

By the Committee on Governmental Oversight and Productivity

302-2102F-00

1 A bill to be entitled
2 An act relating to retirement; amending s.
3 121.021, F.S.; redefining the terms "system,"
4 "average final compensation," "normal
5 retirement date," "System Trust Fund,"
6 "vested," and "vesting" and defining the terms
7 "actuarial surplus," "stabilization surplus,"
8 and "available surplus" with respect to the
9 Florida Retirement System; creating s. 121.36,
10 F.S.; directing the State Board of
11 Administration to establish an optional defined
12 contribution retirement program for members of
13 the Florida Retirement System; providing
14 definitions; providing for eligibility and
15 retirement service credit; providing for
16 participation and enrollment; providing for
17 contributions; providing vesting requirements;
18 providing benefits; providing for
19 administration; providing for investment
20 options or products; providing for performance
21 review; providing for an education component;
22 providing participant information requirements;
23 providing that advisory committees shall
24 provide advice and assistance; providing for
25 federal requirements; providing an investment
26 policy statement; providing a statement of
27 fiduciary standards and responsibilities;
28 providing for disability benefits; providing
29 for social security and health insurance
30 subsidy coverage; creating s. 121.571, F.S.;
31 providing for contributions; providing a

1 statement of state purpose; providing future
2 effect for certain provisions; amending s.
3 121.055, F.S.; increasing the number of
4 personnel that may be designated as Senior
5 Management Class by local governments; allowing
6 senior management optional annuity program
7 benefits to be distributed through a direct
8 rollover; amending s. 112.363, F.S.; revising
9 guidelines for determining eligibility for
10 retiree health insurance subsidies; amending
11 ss. 121.0515, 121.052, 121.053, 121.081,
12 121.091, 121.1115, 121.1122, 121.031, 121.121,
13 F.S.; prescribing the method for calculating
14 average final compensation; providing that
15 members employed in a regularly established
16 position shall be vested after 6 years of
17 creditable service; providing that any
18 terminated, inactive member must be actively
19 employed in a covered position for 1 calendar
20 year or more on or after the act's effective
21 date to achieve vested status with 6 years of
22 service; providing for employer contribution
23 rate increases to each membership class; adding
24 to the Special Risk Class of membership certain
25 aerial firefighting surveillance positions;
26 upgrading service credit for certain years for
27 special risk members; providing for funding of
28 changes to the definition of average final
29 compensation from the assets of the Florida
30 Retirement System Trust Fund in an amount and
31 manner sufficient to maintain actuarial

1 soundness; providing for employer contribution
2 rate decreases to each membership class;
3 providing for the development of a rate
4 stabilization mechanism; providing for funding
5 of the 1999 actuarial experience study from
6 excess assets of the Florida Retirement System
7 Trust Fund; providing for assignment and use of
8 surplus; adding assistant state attorneys,
9 assistant statewide prosecutors, and assistant
10 public defenders to the Senior Management
11 Service Class of the system; providing an
12 appropriation; providing effective dates.

13

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

15

16 Section 1. Subsections (3), (24), (29), (36), and (45)
17 of section 121.021, Florida Statutes, are amended, and
18 subsections (55), (56), and (57) are added to that section, to
19 read:

20 121.021 Definitions.--The following words and phrases
21 as used in this chapter have the respective meanings set forth
22 unless a different meaning is plainly required by the context:

23 (3) "System" means the general retirement system
24 established by this chapter to be known and cited as the
25 "Florida Retirement System," including, but not limited to,
26 the defined benefit retirement program and the defined
27 contribution retirement program known as the Public Employee
28 Optional Retirement Program.

29 (24) "Average final compensation" means the average of
30 the 3 ~~5~~ highest fiscal years of compensation for creditable
31 service prior to retirement, termination, or death. For

1 in-line-of-duty disability benefits, if less than 3 5 years of
2 creditable service have been completed, the term "average
3 final compensation" means the average annual compensation of
4 the total number of years of creditable service. Each year
5 used in the calculation of average final compensation shall
6 commence on July 1.

7 (a) The average final compensation shall include:

- 8 1. Accumulated annual leave payments, not to exceed
9 500 hours; and
10 2. All payments defined as compensation in subsection
11 (22).

12 (b) The average final compensation shall not include:

- 13 1. Compensation paid to professional persons for
14 special or particular services;
15 2. Payments for accumulated sick leave made due to
16 retirement or termination;
17 3. Payments for accumulated annual leave in excess of
18 500 hours;
19 4. Bonuses as defined in subsection (47);
20 5. Third party payments made on and after July 1,
21 1990; or
22 6. Fringe benefits (for example, automobile allowances
23 or housing allowances).

24 (29) "Normal retirement date" means the first day of
25 any month following the date a member attains one of the
26 following statuses:

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

- 28 1. Completes 5 ~~10~~ or more years of creditable service
29 and attains age 62; or
30 2. Completes 30 years of creditable service,
31 regardless of age, which may include a maximum of 4 years of

1 military service credit as long as such credit is not claimed
2 under any other system.

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

4 1. Completes 5 ~~10~~ or more years of creditable service
5 in the Special Risk Class and attains age 55;

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

8 3. Completes 25 years of creditable service and
9 attains age 52, which service may include a maximum of 4 years
10 of military service credit as long as such credit is not
11 claimed under any other system and the remaining years are in
12 the Special Risk Class.

13 (c) If a Senior Management Service Class member, the
14 member:

15 1. Completes 5 ~~7~~ years of creditable service in the
16 Senior Management Service Class and attains age 62; or

17 2. Completes 30 years of any 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 (d) If an Elected Officers' Class member, the member:

22 1. Completes 5 ~~8~~ years of creditable service in the
23 Elected Officers' Class and attains age 62; or

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

28

29 "Normal retirement age" is attained on the "normal retirement
30 date."

31

1 (36) "System Trust Fund" means the trust fund
2 established in the State Treasury by this chapter for the
3 purpose of holding and investing the contributions paid by
4 members and employers and paying the benefits to which members
5 or their beneficiaries may become entitled. Other trust funds
6 may be established in the State Treasury to administer the
7 "System Trust Fund." The "System Trust Fund" shall include a
8 stabilization reserve to hold in reserve a specific portion of
9 any actuarial surplus to be used for the sole and exclusive
10 purpose of providing for future unfunded liabilities caused by
11 adverse experience, thereby minimizing the risk of future
12 increases in contribution rates.

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

22 (b) Effective July 1, 2000, a 5-year vesting
23 requirement shall be implemented for the Florida Retirement
24 System. Pursuant thereto:

25 1. Any member employed in a regularly established
26 position on July 1, 2000, who completes or has completed a
27 total of 5 years of creditable service will be considered
28 vested as described in paragraph (a).

29 2. Any member not employed in a regularly established
30 position on July 1, 2000, will be deemed vested upon
31 completion of 5 years of creditable service, provided that

1 such member is employed in a covered position for at least 1
2 work year after July 1, 2000. However, no member shall be
3 required to complete more years of creditable service than
4 would have been required for that member to vest under
5 retirement laws in effect before July 1, 2000.

6 (55) "Actuarial surplus" means, for any actuarial
7 valuation date, the excess of the actuarial value of assets of
8 the Florida Retirement System Trust Fund over the actuarial
9 (past service) liabilities of the Florida Retirement System.

10 (56) "Stabilization surplus" means that portion of the
11 actuarial surplus assigned to the stabilization reserve.

12 (57) "Available surplus" means that portion of the
13 actuarial surplus that is not assigned to the stabilization
14 reserve.

15 Section 2. Section 121.36, Florida Statutes, is
16 created to read:

17 121.36 Public Employee Optional Retirement Program.--

18 (1) The Trustees of the State Board of Administration
19 shall establish an optional defined contribution retirement
20 program for members of the Florida Retirement System under
21 which retirement benefits will be provided for eligible
22 employees who elect to participate in the program. The
23 benefits to be provided for or on behalf of participants in
24 such optional retirement program shall be provided through
25 employee-directed investments, in accordance with s. 401(a) of
26 the Internal Revenue Code and its related regulations. The
27 employers shall contribute, as provided in this section and s.
28 121.571, toward the funding of such optional benefits.

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

30 (a) "Approved provider" or "provider" means a
31 private-sector company that is selected and approved by the

1 state board to offer one or more investment products or
2 services to the Public Employee Optional Retirement Program.
3 Private-sector companies include nonprofit investment
4 management companies, insurance companies, depositories,
5 financial services, and mutual fund companies.

6 (b) "De minimis account" refers to an account
7 containing total vested account contributions and accumulated
8 earnings under the Public Employee Optional Retirement Program
9 of not more than \$5,000.

10 (c) "Department" means the Department of Management
11 Services.

12 (d) "Division" means the Division of Retirement within
13 the Department of Management Services.

14 (e) "Education-related employer" means any district
15 school board that participates in the Florida Retirement
16 System for the benefit of certain employees or a charter
17 school or charter technical career center that participates in
18 the Florida Retirement System as provided in s. 121.051(2)(d).

19 (f) "Eligible employee" means an officer or employee,
20 as defined in s. 121.021(11), who:

21 1. Is a member of, or is eligible for membership in,
22 the Florida Retirement System;

23 2. Participates in, or is eligible to participate in,
24 the Senior Management Service Optional Annuity Program as
25 established under s. 121.055(6); or

26 3. Is eligible to participate in, but does not
27 participate in, the State University System Optional
28 Retirement Program established under s. 121.35 or the State
29 Community College System Optional Retirement Program
30 established under s. 121.051(2)(c).

31

1 The term does not include any renewed member of the Florida
2 Retirement System, any member participating in the Deferred
3 Retirement Option Program established under s. 121.091(13), or
4 any employee participating in an optional retirement program
5 established under s. 121.35 or s. 121.051(2)(c).

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

8 (h) "Local employer" means any county agency, branch,
9 department, or board, or special district of the state, or any
10 municipality of the state, which participates in the Florida
11 Retirement System for the benefit of certain employees.

12 (i) "Participant" means an eligible employee who
13 elects to participate in the Public Employee Optional
14 Retirement Program and enrolls in such optional program as
15 provided in subsection (4).

16 (j) "Public Employee Optional Retirement Program,"
17 "optional program," or "optional retirement program" means the
18 alternative defined contribution retirement program
19 established under this section.

20 (k) "State board" or "board" means the State Board of
21 Administration.

22 (l) "State employer" means any agency, branch,
23 department, institution, community college, university,
24 institution of higher education, water management district, or
25 board of the state which participates in the Florida
26 Retirement System for the benefit of certain employees.

27 (m) "Third party administrator" means a private-sector
28 company that is selected and approved by the state board to
29 perform the recordkeeping, participant-account management, and
30 payroll facilitation for the Public Employee Optional
31 Retirement Program.

1 (n) "Vested" or "vesting" means the guarantee that a
2 participant is eligible to receive a full retirement benefit
3 upon completion of the required years of service under the
4 Public Employee Optional Retirement Program.

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

6 (a) Participation in the Public Employee Optional
7 Retirement Program is limited to eligible employees.
8 Participation in the optional retirement program is in lieu of
9 participation in the defined benefit program of the Florida
10 Retirement System. A participant shall receive contributions
11 into the participant's account based on the participant's
12 class of membership.

13 (b) An eligible employee who is a member of the
14 defined benefit retirement program of the Florida Retirement
15 System at the time of his or her election to participate in
16 the Public Employee Optional Retirement Program shall retain
17 all retirement service credit earned under the defined benefit
18 retirement program of the Florida Retirement System at the
19 rate earned. However, election to participate in the Public
20 Employee Optional Retirement Program terminates the active
21 membership of the employee in the defined benefit program of
22 the Florida Retirement System, and the service of a
23 participant in the Public Employee Optional Retirement Program
24 shall not be creditable under the defined benefit retirement
25 program of the Florida Retirement System for purposes of
26 benefit accrual but shall be credited for purposes of vesting.

