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NORTH PORT

Pension move riles unions

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Despite opposition from unions, North Port will soon begin enrolling new rank-and-file police and fire department employees into a state-run pension plan.

Unionized police and fire employees under the current municipal pension plans, in place since the 1970s, will have the option to continue those plans or opt in to the Florida Retirement System.

Over time the change should lower the city's risks and costs associated with pensions, said North Port Finance Director Pete Lear.

"I can't tell you if the city will save money in year one," Lear said. "There are too many variables to say that right now."

The unions contend the changes are being made for political reasons and will not save taxpayers money because the city will pay more for the same benefits, said Jim Brantley, attorney for both the Southwest Florida Chapter of the Florida Police Benevolent Association and Suncoast Professional Firefighters and Paramedics Union.

"The (Florida) League of Cities is giving marching orders to dismantle these municipal pension plans," Brantley said. "This is a philosophical, political decision to get out of the pension business."

Ordinances implementing the changes to police and firefighter pension programs were advanced to a final reading by city commissioners on Tuesday. The ordinances could be amended at second readings, but that is unlikely.

If approved, all unionized police officers hired on March 1 or later will be enrolled into the Florida Retirement System, Lear said. A date for unionized firefighters to begin enrollment has not yet been set.

North Port employees not in the fire or police unions have been in Florida Retirement System since the 1990s, Lear said.

'Gun to our head'

Brantley said the unions agreed to the change because they faced a worse outcome if they did not.

"We basically approved this with a gun to our head," he said. "(North Port) had a list of changes that would go into place that would make that (municipal) plan undesirable. They would gut that plan."

North Port's action follows similar moves across the nation among municipal governments to reduce pension obligations.

A Herald-Tribune analysis in 2013 found that 15 municipalities in the Sarasota-

Manatee area had unfunded pension shortfalls totaling \$280 million. Two-thirds of the municipal pension plans were considered critically underfunded.

In 2014, Venice reached an agreement with its police and fire departments to end city-run pensions for new workers. Before that Longboat Key closed its pension funds and transferred employees into a 401(k).

But North Port's municipal pension plans aren't currently in financial trouble, the city and unions agree.

A well-funded pension plan is one that has the money to pay at least 80 percent of its promised benefits, Lear said.

The Florida Retirement System pension plan is about 87 percent funded, Lear said, which is about the same as North Port's municipal police pension. The city's firefighter municipal pension is more than 94 percent funded.

Fire union president Merv Kennell said there was no reason to switch to Florida Retirement System when the firefighters' municipal plan was doing so well. The city will not be able to leave the Florida Retirement System and return to municipal pensions in the future.

"We were just absolutely shocked when they came forward with the proposal to come out of that plan and move to FRS, which has been historically more expensive," he said. "The contribution rate has been historically higher than the city's plan."

North Port will have to contribute 22 percent of each employee's total salary into the Florida Retirement System. That's an increase from the 20.01 percent the city contributed for each firefighter's salary on the municipal plan, and Lear said it should be a slight decrease from the approximate \$2.27 million flat rate the city contributed into police municipal pensions last year.

But that 22 percent could fluctuate because Florida Legislature passes a bill every year that sets that percentage, Lear said.

North Port's unionized firefighters currently contribute 10.3 percent of their salary toward their municipal pension, Lear said. Unionized police officers contribute 8 percent.

In the Florida Retirement System, employees contribute 3 percent of their salary, Lear said.

"That's a benefit for them out of this," he said. "(Firefighters) get a 7.3 percent increase in their take-home pay because they contribute less to their pension plan."

Shifting the risk

Like the current municipal pension plan, the Florida Retirement System's benefits are based, in part, on an employee's salary and length of employment. North Port will still pay into the fund, but the state will bear the market risk.

"Any shortfall in the plan is made up by the state, not the city," Lear said.

Because the pool of contributors to the Florida Retirement System's funds is so much larger than both North Port's police and firefighter pension funds, Lear said if a retired employee draws more benefits than projected, it will have less of an impact on the state system than it would the city.

"We have a local plan with about 100 people in it. We're now switching to FRS, which has about 10,000 people in it," Lear said. "Any one person does not have as big of an impact on the plan."

Brantley said he worries what will happen to employees who choose to stay with the municipal plans they've had for years.

If no more union members can join the municipal plan, there will be no new sources of funding for it other than the interest it collects. Meanwhile the city will continue to pay out benefits on the municipal plan as more employees with it retire.

"Our fear is in three years from now (the city will) come back and say look at how expensive the municipal plan is," Brantley said. "We're afraid they'll use that as justification to implement all those cuts they didn't do this time."

For example, if municipal pension multipliers were lowered, it would raise the number of years a member had to work before earning his or her maximum pension benefits.

Lear said he doesn't expect that to happen because North Port's municipal pension plans are currently well funded. He added that if the city were to change the pension multipliers, the unions would have to agree to the changes during contract negotiations.

"While it's a concern, I don't think it's a realistic one," he said.

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