

By the Committees on Fiscal Policy; and Governmental Oversight
and Productivity

309-2131A-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; providing an investment
28 policy statement; amending s. 112.363, F.S.;
29 excluding participants from eligibility for
30 certain health insurance subsidies; prescribing
31 standards for contracts and descriptive

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1 materials; providing that the act fulfills an
 2 important state interest; amending s. 121.021,
 3 F.S.; modifying definitions to provide for
 4 6-year graded vesting for all members; amending
 5 ss. 112.363, 121.0515, 121.052, 121.053,
 6 121.055, 121.081, 121.091, 121.1115, 121.1122,
 7 121.121, F.S., to conform; providing a
 8 contingency for implementation of the program;
 9 providing for indexing benefits for early
 10 terminators; increasing the employer
 11 contribution rate for members of the Regular
 12 Class of the Florida Retirement System;
 13 amending s. 216.136, F.S.; creating a Florida
 14 Retirement System Actuarial Assumption
 15 Conference; providing duties and principals;
 16 providing an effective date.

17

18 Be It Enacted by the Legislature of the State of Florida:

19

20 Section 1. Section 121.36, Florida Statutes, is
 21 created to read:

22 121.36 Optional retirement program for members of the
 23 regular class.--

24 (1) OPTIONAL RETIREMENT PROGRAM

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

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

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

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

18 (b) "Contract" means an individual contract or an
19 individual certificate issued for a group contract. The term
20 "execute a contract" includes execution of an individual
21 contract and execution of a group contract by the Division of
22 Retirement with issuance of an individual certificate.

23 (c) "De minimis account" refers to total vested
24 account contributions and accumulated earnings under the
25 Regular Class Optional Retirement Program of not more than
26 \$5,000.

27 (d) "Eligible employee" means an employee, as defined
28 in s. 121.021(11), who is a member of, or is eligible for
29 membership in, the Regular Class of the Florida Retirement
30 System. However, the term does not include any employee who is
31 a participant of, or is eligible to participate in, any other

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1 optional retirement program authorized under this chapter, nor
2 does the term include any renewed member of the Florida
3 Retirement System under s. 121.122 or any member participating
4 in the Deferred Retirement Option Program under s.
5 121.091(13).

6 (e) "Employer" means an employer, as defined in s.
7 121.021(10), of an eligible employee.

8 (f) "Participant" means an eligible employee who
9 elects to participate in the Regular Class Optional Retirement
10 Program and enrolls in such optional program as provided in
11 subsection (4).

12 (g) "Regular Class Optional Retirement Program" or
13 "optional program" means the alternative defined-contribution
14 retirement program established under this section.

15 (h) "Vested" or "vesting" means the guarantee that a
16 participant is eligible to receive a full or partial
17 retirement benefit upon completion of the required years of
18 service under the Regular Class Optional Retirement Program.

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

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

22 (b) An eligible employee who is a member of the
23 Florida Retirement System at the time of his or her election
24 to participate in the Regular Class Optional Retirement
25 Program shall retain all retirement service credit earned
26 under the Florida Retirement System, at the rate earned.
27 However, election to participate in the Regular Class Optional
28 Retirement Program terminates the active membership of the
29 employee in the Florida Retirement System, and the service of
30 a participant in the Regular Class Optional Retirement Program
31 will not be creditable under the Florida Retirement System,

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1 nor will the participant be eligible for disability retirement
2 under the Florida Retirement System.

3 (c) Notwithstanding paragraph (b), each existing
4 employee who elects to participate in the Regular Class
5 Optional Retirement Program and establishes one or more
6 individual participant accounts under the program may elect to
7 transfer to the optional program a sum representing the
8 actuarial equivalent present value of the employee's accrued
9 service benefit under the Florida Retirement System. Upon such
10 election, the actuarial present value for the participant
11 shall be determined using the discount rate and other
12 actuarial assumptions used to value the Florida Retirement
13 System Trust Fund at the time the amount to be transferred is
14 determined and disregarding any vesting requirement that would
15 otherwise apply under the Florida Retirement System. As
16 directed by the participant, the division shall transfer the
17 appropriate amounts to the designated accounts. The division
18 shall establish transfer procedures by rule. Upon such
19 transfer, all service credit previously earned under the
20 Florida Retirement System shall be nullified for purposes of
21 entitlement to a future benefit under the Florida Retirement
22 System. Transfers are noncommissionable, must be made
23 expeditiously, and may be in the form of securities or cash.

