

By the Committee on Governmental Oversight and Productivity

302-1923C-99

1 A bill to be entitled
2 An act relating to retirement; creating s.
3 121.36, F.S.; creating an optional retirement
4 program for employees who are regular members
5 of the Florida Retirement System; providing
6 eligibility criteria; defining terms; providing
7 that employees may participate in the optional
8 retirement program in lieu of participating in
9 the Florida Retirement System; providing for
10 retention of retirement service credits;
11 providing for transfer of the present value of
12 accrued benefits under the Florida Retirement
13 System; providing requirements for electing the
14 optional program; providing for contributions
15 to the optional program; prescribing vesting
16 requirements; providing for payment of
17 benefits; providing for the Division of
18 Retirement of the Department of Management
19 Services to administer the program; prescribing
20 criteria for selecting investment providers and
21 products and for investment options and
22 products; providing for performance reviews;
23 prescribing contract requirements; requiring
24 that the State Board of Administration provide
25 advice and assistance to the division and
26 review proposals; providing for compliance with
27 federal revenue laws; amending s. 112.363,
28 F.S.; excluding participants from eligibility
29 for certain health insurance subsidies;
30 prescribing standards for contracts and
31 descriptive materials; providing that the act

1 fulfills an important state interest; amending
2 s. 121.021, F.S.; modifying definitions to
3 provide for 6-year graded vesting for all
4 members; amending ss. 112.363, 121.0515,
5 121.052, 121.053, 121.055, 121.081, 121.091,
6 121.1115, 121.1122, 121.121, F.S., to conform;
7 providing for increases in contribution rates
8 to fund the act; directing the statute editors
9 to adjust contribution rates as set forth in
10 the Florida Statutes; providing a contingency
11 for implementation of the program; increasing
12 the employer contribution rate for members of
13 the Regular Class of the Florida Retirement
14 System; providing an effective date.

15
16 Be It Enacted by the Legislature of the State of Florida:

17
18 Section 1. Section 121.36, Florida Statutes, is
19 created to read:

20 121.36 Optional retirement program for members of the
21 regular class.--

22 (1) OPTIONAL RETIREMENT PROGRAM

23 ESTABLISHED.--Effective July 1, 2001, the Division of
24 Retirement shall establish an optional retirement program for
25 members of the Regular Class of the Florida Retirement System
26 under which contracts providing retirement benefits may be
27 purchased for eligible employees who elect to participate in
28 the program. The benefits to be provided for or on behalf of
29 participants in such optional retirement program shall be
30 provided through individual contracts, which may be fixed,
31 variable, or a combination thereof, in accordance with s.

1 401(a) of the Internal Revenue Code. Any individual contract
2 must contain a statement of the plan on its face page, and
3 must include, but need not be limited to, a statement of
4 ownership, the contract benefits, income options, limitations,
5 expense charges, and surrender charges, if any. The state
6 shall contribute, as provided in this section, toward the
7 purchase of such optional benefits.

8 (2) DEFINITIONS.--As used in this section, the term:

9 (a) "Approved provider" or "provider" means the State
10 Board of Administration or a private-sector company that is
11 selected and approved by the division to offer contracts to
12 participants of the Regular Class Optional Retirement Program.
13 Private-sector companies include nonprofit investment
14 management companies, insurance companies, depositories, and
15 mutual fund companies.

16 (b) "De minimis account" refers to total vested
17 account contributions and accumulated earnings under the
18 Regular Class Optional Retirement Program of not more than
19 \$5,000.

20 (c) "Eligible employee" means an employee, as defined
21 in s. 121.021(11), who is a member of, or is eligible for
22 membership in, the Regular Class of the Florida Retirement
23 System. However, the term does not include any employee who is
24 a participant of, or is eligible to participate in, any other
25 optional retirement program authorized under this chapter, nor
26 does the term include any renewed member of the Florida
27 Retirement System under s. 121.122 or any member participating
28 in the Deferred Retirement Option Program under s.
29 121.091(13).

30 (d) "Employer" means an employer, as defined in s.
31 121.021(10), of an eligible employee.

1 (e) "Participant" means an eligible employee who
2 elects to participate in the Regular Class Optional Retirement
3 Program and enrolls in such optional program as provided in
4 subsection (4).

5 (f) "Regular Class Optional Retirement Program" or
6 "optional program" means the alternative defined-contribution
7 retirement program established under this section.

8 (g) "Vested" or "vesting" means the guarantee that a
9 participant is eligible to receive a full or partial
10 retirement benefit upon completion of the required years of
11 service under the Regular Class Optional Retirement Program.

12 (3) ELIGIBILITY; RETIREMENT SERVICE CREDIT.--

13 (a) Participation in the Regular Class Optional
14 Retirement Program is limited to eligible employees.

15 (b) An eligible employee who is a member of the
16 Florida Retirement System at the time of his or her election
17 to participate in the Regular Class Optional Retirement
18 Program shall retain all retirement service credit earned
19 under the Florida Retirement System, at the rate earned.
20 However, election to participate in the Regular Class Optional
21 Retirement Program terminates the active membership of the
22 employee in the Florida Retirement System, and the service of
23 a participant in the Regular Class Optional Retirement Program
24 will not be creditable under the Florida Retirement System,
25 nor will the participant be eligible for disability retirement
26 under the Florida Retirement System.

27 (c) Notwithstanding paragraph (b), each existing
28 employee who elects to participate in the Regular Class
29 Optional Retirement Program and establishes one or more
30 individual participant accounts under the program may elect to
31 transfer to the optional program a sum representing the

1 actuarial equivalent present value of the employee's accrued
2 service benefit under the Florida Retirement System. Upon such
3 election, the actuarial present value for the participant
4 shall be determined using the discount rate and other
5 actuarial assumptions used to value the Florida Retirement
6 System Trust Fund at the time the amount to be transferred is
7 determined and disregarding any vesting requirement that would
8 otherwise apply under the Florida Retirement System. As
9 directed by the participant, the division shall transfer the
10 appropriate amounts to the designated accounts. The division
11 shall establish transfer procedures by rule. Upon such
12 transfer, all service credit previously earned under the
13 Florida Retirement System shall be nullified for purposes of
14 entitlement to a future benefit under the Florida Retirement
15 System. Transfers are noncommissionable, must be made
16 expeditiously, and may be in the form of securities or cash.

17 (4) PARTICIPATION.--

18 (a) With respect to eligible employees who are
19 employed in a regularly established position on July 1, 2001:

20 1. Any such employee may elect to participate in the
21 Regular Class Optional Retirement Program in lieu of retaining
22 his or her membership in the Regular Class of the Florida
23 Retirement System. The election must be made in writing and
24 must be filed with the division and the personnel officer of
25 the employer within 90 days after July 1, 2001, or, in the
26 case of an active employee who is on a leave of absence on
27 July 1, 2001, within 90 days after the conclusion of the leave
28 of absence. Upon making such election, the employee shall
29 become a participant of the Regular Class Optional Retirement
30 Program, and the employee's membership in the Florida
31 Retirement System will terminate. The employee's enrollment in

1 the Regular Class Optional Retirement Program will be
2 effective the first day of the month for which a full month's
3 employer contribution is made to the optional program.

