30-556D-98

A bill to be entitled 1 2 An act relating to the Florida Retirement System; amending s. 121.021, F.S.; redefining 3 4 the terms "normal retirement date" and "early retirement date" to provide for retirement 5 after 5 years of service and attainment of the 6 7 age requirement for the appropriate class of the system; defining the term "vested"; 8 9 amending ss. 121.052, 121.053, 121.055, 121.091, 121.111, 121.1115, 121.1122, 121.121, 10 F.S.; conforming such sections to the changes 11 12 made by the act; increasing contribution rates to fund the provisions of the act; providing a 13 declaration of important state interest; 14 providing an effective date. 15 16 17 Be It Enacted by the Legislature of the State of Florida: 18 19 Section 1. Subsections (29) and (30) of section 20 121.021, Florida Statutes, are amended, and subsection (45) is 21 added to that section, to read: 22 121.021 Definitions.--The following words and phrases as used in this chapter have the respective meanings set forth 23 unless a different meaning is plainly required by the context: 24 25 (29) "Normal retirement date" means the first day of any month following the date on which a member attains one of 26 27 the following statuses: 28 (a) If a Regular Class member, the member: 1. Completes 5 10 or more years of creditable service 29 30 and attains age 62; or 31

1 2.(b) Completes 30 years of creditable service, which 2 may include a maximum of 4 years of military service credit-3 so long as such credit is not claimed under any other system, 4 regardless of age; 5 (b)(c) If a Special Risk Class member, the member: 6 1. Completes 5 10 or more years of creditable service 7 and attains age 55; 8 2. Completes 25 years of creditable service, 9 regardless of age; or 10 Completes 25 years of creditable service, which may 11 include a maximum of 4 years of military service credit not 12 claimed under any other system, and attains age 52; or 13 (c)(d) If a Senior Management Service Class member, 14 the member: 1. Completes 5 7 years of creditable service in the 15 Senior Management Service Class and attains age 62; or 16 17 Completes 30 years of creditable service, which may include a maximum of 4 years of military service credit not 18 19 claimed under any other system, regardless of age; or-(d) If an Elected State and County Officers' Class 20 member, the member: 21 22 1. Completes 5 or more years of creditable service and 23 attains age 62; or 24 2. Completes 30 years of creditable service, which may 25 include a maximum of 4 years of military service not claimed 26 under any other system, regardless of age. 27 28 "Normal retirement age" is attained on the "normal retirement 29 date." 30 (30) "Early retirement date" means the first day of

 creditable service and elects to receive retirement benefits in accordance with this chapter. Such benefits shall be based on average monthly compensation and creditable service as of the member's early retirement date, and the benefit so computed shall be reduced by five-twelfths of 1 percent for each complete month by which the early retirement date precedes his or her normal retirement date as provided in s. 121.091(3).

eligible to receive a future retirement benefit upon completion of the required years of creditable service for the employee's class of membership even though the member may have terminated covered employment before reaching his or her normal or early retirement date. Being vested does not entitle a member to a disability benefit based on a disability caused by an injury or disease that occurs after termination of covered employment.

Section 2. Subsection (8) and paragraphs (b) and (c) of subsection (12) of section 121.052, Florida Statutes, are amended to read:

121.052 Membership class of elected state and county officers.--

(8) NORMAL RETIREMENT DATE; VESTING REQUIREMENT.--A member of the Elected State and County Officers' Class shall have the same normal retirement date as defined in s. 121.021(29) for a member of the regular class of the Florida Retirement System, except that only $\underline{5}$ θ years of creditable service in this class are needed to attain the normal retirement date specified in s. 121.021(29)(a). Any public service commissioner who was removed from the Elected State Officers' Class on July 1, 1979, after attaining at least 8

 years of creditable service in that class shall be considered to have reached the normal retirement date upon attaining age 62 as required in s. 121.021(29)(a).

