

1                   A bill to be entitled  
2           An act relating to retirement; amending s.  
3           112.65, F.S.; providing that certain benefits  
4           under chapter 121, F.S., shall be considered  
5           supplemental benefits; amending s. 121.021,  
6           F.S.; redefining the term "system" with respect  
7           to the Florida Retirement System; designating  
8           ss. 121.011-121.45, F.S., as part I of chapter  
9           121, F.S.; designating ss. 121.4501-121.571,  
10          F.S., as part II of chapter 121, F.S.; creating  
11          s. 121.4501, F.S.; directing the State Board of  
12          Administration to establish an optional defined  
13          contribution retirement program for members of  
14          the Florida Retirement System; providing  
15          definitions; providing for eligibility and  
16          retirement service credit; providing for  
17          participation and enrollment; providing for  
18          contributions; providing vesting requirements;  
19          providing benefits; providing for  
20          administration; providing for investment  
21          options or products; providing for an education  
22          component; providing participant information  
23          requirements; providing that advisory  
24          committees shall provide advice and assistance;  
25          providing for federal requirements; providing  
26          an investment policy statement; providing a  
27          statement of fiduciary standards and  
28          responsibilities; providing for disability  
29          benefits; providing for social security and  
30          health insurance subsidy coverage; creating s.  
31          121.571, F.S.; providing for contributions;

1 amending ss. 121.021, 121.051, 121.0515,  
 2 121.052, 121.053, 121.081, 121.1115, 121.1122,  
 3 121.121, and 215.32, F.S.; providing that  
 4 members employed in a regularly established  
 5 position shall be vested after 8 years of  
 6 creditable service; conforming to the act;  
 7 amending s. 112.665, F.S.; correcting cross  
 8 references to conform to the act; amending s.  
 9 121.091, F.S.; upgrading service credit for  
 10 certain years for special risk members;  
 11 providing funding for the benefit increase;  
 12 providing a contingent contribution rate  
 13 increase; amending s. 121.091, F.S.; reducing  
 14 the service time required to qualify for  
 15 disability benefits to 8 years; amending s.  
 16 112.363, F.S.; revising language with respect  
 17 to the retiree health insurance subsidy to  
 18 include reference to the optional retirement  
 19 program; amending s. 121.055, F.S.; increasing  
 20 the number of personnel that may be designated  
 21 as Senior Management Service Class by local  
 22 governments; allowing senior management  
 23 optional annuity program benefits to be  
 24 distributed through a direct rollover;  
 25 providing for funding; providing contribution  
 26 rates; providing a statement of state purpose;  
 27 amending s. 121.031, F.S.; requiring an  
 28 actuarial study of the retirement system at  
 29 least annually; requiring the actuarial model  
 30 to include a rate stabilization mechanism;  
 31 defining the mechanism; providing future effect

1 for certain provisions; providing a contingent  
2 effective date.

3  
4 Be It Enacted by the Legislature of the State of Florida:

5  
6 Section 1. Subsection (1) of section 112.65, Florida  
7 Statutes, is amended to read:

8 112.65 Limitation of benefits.--

9 (1) The normal retirement benefit or pension payable  
10 to a retiree who becomes a member of any retirement system or  
11 plan and who has not previously participated in such plan, on  
12 or after January 1, 1980, shall not exceed 100 percent of his  
13 or her average final compensation. However, nothing contained  
14 in this section shall apply to supplemental retirement  
15 benefits or to pension increases attributable to  
16 cost-of-living increases or adjustments. For the purposes of  
17 this section, benefits accruing in individual participant  
18 accounts established under the Public Employee Optional  
19 Retirement Program established in part II of chapter 121 are  
20 considered supplemental benefits.As used in this section, the  
21 term "average final compensation" means the average of the  
22 member's earnings over a period of time which the governmental  
23 entity has established by statute, charter, or ordinance.

24 Section 2. Subsection (3) of section 121.021, Florida  
25 Statutes, is amended to read:

26 121.021 Definitions.--The following words and phrases  
27 as used in this chapter have the respective meanings set forth  
28 unless a different meaning is plainly required by the context:

29 (3) "System" means the general retirement system  
30 established by this chapter to be known and cited as the  
31 "Florida Retirement System," including, but not limited to,

1 the defined benefit retirement program administered under the  
2 provisions of part I of this chapter and the defined  
3 contribution retirement program known as the Public Employee  
4 Optional Retirement Program and administered under the  
5 provisions of part II of this chapter."

6 Section 3. Chapter 121, Florida Statutes, is  
7 designated as part I of said chapter, and part II, consisting  
8 of sections 121.4501 through 121.571, is created to read:

9 121.4501 Public Employee Optional Retirement  
10 Program.--

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

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

23 (a) "Approved provider" or "provider" means a private  
24 sector company that is selected and approved by the state  
25 board to offer one or more investment products or services to  
26 the Public Employee Optional Retirement Program. Private  
27 sector companies include investment management companies,  
28 insurance companies, depositories, and mutual fund companies.

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

3 (c) "Department" means the Department of Management  
4 Services.

5 (d) "Division" means the Division of Retirement within  
6 the Department of Management Services.

7 (e) "Eligible employee" means an officer or employee,  
8 as defined in s. 121.021(11), who:

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

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

14 3. Is eligible to participate in, but does not  
15 participate in, the State University System Optional  
16 Retirement Program established under s. 121.35 or the State  
17 Community College System Optional Retirement Program  
18 established under s. 121.051(2)(c).

19  
20 The term does not include any renewed member of the Florida  
21 Retirement System, any member participating in the Deferred  
22 Retirement Option Program established under s. 121.091(13), or  
23 any employee participating in an optional retirement program  
24 established under s. 121.35 or s. 121.051(2)(c).

25 (f) "Employer" means an employer, as defined in s.  
26 121.021(10), of an eligible employee.

27 (g) "Participant" means an eligible employee who  
28 elects to participate in the Public Employee Optional  
29 Retirement Program and enrolls in such optional program as  
30 provided in subsection (4).

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1           (h) "Public Employee Optional Retirement Program,"  
2 "optional program" or "optional retirement program" means the  
3 alternative defined contribution retirement program  
4 established under this section.

5           (i) "State board" or "board" means the State Board of  
6 Administration.

7           (j) "Trustees" means Trustees of the State Board of  
8 Administration.

9           (k) "Vested" or "vesting" means the guarantee that a  
10 participant is eligible to receive a retirement benefit upon  
11 completion of the required years of service under the Public  
12 Employee Optional Retirement Program.

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

14           (a) Participation in the Public Employee Optional  
15 Retirement Program is limited to eligible employees.  
16 Participation in the optional retirement program is in lieu of  
17 participation in the defined benefit program of the Florida  
18 Retirement System.

19           (b) An eligible employee who is a member of the  
20 defined benefit retirement program of the Florida Retirement  
21 System at the time of his or her election to participate in  
22 the Public Employee Optional Retirement Program shall retain  
23 all retirement service credit earned under the defined benefit  
24 retirement program of the Florida Retirement System as  
25 credited under the system and shall be entitled to a deferred  
26 benefit upon termination, if eligible under the system.  
27 However, election to participate in the Public Employee  
28 Optional Retirement Program terminates the active membership  
29 of the employee in the defined benefit program of the Florida  
30 Retirement System, and the service of a participant in the  
31 Public Employee Optional Retirement Program shall not be

1 creditable under the defined benefit retirement program of the  
2 Florida Retirement System for purposes of benefit accrual but  
3 shall be credited for purposes of vesting.

4 (c)1. Notwithstanding paragraph (b), each eligible  
5 employee who elects to participate in the Public Employee  
6 Optional Retirement Program and establishes one or more  
7 individual participant accounts under the optional program may  
8 elect to transfer to the optional program a sum representing  
9 the present value of the employee's accumulated benefit  
10 obligation under the defined benefit retirement program of the  
11 Florida Retirement System. Upon such transfer, all service  
12 credit previously earned under the defined benefit program of  
13 the Florida Retirement System shall be nullified for purposes  
14 of entitlement to a future benefit under the defined benefit  
15 program of the Florida Retirement System. A participant is  
16 precluded from transferring the accumulated benefit obligation  
17 balance from the defined benefit program upon the expiration  
18 of the period afforded to enroll in the optional program.

19 2. For purposes of this subsection, the present value  
20 of the member's accumulated benefit obligation is based upon  
21 the member's estimated creditable service and estimated  
22 average final compensation as of midnight of the day prior to  
23 the opening of the election window for the employee. The  
24 actuarial present value of the employee's accumulated benefit  
25 obligation shall be based on the following:

26 a. The discount rate and other relevant actuarial  
27 assumptions used to value the Florida Retirement System Trust  
28 Fund at the time the amount to be transferred is determined,  
29 consistent with the factors provided in sub-subparagraphs b.  
30 and c.

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1           b. A benefit commencement age, based on the member's  
2 estimated creditable service as of midnight on May 31, 2002.  
3 The benefit commencement age shall be the younger of the  
4 following, but shall not be younger than the member's age as  
5 of midnight on May 31, 2002:

6           (I) Age 62; or

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

12           c. For members of the Special Risk Class and for  
13 members of the Special Risk Administrative Support Class  
14 entitled to retain special risk normal retirement date, the  
15 benefit commencement age shall be the younger of the  
16 following, but shall not be younger than the member's age as  
17 of midnight on May 31, 2002:

18           (I) Age 55; or

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

24           d. The calculation shall disregard vesting  
25 requirements and early retirement reduction factors that would  
26 otherwise apply under the defined benefit retirement program.

27           3. For each participant who elects to transfer moneys  
28 from the defined benefit program to his or her account in the  
29 optional program, the division shall recompute the amount  
30 transferred under subparagraph 2. not later than 60 days after  
31 the actual transfer of funds based upon the participant's



1 actual creditable service and actual final average  
2 compensation as of the initial date of participation in the  
3 optional program. If the recomputed amount differs from the  
4 amount transferred under subparagraph 2. by \$10 or more, the  
5 division shall:

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

13 b. Transfer, or cause to be transferred, from the  
14 participant's account to the Florida Retirement System Trust  
15 Fund the excess, if any, of the previously transferred amount  
16 over the recomputed amount, together with interest from the  
17 initial date of transfer to the date of transfer under this  
18 subparagraph, based upon 6 percent effective annual interest,  
19 compounded annually, pro rata based on the participant's  
20 allocation plan.

21 4. As directed by the participant, the board shall  
22 transfer or cause to be transferred the appropriate amounts to  
23 the designated accounts. At least 10 percent of the amount  
24 transferred shall be transferred to a stable value product.  
25 The board shall establish transfer procedures by rule, but the  
26 actual transfer shall not be later than 30 days after the  
27 effective date of the member's participation in the optional  
28 program. Transfers are not commissionable or subject to other  
29 fees and may be in the form of securities or cash as  
30 determined by the state board. Such securities shall be valued  
31 as of the date of receipt in the participant's account.

1           5. If the board or the division receives notification  
2 from the United States Internal Revenue Service that this  
3 paragraph or any portion of this paragraph will cause the  
4 retirement system, or a portion thereof, to be disqualified  
5 for tax purposes under the Internal Revenue Code, then the  
6 portion that will cause the disqualification does not apply.  
7 Upon such notice, the state board and the division shall  
8 notify the presiding officers of the Legislature.