24 (4) PARTICIPATION.--

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

27 1. Any such employee may elect to participate in the
28 Regular Class Optional Retirement Program in lieu of retaining
29 his or her membership in the Regular Class of the Florida
30 Retirement System. The election must be made in writing and
31 must be filed with the division and the personnel officer of

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1 the employer within 90 days after July 1, 2001, or, in the
2 case of an active employee who is on a leave of absence on
3 July 1, 2001, within 90 days after the conclusion of the leave
4 of absence. Upon making such election, the employee shall
5 become a participant of the Regular Class Optional Retirement
6 Program, and the employee's membership in the Florida
7 Retirement System will terminate. The employee's enrollment in
8 the Regular Class Optional Retirement Program will be
9 effective the first day of the month for which a full month's
10 employer contribution is made to the optional program.

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

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

19 1. Any such employee shall, by default, be enrolled in
20 the Florida Retirement System at the commencement of
21 employment, and may, within 90 days after employment
22 commences, elect to participate in the Regular Class Optional
23 Retirement Program. The employee's election must be made in
24 writing and must be filed with the personnel officer of the
25 employer.

26 a. If the employee files such election before the
27 initial payroll is submitted for the employee, enrollment in
28 the Regular Class Optional Retirement Program will be
29 effective on the first day of employment.

30 b. If the employee files such election within 90 days
31 after employment commences, but after the initial payroll is

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1 submitted for the employee, enrollment in the optional program
2 will be effective on the first day of the month for which a
3 full month's employer contribution is made to the optional
4 program.

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

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

13 1. Upon a change in eligibility status, the employer
14 must provide written notice to the employee stating that, due
15 to the change in eligibility status, the employee has the
16 option to participate in the Regular Class Optional Retirement
17 Program in lieu of retaining membership in the Florida
18 Retirement System Regular Class, if he or she exercises the
19 option within 90 days after the notification date.

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

30 3. Any such employee who fails to elect to participate
31 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 (d) The provisions of paragraph (a), paragraph (b), or
4 paragraph (c) to the contrary notwithstanding:

5 1. Any eligible employee who elects to participate in
6 the Regular Class Optional Retirement Program but fails to
7 execute a contract with one of the approved providers within
8 90 days after enrollment in the optional program, or who fails
9 to properly notify, within the prescribed 90 days, the
10 division that such contract has been executed, shall be deemed
11 to have executed an annuity contract with the State Board of
12 Administration, and all appropriate contributions shall be
13 transferred to the State Board of Administration for
14 allocation to the participant's account.

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

25 (e) The election to participate in the Regular Class
26 Optional Retirement Program is irrevocable for as long as the
27 employee holds a position eligible for participation in the
28 optional program and otherwise continues to meet the
29 requirements of this section.

30 (5) CONTRIBUTIONS.--
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1 (a)1. Each employer shall contribute on behalf of each
2 participant in the Regular Class Optional Retirement Program
3 an amount equal to 8.21 percent of the employee's gross
4 salary. The employer shall forward to the division the
5 required contributions for each participant of the optional
6 program, and the division shall forward the contributions to
7 the designated providers contracting for payment of benefits
8 for the participant, less an amount approved by the
9 Legislature, which shall be deducted by the division to
10 provide for the administration of the program. However, such
11 contributions may not be forwarded to a provider and do not
12 begin to accrue interest until the employee has executed a
13 contract and notified the division.

14 2. Contributions by each employer and each participant
15 which are required for social security coverage under the
16 federal Social Security Act must be maintained for each
17 participant in the Regular Class Optional Retirement Program,
18 in addition to the retirement contributions specified in this
19 subsection.

20 (b) Each participant in the Regular Class Optional
21 Retirement Program who has executed a contract may contribute,
22 on a posttax basis, to his or her account under the Regular
23 Class Optional Retirement Program, subject to federal
24 requirements applicable to defined-contribution plans under s.
25 401(a) of the Internal Revenue Code. Interest and investment
26 earnings on such contributions will accrue on a tax-deferred
27 basis until the proceeds are distributed. Participant
28 contributions shall be made by way of salary deduction,
29 undertaken by written agreement between the participant and
30 his or her employer, and may not exceed the amount contributed
31 by the employer on behalf of the participant. The employer

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1 shall forward to the division the designated contributions for
2 each participant of the optional program, and the division
3 shall forward the contributions to the designated approved
4 provider or providers contracting for payment of benefits for
5 the participant under the program.

