FLORIDA RETIREMENT SYSTEM (FRS)

Major Costs, Risks Associated with Restoring FRS COLA

In 2011, facing overwhelming growth in annual public pension costs, the legislature chose to suspend the Florida Retirement System's (FRS) cost-of-living adjustment (COLA) for state workers who retire after that date. This cost-saving measure was a significant component of the state's strategy to manage skyrocketing public pension costs and to steer FRS toward full funding. Since then, Florida has made some progress but is still on a long path to achieve this goal. Currently, a new proposal (House Bill 945) aims to reinstate the costly COLA feature, which could once again expose the state and taxpayers to unpredictable expenses. It is crucial for policymakers to examine this proposal's potential costs and risks before hindering the state's pension funding progress.

COLA Could Cost Over $47 Billion Over 30 Years

- The cost of the proposed COLA on the state budget can be estimated, but Florida's actual costs would depend on the pension system's market returns and demographic outcomes (retirements, life expectancy, etc).
- Policymakers should look beyond best-case scenarios when evaluating a COLA. Any economic recessions or market downturns in the coming decades could lock Florida's taxpayers into paying for this proposal for longer than planned and at much higher costs.
- Pension Integrity Project modeling of FRS shows the additional cost of bringing back COLAs, as proposed in HB 945, could rise above $47 billion over 30 years.

Total 30-year FRS Cost to Taxpayers
(adjusted for inflation)

	Status Quo	Proposed COLA
Best Case Scenario (6.7% returns)	$191 billion	$227 billion
Recession Scenario (Dodd-Frank stress)	$354 billion	$401 billion

Source: Pension Integrity Project actuarial modeling of FRS

Florida Needs to Let Reforms Work

- State lawmakers, public employees, and taxpayers have all made sacrifices to try to ensure the long-term viability of FRS. These reforms, some passed recently, take time, however, and must be maintained to reach the eventual full-funding goal.
- FRS is still nearly $46 billion in debt. It is decades away from being able to fulfill the pension promises made to teachers, police, firefighters, and other public workers. Now is not the time to add more promises with unpredictable and potentially costly price tags.

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