27 (c)1. Notwithstanding paragraph (b), each eligible
28 employee who elects to participate in the Public Employee
29 Optional Retirement Program and establishes one or more
30 individual participant accounts under the optional program may
31 elect to transfer to the optional program a sum representing

1 the present value of the employee's accrued service benefit
2 under the defined benefit retirement program of the Florida
3 Retirement System. Upon such transfer, all service credit
4 previously earned under the defined benefit program of the
5 Florida Retirement System shall be nullified for purposes of
6 entitlement to a future benefit under the defined benefit
7 program of the Florida Retirement System. A participant is
8 precluded from transferring the accrued service balance from
9 the defined benefit program upon the expiration of the period
10 afforded to enroll in the optional program.

11 2. For purposes of this subsection, the present value
12 of the member's accrued service benefit obligation is based
13 upon the member's estimated creditable service and estimated
14 final average compensation as of 12 midnight of the day prior
15 to the opening of the election window for the employee. The
16 actuarial present value of the employee's accrued service
17 benefit shall be based on the following:

18 a. The discount rate and other actuarial assumptions
19 used to value the Florida Retirement System Trust Fund at the
20 time the amount to be transferred is determined, consistent
21 with the factors provided in sub-subparagraphs b.-d.

22 b. A 50-percent male and 50-percent female
23 gender-neutral blend of the mortality tables used to project
24 retirement longevity in the most recent actuarial valuation
25 report.

26 c. A benefit commencement age, based on the member's
27 estimated creditable service as of 12 midnight on May 31,
28 2002. The benefit commencement age shall be the younger of the
29 following, but shall not be younger than the member's age as
30 of 12 midnight on May 31, 2002:

31 (I) Age 62; or

1 (II) The age the member would attain if the member
2 completed 30 years of service with an employer, assuming the
3 member worked continuously from May 31, 2002, and disregarding
4 any vesting requirement that would otherwise apply under the
5 defined benefit program of the Florida Retirement System.

6 d. For members of the Special Risk Class, the benefit
7 commencement age shall be the younger of the following, but
8 shall not be younger than the member's age as of 12 midnight
9 on May 31, 2002:

10 (I) Age 55; or

11 (II) The age the member would attain if the member
12 completed 25 years of service with an employer, assuming the
13 member worked continuously from May 31, 2002, and disregarding
14 any vesting requirement that would otherwise apply under the
15 defined benefit program of the Florida Retirement System.

16 e. No reduction shall be taken due to failure to meet
17 vesting requirements under the defined benefit program.

18 3. For each participant who elects to transfer moneys
19 from the defined benefit program to his or her account in the
20 optional program, the division shall recompute the amount
21 transferred under subparagraph 2. not later than 60 days after
22 the actual transfer of funds based upon the participant's
23 actual creditable service and actual final average
24 compensation as of the initial date of participation in the
25 optional program. If the recomputed amount differs from the
26 amount transferred under subparagraph 2. by \$10 or more, the
27 division shall:

28 a. Transfer, or cause to be transferred, from the
29 Florida Retirement System Trust Fund to the participant's
30 account in the optional program the excess, if any, of the
31 recomputed amount over the previously transferred amount

1 together with interest from the initial date of transfer to
2 the date of transfer under this subparagraph, based upon 8
3 percent effective annual interest, compounded annually.

4 b. Transfer, or cause to be transferred, from the
5 participant's account to the Florida Retirement System Trust
6 Fund the excess, if any, of the previously transferred amount
7 over the recomputed amount, together with interest from the
8 initial date of transfer to the date of transfer under this
9 subparagraph, based upon 8 percent effective annual interest,
10 compounded annually.

11 4. As directed by the participant, the board shall
12 transfer or cause to be transferred the appropriate amounts to
13 the designated accounts. The board shall establish transfer
14 procedures by rule, but the actual transfer shall not be later
15 than 30 days after the effective date of the member's
16 participation in the optional program begins. Transfers are
17 not commissionable and must be in the form of cash as
18 determined by the state board.

19 5. If the board or the division receives notification
20 from the United States Internal Revenue Service that this
21 paragraph or any portion of this paragraph will cause the
22 retirement system, or a portion thereof, to be disqualified
23 for tax purposes under the Internal Revenue Code, then the
24 portion that will cause the disqualification does not apply.
25 Upon such notice, the state board and the division shall
26 notify the presiding officers of the Legislature.

27 (4) PARTICIPATION; ENROLLMENT.--

28 (a)1. With respect to an eligible employee who is
29 employed in a regularly established position on June 1, 2002,
30 by a state employer:

31

1 a. Any such employee may elect to participate in the
2 Public Employee Optional Retirement Program in lieu of
3 retaining his or her membership in the defined benefit program
4 of the Florida Retirement System. The election must be made in
5 writing and must be filed with the department and the
6 personnel officer of the employer within 180 days after June
7 1, 2002, or, in the case of an active employee who is on a
8 leave of absence on June 1, 2002, within 90 days after the
9 conclusion of the leave of absence. Except as otherwise
10 provided in paragraph (f), this election is irrevocable. Upon
11 making such election, the employee shall be enrolled as a
12 participant of the Public Employee Optional Retirement
13 Program, and the employee's membership in the defined benefit
14 program of the Florida Retirement System shall terminate. The
15 employee's enrollment in the Public Employee Optional
16 Retirement Program shall be effective the first day of the
17 month for which a full month's employer contribution is made
18 to the optional program.

19 b. Any such employee who fails to elect to participate
20 in the Public Employee Optional Retirement Program within the
21 prescribed 180 days is deemed to have elected to retain
22 membership in the defined benefit program of the Florida
23 Retirement System, and the employee's option to elect to
24 participate in the optional program is forfeited except as
25 provided in paragraph (f).

26 2. With respect to employees who become eligible to
27 participate in the Public Employee Optional Retirement Program
28 by reason of employment in a regularly established position
29 commencing after June 1, 2002:

30 a. Any such employee shall, by default, be enrolled in
31 the defined benefit retirement program of the Florida

1 Retirement System at the commencement of employment and may,
2 within 180 days after employment commences, elect to
3 participate in the Public Employee Optional Retirement
4 Program. The employee's election must be made in writing and
5 must be filed with the personnel officer of the employer. The
6 election to participate in the optional program is
7 irrevocable, except as provided in paragraph (f).

8 b. If the employee files such election before the
9 initial payroll is submitted for the employee, enrollment in
10 the Public Employee Optional Retirement Program shall be
11 effective on the first day of employment.

12 c. If the employee files such election within 180 days
13 after employment commences, but after the initial payroll is
14 submitted for the employee, enrollment in the optional program
15 shall be effective on the first day of the month for which a
16 full month's employer contribution is made to the optional
17 program.

18 d. Any such employee who fails to elect to participate
19 in the Public Employee Optional Retirement Program within the
20 prescribed 180 days is deemed to have elected to retain
21 membership in the defined benefit program of the Florida
22 Retirement System, and the employee's option to elect to
23 participate in the optional program is forfeited except as
24 provided in paragraph (f).

25 (b)1. With respect to an eligible employee who is
26 employed in a regularly established position on September 1,
27 2002, by an education-related employer:

28 a. Any such employee may elect to participate in the
29 Public Employee Optional Retirement Program in lieu of
30 retaining his or her membership in the defined benefit program
31 of the Florida Retirement System. The election must be made in

1 writing and must be filed with the department and the
2 personnel officer of the employer within 180 days after
3 September 1, 2002, or, in the case of an active employee who
4 is on a leave of absence on September 1, 2002, within 180 days
5 after the conclusion of the leave of absence. This election is
6 irrevocable, except as provided in paragraph (f). Upon making
7 such election, the employee shall be enrolled as a participant
8 of the Public Employee Optional Retirement Program, and the
9 employee's membership in the defined benefit program of the
10 Florida Retirement System shall terminate. The employee's
11 enrollment in the Public Employee Optional Retirement Program
12 shall be effective the first day of the month for which a full
13 month's employer contribution is made to the optional program.

14 b. Any such employee who fails to elect to participate
15 in the Public Employee Optional Retirement Program within the
16 prescribed 180 days is deemed to have elected to retain
17 membership in the defined benefit program of the Florida
18 Retirement System, and the employee's option to elect to
19 participate in the optional program is forfeited except as
20 provided in paragraph (f).

21 2. With respect to employees who become eligible to
22 participate in the Public Employee Optional Retirement Program
23 by reason of employment in a regularly established position
24 with an education-related employer commencing after September
25 1, 2002:

26 a. Any such employee shall, by default, be enrolled in
27 the defined benefit retirement program of the Florida
28 Retirement System at the commencement of employment and may,
29 within 180 days after employment commences, elect to
30 participate in the Public Employee Optional Retirement
31 Program. The employee's election must be made in writing and

1 must be filed with the personnel officer of the employer. The
2 election to participate in the optional program is
3 irrevocable, except as provided in paragraph (f).

4 b. If the employee files such election before the
5 initial payroll is submitted for the employee, enrollment in
6 the Public Employee Optional Retirement Program shall be
7 effective on the first day of employment.

8 c. If the employee files such election within 180 days
9 after employment commences, but after the initial payroll is
10 submitted for the employee, enrollment in the optional program
11 shall be effective on the first day of the month for which a
12 full month's employer contribution is made to the optional
13 program.

14 d. Any such employee who fails to elect to participate
15 in the Public Employee Optional Retirement Program within the
16 prescribed 180 days is deemed to have elected to retain
17 membership in the defined benefit program of the Florida
18 Retirement System, and the employee's option to elect to
19 participate in the optional program is forfeited except as
20 provided in paragraph (f).

21 (c)1. With respect to an eligible employee who is
22 employed in a regularly established position on December 1,
23 2002, by a local employer:

24 a. Any such employee may elect to participate in the
25 Public Employee Optional Retirement Program in lieu of
26 retaining his or her membership in the defined benefit program
27 of the Florida Retirement System. The election must be made in
28 writing and must be filed with the department and the
29 personnel officer of the employer within 180 days after
30 December 1, 2002, or, in the case of an active employee who is
31 on a leave of absence on December 1, 2002, within 180 days

1 after the conclusion of the leave of absence. This election is
2 irrevocable, except as provided in paragraph (f). Upon making
3 such election, the employee shall be enrolled as a participant
4 of the Public Employee Optional Retirement Program, and the
5 employee's membership in the defined benefit program of the
6 Florida Retirement System shall terminate. The employee's
7 enrollment in the Public Employee Optional Retirement Program
8 shall be effective the first day of the month for which a full
9 month's employer contribution is made to the optional program.

10 b. Any such employee who fails to elect to participate
11 in the Public Employee Optional Retirement Program within the
12 prescribed 180 days is deemed to have elected to retain
13 membership in the defined benefit program of the Florida
14 Retirement System, and the employee's option to elect to
15 participate in the optional program is forfeited except as
16 provided in paragraph (f).

17 2. With respect to employees who become eligible to
18 participate in the Public Employee Optional Retirement Program
19 by reason of employment in a regularly established position
20 with a local employer commencing after December 1, 2002:

21 a. Any such employee shall, by default, be enrolled in
22 the defined benefit retirement program of the Florida
23 Retirement System at the commencement of employment and may,
24 within 180 days after employment commences, elect to
25 participate in the Public Employee Optional Retirement
26 Program. The employee's election must be made in writing and
27 must be filed with the personnel officer of the employer. The
28 election to participate in the optional program is
29 irrevocable, except as provided in paragraph (f).

30 b. If the employee files such election before the
31 initial payroll is submitted for the employee, enrollment in

1 the Public Employee Optional Retirement Program shall be
2 effective on the first day of employment.

3 c. If the employee files such election within 180 days
4 after employment commences, but after the initial payroll is
5 submitted for the employee, enrollment in the optional program
6 shall be effective on the first day of the month for which a
7 full month's employer contribution is made to the optional
8 program.

9 d. Any such employee who fails to elect to participate
10 in the Public Employee Optional Retirement Program within the
11 prescribed 180 days is deemed to have elected to retain
12 membership in the defined benefit program of the Florida
13 Retirement System, and the employee's option to elect to
14 participate in the optional program is forfeited except as
15 provided in paragraph (f).

16 (d) Contributions of participants who fail to make
17 asset allocation shall be deposited into the participant's
18 account and shall be invested in a diversified default
19 investment fund mix as determined by the board.

20 (e) Except as provided in paragraph (f), the election
21 to participate in the Public Employee Optional Retirement
22 Program is irrevocable for as long as the employee holds a
23 position eligible for participation in the optional program
24 and otherwise continues to meet the requirements of this
25 section.