6
7 Contributions made under the optional program shall be
8 deposited in the Regular Class Optional Retirement Program
9 Trust Fund established in the State Treasury and administered
10 by the Division of Retirement, and payments shall be made
11 therefrom to the approved providers on behalf of the Regular
12 Class Optional Retirement Program participants.

13 (c) If a participant in the Regular Class Optional
14 Retirement Program has the opportunity, through his or her
15 employer, to participate in a tax sheltered annuity plan
16 authorized under s. 403(b) of the United States Internal
17 Revenue Code, a deferred compensation plan authorized under s.
18 457 of the United States Internal Revenue Code, or a cash or
19 deferred arrangement available pursuant to s. 401(k) of the
20 United States Internal Revenue Code, the participant may,
21 through salary reduction or deduction, contribute on a pre-tax
22 basis to such other plan, subject to federal limitations.

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

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1 is responsible for ensuring that total contributions made to
2 the optional program and to any other such plan do not exceed
3 federally permitted maximums.

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

8 (a) With respect to participant contributions, plus
9 interest and earnings thereon, participants are fully and
10 immediately vested.

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

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

21 2. A member who completes 3 years of service under the
22 optional program shall be considered to be 40-percent vested
23 and is entitled to receive an employer-funded benefit based on
24 40 percent of the employer contributions made to the
25 participant's account, plus interest and earnings thereon.

26 3. A member who completes 4 years of service under the
27 optional program shall be considered to be 60-percent vested
28 and is entitled to receive an employer-funded benefit based on
29 60 percent of the employer contributions made to the
30 participant's account, plus interest and earnings thereon.

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

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

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

14 (a) Benefits shall be provided through individual
15 contracts, or individual certificates issued for group
16 contracts, in accordance with s. 401(a) of the Internal
17 Revenue Code.

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

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

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

27 2. Benefits shall be paid only by the designated
28 approved provider in accordance with the terms of the
29 contracts applicable to the participant.

30 3. To begin receiving the employer-funded benefits,
31 the participant must be terminated from all employment with

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1 all Florida Retirement System employers, as provided in s.
2 121.021(39). If a participant elects to receive his or her
3 employer-funded benefits upon termination of employment, in
4 accordance with the terms and conditions of the applicable
5 provider contract, the participant must submit a written
6 application to the division indicating his or her preferred
7 distribution date and selecting an authorized method of
8 distribution as provided in paragraph (d). The division shall
9 forward a copy of such application to each approved provider
10 with which the participant has a contractual relationship
11 under the optional program. The participant may defer receipt
12 of employer-funded benefits until he or she chooses to make
13 such application.

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

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

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1 or coverage for such benefits, as are separately afforded by
2 the employer, in the employer's discretion.

3 (d) Upon receipt by the division of a properly
4 executed application for distribution of benefits, the total
5 accumulated employer-funded benefit shall be payable to the
6 participant, as:

7 1. A lifetime annuity payable to the participant. This
8 payment option is not available in the case of a de minimis
9 account;

10 2. A cash-out of a de minimis account of \$5,000 or
11 less, in accordance with rules adopted by the division; or

12 3. A direct rollover distribution whereby all accrued
13 benefits, plus interest and investment earnings, are paid from
14 the participant's account directly to the custodian of an
15 eligible retirement plan, as defined in s. 402(c)(8)(B) of the
16 Internal Revenue Code, on behalf of the participant.

17 (e) Survivor benefits shall be payable as:

18 1. A lifetime annuity payable to the deceased
19 participant's designated beneficiaries. This payment option is
20 not available in the case of a de minimis account;

21 2. A lump-sum distribution payable to the
22 beneficiaries, or to the deceased participant's estate;

23 3. An eligible rollover distribution on behalf of the
24 surviving spouse of a deceased participant, whereby all
25 accrued benefits, plus interest and investment earnings, are
26 paid from the deceased participant's account directly to the
27 custodian of an individual retirement account or an individual
28 retirement annuity, as described in s. 402(c)(9) of the
29 Internal Revenue Code, on behalf of the surviving spouse; or

30 4. A partial lump-sum payment whereby a portion of the
31 accrued benefit is paid to the deceased participant's

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1 surviving spouse or other designated beneficiaries, less
2 withholding taxes remitted to the Internal Revenue Service,
3 and the remaining amount is transferred directly to the
4 custodian of an individual retirement account or an individual
5 retirement annuity, as described in s. 402(c)(9) of the
6 Internal Revenue Code, on behalf of the surviving spouse. The
7 proportions must be specified by the participant or the
8 surviving spouse.

