

NEWS

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TAXWATCH STUDIES RETIREMENT OPTIONS Choice and Competition Add Value for State Workers

TALLAHASSEE – A Florida TaxWatch report analyzing proposed changes in state retirement benefits concludes that government workers who choose the new defined contribution option would benefit from a plan that would offer employees more opportunities for investment and advice.

The Public Employee Optional Retirement Program (PEORP) enacted by the 2000 legislature allows employees to choose between a defined contribution plan or the current defined benefit plan. The State Board of Administration (SBA) originally proposed that only state maintained institutional investment products would be offered but has since provided for one private “bundled” provider.

The 2001 legislature is considering a bill that would expand choices to include five or more bundled providers that offer nine investment products and related services, while still allowing the SBA to offer institutional products.

“The state should strive to incorporate meaningful choice within the context of added value and best of class products,” said Dominic M. Calabro, President of Florida TaxWatch. “Choice creates competition and the opportunity for employees to receive personalized, hands-on education, advice and service.”

The TaxWatch report concludes that the addition of at least five bundled providers, coupled with appropriate safeguards, can bring some real benefits to the state’s new option retirement plan in terms of benefits for employees. These include: a diversified array of options; additional choices creating competition; personalized, hands-on education, advice and services; grand recognition and continuing existing relationships; additional protection afforded by federal securities laws; and decreased liability to the state and its taxpayers.

All four TaxWatch reports addressing the Optional Retirement Program are available online at www.floridataxwatch.org.

Florida TaxWatch is a non-partisan, non-profit research institution supported by homeowners, small businesses, corporations, labor unions, individuals and philanthropic foundations. The organization is dedicated to improving taxpayer value, government accountability and citizen understanding and participation in their state and local government fiscal policies.