26 (f) After the period during which an eligible employee
27 had the choice to elect the defined benefit program or the
28 Public Employee Optional Retirement Program, the employee
29 shall have an annual 30-day open enrollment opportunity, at
30 the employee's discretion, to choose to move from the defined
31 benefit program to the Public Employee Optional Retirement

1 Program or from the Public Employee Optional Retirement
2 Program to the defined benefit program.
3 1. If the employee chooses to move to the Public
4 Employee Optional Retirement Program, the applicable
5 provisions of this section shall govern the transfer.
6 2. If the employee chooses to move to the defined
7 benefit program, the employee must transfer from his or her
8 Public Employee Optional Retirement Program account subject to
9 the provisions of the contract, and from other employee moneys
10 as necessary, a sum representing all contributions that would
11 have been made to the defined benefit plan for that employee
12 and the actual return that would have been earned on those
13 contributions had they been invested in the defined benefit
14 program.
15 (5) CONTRIBUTIONS.--
16 (a) Each employer shall contribute on behalf of each
17 participant in the Public Employee Optional Retirement Program
18 10 percent of the employee's monthly compensation. The
19 employer shall forward to the third-party administrator the
20 required contributions for each participant of the optional
21 program, and the third-party administrator shall forward the
22 applicable contributions to the division and to the
23 participant's account, less an amount approved by the
24 Legislature to provide for the administration of the program.
25 (b) Employers are responsible for notifying
26 participants regarding maximum contribution levels permitted
27 under the Internal Revenue Code. If a participant contributes
28 to any other tax-deferred plan, he or she is responsible for
29 ensuring that total contributions made to the optional program
30 and to any other such plan do not exceed federally permitted
31 maximums.

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

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

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

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

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

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

28 4. A member who completes 5 years of service under the
29 optional program shall be considered to be 80-percent vested
30 and is entitled to receive an employer-funded benefit based on
31

1 80 percent of the employer contributions made to the
2 participant's account, plus interest and earnings thereon.

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

9 (7) BENEFITS.--Under the Public Employee Optional
10 Retirement Program:

11 (a) Benefits shall be provided in accordance with s.
12 401(a) of the Internal Revenue Code.

13 (b) Benefits shall accrue in individual accounts or
14 contracts with designated approved providers which are
15 participant-directed, freely transferrable to a provider
16 subject to the provisions of the contract, and funded by
17 employer and participant contributions and earnings thereon.

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

20 1. To the extent vested, benefits shall be payable
21 only to a participant, or to his or her beneficiaries as
22 designated by the participant.

23 2. Benefits shall be paid by the board or designated
24 approved providers in accordance with the law, the contracts,
25 and board rules.

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

1 application to the third-party administrator indicating his or
2 her preferred distribution date and selecting an authorized
3 method of distribution as provided in paragraph (d). The
4 participant may defer receipt of employer-funded benefits
5 until he or she chooses to make such application, subject to
6 federal requirements.

7 4. In the event of a participant's death, moneys
8 accumulated by, or on behalf of, the participant, less
9 withholding taxes remitted to the Internal Revenue Service,
10 shall be distributed to the participant's designated
11 beneficiary or beneficiaries, or to the participant's estate,
12 as if the participant retired on the date of death, as
13 provided in paragraph (e). No other death benefits shall be
14 available for survivors of participants under the Public
15 Employee Optional Retirement Program, except for such
16 benefits, or coverage for such benefits, as are separately
17 afforded by the employer, in the employer's discretion.

18 (d) Upon receipt by the department of a properly
19 executed application for distribution of benefits, the total
20 accumulated employer-funded benefit shall be payable to the
21 participant, as:

22 1. A lump-sum distribution to the participant;

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

25 3. A lump-sum direct rollover distribution whereby all
26 accrued benefits, plus interest and investment earnings, are
27 paid from the participant's account directly to the custodian
28 of an eligible retirement plan, as defined in s. 402(c)(8)(B)
29 of the Internal Revenue Code, on behalf of the participant;

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

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; or

9 5. Periodic distributions or installments, as
10 authorized by the state board.

11 (e) Survivor benefits shall be payable as:

12 1. A lump-sum distribution payable to the
13 beneficiaries, or to the deceased participant's estate;

14 2. An eligible rollover distribution on behalf of the
15 surviving spouse of a deceased participant, whereby all
16 accrued benefits, plus interest and investment earnings, are
17 paid from the deceased participant's account directly to the
18 custodian of an individual retirement account or an individual
19 retirement annuity, as described in s. 402(c)(9) of the
20 Internal Revenue Code, on behalf of the surviving spouse; or

21 3. A partial lump-sum payment whereby a portion of the
22 accrued benefit is paid to the deceased participant's
23 surviving spouse or other designated beneficiaries, less
24 withholding taxes remitted to the Internal Revenue Service,
25 and the remaining amount is transferred directly to the
26 custodian of an individual retirement account or an individual
27 retirement annuity, as described in s. 402(c)(9) of the
28 Internal Revenue Code, on behalf of the surviving spouse. The
29 proportions must be specified by the participant or the
30 surviving spouse.

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1 This paragraph does not abrogate other applicable provisions
2 of state or federal law providing for payment of death
3 benefits.

4 (f) The benefits payable to any person under the
5 Public Employee Optional Retirement Program, and any
6 contributions accumulated under such program, are not subject
7 to assignment, execution, attachment, or any legal process,
8 except for qualified domestic relations orders by a court of
9 competent jurisdiction, income deduction orders as provided in
10 s. 61.1301, and federal income tax levies.

11 (8) ADMINISTRATION OF PROGRAM.--

12 (a) The Public Employee Optional Retirement Program
13 shall be administered by the state board, the department, and
14 affected employers. The board shall adopt rules establishing
15 the role and responsibilities of affected state, local
16 government, and education-related employers, the state board,
17 the department, and third-party contractors in administering
18 the Public Employee Optional Retirement Program. The
19 department shall adopt rules necessary to implement the
20 optional program in coordination with the defined benefit
21 retirement program.

22 (b)1. The state board shall select and contract with
23 one third-party administrator to provide administrative
24 services and educational services. With the approval of the
25 state board, the third-party administrator may subcontract
26 with other organizations to provide components of the
27 administrative services and educational services. As a cost of
28 administration, the board may compensate any such contractor
29 for its services, in accordance with the terms of the
30 contract, as is deemed necessary or proper by the board.

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1 2. Administrative services include, but are not
2 limited to, services relating to consolidated billing;
3 individual and collective recordkeeping and accounting; asset
4 purchase, control, and safekeeping; and direct disbursement of
5 funds to and from the third-party administrator, the division,
6 the board, employers, participants, approved providers, and
7 beneficiaries.

8 3. Educational services may be designed to assist
9 employers, eligible employees, participants, and beneficiaries
10 in order to maintain compliance with United States Department
11 of Labor regulations under s. 404(c) of the Employee
12 Retirement Income Security Act of 1974 and to assist employees
13 in their choice of defined benefit or defined contribution
14 retirement alternatives. Educational services include, but are
15 not limited to, disseminating educational materials; providing
16 retirement planning education; explaining the differences
17 between the defined benefit retirement plan and the defined
18 contribution retirement plan; and offering financial planning
19 guidance on matters such as investment diversification,
20 investment risks, investment costs, and asset allocation. Such
21 materials and services may not include investment advice or
22 recommendations with respect to particular providers or
23 products. An approved provider may not perform this function,
24 but may provide information concerning its products and
25 services. An approved provider, however, may also provide
26 educational information, including, but not limited to,
27 retirement planning and investment allocation information
28 concerning its products and services.

29 (c)1. In evaluating and selecting a third-party
30 administrator, the board shall establish criteria under which
31 it shall consider the relative capabilities and qualifications

1 of each proposed administrator. In developing such criteria,
2 the board shall consider:

3 a. The administrator's demonstrated experience in
4 providing administrative services to public-sector or
5 private-sector retirement systems.

6 b. The administrator's demonstrated experience in
7 providing daily valued recordkeeping to defined contribution
8 plans.

9 c. The administrator's ability and willingness to
10 coordinate its activities with the Florida Retirement System
11 employers, the board, and the division, and to supply to such
12 employers, the board, and the division the information and
13 data they require, including, but not limited to, monthly
14 management reports, quarterly participant reports, and ad hoc
15 reports requested by the department or trustees.

16 d. The cost-effectiveness and levels of the
17 administrative services provided.

18 e. The administrator's ability to interact with the
19 participants, the employers, the board, the division, and the
20 providers; the means by which participants may access account
21 information, direct investment of contributions, make changes
22 to their accounts, transfer moneys between available
23 investment vehicles, and transfer moneys between investment
24 products; its capacity to provide paperless options; and any
25 fees that apply to such activities.

26 f. Demonstrated experience in providing similar type
27 services to either public or private clients having a
28 substantially equal number of participants as, and of similar
29 size to, the Florida Retirement System.

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1 g. Demonstrated experience in providing educational
2 services to public-sector or private-sector retirement systems
3 of similar size.

4 h. Ability and willingness to coordinate its
5 activities with the Florida Retirement System employers, the
6 board, and the division, and to supply to such employers, the
7 board, and the division the information and data they require,
8 including, but not limited to, reports on educational
9 contacts.

10 i. The cost-effectiveness and levels of the
11 educational services provided.

12 j. Ability to provide educational services via
13 different media, including, but not limited to, the Internet,
14 personal contact, seminars, brochures, and newsletters.

15 k. Any other factor deemed necessary by the Trustees
16 of the State Board of Administration.

17 1. The recommendations of the Public Employee Optional
18 Retirement Program Advisory Committee established in
19 subsection (12).

20 2. The establishment of the criteria shall be solely
21 within the discretion of the board.

22 (d) The board shall develop the form and content of
23 all contracts to be offered under the Public Employee Optional
24 Retirement Program. In developing its recommendations, the
25 board must consider:

26 1. The nature and extent of the rights and benefits to
27 be afforded participants in relation to the required
28 contributions under the program.

29 2. The suitability of the rights and benefits to be
30 afforded participants to the needs of the participants and the
31

1 interests of employers in the recruitment and retention of
2 eligible employees.

3 (e)1. The board may contract with any consultant for
4 professional services, including legal, consulting,
5 accounting, and actuarial services, deemed necessary to
6 implement and administer the optional program by the Trustees
7 of the State Board of Administration. The board may enter into
8 a contract with one or more vendors to provide low-cost
9 investment advice to participants. All fees under any such
10 contract shall be paid by those participants who choose to use
11 the services of the vendor.

12 2. The department may contract with consultants for
13 professional services, including legal, consulting,
14 accounting, and actuarial services, deemed necessary to
15 implement and administer the optional program in coordination
16 with the defined benefit program of the Florida Retirement
17 System. The department may enter into a contract with the
18 third-party administrator in order to coordinate services
19 common to the various programs within the Florida Retirement
20 System, provided, however, that no such contract shall provide
21 for administrative charges.

22 (f) The board shall resolve any conflict between the
23 third-party administrator and an approved provider when such
24 conflict threatens the implementation or administration of the
25 program or the quality of services to employees.

26 (9) INVESTMENT OPTIONS OR PRODUCTS; PERFORMANCE
27 REVIEW.--

28 (a) The board shall develop policy and procedures for
29 selecting, evaluating, and monitoring the performance of
30 investment products to which employees may direct retirement
31 contributions under the program based upon the highest

1 industry standard. In accordance with such policy and
2 procedures, the board may select five or more providers who
3 offer multiple investment products and services that afford
4 value to the participants otherwise not available through
5 individual investment products.

6 (b) The board shall consider investment options or
7 products it considers appropriate to give participants the
8 opportunity to accumulate retirement benefits, subject to the
9 following:

10 1. The Public Employee Optional Retirement Program
11 must offer a diversified mix of low-cost investment products
12 that span the risk-return spectrum.

13 2. Investment options or products offered by the group
14 of approved providers may include mutual funds, group annuity
15 contracts, individual retirement annuities, interests in
16 trusts, collective trusts, separate accounts, and other such
17 financial instruments.

18 (c) In evaluating and selecting approved providers and
19 products, the board shall establish criteria under which it
20 shall consider the relative capabilities and qualifications of
21 each proposed provider company and product. In developing such
22 criteria, the board shall consider:

23 1. Experience in the United States providing
24 retirement products and related financial services under
25 defined contribution retirement plans.

