

By the Committee on Budget

576-03449-12

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1 A bill to be entitled
2 An act relating to retirement; amending s. 121.051,
3 F.S.; revising employer contributions for members of
4 the Florida Retirement System who are employees of
5 public community colleges or charter technical career
6 centers sponsored by public community colleges on a
7 certain date; amending s. 121.055, F.S.; revising
8 employer contributions for members of the Senior
9 Management Service Class of the Florida Retirement
10 System on a certain date; amending s. 121.35, F.S.;
11 revising employer contributions for members of the
12 optional retirement program for the State University
13 System on a certain date; amending s. 121.71, F.S.;
14 revising the required employer retirement contribution
15 rates for members of each membership class and
16 subclass of the Florida Retirement System; amending s.
17 121.72, F.S.; revising allocations from the Florida
18 Retirement System Contributions Clearing Trust Fund to
19 investment plan member accounts on a certain date;
20 amending s. 1012.875, F.S.; revising employer
21 contributions for members of the State Community
22 College System Optional Retirement Program on a
23 certain date; providing that the act fulfills an
24 important state interest; providing an effective date.

25
26 Be It Enacted by the Legislature of the State of Florida:

27
28 Section 1. Paragraph (c) of subsection (2) of section
29 121.051, Florida Statutes, is amended to read:

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30 121.051 Participation in the system.—

31 (2) OPTIONAL PARTICIPATION.—

32 (c) Employees of public community colleges or charter
33 technical career centers sponsored by public community colleges,
34 designated in s. 1000.21(3), who are members of the Regular
35 Class of the Florida Retirement System and who comply with the
36 criteria set forth in this paragraph and s. 1012.875 may, in
37 lieu of participating in the Florida Retirement System, elect to
38 withdraw from the system altogether and participate in the State
39 Community College System Optional Retirement Program provided by
40 the employing agency under s. 1012.875.

41 1.a. Through June 30, 2001, the cost to the employer for
42 benefits under the optional retirement program equals the normal
43 cost portion of the employer retirement contribution which would
44 be required if the employee were a member of the pension plan's
45 Regular Class, plus the portion of the contribution rate
46 required by s. 112.363(8) which would otherwise be assigned to
47 the Retiree Health Insurance Subsidy Trust Fund.

48 b. Effective July 1, 2001, through June 30, 2011, each
49 employer shall contribute on behalf of each member of the
50 optional program an amount equal to 10.43 percent of the
51 employee's gross monthly compensation. The employer shall deduct
52 an amount for the administration of the program.

53 c. Effective July 1, 2011, through June 30, 2012, each
54 member shall contribute an amount equal to the employee
55 contribution required under s. 121.71(3). The employer shall
56 contribute on behalf of each program member an amount equal to
57 the difference between 10.43 percent of the employee's gross
58 monthly compensation and the employee's required contribution

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59 based on the employee's gross monthly compensation.

60 d. Effective July 1, 2012, each member shall contribute an
61 amount equal to the employee contribution required under s.
62 121.71(3). The employer shall contribute on behalf of each
63 program member an amount equal to the difference between 8.15
64 percent of the employee's gross monthly compensation and the
65 employee's required contribution based on the employee's gross
66 monthly compensation.

67 ~~e.d.~~ The employer shall contribute an additional amount to
68 the Florida Retirement System Trust Fund equal to the unfunded
69 actuarial accrued liability portion of the Regular Class
70 contribution rate.

71 2. The decision to participate in the optional retirement
72 program is irrevocable as long as the employee holds a position
73 eligible for participation, except as provided in subparagraph
74 3. Any service creditable under the Florida Retirement System is
75 retained after the member withdraws from the system; however,
76 additional service credit in the system may not be earned while
77 a member of the optional retirement program.

78 3. An employee who has elected to participate in the
79 optional retirement program shall have one opportunity, at the
80 employee's discretion, to transfer from the optional retirement
81 program to the pension plan of the Florida Retirement System or
82 to the investment plan established under part II of this
83 chapter, subject to the terms of the applicable optional
84 retirement program contracts.

85 a. If the employee chooses to move to the investment plan,
86 any contributions, interest, and earnings creditable to the
87 employee under the optional retirement program are retained by

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88 the employee in the optional retirement program, and the
89 applicable provisions of s. 121.4501(4) govern the election.