9
10 This paragraph does not abrogate other applicable provisions
11 of state or federal law providing for payment of death
12 benefits.

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

20 (8) ADMINISTRATION OF PROGRAM.--

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

27 (b)1. The division may select and contract with a
28 third-party administrator to provide administrative services,
29 including, but not limited to, services relating to:
30 consolidated billing; individual and collective recordkeeping
31 and accounting; asset purchase, control, and safekeeping; and

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1 direct disbursement of funds to and from approved providers,
2 employers, participants, and beneficiaries.

3 2. The division shall also select and contract with a
4 third-party organization to develop and disseminate
5 educational materials and provide educational services to
6 employers, eligible employees, participants, and beneficiaries
7 in order to maintain compliance with United States Department
8 of Labor regulations under section 404(c) of the Employee
9 Retirement Income Security Act of 1974 and to assist employees
10 in their choice of defined-benefit or defined-contribution
11 retirement alternatives. Such materials and services may
12 include, but are not limited to, providing retirement-planning
13 education; explaining the differences between the
14 defined-benefit retirement plan and the defined-contribution
15 retirement plan; and offering financial-planning guidance on
16 matters such as investment diversification, investment risks,
17 investment costs, and asset allocation. An approved provider
18 may not perform this function, but may provide information
19 concerning its products and services.

20
21 As a cost of administration, the division may compensate any
22 such contractor for its services, in accordance with the terms
23 of the contract, as is deemed necessary or proper by the
24 division and the contractor.

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

28 (9) INVESTMENT PROVIDERS; INVESTMENT OPTIONS OR
29 PRODUCTS; PERFORMANCE REVIEW.--

30 (a) The division shall develop policy and procedures
31 for selecting investment providers and products from which

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1 contracts may be purchased under the program. The State Board
2 of Administration may advise the division and make
3 recommendations with regard to selecting investment providers
4 and products under subsection (11). In accordance with such
5 policy and procedures, the division shall, through a
6 competitive-bidding process, designate up to nine providers,
7 one of which may be the State Board of Administration, and
8 shall approve the form and content of all investment
9 contracts. Potential provider companies may elect to submit
10 competitive bids or proposals to serve only a specific segment
11 of optional program participants, such as K-12 public school
12 district employees, and nothing in this section shall prohibit
13 the division from selecting one or more such providers as part
14 of the nine providers.

15 (b) In evaluating and selecting private-sector
16 provider companies and products for the Regular Class Optional
17 Retirement Program, the division shall establish criteria
18 under which it will consider the relative capabilities and
19 qualifications of each proposed provider company. In
20 developing such criteria, the division shall consider:

21 1. Experience in Florida and other states providing
22 retirement annuities or trusteed mutual fund arrangements
23 under defined-contribution pension plans.

24 2. Financial strength and stability, as evidenced by
25 the highest ratings assigned by nationally recognized rating
26 services.

27 3. Intrastate and interstate portability of the
28 product offered, including early withdrawal options.

29 4. Compliance with the Internal Revenue Code.

30 5. The cost-effectiveness of the products provided,
31 and the levels of service supporting them, relative to their

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1 benefits and their characteristics, including, without
2 limitation, the level of risk borne by the provider.

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

7 7. The methods available to participants to interact
8 with the provider company, including the means by which
9 participants may access account information, direct investment
10 of contributions, make changes to their accounts, transfer
11 moneys between available investment vehicles, and transfer
12 moneys between provider companies, and shall consider any fees
13 that apply to such activities.

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

20 (d) The division shall consider investment options or
21 products it considers appropriate to give participants the
22 opportunity to accumulate retirement benefits, subject to the
23 following:

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

26 2. Investment options or products offered by the group
27 of approved providers may include mutual funds, group annuity
28 contracts, individual retirement annuities, interests in
29 trusts, and other such financial instruments.

30 (e) The division shall periodically review the
31 performance of each approved provider and each approved

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1 product to ensure continued compliance with established
2 selection criteria and with division policy and procedures.
3 Providers or products may be terminated, subject to contract
4 provisions.

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

7 (10) CONTRACT REQUIREMENTS.--The division shall ensure
8 that each participant is provided a quarterly statement that
9 accounts for the contributions made by and on behalf of such
10 participants; the interest and investment earnings thereon;
11 and any fees, penalties, or other deductions that apply
12 thereto. At a minimum, such statements must:

13 1. Indicate the participant's self-directed investment
14 options.

