

Amendment No. \_\_\_\_ (for drafter's use only)

	<u>Senate</u>	CHAMBER ACTION	<u>House</u>
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ORIGINAL STAMP BELOW

Representative(s) Pruitt offered the following:

**Amendment (with title amendment)**

On page 89, between lines 27 and 28 of the bill

insert:

Section 36. Paragraph (a) of subsection (3) of section 121.031, F.S., is amended to read:

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

(3) The administrator shall cause an actuarial study of the system to be made at least annually ~~once every 2 years~~ and shall report the results of such study to the Legislature by December 31 ~~February 1~~ prior to the next legislative session.

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

1. The valuation of plan assets shall be based on a 5-year averaging methodology such as that specified in the United States Department of Treasury Regulations, 26 C.F.R. s.

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1 1.412(c)(2)-1, or a similar accepted approach designed to  
2 attenuate fluctuations in asset values.

3 2. The study shall include a narrative explaining the  
4 changes in the covered group over the period between actuarial  
5 valuations and the impact of those changes on actuarial  
6 results.

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

11 4. The study shall include an analysis of the changes  
12 in actuarial valuation results by the factors generating those  
13 changes. Such analysis shall reconcile the current actuarial  
14 valuation results with those results from the prior valuation.

15 5. The study shall include measures of funding status  
16 and funding progress designed to facilitate the assessment of  
17 trends over several actuarial valuations with respect to the  
18 overall solvency of the system. Such measures shall be adopted  
19 by the division and shall be used consistently in all  
20 actuarial valuations performed on the system.

21 6. The actuarial model used to determine the adequate  
22 level of funding for the Florida Retirement System shall  
23 include a specific rate stabilization mechanism, as prescribed  
24 herein. It is the intent of the Legislature to maintain as a  
25 reserve a specific portion of any actuarial surplus, and to  
26 use such reserve for the purpose of offsetting future unfunded  
27 liabilities caused by experience losses, thereby minimizing  
28 the risk of future increases in contribution rates. It is  
29 further the intent of the Legislature that the use of any  
30 excess above the reserve to offset retirement system normal  
31 cost will be in a manner that will allow system employers to

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1 plan appropriately for resulting cost reductions and  
2 subsequent cost increases. The rate stabilization mechanism  
3 shall operate as follows:

4 a. The actuarial surplus shall be the value of  
5 actuarial assets over actuarial liabilities, as is determined  
6 on the preceding June 30 or as may be estimated on the  
7 preceding December 31.

8 b. The full amount of any experience loss shall be  
9 offset, to the extent possible, by any actuarial surplus.

10 c. If the actuarial surplus exceeds 5 percent of  
11 actuarial liabilities, one-half of the excess may be used to  
12 offset total retirement system costs. In addition, if the  
13 actuarial surplus exceeds 10 percent of actuarial liabilities,  
14 an additional one-fourth of the excess above 10 percent may be  
15 used to offset total retirement system costs. In addition, if  
16 the actuarial surplus exceeds 15 percent of actuarial  
17 liabilities, an additional one-fourth of the excess above 15  
18 percent may be used to offset total retirement system costs.

19 d. Any surplus amounts available to offset total  
20 retirement system costs pursuant to sub-subparagraph c. should  
21 be amortized each year over a 10 year rolling period on a  
22 level dollar basis.

23  
24  
25 ===== T I T L E A M E N D M E N T =====

26 And the title is amended as follows:

27 On page 2, line 22 after "purpose"

28  
29 insert:

30 amending s. 121.031, F.S.; requiring an  
31 actuarial study of the retirement system at

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1           least annually; requiring the actuarial model  
2           to include a rate stabilization mechanism;  
3           defining the mechanism;  
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