90 b. If the employee chooses to move to the pension plan of
91 the Florida Retirement System, the employee shall receive
92 service credit equal to his or her years of service under the
93 optional retirement program.

94 (I) The cost for such credit is the amount representing the
95 present value of the employee's accumulated benefit obligation
96 for the affected period of service. The cost shall be calculated
97 as if the benefit commencement occurs on the first date the
98 employee becomes eligible for unreduced benefits, using the
99 discount rate and other relevant actuarial assumptions that were
100 used to value the Florida Retirement System Pension Plan
101 liabilities in the most recent actuarial valuation. The
102 calculation must include any service already maintained under
103 the pension plan in addition to the years under the optional
104 retirement program. The present value of any service already
105 maintained must be applied as a credit to total cost resulting
106 from the calculation. The division must ~~shall~~ ensure that the
107 transfer sum is prepared using a formula and methodology
108 certified by an enrolled actuary.

109 (II) The employee must transfer from his or her optional
110 retirement program account and from other employee moneys as
111 necessary, a sum representing the present value of the
112 employee's accumulated benefit obligation immediately following
113 the time of such movement, determined assuming that attained
114 service equals the sum of service in the pension plan and
115 service in the optional retirement program.

116 4. Participation in the optional retirement program is

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117 limited to employees who satisfy the following eligibility
118 criteria:

119 a. The employee is otherwise eligible for membership or
120 renewed membership in the Regular Class of the Florida
121 Retirement System, as provided in s. 121.021(11) and (12) or s.
122 121.122.

123 b. The employee is employed in a full-time position
124 classified in the Accounting Manual for Florida's Public
125 Community Colleges as:

126 (I) Instructional; or

127 (II) Executive Management, Instructional Management, or
128 Institutional Management and the community college determines
129 that recruiting to fill a vacancy in the position is to be
130 conducted in the national or regional market, and the duties and
131 responsibilities of the position include the formulation,
132 interpretation, or implementation of policies, or the
133 performance of functions that are unique or specialized within
134 higher education and that frequently support the mission of the
135 community college.

136 c. The employee is employed in a position not included in
137 the Senior Management Service Class of the Florida Retirement
138 System as described in s. 121.055.

139 5. Members of the program are subject to the same
140 reemployment limitations, renewed membership provisions, and
141 forfeiture provisions applicable to regular members of the
142 Florida Retirement System under ss. 121.091(9), 121.122, and
143 121.091(5), respectively. A member who receives a program
144 distribution funded by employer and required employee
145 contributions is deemed to be retired from a state-administered

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146 retirement system if the member is subsequently employed with an
147 employer that participates in the Florida Retirement System.

148 6. Eligible community college employees are compulsory
149 members of the Florida Retirement System until, pursuant to s.
150 1012.875, a written election to withdraw from the system and
151 participate in the optional retirement program is filed with the
152 program administrator and received by the division.

153 a. A community college employee whose program eligibility
154 results from initial employment shall be enrolled in the
155 optional retirement program retroactive to the first day of
156 eligible employment. The employer and employee retirement
157 contributions paid through the month of the employee plan change
158 shall be transferred to the community college to the employee's
159 optional program account, and, effective the first day of the
160 next month, the employer shall pay the applicable contributions
161 based upon subparagraph 1.

162 b. A community college employee whose program eligibility
163 is due to the subsequent designation of the employee's position
164 as one of those specified in subparagraph 4., or due to the
165 employee's appointment, promotion, transfer, or reclassification
166 to a position specified in subparagraph 4., must be enrolled in
167 the program on the first day of the first full calendar month
168 that such change in status becomes effective. The employer and
169 employee retirement contributions paid from the effective date
170 through the month of the employee plan change must be
171 transferred to the community college to the employee's optional
172 program account, and, effective the first day of the next month,
173 the employer shall pay the applicable contributions based upon
174 subparagraph 1.

