduce the percentage of accumulation to either 2% and/or 1.6% or even 1.44%
- New hires only may have changes in computation of average final compensation-vested will not change –not vested may but probably not.
- Temporary and short term employees may become eligible for 401KA plans (saves contribution to SS)
- Health insurance may become more contributory or become pooled.
- Accrual of annual and sick leave may be limited.

Generally, bills affecting the intrinsic budget are not heard until the respective budgets are passed out of committee and any changes become in effect amendments to be adjusted later if passed. Ultimately, expect a layering of cost saving issues that may include some of these and perhaps other items. We may expect two bills as vehicles in the Senate and Several more perhaps in the House. Again, vested rights can not be taken away and these issues will probably be heard after the budgets leave committees.