(12) BENEFITS.--

- (b) The benefit provisions of s. 121.091(2)-(6), (8), (9), and (11), relating to benefits payable for dual normal retirement ages, early retirement, disability retirement, termination benefits, optional forms of retirement, designation of beneficiaries, employment after retirement, and method of computing actuarial equivalent, respectively, shall also apply to members of the Elected State and County Officers' Class, except that only $\underline{5}$ θ years of creditable service in this class are needed to attain the benefits specified in s. 121.091(3) and (5). These provisions shall be construed in such manner as to make them compatible with the provisions of this section.
- (c) The benefit provisions of s. 121.091(7), relating to death benefits, shall apply to members of the Elected State and County Officers' Class and shall be construed in such manner as to make them compatible with the provisions of this section; however, only $\underline{5}$ θ years of creditable service in this class are needed to obtain such benefits, except that:
- 1. In the event any elected official dies in office who would have been vested under had 8 years of creditable service in the Elected State and County Officers' Class, or 10 years of creditable service in any other class of the Florida Retirement System or any other state-administered retirement system, if the official had lived to complete his or her term of office, the official's spouse may elect to leave the official's retirement contributions in the retirement trust fund and pay into said fund any required contributions which

would have been paid by the officer or the employer had the officer lived to complete the term of office.

2. If a deceased member's surviving spouse as described in subparagraph 1. previously received a refund of the member's contributions made to the retirement trust fund, the surviving spouse may pay into the retirement trust fund an amount equal to the deceased member's contributions previously refunded, together with interest at 4 percent compounded annually on the amount of such refunded contributions from the date of refund until July 1, 1975, and at 6.5 percent compounded annually thereafter to the date of payment, plus such additional contributions as may be required under subparagraph 1., in order to become vested qualify for 8 or 10 years of creditable service, as applicable.

Upon conclusion of the term of office to which the deceased officer was elected, a spouse who pays into the retirement trust fund such additional or refunded contributions, plus interest, shall be eligible to receive a monthly benefit in the same manner as the surviving spouse of a member who dies after accumulating the required number of years of creditable service as described herein.

Section 3. Paragraph (b) of subsection (1) of section 121.053, Florida Statutes, is amended to read:

121.053 Participation in the Elected State and County Officers' Class for retired members.--

(1)

(b) Any retired member of the Florida Retirement System, or any existing system as defined in s. 121.021(2), who, on or after July 1, 1990, is serving in, or is elected or appointed to, an elective office covered by the Elected State

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30 31 and County Officers' Class shall be enrolled in the appropriate subclass of the Elected State and County Officers' Class of the Florida Retirement System, and applicable contributions shall be paid into the Florida Retirement System Trust Fund as provided in s. 121.052(7). Pursuant thereto:

- 1. Any such retired member shall be eligible to continue to receive retirement benefits as well as compensation for the elected officer service for as long as he or she remains in an elective office covered by the Elected State and County Officers' Class.
- 2. If any such member serves in an elective office covered by the Elected State and County Officers' Class <u>and becomes vested</u> for a period of at least 8 years, he or she shall be entitled to receive an additional retirement benefit for such elected officer service.
- 3. Such member shall be entitled to purchase additional retirement credit in the Elected State and County Officers' Class for any postretirement service performed in an elected position eligible for the Elected State and County Officers' Class prior to July 1, 1990, or in the Regular Class for any postretirement service performed in any other regularly established position prior to July 1, 1991, by paying the applicable Elected State and County Officers' Class or Regular Class employee and employer contributions for the period being claimed, plus 4 percent interest compounded annually from the first year of service claimed until July 1, 1975, and 6.5 percent interest compounded thereafter, until full payment is made to the Florida Retirement System Trust Fund. The contribution for postretirement Regular Class service between July 1, 1985, and July 1, 1991, for which the reemployed retiree contribution was paid, shall be the

 difference between such contribution and the total applicable contribution for the period being claimed, plus interest. The employer of such member may pay the applicable employer contribution in lieu of the member.