4 2. Any such employee who fails to elect to participate
5 in the Regular Class Optional Retirement Program within the
6 prescribed 90 days is deemed to have elected to retain
7 membership in the Florida Retirement System.

8 (b) With respect to employees who become eligible to
9 participate in the Regular Class Optional Retirement Program
10 by reason of employment in a regularly established position
11 commencing after July 1, 2001:

12 1. Any such employee shall, by default, be enrolled in
13 the Florida Retirement System at the commencement of
14 employment, and may, within 90 days after employment
15 commences, elect to participate in the Regular Class Optional
16 Retirement Program. The employee's election must be made in
17 writing and must be filed with the personnel officer of the
18 employer.

19 a. If the employee files such election before the
20 initial payroll is submitted for the employee, enrollment in
21 the Regular Class Optional Retirement Program will be
22 effective on the first day of employment.

23 b. If the employee files such election within 90 days
24 after employment commences, but after the initial payroll is
25 submitted for the employee, enrollment in the optional program
26 will be effective on the first day of the month for which a
27 full month's employer contribution is made to the optional
28 program.

29 2. Any such employee who fails to elect to participate
30 in the Regular Class Optional Retirement Program within the
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1 prescribed 90 days is deemed to have elected to retain
2 membership in the Florida Retirement System.

3 (c) With respect to eligible employees who become
4 eligible to participate in the Regular Class Optional
5 Retirement Program by reason of a change in eligibility status
6 occurring on or after July 1, 2001:

7 1. Upon a change in eligibility status, the employer
8 must provide written notice to the employee stating that, due
9 to the change in eligibility status, the employee has the
10 option to participate in the Regular Class Optional Retirement
11 Program in lieu of retaining membership in the Florida
12 Retirement System Regular Class, if he or she exercises the
13 option within 90 days after the notification date.

14 2. Any such employee may, within 90 days after the
15 notification date, elect to participate in the Regular Class
16 Optional Retirement Program. The employee's election must be
17 made in writing and must be filed with the personnel officer
18 of the employer. If the employee files an election to
19 participate in the Regular Class Optional Retirement Program
20 within the prescribed 90 days, enrollment in the optional
21 program will be effective on the first day of the month for
22 which a full month's employer contribution is made to the
23 optional program.

24 3. Any such employee who fails to elect to participate
25 in the Regular Class Optional Retirement Program within the
26 prescribed 90 days is deemed to have elected to retain
27 membership in the Florida Retirement System.

28 (d) The provisions of paragraph (a), paragraph (b), or
29 paragraph (c) to the contrary notwithstanding:

30 1. Any eligible employee who elects to participate in
31 the Regular Class Optional Retirement Program but fails to

1 execute a contract with one of the approved providers within
2 90 days after enrollment in the optional program, or who fails
3 to properly notify, within the prescribed 90 days, the
4 division that such contract has been executed, shall be deemed
5 to have executed an annuity contract with the State Board of
6 Administration, and all appropriate contributions shall be
7 transferred to the State Board of Administration for
8 allocation to the participant's account.

9 2. Any participant of the Regular Class Optional
10 Retirement Program who, before executing the required contract
11 and notifying the division, terminates employment or otherwise
12 experiences a change in eligibility status such that he or she
13 is no longer eligible to participate in the optional program
14 is deemed to have elected membership in the Florida Retirement
15 System. Such membership is retroactive to the date of
16 enrollment, and all appropriate contributions will be made to
17 the Florida Retirement System Trust Fund and the Health
18 Insurance Subsidy Trust Fund.

19 (e) The election to participate in the Regular Class
20 Optional Retirement Program is irrevocable for as long as the
21 employee holds a position eligible for participation in the
22 optional program and otherwise continues to meet the
23 requirements of this section.

24 (5) CONTRIBUTIONS.--

25 (a)1. Each employer shall contribute on behalf of each
26 participant in the Regular Class Optional Retirement Program
27 an amount equal to 8.21 percent of the employee's gross
28 salary. The employer shall forward to the division the
29 required contributions for each participant of the optional
30 program, and the division shall forward the contributions to
31 the designated providers contracting for payment of benefits

1 for the participant, less an amount approved by the
2 Legislature, which shall be deducted by the division to
3 provide for the administration of the program. However, such
4 contributions may not be forwarded to a provider and do not
5 begin to accrue interest until the employee has executed a
6 contract and notified the division.

7 2. Contributions by each employer and each participant
8 which are required for social security coverage under the
9 federal Social Security Act must be maintained for each
10 participant in the Regular Class Optional Retirement Program,
11 in addition to the retirement contributions specified in this
12 subsection.

13 (b) Each participant in the Regular Class Optional
14 Retirement Program who has executed a contract may contribute,
15 on a posttax basis, to his or her account under the Regular
16 Class Optional Retirement Program, subject to federal
17 requirements applicable to defined-contribution plans under s.
18 401(a) of the Internal Revenue Code. Interest and investment
19 earnings on such contributions will accrue on a tax-deferred
20 basis until the proceeds are distributed. Participant
21 contributions shall be made by way of salary deduction,
22 undertaken by written agreement between the participant and
23 his or her employer, and may not exceed the amount contributed
24 by the employer on behalf of the participant. The employer
25 shall forward to the division the designated contributions for
26 each participant of the optional program, and the division
27 shall forward the contributions to the designated approved
28 provider or providers contracting for payment of benefits for
29 the participant under the program.

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1 Contributions made under the optional program shall be
2 deposited in the Regular Class Optional Retirement Program
3 Trust Fund established in the State Treasury and administered
4 by the Division of Retirement, and payments shall be made
5 therefrom to the approved providers on behalf of the Regular
6 Class Optional Retirement Program participants.

7 (c) If a participant in the Regular Class Optional
8 Retirement Program has the opportunity, through his or her
9 employer, to participate in a tax sheltered annuity plan
10 authorized under s. 403(b) of the United States Internal
11 Revenue Code, a deferred compensation plan authorized under s.
12 457 of the United States Internal Revenue Code, or a cash or
13 deferred arrangement available pursuant to s. 401(k) of the
14 United States Internal Revenue Code, the participant may,
15 through salary reduction or deduction, contribute on a pre-tax
16 basis to such other plan, subject to federal limitations.

17 (d) Employers are responsible for notifying
18 participants regarding maximum contribution levels permitted
19 under the Internal Revenue Code. Individual participants are
20 responsible for monitoring their own employee contributions to
21 the Regular Class Optional Retirement Program, and employer
22 contributions made on their behalf, to ensure that
23 contribution totals do not exceed federally permitted
24 maximums. If a participant contributes to any other
25 tax-deferred plan as provided under paragraph (c), he or she
26 is responsible for ensuring that total contributions made to
27 the optional program and to any other such plan do not exceed
28 federally permitted maximums.

29 (6) VESTING REQUIREMENTS.--A participant will be fully
30 or partially vested in the Regular Class Optional Retirement
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1 Program only upon execution of a contract with an approved
2 provider. Subject thereto:

3 (a) With respect to participant contributions, plus
4 interest and earnings thereon, participants are fully and
5 immediately vested.