9           (4) PARTICIPATION; ENROLLMENT.--

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

13           a. Any such employee may elect to participate in the  
14 Public Employee Optional Retirement Program in lieu of  
15 retaining his or her membership in the defined benefit program  
16 of the Florida Retirement System. The election must be made in  
17 writing or by electronic means and must be filed with the  
18 department and the personnel officer of the employer within 90  
19 days after June 1, 2002, or, in the case of an active employee  
20 who is on a leave of absence on June 1, 2002, within 90 days  
21 after the conclusion of the leave of absence. This election is  
22 irrevocable, except as provided in paragraph (e). Upon making  
23 such election, the employee shall be enrolled as a participant  
24 of the Public Employee Optional Retirement Program, the  
25 employee's membership in the Florida Retirement System shall  
26 be governed by the provisions of this part and the employee's  
27 membership in the defined benefit program of the Florida  
28 Retirement System shall terminate. The employee's enrollment  
29 in the Public Employee Optional Retirement Program shall be  
30 effective the first day of the month for which a full month's  
31 employer contribution is made to the optional program.

1           b. Any such employee who fails to elect to participate  
2 in the Public Employee Optional Retirement Program within the  
3 prescribed 90 days is deemed to have elected to retain  
4 membership in the defined benefit program of the Florida  
5 Retirement System and the employee's option to elect to  
6 participate in the optional program is forfeited.

7           2. With respect to employees who become eligible to  
8 participate in the Public Employee Optional Retirement Program  
9 by reason of employment in a regularly established position  
10 with a state employer commencing after June 1, 2002:

11           a. Any such employee shall, by default, be enrolled in  
12 the defined benefit retirement program of the Florida  
13 Retirement System at the commencement of employment, and may,  
14 within 180 days after employment commences, elect to  
15 participate in the Public Employee Optional Retirement  
16 Program. The employee's election must be made in writing or by  
17 electronic means and must be filed with the personnel officer  
18 of the employer. The election to participate in the optional  
19 program is irrevocable, except as provided in paragraph (e).

20           b. If the employee files such election before the  
21 initial payroll is submitted for the employee, enrollment in  
22 the Public Employee Optional Retirement Program shall be  
23 effective on the first day of employment.

24           c. If the employee files such election within 180 days  
25 after employment commences, but after the initial payroll is  
26 submitted for the employee, enrollment in the optional program  
27 shall be effective on the first day of the month for which a  
28 full month's employer contribution is made to the optional  
29 program.

30           d. Any such employee who fails to elect to participate  
31 in the Public Employee Optional Retirement Program within the

1 prescribed 180 days is deemed to have elected to retain  
2 membership in the defined benefit program of the Florida  
3 Retirement System and the employee's option to elect to  
4 participate in the optional program is forfeited.

5 3. For purposes of this paragraph, "state employer"  
6 means any agency, board, branch, commission, community  
7 college, department, institution, institution of higher  
8 education, or water management district of the state, which  
9 participates in the Florida Retirement System for the benefit  
10 of certain employees.

11 (b)1. With respect to an eligible employee who is  
12 employed in a regularly established position on September 1,  
13 2002, by a district school board employer:

14 a. Any such employee may elect to participate in the  
15 Public Employee Optional Retirement Program in lieu of  
16 retaining his or her membership in the defined benefit program  
17 of the Florida Retirement System. The election must be made in  
18 writing or by electronic means and must be filed with the  
19 department and the personnel officer of the employer within 90  
20 days after September 1, 2002, or, in the case of an active  
21 employee who is on a leave of absence on September 1, 2002,  
22 within 90 days after the conclusion of the leave of absence.  
23 This election is irrevocable, except as provided in paragraph  
24 (e). Upon making such election, the employee shall be enrolled  
25 as a participant of the Public Employee Optional Retirement  
26 Program, the employee's membership in the Florida Retirement  
27 System shall be governed by the provisions of this part and  
28 the employee's membership in the defined benefit program of  
29 the Florida Retirement System shall terminate. The employee's  
30 enrollment in the Public Employee Optional Retirement Program

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1 shall be effective the first day of the month for which a full  
2 month's employer contribution is made to the optional program.

3 b. Any such employee who fails to elect to participate  
4 in the Public Employee Optional Retirement Program within the  
5 prescribed 90 days is deemed to have elected to retain  
6 membership in the defined benefit program of the Florida  
7 Retirement System and the employee's option to elect to  
8 participate in the optional program is forfeited.

9 2. With respect to employees who become eligible to  
10 participate in the Public Employee Optional Retirement Program  
11 by reason of employment in a regularly established position  
12 with a district school board employer commencing after  
13 September 1, 2002:

14 a. Any such employee shall, by default, be enrolled in  
15 the defined benefit retirement program of the Florida  
16 Retirement System at the commencement of employment, and may,  
17 within 180 days after employment commences, elect to  
18 participate in the Public Employee Optional Retirement  
19 Program. The employee's election must be made in writing or by  
20 electronic means and must be filed with the personnel officer  
21 of the employer. The election to participate in the optional  
22 program is irrevocable, except as provided in paragraph (e).

23 b. If the employee files such election before the  
24 initial payroll is submitted for the employee, enrollment in  
25 the Public Employee Optional Retirement Program shall be  
26 effective on the first day of employment.

27 c. If the employee files such election within 180 days  
28 after employment commences, but after the initial payroll is  
29 submitted for the employee, enrollment in the optional program  
30 shall be effective on the first day of the month for which a  
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1 full month's employer contribution is made to the optional  
2 program.

3 d. Any such employee who fails to elect to participate  
4 in the Public Employee Optional Retirement Program within the  
5 prescribed 180 days is deemed to have elected to retain  
6 membership in the defined benefit program of the Florida  
7 Retirement System and the employee's option to elect to  
8 participate in the optional program is forfeited.

9 3. For purposes of this paragraph, "district school  
10 board employer" means any district school board that  
11 participates in the Florida Retirement System for the benefit  
12 of certain employees, or a charter school or chapter technical  
13 career center that participates in the Florida Retirement  
14 System as provided in s. 121.051(2)(d).

15 (c)1. With respect to an eligible employee who is  
16 employed in a regularly established position on December 1,  
17 2002, by a local employer:

18 a. Any such employee may elect to participate in the  
19 Public Employee Optional Retirement Program in lieu of  
20 retaining his or her membership in the defined benefit program  
21 of the Florida Retirement System. The election must be made in  
22 writing or by electronic means and must be filed with the  
23 department and the personnel officer of the employer within 90  
24 days after December 1, 2002, or, in the case of an active  
25 employee who is on a leave of absence on December 1, 2002,  
26 within 90 days after the conclusion of the leave of absence.  
27 This election is irrevocable. Upon making such election, the  
28 employee shall be enrolled as a participant of the Public  
29 Employee Optional Retirement Program, the employee's  
30 membership in the Florida Retirement System will be governed  
31 by the provisions of this part and the employee's membership

1 in the defined benefit program of the Florida Retirement  
2 System shall terminate. The employee's enrollment in the  
3 Public Employee Optional Retirement Program shall be effective  
4 the first day of the month for which a full month's employer  
5 contribution is made to the optional program.

6 b. Any such employee who fails to elect to participate  
7 in the Public Employee Optional Retirement Program within the  
8 prescribed 90 days is deemed to have elected to retain  
9 membership in the defined benefit program of the Florida  
10 Retirement System and the employee's option to elect to  
11 participate in the optional program is forfeited.

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

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

25 b. If the employee files such election before the  
26 initial payroll is submitted for the employee, enrollment in  
27 the Public Employee Optional Retirement Program shall be  
28 effective on the first day of employment.

29 c. If the employee files such election within 90 days  
30 after employment commences, but after the initial payroll is  
31 submitted for the employee, enrollment in the optional program

1 shall be effective on the first day of the month for which a  
2 full month's employer contribution is made to the optional  
3 program.

4 d. Any such employee who fails to elect to participate  
5 in the Public Employee Optional Retirement Program within the  
6 prescribed 180 days is deemed to have elected to retain  
7 membership in the defined benefit program of the Florida  
8 Retirement System and the employee's option to elect to  
9 participate in the optional program is forfeited.

10 3. For purposes of this paragraph, "local employer"  
11 means any employer not included in paragraph (a) or paragraph  
12 (b).

13 (d) Contributions available for self-direction by a  
14 participant who has not selected on or more specific  
15 investment products shall be allocated as prescribed by the  
16 board. The third-party administrator shall notify any such  
17 participant at least quarterly that the participant should  
18 take an affirmative action to make an asset allocation among  
19 the optional program products.

20 (e) After the period during which an eligible employee  
21 had the choice to elect the defined benefit program or the  
22 Public Employee Optional Retirement Program, the employee  
23 shall have one opportunity, at the employee's discretion, to  
24 choose to move from the defined benefit program to the Public  
25 Employee Optional Retirement Program or from the Public  
26 Employee Optional Retirement Program to the defined benefit  
27 program. This paragraph shall be contingent upon approval from  
28 the Internal Revenue Service for including the choice  
29 described herein within the programs offered by the Florida  
30 Retirement System.

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1           1. If the employee chooses to move to the Public  
2 Employee Optional Retirement Program, the applicable  
3 provisions of this section shall govern the transfer.

4           2. If the employee chooses to move to the defined  
5 benefit program, the employee must transfer from his or her  
6 Public Employee Optional Retirement Program account and from  
7 other employee moneys as necessary, a sum representing all  
8 contributions that would have been made to the defined benefit  
9 plan for that employee and the actual return that would have  
10 been earned on those contributions had they been invested in  
11 the defined benefit program.

12           (5) CONTRIBUTIONS.--

13           (a) Each employer shall contribute on behalf of each  
14 participant in the Public Employee Optional Retirement Program  
15 an amount based on a percentage of the employee's monthly  
16 compensation as set forth in s. 121.571. The plan fiduciary  
17 shall ensure that all plan assets are held in a trust,  
18 pursuant to s. 401 of the Internal Revenue Code. The employer  
19 shall forward all contributions under this program to the  
20 third-party administrator. The fiduciary shall ensure that  
21 said contributions are allocated as follows:

22           1. The portion earmarked for participant accounts  
23 shall be used to purchase interests in the appropriate  
24 investment vehicles for the accounts of each participant as  
25 specified by the participant, or in accordance with paragraph  
26 (4)(d).

27           2. The portion earmarked for administrative and  
28 educational expenses shall be transferred to the board.

29           3. The portion earmarked for disability benefits shall  
30 be transferred to the department.

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1           (b) Employers are responsible for notifying  
2 participants regarding maximum contribution levels permitted  
3 under the Internal Revenue Code. If a participant contributes  
4 to any other tax-deferred plan, he or she is responsible for  
5 ensuring that total contributions made to the optional program  
6 and to any other such plan do not exceed federally permitted  
7 maximums.

8           (6) VESTING REQUIREMENTS.--

9           (a)1. With respect to employer contributions paid on  
10 behalf of the participant to the Public Employee Optional  
11 Retirement Program, plus interest and earnings thereon and  
12 less investment fees and administrative charges, a participant  
13 shall be vested after completing 1 work year, as defined in s.  
14 121.021(54) with an employer, including any service while the  
15 participant was a member of the defined benefit retirement  
16 program or an optional retirement program authorized under s.  
17 121.051(2)(c) or s. 121.055(6).