4. No creditable service for which credit was received, or which remained unclaimed, at retirement may be claimed or applied toward service credit earned following renewed membership. However, service earned in accordance with the renewed membership provisions in s. 121.122 may be used in conjunction with creditable service earned under this paragraph, provided applicable vesting requirements and other existing statutory conditions required by this chapter are met.

Section 4. Paragraph (b) of subsection (4) of section 121.055, Florida Statutes, is amended to read:

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

(4)

(b) Service in an eligible position prior to February 1, 1987, or after January 31, 1987, shall satisfy the requirement of attaining the normal retirement date as defined in s. 121.021(29) for a Senior Management Service Class member, provided the employee is a member of the Senior Management Service Class after January 31, 1987. A member of this class who fails to complete $\underline{5}$ 7 years of creditable service in an eligible position shall be required to satisfy the requirements for the normal retirement date for a regular member as provided in s. 121.021(29).

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30 31 Section 5. Paragraphs (a), (e), and (g) of subsection (4), paragraphs (a) and (b) of subsection (5), and paragraphs (a), (b), (f), and (g) of subsection (7) of section 121.091, Florida Statutes, are amended to read:

121.091 Benefits payable under the system.--No benefits shall be paid under this section unless the member has terminated employment as provided in s. 121.021(39)(a) or begun participation in the Deferred Retirement Option Program as provided in subsection (13), and a proper application has been filed in the manner prescribed by the division.

- (4) DISABILITY RETIREMENT BENEFIT. --
- Disability retirement date. -- A member who becomes totally and permanently disabled, as defined in paragraph (b), after completing 5 years of creditable service, or a member who becomes totally and permanently disabled in the line of duty regardless of service, shall be entitled to a monthly disability benefit; except that any member with less than 5 years of creditable service on July 1, 1980, or any person who becomes a member of the Florida Retirement System on or after such date must have completed 10 years of creditable service prior to becoming totally and permanently disabled in order to receive disability retirement benefits for any disability which occurs other than in the line of duty. But in the event that any member employed on July 1, 1980, with less than 5 years of creditable service as of that date, becomes totally and permanently disabled after completing 5 years of creditable service and is found not to have attained fully insured status for benefits under the federal Social Security Act, such member shall be entitled to a monthly disability benefit. The disability retirement date shall be the first day of the month which coincides with or next follows the date

the administrator approves payment of disability retirement benefits to the member.

- (e) Recovery from disability.--The administrator may require periodic reexaminations at the expense of the retirement fund, and:
- 1. If the administrator finds that a member who is receiving disability benefits is, at any time prior to his or her normal retirement date, no longer disabled, the administrator shall direct that the benefits be discontinued. The decision of the administrator on this question shall be final and binding.
- 2. If the member, described in subparagraph 1., who recovers from such disability prior to the normal retirement date does not reenter the employ of an employer and had not become vested completed 10 years of creditable service as of the disability retirement date, he or she shall be entitled to the excess, if any, of his or her accumulated contributions over the total disability benefits received up to the date of recovery.
- 3. If the member, described in subparagraph 1., who recovers from such disability prior to the normal retirement date does not reenter the employ of an employer but had become vested completed 10 or more years of creditable service as of the disability retirement date, he or she may elect to receive:
- a. The excess, if any, of his or her accumulated contributions over the total disability benefits received up to the date of recovery, or
- b. A deferred benefit commencing on the last day of the month of the normal retirement date which shall be payable on the last day of the month thereafter during his or her

lifetime. The amount of such monthly benefit shall be computed in the same manner as for a normal retirement benefit, in accordance with subsection (1), but based on average monthly compensation and creditable service as of the member's disability retirement date.