6 (b) With respect to employer contributions made on
7 behalf of the participant, plus interest and earnings thereon,
8 credit toward vesting under the optional program shall be
9 gradually earned, as follows:

10 1. A participant who completes 2 years of service
11 under the optional program shall be considered to be
12 20-percent vested and is entitled to receive an
13 employer-funded benefit based on 20 percent of the employer
14 contributions made to the participant's account, plus interest
15 and earnings thereon.

16 2. A member who completes 3 years of service under the
17 optional program shall be considered to be 40-percent vested
18 and is entitled to receive an employer-funded benefit based on
19 40 percent of the employer contributions made to the
20 participant's account, plus interest and earnings thereon.

21 3. A member who completes 4 years of service under the
22 optional program shall be considered to be 60-percent vested
23 and is entitled to receive an employer-funded benefit based on
24 60 percent of the employer contributions made to the
25 participant's account, plus interest and earnings thereon.

26 4. A member who completes 5 years of service under the
27 optional program shall be considered to be 80-percent vested
28 and is entitled to receive an employer-funded benefit based on
29 80 percent of the employer contributions made to the
30 participant's account, plus interest and earnings thereon.

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1 5. Any member who completes 6 years of service under
2 the optional program shall be considered to be 100-percent
3 vested, or fully vested, and is entitled to receive an
4 employer-funded benefit based on 100 percent of the employer
5 contributions made to the participant's account, plus interest
6 and earnings thereon.

7 (7) BENEFITS.--Under the Regular Class Optional
8 Retirement Program:

9 (a) Benefits shall be provided through individual
10 contracts, or individual certificates issued for group
11 contracts, in accordance with s. 401(a) of the Internal
12 Revenue Code.

13 (b) Benefits shall accrue in individual accounts that
14 are participant-directed, portable, and funded by employer and
15 employee contributions and earnings thereon.

16 (c) Benefits shall be payable in accordance with the
17 following terms and conditions:

18 1. Benefits shall be payable only to a fully or
19 partially vested participant as provided in subsection (6), or
20 to his or her beneficiaries as designated by the participant
21 in the contract with an approved provider.

22 2. Benefits shall be paid only by the designated
23 approved provider in accordance with the terms of the
24 contracts applicable to the participant.

25 3. To begin receiving the employer-funded benefits,
26 the participant must be terminated from all employment with
27 all Florida Retirement System employers, as provided in s.
28 121.021(39). If a participant elects to receive his or her
29 employer-funded benefits upon termination of employment, in
30 accordance with the terms and conditions of the applicable
31 provider contract, the participant must submit a written

1 application to the division indicating his or her preferred
2 distribution date and selecting an authorized method of
3 distribution as provided in paragraph (d). The division shall
4 forward a copy of such application to each approved provider
5 with which the participant has a contractual relationship
6 under the optional program. The participant may defer receipt
7 of employer-funded benefits until he or she chooses to make
8 such application.

9 4. Benefits funded by the participant's personal
10 contributions may be paid out by an approved provider, within
11 the limits provided in the contract between the participant
12 and the provider, subject to federal requirements. The
13 participant shall notify the provider regarding the preferred
14 payment date, the amount to be paid out, and the provisions
15 under which he or she wants to receive such benefits. Payment
16 of participant-funded benefits may be deferred until the
17 participant chooses to provide such notice.

18 5. In the event of a participant's death, moneys
19 accumulated by or on behalf of the participant, less
20 withholding taxes remitted to the Internal Revenue Service,
21 will be distributed to the participant's designated
22 beneficiary or beneficiaries, or to the participant's estate,
23 as if the participant retired on the date of death, as
24 provided in paragraph (e). No other death benefits will be
25 available for survivors of participants under the Regular
26 Class Optional Retirement Program, except for such benefits,
27 or coverage for such benefits, as are separately afforded by
28 the employer, in the employer's discretion.

29 (d) Upon receipt by the division of a properly
30 executed application for distribution of benefits, the total
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1 accumulated employer-funded benefit shall be payable to the
2 participant, as:
3 1. A lifetime annuity payable to the participant. This
4 payment option is not available in the case of a de minimis
5 account;
6 2. A cash-out of a de minimis account of \$5,000 or
7 less, in accordance with rules adopted by the division; or
8 3. A direct rollover distribution whereby all accrued
9 benefits, plus interest and investment earnings, are paid from
10 the participant's account directly to the custodian of an
11 eligible retirement plan, as defined in s. 402(c)(8)(B) of the
12 Internal Revenue Code, on behalf of the participant.
13 (e) Survivor benefits shall be payable as:
14 1. A lifetime annuity payable to the deceased
15 participant's designated beneficiaries. This payment option is
16 not available in the case of a de minimis account;
17 2. A lump-sum distribution payable to the
18 beneficiaries, or to the deceased participant's estate;
19 3. An eligible rollover distribution on behalf of the
20 surviving spouse of a deceased participant, whereby all
21 accrued benefits, plus interest and investment earnings, are
22 paid from the deceased participant's account directly to the
23 custodian of an individual retirement account or an individual
24 retirement annuity, as described in s. 402(c)(9) of the
25 Internal Revenue Code, on behalf of the surviving spouse; or
26 4. A partial lump-sum payment whereby a portion of the
27 accrued benefit is paid to the deceased participant's
28 surviving spouse or other designated beneficiaries, less
29 withholding taxes remitted to the Internal Revenue Service,
30 and the remaining amount is transferred directly to the
31 custodian of an individual retirement account or an individual

1 retirement annuity, as described in s. 402(c)(9) of the
2 Internal Revenue Code, on behalf of the surviving spouse. The
3 proportions must be specified by the participant or the
4 surviving spouse.

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6 This paragraph does not abrogate other applicable provisions
7 of state or federal law providing for payment of death
8 benefits.

9 (f) The benefits payable to any person under the
10 Regular Class Optional Retirement Program, and any
11 contributions accumulated under such program, are not subject
12 to assignment, execution, attachment, or any legal process,
13 except for qualified domestic-relations orders by a court of
14 competent jurisdiction, income-deduction orders as provided in
15 s. 61.1301, and federal income tax levies.

16 (8) ADMINISTRATION OF PROGRAM.--

17 (a) The Regular Class Optional Retirement Program
18 authorized by this section shall be administered by the
19 division and affected employer agencies. The division shall
20 adopt rules establishing the role and responsibilities of
21 affected state and local government agencies in administering
22 the Regular Class Optional Retirement Program.

23 (b)1. The division may select and contract with a
24 third-party administrator to provide administrative services,
25 including, but not limited to, services relating to:
26 consolidated billing; individual and collective recordkeeping
27 and accounting; asset purchase, control, and safekeeping; and
28 direct disbursement of funds to and from approved providers,
29 employers, participants, and beneficiaries.

30 2. The division shall also select and contract with a
31 third-party organization to develop and disseminate

1 educational materials and provide educational services to
2 employers, eligible employees, participants, and beneficiaries
3 at the time of their asset transfer or initial enrollment
4 only. Such materials and services may include, but are not
5 limited to, providing retirement-planning education;
6 explaining the differences between the defined-benefit
7 retirement plan and the defined-contribution retirement plan;
8 and offering financial-planning guidance on matters such as
9 investment diversification, investment risks, investment
10 costs, and asset allocation. An approved provider may not
11 perform this function, but may provide information concerning
12 its products and services.