18           2. If the participant terminates employment prior to  
19 satisfying the vesting requirements, the nonvested  
20 accumulation shall be transferred from the participant's  
21 accounts to the state board for deposit in the suspense  
22 account of the Public Employee Optional Retirement Program  
23 Trust Fund of the board. If the terminated participant is  
24 reemployed as an eligible employee within 5 years, the state  
25 board shall transfer to the participant's account any amount  
26 of the moneys previously transferred from the participant's  
27 accounts to the Public Employee Optional Retirement Program  
28 Trust Fund, plus interest calculated at 3.0 percent per annum,  
29 calculated from the date of transfer to the date of  
30 reemployment.

1           (b)1. A participant shall be vested in the amount  
2 transferred from the defined benefit program, plus interest  
3 and earnings thereon and less administrative charges and  
4 investment fees, upon meeting the service requirements for the  
5 participant's membership class as set forth in s. 121.021(29).  
6 The third-party administrator shall account for such amounts  
7 for each participant. The division shall notify the  
8 participant and the third-party administrator when the  
9 participant has satisfied the vesting period for Florida  
10 Retirement System purposes.

11           2. If the participant terminates employment prior to  
12 satisfying the vesting requirements, the nonvested  
13 accumulation shall be transferred from the participant's  
14 accounts to the state board for deposit in the suspense  
15 account of the Public Employee Optional Retirement Program  
16 Trust Fund of the board. If the terminated participant is  
17 reemployed as an eligible employee within 5 years, the state  
18 board shall transfer to the participant's account any amount  
19 of the moneys previously transferred from the participant's  
20 accounts to the Public Employee Optional Retirement Program  
21 Trust Fund, plus interest calculated at 6.0 percent per annum,  
22 calculated from the date of transfer to the date of  
23 reemployment.

24           (c) Any nonvested accumulations transferred from a  
25 participant's account to the suspense account shall be  
26 forfeited by the participant if the participant is not  
27 reemployed as an eligible employee within 5 years after  
28 termination.

29           (7) BENEFITS.--Under the Public Employee Optional  
30 Retirement Program:

31

1           (a) Benefits shall be provided in accordance with s.  
2 401(a) of the Internal Revenue Code.

3           (b) Benefits shall accrue in individual accounts that  
4 are participant-directed, portable, and funded by employer  
5 contributions and earnings thereon.

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

8           1. To the extent vested, benefits shall be payable  
9 only to a participant, or to his or her beneficiaries as  
10 designated by the participant.

11           2. Benefits shall be paid by the third-party  
12 administrator or designated approved providers in accordance  
13 with the law, the contracts, and any applicable board rule or  
14 policy.

15           3. To begin receiving the benefits, the participant  
16 must be terminated from all employment with all Florida  
17 Retirement System employers, as provided in s. 121.021(39), or  
18 the participant must be deceased. If a participant elects to  
19 receive his or her benefits upon termination of employment,  
20 the participant must submit a written application to the  
21 third-party administrator indicating his or her preferred  
22 distribution date and selecting an authorized method of  
23 distribution as provided in paragraph (d). The participant may  
24 defer receipt of benefits until he or she chooses to make such  
25 application, subject to federal requirements.

26           4. In the event of a participant's death, moneys  
27 accumulated by, or on behalf of, the participant, less  
28 withholding taxes remitted to the Internal Revenue Service,  
29 shall be distributed to the participant's designated  
30 beneficiary or beneficiaries, or to the participant's estate,  
31 as if the participant retired on the date of death, as

1 provided in paragraph (e). No other death benefits shall be  
2 available for survivors of participants under the Public  
3 Employee Optional Retirement Program, except for such  
4 benefits, or coverage for such benefits, as are separately  
5 afforded by the employer, at the employer's discretion.

6 (d) Upon receipt by the third-party administrator of a  
7 properly executed application for distribution of benefits,  
8 the total accumulated benefit shall be payable to the  
9 participant, as:

- 10 1. A lump-sum distribution to the participant;
- 11 2. A lump-sum direct rollover distribution whereby all  
12 accrued benefits, plus interest and investment earnings, are  
13 paid from the participant's account directly to the custodian  
14 of an eligible retirement plan, as defined in s. 402(c)(8)(B)  
15 of the Internal Revenue Code, on behalf of the participant; or
- 16 3. Periodic distributions, as authorized by the state  
17 board.

18 (e) Survivor benefits shall be payable as:

- 19 1. A lump-sum distribution payable to the  
20 beneficiaries, or to the deceased participant's estate;
- 21 2. An eligible rollover distribution on behalf of the  
22 surviving spouse of a deceased participant, whereby all  
23 accrued benefits, plus interest and investment earnings, are  
24 paid from the deceased participant's account directly to the  
25 custodian of an individual retirement account or an individual  
26 retirement annuity, as described in s. 402(c)(9) of the  
27 Internal Revenue Code, on behalf of the surviving spouse; or
- 28 3. A partial lump-sum payment whereby a portion of the  
29 accrued benefit is paid to the deceased participant's  
30 surviving spouse or other designated beneficiaries, less  
31 withholding taxes remitted to the Internal Revenue Service,

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

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

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

18 (8) ADMINISTRATION OF PROGRAM.--

19 (a) The Public Employee Optional Retirement Program  
20 shall be administered by the state board and affected  
21 employers. The board shall adopt rules establishing the role  
22 and responsibilities of affected state, local government, and  
23 education-related employers, the state board, the department,  
24 and third-party contractors in administering the Public  
25 Employee Optional Retirement Program. The department shall  
26 adopt rules necessary to implement the optional program in  
27 coordination with the defined benefit retirement program and  
28 the disability benefits available under the optional program.

29 (b)1. The state board shall select and contract with  
30 one third-party administrator to provide administrative  
31 services. With the approval of the state board, the

1 third-party administrator may subcontract with other  
 2 organizations to provide components of the administrative  
 3 services. As a cost of administration, the board may  
 4 compensate any such contractor for its services, in accordance  
 5 with the terms of the contract, as is deemed necessary or  
 6 proper by the board. The third-party administrator may not be  
 7 an approved provider or be affiliated with an approved  
 8 provider.

9       2. Administrative services include, but are not  
 10 limited to, services relating to consolidated billing;  
 11 individual and collective recordkeeping and accounting; asset  
 12 purchase, control, and safekeeping; and direct disbursement of  
 13 funds to and from the third-party administrator, the division,  
 14 the board, employers, participants, approved providers, and  
 15 beneficiaries.

16       3. The state board shall select and contract with one  
 17 or more organizations to provide educational services. With  
 18 approval of the board, the organizations may subcontract with  
 19 other organizations to provide components of the educational  
 20 services. As a cost of administration, the board may  
 21 compensate any such contractor for its services in accordance  
 22 with the terms of the contract, as is deemed necessary or  
 23 proper by the board. The education organization may not be an  
 24 approved provider or be affiliated with an approved provider.

25       4. Educational services shall be designed by the board  
 26 and department to assist employers, eligible employees,  
 27 participants, and beneficiaries in order to maintain  
 28 compliance with United States Department of Labor regulations  
 29 under section 404(c) of the Employee Retirement Income  
 30 Security Act of 1974 and to assist employees in their choice  
 31 of defined benefit or defined contribution retirement

1 alternatives. Educational services include, but are not  
 2 limited to, disseminating educational materials; providing  
 3 retirement planning education; explaining the differences  
 4 between the defined benefit retirement plan and the defined  
 5 contribution retirement plan; and offering financial planning  
 6 guidance on matters such as investment diversification,  
 7 investment risks, investment costs, and asset allocation. An  
 8 approved provider may also provide educational information,  
 9 including, but not limited to, retirement planning and  
 10 investment allocation information concerning its products and  
 11 services.

12 (c)1. In evaluating and selecting a third-party  
 13 administrator, the board shall establish criteria under which  
 14 it shall consider the relative capabilities and qualifications  
 15 of each proposed administrator. In developing such criteria,  
 16 the board shall consider:

17 a. The administrator's demonstrated experience in  
 18 providing administrative services to public or private sector  
 19 retirement systems.

20 b. The administrator's demonstrated experience in  
 21 providing daily valued recordkeeping to defined contribution  
 22 plans.

23 c. The administrator's ability and willingness to  
 24 coordinate its activities with the Florida Retirement System  
 25 employers, the board, and the division, and to supply to such  
 26 employers, the board, and the division the information and  
 27 data they require, including, but not limited to, monthly  
 28 management reports, quarterly participant reports, and ad hoc  
 29 reports requested by the department or board.

30 d. The cost-effectiveness and levels of the  
 31 administrative services provided.



1           e. The administrator's ability to interact with the  
2 participants, the employers, the board, the division, and the  
3 providers; the means by which participants may access account  
4 information, direct investment of contributions, make changes  
5 to their accounts, transfer moneys between available  
6 investment vehicles, transfer moneys between investment  
7 products; and any fees that apply to such activities.

8           f. Any other factor deemed necessary by the Trustees  
9 of the State Board of Administration.

10           g. The recommendations of the Public Employee Optional  
11 Retirement Program Advisory Committee established in  
12 subsection (12).

13           2. In evaluating and selecting an educational  
14 provider, the board shall establish criteria under which it  
15 shall consider the relative capabilities and qualifications of  
16 each proposed educational provider. In developing such  
17 criteria, the board shall consider:

18           a. Demonstrated experience in providing educational  
19 services to public or private sector retirement systems.

20           b. Ability and willingness to coordinate its  
21 activities with the Florida Retirement System employers, the  
22 board, and the division, and to supply to such employers, the  
23 board, and the division the information and data they require,  
24 including, but not limited to, reports on educational  
25 contacts.

26           c. The cost-effectiveness and levels of the  
27 educational services provided.

28           d. Ability to provide educational services via  
29 different media, including, but not limited to, the Internet,  
30 personal contact, seminars, brochures, and newsletters.

31

1 e. Any other factor deemed necessary by the Trustees  
2 of the State Board of Administration.

3 f. The recommendations of the Public Employee Optional  
4 Retirement Program Advisory Committee established in  
5 subsection (12).

6 3. The establishment of the criteria shall be solely  
7 within the discretion of the board.

8 (d) The board shall develop the form and content of  
9 all contracts to be offered under the Public Employee Optional  
10 Retirement Program. In developing its contracts, the board  
11 must consider:

12 1. The nature and extent of the rights and benefits to  
13 be afforded participants in relation to the required  
14 contributions under the program.

15 2. The suitability of the rights and benefits to be  
16 afforded participants to the needs of the participants and the  
17 interests of employers in the recruitment and retention of  
18 eligible employees.

19 (e)1. The board may contract with any consultant for  
20 professional services, including legal, consulting,  
21 accounting, and actuarial services, deemed necessary to  
22 implement and administer the optional program by the Trustees  
23 of the State Board of Administration. The board may enter into  
24 a contract with one or more vendors to provide low-cost  
25 investment advice to participants, supplemental to education  
26 provided by the third-party administrator. All fees under any  
27 such contract shall be paid by those participants who choose  
28 to use the services of the vendor.

29 2. The department may contract with consultants for  
30 professional services, including legal, consulting,  
31 accounting, and actuarial services, deemed necessary to

1 implement and administer the optional program in coordination  
2 with the defined benefit program of the Florida Retirement  
3 System. The department, in coordination with the board, may  
4 enter into a contract with the third-party administrator in  
5 order to coordinate services common to the various programs  
6 within the Florida Retirement System.

