



# The Florida Senate

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Committee on Governmental Operations

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## NATIONAL GUARD PENSIONS

### Statement of the Issue

The Florida National Guard (FNG) is a 9000-member complement of air and army units that acts as a state militia, emergency situation response organization for civilian agencies, and force multiplier when called into federal service. Its origins date from the early Spanish colonial period and the FNG has been involved in territorial and federally sponsored missions that preceded Florida's admission into statehood in 1845. Component units have served in all major international conflicts and are integral parts of current multi-national operations in Afghanistan and Iraq. The headquarters is located in St. Augustine with a centralized training site at Camp Blanding. Unlike counterpart civilian organizations, the FNG maintains its own internal system of salary and benefits, some linked to a federal wage scale, with state retirement benefits crafted specifically for this organization. The eligibility for a state pension is based upon meeting length of service criteria established in ch. 250, F.S. As personnel apply for retirement, the FNG establishes an expected benefit obligation which is then funded out of state general revenue funds on an annual basis. The payment intermediary is the Department of Management Services. Article X, s. 14, State Constitution, and Part VII of ch. 112, F.S., require all increases in publicly supported pension benefits to be prefunded on a sound actuarial basis.

### Discussion

Upon receipt of an application for retirement benefits under ch. 250, F.S., the FNG transmits to the Department of Management Services the estimated annual benefit amount. The department then prepares its calculations of the amounts required for all new and existing retirees and notifies the Office of Policy and Budget in the Executive Office of the Governor and the respective Senate and House of Representatives' appropriations committees. In Fiscal Year 2008-2009 this amount was \$ 12,260,000. Since the affected military personnel are retiring from state service the amounts become obligations of the General Revenue Fund and are variously reported as "General Revenue Pensions" or "National Guard Pensions." They are not co-mingled with other pension benefits administered directly by the Division of Retirement or Board of Administration and the department acts only in a ministerial capacity.

In 2007 the Legislature addressed the funding of separately managed supplemental pensions on behalf of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. Like the FNG these pensions had been crafted separate and apart from the Florida Retirement System to which all state agencies are members. As IFAS personnel retired the amount of benefits paid exceeded the amounts earned from investments and employer contributions. Since this plan was closed to new entrants, the deterioration in its funded status meant new hires could not replenish its contributions or earnings base.

A similar situation exists with the National Guard pensions, a result of crafting this as a stand-alone benefit unrelated to any other state pension plan. The base benefit itself was pegged to a federal wage scale that increased faster than equivalent ones for civilian employees in state agencies. The result is that pensions for FNG retirees are affected by factors uncontrollable by state authorities while the funding base follows non-standardized practices. Further affecting this situation is the inability of the Department of Military Affairs to know with any degree of certainty how many of its personnel will apply for retirement benefits. This structural limitation hampers the ability of estimating future funding requirements until the very end of the appropriations cycle when general revenue funds are at their most limited availability.

To address this situation the following actions are recommended by the Senate professional staff:

The Legislature should request the commissioning of a special actuarial study to determine the best method of standardizing the funding base for FNG pensions consistent with current statutory provisions.

That study should also compare the current length of service requirements for reduced and unreduced benefits to equivalent military and civilian peer organizations.