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14 As a cost of administration, the division may compensate any
15 such contractor for its services, in accordance with the terms
16 of the contract, as is deemed necessary or proper by the
17 division and the contractor.

18 (c) The division may authorize an approved provider to
19 make direct disbursement of funds under the optional program
20 to a participant or other beneficiary.

21 (9) INVESTMENT PROVIDERS; INVESTMENT OPTIONS OR
22 PRODUCTS; PERFORMANCE REVIEW.--

23 (a) The division shall develop policy and procedures
24 for selecting investment providers and products from which
25 contracts may be purchased under the program. The State Board
26 of Administration may advise the division and make
27 recommendations with regard to selecting investment providers
28 and products under subsection (11). In accordance with such
29 policy and procedures, the division shall, through a
30 competitive-bidding process, designate up to nine providers,
31 one of which may be the State Board of Administration, and

1 shall approve the form and content of all investment
2 contracts. Potential provider companies may elect to submit
3 competitive bids or proposals to serve only a specific segment
4 of optional program participants, such as K-12 public school
5 district employees, and nothing in this section shall prohibit
6 the division from selecting one or more such providers as part
7 of the nine providers.

8 (b) In evaluating and selecting private-sector
9 provider companies and products for the Regular Class Optional
10 Retirement Program, the division shall establish criteria
11 under which it will consider the relative capabilities and
12 qualifications of each proposed provider company. In
13 developing such criteria, the division shall consider:

14 1. Experience in Florida and other states providing
15 retirement annuities or trusteed mutual fund arrangements
16 under defined-contribution pension plans.

17 2. Financial strength and stability, as evidenced by
18 the highest ratings assigned by nationally recognized rating
19 services.

20 3. Intrastate and interstate portability of the
21 product offered, including early withdrawal options.

22 4. Compliance with the Internal Revenue Code.

23 5. The cost-effectiveness of the products provided,
24 and the levels of service supporting them, relative to their
25 benefits and their characteristics, including, without
26 limitation, the level of risk borne by the provider.

27 6. The provider company's ability and willingness to
28 coordinate its activities with Florida Retirement System
29 employers and the division, and to supply to such employers
30 and the division the information and data they require.

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1 7. The methods available to participants to interact
2 with the provider company, including the means by which
3 participants may access account information, direct investment
4 of contributions, make changes to their accounts, transfer
5 moneys between available investment vehicles, and transfer
6 moneys between provider companies, and shall consider any fees
7 that apply to such activities.

8 8. The provider company's policies with respect to the
9 transfer of individual account balances, contributions, and
10 earnings thereon, both internally among investment products
11 offered by the provider company and externally between
12 provider companies, as well as any fees, charges, reductions,
13 or penalties that may be applied.

14 (d) The division shall consider investment options or
15 products it considers appropriate to give participants the
16 opportunity to accumulate retirement benefits, subject to the
17 following:

18 1. The Regular Class Optional Retirement Program must
19 offer a diversified mix of investment products.

20 2. Investment options or products offered by the group
21 of approved providers must include mutual funds, group annuity
22 contracts, individual retirement annuities, interests in
23 trusts, and other such financial instruments.

24 (e) The division shall periodically review the
25 performance of each approved provider and each approved
26 product to ensure continued compliance with established
27 selection criteria and with division policy and procedures.
28 Providers or products may be terminated, subject to contract
29 provisions.

30 (f) Contracts must be renegotiated every 8 years in
31 order to provide new or different services or products.

1 (10) CONTRACT REQUIREMENTS.--

2 (a) The provisions of each contract applicable to a
3 participant in the Regular Class Optional Retirement Program
4 must be contained in a written program description that must
5 include a report of pertinent financial and actuarial
6 information on the solvency and actuarial soundness of the
7 program and the options and products available to the
8 participant, together with the provisions of each contract
9 applicable to a program participant. Such description must be
10 furnished by the approved provider to each participant in the
11 program and to the division upon commencement of participation
12 in the program and annually thereafter.

13 (b) The division shall ensure that each participant is
14 provided a quarterly statement by the approved providers with
15 which the participant has a contractual relationship under
16 this section. Such statements must account for the
17 contributions made by and on behalf of such participants; the
18 interest and investment earnings thereon; and any fees,
19 penalties, or other deductions that apply thereto. At a
20 minimum, such statements must:

21 1. Indicate the participant's self-directed investment
22 options.

23 2. State the market value of the account at the close
24 of the current quarter and previous quarter.

25 3. Show account gains and losses for the period.

26 4. Itemize account contributions for the quarter.

27 5. Indicate any account changes due to adjustment of
28 contribution levels, reallocation of contributions, balance
29 transfers, or withdrawals.

30 6. Set forth any fees, charges, penalties, and other
31 deductions that apply to the account.

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2 Investment providers shall provide annual summary reports to
3 the division.

4 (11) STATE BOARD OF ADMINISTRATION TO PROVIDE ADVICE
5 AND ASSISTANCE.--The State Board of Administration shall
6 assist the division in implementing and administering the
7 Regular Class Optional Retirement Program.

8 (a) At the request of the division, the board shall
9 review proposals submitted by vendors seeking to become
10 approved providers for the Regular Class Optional Retirement
11 Program and shall submit to the division its recommendations
12 regarding such vendors, based on:

13 1. An evaluation of specific investment products
14 proposed to be offered, taking into account each product's
15 track record in meeting its investment return objectives net
16 of all related fees, expenses, and charges, including, but not
17 limited to, investment management fees, loads, distribution
18 and marketing fees, custody fees, recordkeeping fees,
19 education fees, annuity expenses, and consulting fees; and

20 2. Organizational factors, including, but not limited
21 to, financial solvency, organizational depth, and experience
22 in providing institutional investment services.

23 (b) Once providers have been selected and approved,
24 the board shall periodically review investment product
25 performance and related organizational factors of the approved
26 providers. The board shall advise the division on the
27 acceptability of all investment products proposed to be
28 offered through contracts to the participants and may advise
29 the division of any changes necessary to ensure that the
30 Regular Class Optional Retirement Program offers a diversified
31 mix of investment products.

1 (c) The State Board of Administration shall develop
2 and submit to the division its recommendations regarding the
3 form and content of contracts to be offered under the Regular
4 Class Optional Retirement Program. In developing its
5 recommendations, the board must consider:

6 1. The nature and extent of the rights and benefits to
7 be afforded participants in relation to the required
8 contributions under the program; and

9 2. The suitability of the rights and benefits to be
10 afforded participants to the needs of the participants and the
11 interests of employers in the recruitment and retention of
12 eligible employees.

13 (d) The State Board of Administration shall review
14 proposals submitted by vendors seeking to contract with the
15 division to provide financial advice on retirement planning.
16 The board shall evaluate such proposals based on an assessment
17 of cost, product quality, independence from money-management
18 organizations, and organizational factors, including, but not
19 limited to, customer-service orientation, financial solvency,
20 organizational depth, and experience in providing investment
21 advisory and consulting services. Once a vendor is selected
22 and approved for this purpose, the board shall periodically
23 review the performance and organizational aspects of the
24 approved contractor and shall submit to the division
25 recommended changes necessary to ensure that program
26 participants receive appropriate and cost-effective investment
27 advice.