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175 7. Effective July 1, 2003, through December 31, 2008, any
176 member of the optional retirement program who has service credit
177 in the pension plan of the Florida Retirement System for the
178 period between his or her first eligibility to transfer from the
179 pension plan to the optional retirement program and the actual
180 date of transfer may, during employment, transfer to the
181 optional retirement program a sum representing the present value
182 of the accumulated benefit obligation under the defined benefit
183 retirement program for the period of service credit. Upon
184 transfer, all service credit previously earned under the pension
185 plan during this period is nullified for purposes of entitlement
186 to a future benefit under the pension plan.

187 Section 2. Paragraph (d) of subsection (6) of section
188 121.055, Florida Statutes, is amended to read:

189 121.055 Senior Management Service Class.—There is hereby
190 established a separate class of membership within the Florida
191 Retirement System to be known as the "Senior Management Service
192 Class," which shall become effective February 1, 1987.

193 (6)

194 (d) *Contributions.*—

195 1.a. Through June 30, 2001, each employer shall contribute
196 on behalf of each member of the Senior Management Service
197 Optional Annuity Program an amount equal to the normal cost
198 portion of the employer retirement contribution which would be
199 required if the member were a Senior Management Service Class
200 member of the Florida Retirement System Pension Plan, plus the
201 portion of the contribution rate required in s. 112.363(8) that
202 would otherwise be assigned to the Retiree Health Insurance
203 Subsidy Trust Fund.

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204 b. Effective July 1, 2001, through June 30, 2011, each
205 employer shall contribute on behalf of each member of the
206 optional annuity program an amount equal to 12.49 percent of the
207 employee's gross monthly compensation.

208 c. Effective July 1, 2011, through June 30, 2012, each
209 member of the optional annuity program shall contribute an
210 amount equal to the employee contribution required under s.
211 121.71(3). The employer shall contribute on behalf of such
212 employee an amount equal to the difference between 12.49 percent
213 of the employee's gross monthly compensation and the amount
214 equal to the employee's required contribution based on the
215 employee's gross monthly compensation.

216 d. Effective July 1, 2012, each member of the optional
217 annuity program shall contribute an amount equal to the employee
218 contribution required under s. 121.73. The employer shall
219 contribute on behalf of such employee an amount equal to the
220 difference between 9.27 percent of the employee's gross monthly
221 compensation and the amount equal to the employee's required
222 contribution based on the employee's gross monthly compensation.

223 ~~e.d.~~ The department shall deduct an amount approved by the
224 Legislature to provide for the administration of this program.
225 Payment of the contributions, including contributions made by
226 the employee, shall be made by the employer to the department,
227 which shall forward the contributions to the designated company
228 or companies contracting for payment of benefits for the member
229 under the program.

230 2. Each employer shall contribute on behalf of each member
231 of the Senior Management Service Optional Annuity Program an
232 amount equal to the unfunded actuarial accrued liability portion

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233 of the employer contribution which would be required for members
234 of the Senior Management Service Class in the Florida Retirement
235 System. This contribution shall be paid to the department for
236 transfer to the Florida Retirement System Trust Fund.

237 3. An Optional Annuity Program Trust Fund shall be
238 established in the State Treasury and administered by the
239 department to make payments to provider companies on behalf of
240 the optional annuity program members, and to transfer the
241 unfunded liability portion of the state optional annuity program
242 contributions to the Florida Retirement System Trust Fund.

243 4. Contributions required for social security by each
244 employer and employee, in the amount required for social
245 security coverage as now or hereafter may be provided by the
246 federal Social Security Act shall be maintained for each member
247 of the Senior Management Service retirement program and are in
248 addition to the retirement contributions specified in this
249 paragraph.

250 5. Each member of the ~~Senior Management Service~~ optional
251 annuity program may contribute by way of salary reduction or
252 deduction a percentage amount of the employee's gross
253 compensation not to exceed the percentage amount contributed by
254 the employer to the optional annuity program. Payment of the
255 employee's contributions shall be made by the employer to the
256 department, which shall forward the contributions to the
257 designated company or companies contracting for payment of
258 benefits for the member under the program.

259 Section 3. Paragraph (a) of subsection (4) of section
260 121.35, Florida Statutes, is amended to read:

261 121.35 Optional retirement program for the State University

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262 System.—

263 (4) CONTRIBUTIONS.—

264 (a)1. Through June 30, 2001, each employer shall contribute
265 on behalf of each member of the optional retirement program an
266 amount equal to the normal cost portion of the employer
267 retirement contribution which would be required if the employee
268 were a regular member of the Florida Retirement System Pension
269 Plan, plus the portion of the contribution rate required in s.
270 112.363(8) that would otherwise be assigned to the Retiree
271 Health Insurance Subsidy Trust Fund.

