

By the Committee on Governmental Oversight and Productivity;
and Senators Pruitt, Crist and Posey

302-1749-01

1 A bill to be entitled
2 An act relating to the Florida Retirement
3 System; amending s. 121.021, F.S.; defining the
4 term "public school member" for purposes of the
5 system; amending s. 121.071, F.S.; providing
6 contribution rates for public school members;
7 amending s. 121.091, F.S.; providing retirement
8 benefits payable to public school members;
9 providing retroactive applicability; providing
10 for funding of the revision of the Florida
11 Retirement System by this act; providing a
12 finding of important state interest; providing
13 an effective date.

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

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17 Section 1. Subsection (62) is added to section
18 121.021, Florida Statutes, to read:

19 121.021 Definitions.--The following words and phrases
20 as used in this chapter have the respective meanings set forth
21 unless a different meaning is plainly required by the context:

22 (62) "Public school member" means a member of the
23 Florida Retirement System Regular Class who is employed by a
24 district school system, a public charter school, or the
25 Florida School for the Deaf and the Blind.

26 Section 2. Subsection (1) of section 121.071, Florida
27 Statutes, is amended to read:

28 121.071 Contributions.--Contributions to the system
29 shall be made as follows:

30 (1) The following tables state the required retirement
31 contribution rates for members of the Regular Class, Special

1 Risk Class, or Special Risk Administrative Support Class and
2 their employers in terms of a percentage of the member's gross
3 compensation. A change in a contribution rate is effective
4 with the first salary paid on or after the beginning date of
5 the change. Contributions shall be made or deducted as may be
6 appropriate for each pay period and are in addition to the
7 contributions required for social security and the Retiree
8 Health Insurance Subsidy Trust Fund.

9 (a) Retirement contributions for regular members are
10 as follows:

11
12 Dates of Contribution

13 Rate Changes	Members	Employers
14 15 December 1, 1970, through December 16 31, 1974, for state agencies, state 17 universities, community colleges, 18 and district school boards	4%	4%
19 20 December 1, 1970, through September 21 30, 1975, for all other local 22 government agencies	4%	4%
23 24 January 1, 1975, through September 25 30, 1978, for state agencies and 26 state universities	0%	9%
27 28 January 1, 1975, through July 31, 29 1978, for community colleges and 30 district school boards	0%	9%
31		

1			
2	October 1, 1975, through September		
3	30, 1978, for all other local		
4	government agencies	0%	9%
5			
6	August 1, 1978, through September 30,		
7	1981, for community colleges and		
8	district school boards	0%	9.1%
9			
10	October 1, 1978, through September		
11	30, 1981, for all other agencies	0%	9.1%
12			
13	October 1, 1981, through		
14	September 30, 1984	0%	10.93%
15	October 1, 1984, through		
16	September 30, 1986	0%	12.24%
17	October 1, 1986, through		
18	December 31, 1988	0%	13.14%
19	January 1, 1989, through		
20	December 31, 1989	0%	13.90%
21	January 1, 1990, through		
22	December 31, 1990	0%	14.66%
23	January 1, 1991, through		
24	December 31, 1991	0%	15.72%
25	January 1, 1992, through		
26	December 31, 1992	0%	16.51%
27	January 1, 1993, through		
28	December 31, 1993	0%	17.27%
29	January 1, 1994, through		
30	December 31, 1994	0%	17.10%
31	January 1, 1995, through		

1	December 31, 1995	0%	16.91%
2	January 1, 1996, through		
3	June 30, 1996	0%	17.00%
4	July 1, 1996, through		
5	June 30, 1998	0%	16.77%
6	July 1, 1998, through		
7	June 30, 1999	0%	15.51%
8	Effective July 1, 1999	0%	9.21%
9	<u>Effective July 1, 2002, for public</u>		
10	<u>school members</u>	<u>0%</u>	

11
12 (b) Retirement contributions for special risk members
13 are as follows:

14
15 Dates of Contribution

16	Rate Changes	Members	Employers
17			
18	December 1, 1970, through		
19	September 30, 1974	6%	6%
20			
21	October 1, 1974, through December 31,		
22	1974, for state agencies, state		
23	universities, community colleges,		
24	and district school boards	8%	8%
25			
26	October 1, 1974, through September		
27	30, 1975, for all other local		
28	government agencies	8%	8%