26 2. Financial strength and stability, which shall be
27 evidenced by the highest ratings assigned by nationally
28 recognized rating services when comparing proposed providers
29 that are so rated.

30 3. Intrastate and interstate portability of the
31 product offered, including early withdrawal options.

- 1 4. Compliance with the Internal Revenue Code.
- 2 5. The cost-effectiveness of the product provided and
3 the levels of service supporting the product relative to its
4 benefits and its characteristics, including, without
5 limitation, the level of risk borne by the provider.
- 6 6. The provider company's ability and willingness to
7 coordinate its activities with Florida Retirement System
8 employers, the department, and the board, and to supply to
9 such employers, the department, and the board the information
10 and data they require.
- 11 7. The methods available to participants to interact
12 with the provider company; the means by which participants may
13 access account information, direct investment of
14 contributions, make changes to their accounts, transfer moneys
15 between available investment vehicles, and transfer moneys
16 between provider companies; and any fees that apply to such
17 activities.
- 18 8. The provider company's policies with respect to the
19 transfer of individual account balances, contributions, and
20 earnings thereon, both internally among investment products
21 offered by the provider company and externally between
22 approved providers, as well as any fees, charges, reductions,
23 or penalties that may be applied.
- 24 9. An evaluation of specific investment products,
25 taking into account each product's track record in meeting its
26 investment return objectives net of all related fees,
27 expenses, and charges, including, but not limited to,
28 investment management fees, loads, distribution and marketing
29 fees, custody fees, recordkeeping fees, education fees,
30 annuity expenses, and consulting fees.
- 31

1 10. Organizational factors, including, but not limited
2 to, financial solvency, organizational depth, and experience
3 in providing institutional investment services.

4 (d) As a condition of offering any investment option
5 or product in the optional retirement program, the approved
6 provider must agree to make the investment product or service
7 available under the most beneficial terms offered to any other
8 similar customer, subject to approval by the Trustees of the
9 State Board of Administration.

10 (e) The board shall periodically review the
11 performance of each approved provider and product and related
12 organizational factors to ensure continued compliance with
13 established selection criteria and with board policy and
14 procedures. Providers and products may be terminated subject
15 to contract provisions. The board shall adopt procedures to
16 transfer account balances from terminated products or
17 providers to other products or providers in the optional
18 program.

19 (10) EDUCATION COMPONENT.--

20 (a) The board shall provide for an education component
21 for system members in a manner consistent with the provisions
22 of this section. The education component must be available to
23 eligible employees at least 90 days prior to the beginning
24 date of the election period for the employees of the
25 respective types of employers.

26 (b) The education component must provide system
27 members with impartial and balanced information about plan
28 choices. The education component must involve multimedia
29 formats. Program comparisons must, to the greatest extent
30 possible, be based upon real rates of return on investments
31 available in each retirement plan. The board shall monitor the

1 performance of the contract to ensure that the program is
2 conducted in accordance with the contract, applicable law, and
3 the rules of the board.

4 (c) The board shall provide for an initial and ongoing
5 transfer education component to provide system members with
6 information necessary to make informed plan choice decisions.
7 The transfer education component must include, but is not
8 limited to, information on:

9 1. The amount of money available to a member to
10 transfer to the defined contribution program.

11 2. The features of and differences between the defined
12 benefit program and the defined contribution program, both
13 generally and specifically, as those differences may affect
14 the member.

15 3. The expected benefit available if the member were
16 to retire under each of the retirement programs, based on
17 appropriate alternative sets of assumptions.

18 4. The aggregate rate of return from investments in
19 the defined contribution program and the period of time over
20 which the aggregate rate of return must be achieved to equal
21 or exceed the expected monthly benefit payable to the member
22 under the defined benefit program.

23 5. The historical rates of return for the investment
24 alternatives available in the defined contribution programs
25 (30-year, 20-year, 15-year, 10-year, 8-year, 5-year, and
26 1-year data).

27 6. The benefits and historical rates of return on
28 investments available in deferred compensation plans or a plan
29 under s. 403(b) of the Internal Revenue Code for which the
30 employee may be eligible.

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1 7. The program choices available to employees of the
2 State University System and the comparative benefits of each
3 available program.

4 8. Payout options available in each of the retirement
5 programs.

6 (d) An ongoing education and communication component
7 must provide members of either program with information
8 necessary to make informed decisions about choices within
9 their program of membership and in preparation for retirement.
10 The component must include, but is not limited to, information
11 concerning:

12 1. Rights and conditions of membership.

13 2. Benefit features within the program, options, and
14 effects of certain decisions.

15 3. Coordination of contributions and benefits with a
16 deferred compensation plan under s. 457 or a plan under s.
17 403(b) of the Internal Revenue Code.

18 4. Significant program changes.

19 5. Contribution rates and program funding status.

20 6. Planning for retirement.

21 (e) The board shall also establish a communication
22 component to provide program information to participating
23 employers and the employers' personnel and payroll officers
24 and to explain their respective responsibilities in
25 conjunction with the retirement programs.

26 (11) PARTICIPANT INFORMATION REQUIREMENTS.--The board
27 shall ensure that each participant is provided a quarterly
28 statement that accounts for the contributions made by and on
29 behalf of such participants; the interest and investment
30 earnings thereon; and any fees, penalties, or other deductions
31 that apply thereto. At a minimum, such statements must:

- 1 (a) Indicate the participant's investment options.
2 (b) State the market value of the account at the close
3 of the current quarter and previous quarter.
4 (c) Show account gains and losses for the period and
5 changes in account accumulation unit values for the period.
6 (d) Itemize account contributions for the quarter.
7 (e) Indicate any account changes due to adjustment of
8 contribution levels, reallocation of contributions, balance
9 transfers, or withdrawals.
10 (f) Set forth any fees, charges, penalties, and
11 deductions that apply to the account.
12 (g) Indicate the amount of the account in which the
13 participant is fully vested.
14
15 The third-party administrator shall provide quarterly and
16 annual summary reports to the board and any other reports
17 requested by the department or the board. In any solicitation
18 or offer of coverage under an optional retirement program, a
19 provider company shall be governed by the contract readability
20 provisions of s. 627.4145, notwithstanding s. 627.4145(6)(c).
21 In addition, all descriptive materials must be prepared under
22 the assumption that the participant is an unsophisticated
23 investor. Provider companies must maintain an internal system
24 of quality assurance, have proven functional systems that are
25 date-calculation compliant, and be subject to a due-diligence
26 inquiry that proves their capacity and fitness to undertake
27 service responsibilities.
28 (12) ADVISORY COMMITTEES TO PROVIDE ADVICE AND
29 ASSISTANCE.--The Investment Advisory Council and the Public
30 Employee Optional Retirement Program Advisory Committee shall
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1 assist the board in implementing and administering the Public
2 Employee Optional Retirement Program.

3 (a) The Investment Advisory Council, created pursuant
4 to s. 215.444, shall review the board's initial
5 recommendations regarding the criteria to be used in selecting
6 and evaluating approved providers and investment products. The
7 council shall make comments and recommendations to the board
8 within 45 days after receiving the initial recommendations.
9 The board shall make the final determination as to whether any
10 investment provider or product, any contractor, or any and all
11 contract provisions shall be approved for the program.

12 (b)1. The Public Employee Optional Retirement Program
13 Advisory Committee shall be composed of seven members. The
14 President of the Senate shall appoint two members, the Speaker
15 of the House of Representatives shall appoint two members, the
16 Governor shall appoint one member, the Treasurer shall appoint
17 one member, and the Comptroller shall appoint one member. The
18 members of the advisory committee shall elect a member as
19 chair. The appointments shall be made by September 1, 2000,
20 and the committee shall meet to organize by October 1, 2000.

21 2. The advisory committee shall make recommendations
22 on the critical factors to be considered in the selection
23 process for the third-party administrator and related
24 subcontractors and the design and implementation of the
25 education component of the program. The committee's
26 recommendations on selection criteria for the third-party
27 administrator must be forwarded to the Trustees of the State
28 Board of Administration by January 1, 2001. The
29 recommendations on the design and implementation of the
30 education component must be forwarded to the trustees by May
31 1, 2001.

1 3. The advisory committee's recommendations and
2 activities shall be guided by the best interests of the
3 employees, considering the interests of employers, and the
4 intent of the Legislature in establishing the Public Employee
5 Optional Retirement Program.

6 4. The staff of the state board and the department
7 shall assist the advisory committee.

8 (13) FEDERAL REQUIREMENTS.--

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

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

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

31 (14) INVESTMENT POLICY STATEMENT.--

1 (a) Investment products and approved providers
2 selected for the Public Employee Optional Retirement Program
3 shall be in conformance with the Public Employee Optional
4 Retirement Program Investment Policy Statement, herein
5 referred to as the "statement," as developed and approved by
6 the Trustees of the State Board of Administration and
7 submitted to the department. The statement must include, among
8 other items, the investment objectives of the Public Employee
9 Optional Retirement Program, manager selection and monitoring
10 guidelines, and performance measurement criteria. As required
11 from time to time, the executive director of the state board
12 may present recommended changes in the statement to the board
13 for approval.

14 (b) Prior to presenting the statement, or any
15 recommended changes thereto, to the state board, the executive
16 director of the board shall present such statement or changes
17 to the Investment Advisory Council for review. The council
18 shall present the results of its review to the board prior to
19 the board's final approval of the statement or changes in the
20 statement.

21 (15) STATEMENT OF FIDUCIARY STANDARDS AND
22 RESPONSIBILITIES.--

23 (a) Investment of optional defined contribution
24 retirement plan assets shall be made for the sole interest and
25 exclusive purpose of providing benefits to plan participants
26 and beneficiaries and defraying reasonable expenses of
27 administering the plan. The program's assets are to be
28 invested, on behalf of the program participants, with the
29 care, skill, and diligence that a prudent person acting in a
30 like manner would undertake. The performance of the investment
31 duties set forth in this paragraph shall comply with the

1 fiduciary standards set forth in the Employee Retirement
2 Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A)-(C).
3 In case of conflict with other provisions of law authorizing
4 investments, the investment and fiduciary standards set forth
5 in this subsection shall prevail.

6 (b) If a participant or beneficiary of the Regular
7 Class Optional Retirement Program exercises control over the
8 assets in his or her account, as determined by reference to
9 regulations of the United States Department of Labor under s.
10 404(c) of the Employee Retirement Income Security Act of 1974
11 and all applicable laws governing the operation of the
12 program, no program fiduciary shall be liable for any loss to
13 a participant's or beneficiary's account which results from
14 such participant's or beneficiary's exercise of control.

15 (16) DISABILITY BENEFITS.--For any member of the
16 optional retirement program who becomes totally and
17 permanently disabled, as defined in s. 121.091(4)(b), the
18 member shall be entitled to receive those moneys that have
19 accrued in his or her participant account. It is the intent of
20 the Legislature to provide participants of the Public Employee
21 Optional Retirement Program disability benefits comparable to
22 the benefits afforded defined benefit program participants.
23 The department is directed to study the potential options of
24 such coverage and the fiscal impacts on the employees and
25 employers, and to make recommendations to the Legislature by
26 January 1, 2001.

27 (17) SOCIAL SECURITY COVERAGE.--

28 (a) Social Security coverage shall be provided for all
29 officers and employees who become participants of the optional
30 program. Any modification of the present agreement with the
31 Social Security Administration, or referendum required under

1 the Social Security Act, for the purpose of providing Social
2 Security coverage for any member shall be requested by the
3 state agency in compliance with the applicable provisions of
4 the Social Security Act governing such coverage. However,
5 retroactive Social Security coverage for service prior to
6 December 1, 1970, with the employer shall not be provided for
7 any member who was not covered under the agreement as of
8 November 30, 1970.

9 (b) All officers and employees who are participants of
10 the optional program shall be eligible to receive the retiree
11 health insurance subsidy, subject to the provisions of s.
12 112.363.