- 4. If the member recovers from disability and reenters employment of an employer within 6 months after recovery, the member's service will be deemed to have been continuous, but the period beginning with the first month for which he or she received a disability benefit payment and ending with the date he or she reentered employment will not be considered as creditable service for the purpose of computing benefits except as provided in subparagraph 5. The term "accumulated contributions" for such member wherever used in this section after such recovery means the excess of a member's accumulated contributions as of the disability retirement date over total disability benefits received under paragraph (d).
- 5. If the member recovers from disability, has his or her disability benefit terminated, reenters covered employment, and is continuously employed for a minimum of 1 year of creditable service, he or she may claim as creditable service the months during which he or she was receiving a disability benefit, upon payment of the required contributions. Contributions shall equal the total required employee and employer contribution rate during the period the retiree received retirement benefits, multiplied times his or her rate of monthly compensation prior to the commencement of disability retirement for each month of the period claimed, plus 4 percent interest until July 1, 1975, and 6.5 percent interest thereafter on such contributions, compounded annually each June 30 to the date of payment. If the member does not

claim credit for all of the months he or she received disability benefits, the months claimed must be the most recent months of retirement.

- 6. If after recovery of disability and reentry into covered employment, the member again becomes disabled and is again approved for disability retirement, the Option 1 monthly retirement benefit shall not be less than the Option 1 monthly benefit calculated at the time of the previous disability, plus any cost of living increases up to the time the disability benefit was terminated upon his or her reentry into covered employment.
- (g) Disability retirement of justice or judge by order of Supreme Court.--
- 1. If a member is a justice of the Supreme Court, judge of a district court of appeal, circuit judge, or judge of a county court who has served for 5 10 years or more as an elected constitutional judicial officer, including service as a judicial officer in any court abolished pursuant to Art. V of the State Constitution, and who is retired for disability by order of the Supreme Court upon recommendation of the Judicial Qualifications Commission pursuant to the provisions of Art. V of the State Constitution, the member's Option 1 monthly benefit as provided in subparagraph (6)(a)1. shall not be less than two-thirds of his or her monthly compensation as of the member's disability retirement date. Such a member may alternatively elect to receive a disability retirement benefit under any other option as provided in paragraph (6)(a).
- 2. Should any justice or judge who is a member of the Florida Retirement System be retired for disability by order of the Supreme Court upon recommendation of the Judicial Qualifications Commission pursuant to the provisions of Art. V

of the State Constitution, then all contributions to his or her account and all contributions made on his or her behalf by the employer shall be transferred to and deposited in the General Revenue Fund of the state, and there is hereby appropriated annually out of the General Revenue Fund, to be paid into the Florida Retirement System Fund, an amount necessary to pay the benefits of all justices and judges retired from the Florida Retirement System pursuant to Art. V of the State Constitution.

(5) TERMINATION BENEFITS. --

- (a) A member whose employment is terminated for any reason other than death or retirement prior to <u>becoming vested</u> the completion of 10 years of creditable service shall be entitled to the return of his or her accumulated contributions as of the date of termination.
- (b) A member whose employment is terminated for any reason other than death or retirement after becoming vested the completion of 10 years of creditable service may elect to receive a deferred monthly benefit which shall begin to accrue on the first day of the month of normal or early retirement and shall be payable on the last day of that month and each month thereafter during his or her lifetime. The amount of monthly benefit shall be computed in the same manner as for a normal retirement benefit in accordance with subsection (1) or early retirement benefit in accordance with s. 121.021(30), but based on average monthly compensation and creditable service as of the date of termination.
 - (7) DEATH BENEFITS. --
- (a) If the employment of a member is terminated by reason of his or her death <u>before he or she becomes vested</u> prior to the completion of 10 years of creditable service,

there shall be payable to his or her designated beneficiary the member's accumulated contributions.