272 2. Effective July 1, 2001, through June 30, 2011, each
273 employer shall contribute on behalf of each member of the
274 optional retirement program an amount equal to 10.43 percent of
275 the employee's gross monthly compensation.

276 3. Effective July 1, 2011, through June 30, 2012, each
277 member of the optional retirement program shall contribute an
278 amount equal to the employee contribution required in s.
279 121.71(3). The employer shall contribute on behalf of each such
280 member an amount equal to the difference between 10.43 percent
281 of the employee's gross monthly compensation and the amount
282 equal to the employee's required contribution based on the
283 employee's gross monthly compensation.

284 4. Effective July 1, 2012, each member of the optional
285 retirement program shall contribute an amount equal to the
286 employee contribution required in s. 121.71(3). The employer
287 shall contribute on behalf of each such member an amount equal
288 to the difference between 8.15 percent of the employee's gross
289 monthly compensation and the amount equal to the employee's
290 required contribution based on the employee's gross monthly

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291 compensation.

292 ~~5.4.~~ The payment of the contributions, including
 293 contributions by the employee, shall be made by the employer to
 294 the department, which shall forward the contributions to the
 295 designated company or companies contracting for payment of
 296 benefits for members of the program. However, such contributions
 297 paid on behalf of an employee described in paragraph (3)(c) may
 298 not be forwarded to a company and do not begin to accrue
 299 interest until the employee has executed a contract and notified
 300 the department. The department shall deduct an amount from the
 301 contributions to provide for the administration of this program.

302 Section 4. Subsections (4) and (5) of section 121.71,
 303 Florida Statutes, are amended to read:

304 121.71 Uniform rates; process; calculations; levy.—

305 (4) Required employer retirement contribution rates for
 306 each membership class and subclass of the Florida Retirement
 307 System for both retirement plans are as follows:

308

Membership Class	Percentage of Gross Compensation, Effective July 1, <u>2012</u> 2011	Percentage of Gross Compensation, Effective July 1, <u>2013</u> 2012
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Regular Class	<u>3.55%</u> 3.28%	<u>3.55%</u> 3.28%
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312	Special Risk Class	<u>11.01%</u> 10.21%	<u>11.01%</u> 10.21%
313	Special Risk Administrative Support Class	<u>3.94%</u> 4.07%	<u>3.94%</u> 4.07%
314	Elected Officers' Class— Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, Public Defenders	<u>6.51%</u> 7.02%	<u>6.51%</u> 7.02%
315	Elected Officers' Class— Justices, Judges	<u>10.02%</u> 9.78%	<u>10.02%</u> 9.78%
316	Elected Officers' Class— County Elected Officers	<u>8.36%</u> 9.27%	<u>8.36%</u> 9.27%
317	Senior Management Class	<u>4.84%</u> 4.81%	<u>4.84%</u> 4.81%
318	DROP	<u>4.33%</u> 3.31%	<u>4.33%</u> 3.31%

319 (5) In order to address unfunded actuarial liabilities of
 320 the system, the required employer retirement contribution rates
 321 for each membership class and subclass of the Florida Retirement
 322 System for both retirement plans are as follows:

Membership Class	Percentage of	Percentage of
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Gross Compensation, Effective July 1, <u>2012</u> 2011	Gross Compensation, Effective July 1, <u>2013</u> 2012
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330
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Regular Class	0.49%	<u>2.02%</u> 2.16%
Special Risk Class	2.75%	<u>7.03%</u> 8.21%
Special Risk Administrative Support Class	0.83%	<u>27.04%</u> 21.40%
Elected Officers' Class— Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, Public Defenders	0.88%	<u>27.18%</u> 21.76%
Elected Officers' Class— Justices, Judges	0.77%	<u>16.38%</u> 12.86%
Elected Officers' Class— County Elected Officers	0.73%	<u>23.01%</u> 22.05%