7 (f) The third-party administrator shall not receive  
8 direct or indirect compensation from an approved provider,  
9 except as specifically provided for in the contract with the  
10 board.

11 (g) The board shall resolve any conflict between the  
12 third-party administrator and an approved provider, when such  
13 conflict threatens the implementation or administration of the  
14 program or the quality of services to employees.

15 (9) INVESTMENT OPTIONS OR PRODUCTS; PERFORMANCE  
16 REVIEW.--

17 (a) The board shall develop policy and procedures for  
18 selecting, evaluating, and monitoring the performance of  
19 approved providers and investment products to which employees  
20 may direct retirement contributions under the program. In  
21 accordance with such policy and procedures, the board shall  
22 designate and contract for a number of investment products as  
23 determined by the board. The board shall select one or more  
24 providers who offer multiple investment products when such an  
25 approach is determined by the board to afford value to the  
26 participants otherwise not available through individual  
27 investment products.

28 (b) The board shall consider investment options or  
29 products it considers appropriate to give participants the  
30 opportunity to accumulate retirement benefits, subject to the  
31 following:

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

4           2. Investment options or products offered by the group  
5 of approved providers may include mutual funds, group annuity  
6 contracts, individual retirement annuities, interests in  
7 trusts, and other such financial instruments.

8           3. The board shall not contract with any provider that  
9 imposes a front-end, back-end, contingent or deferred sales  
10 charge, or any other fee that limits or restricts the ability  
11 of participants to select any investment product available in  
12 the optional program.

13           (c) In evaluating and selecting approved providers and  
14 products, the board shall establish criteria under which it  
15 shall consider the relative capabilities and qualifications of  
16 each proposed provider company and product. In developing such  
17 criteria, the board shall consider the following to the extent  
18 such factors may be applied in connection with investment  
19 products, services or providers:

20           1. Experience in the United States providing  
21 retirement products and related financial services under  
22 defined contribution retirement plans.

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

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

29           4. Compliance with the Internal Revenue Code.

30           5. The cost-effectiveness of the product provided and  
31 the levels of service supporting the product relative to its

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

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

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

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

21 9. An evaluation of specific investment products,  
22 taking into account each product's track record in meeting its  
23 investment return objectives net of all related fees,  
24 expenses, and charges, including, but not limited to,  
25 investment management fees, loads, distribution and marketing  
26 fees, custody fees, recordkeeping fees, education fees,  
27 annuity expenses, and consulting fees.

28 10. Organizational factors, including, but not limited  
29 to, financial solvency, organizational depth, and experience  
30 in providing institutional and retail investment services.

31

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

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

16           (10) EDUCATION COMPONENT.--

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

23           (b) The education component must provide system  
24 members with impartial and balanced information about plan  
25 choices. The education component must involve multimedia  
26 formats. Program comparisons must, to the greatest extent  
27 possible, be based upon the retirement income that different  
28 retirement programs may provide to the participant. The board  
29 shall monitor the performance of the contract to ensure that  
30 the program is conducted in accordance with the contract,  
31 applicable law, and the rules of the board.

1           (c) The board, in coordination with the department,  
2 shall provide for an initial and ongoing transfer education  
3 component to provide system members with information necessary  
4 to make informed plan choice decisions. The transfer education  
5 component must include, but is not limited to, information on:

6           1. The amount of money available to a member to  
7 transfer to the defined contribution program.

8           2. The features of and differences between the defined  
9 benefit program and the defined contribution program, both  
10 generally and specifically, as those differences may affect  
11 the member.

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

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

20           5. The historical rates of return for the investment  
21 alternatives available in the defined contribution programs.

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

26           7. The program choices available to employees of the  
27 State University System and the comparative benefits of each  
28 available program, if applicable.

29           8. Payout options available in each of the retirement  
30 programs.

31

1           (d) An ongoing education and communication component  
2 must provide system members with information necessary to make  
3 informed decisions about choices within their program of  
4 membership and in preparation for retirement. The component  
5 must include, but is not limited to, information concerning:

6           1. Rights and conditions of membership.

7           2. Benefit features within the program, options, and  
8 effects of certain decisions.

9           3. Coordination of contributions and benefits with a  
10 deferred compensation plan under s. 457 or a plan under s.  
11 403(b) of the Internal Revenue Code.

12           4. Significant program changes.

13           5. Contribution rates and program funding status.

14           6. Planning for retirement.

15           (e) Descriptive materials must be prepared under the  
16 assumption that the employee is an unsophisticated investor,  
17 and all materials used in the education component must be  
18 approved by the state board prior to dissemination.

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

24           (g) Funding for education of new employees may reflect  
25 administrative costs to the optional program and the defined  
26 benefit program.

27           (11) PARTICIPANT INFORMATION REQUIREMENTS.--The board  
28 shall ensure that each participant is provided a quarterly  
29 statement that accounts for the contributions made on behalf  
30 of such participants; the interest and investment earnings  
31



1 thereon; and any fees, penalties, or other deductions that  
2 apply thereto. At a minimum, such statements must:

3 (a) Indicate the participant's investment options.

4 (b) State the market value of the account at the close  
5 of the current quarter and previous quarter.

6 (c) Show account gains and losses for the period and  
7 changes in account accumulation unit values for the period.

8 (d) Itemize account contributions for the quarter.

9 (e) Indicate any account changes due to adjustment of  
10 contribution levels, reallocation of contributions, balance  
11 transfers, or withdrawals.

12 (f) Set forth any fees, charges, penalties, and  
13 deductions that apply to the account.

14 (g) Indicate the amount of the account in which the  
15 participant is fully vested and the amount of the account in  
16 which the participant is not vested.

17 (h) Indicate each investment product's performance  
18 relative to an appropriate market benchmark.

19  
20 The third-party administrator shall provide quarterly and  
21 annual summary reports to the board and any other reports  
22 requested by the department or the board.

23 (12) ADVISORY COMMITTEES TO PROVIDE ADVICE AND  
24 ASSISTANCE.--The Investment Advisory Council and the Public  
25 Employee Optional Retirement Program Advisory Committee shall  
26 assist the board in implementing and administering the Public  
27 Employee Optional Retirement Program.

28 (a) The Investment Advisory Council, created pursuant  
29 to s. 215.444, shall review the board's initial  
30 recommendations regarding the criteria to be used in selecting  
31 and evaluating approved providers and investment products. The

1 council may provide comments on the recommendations to the  
 2 board within 45 days after receiving the initial  
 3 recommendations. The board shall make the final determination  
 4 as to whether any investment provider or product, any  
 5 contractor, or any and all contract provisions shall be  
 6 approved for the program.

7 (b)1. The Public Employee Optional Retirement Program  
 8 Advisory Committee shall be composed of seven members. The  
 9 President of the Senate shall appoint two members, the Speaker  
 10 of the House of Representatives shall appoint two members, the  
 11 Governor shall appoint one member, the Treasurer shall appoint  
 12 one member, and the Comptroller shall appoint one member. The  
 13 members of the advisory committee shall elect a member as  
 14 chair. The appointments shall be made by September 1, 2000,  
 15 and the committee shall meet to organize by October 1, 2000.  
 16 The initial appointments shall be for a term of 24 months.  
 17 Each appointing authority shall fill any vacancy occurring  
 18 among its appointees for the remainder of the original.

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

30 3. The advisory committee's recommendations and  
 31 activities shall be guided by the best interests of the

1 employees, considering the interests of employers, and the  
2 intent of the Legislature in establishing the Public Employee  
3 Optional Retirement Program.

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

6 (13) FEDERAL REQUIREMENTS.--

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

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

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

29 (14) INVESTMENT POLICY STATEMENT.--

30 (a) Investment products and approved providers  
31 selected for the Public Employee Optional Retirement Program

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

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

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

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

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

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

12 (16) DISABILITY BENEFITS.--For any participant of the  
13 optional retirement program who becomes totally and  
14 permanently disabled, as defined in s. 121.091(4)(b), the  
15 participant shall be entitled to receive those moneys that  
16 have accrued in his or her participant account. It is the  
17 intent of the legislature to design a disability benefit for  
18 participants of the optional program similar to those  
19 disability benefits afforded defined benefit program members.  
20 The department is directed to study the potential options of  
21 such coverage, including self-insurance and commercial  
22 coverage, the alternative methods of administering such  
23 benefits, and the fiscal impacts on the employees and  
24 employers, and to make recommendations to the legislature by  
25 January 15, 2001.

26 (17) SOCIAL SECURITY COVERAGE.--Social security  
27 coverage shall be provided for all officers and employees who  
28 become participants of the optional program. Any modification  
29 of the present agreement with the Social Security  
30 Administration, or referendum required under the Social  
31 Security Act, for the purpose of providing social security

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

8 (18) RETIREE HEALTH INSURANCE SUBSIDY.--All officers  
9 and employees who are participants of the optional program  
10 shall be eligible to receive the retiree health insurance  
11 subsidy, subject to the provisions of s. 112.363.

12 121.571 Contributions.--Contributions to the Public  
13 Employee Optional Retirement Program shall be made as follows:

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

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

30 (a) All contributions made on behalf of a participant  
31 pursuant to this subsection shall be transferred by the

1 employer to the third-party administrator for deposit in the  
2 participant's account.

3 (b) Retirement contributions for Regular Class members  
4 of the optional retirement plan are as follows:

5 Dates of Contribution      Employers

6 Rate Changes

7 Effective July 1, 2002:      9.0%

8 (c) Retirement contributions for Special Risk Class  
9 members of the optional retirement plan are as follows:

10 Dates of Contribution      Employers

11 Rate Changes

12 Effective July 1, 2002:      20.0%

13 (d) Retirement contributions for Special Risk  
14 Administrative Support Class members of the optional  
15 retirement plan are as follows:

16 Dates of Contribution      Employers

17 Rate Changes

18 Effective July 1, 2002:      11.35%

19 (e) Retirement contributions for Elected Officers'  
20 Class members of the optional retirement plan are as follows:

21 Dates of Contribution      Employers

22 Rate Changes

23 Effective July 1, 2002:

24 Legislators                      13.40%

25 Governor, Lt. Governor,

26 Cabinet Officers                      13.40%

27 State Attorneys, Public

28 Defenders                              13.40%

29 Justices, Judges                      18.90%

30 County Elected Officers              16.20%

31

1           (f) Retirement contributions for Senior Management  
2 Service Class members of the optional retirement plan are as  
3 follows:

4           Dates of Contribution           Employers

5           Rate Changes

6           Effective July 1, 2002:       10.95%

7           (3) CONTRIBUTIONS TO DISABILITY ACCOUNT.--

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

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

19           Dates of Contribution           Employers

20           Rate Changes

21           Effective July 1, 2002:       0.39%

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

24           Dates of Contribution           Employers

25           Rate Changes

26           Effective July 1, 2002:       1.25%

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

30           Dates of Contribution           Employers

31           Rate Changes



1           Effective July 1, 2002:           0.73%

2           (e) Disability contribution for Elected Officers'

3 Class members of the optional retirement plan are as follows:

4           Dates of Contribution           Employers

5           Rate Changes

6           Effective July 1, 2002:

7           Legislators                           0.61%

8           Governor, Lt. Governor,

9           Cabinet Officers                   0.61%

10          State Attorneys, Public

11          Defenders                           0.61%

12          Justices, Judges                   1.45%

13          County Elected Officers           0.86%

14          (f) Disability contribution for Senior Management

15 Service Class members of the optional retirement plan are as  
16 follows:

17          Dates of Contribution           Employers

18          Rate Changes

19          Effective July 1, 2002:           0.50%

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

25          (5) ADMINISTRATIVE AND EDUCATIONAL  
26 CONTRIBUTIONS.--Effective June 1, 2002, the contribution rate  
27 for each employer shall be 0.1 percent on behalf of each  
28 participant to fund the administrative and educational  
29 expenses of the optional program. All contributions made on  
30 behalf of a participant pursuant to this subsection shall be

31

1 transferred to the third-party administrator for deposit in  
2 the board's administrative fund.