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29 The Investment Advisory Council shall review any
30 recommendations of the board prior to submittal to the
31 division. The division shall make the final determination as

1 to whether any investment provider or product, any contractor,
2 or any and all contract provisions will be approved for the
3 program. Upon the recommendation of the Board of Trustees of
4 the State Board of Administration that it offer an optional
5 retirement program that it administers, the Division of
6 Retirement shall commission an independent third-party firm to
7 conduct a review of the product to be offered so as to effect
8 substantial compliance with the provisions of this subsection.

9 (12) FEDERAL REQUIREMENTS.--

10 (a) Provisions of this section shall be construed, and
11 the Regular Class Optional Retirement Program shall be
12 administered, so as to comply with the Internal Revenue Code,
13 Title 26 U.S.C., and specifically with plan qualification
14 requirements imposed on governmental plans under s. 401(a) of
15 the Internal Revenue Code.

16 (b) Any section or provision of this chapter which is
17 susceptible to more than one construction must be interpreted
18 in favor of the construction most likely to satisfy
19 requirements imposed by s. 401(a) of the Internal Revenue
20 Code.

21 (c) Contributions payable under this section for any
22 limitation year may not exceed the maximum amount allowable
23 for qualified defined-contribution pension plans under
24 applicable provisions of the Internal Revenue Code. If an
25 employee who has elected to participate in the Regular Class
26 Optional Retirement Program participates in any other plan
27 that is maintained by the participating employer, benefits
28 that accrue under the Regular Class Optional Retirement
29 Program shall be considered primary for any aggregate
30 limitation applicable under s. 415 of the Internal Revenue
31 Code.

1 Section 2. Subsection (2) of section 112.363, Florida
2 Statutes, 1998 Supplement, is amended to read:

3 112.363 Retiree health insurance subsidy.--

4 (2) ELIGIBILITY FOR RETIREE HEALTH INSURANCE

5 SUBSIDY.--A person who is retired under a state-administered
6 retirement system, or a beneficiary who is a spouse or
7 financial dependent entitled to receive benefits under a
8 state-administered retirement system, is eligible for health
9 insurance subsidy payments provided under this section; except
10 that pension recipients under ss. 121.055(1)(b)2., 121.36,
11 121.40, 238.07(16)(a), and 250.22, recipients of health
12 insurance coverage under s. 110.1232, or any other special
13 pension or relief act shall not be eligible for such payments.
14 Payment of the retiree health insurance subsidy shall be made
15 only after coverage for health insurance for the retiree or
16 beneficiary has been certified in writing to the Division of
17 Retirement. Participation in a former employer's group health
18 insurance program is not a requirement for eligibility under
19 this section. However, participants in the State Community
20 College System Optional Retirement Program as provided in s.
21 121.051(2)(c), the Senior Management Service Optional Annuity
22 Program as provided in s. 121.055(6), and the State University
23 System Optional Retirement Program as provided in s. 121.35
24 shall not receive the retiree health insurance subsidy
25 provided in this section. The employer of such participant
26 shall pay the contributions required in subsection (8) to the
27 annuity program provided in s. 121.051(2)(c), s.
28 121.055(6)(d), or s. 121.35(4)(a), as applicable.

29 Section 3. In any solicitation or offer of coverage
30 under an optional retirement program, a provider company shall
31 be governed by the contract readability provisions of section

1 627.4145, Florida Statutes, notwithstanding section
2 627.4145(6)(c), Florida Statutes. In addition, all descriptive
3 materials must be prepared under the assumption that the
4 participant is an unsophisticated investor. Provider companies
5 must maintain an internal system of quality assurance, have
6 proven functional systems that are date-calculation compliant,
7 and be subject to a due-diligence inquiry that proves their
8 capacity and fitness to undertake service responsibilities.

9 Section 4. Paragraph (e) is added to subsection (3) of
10 section 112.363, Florida Statutes, 1998 Supplement, to read:

11 112.363 Retiree health insurance subsidy.--

12 (3) RETIREE HEALTH INSURANCE SUBSIDY AMOUNT.--

13 (e) Beginning July 1, 2001, each eligible retiree or,
14 if the retiree is deceased, his or her beneficiary who is
15 receiving a monthly benefit from such retiree's account and
16 who is a spouse, or a person who meets the definition of joint
17 annuitant in s. 121.021(28), shall receive a monthly retiree
18 health insurance subsidy payment equal to the number of years
19 of creditable service, as defined in s. 121.021(17), completed
20 at the time of retirement multiplied by \$5. No eligible
21 retiree or beneficiary may receive a subsidy payment of more
22 than \$150 or less than \$30. If there are multiple
23 beneficiaries, the total payment may not be greater than the
24 payment to which the retiree was entitled.

25 Section 5. Subsections (29) and (45) of section
26 121.021, Florida Statutes, 1998 Supplement, are amended to
27 read:

28 121.021 Definitions.--The following words and phrases
29 as used in this chapter have the respective meanings set forth
30 unless a different meaning is plainly required by the context:

31

1 (29) "Normal retirement date" means the first day of
2 any month following the date a member attains one of the
3 following statuses:

4 (a) If a Regular Class member, the member:

5 1. Completes 6 ~~10~~ or more years of creditable service
6 and attains age 62; or

7 2. Completes 30 years of creditable service,
8 regardless of age, which may include a maximum of 4 years of
9 military service credit as long as such credit is not claimed
10 under any other system.

11 (b) If a Special Risk Class member, the member:

12 1. Completes 6 ~~10~~ or more years of creditable service
13 in the Special Risk Class and attains age 55;

14 2. Completes 25 years of creditable service in the
15 Special Risk Class, regardless of age; or

16 3. Completes 25 years of creditable service and
17 attains age 52, which service may include a maximum of 4 years
18 of military service credit as long as such credit is not
19 claimed under any other system and the remaining years are in
20 the Special Risk Class.

21 (c) If a Senior Management Service Class member, the
22 member:

23 1. Completes 6 ~~7~~ years of creditable service in the
24 Senior Management Service Class and attains age 62; or

25 2. Completes 30 years of any creditable service,
26 regardless of age, which may include a maximum of 4 years of
27 military service credit as long as such credit is not claimed
28 under any other system.

29 (d) If an Elected ~~State County~~ Officers' Class member,
30 the member:

31

1 1. Completes 6 & years of creditable service in the
2 Elected State and County Officers' Class and attains age 62;
3 or

4 2. Completes 30 years of any creditable service,
5 regardless of age, which may include a maximum of 4 years of
6 military service credit as long as such credit is not claimed
7 under any other system.

8
9 "Normal retirement age" is attained on the "normal retirement
10 date."