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1			
2	January 1, 1975, through September		
3	30, 1978, for state agencies, state		
4	universities, community colleges,		
5	and district school boards	0%	13%
6			
7	October 1, 1975, through September		
8	30, 1978, for other local		
9	government agencies	0%	13%
10			
11	October 1, 1978, through		
12	September 30, 1981	0%	13.95%
13	October 1, 1981, through		
14	September 30, 1984	0%	13.91%
15	October 1, 1984, through		
16	September 30, 1986	0%	14.67%
17	October 1, 1986, through		
18	December 31, 1988	0%	15.11%
19	January 1, 1989, through		
20	December 31, 1989	0%	17.50%
21	January 1, 1990, through		
22	December 31, 1990	0%	19.90%
23	January 1, 1991, through		
24	December 31, 1991	0%	25.52%
25	January 1, 1992, through		
26	December 31, 1992	0%	26.35%
27	January 1, 1993, through		
28	December 31, 1993	0%	27.14%
29	January 1, 1994, through		
30	December 31, 1994	0%	27.03%
31	January 1, 1995, through		

1	December 31, 1995	0%	26.83%
2	January 1, 1996, through		
3	June 30, 1996	0%	26.84%
4	July 1, 1996, through		
5	June 30, 1998	0%	26.44%
6	July 1, 1998, through		
7	June 30, 1999	0%	24.38%
8	July 1, 1999, through		
9	June 30, 2000	0%	20.22%
10	Effective July 1, 2000	0%	20.35%
11			
12	(c) Retirement contributions for special risk		
13	administrative support members are as follows:		
14			
15	Dates of Contribution		
16	Rate Changes	Members	Employers
17			
18	July 1, 1982, through		
19	September 30, 1984	0%	11.14%
20	October 1, 1984, through		
21	September 30, 1986	0%	13.09%
22	October 1, 1986, through		
23	December 31, 1988	0%	15.44%
24	January 1, 1989, through		
25	December 31, 1989	0%	14.76%
26	January 1, 1990, through		
27	December 31, 1990	0%	14.09%
28	January 1, 1991, through		
29	December 31, 1991	0%	20.16%
30	January 1, 1992, through		
31	December 31, 1992	0%	19.51%

1	January 1, 1993, through		
2	December 31, 1993	0%	18.83%
3	January 1, 1994, through		
4	December 31, 1994	0%	18.59%
5	January 1, 1995, through		
6	December 31, 1995	0%	17.81%
7	January 1, 1996, through		
8	June 30, 1996	0%	17.80%
9	July 1, 1996, through		
10	June 30, 1998	0%	17.20%
11	July 1, 1998, through		
12	June 30, 1999	0%	14.64%
13	July 1, 1999, through		
14	June 30, 2000	0%	11.53%
15	Effective July 1, 2000	0%	11.74%

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

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

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

12 (a)1.a. For creditable years of Regular Class service,
13 A is 1.60 percent of the member's average final compensation,
14 up to the member's normal retirement date. Upon completion of
15 the first year after the normal retirement date, A is 1.63
16 percent of the member's average final compensation. Following
17 the second year after the normal retirement date, A is 1.65
18 percent of the member's average final compensation. Following
19 the third year after the normal retirement date, and for
20 subsequent years, A is 1.68 percent of the member's average
21 final compensation.

22 b. For creditable years of Regular Class service,
23 public school members shall have A determined under the
24 provisions of sub-subparagraph 1.a. for service up to the
25 "applicability date," and according to the following table for
26 service earned after the "applicability date":

27

<u>Years of Regular</u>	<u>Benefit Accrual Rate</u>
<u>Class Service</u>	
<u>0-6</u>	<u>1.60%</u>

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1	<u>7-12</u>	<u>1.75%</u>
2	<u>13-18</u>	<u>1.90%</u>
3	<u>Over 18</u>	<u>2.10%</u>

4 Applicability date means July 1, 2002, adjusted as
5 follows: for each year of creditable service as a public
6 school member earned after the applicability date, 2 years
7 will be subtracted from the applicability date up to a maximum
8 adjustment of 18 years.