3 (6) DEDUCTIONS.--The board or the third-party  
4 administrator may deduct reasonable fees and apply appropriate  
5 charges to participants' accounts. Payments for third-party  
6 administrative or educational expenses shall be made only  
7 pursuant to the terms of the approved contracts for such  
8 services. In no event shall administrative and educational  
9 expenses exceed the portion of employer contributions  
10 earmarked for such expenses pursuant to this section, except  
11 for reasonable administrative charges assessed against  
12 participant accounts of persons for whom no employer  
13 contributions are made during the year. Investment management  
14 fees shall be deducted from the gross returns earned by each  
15 authorized investment product or approved provider, pursuant  
16 to the terms of the contract between the provider and the  
17 board.

18 (7) PAYMENT AND DISTRIBUTION OF  
19 CONTRIBUTIONS.--Contributions made pursuant to this section  
20 shall be paid by the employer to the third-party administrator  
21 by electronic funds transfer no later than the 5th day of the  
22 month immediately following the month during which the payroll  
23 period ended. The board and the third-party administrator  
24 shall ensure that the contributions are distributed to the  
25 appropriate trust funds or participant accounts in a timely  
26 manner.

27 Section 4. Effective July 1, 2001, subsections (29)  
28 and (45) of section 121.021, Florida Statutes, are amended to  
29 read:

30  
31

1           121.021 Definitions.--The following words and phrases  
2 as used in this chapter have the respective meanings set forth  
3 unless a different meaning is plainly required by the context:

4           (29) "Normal retirement date" means the first day of  
5 any month following the date a member attains one of the  
6 following statuses:

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

8           1. Completes 8 ~~10~~ or more years of creditable service  
9 and attains age 62; or

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

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

15           1. Completes 8 ~~10~~ or more years of creditable service  
16 in the Special Risk Class and attains age 55;

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

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

24           (c) If a Senior Management Service Class member, the  
25 member:

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

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

1 (d) If an Elected Officers' Class member, the member:

2 1. Completes 8 years of creditable service in the

3 Elected Officers' Class and attains age 62; or

4 2. Completes 30 years of any creditable service,

5 regardless of age, which may include a maximum of 4 years of

6 military service credit as long as such credit is not claimed

7 under any other system.

8

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

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

21 (b) Effective July 1, 2001, an 8-year vesting  
22 requirement shall be implemented for the Regular Class, the  
23 Special Risk Class, and the Special Risk Administrative  
24 Support Class of the defined benefit program of the Florida  
25 Retirement System. Pursuant thereto:

26 1. Any member employed in a regularly established  
27 position on July 1, 2001, who completes or has completed a  
28 total of 8 years of creditable service shall be considered  
29 vested as described in paragraph (a).

30 2. Any member not employed in a regularly established  
31 position on July 1, 2001, shall be deemed vested upon

1 completion of 8 years of creditable service, provided that  
2 such member is employed in a covered position for at least 1  
3 work year after July 1, 2001. However, no member shall be  
4 required to complete more years of creditable service than  
5 would have been required for that member to vest under  
6 retirement laws in effect before July 1, 2001.

7 Section 5. Paragraph (a) of subsection (2) of section  
8 121.051, Florida Statutes, is amended to read:

9 121.051 Participation in the system.--

10 (2) OPTIONAL PARTICIPATION.--

11 (a)1. Any officer or employee who is a member of an  
12 existing system, except any officer or employee of any  
13 nonprofit professional association or corporation, may elect,  
14 if eligible, to become a member of this system at any time  
15 between April 15, 1971, and June 1, 1971, inclusive, by  
16 notifying his or her employer in writing of the desire to  
17 transfer membership from the existing system to this system.  
18 Any officer or employee who was a member of an existing system  
19 on December 1, 1970, and who did not elect to become a member  
20 of this system shall continue to be covered under the existing  
21 system subject to the provisions of s. 121.045. A person who  
22 has retired under any state retirement system shall not be  
23 eligible to transfer to the Florida Retirement System created  
24 by this chapter subsequent to such retirement. Any officer or  
25 employee who, prior to July 1, 1947, filed a written rejection  
26 of membership in a state retirement system and who continues  
27 employment without participating in the Florida Retirement  
28 System may withdraw the rejection in writing and, if otherwise  
29 eligible, participate in the Florida Retirement System and  
30 purchase prior service in accordance with this chapter. Any  
31 former member of an existing system who was permitted to

1 transfer to the Florida Retirement System while employed by  
 2 the University Athletic Association, Inc., a nonprofit  
 3 association connected with the University of Florida, during  
 4 this or subsequent transfer periods, contrary to the  
 5 provisions of this paragraph, is hereby confirmed as a member  
 6 of the Florida Retirement System, the provisions of this  
 7 paragraph to the contrary notwithstanding. Any officer or  
 8 employee of the University Athletic Association, Inc.,  
 9 employed prior to July 1, 1979, who was a member of the  
 10 Florida Retirement System and who chose in writing on a  
 11 University Athletic Association Plan Participation Election  
 12 form, between July 1, 1979, and March 31, 1980, inclusively,  
 13 to terminate his or her participation in the Florida  
 14 Retirement System shall hereby have such termination of  
 15 participation confirmed and declared irrevocable retroactive  
 16 to the date Florida Retirement System retirement contributions  
 17 ceased to be reported for such officer or employee. The  
 18 following specific conditions shall apply to any such officer  
 19 or employee whose participation was so terminated: The officer  
 20 or employee shall retain all creditable service earned in the  
 21 Florida Retirement System through the month that retirement  
 22 contributions ceased to be reported and no creditable service  
 23 shall be earned after such month; the officer or employee  
 24 shall not be eligible for disability retirement or death in  
 25 line of duty benefits if such occurred after the date that  
 26 participation terminated; and, the officer or employee may  
 27 participate in the Florida Retirement System in the future  
 28 only if employed by a participating employer in a regularly  
 29 established position.

30           2. Any member transferring from the existing system  
 31 under chapter 238 shall retain rights to survivor benefits

1 under that chapter through November 30, 1975, or until fully  
2 insured for disability benefits under social security,  
3 whichever is the earliest date, and thereafter no such rights  
4 shall exist.

5           3. Any officer or employee who is a member of an  
6 existing system on April 15, 1972, and who was eligible to  
7 transfer to this system under the provisions of subparagraph  
8 1., but who elected to remain in the existing system, may  
9 elect, if eligible under the Social Security Act, 42 U.S.C. s.  
10 418(d)(6)(F), to become a member of this system at any time  
11 between April 15, 1972, and June 30, 1972, inclusive, by  
12 notifying his or her employer in writing of the desire to  
13 transfer membership from an existing system to this system.  
14 Such transfer shall be subject to the following conditions:

15           a. All persons electing to transfer to the Florida  
16 Retirement System under this subparagraph shall be transferred  
17 on July 1, 1972, and shall thereafter be subject to the  
18 provisions of the Florida Retirement System retroactively to  
19 November 30, 1970, and at retirement have their benefits  
20 calculated in accordance with the provisions of s. 121.091.

21           b. Social security coverage incidental to such  
22 elective membership in the Florida Retirement System shall be  
23 effective November 30, 1970, and all amounts required from a  
24 member for retroactive social security coverage shall, at the  
25 time such election is made, be deducted from the individual  
26 account of the member, and the difference between the amount  
27 remaining in the individual account of such member and the  
28 total amount which such member would have contributed had he  
29 or she become a member of the Florida Retirement System on  
30 November 30, 1970, shall be paid into the system trust fund  
31 and added to the member's individual account prior to July 1,

1 1975, or by his or her date of retirement, if earlier.  
2 Interest at the rate of 8 percent per annum, compounded  
3 annually until paid, shall be charged on any balance remaining  
4 unpaid on said date.

5 c. There is appropriated out of the system trust fund  
6 into the Social Security Contribution Trust Fund the amount  
7 required by federal laws and regulations to be contributed  
8 with respect to social security coverage for the years after  
9 November 30, 1970, of the members of an existing system who  
10 transfer to the Florida Retirement System in accordance with  
11 this subparagraph and who qualify for retroactive social  
12 security coverage. The amount paid from this appropriation  
13 with respect to the employees of any employer shall be charged  
14 to the employing agency. There shall be credited against this  
15 charge the difference between the matching contributions  
16 actually made for the affected employees from November 30,  
17 1970, to June 30, 1972, and the amount of matching  
18 contributions that would have been required under the Florida  
19 Retirement System.

20 d. The net amounts charged the employing agencies for  
21 employees transferring to the Florida Retirement System under  
22 this subparagraph shall be paid to the system trust fund prior  
23 to July 1, 1975. Interest at the rate of 8 percent per annum,  
24 compounded annually until paid, shall be charged on any  
25 balance remaining unpaid on said date.

26 e. The administrator shall request such modification  
27 of the state's agreement with the Social Security  
28 Administration, or any referendum required under the Social  
29 Security Act governing social security coverage, as may be  
30 required to implement the provisions of this law. Retroactive  
31 social security coverage for service with an employer prior to



1 November 30, 1970, shall not be provided for any member who  
 2 was not covered under the agreement as of November 30, 1970.

3 4. Any officer or employee who was a member of an  
 4 existing system on December 1, 1970, and who is still a member  
 5 of an existing system, except any officer or employee of any  
 6 nonprofit professional association or corporation, may elect,  
 7 if eligible, to become a member of this system at any time  
 8 between September 1, 1974, and November 30, 1974, inclusive,  
 9 by notifying his or her employer in writing of the desire to  
 10 transfer membership from the existing system to this system.  
 11 This decision to transfer or not to transfer shall become  
 12 irrevocable on November 30, 1974. All members electing to  
 13 transfer during the transfer period shall become members of  
 14 the Florida Retirement System on January 1, 1975, and shall be  
 15 subject to the provisions of the Florida Retirement System on  
 16 and after that date. Any officer or employee who was a member  
 17 of an existing system on December 1, 1970, and who does not  
 18 elect to become a member of this system shall continue to be  
 19 covered under the existing system, subject to the provisions  
 20 of s. 121.045. Any member transferring from the Teachers'  
 21 Retirement System of Florida under chapter 238 to the Florida  
 22 Retirement System on January 1, 1975, shall retain rights to  
 23 survivor benefits under chapter 238 from January 1, 1975,  
 24 through December 31, 1979, or until fully insured for  
 25 disability benefits under the Social Security Act, whichever  
 26 is the earliest date, and thereafter no such rights shall  
 27 exist.

