

By the Committee on Governmental Oversight and Productivity;
and Senators Burt, Smith and Lawson

302-1810-01

1 A bill to be entitled
2 An act relating to retirement; amending s.
3 121.021, F.S.; redefining the term "average
4 final compensation" with respect to the Florida
5 Retirement System; revising contribution rates
6 as part of the funding process; amending s.
7 121.091, F.S.; providing for a repurchase of
8 prior service credit for certain members of the
9 Special Risk Class or Special Risk
10 Administrative Support Class of the Florida
11 Retirement System who retired or terminated
12 employment before July 1, 2000; providing for
13 actuarial funding of benefits; providing a
14 declaration of an important state interest;
15 providing an effective date.

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

19 Section 1. Subsection (24) of section 121.021, Florida
20 Statutes, is amended to read:

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

24 (24) "Average final compensation" means the average of
25 the 3 ~~5~~ highest fiscal years of compensation for creditable
26 service prior to retirement, termination, or death. For
27 in-line-of-duty disability benefits, if less than 3 ~~5~~ years of
28 creditable service have been completed, the term "average
29 final compensation" means the average annual compensation of
30 the total number of years of creditable service. Each year

31

1 used in the calculation of average final compensation shall
2 commence on July 1.

3 (a) The average final compensation shall include:

4 1. Accumulated annual leave payments, not to exceed
5 500 hours; and

6 2. All payments defined as compensation in subsection
7 (22).

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

9 1. Compensation paid to professional persons for
10 special or particular services;

11 2. Payments for accumulated sick leave made due to
12 retirement or termination;

13 3. Payments for accumulated annual leave in excess of
14 500 hours;

15 4. Bonuses as defined in subsection (47);

16 5. Third party payments made on and after July 1,
17 1990; or

18 6. Fringe benefits (for example, automobile allowances
19 or housing allowances).

20 Section 2. Effective July 1, 2002, for the purposes of
21 funding the 3-year average final compensation benefit change,
22 the contribution rate for the below-named classes of the
23 Florida Retirement System shall be increased, as follows:

24 (a) The contribution rate that applies to the Regular
25 Class of the Florida Retirement System shall be increased by
26 1.06 percentage points.

27 (b) The contribution rate that applies to the Special
28 Risk Class of the Florida Retirement System shall be increased
29 by 2.14 percentage points.

30
31

1 (c) The contribution rate that applies to the Special
2 Risk Administrative Support Class of the Florida Retirement
3 System shall be increased by 1.67 percentage points.

4 (d) The contribution rate that applies to the Judicial
5 subclass of the Elected Officers' Class of the Florida
6 Retirement System shall increase by 1.87 percentage points.

7 (e) The contribution rate that applies to the
8 legislative-attorney-Cabinet subclass of the Elected Officers'
9 Class of the Florida Retirement Class shall be increased by
10 1.79 percentage points.

11 (f) The contribution rate that applies to the County
12 Officers' subclass of the Elected Officers' Class of the
13 Florida Retirement System shall be increased by 1.66
14 percentage points.

15 (g) The contribution rate that applies to the Senior
16 Management Service Class of the Florida Retirement System
17 shall be increased by 1.45 percentage points.

18
19 These increases shall be in addition to all changes to such
20 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
23 sections 122.052, 121.055, and 121.071, Florida Statutes.

24 Section 3. Subsection (1) of section 121.091, Florida
25 Statutes, is amended to read:

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

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

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

19 (a)1. For creditable years of Regular Class service, A
20 is 1.60 percent of the member's average final compensation, up
21 to the member's normal retirement date. Upon completion of the
22 first year after the normal retirement date, A is 1.63 percent
23 of the member's average final compensation. Following the
24 second year after the normal retirement date, A is 1.65
25 percent of the member's average final compensation. Following
26 the third year after the normal retirement date, and for
27 subsequent years, A is 1.68 percent of the member's average
28 final compensation.