9 2. For creditable years of special risk service, A is:
10 a. Two percent of the member's average final
11 compensation for all creditable years prior to October 1,
12 1974;

13 b. Three percent of the member's average final
14 compensation for all creditable years after September 30,
15 1974, and before October 1, 1978;

16 c. Two percent of the member's average final
17 compensation for all creditable years after September 30,
18 1978, and before January 1, 1989;

19 d. Two and two-tenths percent of the member's final
20 monthly compensation for all creditable years after December
21 31, 1988, and before January 1, 1990;

22 e. Two and four-tenths percent of the member's average
23 final compensation for all creditable years after December 31,
24 1989, and before January 1, 1991;

25 f. Two and six-tenths percent of the member's average
26 final compensation for all creditable years after December 31,
27 1990, and before January 1, 1992;

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

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1 h. Three percent of the member's average final
2 compensation for all creditable years after December 31, 1992;
3 and

4 i. Three percent of the member's average final
5 compensation for all creditable years of service after
6 September 30, 1978, and before January 1, 1993, for any
7 special risk member who retires after July 1, 2000, or any
8 member of the Special Risk Administrative Support Class
9 entitled to retain the special risk normal retirement date who
10 was a member of the Special Risk Class during the time period
11 and who retires after July 1, 2000.

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

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

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

23 (c) C is the normal retirement benefit credit brought
24 forward as of November 30, 1970, by a former member of an
25 existing system. Such normal retirement benefit credit shall
26 be determined as the product of X and Y when X is the
27 percentage of average final compensation which the member
28 would have been eligible to receive if the member had attained
29 his or her normal retirement date as of November 30, 1970, all
30 in accordance with the existing system under which the member
31 is covered on November 30, 1970, and Y is average final

1 compensation as defined in s. 121.021(25). However, any
2 member of an existing retirement system who is eligible to
3 retire and who does retire, become disabled, or die prior to
4 April 15, 1971, may have his or her retirement benefits
5 calculated on the basis of the best 5 of the last 10 years of
6 service.

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

10 Section 4. It is the intent of the Legislature that
11 costs attributable to benefit increases for regular class
12 public school members shall be funded by recognition of lump
13 sums from the excess actuarial assets of the Florida
14 Retirement System Trust Fund as follows:

15 (1) For fiscal year 2002-2003, the lump sum to be
16 recognized shall be the lesser of:

17 (a) The amount available under the rate stabilization
18 mechanism described in section 121.031, Florida Statutes; or

19 (b) The amount needed to pay the annual cost
20 attributable to the increased benefit accrual rate for public
21 school members. The annual cost shall consist of the increase
22 in normal cost for public school members plus payment of the
23 30-year amortization amount of the increase in the actuarial
24 accrued liability attributable to the increase, but not
25 greater than \$212 million.

26
27 If, after the recognition of excess actuarial assets pursuant
28 to this subsection, there remains an unfunded cost, the
29 contribution rate applicable to public school members shall be
30 increased by the difference between the annual cost and the
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1 amount provided by the excess actuarial assets, unless the
2 Legislature provides an alternate funding mechanism.

3 (2) For fiscal years starting 2003-2004 and thereafter,
4 the Legislature shall, as provided in subsection (1), continue
5 to fund on an ongoing basis the annual cost attributable to
6 the formula improvements through recognition of lump-sum
7 payments from the excess actuarial assets of the Florida
8 Retirement System Trust Fund.

9 Section 5. The Legislature finds that a proper and
10 legitimate state purpose is served when employees and retirees
11 of the state and of its political subdivisions, and the
12 dependents, survivors, and beneficiaries of such employees and
13 retirees, are extended the basic protections afforded by
14 governmental retirement systems that provide fair and adequate
15 benefits that are managed, administered, and funded in an
16 actuarially sound manner, as required by Section 14, Article X
17 of the State Constitution and part VII of chapter 112, Florida
18 Statutes. Therefore, the Legislature determines and declares
19 that this act fulfills an important state interest.

20 Section 6. This act shall take effect July 1, 2002.

21
22 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
23 COMMITTEE SUBSTITUTE FOR
24 SB 478

25 The Committee Substitute changes the application of the
26 retirement benefit enhancement from "teacher member" to
27 "public school member". It further changes the funding method
28 to provide a stepwise, progressively increasing accrual rate
29 for the affected members and to provide an equivalent credit
30 of two years' service for every year served up to certain
31 limits. The bill funds the benefit enhancement by recognition
of \$246 million in retirement surplus funds or, should these
be insufficient, a .60 percent increase in employer payroll
costs. The bill has a delayed effective date of July 1, 2002,
due to its obligation of future retirement surplus which can
be estimated but has yet to be recognized.