13 Section 3. Section 121.571, Florida Statutes, is
14 created to read:

15 121.571 Contributions.--Contributions to the Public
16 Employee Optional Retirement Program shall be made as follows:

17 (1) CONTRIBUTION RATES GENERALLY.--The contributions
18 established in this section shall be paid by each participant
19 or the participant's employer to the third-party administrator
20 based on the class membership of the participant. The
21 contributions are stated as a percentage of each participant's
22 gross compensation for the calendar month. A change in a
23 contribution rate is effective the first day of the month for
24 which a full month's employer contribution is made on or after
25 the beginning date of the change. Contribution rates may be
26 modified by general law.

27 (2) CONTRIBUTIONS TO PARTICIPANTS' ACCOUNTS.--Employer
28 and participant contributions to participant accounts shall be
29 accounted for separately. Interest and investment earnings on
30 employer contributions shall accrue on a tax-deferred basis
31 until proceeds are distributed. Pursuant thereto, all

1 contributions made by or on behalf of a participant pursuant
2 to this subsection shall be transferred by the employer to the
3 third-party administrator for deposit in the participant's
4 account, less an amount approved by the Legislature to fund
5 the administration of the optional retirement program.

6 (3) CONTRIBUTIONS TO DISABILITY ACCOUNT.--

7 (a) All contributions made on behalf of a participant
8 pursuant to this subsection shall be transferred by the
9 employer to the third-party administrator for deposit in the
10 Public Employee Disability Trust Fund administered by the
11 Division of Retirement. Such contributions, less any fees or
12 charges authorized by the Legislature to offset the costs of
13 administering the disability component of the optional
14 retirement program, shall be used to provide disability
15 coverage for participants in the optional retirement program.

16 (b) Disability contributions for Regular Class members
17 of the optional retirement plan are as follows:

18 Dates of Contribution Employers

19 Rate Changes

20 Effective July 1, 2002: 0.50%

21 (c) Disability contribution for Special Risk Class
22 members of the optional retirement plan are as follows:

23 Dates of Contribution Employers

24 Rate Changes

25 Effective July 1, 2002: 1.38%

26 (d) Disability contribution for Special Risk
27 Administrative Support Class members of the optional
28 retirement plan are as follows:

29 Dates of Contribution Employers

30 Rate Changes

31 Effective July 1, 2002: 0.84%

1 (e) Disability contribution for Elected Officers'
2 Class members of the optional retirement plan are as follows:

<u>Dates of Contribution</u>	<u>Employers</u>
<u>Rate Changes</u>	
<u>Effective July 1, 2002:</u>	
<u>Legislators</u>	<u>0.72%</u>
<u>Governor, Lt. Governor,</u>	
<u>Cabinet Officers</u>	<u>0.72%</u>
<u>State Attorneys, Public</u>	
<u>Defenders</u>	<u>0.72%</u>
<u>Justices, Judges</u>	<u>1.56%</u>
<u>County Elected Officers</u>	<u>0.95%</u>

13 (f) Disability contribution for Senior Management
14 Service Class members of the optional retirement plan are as
15 follows:

<u>Dates of Contribution</u>	<u>Employers</u>
<u>Rate Changes</u>	
<u>Effective July 1, 2002:</u>	<u>0.59%</u>

19 (4) CONTRIBUTIONS FOR SOCIAL SECURITY COVERAGE AND FOR
20 RETIREE HEALTH INSURANCE SUBSIDY.--Contributions required
21 under this section shall be in addition to employer and member
22 contributions required for Social Security and the Retiree
23 Health Insurance Subsidy Trust Fund as provided in s. 121.071.

24 (5) FEES AND OTHER CHARGES.--The board or the
25 third-party administrator may deduct reasonable fees and may
26 apply appropriate charges to participant accounts, but only as
27 expressly covered by the terms of the approved contract for
28 the third-party administrator or as authorized by the
29 Legislature.

30 Section 4. The Legislature finds that a proper and
31 legitimate state purpose is served when employees and retirees

1 of the state and of its political subdivisions, and the
2 dependents, survivors, and beneficiaries of such employees and
3 retirees, are extended the basic protections afforded by
4 governmental retirement systems that provide fair and adequate
5 benefits that are managed, administered, and funded in an
6 actuarially sound manner, as required by section 14, Article X
7 of the State Constitution and part VII of chapter 112, Florida
8 Statutes. Therefore, the Legislature determines and declares
9 that this act fulfills an important state interest.

10 Section 5. Paragraphs (b) and (h) of subsection (1),
11 paragraph (b) of subsection (4), and paragraph (e) of
12 subsection (6) of section 121.055, Florida Statutes, are
13 amended to read:

14 121.055 Senior Management Service Class.--There is
15 hereby established a separate class of membership within the
16 Florida Retirement System to be known as the "Senior
17 Management Service Class," which shall become effective
18 February 1, 1987.

19 (1)

20 (b)1. Except as provided in subparagraph 2., effective
21 January 1, 1990, participation in the Senior Management
22 Service Class shall be compulsory for the president of each
23 community college, the manager of each participating city or
24 county, and all appointed district school superintendents.
25 Effective January 1, 1994, additional positions may be
26 designated for inclusion in the Senior Management Service
27 Class of the Florida Retirement System, provided that:

28 a. Positions to be included in the class shall be
29 designated by the local agency employer. Notice of intent to
30 designate positions for inclusion in the class shall be
31 published once a week for 2 consecutive weeks in a newspaper

1 of general circulation published in the county or counties
2 affected, as provided in chapter 50.

3 b. Up to 10 ~~one~~ nonelective full-time positions
4 ~~position~~ may be designated for each local agency employer
5 reporting to the Department of Management Services; for local
6 agencies with 100 or more regularly established positions,
7 additional nonelective full-time positions may be designated,
8 not to exceed 1 percent of the regularly established positions
9 within the agency.

10 c. Each position added to the class must be a
11 managerial or policymaking position filled by an employee who
12 is not subject to continuing contract and serves at the
13 pleasure of the local agency employer without civil service
14 protection, and who:

15 (I) Heads an organizational unit; or

16 (II) Has responsibility to effect or recommend
17 personnel, budget, expenditure, or policy decisions in his or
18 her areas of responsibility.

19 2. In lieu of participation in the Senior Management
20 Service Class, members of the Senior Management Service Class
21 pursuant to the provisions of subparagraph 1. may withdraw
22 from the Florida Retirement System altogether. The decision to
23 withdraw from the Florida Retirement System shall be
24 irrevocable for as long as the employee holds such a position.
25 Any service creditable under the Senior Management Service
26 Class shall be retained after the member withdraws from the
27 Florida Retirement System; however, additional service credit
28 in the Senior Management Service Class shall not be earned
29 after such withdrawal. Such members shall not be eligible to
30 participate in the Senior Management Service Optional Annuity
31 Program.

1 (h)1. Except as provided in subparagraph 3., effective
2 January 1, 1994, participation in the Senior Management
3 Service Class shall be compulsory for the State Courts
4 Administrator and the Deputy State Courts Administrators, the
5 Clerk of the Supreme Court, the Marshal of the Supreme Court,
6 the Executive Director of the Justice Administrative
7 Commission, the Capital Collateral Representative, the clerks
8 of the district courts of appeals, the marshals of the
9 district courts of appeals, and the trial court administrator
10 in each judicial circuit. Effective January 1, 1994,
11 additional positions in the offices of the state attorney and
12 public defender in each judicial circuit may be designated for
13 inclusion in the Senior Management Service Class of the
14 Florida Retirement System, provided that:

15 a. Positions to be included in the class shall be
16 designated by the state attorney or public defender, as
17 appropriate. Notice of intent to designate positions for
18 inclusion in the class shall be published once a week for 2
19 consecutive weeks in a newspaper of general circulation
20 published in the county or counties affected, as provided in
21 chapter 50.

22 b. One nonelective full-time position may be
23 designated for each state attorney and public defender
24 reporting to the Department of Management Services; for
25 agencies with 200 or more regularly established positions
26 under the state attorney or public defender, additional
27 nonelective full-time positions may be designated, not to
28 exceed 0.5 percent of the regularly established positions
29 within the agency.

30 c. Each position added to the class must be a
31 managerial or policymaking position filled by an employee who

1 serves at the pleasure of the state attorney or public
2 defender without civil service protection, and who:

3 (I) Heads an organizational unit; or

4 (II) Has responsibility to effect or recommend
5 personnel, budget, expenditure, or policy decisions in his or
6 her areas of responsibility.

7 2. Participation in this class shall be compulsory,
8 except as provided in subparagraph 3., for any judicial
9 employee who holds a position designated for coverage in the
10 Senior Management Service Class, and such participation shall
11 continue until the employee terminates employment in a covered
12 position. Effective January 1, 2001, participation in this
13 class is compulsory for assistant state attorneys, assistant
14 statewide prosecutors, and assistant public defenders.

15 3. In lieu of participation in the Senior Management
16 Service Class, such members may participate in the Senior
17 Management Service Optional Annuity Program as established in
18 subsection (6).

19 (4)

20 (b) Service in an eligible position prior to February
21 1, 1987, or after January 31, 1987, shall satisfy the
22 requirement of attaining the normal retirement date as defined
23 in s. 121.021(29) for a Senior Management Service Class
24 member, provided the employee is a member of the Senior
25 Management Service Class after January 31, 1987. A member of
26 this class who fails to complete 5 7 years of creditable
27 service in an eligible position shall be required to satisfy
28 the requirements for the normal retirement date for a regular
29 member as provided in s. 121.021(29).

30 (6)

31 (e) Benefits.--

1 1. Benefits shall be payable under the Senior
2 Management Service Optional Annuity Program only to
3 participants in the program, or their beneficiaries as
4 designated by the participant in the contract with a provider
5 company, and such benefits shall be paid by the designated
6 company in accordance with the terms of the annuity contract
7 or contracts applicable to the participant. A participant must
8 be terminated from all employment with all Florida Retirement
9 System employers as provided in s. 121.021(39) to begin
10 receiving the employer-funded benefit. Benefits funded by
11 employer contributions shall be payable only as a lifetime
12 annuity to the participant, his or her beneficiary, or his or
13 her estate, except for:

14 a. A lump-sum payment to the beneficiary upon the
15 death of the participant; ~~or~~

16 b. A cash-out of a de minimis account upon the request
17 of a former participant who has been terminated for a minimum
18 of 6 months from the employment that entitled him or her to
19 optional annuity program participation. A de minimis account
20 is an account with a provider company containing employer
21 contributions and accumulated earnings of not more than \$5,000
22 made under the provisions of this chapter. Such cash-out must
23 be a complete liquidation of the account balance with that
24 company and is subject to the provisions of the Internal
25 Revenue Code; ~~or-~~

26 c. A lump-sum direct rollover distribution whereby all
27 accrued benefits, plus interest and investment earnings, are
28 paid from the participant's account directly to the custodian
29 of an eligible retirement plan, as defined in s. 402(c)(8)(B)
30 of the Internal Revenue Code, on behalf of the participant.

31

1 2. The benefits payable to any person under the Senior
2 Management Service Optional Annuity Program, and any
3 contribution accumulated under such program, shall not be
4 subject to assignment, execution, or attachment or to any
5 legal process whatsoever.

6 3. A participant who receives optional annuity program
7 benefits funded by employer contributions shall be deemed to
8 be retired from a state-administered retirement system in the
9 event of subsequent employment with any employer that
10 participates in the Florida Retirement System.

11 Section 6. Effective July 1, 2001, subsections (2) and
12 (3) of section 112.363, Florida Statutes, are amended to read:

13 112.363 Retiree health insurance subsidy.--

14 (2) ELIGIBILITY FOR RETIREE HEALTH INSURANCE
15 SUBSIDY.--

16 (a) 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. 121.40, 238.07(16)(a), and
22 250.22, recipients of health insurance coverage under s.
23 110.1232, or any other special pension or relief act shall not
24 be eligible for such payments.

25 (b) For purposes of this section, a person is deemed
26 retired from a state-administered retirement system when he or
27 she terminates employment with all employers participating in
28 the Florida Retirement System as described in s. 121.021(39)
29 and:

30 1. For a participant of the Public Employee Optional
31 Retirement Program established under part II of chapter 121,

1 the participant meets the age or service requirements to
2 qualify for normal retirement as set forth in s. 121.021(29).

3 2. For a member of the Florida Retirement System
4 defined benefit program, or any employee who maintains
5 creditable service under both the defined benefit program and
6 the Public Employee Optional Retirement Program, the member
7 begins drawing retirement benefits from the system.