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Senior Management Service Class	0.32%	<u>11.25%</u>	10.51%
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DROP	0.00%	<u>6.21%</u>	6.36%
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334 Section 5. Subsection (4) of section 121.72, Florida
 335 Statutes, is amended, and subsection (5) is added to that
 336 section, to read:

337 121.72 Allocations to investment plan member accounts;
 338 percentage amounts.—

339 (4) Effective July 1, 2002, through June 30, 2012,
 340 allocations from the Florida Retirement System Contributions
 341 Clearing Trust Fund to investment plan member accounts are as
 342 follows:

343

Membership Class	Percentage of Gross Compensation
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344

Regular Class	9.00%
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345

Special Risk Class	20.00%
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346

Special Risk Administrative Support Class	11.35%
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347

Elected Officers' Class— Legislators, Governor,	13.40%
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Lt. Governor, Cabinet Officers,
State Attorneys, Public Defenders

349

Elected Officers' Class—
Justices, Judges

18.90%

350

Elected Officers' Class—
County Elected Officers

16.20%

351

Senior Management Service Class

10.95%

352

353 (5) Effective July 1, 2012, allocations from the Florida
354 Retirement System Contributions Clearing Trust Fund to
355 investment plan member accounts are as follows:
356

Membership Class

Percentage of
Gross
Compensation

357

Regular Class

6.30%

358

Special Risk Class

14.00%

359

Special Risk Administrative Support Class

7.95%

360

Elected Officers' Class—
Legislators, Governor,

9.38%

361

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Lt. Governor, Cabinet Officers,
State Attorneys, Public Defenders

362

Elected Officers' Class- 13.23%
Justices, Judges

363

Elected Officers' Class- 11.34%
County Elected Officers

364

Senior Management Service Class 7.67%

365

366

367 Section 6. Paragraph (a) of subsection (4) of section
368 1012.875, Florida Statutes, is amended to read:

369 1012.875 State Community College System Optional Retirement
370 Program.—Each Florida College System institution may implement
371 an optional retirement program, if such program is established
372 therefor pursuant to s. 1001.64(20), under which annuity or
373 other contracts providing retirement and death benefits may be
374 purchased by, and on behalf of, eligible employees who
375 participate in the program, in accordance with s. 403(b) of the
376 Internal Revenue Code. Except as otherwise provided herein, this
377 retirement program, which shall be known as the State Community
378 College System Optional Retirement Program, may be implemented
379 and administered only by an individual Florida College System
380 institution or by a consortium of Florida College System
381 institutions.

382 (4) (a) 1. Through June 30, 2011, each college must

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383 contribute on behalf of each program member an amount equal to
384 10.43 percent of the employee's gross monthly compensation.

385 2. Effective July 1, 2011, through June 30, 2012, each
386 member shall contribute an amount equal to the employee
387 contribution required under s. 121.71(3). The employer shall
388 contribute on behalf of each program member an amount equal to
389 the difference between 10.43 percent of the employee's gross
390 monthly compensation and the employee's required contribution
391 based on the employee's gross monthly compensation.

392 3. Effective July 1, 2012, each member shall contribute an
393 amount equal to the employee contribution required under s.
394 121.71(3). The employer shall contribute on behalf of each
395 program member an amount equal to the difference between 8.15
396 percent of the employee's gross monthly compensation and the
397 employee's required contribution based on the employee's gross
398 monthly compensation.

399 ~~4.3.~~ The college shall deduct an amount approved by the
400 district board of trustees of the college to provide for the
401 administration of the optional retirement program. Payment of
402 this contribution must be made directly by the college or
403 through the program administrator to the designated company
404 contracting for payment of benefits to the program member.

405 Section 7. The Legislature finds that a proper and
406 legitimate state purpose is served when employees and retirees
407 of the state and its political subdivisions, and the dependents,
408 survivors, and beneficiaries of such employees and retirees, are
409 extended the basic protections afforded by governmental
410 retirement systems. These persons must be provided benefits that
411 are fair and adequate and that are managed, administered, and

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412 funded in an actuarially sound manner, as required by s. 14,
413 Article X of the State Constitution and part VII of chapter 112,
414 Florida Statutes. Therefore, the Legislature determines and
415 declares that this act fulfills an important state interest.
416 Section 8. This act shall take effect July 1, 2012.