- (b) If the employment of an active member who may or may not have applied for retirement is terminated by reason of his or her death subsequent to becoming vested the completion of 10 years of creditable service and prior to his or her effective date of retirement, if established, it shall be assumed that the member retired as of the date of death in accordance with subsection (1) if eligible for normal retirement benefits, subsection (2) if eligible for benefits payable for dual normal retirement, or subsection (3) if eligible for early retirement benefits. Benefits payable to the designated beneficiary shall be as follows:
- 1. For a beneficiary who qualifies as a joint annuitant, the optional form of payment provided in accordance with subparagraph (6)(a)3. shall be paid for the joint annuitant's lifetime.
- 2. For a beneficiary who does not qualify as a joint annuitant, no continuing monthly benefit shall be paid and the beneficiary shall be entitled only to the return of the member's personal contributions.
- (f) Notwithstanding any other provisions in this chapter to the contrary, if any member who has become vested accumulated at least 10 years of creditable service dies and the surviving spouse receives a refund of the accumulated contributions made to the retirement trust fund, such spouse may pay to the Division of Retirement an amount equal to the sum of the amount of the deceased member's accumulated contributions previously refunded plus interest at 4 percent compounded annually each June 30 from the date of refund until July 1, 1975, and 6.5 percent interest compounded annually

thereafter, until full payment is made, and receive the monthly retirement benefit as provided in paragraph (b).

(g) The designated beneficiary who is the surviving spouse or other dependent of a member whose employment is terminated by death subsequent to becoming vested the completion of 10 years of creditable service but prior to actual retirement may elect to receive a deferred monthly benefit as if the member had lived and had elected a deferred monthly benefit, as provided in paragraph (5)(b), calculated on the basis of the average final compensation and creditable service of the member at his or her death and the age the member would have attained on the commencement date of the deferred benefit elected by the beneficiary, paid in accordance with option 3 of paragraph (6)(a).

Section 6. Subsection (2) of section 121.111, Florida Statutes, is amended to read:

121.111 Credit for military service.--

- (2) Any member whose initial date of employment is before January 1, 1987, who has military service as defined in s. 121.021(20)(b), and who does not claim such service under subsection (1) may receive creditable service for such military service if:
- (a) The member has <u>become vested</u> completed a minimum of 10 years of creditable service;
- (b) Creditable service, not to exceed a total of 4 years, is claimed only as service earned in the Regular Class of membership; and
- (c) The member pays into the proper retirement trust fund 4 percent of gross salary, based upon his or her first year of salary subsequent to July 1, 1945, that he or she has credit for under this system, plus 4 percent interest thereon

compounded annually from the date of first creditable service under this chapter until July 1, 1975, and 6.5 percent interest compounded annually thereafter, until payment is made to the proper retirement trust fund.

Section 7. Paragraph (b) of subsection (1) of section 121.1115, Florida Statutes, is amended to read:

121.1115 Purchase of retirement credit for out-of-state and federal service.—Effective January 1, 1995, a member of the Florida Retirement System may purchase creditable service for periods of public employment in another state and receive creditable service for such periods of employment. Service with the Federal Government, including any military service, may be claimed. Upon completion of each year of service earned under the Florida Retirement System, a member may purchase up to 1 year of retirement credit for his or her out-of-state service, subject to the following provisions:

- (1) LIMITATIONS AND CONDITIONS.--To receive credit for the out-of-state service:
- (b) The member must have <u>become vested</u> completed a minimum of 10 years of creditable service under the Florida Retirement System, excluding out-of-state service and in-state service claimed and purchased under s. 121.1122.

Section 8. Paragraph (a) of subsection (2) of section 121.1122, Florida Statutes, is amended to read:

121.1122 Purchase of retirement credit for in-state public service and in-state service in accredited nonpublic, nonsectarian schools and colleges, including charter schools.--Effective January 1, 1998, a member of the Florida Retirement System may purchase creditable service for periods

of certain public or nonpublic, nonsectarian employment performed in this state, as provided in this section.