15 2. State the market value of the account at the close
16 of the current quarter and previous quarter.

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

18 4. Itemize account contributions for the quarter.

19 5. Indicate any account changes due to adjustment of
20 contribution levels, reallocation of contributions, balance
21 transfers, or withdrawals.

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

24

25 Investment providers shall provide annual summary reports to
26 the division.

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

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1 (a) At the request of the division, the board shall
2 review proposals submitted by vendors seeking to become
3 approved providers for the Regular Class Optional Retirement
4 Program and shall submit to the division its recommendations
5 regarding such vendors, based on:

6 1. An evaluation of specific investment products
7 proposed to be offered, taking into account each product's
8 track record in meeting its investment return objectives net
9 of all related fees, expenses, and charges, including, but not
10 limited to, investment management fees, loads, distribution
11 and marketing fees, custody fees, recordkeeping fees,

12 education fees, annuity expenses, and consulting fees; and

13 2. Organizational factors, including, but not limited
14 to, financial solvency, organizational depth, and experience
15 in providing institutional investment services.

16 (b) Once providers have been selected and approved,
17 the board shall periodically review investment product
18 performance and related organizational factors of the approved
19 providers. The board shall advise the division on the
20 acceptability of all investment products proposed to be
21 offered through contracts to the participants and may advise
22 the division of any changes necessary to ensure that the
23 Regular Class Optional Retirement Program offers a diversified
24 mix of investment products.

25 (c) The State Board of Administration shall develop
26 and submit to the division its recommendations regarding the
27 form and content of contracts to be offered under the Regular
28 Class Optional Retirement Program. In developing its
29 recommendations, the board must consider:

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

4 2. The suitability of the rights and benefits to be
5 afforded participants to the needs of the participants and the
6 interests of employers in the recruitment and retention of
7 eligible employees.

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

23
24 The Investment Advisory Council shall review any
25 recommendations of the board prior to submittal to the
26 division. The division shall make the final determination as
27 to whether any investment provider or product, any contractor,
28 or any and all contract provisions will be approved for the
29 program. Upon the recommendation of the Board of Trustees of
30 the State Board of Administration that it offer an optional
31 retirement program that it administers, the Division of

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1 Retirement shall commission an independent third-party firm to
2 conduct a review of the product to be offered so as to effect
3 substantial compliance with the provisions of this subsection.

4 (12) FEDERAL REQUIREMENTS.--

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

11 (b) Any section or provision of this chapter which is
12 susceptible to more than one construction must be interpreted
13 in favor of the construction most likely to satisfy
14 requirements imposed by s. 401(a) of the Internal Revenue
15 Code.

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

27 (13) INVESTMENT POLICY STATEMENT.--

28 (a) Investment products and providers selected for the
29 regular class optional retirement system shall be in
30 conformance with the Regular Class Optional Retirement System
31 Investment Policy Statement, herein referred to as the

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1 "Statement," as developed by the executive director of the
2 State Board of Administration, approved by the board, and
3 submitted to the Division of Retirement. The Statement must
4 include, among other items, the investment objectives of the
5 Regular Class Optional Retirement System; manager selection
6 and monitoring guidelines; and performance measurement
7 criteria. As required from time to time, the executive
8 director of the State Board of Administration may present
9 recommended changes in the Statement to the board for
10 approval.

11 (b) Prior to any recommended changes in the Statement
12 being presented to the State Board of Administration, the
13 executive director of the board shall present such changes to
14 the Investment Advisory Council for review. The council shall
15 present the results of its review to the board prior to the
16 board's final approval of the Statement or changes in the
17 Statement.

18 (14) STATEMENT OF FIDUCIARY STANDARDS AND
19 RESPONSIBILITIES.--

20 (a) Investment of regular class optional retirement
21 program assets shall be made for the sole interest and
22 exclusive purpose of providing benefits to program
23 participants and beneficiaries and defraying reasonable
24 expenses of administering the program. The program's assets
25 are to be invested with the care, skill, and diligence that a
26 prudent person acting in a like manner would undertake. The
27 performance of the above investment duties shall comply with
28 the fiduciary standards set forth in the Employee Retirement
29 Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A)
30 through (C). In case of conflict with other provisions of law
31

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1 authorizing investments, the investment and fiduciary
2 standards set forth in this subsection shall prevail.