8 (c)1. Effective July 1, 2001, any person retiring on
9 or after such date as a member of the Florida Retirement
10 System, including any participant of the defined contribution
11 program administered pursuant to part II of chapter 121, must
12 have satisfied the vesting requirements for his or her
13 membership class under the Florida Retirement System defined
14 benefit program as administered under part I of chapter 121.

15 2. Notwithstanding the provisions of subparagraph 1.,
16 a person retiring due to disability must either qualify for a
17 regular or in-line-of-duty disability benefit as provided in
18 s. 121.091(4) or qualify for a disability benefit under a
19 disability plan established under part II of chapter 121, as
20 appropriate.

21 (d) Payment of the retiree health insurance subsidy
22 shall be made only after coverage for health insurance for the
23 retiree or beneficiary has been certified in writing to the
24 Department of Management Services. Participation in a former
25 employer's group health insurance program is not a requirement
26 for eligibility under this section.

27 (e) ~~However,~~ Participants in the Senior Management
28 Service Optional Annuity Program as provided in s. 121.055(6)
29 and the State University System Optional Retirement Program as
30 provided in s. 121.35 shall not receive the retiree health
31 insurance subsidy provided in this section. The employer of

1 such participant shall pay the contributions required in
2 subsection (8) to the annuity program provided in s.
3 121.055(6)(d) or s. 121.35(4)(a), as applicable.

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

5 (a) Beginning January 1, 1988, each eligible retiree
6 or a beneficiary who is a spouse or financial dependent
7 thereof shall receive a monthly retiree health insurance
8 subsidy payment equal to the number of years of creditable
9 service, as defined in s. 121.021(17), completed at the time
10 of retirement multiplied by \$1; however, no retiree may
11 receive a subsidy payment of more than \$30 or less than \$10.

12 (b) Beginning January 1, 1989, each eligible retiree
13 or a beneficiary who is a spouse or financial dependent shall
14 receive a monthly retiree health insurance subsidy payment
15 equal to the number of years of creditable service, as defined
16 in s. 121.021(17), completed at the time of retirement
17 multiplied by \$2; however, no retiree may receive a subsidy
18 payment of more than \$60 or less than \$20.

19 (c) Beginning January 1, 1991, each eligible retiree
20 or a beneficiary who is a spouse or financial dependent shall
21 receive a monthly retiree health insurance subsidy payment
22 equal to the number of years of creditable service, as defined
23 in s. 121.021(17), completed at the time of retirement
24 multiplied by \$3; however, no retiree may receive a subsidy
25 payment of more than \$90 or less than \$30.

26 (d) Beginning January 1, 1999, each eligible retiree
27 or, if the retiree is deceased, his or her beneficiary who is
28 receiving a monthly benefit from such retiree's account and
29 who is a spouse, or a person who meets the definition of joint
30 annuitant in s. 121.021(28), shall receive a monthly retiree
31 health insurance subsidy payment equal to the number of years

1 of creditable service, as defined in s. 121.021(17), completed
2 at the time of retirement multiplied by \$5; however, no
3 eligible retiree or such beneficiary may receive a subsidy
4 payment of more than \$150 or less than \$50. If there are
5 multiple beneficiaries, the total payment must not be greater
6 than the payment to which the retiree was entitled.

7 (e)1. Beginning July 1, 2001, each eligible retiree of
8 the defined benefit program of the Florida Retirement System,
9 or, if the retiree is deceased, his or her beneficiary who is
10 receiving a monthly benefit from such retiree's account and
11 who is a spouse, or a person who meets the definition of joint
12 annuitant in s. 121.021(28), shall receive a monthly retiree
13 health insurance subsidy payment equal to the number of years
14 of creditable service, as defined in s. 121.021(17), completed
15 at the time of retirement multiplied by \$5; however, no
16 eligible retiree or such beneficiary may receive a subsidy
17 payment of more than \$150 or less than \$25. If there are
18 multiple beneficiaries, the total payment must not be greater
19 than the payment to which the retiree was entitled.

20 Notwithstanding the provisions of this paragraph, the health
21 insurance subsidy amount payable to any person receiving the
22 retiree health insurance subsidy payment on July 1, 2002,
23 shall not be reduced.

24 2. Beginning July 1, 2001, each eligible participant
25 of the Public Employee Optional Retirement Program of the
26 Florida Retirement System who has met the requirements of this
27 section, or, if the participant is deceased, his or her spouse
28 who is the participant's designated beneficiary, shall receive
29 a monthly retiree health insurance subsidy payment equal to
30 the number of years of creditable service, as defined in this
31 subparagraph, completed at the time of retirement, multiplied

1 by \$5; however, no eligible retiree or such beneficiary may
2 receive a subsidy payment of more than \$150 or less than \$30.
3 For purposes of determining a participant's creditable service
4 used to calculate the health insurance subsidy, a
5 participant's years of service credit or fraction thereof
6 shall be based on the participant's work year as defined in s.
7 121.021(54). Credit shall be awarded for a full work year
8 whenever health insurance subsidy contributions have been made
9 as required by law for each month in the participant's work
10 year. In addition, all years of creditable service retained
11 under the Florida Retirement System defined benefit program
12 shall be included as creditable service for purposes of this
13 section.

14 Section 7. Subsection (2) and paragraph (a) of
15 subsection (7) of section 121.0515, Florida Statutes, are
16 amended to read:

17 121.0515 Special risk membership; criteria;
18 designation and removal of classification; credits for past
19 service and prior service; retention of special risk normal
20 retirement date.--

21 (2) CRITERIA.--A member, to be designated as a special
22 risk member, must meet the following criteria:

23 (a) The member must be employed as a law enforcement
24 officer and be certified, or required to be certified, in
25 compliance with s. 943.1395; however, sheriffs and elected
26 police chiefs shall be excluded from meeting the certification
27 requirements of this paragraph. In addition, the member's
28 duties and responsibilities must include the pursuit,
29 apprehension, and arrest of law violators or suspected law
30 violators; or the member must be an active member of a bomb
31 disposal unit whose primary responsibility is the location,

1 handling, and disposal of explosive devices; or the member
2 must be the supervisor or command officer of a member or
3 members who have such responsibilities; provided, however,
4 administrative support personnel, including, but not limited
5 to, those whose primary duties and responsibilities are in
6 accounting, purchasing, legal, and personnel, shall not be
7 included;

8 (b) The member must be employed as a firefighter and
9 be certified, or required to be certified, in compliance with
10 s. 633.35 and be employed solely within the fire department of
11 a local government ~~the~~ employer, or an agency of state
12 government with firefighting responsibilities. In addition,
13 the member's duties and responsibilities must include
14 on-the-scene fighting of fires or direct supervision of
15 firefighting units or aerial firefighting surveillance
16 performed by fixed-wing pilots employed by the Department of
17 Agriculture and Consumer Services, Division of Forestry, or
18 the member must be the supervisor or command officer of a
19 member or members who have such responsibilities; provided,
20 however, administrative support personnel, including, but not
21 limited to, those whose primary duties and responsibilities
22 are in accounting, purchasing, legal, and personnel, shall not
23 be included;

24 (c) The member must be employed as a correctional
25 officer and be certified, or required to be certified, in
26 compliance with s. 943.1395. In addition, the member's
27 primary duties and responsibilities must be the custody, and
28 physical restraint when necessary, of prisoners or inmates
29 within a prison, jail, or other criminal detention facility,
30 or while on work detail outside the facility, or while being
31 transported; or the member must be the supervisor or command

1 officer of a member or members who have such responsibilities;
2 provided, however, administrative support personnel,
3 including, but not limited to, those whose primary duties and
4 responsibilities are in accounting, purchasing, legal, and
5 personnel, shall not be included; however, superintendents and
6 assistant superintendents shall participate in the Special
7 Risk Class; or

8 (d) The member must be employed by a licensed Advance
9 Life Support (ALS) or Basic Life Support (BLS) employer as an
10 emergency medical technician or a paramedic and be certified
11 in compliance with s. 401.27. In addition, the member's
12 primary duties and responsibilities must include on-the-scene
13 emergency medical care. However, administrative support
14 personnel, including, but not limited to, those whose primary
15 responsibilities are in accounting, purchasing, legal, and
16 personnel, shall not be included.

17 (7) RETENTION OF SPECIAL RISK NORMAL RETIREMENT
18 DATE.--

19 (a) A special risk member who is moved or reassigned
20 to a nonspecial risk law enforcement, firefighting,
21 correctional, or emergency medical care administrative support
22 position with the same agency, or who is subsequently employed
23 in such a position with any law enforcement, firefighting,
24 correctional, or emergency medical care agency under the
25 Florida Retirement System, shall participate in the Special
26 Risk Administrative Support Class and shall earn credit for
27 such service at the same percentage rate as that earned by a
28 regular member. Notwithstanding the provisions of subsection
29 (4), service in such an administrative support position shall,
30 for purposes of s. 121.091, apply toward satisfaction of the
31 special risk normal retirement date, as defined in s.

1 121.021(29)(b), provided that, while in such position, the
2 member remains certified as a law enforcement officer,
3 firefighter, correctional officer, emergency medical
4 technician, or paramedic; remains subject to reassignment at
5 any time to a position qualifying for special risk membership;
6 and completes an aggregate of 5 ~~10~~ or more years of service as
7 a designated special risk member prior to retirement.

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

10 121.052 Membership class of elected officers.--

11 (12) BENEFITS.--

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

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

29 1. If any elected official dies in office who would
30 have been vested under the Elected Officers' Class, any other
31 class of the Florida Retirement System, or any other

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

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

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

27 Section 9. Paragraph (a) of subsection (1) of section
28 121.053, Florida Statutes, is amended to read:

29 121.053 Participation in the Elected Officers' Class
30 for retired members.--

31

1 (1)(a) Any member who retired under any existing
2 system as defined in s. 121.021(2), and receives a benefit
3 thereof, and who serves in an office covered by the Elected
4 Officers' Class for a period of at least 5 & years, shall be
5 entitled to receive an additional retirement benefit for such
6 elected officer service prior to July 1, 1990, under the
7 Elected Officers' Class of the Florida Retirement System, as
8 follows:

9 1. Upon completion of 5 & or more years of creditable
10 service in an office covered by the Elected Officers' Class,
11 s. 121.052, such member shall notify the administrator of his
12 or her intent to purchase elected officer service prior to
13 July 1, 1990, and shall pay the member contribution applicable
14 for the period being claimed, plus 4 percent interest
15 compounded annually from the first year of service claimed
16 until July 1, 1975, and 6.5 percent interest compounded
17 annually thereafter, until full payment is made to the Florida
18 Retirement System Trust Fund; however, such member may
19 purchase retirement credit under the Elected Officers' Class
20 only for such service as an elected officer.

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

30
31

1 Section 10. Paragraph (i) of subsection (1) and
2 paragraph (b) of subsection (2) of section 121.081, Florida
3 Statutes, are amended to read:

4 121.081 Past service; prior service;
5 contributions.--Conditions under which past service or prior
6 service may be claimed and credited are:

7 (1)

8 (i) An employee of a state agency who was a member of
9 a state-administered retirement system and who was granted
10 educational leave with pay pursuant to a written educational
11 leave-with-pay policy may claim such period of educational
12 leave as past service subject to the following conditions:

13 1. The educational leave must have occurred prior to
14 December 31, 1971;

15 2. The member must have completed at least 5 ~~10~~ years
16 of creditable service excluding the period of the educational
17 leave;

18 3. The employee must have returned to employment with
19 a state agency employer who participated in the retirement
20 system, which return was immediately upon termination of the
21 educational leave, and must have remained on the employer's
22 payroll for at least 1 calendar month following the return to
23 employment;

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

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

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

30 7. The member must pay to the retirement trust fund
31 for claiming such past-service credit an amount equal to 8

1 percent of his or her gross annual salary immediately prior to
2 the educational leave with pay for each year of past service
3 claimed, plus 4 percent interest thereon compounded annually
4 each June 30 from the first year of service claimed until July
5 1, 1975, and 6.5 percent interest thereafter on the unpaid
6 balance compounded annually each June 30 until paid.