- (2) LIMITATIONS AND CONDITIONS.--
- (a) A member is not eligible to receive credit for in-state service under this section until he or she has <u>become</u> <u>vested</u> <u>completed 10 years of creditable service</u> under the Florida Retirement System, excluding service purchased under this section and out-of-state service claimed and purchased under s. 121.1115.

Section 9. Section 121.121, Florida Statutes, is amended to read:

121.121 Future service to include authorized leaves of absence.—Future service of any member as defined in s.
121.021(21) shall also include up to 2 work years of creditable service for authorized leaves of absence if:

- (1) The member has <u>become vested</u> completed a minimum of 10 years of creditable service, excluding periods of leave of absence;
- (2) The leave of absence is authorized in writing by the employer of the member and approved by the administrator;
- (3) The member returns to active employment performing service with a Florida Retirement System employer in a regularly established position immediately upon termination of the leave of absence and remains on the employer's payroll for 1 calendar month, except that a member who retires on disability while on a medical leave of absence shall not be required to return to employment; and
- (4) The member makes the required contributions for service credit during the leave of absence, which shall be 8 percent until January 1, 1975, and 9 percent thereafter of his or her rate of monthly compensation in effect immediately

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prior to the commencement of such leave for each month of such period, plus 4 percent interest until July 1, 1975, and 6.5 percent interest thereafter on such contributions, compounded annually each June 30 from the due date of the contribution to date of payment. Effective July 1, 1980, any leave of absence purchased pursuant to this section shall be at the contribution rates specified in s. 121.071 in effect at the time the leave is granted for the class of membership from which the leave of absence was granted; however, any member who purchased leave-of-absence credit prior to July 1, 1980, for a leave of absence from a position in a class other than the regular membership class, may pay the appropriate additional contributions plus compound interest thereon and receive creditable service for such leave of absence in the membership class from which the member was granted the leave of absence.

Section 10. Effective January 1, 1999, to fund the provisions of this act, the contribution rates applicable to the Regular Class of the Florida Retirement System shall be increased by 0.48 percentage points, the contribution rates applicable to regular members of the Special Risk Class shall be increased by 0.96 percentage points, the contribution rates applicable to administrative members of the Special Risk Class shall be increased by 0.47 percentage points, the contribution rates applicable to judicial members of the Elected State and County Officers' Class shall be increased by 0.45 percent, the contribution rates applicable to legislative, attorney, and Cabinet members of the Elected State and County Officers' Class shall be increased by 0.65 percentage points, the contribution rates applicable to county and certain municipal and special-district members of the Elected State and County

Officers' Class shall be increased by 0.30 percentage points, and the contribution rates applicable to members of the Senior 2 3 Management Service Class of the Florida Retirement System 4 shall be increased by 0.19 percentage points. These increases 5 shall be in addition to all other changes to such contribution 6 rates which may be enacted into law to take effect on that 7 date. The Legislature finds that a proper and 8 Section 11. 9 legitimate state purpose is served when employees and retirees 10 of the state and of its political subdivisions, and the dependents, survivors, and beneficiaries of such employees and 11 12 retirees, are extended the basic protections afforded by governmental retirement systems that provide fair and adequate 13 benefits and that are managed, administered, and funded in an 14 15 actuarially sound manner, as required by section 14, Article X of the State Constitution and part VII of chapter 112 of the 16 Florida Statutes. Therefore, the Legislature hereby 17 18 determines and declares that this act fulfills an important 19 state interest. 20 Section 12. This act shall take effect January 1, 1999. 21 22 23 24 SENATE SUMMARY Revises the definitions of the terms "normal retirement date" and "early retirement date" under the Florida Retirement System and defines the term "vested." Effective January 1, 1999, the normal retirement date will be reached after 5 years of service and attainment of the age requirement for the respective class under the system. Increases the rate of employer contributions in order to finance these changes. 25 26 27 28 29 30 31