

By Senator Lawson

3-447-01

1                                   A bill to be entitled  
2           An act relating to the Florida Retirement  
3           System; amending s. 121.021, F.S.; redefining  
4           the term "average final compensation" to be the  
5           average of the 3 highest fiscal years of  
6           compensation and the term "normal retirement  
7           date" to mean attainment of 5 years of  
8           creditable service; providing for funding of  
9           the revision of the system by this act;  
10          revising contribution rates; providing a  
11          finding of important state interest; providing  
12          an effective date.

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

16           Section 1. Subsections (24), (29), and (45) of section  
17 121.021, Florida Statutes, are amended to read:

18           121.021 Definitions.--The following words and phrases  
19 as used in this chapter have the respective meanings set forth  
20 unless a different meaning is plainly required by the context:

21           (24) "Average final compensation" means the average of  
22 the 3 5 highest fiscal years of compensation for creditable  
23 service prior to retirement, termination, or death. For  
24 in-line-of-duty disability benefits, if less than 3 5 years of  
25 creditable service have been completed, the term "average  
26 final compensation" means the average annual compensation of  
27 the total number of years of creditable service. Each year  
28 used in the calculation of average final compensation shall  
29 commence on July 1.

30           (a) The average final compensation shall include:

31

- 1           1. Accumulated annual leave payments, not to exceed  
2 500 hours; and
- 3           2. All payments defined as compensation in subsection  
4 (22).
- 5           (b) The average final compensation shall not include:
- 6           1. Compensation paid to professional persons for  
7 special or particular services;
- 8           2. Payments for accumulated sick leave made due to  
9 retirement or termination;
- 10          3. Payments for accumulated annual leave in excess of  
11 500 hours;
- 12          4. Bonuses as defined in subsection (47);
- 13          5. Third party payments made on and after July 1,  
14 1990; or
- 15          6. Fringe benefits (for example, automobile allowances  
16 or housing allowances).
- 17          (29) "Normal retirement date" means the first day of  
18 any month following the date a member attains one of the  
19 following statuses:
- 20          (a) If a Regular Class member, the member:
- 21           1. Completes 5 ~~6~~ or more years of creditable service  
22 and attains age 62; or
- 23           2. Completes 30 years of creditable service,  
24 regardless of age, which may include a maximum of 4 years of  
25 military service credit as long as such credit is not claimed  
26 under any other system.
- 27          (b) If a Special Risk Class member, the member:
- 28           1. Completes 5 ~~6~~ or more years of creditable service  
29 in the Special Risk Class and attains age 55;
- 30           2. Completes 25 years of creditable service in the  
31 Special Risk Class, regardless of age; or

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

6           (c) If a Senior Management Service Class member, the  
7 member:

8           1. Completes 5 6 years of creditable service in the  
9 Senior Management Service Class and attains age 62; or

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

15           1. Completes 5 6 years of creditable service in the  
16 Elected Officers' Class and attains age 62; or

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

21  
22 "Normal retirement age" is attained on the "normal retirement  
23 date."

24           (45)(a) "Vested" or "vesting" means the guarantee that  
25 a member is eligible to receive a future retirement benefit  
26 upon completion of the required years of creditable service  
27 for the employee's class of membership, even though the member  
28 may have terminated covered employment before reaching normal  
29 or early retirement date. Being vested does not entitle a  
30 member to a disability benefit. Provisions governing

31

1 entitlement to disability benefits are set forth under s.  
2 121.091(4).

3 (b) Effective July 1, 2001, a 5-year ~~6-year~~ vesting  
4 requirement shall be implemented for the defined benefit  
5 program of the Florida Retirement System. Pursuant thereto:

6 1. Any member employed in a regularly established  
7 position on July 1, 2001, who completes or has completed a  
8 total of 5 ~~6~~ years of creditable service shall be considered  
9 vested as described in paragraph (a).

10 2. Any member not employed in a regularly established  
11 position on July 1, 2001, shall be deemed vested upon  
12 completion of 5 ~~6~~ years of creditable service, provided that  
13 such member is employed in a covered position for at least 1  
14 work year after July 1, 2001. However, no member shall be  
15 required to complete more years of creditable service than  
16 would have been required for that member to vest under  
17 retirement laws in effect before July 1, 2001.

18 Section 2. It is the intent of the Legislature that  
19 the normal costs attributable to the reduction in vesting  
20 requirements for members of the defined benefit retirement  
21 program shall be funded by recognition of a lump sum from the  
22 excess actuarial assets of the Florida Retirement System Trust  
23 Fund as follows:

24 (1) For fiscal year 2001-2002, the lump sum to be  
25 recognized shall be the annual cost attributable to 5-year  
26 vesting.

27 (2) For fiscal year 2002-2003, the Legislature intends  
28 to recognize a lump sum equal to the annual cost attributable  
29 to 5-year vesting and shall review the contribution rates  
30 necessary to fund this change in vesting requirements. Absent  
31 legislative action to recognize an additional lump sum for

1 fiscal year 2002-2003 and thereafter, the contribution rates  
2 shall be increased as follows:

3 (a) The contribution rate that applies to the Regular  
4 Class of the Florida Retirement System shall be increased by  
5 \_\_\_\_\_ percentage points.

6 (b) The contribution rate that applies to the Special  
7 Risk Class of the Florida Retirement System shall be increased  
8 by \_\_\_\_\_ percentage points.

9 (c) The contribution rate that applies to the Special  
10 Risk Administrative Support Class of the Florida Retirement  
11 System shall be increased by \_\_\_\_\_ percentage points.

12 (d) The contribution rate that applies to the Judicial  
13 subclass of the Elected Officers' Class of the Florida  
14 Retirement System shall be increased by \_\_\_\_\_ percentage  
15 points.

16 (e) The contribution rate that applies to the  
17 legislative-attorney-Cabinet subclass of the Elected Officers'  
18 Class of the Florida Retirement System shall be increased by  
19 \_\_\_\_\_ percentage points.

20 (f) The contribution rate that applies to the County  
21 Officers' subclass of the Elected Officers' Class of the  
22 Florida Retirement System shall be increased by \_\_\_\_\_  
23 percentage points.

24 (g) The contribution rate that applies to the Senior  
25 Management Service Class of the Florida Retirement System  
26 shall be increased by \_\_\_\_\_ percentage points.

27  
28 These increases shall be in addition to all other changes to  
29 such contribution rates which may be enacted into law to take  
30 effect on that date. The Division of Statutory Revision is  
31

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

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

14       Section 4. This act shall take effect July 1, 2001.

15  
16                   \*\*\*\*\*

17                   SENATE SUMMARY

18       Changes the "average final compensation" for purposes of  
19       calculating the benefit under the Florida Retirement  
20       System from the average of the best 5 years to the  
21       average of the best 3 years. Provides for vesting after 5  
22       years of creditable service.  
23  
24  
25  
26  
27  
28  
29  
30  
31