7 (2) Prior service, as defined in s. 121.021(19), may
8 be claimed as creditable service under the Florida Retirement
9 System after a member has been reemployed for 1 complete year
10 of creditable service within a period of 12 consecutive
11 months, except as provided in paragraph (c). Service performed
12 as a participant of the optional retirement program for the
13 State University System under s. 121.35 or the Senior
14 Management Service Optional Annuity Program under s. 121.055
15 may be used to satisfy the reemployment requirement of 1
16 complete year of creditable service. The member shall not be
17 permitted to make any contributions for prior service until
18 after completion of the 1 year of creditable service. The
19 required contributions for claiming the various types of prior
20 service are:

21 (b) For prior service performed prior to the date the
22 system became ~~becomes~~ noncontributory for the member, and for
23 which the member had credit under the Florida Retirement
24 System and received a refund of contributions upon termination
25 of employment, the member shall contribute at the rate that
26 was required of him or her during the period of service being
27 claimed, on all salary received during such period, plus 4
28 percent interest compounded annually from the date of refund
29 until July 1, 1975, and 6.5 percent interest compounded
30 annually thereafter, until the full payment is made to the
31 Florida Retirement System Trust Fund.

1 Section 11. Paragraph (a) of subsection (1),
2 paragraphs (a), (h), and (j) of subsection (4) of section
3 121.091, Florida Statutes, are amended to read:

4 121.091 Benefits payable under the system.--Benefits
5 may not be paid under this section unless the member has
6 terminated employment as provided in s. 121.021(39)(a) or
7 begun participation in the Deferred Retirement Option Program
8 as provided in subsection (13), and a proper application has
9 been filed in the manner prescribed by the department. The
10 department may cancel an application for retirement benefits
11 when the member or beneficiary fails to timely provide the
12 information and documents required by this chapter and the
13 department's rules. The department shall adopt rules
14 establishing procedures for application for retirement
15 benefits and for the cancellation of such application when the
16 required information or documents are not received.

17 (1) NORMAL RETIREMENT BENEFIT.--Upon attaining his or
18 her normal retirement date, the member, upon application to
19 the administrator, shall receive a monthly benefit which shall
20 begin to accrue on the first day of the month of retirement
21 and be payable on the last day of that month and each month
22 thereafter during his or her lifetime. The normal retirement
23 benefit, including any past or additional retirement credit,
24 may not exceed 100 percent of the average final compensation.
25 The amount of monthly benefit shall be calculated as the
26 product of A and B, subject to the adjustment of C, if
27 applicable, as set forth below:

28 (a)1. For creditable years of Regular Class service, A
29 is 1.60 percent of the member's average final compensation, up
30 to the member's normal retirement date. Upon completion of the
31 first year after the normal retirement date, A is 1.63 percent

1 of the member's average final compensation. Following the
2 second year after the normal retirement date, A is 1.65
3 percent of the member's average final compensation. Following
4 the third year after the normal retirement date, and for
5 subsequent years, A is 1.68 percent of the member's average
6 final compensation.

7 2. For creditable years of special risk service, ~~A is:~~

8 a. A is 2.00 ~~Two~~ percent of the member's average final
9 compensation for all creditable years prior to October 1,
10 1974;

11 b. A is 3.00 ~~Three~~ percent of the member's average
12 final compensation for all creditable years after September
13 30, 1974, and before October 1, 1978;

14 c. A is 2.00 ~~Two~~ percent of the member's average final
15 compensation for all creditable years after September 30,
16 1978, and before January 1, 1989;

17 d. A is 2.20 ~~Two and two-tenths~~ percent of the
18 member's final monthly compensation for all creditable years
19 after December 31, 1988, and before January 1, 1990;

20 e. A is 2.40 ~~Two and four-tenths~~ percent of the
21 member's average final compensation for all creditable years
22 after December 31, 1989, and before January 1, 1991;

23 f. A is 2.60 ~~Two and six-tenths~~ percent of the
24 member's average final compensation for all creditable years
25 after December 31, 1990, and before January 1, 1992;

26 g. A is 2.80 ~~Two and eight-tenths~~ percent of the
27 member's average final compensation for all creditable years
28 after December 31, 1991, and before January 1, 1993; ~~and~~

29 h. A is 3.00 ~~Three~~ percent of the member's average
30 final compensation for all creditable years after December 31,
31 1992;

1 i. A is 3.00 percent of the member's average final
2 compensation for all creditable years of service after
3 September 30, 1978, and before January 1, 1993, for any
4 special risk member who retires after July 1, 2000;

5 3. For creditable years of Senior Management Service
6 Class service after January 31, 1987, A is 2 percent;

7 4. For creditable years of Elected Officers' Class
8 service as a Supreme Court Justice, district court of appeal
9 judge, circuit judge, or county court judge, A is 3 1/3
10 percent of the member's average final compensation, and for
11 all other creditable service in such class, A is 3.00 3
12 percent of average final compensation;

13 (4) DISABILITY RETIREMENT BENEFIT.--

14 (a) Disability retirement; entitlement and effective
15 date.--

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

1 ~~the federal Social Security Act, such member shall be entitled~~
2 ~~to a monthly disability benefit.~~

3 2. If the division has received from the employer the
4 required documentation of the member's termination of
5 employment, the effective retirement date for a member who
6 applies and is approved for disability retirement shall be
7 established by rule of the division.

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

13 (h) Recovery from disability.--The administrator may
14 require periodic reexaminations at the expense of the
15 retirement fund. The division may adopt rules establishing
16 procedures for conducting and review of such reexaminations.

17 1. If the administrator finds that a member who is
18 receiving disability benefits is, at any time prior to his or
19 her normal retirement date, no longer disabled, the
20 administrator shall direct that the benefits be discontinued.
21 The decision of the administrator on this question shall be
22 final and binding. If such member:

23 a. Does not reenter the employ of an employer and was
24 not vested as of the disability retirement date, he or she
25 shall be entitled to a refund of the excess, if any, of his or
26 her accumulated contributions over the total disability
27 benefits received up to the date of recovery.

28 b. Does not reenter the employ of an employer, but was
29 vested as of the disability retirement date, he or she may
30 elect to receive:

31

1 (I) A refund of the excess, if any, of his or her
2 accumulated contributions over the total disability benefits
3 received up to the date of recovery; or

4 (II) A deferred benefit commencing on the last day of
5 the month of the normal retirement date which shall be payable
6 on the last day of the month thereafter during his or her
7 lifetime. The amount of such monthly benefit shall be
8 computed in the same manner as for a normal retirement
9 benefit, in accordance with subsection (1), but shall be based
10 on average monthly compensation and creditable service as of
11 the member's disability retirement date.

12 c. Reenters employment of an employer within 6 months
13 after recovery, the member's service will be deemed to have
14 been continuous, but the period beginning with the first month
15 for which he or she received a disability benefit payment and
16 ending with the date he or she reentered employment will not
17 be considered as creditable service for the purpose of
18 computing benefits except as provided in sub-subparagraph d.
19 As used in this section, the term "accumulated contributions"
20 for such member means the excess of the member's accumulated
21 contributions as of the disability retirement date over the
22 total disability benefits received under paragraph (e).

23 d. Terminates his or her disability benefit, reenters
24 covered employment, and is continuously employed for a minimum
25 of 1 year of creditable service, he or she may claim as
26 creditable service the months during which he or she was
27 receiving a disability benefit, upon payment of the required
28 contributions. Contributions shall equal the total required
29 employee and employer contribution rate applicable during the
30 period the retiree received retirement benefits, multiplied
31 times his or her rate of monthly compensation prior to the

1 commencement of disability retirement for each month of the
2 period claimed, plus 4 percent interest until July 1, 1975,
3 and 6.5 percent interest thereafter, compounded annually each
4 June 30 to the date of payment. If the member does not claim
5 credit for all of the months he or she received disability
6 benefits, the months claimed must be the most recent months of
7 retirement. Such credit for periods of disability, when
8 purchased under the Florida Retirement System, shall apply
9 toward vesting requirements for eligibility to purchase
10 additional credit for other service.

11 2. Both the member receiving disability benefits who
12 reenters employment and the employer employing such disability
13 retiree shall notify the division immediately upon
14 reemployment, and the division shall terminate such member's
15 disability benefits, effective the first day of the month
16 following the month in which notification of recovery is
17 received. If the member is reemployed with a Florida
18 Retirement System employer at the time of benefit termination,
19 and he or she has received disability retirement benefit and
20 salary payments concurrently prior to notifying the division,
21 he or she may elect within 30 days to:

22 a. Retain the retirement benefits received prior to
23 termination of disability benefits and begin receiving
24 retirement service credit effective upon the date of
25 termination of benefits; or

26 b. Repay, within 12 months after his or her decision
27 to receive service credit, the retirement benefits received
28 for each month of reemployment prior to termination of
29 disability benefits and begin receiving retirement service
30 credit effective upon the date of reemployment. Any such

31

1 unpaid benefits shall have compound interest of 6.5 percent
2 added June 30.

3

4 A member may not receive both retirement service credit for
5 employment and retirement benefits for the same month.

6 3. If, after recovery of disability and reentry into
7 covered employment, the member again becomes disabled and is
8 again approved for disability retirement, the Option 1 monthly
9 retirement benefit shall not be less than the Option 1 monthly
10 benefit calculated at the time of the previous disability,
11 plus any cost of living increases up to the time the
12 disability benefit was terminated upon his or her reentry into
13 covered employment.

14 (j) Disability retirement of justice or judge by order
15 of Supreme Court.--

16 1. If a member is a justice of the Supreme Court,
17 judge of a district court of appeal, circuit judge, or judge
18 of a county court who has served for 5 ~~10~~ years or more as an
19 elected constitutional judicial officer, including service as
20 a judicial officer in any court abolished pursuant to Art. V
21 of the State Constitution, and who is retired for disability
22 by order of the Supreme Court upon recommendation of the
23 Judicial Qualifications Commission pursuant to the provisions
24 of Art. V of the State Constitution, the member's Option 1
25 monthly benefit as provided in subparagraph (6)(a)1. shall not
26 be less than two-thirds of his or her monthly compensation as
27 of the member's disability retirement date. Such a member may
28 alternatively elect to receive a disability retirement benefit
29 under any other option as provided in paragraph (6)(a).

30 2. Should any justice or judge who is a member of the
31 Florida Retirement System be retired for disability by order

1 of the Supreme Court upon recommendation of the Judicial
2 Qualifications Commission pursuant to the provisions of Art. V
3 of the State Constitution, then all contributions to his or
4 her account and all contributions made on his or her behalf by
5 the employer shall be transferred to and deposited in the
6 General Revenue Fund of the state, and there is hereby
7 appropriated annually out of the General Revenue Fund, to be
8 paid into the Florida Retirement System Fund, an amount
9 necessary to pay the benefits of all justices and judges
10 retired from the Florida Retirement System pursuant to Art. V
11 of the State Constitution.

12 Section 12. Paragraph (b) of subsection (1) of section
13 121.1115, Florida Statutes, is amended to read:

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

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

27 (b) The member must have completed a minimum of 5 ~~10~~
28 years of creditable service under the Florida Retirement
29 System, excluding out-of-state service and in-state service
30 claimed and purchased under s. 121.1122.

31

1 Section 13. Paragraph (a) of subsection (2) of section
2 121.1122, Florida Statutes, is amended to read:

3 121.1122 Purchase of retirement credit for in-state
4 public service and in-state service in accredited nonpublic
5 schools and colleges, including charter schools and charter
6 technical career centers.--Effective January 1, 1998, a member
7 of the Florida Retirement System may purchase creditable
8 service for periods of certain public or nonpublic employment
9 performed in this state, as provided in this section.

10 (2) LIMITATIONS AND CONDITIONS.--

11 (a) A member is not eligible to receive credit for
12 in-state service under this section until he or she has
13 completed 5 ~~10~~ years of creditable service under the Florida
14 Retirement System, excluding service purchased under this
15 section and out-of-state service claimed and purchased under
16 s. 121.1115.