11 (45)(a) "Vested" or "vesting" means the guarantee that
12 a member is eligible to receive a future retirement benefit
13 upon completion of the required years of creditable service
14 for the employee's class of membership, even though the member
15 may have terminated covered employment before reaching normal
16 or early retirement date. Being vested does not entitle a
17 member to a disability benefit; provisions governing
18 entitlement to disability benefits are set forth under s.
19 121.091(4)~~based on a disability caused by an injury or~~
20 ~~disease that occurs after termination of covered employment.~~

21 (b) Effective July 1, 2001, a graded vesting system
22 shall be implemented for the Florida Retirement System whereby
23 any member who is employed in a regularly established position
24 on or after July 1, 2001, will earn credit toward vesting as
25 described in paragraph (a), as follows:

26 1. Any such member completing 2 years of creditable
27 service shall be considered to be 20 percent vested and shall
28 be entitled to a future benefit based on 20 percent of the
29 retirement credit earned for his or her service.

30 2. Any such member completing 3 years of creditable
31 service shall be considered to be 40 percent vested and shall

1 be entitled to a future benefit based on 40 percent of the
2 retirement credit earned for his or her service.

3 3. Any such member completing 4 years of creditable
4 service shall be considered to be 60 percent vested and shall
5 be entitled to a future benefit based on 60 percent of the
6 retirement credit earned for his or her service.

7 4. Any such member completing 5 years of creditable
8 service shall be considered to be 80 percent vested and shall
9 be entitled to a future benefit based on 80 percent of the
10 retirement credit earned for his or her service.

11 5. Any such member completing 6 years of creditable
12 service shall be considered to be 100 percent vested, or fully
13 vested as described in paragraph (a).

14
15 Inactive members will not be considered fully or partially
16 vested solely by operation of the provisions of this
17 paragraph. Any member who is not employed in a regularly
18 established position on July 1, 2001, will be deemed partially
19 or fully vested as provided in this paragraph only upon
20 subsequent employment in a covered position for 1 work year,
21 except that no member may be required to complete more years
22 of creditable service than would have been required for that
23 member to vest under retirement laws in effect before July 1,
24 2001.

25 Section 6. Paragraph (a) of subsection (7) of section
26 121.0515, Florida Statutes, 1998 Supplement, is amended to
27 read:

28 121.0515 Special risk membership; criteria;
29 designation and removal of classification; credits for past
30 service and prior service; retention of special risk normal
31 retirement date.--

1 (7) RETENTION OF SPECIAL RISK NORMAL RETIREMENT

2 DATE.--

3 (a) A special risk member who is moved or reassigned
4 to a nonspecial risk law enforcement, firefighting, or
5 correctional administrative support position with the same
6 agency, or who is subsequently employed in such a position
7 with any law enforcement, firefighting, or correctional agency
8 under the Florida Retirement System, shall participate in the
9 Special Risk Administrative Support Class and shall earn
10 credit for such service at the same percentage rate as that
11 earned by a regular member. Notwithstanding the provisions of
12 subsection (4), service in such an administrative support
13 position shall, for purposes of s. 121.091, apply toward
14 satisfaction of the special risk normal retirement date, as
15 defined in s. 121.021(29)(b), provided that, while in such
16 position, the member remains certified as a law enforcement
17 officer, firefighter, or correctional officer; remains subject
18 to reassignment at any time to a position qualifying for
19 special risk membership; and completes an aggregate of 6 ~~10~~ or
20 more years of service as a designated special risk member
21 prior to retirement.

22 Section 7. Subsection (8) and paragraphs (b) and (c)
23 of subsection (12) of section 121.052, Florida Statutes, 1998
24 Supplement, are amended to read:

25 121.052 Membership class of elected officers.--

26 (8) NORMAL RETIREMENT DATE; VESTING REQUIREMENT.--A
27 member of the Elected ~~State and County~~ Officers' Class shall
28 have the same normal retirement date and vesting requirement
29 as provided ~~defined~~ in s. 121.021(29) and (45) for a member of
30 the regular class of the Florida Retirement System, ~~except~~
31 ~~that only 8 years of creditable service in this class are~~

1 ~~needed to attain the normal retirement date specified in s.~~
2 ~~121.021(29)(a).~~ Any public service commissioner who was
3 removed from the Elected State Officers' Class on July 1,
4 1979, after attaining at least 8 years of creditable service
5 in that class shall be considered to have reached the normal
6 retirement date upon attaining age 62 as required in s.
7 121.021(29)(a).

8 (12) BENEFITS.--

9 (b) The benefit provisions of s. 121.091(2)-(6), (8),
10 (9), and (11), relating to benefits payable for dual normal
11 retirement ages, early retirement, disability retirement,
12 termination benefits, optional forms of retirement,
13 designation of beneficiaries, employment after retirement, and
14 method of computing actuarial equivalent, respectively, shall
15 also apply to members of the Elected ~~State and County~~
16 Officers' Class, ~~except that only 8 years of creditable~~
17 ~~service in this class are needed to attain the benefits~~
18 ~~specified in s. 121.091(3) and (5).~~ These provisions shall be
19 construed in such manner as to make them compatible with the
20 provisions of this section.

21 (c) The benefit provisions of s. 121.091(7), relating
22 to death benefits, shall apply to members of the Elected ~~State~~
23 ~~and County~~ Officers' Class and shall be construed in such
24 manner as to make them compatible with the provisions of this
25 section; ~~however, only 8 years of creditable service in this~~
26 ~~class are needed to obtain such benefits,~~ except that:

27 1. If any elected official dies in office who would
28 have been vested under the Elected ~~State and County~~ Officers'
29 Class, any other class of the Florida Retirement System, or
30 any other state-administered retirement system, if the
31 official had lived to complete his or her term of office, the

1 official's spouse may elect to leave the official's retirement
2 contributions in the retirement trust fund and pay into said
3 fund any required contributions which would have been paid by
4 the officer or the employer had the officer lived to complete
5 the term of office.

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

17
18 Upon conclusion of the term of office to which the deceased
19 officer was elected, a spouse who pays into the retirement
20 trust fund such additional or refunded contributions, plus
21 interest, shall be eligible to receive a monthly benefit in
22 the same manner as the surviving spouse of a member who dies
23 after accumulating the required number of years of creditable
24 service as described herein.

25 Section 8. Paragraph (a) of subsection (1) of section
26 121.053, Florida Statutes, 1998 Supplement, is amended to
27 read:

28 121.053 Participation in the Elected ~~State and County~~
29 Officers' Class for retired members.--

30 (1)(a) Any member who retired under any existing
31 system as defined in s. 121.021(2), and receives a benefit

1 | thereof, and who serves in an office covered by the Elected
2 | ~~State and County~~ Officers' Class for a period of at least 6 &
3 | years, shall be entitled to receive an additional retirement
4 | benefit for such elected officer service prior to July 1,
5 | 1990, under the Elected ~~State and County~~ Officers' Class of
6 | the Florida Retirement System, as follows:

7 | 1. Upon completion of 6 & or more years of creditable
8 | service in an office covered by the Elected ~~State and County~~
9 | Officers' Class, s. 121.052, such member shall notify the
10 | administrator of his or her intent to purchase elected officer
11 | service prior to July 1, 1990, and shall pay the member
12 | contribution applicable for the period being claimed, plus 4
13 | percent interest compounded annually from the first year of
14 | service claimed until July 1, 1975, and 6.5 percent interest
15 | compounded annually thereafter, until full payment is made to
16 | the Florida Retirement System Trust Fund; however, such member
17 | may purchase retirement credit under the Elected ~~State and~~
18 | ~~County~~ Officers' Class only for such service as an elected
19 | officer.