3 (b) The program's investment fiduciaries shall not be
4 liable for losses to a participant's or beneficiary's account
5 that result from the participant's or beneficiary's exercise
6 of control. The assets of the regular class optional
7 retirement program shall be maintained in compliance with the
8 United States Department of Labor regulation under section
9 404(c) of the Employee Retirement Income Security Act of 1974
10 and all applicable laws governing the operation of the
11 program.

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

14 112.363 Retiree health insurance subsidy.--

15 (2) ELIGIBILITY FOR RETIREE HEALTH INSURANCE
16 SUBSIDY.--A person who is retired under a state-administered
17 retirement system, or a beneficiary who is a spouse or
18 financial dependent entitled to receive benefits under a
19 state-administered retirement system, is eligible for health
20 insurance subsidy payments provided under this section; except
21 that pension recipients under ss. 121.055(1)(b)2., 121.36,
22 121.40, 238.07(16)(a), and 250.22, recipients of health
23 insurance coverage under s. 110.1232, or any other special
24 pension or relief act shall not be eligible for such payments.
25 Payment of the retiree health insurance subsidy shall be made
26 only after coverage for health insurance for the retiree or
27 beneficiary has been certified in writing to the Division of
28 Retirement. Participation in a former employer's group health
29 insurance program is not a requirement for eligibility under
30 this section. However, participants in the State Community
31 College System Optional Retirement Program as provided in s.

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1 121.051(2)(c), the Senior Management Service Optional Annuity
2 Program as provided in s. 121.055(6), and the State University
3 System Optional Retirement Program as provided in s. 121.35
4 shall not receive the retiree health insurance subsidy
5 provided in this section. The employer of such participant
6 shall pay the contributions required in subsection (8) to the
7 annuity program provided in s. 121.051(2)(c), s.
8 121.055(6)(d), or s. 121.35(4)(a), as applicable.

9 Section 3. In any solicitation or offer of coverage
10 under an optional retirement program, a provider company shall
11 be governed by the contract readability provisions of section
12 627.4145, Florida Statutes, notwithstanding section
13 627.4145(6)(c), Florida Statutes. In addition, all descriptive
14 materials must be prepared under the assumption that the
15 participant is an unsophisticated investor. Provider companies
16 must maintain an internal system of quality assurance, have
17 proven functional systems that are date-calculation compliant,
18 and be subject to a due-diligence inquiry that proves their
19 capacity and fitness to undertake service responsibilities.

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

22 112.363 Retiree health insurance subsidy.--

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

24 (e) Beginning July 1, 2001, each eligible retiree or,
25 if the retiree is deceased, his or her beneficiary who is
26 receiving a monthly benefit from such retiree's account and
27 who is a spouse, or a person who meets the definition of joint
28 annuitant in s. 121.021(28), shall receive a monthly retiree
29 health insurance subsidy payment equal to the number of years
30 of creditable service, as defined in s. 121.021(17), completed
31 at the time of retirement multiplied by \$5. No eligible

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1 retiree or beneficiary may receive a subsidy payment of more
2 than \$150 or less than \$30. If there are multiple
3 beneficiaries, the total payment may not be greater than the
4 payment to which the retiree was entitled.

5 Section 5. Subsections (29) and (45) of section
6 121.021, Florida Statutes, 1998 Supplement, are amended to
7 read:

8 121.021 Definitions.--The following words and phrases
9 as used in this chapter have the respective meanings set forth
10 unless a different meaning is plainly required by the context:

11 (29) "Normal retirement date" means the first day of
12 any month following the date a member attains one of the
13 following statuses:

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

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

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

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

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

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

26 3. Completes 25 years of creditable service and
27 attains age 52, which service may include a maximum of 4 years
28 of military service credit as long as such credit is not
29 claimed under any other system and the remaining years are in
30 the Special Risk Class.

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1 (c) If a Senior Management Service Class member, the
2 member:

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

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

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

11 1. Completes 6 8 years of creditable service in the
12 Elected State and County Officers' Class and attains age 62;
13 or

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

18
19 "Normal retirement age" is attained on the "normal retirement
20 date."