28 5.a. Any officer or employee who was a member of an  
 29 existing system on December 1, 1970, and who is still a member  
 30 of an existing system, except any officer or employee of any  
 31 nonprofit professional association or corporation, may elect,

1 if eligible, to become a member of this system at any time  
2 between January 2, 1982, and May 31, 1982, inclusive, by  
3 notifying his or her employer in writing of the desire to  
4 transfer membership from the existing system to this system.  
5 This decision to transfer or not to transfer shall become  
6 irrevocable on May 31, 1982. All members electing to transfer  
7 during the transfer period shall become members of the Florida  
8 Retirement System on July 1, 1982, and shall be subject to the  
9 provisions of the Florida Retirement System on and after that  
10 date. Any officer or employee who was a member of an existing  
11 system on December 1, 1970, and who does not elect to become a  
12 member of this system shall continue to be covered under the  
13 existing system, subject to the provisions of s. 121.045. Any  
14 member transferring from the Teachers' Retirement System under  
15 chapter 238 to the Florida Retirement System on January 1,  
16 1979, shall retain rights to survivor benefits under chapter  
17 238 from January 1, 1979, through December 31, 1983, or until  
18 fully insured for disability benefits under the federal Social  
19 Security Act, whichever is the earliest date, and thereafter  
20 no such rights shall exist. Any such member transferring to  
21 the Florida Retirement System on July 1, 1982, shall retain  
22 rights to survivor benefits under chapter 238 from July 1,  
23 1982, through June 30, 1987, or until fully insured for  
24 disability benefits under the federal Social Security Act,  
25 whichever is the earliest date, and thereafter no such rights  
26 shall exist.

27       b. Any deficit, as determined by the state actuary,  
28 accruing to the Survivors' Benefit Trust Fund of the Teachers'  
29 Retirement System and resulting from the passage of chapter  
30 78-308, Laws of Florida, and chapter 80-242, Laws of Florida,  
31

1 shall become an obligation of the Florida Retirement System  
 2 Trust Fund.

3           6. Any active member of an existing system who was not  
 4 employed in a covered position during a time when transfer to  
 5 the Florida Retirement System was allowed as described in rule  
 6 22B-1.004(2)(a), Florida Administrative Code, or as provided  
 7 in paragraph (1)(c) of this section, may elect, if eligible,  
 8 to become a member of this system at any time between January  
 9 1, 1991, and May 29, 1991, inclusive, by notifying his or her  
 10 employer in writing of the desire to transfer membership from  
 11 the existing system to this system. The decision to transfer  
 12 or not to transfer shall become irrevocable on May 29, 1991.  
 13 Failure to notify the employer shall result in compulsory  
 14 membership in the existing system. All members electing to  
 15 transfer during the transfer period shall become members of  
 16 the Florida Retirement System on July 1, 1991, and shall be  
 17 subject to the provisions of the Florida Retirement System on  
 18 and after that date. Any member so transferring from the  
 19 existing system under chapter 238 to the Florida Retirement  
 20 System on July 1, 1991, shall retain rights to survivor  
 21 benefits under that chapter from July 1, 1991, through June  
 22 30, 1996, or until fully insured for benefits under the  
 23 federal Social Security Act, whichever is the earliest date,  
 24 and thereafter no such rights shall exist.

25           Section 6. Effective July 1, 2001, paragraph (a) of  
 26 subsection (7) of section 121.0515, Florida Statutes, is  
 27 amended to read:

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

1 (7) RETENTION OF SPECIAL RISK NORMAL RETIREMENT

2 DATE.--

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

23 Section 7. Effective July 1, 2001, subsection (8) of  
24 section 121.052, Florida Statutes, is amended to read:

25 121.052 Membership class of elected officers.--

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

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

7 Section 8. Paragraph (a) of subsection (1) of section  
8 121.053, Florida Statutes, is amended to read:

9 121.053 Participation in the Elected Officers' Class  
10 for retired members.--

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

19 1. Upon completion of 8 or more years of creditable  
20 service in an office covered by the Elected Officers' Class,  
21 s. 121.052, such member shall notify the administrator of his  
22 or her intent to purchase elected officer service prior to  
23 July 1, 1990, and shall pay the member contribution applicable  
24 for the period being claimed, plus 4 percent interest  
25 compounded annually from the first year of service claimed  
26 until July 1, 1975, and 6.5 percent interest compounded  
27 annually thereafter, until full payment is made to the Florida  
28 Retirement System Trust Fund; however, such member may  
29 purchase retirement credit under the Elected Officers' Class  
30 only for such service as an elected officer.

31

1           2. Upon payment of the amount specified in  
2 subparagraph 1., the employer shall pay into the Florida  
3 Retirement System Trust Fund the applicable employer  
4 contribution for the period of elected officer service prior  
5 to July 1, 1990, being claimed by the member, plus 4 percent  
6 interest compounded annually from the first year of service  
7 claimed until July 1, 1975, and 6.5 percent interest  
8 compounded annually thereafter, until full payment is made to  
9 the Florida Retirement System Trust Fund.

10           Section 9. Effective July 1, 2001, paragraph (i) of  
11 subsection (1) of section 121.081, Florida Statutes, is  
12 amended to read:

13           121.081 Past service; prior service;  
14 contributions.--Conditions under which past service or prior  
15 service may be claimed and credited are:

16           (1)

17           (i) An employee of a state agency who was a member of  
18 a state-administered retirement system and who was granted  
19 educational leave with pay pursuant to a written educational  
20 leave-with-pay policy may claim such period of educational  
21 leave as past service subject to the following conditions:

22           1. The educational leave must have occurred prior to  
23 December 31, 1971;

24           2. The member must have completed at least 8 ~~10~~ years  
25 of creditable service excluding the period of the educational  
26 leave;

27           3. The employee must have returned to employment with  
28 a state agency employer who participated in the retirement  
29 system, which return was immediately upon termination of the  
30 educational leave, and must have remained on the employer's  
31

1 payroll for at least 1 calendar month following the return to  
2 employment;

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

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

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

9 7. The member must pay to the retirement trust fund  
10 for claiming such past-service credit an amount equal to 8  
11 percent of his or her gross annual salary immediately prior to  
12 the educational leave with pay for each year of past service  
13 claimed, plus 4 percent interest thereon compounded annually  
14 each June 30 from the first year of service claimed until July  
15 1, 1975, and 6.5 percent interest thereafter on the unpaid  
16 balance compounded annually each June 30 until paid.

17 Section 10. Effective July 1, 2001, paragraph (b) of  
18 subsection (1) of section 121.1115, Florida Statutes, is  
19 amended to read:

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

31

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

3 (b) The member must have completed a minimum of 8 ~~10~~  
4 years of creditable service under the Florida Retirement  
5 System, excluding out-of-state service and in-state service  
6 claimed and purchased under s. 121.1122.

7 Section 11. Effective July 1, 2001, paragraph (a) of  
8 subsection (2) of section 121.1122, Florida Statutes, is  
9 amended to read:

10 121.1122 Purchase of retirement credit for in-state  
11 public service and in-state service in accredited nonpublic  
12 schools and colleges, including charter schools and charter  
13 technical career centers.--Effective January 1, 1998, a member  
14 of the Florida Retirement System may purchase creditable  
15 service for periods of certain public or nonpublic employment  
16 performed in this state, as provided in this section.

17 (2) LIMITATIONS AND CONDITIONS.--

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

24 Section 12. Effective July 1, 2001, paragraph (a) of  
25 subsection (1) of section 121.121, Florida Statutes, is  
26 amended to read:

27 121.121 Authorized leaves of absence.--

28 (1) A member may purchase creditable service for up to  
29 2 work years of authorized leaves of absence if:  
30  
31



1 (a) The member has completed a minimum of 8 ~~10~~ years  
2 of creditable service, excluding periods for which a leave of  
3 absence was authorized;

4 Section 13. Paragraph (b) of subsection (2) of section  
5 215.32, Florida Statutes, is amended to read:

6 215.32 State funds; segregation.--

7 (2) The source and use of each of these funds shall be  
8 as follows:

9 (b)1. The trust funds shall consist of moneys received  
10 by the state which under law or under trust agreement are  
11 segregated for a purpose authorized by law. The state agency  
12 or branch of state government receiving or collecting such  
13 moneys shall be responsible for their proper expenditure as  
14 provided by law. Upon the request of the state agency or  
15 branch of state government responsible for the administration  
16 of the trust fund, the Comptroller may establish accounts  
17 within the trust fund at a level considered necessary for  
18 proper accountability. Once an account is established within a  
19 trust fund, the Comptroller may authorize payment from that  
20 account only upon determining that there is sufficient cash  
21 and releases at the level of the account.

22 2. In order to maintain a minimum number of trust  
23 funds in the State Treasury, each state agency or the judicial  
24 branch may consolidate, if permitted under the terms and  
25 conditions of their receipt, the trust funds administered by  
26 it; provided, however, the agency or judicial branch employs  
27 effectively a uniform system of accounts sufficient to  
28 preserve the integrity of such trust funds; and provided,  
29 further, that consolidation of trust funds is approved by the  
30 Administration Commission or the Chief Justice.

31

1           3. All such moneys are hereby appropriated to be  
2 expended in accordance with the law or trust agreement under  
3 which they were received, subject always to the provisions of  
4 chapter 216 relating to the appropriation of funds and to the  
5 applicable laws relating to the deposit or expenditure of  
6 moneys in the State Treasury.

7           4.a. Notwithstanding any provision of law restricting  
8 the use of trust funds to specific purposes, unappropriated  
9 cash balances from selected trust funds may be authorized by  
10 the Legislature for transfer to the Budget Stabilization Fund  
11 and Working Capital Fund in the General Appropriations Act.

12           b. This subparagraph does not apply to trust funds  
13 required by federal programs or mandates; trust funds  
14 established for bond covenants, indentures, or resolutions  
15 whose revenues are legally pledged by the state or public body  
16 to meet debt service or other financial requirements of any  
17 debt obligations of the state or any public body; the State  
18 Transportation Trust Fund; the trust fund containing the net  
19 annual proceeds from the Florida Education Lotteries; the  
20 Florida Retirement System Trust Fund; trust funds under the  
21 management of the Board of Regents, where such trust funds are  
22 for auxiliary enterprises, self-insurance, and contracts,  
23 grants, and donations, as those terms are defined by general  
24 law; trust funds that serve as clearing funds or accounts for  
25 the Comptroller or state agencies; trust funds that account  
26 for assets held by the state in a trustee capacity as an agent  
27 or fiduciary for individuals, private organizations, or other  
28 governmental units; and other trust funds authorized by the  
29 State Constitution.

30           Section 14. Paragraph (e) of subsection (1) of section  
31 112.665, Florida Statutes, is amended to read:

1 112.665 Duties of Department of Management Services.--

2 (1) The Department of Management Services shall:

3 (e) Issue, by January 1 annually, a report to the  
4 Special District Information Program of the Department of  
5 Community Affairs that includes the participation in and  
6 compliance of special districts with the local government  
7 retirement system provisions in s. 112.63 and the  
8 state-administered retirement system provisions as specified  
9 in part I of chapter 121; and

10 Section 15. Paragraphs (a) of subsection (1) of  
11 section 121.091, Florida Statutes, are amended to read:

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

25 (1) NORMAL RETIREMENT BENEFIT.--Upon attaining his or  
26 her normal retirement date, the member, upon application to  
27 the administrator, shall receive a monthly benefit which shall  
28 begin to accrue on the first day of the month of retirement  
29 and be payable on the last day of that month and each month  
30 thereafter during his or her lifetime. The normal retirement  
31 benefit, including any past or additional retirement credit,

1 may not exceed 100 percent of the average final compensation.  
2 The amount of monthly benefit shall be calculated as the  
3 product of A and B, subject to the adjustment of C, if  
4 applicable, as set forth below:

5 (a)1. For creditable years of Regular Class service, A  
6 is 1.60 percent of the member's average final compensation, up  
7 to the member's normal retirement date. Upon completion of the  
8 first year after the normal retirement date, A is 1.63 percent  
9 of the member's average final compensation. Following the  
10 second year after the normal retirement date, A is 1.65  
11 percent of the member's average final compensation. Following  
12 the third year after the normal retirement date, and for  
13 subsequent years, A is 1.68 percent of the member's average  
14 final compensation.