29 2. For creditable years of special risk service, A is:
30
31

- 1 a. Two percent of the member's average final
2 compensation for all creditable years prior to October 1,
3 1974;
- 4 b. Three percent of the member's average final
5 compensation for all creditable years after September 30,
6 1974, and before October 1, 1978;
- 7 c. Two percent of the member's average final
8 compensation for all creditable years after September 30,
9 1978, and before January 1, 1989;
- 10 d. Two and two-tenths percent of the member's final
11 monthly compensation for all creditable years after December
12 31, 1988, and before January 1, 1990;
- 13 e. Two and four-tenths percent of the member's average
14 final compensation for all creditable years after December 31,
15 1989, and before January 1, 1991;
- 16 f. Two and six-tenths percent of the member's average
17 final compensation for all creditable years after December 31,
18 1990, and before January 1, 1992;
- 19 g. Two and eight-tenths percent of the member's
20 average final compensation for all creditable years after
21 December 31, 1991, and before January 1, 1993;
- 22 h. Three percent of the member's average final
23 compensation for all creditable years after December 31, 1992;
24 and
- 25 i. Three percent of the member's average final
26 compensation for all creditable years of service after
27 September 30, 1978, and before January 1, 1993, for any
28 special risk member who retires after July 1, 2000, or any
29 member of the Special Risk Administrative Support Class
30 entitled to retain the special risk normal retirement date who
31 was a member of the Special Risk Class during the time period

1 and who retires after July 1, 2000. The provisions of this
2 sub-subparagraph shall extend also to those members with
3 creditable service in these classes who have served between
4 these dates and who have retired, are participants in the
5 deferred retirement option program, or have terminated
6 employment with vested rights before July 1, 2000.

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

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

15 (b) B is the number of the member's years and any
16 fractional part of a year of creditable service earned
17 subsequent to November 30, 1970; and

18 (c) C is the normal retirement benefit credit brought
19 forward as of November 30, 1970, by a former member of an
20 existing system. Such normal retirement benefit credit shall
21 be determined as the product of X and Y when X is the
22 percentage of average final compensation which the member
23 would have been eligible to receive if the member had attained
24 his or her normal retirement date as of November 30, 1970, all
25 in accordance with the existing system under which the member
26 is covered on November 30, 1970, and Y is average final
27 compensation as defined in s. 121.021(25). However, any
28 member of an existing retirement system who is eligible to
29 retire and who does retire, become disabled, or die prior to
30 April 15, 1971, may have his or her retirement benefits

31

1 calculated on the basis of the best 5 of the last 10 years of
2 service.

3 (d) A member's average final compensation shall be
4 determined by formula to obtain the coverage for the 5 highest
5 fiscal years' salaries, calculated as provided by rule.

6 Section 4. It is the intent of the Legislature that
7 the costs attributable to increases in the repurchase of
8 retirement accrual rates for retired and inactive members of
9 the Special Risk Class from October 1978 through December 1992
10 shall be funded by recognition of a level lump sum of \$740
11 million, amortized over 5 years in equal annual payments, from
12 the excess actuarial assets of the Florida Retirement System
13 Trust Fund. If, after recognition of the excess actuarial
14 assets, there remains an unfunded actuarial liability
15 attributable to the increase in the retirement accrual rates,
16 the payroll contribution rate for the Special Risk Class shall
17 be increased by .60 percentage points, effective July 1, 2001,
18 unless the Legislature provides an alternative funding
19 mechanism.

20 Section 5. The Legislature finds that a proper and
21 legitimate state purpose is served when employees and retirees
22 of the state and its political subdivisions and the
23 dependents, survivors, and beneficiaries of such employees and
24 retirees are extended the basic protections afforded by
25 governmental retirement systems that provide fair and adequate
26 benefits and that are managed, administered, and funded in an
27 actuarially sound manner, as required by Section 14, Article
28 X, of the State Constitution and part VII of chapter 112,
29 Florida Statutes. Therefore, the Legislature determines and
30 declares that this act fulfills an important state interest.

31 Section 6. This act shall take effect July 1, 2001.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
COMMITTEE SUBSTITUTE FOR
SB 2

The Committee Substitute provides employer payroll contribution rate increases for funding of the three-year average final compensation benefit increase and adds the provisions of SB 234 to the bill. SB 234 in its amended form retroactively repurchases retirement credit for retired members of the Special Risk Class of the Florida Retirement System for a period of service when that credit was valued at a reduced rate. The repurchase is itself funded from available retirement surplus funds or, if insufficient, a payroll cost increase of .60 percentage points.