21 (45)(a) "Vested" or "vesting" means the guarantee that
22 a member is eligible to receive a future retirement benefit
23 upon completion of the required years of creditable service
24 for the employee's class of membership, even though the member
25 may have terminated covered employment before reaching normal
26 or early retirement date. Being vested does not entitle a
27 member to a disability benefit; provisions governing
28 entitlement to disability benefits are set forth under s.
29 121.091(4)~~based on a disability caused by an injury or~~
30 ~~disease that occurs after termination of covered employment.~~

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

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

10 2. Any such member completing 3 years of creditable
11 service shall be considered to be 40 percent vested and shall
12 be entitled to a future benefit based on 40 percent of the
13 retirement credit earned for his or her service.

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

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

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

25
26 Inactive members will not be considered fully or partially
27 vested solely by operation of the provisions of this
28 paragraph. Any member who is not employed in a regularly
29 established position on July 1, 2001, will be deemed partially
30 or fully vested as provided in this paragraph only upon
31 subsequent employment in a covered position for 1 work year,

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1 except that no member may be required to complete more years
2 of creditable service than would have been required for that
3 member to vest under retirement laws in effect before July 1,
4 2001.

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

8 121.0515 Special risk membership; criteria;
9 designation and removal of classification; credits for past
10 service and prior service; retention of special risk normal
11 retirement date.--

12 (7) RETENTION OF SPECIAL RISK NORMAL RETIREMENT
13 DATE.--

14 (a) A special risk member who is moved or reassigned
15 to a nonspecial risk law enforcement, firefighting, or
16 correctional administrative support position with the same
17 agency, or who is subsequently employed in such a position
18 with any law enforcement, firefighting, or correctional agency
19 under the Florida Retirement System, shall participate in the
20 Special Risk Administrative Support Class and shall earn
21 credit for such service at the same percentage rate as that
22 earned by a regular member. Notwithstanding the provisions of
23 subsection (4), service in such an administrative support
24 position shall, for purposes of s. 121.091, apply toward
25 satisfaction of the special risk normal retirement date, as
26 defined in s. 121.021(29)(b), provided that, while in such
27 position, the member remains certified as a law enforcement
28 officer, firefighter, or correctional officer; remains subject
29 to reassignment at any time to a position qualifying for
30 special risk membership; and completes an aggregate of 6 ~~10~~ or
31

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1 more years of service as a designated special risk member
2 prior to retirement.

3 Section 7. Paragraph (d) is added to subsection (5) of
4 section 121.052, Florida Statutes, 1998 Supplement, and
5 subsection (8) and paragraphs (b) and (c) of subsection (12)
6 of that section are amended, to read:

7 121.052 Membership class of elected officers.--

8 (5) UPGRADED SERVICE; PURCHASE OF ADDITIONAL CREDIT.--

9 (d) Any member of the Florida Retirement System who
10 serves as the elected mayor of a consolidated local
11 government, which government by its charter has chosen status
12 as a municipality rather than a county government for purposes
13 of the state retirement system administered under this
14 chapter, may elect membership in the Elected State and County
15 Officers' Class established by this section for the duration
16 of the term of office. Any such mayor or former mayor shall be
17 eligible for membership in this class for the term of office,
18 provided the member or the local government employer pays the
19 retirement contributions that would have been paid had actual
20 participation commenced at that time, plus interest at 6.5
21 percent compounded each June 30 from date of participation
22 until date of payment. No retirement credit will be allowed
23 under this subsection for any such service which is used to
24 obtain a benefit under any local retirement system.

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

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

7 (12) BENEFITS.--

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

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

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

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

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

16

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

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

27 121.053 Participation in the Elected ~~State and County~~
28 Officers' Class for retired members.--

29 (1)(a) Any member who retired under any existing
30 system as defined in s. 121.021(2), and receives a benefit
31 thereof, and who serves in an office covered by the Elected

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

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

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

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

31

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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;

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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

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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

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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

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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

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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

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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. 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

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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 16. 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 17. Paragraph (b) of subsection (5) of section
13 121.091, Florida Statutes, is amended to read:

14 121.091 Benefits payable under the system.--Benefits
15 may not be paid under this section unless the member has
16 terminated employment as provided in s. 121.021(39)(a) or
17 begun participation in the Deferred Retirement Option Program
18 as provided in subsection (13), and a proper application has
19 been filed in the manner prescribed by the division. The
20 division may cancel an application for retirement benefits
21 when the member or beneficiary fails to timely provide the
22 information and documents required by this chapter and the
23 division's rules. The division shall adopt rules establishing
24 procedures for application for retirement benefits and for the
25 cancellation of such application when the required information
26 or documents are not received.