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

16 a. Two percent of the member's average final  
17 compensation for all creditable years prior to October 1,  
18 1974;

19 b. Three percent of the member's average final  
20 compensation for all creditable years after September 30,  
21 1974, and before October 1, 1978;

22 c. Two percent of the member's average final  
23 compensation for all creditable years after September 30,  
24 1978, and before January 1, 1989;

25 d. Two and two-tenths percent of the member's final  
26 monthly compensation for all creditable years after December  
27 31, 1988, and before January 1, 1990;

28 e. Two and four-tenths percent of the member's average  
29 final compensation for all creditable years after December 31,  
30 1989, and before January 1, 1991;

31

1 f. Two and six-tenths percent of the member's average  
2 final compensation for all creditable years after December 31,  
3 1990, and before January 1, 1992;

4 g. Two and eight-tenths percent of the member's  
5 average final compensation for all creditable years after  
6 December 31, 1991, and before January 1, 1993; ~~and~~

7 h. Three percent of the member's average final  
8 compensation for all creditable years after December 31, 1992;  
9 and

10 i. Three percent of the member's average final  
11 compensation for all creditable years of service after  
12 September 30, 1978, and before January 1, 1993, for any  
13 special risk member who retires after July 1, 2000.

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

16 4. For creditable years of Elected Officers' Class  
17 service as a Supreme Court Justice, district court of appeal  
18 judge, circuit judge, or county court judge, A is 3 1/3  
19 percent of the member's average final compensation, and for  
20 all other creditable service in such class, A is 3 percent of  
21 average final compensation;

22 Section 16. It is the intent of the Legislature that  
23 costs attributable to increases in the retirement accrual  
24 rates for October 1978 through December 1992 for members of  
25 the Special Risk Class shall be funded by recognition of a  
26 lump sum from the excess actuarial assets of the Florida  
27 Retirement System Trust Fund as follows:

28 (1) For fiscal year 2000-2001, the lump sum to be  
29 recognized shall be the greater of:

30 (a) \$350 million; or  
31

1           (b) the amount available under the rate stabilization  
2 mechanism described in s. 121.031, Florida Statutes, after any  
3 other recognition of excess actuarial assets pursuant to this  
4 act.

5           (2)(a) For fiscal years 2001-2002 and 2002-2003, the  
6 lump sums to be recognized shall be the lesser of:

7           1. the amount available under the rate stabilization  
8 mechanism described in s. 121.031, Florida Statutes, after any  
9 other recognition of excess actuarial assets pursuant to this  
10 act; or

11           2. the remaining amount needed to fully fund the  
12 benefit accrual rate.

13           (b) If, after the recognition of excess actuarial  
14 assets pursuant to subsection (2) and paragraph (a), there  
15 remains an unfunded actuarial liability attributable to the  
16 increase in the retirement accrual rates for the Special Risk  
17 Class, the contribution rate applicable to the Special Risk  
18 Class of the Florida Retirement System shall be increased by  
19 1.85 percentage points, effective July 1, 2002, unless the  
20 Legislature provides an alternative funding mechanism.

21           Section 17. Effective July 1, 2001, paragraph (a) of  
22 subsection (4) of section 121.091, Florida Statutes, is  
23 amended to read:

24           121.091 Benefits payable under the system.--Benefits  
25 may not be paid under this section unless the member has  
26 terminated employment as provided in s. 121.021(39)(a) or  
27 begun participation in the Deferred Retirement Option Program  
28 as provided in subsection (13), and a proper application has  
29 been filed in the manner prescribed by the department. The  
30 department may cancel an application for retirement benefits  
31 when the member or beneficiary fails to timely provide the

1 information and documents required by this chapter and the  
2 department's rules. The department shall adopt rules  
3 establishing procedures for application for retirement  
4 benefits and for the cancellation of such application when the  
5 required information or documents are not received.

6 (4) DISABILITY RETIREMENT BENEFIT.--

7 (a) Disability retirement; entitlement and effective  
8 date.--

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

27 b. Effective July 1, 2001, a member of the defined  
28 benefit retirement program who becomes totally and permanently  
29 disabled, as defined in paragraph (b), after completing 8  
30 years of creditable service, or a member who becomes totally  
31

1 and permanently disabled in the line of duty regardless of  
2 service, shall be entitled 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           Section 18. Effective July 1, 2001, subsections (2)  
14 and (3) of section 112.363, Florida Statutes, are amended to  
15 read:

16           112.363 Retiree health insurance subsidy.--

17           (2) ELIGIBILITY FOR RETIREE HEALTH INSURANCE  
18 SUBSIDY.--

19           (a) A person who is retired under a state-administered  
20 retirement system, or a beneficiary who is a spouse or  
21 financial dependent entitled to receive benefits under a  
22 state-administered retirement system, is eligible for health  
23 insurance subsidy payments provided under this section; except  
24 that pension recipients under ss. 121.40, 238.07(16)(a), and  
25 250.22, recipients of health insurance coverage under s.  
26 110.1232, or any other special pension or relief act shall not  
27 be eligible for such payments.

28           (b) For purposes of this section, a person is deemed  
29 retired from a state-administered retirement system when he or  
30 she terminates employment with all employers participating in  
31



1 the Florida Retirement System as described in s. 121.021(39)  
2 and:

3 1. For a participant of the Public Employee Optional  
4 Retirement Program established under part II of chapter 121,  
5 the participant meets the age or service requirements to  
6 qualify for normal retirement as set forth in s. 121.021(29).

7 2. For a member of the Florida Retirement System  
8 defined benefit program, or any employee who maintains  
9 creditable service under both the defined benefit program and  
10 the Public Employee Optional Retirement Program, the member  
11 begins drawing retirement benefits from the defined benefit  
12 program of the Florida Retirement System.

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

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

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

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

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

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

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

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

31

1 (d) Beginning January 1, 1999, each eligible retiree  
 2 or, if the retiree is deceased, his or her beneficiary who is  
 3 receiving a monthly benefit from such retiree's account and  
 4 who is a spouse, or a person who meets the definition of joint  
 5 annuitant in s. 121.021(28), shall receive a monthly retiree  
 6 health insurance subsidy payment equal to the number of years  
 7 of creditable service, as defined in s. 121.021(17), completed  
 8 at the time of retirement multiplied by \$5; however, no  
 9 eligible retiree or such beneficiary may receive a subsidy  
 10 payment of more than \$150 or less than \$50. If there are  
 11 multiple beneficiaries, the total payment must not be greater  
 12 than the payment to which the retiree was entitled.

13 (e)1. Beginning July 1, 2001, each eligible retiree of  
 14 the defined benefit program of the Florida Retirement System,  
 15 or, if the retiree is deceased, his or her beneficiary who is  
 16 receiving a monthly benefit from such retiree's account and  
 17 who is a spouse, or a person who meets the definition of joint  
 18 annuitant in s. 121.021(28), shall receive a monthly retiree  
 19 health insurance subsidy payment equal to the number of years  
 20 of creditable service, as defined in s. 121.021(17), completed  
 21 at the time of retirement multiplied by \$5; however, no  
 22 eligible retiree or beneficiary may receive a subsidy payment  
 23 of more than \$150 or less than \$40. If there are multiple  
 24 beneficiaries, the total payment must not be greater than the  
 25 payment to which the retiree was entitled. Notwithstanding  
 26 the provisions of this paragraph, the health insurance subsidy  
 27 amount payable to any person receiving the retiree health  
 28 insurance subsidy payment on July 1, 2001, shall not be  
 29 reduced.

30 2. Beginning July 1, 2002, each eligible participant  
 31 of the Public Employee Optional Retirement Program of the

1 Florida Retirement System who has met the requirements of this  
2 section, or, if the participant is deceased, his or her spouse  
3 who is the participant's designated beneficiary, shall receive  
4 a monthly retiree health insurance subsidy payment equal to  
5 the number of years of creditable service, as provided in this  
6 subparagraph, completed at the time of retirement, multiplied  
7 by \$5; however, no eligible retiree or beneficiary may receive  
8 a subsidy payment of more than \$150 or less than \$40. For  
9 purposes of determining a participant's creditable service  
10 used to calculate the health insurance subsidy, a  
11 participant's years of service credit or fraction thereof  
12 shall be based on the participant's work year as defined in s.  
13 121.021(54). Credit shall be awarded for a full work year  
14 whenever health insurance subsidy contributions have been made  
15 as required by law for each month in the participant's work  
16 year. In addition, all years of creditable service retained  
17 under the Florida Retirement System defined benefit program  
18 shall be included as creditable service for purposes of this  
19 section.

20 Section 19. Paragraph (b) of subsection (1) and  
21 paragraph (e) of subsection (6) of section 121.055, Florida  
22 Statutes, are amended to read:

23 121.055 Senior Management Service Class.--There is  
24 hereby established a separate class of membership within the  
25 Florida Retirement System to be known as the "Senior  
26 Management Service Class," which shall become effective  
27 February 1, 1987.

28 (1)

29 (b)1. Except as provided in subparagraph 2., effective  
30 January 1, 1990, participation in the Senior Management  
31 Service Class shall be compulsory for the president of each

1 community college, the manager of each participating city or  
2 county, and all appointed district school superintendents.  
3 Effective January 1, 1994, additional positions may be  
4 designated for inclusion in the Senior Management Service  
5 Class of the Florida Retirement System, provided that:

6 a. Positions to be included in the class shall be  
7 designated by the local agency employer. Notice of intent to  
8 designate positions for inclusion in the class shall be  
9 published once a week for 2 consecutive weeks in a newspaper  
10 of general circulation published in the county or counties  
11 affected, as provided in chapter 50.

12 b. Up to 10 ~~one~~ nonelective full-time positions  
13 ~~position~~ may be designated for each local agency employer  
14 reporting to the Department of Management Services; for local  
15 agencies with 100 or more regularly established positions,  
16 additional nonelective full-time positions may be designated,  
17 not to exceed 1 percent of the regularly established positions  
18 within the agency.

19 c. Each position added to the class must be a  
20 managerial or policymaking position filled by an employee who  
21 is not subject to continuing contract and serves at the  
22 pleasure of the local agency employer without civil service  
23 protection, and who:

24 (I) Heads an organizational unit; or

25 (II) Has responsibility to effect or recommend  
26 personnel, budget, expenditure, or policy decisions in his or  
27 her areas of responsibility.

28 2. In lieu of participation in the Senior Management  
29 Service Class, members of the Senior Management Service Class  
30 pursuant to the provisions of subparagraph 1. may withdraw  
31 from the Florida Retirement System altogether. The decision to

1 withdraw from the Florida Retirement System shall be  
2 irrevocable for as long as the employee holds such a position.  
3 Any service creditable under the Senior Management Service  
4 Class shall be retained after the member withdraws from the  
5 Florida Retirement System; however, additional service credit  
6 in the Senior Management Service Class shall not be earned  
7 after such withdrawal. Such members shall not be eligible to  
8 participate in the Senior Management Service Optional Annuity  
9 Program.