20 | 2. Upon payment of the amount specified in
21 | subparagraph 1., the employer shall pay into the Florida
22 | Retirement System Trust Fund the applicable employer
23 | contribution for the period of elected officer service prior
24 | to July 1, 1990, being claimed by the member, plus 4 percent
25 | interest compounded annually from the first year of service
26 | claimed until July 1, 1975, and 6.5 percent interest
27 | compounded annually thereafter, until full payment is made to
28 | the Florida Retirement System Trust Fund.

29 | Section 9. Paragraph (b) of subsection (4) of section
30 | 121.055, Florida Statutes, 1998 Supplement, is amended to
31 | read:

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

6 (4)

7 (b) Service in an eligible position prior to February
8 1, 1987, or after January 31, 1987, shall satisfy the
9 requirement of attaining the normal retirement date as defined
10 in s. 121.021(29) for a Senior Management Service Class
11 member, provided the employee is a member of the Senior
12 Management Service Class after January 31, 1987. A member of
13 this class who fails to complete 6 ~~7~~ years of creditable
14 service in an eligible position shall be required to satisfy
15 the requirements for the normal retirement date for a regular
16 member as provided in s. 121.021(29).

17 Section 10. Paragraph (i) of subsection (1) of section
18 121.081, Florida Statutes, 1998 Supplement, is amended to
19 read:

20 121.081 Past service; prior service;
21 contributions.--Conditions under which past service or prior
22 service may be claimed and credited are:

23 (1)

24 (i) An employee of a state agency who was a member of
25 a state-administered retirement system and who was granted
26 educational leave with pay pursuant to a written educational
27 leave-with-pay policy may claim such period of educational
28 leave as past service subject to the following conditions:

29 1. The educational leave must have occurred prior to
30 December 31, 1971;

31

1 2. The member must have completed at least 6 ~~10~~ years
2 of creditable service excluding the period of the educational
3 leave;

4 3. The employee must have returned to employment with
5 a state agency employer who participated in the retirement
6 system, which return was immediately upon termination of the
7 educational leave, and must have remained on the employer's
8 payroll for at least 30 calendar days following the return to
9 employment;

10 4. The employee must be a member of the Florida
11 Retirement System at the time he or she claims such service;

12 5. Not more than 24 months of creditable service may
13 be claimed for such period of educational leave with pay;

14 6. The service must not be claimed under any other
15 state or federal retirement system; and

16 7. The member must pay to the retirement trust fund
17 for claiming such past-service credit an amount equal to 8
18 percent of his or her gross annual salary immediately prior to
19 the educational leave with pay for each year of past service
20 claimed, plus 4 percent interest thereon compounded annually
21 each June 30 from the first year of service claimed until July
22 1, 1975, and 6.5 percent interest thereafter on the unpaid
23 balance compounded annually each June 30 until paid.

24 Section 11. Paragraphs (a) and (j) of subsection (4)
25 of section 121.091, Florida Statutes, 1998 Supplement, are
26 amended to read:

27 121.091 Benefits payable under the system.--Benefits
28 may not be paid under this section unless the member has
29 terminated employment as provided in s. 121.021(39)(a) or
30 begun participation in the Deferred Retirement Option Program
31 as provided in subsection (13), and a proper application has

1 | been filed in the manner prescribed by the division. The
2 | division may cancel an application for retirement benefits
3 | when the member or beneficiary fails to timely provide the
4 | information and documents required by this chapter and the
5 | division's rules. The division shall adopt rules establishing
6 | procedures for application for retirement benefits and for the
7 | cancellation of such application when the required information
8 | or documents are not received.

9 | (4) DISABILITY RETIREMENT BENEFIT.--

10 | (a) Disability retirement; entitlement and effective
11 | date.--

12 | 1. A member who becomes totally and permanently
13 | disabled, as defined in paragraph (b), after completing 5
14 | years of creditable service, or a member who becomes totally
15 | and permanently disabled in the line of duty regardless of
16 | service, shall be entitled to a monthly disability benefit;
17 | ~~except that any member with less than 5 years of creditable~~
18 | ~~service on July 1, 1980, or any person who becomes a member of~~
19 | ~~the Florida Retirement System on or after such date must have~~
20 | ~~completed 10 years of creditable service prior to becoming~~
21 | ~~totally and permanently disabled in order to receive~~
22 | ~~disability retirement benefits for any disability which occurs~~
23 | ~~other than in the line of duty. However, if a member employed~~
24 | ~~on July 1, 1980, with less than 5 years of creditable service~~
25 | ~~as of that date, becomes totally and permanently disabled~~
26 | ~~after completing 5 years of creditable service and is found~~
27 | ~~not to have attained fully insured status for benefits under~~
28 | ~~the federal Social Security Act, such member shall be entitled~~
29 | ~~to a monthly disability benefit.~~

30 | 2. If the division has received from the employer the
31 | required documentation of the member's termination of

1 employment, the effective retirement date for a member who
2 applies and is approved for disability retirement shall be
3 established by rule of the division.

4 3. For a member who is receiving Workers' Compensation
5 payments, the effective disability retirement date may not
6 precede the date the member reaches Maximum Medical
7 Improvement (MMI), unless the member terminates employment
8 prior to reaching MMI.

9 (j) Disability retirement of justice or judge by order
10 of Supreme Court.--

11 1. If a member is a justice of the Supreme Court,
12 judge of a district court of appeal, circuit judge, or judge
13 of a county court who has served for 6 ~~10~~ years or more as an
14 elected constitutional judicial officer, including service as
15 a judicial officer in any court abolished pursuant to Art. V
16 of the State Constitution, and who is retired for disability
17 by order of the Supreme Court upon recommendation of the
18 Judicial Qualifications Commission pursuant to the provisions
19 of Art. V of the State Constitution, the member's Option 1
20 monthly benefit as provided in subparagraph (6)(a)1. shall not
21 be less than two-thirds of his or her monthly compensation as
22 of the member's disability retirement date. Such a member may
23 alternatively elect to receive a disability retirement benefit
24 under any other option as provided in paragraph (6)(a).

25 2. Should any justice or judge who is a member of the
26 Florida Retirement System be retired for disability by order
27 of the Supreme Court upon recommendation of the Judicial
28 Qualifications Commission pursuant to the provisions of Art. V
29 of the State Constitution, then all contributions to his or
30 her account and all contributions made on his or her behalf by
31 the employer shall be transferred to and deposited in the

1 General Revenue Fund of the state, and there is hereby
2 appropriated annually out of the General Revenue Fund, to be
3 paid into the Florida Retirement System Fund, an amount
4 necessary to pay the benefits of all justices and judges
5 retired from the Florida Retirement System pursuant to Art. V
6 of the State Constitution.