17 Section 14. Subsection (1) of section 121.121, Florida
18 Statutes, is amended to read:

19 121.121 Authorized leaves of absence.--

20 (1) A member may purchase creditable service for up to
21 2 work years of authorized leaves of absence if:

22 (a) The member has completed a minimum of 5 ~~10~~ years
23 of creditable service, excluding periods for which a leave of
24 absence was authorized;

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

27 (c) The member returns to active employment performing
28 service with a Florida Retirement System employer in a
29 regularly established position immediately upon termination of
30 the leave of absence and remains on the employer's payroll for
31 1 calendar month, except that a member who retires on

1 disability while on a medical leave of absence shall not be
2 required to return to employment. A member whose work year is
3 less than 12 months and whose leave of absence terminates
4 between school years is eligible to receive credit for the
5 leave of absence as long as he or she returns to the
6 employment of his or her employer at the beginning of the next
7 school year and remains on the employer's payroll for 1
8 calendar month; and

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

29 Section 15. Effective July 1, 2000, in order to fund
30 the normal cost for changes in vesting requirements and the
31 computation of average final compensation and Public Employee

1 Optional Retirement Program under the Florida Retirement
2 System, as provided in this act:
3 (1) The contribution rates that apply to the Regular
4 Class of the Florida Retirement System shall be increased by
5 1.37 percentage points;
6 (2) The contribution rates that apply to the Special
7 Risk Class of the Florida Retirement System shall be increased
8 by 1.98 percentage points;
9 (3) The contribution rates that apply to the Special
10 Risk Administrative Support Class of the Florida Retirement
11 System shall be increased by 1.01 percentage points;
12 (4) The contribution rates that apply to the Judicial
13 sub-class of the Elected Officers' Class of the Florida
14 Retirement System shall be increased by 1.66 percentage
15 points;
16 (5) The contribution rates that apply to the
17 legislative-attorney-Cabinet sub-class of the Elected
18 Officers' Class of the Florida Retirement System shall be
19 increased by 1.72 percentage points;
20 (6) The contribution rates that apply to the County
21 Officers' sub-class of the Elected Officers' Class of the
22 Florida Retirement System shall be increased by 1.31
23 percentage points; and
24 (7) The contribution rates that apply to the Senior
25 Management Service Class of the Florida Retirement System
26 shall be increased by 0.96 percentage points.
27
28 These increases shall be in addition to all other changes to
29 such contribution rates which may be enacted into law to take
30 effect on that date. The Division of Statutory Revision is
31

1 directed to adjust the contribution rates set forth in
2 sections 121.052, 121.055, and 121.071, Florida Statutes.

3 Section 16. It is the intent of the Legislature that
4 the net unfunded actuarial past-service liability attributable
5 to the upgrading of special risk service between October 1,
6 1978, and January 1, 1993, and to changes in the vesting
7 requirements and the computation of average final compensation
8 under the Florida Retirement System, as provided in this act,
9 shall be funded by a one-time lump-sum payment from the
10 actuarial surplus of the Florida Retirement System Trust Fund.

11 Section 17. It is the intent of the Legislature that
12 the increased actuarial past-service liability attributable to
13 the 1999 actuarial experience study conducted by the system
14 actuaries for the 2000-2001 fiscal year shall be funded by a
15 one-time lump-sum payment from the actuarial surplus of the
16 Florida Retirement System Trust Fund. The retirement
17 contribution rates for subsequent years shall be adjusted with
18 the next actuarial valuation of the Florida Retirement System.

19 Section 18. Effective July 1, 2000, and each year
20 thereafter, the Department of Management Services and the
21 consulting actuaries for the Florida Retirement System are
22 directed to annually recognize and determine the amount of any
23 actuarial surplus that may exist in the Florida Retirement
24 System Trust Fund. Where such actuarial surplus exists, the
25 actuaries shall calculate, as a percent of payroll, the
26 reduction that could be made in the retirement contribution
27 rate for each class and subclass in the Florida Retirement
28 System by applying the amount available for rate reduction as
29 provided in section 121.031(3)(a)6., Florida Statutes, toward
30 the normal cost funding requirements for the system and shall
31 certify such reduced rates to the Department of Management

1 Services for recommendation to the Executive Office of the
2 Governor and the Legislature. If actuarial surplus is
3 unavailable in any year for rate reduction as described in
4 this section, the consulting actuaries for the Florida
5 Retirement System shall certify to the Department of
6 Management Services the payroll contribution rate required for
7 each class and subclass of the Florida Retirement System in
8 order to effect and maintain funding for the Florida
9 Retirement System on a sound actuarial basis in compliance
10 with Section 14 of Article X of the State Constitution and
11 part VII of chapter 112, Florida Statutes.

12 Section 19. To implement the provisions of this act
13 for fiscal year 2000-2001, effective July 1, 2000:

14 (1) The contribution rates that apply to the Regular
15 Class of the Florida Retirement System shall be reduced by
16 3.37 percentage points.

17 (2) The contribution rates that apply to the Special
18 Risk Class of the Florida Retirement System shall be reduced
19 by 3.64 percentage points.

20 (3) The contribution rates that apply to the Special
21 Risk Administrative Support Class of the Florida Retirement
22 System shall be reduced by 4.39 percentage points.

23 (4) The contribution rates that apply to the Judicial
24 sub-class of the Elected Officers' Class of the Florida
25 Retirement System shall be reduced by 7.32 percentage points.

26 (5) The contribution rates that apply to the
27 legislative-attorney-Cabinet subclass of the Elected Officers'
28 Class of the Florida Retirement System shall be reduced by
29 5.19 percentage points.

30 (6) The contribution rates that apply to the County
31 Officers' sub-class of the Elected Officers' Class of the

1 Florida Retirement System shall be reduced by 6.03 percentage
2 points.

3 (7) The contribution rates that apply to the Senior
4 Management Service Class of the Florida Retirement System
5 shall be reduced by 4.15 percentage points.

6
7 These changes shall be in addition to all other changes to
8 such contribution rates which may be enacted into law to take
9 effect on that date. The Division of Statutory Revision is
10 directed to adjust the contribution rates set forth in
11 sections 121.052, 121.055, and 121.071, Florida Statutes.

12 Section 20. Paragraph (a) of subsection (3) of section
13 121.031, Florida Statutes, is amended to read:

14 121.031 Administration of system; appropriation;
15 oaths; actuarial studies; public records.--

16 (3) The administrator shall cause an actuarial study
17 of the system to be made at least once every 2 years and shall
18 report the results of such study to the Legislature by
19 February 1 prior to the next legislative session.

20 (a) The study shall, at a minimum, conform to the
21 requirements of s. 112.63, with the following exceptions and
22 additions:

23 1. The valuation of plan assets shall be based on a
24 5-year averaging methodology such as that specified in the
25 United States Department of Treasury Regulations, 26 C.F.R. s.
26 1.412(c)(2)-1, or a similar accepted approach designed to
27 attenuate fluctuations in asset values.

28 2. The study shall include a narrative explaining the
29 changes in the covered group over the period between actuarial
30 valuations and the impact of those changes on actuarial
31 results.

1 3. When substantial changes in actuarial assumptions
2 have been made, the study shall reflect the results of an
3 actuarial assumption as of the current date based on the
4 assumptions utilized in the prior actuarial report.

5 4. The study shall include an analysis of the changes
6 in actuarial valuation results by the factors generating those
7 changes. Such analysis shall reconcile the current actuarial
8 valuation results with those results from the prior valuation.

9 5. The study shall include measures of funding status
10 and funding progress designed to facilitate the assessment of
11 trends over several actuarial valuations with respect to the
12 overall solvency of the system. Such measures shall be adopted
13 by the division and shall be used consistently in all
14 actuarial valuations performed on the system.

15 6.a. To implement the stabilization reserve, effective
16 January 1, 2000, and applicable each year thereafter, the
17 actuarial surplus will be assigned to stabilization surplus as
18 follows: 100 percent of actuarial surplus up to 5 percent of
19 actuarial liabilities, plus 50 percent of any remaining
20 surplus up to 5 percent actuarial liabilities and 25 percent
21 of any remaining actuarial surplus up to 5 percent of
22 actuarial liabilities. The maximum stabilization surplus shall
23 be 8.75 percent of actuarial liabilities. For fiscal year
24 2000-2001, a special allocation of \$2,668,763,000 of any
25 actuarial surplus remaining after the assignment to
26 stabilization surplus shall be made to the Florida Retirement
27 System for funding of benefit improvements. Any remaining
28 actuarial surplus shall be deemed available surplus, to be
29 used as provided in sub-subparagraph b. If unfunded
30 liabilities are created by adverse experience, the
31 stabilization reserve will be used either to offset those

1 liabilities or to amortize those liabilities in accordance
2 with regular valuation procedures.

3 b. Available surplus shall be used as follows:

4 (I) Twenty percent of available surplus shall be
5 assigned to each Florida Retirement System membership class in
6 the proportion that the actuarial surplus of that class bears
7 to the total actuarial surplus. The remaining 80 percent of
8 available surplus that remains shall roll over to the next
9 valuation date.

10 (II) The Legislature may, through legislative act,
11 assign some or all of the available surplus allocated to any
12 Florida Retirement System membership class as a one-time
13 lump-sum payment to fund actuarial liabilities created by
14 benefit improvements. Any remaining portion of available
15 surplus assigned to a membership class shall be used to reduce
16 the next fiscal year system normal cost requirements.

17 Section 21. The following sums are appropriated from
18 recurring General Revenue Fund for fiscal year 2000-2001. The
19 sum of \$921,000 is appropriated to the Justice Administrative
20 Commission for the purpose of paying the costs associated with
21 adding assistant state attorneys to the Senior Management
22 Service Class in the Florida Retirement System. The sum of
23 \$605,000 is appropriated to the Justice Administrative
24 Commission for the purpose of paying the costs associated with
25 adding assistant public defenders to the Senior Management
26 Service Class in the Florida Retirement System. The sum of
27 \$24,000 is appropriated to the Department of Legal Affairs,
28 Office of Statewide Prosecutor for the purpose of paying the
29 costs associated with adding assistant statewide prosecutors
30 to the Senior Management Service Class in the Florida
31 Retirement System.

1 Section 22. Except as otherwise provided in this act,
2 this act shall take effect July 1, 2000, and the Public
3 Employee Optional Retirement Program created by this act shall
4 be contingent upon:

5 (1) The Department of Management Services receiving a
6 favorable determination letter and a favorable private-letter
7 ruling from the Internal Revenue Service by May 1, 2002.

8 (2) The State Board of Administration having selected
9 and contracted with the third-party administrator.

10 (3) The third-party administrator having successfully
11 established data links with the employers participating in the
12 Florida Retirement System.

13 (4) The education component of the Public Employee
14 Optional Retirement Program having been available for at least
15 90 days.

16 (5) A diversified portfolio of financial instruments
17 having become available to participants of the Public Employee
18 Optional Retirement Program.

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1 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
2 COMMITTEE SUBSTITUTE FOR
3 SB 1352

4 The Committee Substitute incorporates the provisions of CS/SB
5 1026 on enhanced benefits for the defined benefit plan in the
6 Florida Retirement System (FRS) passed by the Senate on March
7 20, 2000. It incorporates these changes into the format of the
8 proposed House defined contribution bill, HB 2393. The key
9 features of these combined issues are: five-year vesting for
10 all employees in the FRS; calculation of average final
11 compensation over a three-year as opposed to a five-year
12 period; providing all members of the FRS an optional,
13 portable, defined contribution pension choice with a
14 proportional, graded vesting schedule beginning at two years
15 and achieving full vesting at six years of service; giving
16 authority to the State Board of Administration for the
17 procurement of a third-party administrator to provide the
18 infrastrucutre for the optional pension plan; providing for a
19 competitive procurement of provider companies who must provide
20 competitive, low cost products and services; providing for a
21 third-party educator to inform plan members of the voluntary
22 choice they have in changing plan types; providing strict
23 quality assurance standards, federal tax law conformance,
24 fiduciary standards; providing for a July 1, 2000 effective
25 date to the defined benefit plan changes and a two-year
26 delayed effect for the defined contribution plan changes;
27 providing for the upgrading of prior service credit for active
28 members only of the special risk retirement class with service
29 between 1978 and 1993; providing for the movement of
30 designated assistant state attorney, public defender and
31 statewide prosecutor from the regular to senior management
class of the FRS; providing for designation of additional
senior management members by units of local government;
providing for the inclusion of pilots of fixed wing aircraft
in the special risk retirement class.