10 (6)

11 (e) Benefits.--

12 1. Benefits shall be payable under the Senior  
13 Management Service Optional Annuity Program only to  
14 participants in the program, or their beneficiaries as  
15 designated by the participant in the contract with a provider  
16 company, and such benefits shall be paid by the designated  
17 company in accordance with the terms of the annuity contract  
18 or contracts applicable to the participant. A participant must  
19 be terminated from all employment with all Florida Retirement  
20 System employers as provided in s. 121.021(39) to begin  
21 receiving the employer-funded benefit. Benefits funded by  
22 employer contributions shall be payable only as a lifetime  
23 annuity to the participant, his or her beneficiary, or his or  
24 her estate, except for:

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

27 b. A cash-out of a de minimis account upon the request  
28 of a former participant who has been terminated for a minimum  
29 of 6 months from the employment that entitled him or her to  
30 optional annuity program participation. A de minimis account  
31 is an account with a provider company containing employer

1 contributions and accumulated earnings of not more than \$5,000  
2 made under the provisions of this chapter. Such cash-out must  
3 be a complete liquidation of the account balance with that  
4 company and is subject to the provisions of the Internal  
5 Revenue Code; or

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

11 2. The benefits payable to any person under the Senior  
12 Management Service Optional Annuity Program, and any  
13 contribution accumulated under such program, shall not be  
14 subject to assignment, execution, or attachment or to any  
15 legal process whatsoever.

16 3. A participant who receives optional annuity program  
17 benefits funded by employer contributions shall be deemed to  
18 be retired from a state-administered retirement system in the  
19 event of subsequent employment with any employer that  
20 participates in the Florida Retirement System.

21 Section 20. Effective July 1, 2001, in order to fund  
22 the normal cost for changes in the vesting requirements under  
23 the Florida Retirement System, as provided in this act:

24 (1) The contribution rate that applies to the Regular  
25 Class of the Florida Retirement System shall be increased by  
26 0.20 percentage point.

27 (2) The contribution rate that applies to the Special  
28 Risk Class of the Florida Retirement System shall be increased  
29 by 0.33 percentage point.

30  
31

1           (3) The contribution rate that applies to the Special  
2 Risk Administrative Support Class of the Florida Retirement  
3 System shall be increased by 0.18 percentage point.

4           (4) The contribution rate that applies to the Judicial  
5 sub-class of the Elected Officers' Class of the Florida  
6 Retirement System shall be increased by 0.15 percentage point.

7           (5) The contribution rate that applies to the  
8 legislative-attorney-Cabinet sub-class of the Elected  
9 Officers' Class of the Florida Retirement System shall be  
10 increased by 0.04 percentage point.

11           (6) The contribution rate that applies to the County  
12 Officers' sub-class of the Elected Officers' Class of the  
13 Florida Retirement System shall be increased by 0.05  
14 percentage point.

15           (7) The contribution rate that applies to the Senior  
16 Management Service Class of the Florida Retirement System  
17 shall be increased by 0.03 percentage point.

18  
19 These increases shall be in addition to all other changes to  
20 such contribution rates which may be enacted into law to take  
21 effect on that date. The Division of Statutory Revision is  
22 directed to adjust the contribution rates set forth in ss.  
23 121.052, 121.055, and 121.071, Florida Statutes.

24           Section 21. (1) Effective July 1, 2001, in order to  
25 fund the normal cost increases attributable to the 1999  
26 actuarial experience study:

27           (a) The contribution rate that applies to the Regular  
28 Class of the Florida Retirement System shall be increased by  
29 0.28 percentage point.

30  
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1           (b) The contribution rate that applies to the Special  
2 Risk Class of the Florida Retirement System shall be increased  
3 by 1.13 percentage points.

4           (c) The contribution rate that applies to the Special  
5 Risk Administrative Support Class of the Florida Retirement  
6 System shall be increased by 0.65 percentage point.

7           (d) The contribution rate that applies to the Judicial  
8 sub-class of the Elected Officers' Class of the Florida  
9 Retirement System shall be increased by 0.00 percentage  
10 points.

11           (e) The contribution rate that applies to the  
12 legislative-attorney-Cabinet sub-class of the Elected  
13 Officers' Class of the Florida Retirement System shall be  
14 increased by 0.00 percentage points.

15           (f) The contribution rate that applies to the County  
16 Officers' sub-class of the Elected Officers' Class of the  
17 Florida Retirement System shall be increased by 0.11  
18 percentage point.

19           (g) The contribution rate that applies to the Senior  
20 Management Service Class of the Florida Retirement System  
21 shall be increased by 0.36 percentage point.

22  
23 These increases shall be in addition to all other changes to  
24 such contribution rates which may be enacted into law to take  
25 effect on that date. The Division of Statutory Revision is  
26 directed to adjust the contribution rates set forth in ss.  
27 121.052, 121.055, and 121.071, Florida Statutes.

28           (2) It is the intent of the Legislature that the  
29 increased costs attributable to the 1999 actuarial experience  
30 study for the 2000-2001 fiscal year shall be funded by a  
31

1 one-time recognition of a lump sum from the excess actuarial  
2 assets of the Florida Retirement System Trust Fund.

3 Section 22. Effective July 1, 2002, in order to fund  
4 the changes in normal cost for the defined benefit retirement  
5 program resulting from the implementation of the Public  
6 Employee Optional Retirement Program, as created by this act:

7 (1) The contribution rate that applies to the Regular  
8 Class of the Florida Retirement System shall be increased by  
9 0.21 percentage point.

10 (2) The contribution rate that applies to the Special  
11 Risk Class of the Florida Retirement System shall be increased  
12 by 0.01 percentage point.

13 (3) The contribution rate that applies to the Special  
14 Risk Administrative Support Class of the Florida Retirement  
15 System shall be decreased by 0.02 percentage point.

16 (4) The contribution rate that applies to the Judicial  
17 sub-class of the Elected Officers' Class of the Florida  
18 Retirement System shall be increased by 0.00 percentage  
19 points.

20 (5) The contribution rate that applies to the  
21 legislative-attorney-Cabinet sub-class of the Elected  
22 Officers' Class of the Florida Retirement System shall be  
23 increased by 0.07 percentage point.

24 (6) The contribution rate that applies to the County  
25 Officers' sub-class of the Elected Officers' Class of the  
26 Florida Retirement System shall be increased by 0.00  
27 percentage points.

28 (7) The contribution rate that applies to the Senior  
29 Management Service Class of the Florida Retirement System  
30 shall be increased by 0.00 percentage points.

31

1 These increases shall be in addition to all other changes to  
2 such contribution rates which may be enacted into law to take  
3 effect on that date. The Division of Statutory Revision is  
4 directed to adjust the contribution rates set forth in ss.  
5 121.052, 121.055, and 121.071, Florida Statutes.

6 Section 23. (1) Effective July 1, 2000, for fiscal  
7 years 2000-2001 and 2001-2002, the contribution rates for the  
8 Regular Class, Special Risk Class, Special Risk Administrative  
9 Support Class, each sub-class of the Elected Officers' Class,  
10 and the Senior Management Service Class each shall be reduced  
11 by 0.1 percentage point. These reductions shall be in addition  
12 to all other changes to such contribution rates which may be  
13 enacted into law to take effect on that date.

14 (2) It is the intent of the Legislature that the costs  
15 attributable to the reduction of contribution rates pursuant  
16 to subsection (1) shall be funded by a recognition of a lump  
17 sum from the excess actuarial assets of the Florida Retirement  
18 System Trust Fund for fiscal years 2000-2001 and 2001-2002.

19 Section 24. (1) In order to implement the provisions  
20 of this act, the State Board of Administration, the Department  
21 of Management Services and the employers participating in the  
22 Florida Retirement System shall coordinate efforts to the  
23 greatest extent practicable.

24 (2)(a) For fiscal years 2000-2001 and 2001-2002, each  
25 employer participating in the Florida Retirement System  
26 administered pursuant to chapter 121, Florida Statutes, shall  
27 pay an additional contribution to the Division of Retirement  
28 equal to 0.1 percent of each member's gross compensation for  
29 deposit in the division's Operating Trust Fund. The  
30 contributions shall be made for each pay period and are in  
31 addition to all contributions required for the Florida

1 Retirement System, social security, and the Retiree Health  
2 Insurance Subsidy Trust Fund.

3 (b) Such contributions shall be transferred  
4 immediately from the division's Operating Trust Fund to the  
5 State Board of Administration's Administrative Expense Trust  
6 Fund to offset the costs of implementing the Public Employee  
7 Optional Retirement Program as created by this act. Such  
8 funds are appropriated to the State Board of Administration to  
9 offset reasonable expenses incurred by the board and the  
10 Public Employee Optional Retirement Program Advisory  
11 Committee. The board may transfer such funds as are necessary  
12 to the Division of Retirement in order to carry out the  
13 provisions of this act.

14 (3) There are hereby authorized 20 FTEs in the State  
15 Board of Administration for the trustees to establish a  
16 separate staff to implement the Public Employee Optional  
17 Retirement Program.

18 Section 25. Paragraph (a) of subsection (3) of section  
19 121.031, F.S., is amended to read:

20 121.031 Administration of system; appropriation;  
21 oaths; actuarial studies; public records.--

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

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

30 1. The valuation of plan assets shall be based on a  
31 5-year averaging methodology such as that specified in the

1 United States Department of Treasury Regulations, 26 C.F.R. s.  
2 1.412(c)(2)-1, or a similar accepted approach designed to  
3 attenuate fluctuations in asset values.

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

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

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

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

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

1 cost will be in a manner that will allow system employers to  
2 plan appropriately for resulting cost reductions and  
3 subsequent cost increases. The rate stabilization mechanism  
4 shall operate as follows:

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

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

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

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

24 Section 26. The Legislature finds that a proper and  
25 legitimate state purpose is served when employees and retirees  
26 of the state and of its political subdivisions, and the  
27 dependents, survivors, and beneficiaries of such employees and  
28 retirees, are extended the basic protections afforded by  
29 governmental retirement systems that provide fair and adequate  
30 benefits that are managed, administered, and funded in an  
31 actuarially sound manner, as required by s. 14, Art. X of the

1 State Constitution and part VII of chapter 112, Florida  
2 Statutes. Therefore, the Legislature determines and declares  
3 that this act fulfills an important state interest.

4 Section 27. Except as otherwise provided herein, this  
5 act shall take effect July 1, 2000, and the Public Employee  
6 Optional Retirement Program created by this act shall be  
7 contingent upon:

8 1. The State Board of Administration receiving a  
9 favorable determination letter and a favorable private letter  
10 ruling from the Internal Revenue Service by May 1, 2002. If  
11 the Internal Revenue Service refuses to act upon a request for  
12 a private letter ruling, then a favorable legal opinion from a  
13 qualified tax attorney or firm may be substituted for such  
14 private-letter ruling.

15 2. The State Board of Administration having selected  
16 and contracted with the third-party administrator.

17 3. The third-party administrator having successfully  
18 established data links with the employers participating in the  
19 Florida Retirement System.

20 4. The education component of the Public Employee  
21 Optional Retirement Program having been available for at least  
22 90 days.

23 5. A diversified portfolio of financial instruments  
24 having become available to participants of the Public Employee  
25 Optional Retirement Program.

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