7 Section 12. Paragraph (b) of subsection (1) of section
8 121.1115, Florida Statutes, is amended to read:

9 121.1115 Purchase of retirement credit for
10 out-of-state and federal service.--Effective January 1, 1995,
11 a member of the Florida Retirement System may purchase
12 creditable service for periods of public employment in another
13 state and receive creditable service for such periods of
14 employment. Service with the Federal Government, including any
15 military service, may be claimed. Upon completion of each year
16 of service earned under the Florida Retirement System, a
17 member may purchase up to 1 year of retirement credit for his
18 or her out-of-state service, subject to the following
19 provisions:

20 (1) LIMITATIONS AND CONDITIONS.--To receive credit for
21 the out-of-state service:

22 (b) The member must have completed a minimum of 6 ~~10~~
23 years of creditable service under the Florida Retirement
24 System, excluding out-of-state service and in-state service
25 claimed and purchased under s. 121.1122.

26 Section 13. Paragraph (a) of subsection (2) of section
27 121.1122, Florida Statutes, 1998 Supplement, is amended to
28 read:

29 121.1122 Purchase of retirement credit for in-state
30 public service and in-state service in accredited nonpublic
31 schools and colleges, including charter schools and charter

1 technical career centers.--Effective January 1, 1998, a member
2 of the Florida Retirement System may purchase creditable
3 service for periods of certain public or nonpublic employment
4 performed in this state, as provided in this section.

5 (2) LIMITATIONS AND CONDITIONS.--

6 (a) A member is not eligible to receive credit for
7 in-state service under this section until he or she has
8 completed 6 ~~10~~ years of creditable service under the Florida
9 Retirement System, excluding service purchased under this
10 section and out-of-state service claimed and purchased under
11 s. 121.1115.

12 Section 14. Paragraph (a) of subsection (1) of section
13 121.121, Florida Statutes, 1998 Supplement, is amended to
14 read:

15 121.121 Authorized leaves of absence.--

16 (1) A member may purchase creditable service for up to
17 2 work years of authorized leaves of absence if:

18 (a) The member has completed a minimum of 6 ~~10~~ years
19 of creditable service, excluding periods for which a leave of
20 absence was authorized;

21 (b) The leave of absence is authorized in writing by
22 the employer of the member and approved by the administrator;

23 (c) The member returns to active employment performing
24 service with a Florida Retirement System employer in a
25 regularly established position immediately upon termination of
26 the leave of absence and remains on the employer's payroll for
27 1 calendar month, except that a member who retires on
28 disability while on a medical leave of absence shall not be
29 required to return to employment. A member whose work year is
30 less than 12 months and whose leave of absence terminates
31 between school years is eligible to receive credit for the

1 leave of absence as long as he or she returns to the
2 employment of his or her employer at the beginning of the next
3 school year and remains on the employer's payroll for 1
4 calendar month; and

5 (d) The member makes the required contributions for
6 service credit during the leave of absence, which shall be 8
7 percent until January 1, 1975, and 9 percent thereafter of his
8 or her rate of monthly compensation in effect immediately
9 prior to the commencement of such leave for each month of such
10 period, plus 4 percent interest until July 1, 1975, and 6.5
11 percent interest thereafter on such contributions, compounded
12 annually each June 30 from the due date of the contribution to
13 date of payment. Effective July 1, 1980, any leave of absence
14 purchased pursuant to this section shall be at the
15 contribution rates specified in s. 121.071 in effect at the
16 time the leave is granted for the class of membership from
17 which the leave of absence was granted; however, any member
18 who purchased leave-of-absence credit prior to July 1, 1980,
19 for a leave of absence from a position in a class other than
20 the regular membership class, may pay the appropriate
21 additional contributions plus compound interest thereon and
22 receive creditable service for such leave of absence in the
23 membership class from which the member was granted the leave
24 of absence.

25 Section 15. Effective July 1, 2001, to fund the
26 provisions of this act:

27 (1) The contribution rates applicable to the Regular
28 Class of the Florida Retirement System shall be increased by
29 1.36 percentage points;

30 (2) The contribution rates applicable to the Special
31 Risk Class shall be increased by ___ percentage points;

1 (3) The contribution rates applicable to the Special
2 Risk Administrative Support Class of the Florida Retirement
3 System shall be increased by __ percentage points;

4 (4) The contribution rates applicable to judicial
5 members of the Elected Officers' Class of the Florida
6 Retirement System shall be increased by __ percentage points;

7 (5) The contribution rates applicable to legislative,
8 attorney, and Cabinet members of the Elected Officers' Class
9 of the Florida Retirement System shall be increased by __
10 percentage points;

11 (6) The contribution rates applicable to county and
12 certain municipal and special district members of the Elected
13 Officers' Class of the Florida Retirement System shall be
14 increased by __ percentage points; and

15 (7) The contribution rates applicable to the Senior
16 Management Service Class of the Florida Retirement System
17 shall be increased by __ percentage points.

18
19 These increases shall be in addition to all other changes to
20 such contribution rates which may be enacted into law to take
21 effect on that date. The editors of the Florida Statutes are
22 hereby directed to adjust the contribution rates as set forth
23 in sections 121.052, 121.055, and 121.071, Florida Statutes,
24 accordingly.

25 Section 16. The Legislature finds that a proper and
26 legitimate state purpose is served when employees and retirees
27 of the state and of its political subdivisions, and the
28 dependents, survivors, and beneficiaries of such employees and
29 retirees, are extended the basic protections afforded by
30 governmental retirement systems that provide fair and adequate
31 benefits that are managed, administered, and funded in an

1 actuarially sound manner, as required by Section 14 of Article
2 X of the State Constitution and part VII of chapter 112,
3 Florida Statutes. Therefore, the Legislature determines and
4 declares that this act fulfills an important state interest.

5 Section 17. The Regular Class Optional Retirement
6 Program created by this act shall be implemented beginning
7 July 1, 2001, contingent upon the Division of Retirement
8 receiving a favorable determination letter and a favorable
9 private-letter ruling from the Internal Revenue Service before
10 the end of the regular session of the Legislature held in
11 2001.

12 Section 18. Effective July 1, 2001, to fund the
13 provisions of this act, the contribution rates applicable to
14 the Regular Class of the Florida Retirement System shall be
15 increased by 0.50 percentage points. This increase is in
16 addition to all other changes to such contributions rates
17 which are enacted into law to take effect on or before that
18 date.

19 Section 19. This act shall take effect July 1, 1999.
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1 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
2 COMMITTEE SUBSTITUTE FOR
3 SB 356

4 The Committee Substitute provides a graded vesting schedule
5 ranging from two to six years for both the optional defined
6 contribution plan and the Florida Retirement System defined
7 benefit plan. It provides for the procurement of up to eight
8 provider companies from the spectrum of the insurance and
9 financial communities and, at the discretion of the Board of
10 Trustees, from the State Board of Administration itself. A
11 third party information and education firm will be retained to
12 provide assistance to participants on the decision and
13 suitability of which plan they should enroll. A failure to
14 decide shall compel membership in the Florida Retirement
15 System. The bill provides for review by the Internal Revenue
16 Service for federal tax compliance and compels the provider
17 companies to offer functional systems which are date
18 calculation compliant. All provider companies must be subject
19 to a due diligence inquiry, demonstrate nationally recognized
20 ratings in their financial category and experience in the
21 delivery of their chosen products and services. Participants
22 may elect to transfer into the optional retirement plan and
23 receive a discounted payout of their accrued FRS benefits. The
24 bill fixes the fixed employer contribution at 8.21% of salary
25 for the optional retirement program.
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