27 (5) TERMINATION BENEFITS.--

28 (b) A member whose employment is terminated for any
29 reason other than death or retirement after becoming vested
30 may elect to receive a deferred monthly benefit which shall
31 begin to accrue on the first day of the month of normal or

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1 early retirement and shall be payable on the last day of that
2 month and each month thereafter during his or her lifetime.
3 The amount of monthly benefit shall be computed in the same
4 manner as for a normal retirement benefit in accordance with
5 subsection (1) or early retirement benefit in accordance with
6 s. 121.021(30), but based on average monthly compensation and
7 creditable service as of the date of termination, which
8 compensation shall be indexed from the date of termination to
9 the date of retirement by 3 percent per annum.

10 Section 18. Subsection (11) is added to section
11 216.136, Florida Statutes, 1998 Supplement, to read:

12 216.136 Consensus estimating conferences; duties and
13 principals.--

14 (11) FLORIDA RETIREMENT SYSTEM ACTUARIAL ASSUMPTION
15 CONFERENCE.--

16 (a) Duties.--The Florida Retirement System Actuarial
17 Assumption Conference shall by consensus develop official
18 information with respect to the economic and noneconomic
19 assumptions and funding methods of the Florida Retirement
20 System necessary to perform the study. Such information shall
21 include an analysis of the actuarial assumptions and actuarial
22 methods and a determination of whether changes to the
23 assumptions or methods need to be made due to experience
24 changes or revised future forecasts.

25 (b) PRINCIPALS.--The principals of the conference
26 shall include the budget director of the Office of Planning
27 and Budgeting, the executive director of the State Board of
28 Administration, the director of the Division of Retirement,
29 the Coordinator of the Office of Economic and Demographic
30 Research, the staff director of the Senate Committee on
31 Budget, the executive director of the House of Representatives

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1 Fiscal Responsibility Council, the staff director of the
 2 Senate Committee on Governmental Oversight and Productivity,
 3 and the staff director of the House of Representatives
 4 Committee on Governmental Operations. The executive director
 5 of the State Board of Administration shall preside over
 6 sessions of the conference.

7 Section 19. This act shall take effect July 1, 2001,
 8 except that this section and sections 1 and 16 shall take
 9 effect July 1, 1999; however, the Regular Class Optional
 10 Retirement Program created by this act shall not be
 11 implemented, nor shall the provisions of this act which
 12 provide for improved vesting and indexing of deferred benefits
 13 under the Florida Retirement System take effect, until
 14 legislation is enacted to properly fund such benefit
 15 improvements through adjustments to the contribution rates for
 16 the various membership classes of the Florida Retirement
 17 System, as required by Article X, Section 14, of the State
 18 Constitution.

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1 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
 2 COMMITTEE SUBSTITUTE FOR
 CS/SB 0356
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 4 Adds a new definition for the term "contract" that includes an
 5 individual contract or individual certificates issued as part
 of a group contract.
 6 Requires the third party contractor for educational
 7 information to provide information beyond the initial
 8 enrollment choice. The bill further requires such information
 to meet the requirements under Employee Retirement Income
 Security Act of 1974.
 9 Makes language on the types of investment products that
 10 providers offer permissive as there may not be a viable
 provider for all of the listed investment products.
 11 Allows the Division of Retirement, or the third party
 12 contractor for educational information, to provide quarterly
 statements to participants to ensure consistent and
 13 consolidated reporting to employees. The bill clarifies the
 type of reports providers of investment products must make to
 14 employees.
 15 Requires the State Board of Administration to provide an
 investment policy statement to guide the Division of
 16 Retirement's selection of investment providers and products.
 In addition, the amendment states that the state's fiduciary
 17 responsibilities and investment duties will comply with
 standards under the Employee Retirement Income Security Act of
 18 1974.
 19 Provides that members of the FRS that are mayors or former
 mayors of a consolidated local government that by charter is a
 20 municipality rather than a county can elect membership in the
 FRS for the time served as mayor at their own or the local
 21 government's expense.
 22 The bill requires that the salary figures for early
 terminators of the defined benefit plan used in the average
 23 final compensation calculation be indexed by 3 percent per
 year from the date of termination to retirement.
 24 Creates the Florida Retirement System Actuarial Assumption
 Conference to recommend a consensus contribution rate for the
 25 programs under the Florida Retirement System.
 26 Makes the effective date of the bill at July 1, 2001 except
 27 for sections 1 and 17 that would take effect July 1, 1999.
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