

1                                   A bill to be entitled  
2           An act relating to the Florida Retirement  
3           System; creating part III of chapter 121, F.S.,  
4           consisting of ss. 121.70, 121.71, 121.72,  
5           121.73, 121.74, 121.75, 121.76, 121.77, 121.78,  
6           F.S.; providing legislative purpose and intent  
7           to establish a uniform contribution rate system  
8           for the Florida Retirement System; providing  
9           for establishment of uniform rates; providing  
10          allocations to Public Employee Optional  
11          Retirement Program accounts; providing for  
12          allocations to provide disability coverage for  
13          Public Employee Optional Retirement Program  
14          participants; providing administrative and  
15          educational expenses; providing for transfer of  
16          remaining balance to Florida Retirement System  
17          Trust Fund to fund the benefit costs under the  
18          Florida Retirement System Pension Plan and  
19          administrative costs authorized under part I of  
20          chapter 121, F.S.; providing for contributions  
21          for Social Security and for the retiree health  
22          insurance subsidy; granting the State Board of  
23          Administration authority to allow the  
24          third-party administrator to make deductions  
25          from participant accounts; providing for  
26          payment and distribution of contributions;  
27          amending ss. 121.052, 121.055, 121.071,  
28          121.571, F.S., to conform to the uniform  
29          contribution rate system; amending s. 121.091,  
30          F.S.; reducing contribution rates for DROP  
31          payroll; amending s. 121.4501, F.S.; conforming

1 references; providing guidance to assist  
2 employers and the State Board of Administration  
3 in maintaining compliance with section 404(c)  
4 of ERISA; providing a directive to statute  
5 editors; amending section 11 of chapter  
6 2001-235, Laws of Florida, to revise annual  
7 payment amount to cover the cost for the  
8 special January 2002 benefit increase provided  
9 for certain retirees and DROP participants;  
10 repealing section 23 of chapter 2000-169, Laws  
11 of Florida, relating to contribution rate  
12 increases scheduled to take effect on July 1,  
13 2002, which are redundant; providing  
14 legislative intent regarding other rate  
15 changes; providing a declaration of important  
16 state interest; revising provisions governing  
17 contributions to the Senior Management Service  
18 Optional Annuity Program; providing an  
19 effective date.  
20

21 Be It Enacted by the Legislature of the State of Florida:  
22

23 Section 1. Part III of chapter 121, Florida Statutes,  
24 consisting of sections 121.70, 121.71, 121.72, 121.73, 121.74,  
25 121.75, 121.76, 121.77, and 121.78, Florida Statutes, is  
26 created to read:

27 Part III

28  
29 Florida Retirement System Contribution Rates

30  
31 121.70 Legislative purpose and intent.--

1           (1) This part provides for a uniform system for  
2 funding benefits provided under the Florida Retirement System  
3 defined benefit program established under part I of this  
4 chapter (referred to in this part as the defined benefit  
5 program) and under the Public Employee Optional Retirement  
6 Program established under part II of this chapter (referred to  
7 in this part as the optional retirement program). The  
8 Legislature recognizes and declares that the Florida  
9 Retirement System is a single retirement system, consisting of  
10 two retirement plans and other nonintegrated programs.  
11 Employers participating in the Florida Retirement System  
12 collectively shall be responsible for making contributions to  
13 support the benefits afforded under both plans. As provided in  
14 this part, employers participating in the Florida Retirement  
15 System shall make contributions based upon uniform  
16 contribution rates determined as a percentage of the total  
17 payroll for each class or subclass of Florida Retirement  
18 System membership, irrespective of which retirement plan  
19 individual employees may elect. This shall be known as a  
20 uniform or blended contribution rate system.

21           (2) In establishing a uniform contribution rate  
22 system, it is the intent of the Legislature to:

23           (a) Provide greater stability and certainty in  
24 financial planning and budgeting for Florida Retirement System  
25 employers by eliminating the fiscal instability that would be  
26 caused by dual rates coupled with employee-selected plan  
27 participation;

28           (b) Provide greater fiscal equity and uniformity for  
29 system employers by effectively distributing the financial  
30 burden and benefit of short-term system deficits and  
31

1 surpluses, respectively, in proportion to total system  
2 payroll; and

3 (c) Allow employees to make their retirement plan  
4 selection decisions free of circumstances that may cause  
5 employers to favor one plan choice over another.

6 121.71 Uniform rates; process; calculations; levy.--

7 (1) In conducting the system actuarial study required  
8 under s. 121.031, the actuary shall follow all requirements  
9 specified thereunder to determine, by Florida Retirement  
10 System employee membership class, the dollar contribution  
11 amounts necessary for the forthcoming fiscal year for the  
12 defined benefit program. In addition, the actuary shall  
13 determine, by Florida Retirement System membership class,  
14 based on an estimate for the forthcoming fiscal year of the  
15 gross compensation of employees participating in the optional  
16 retirement program, the dollar contribution amounts necessary  
17 to make the allocations required under ss. 121.72 and 121.73.  
18 For each employee membership class and subclass, the actuarial  
19 study shall establish a uniform rate necessary to fund the  
20 benefit obligations under both Florida Retirement System  
21 retirement plans, by dividing the sum of total dollars  
22 required by the estimated gross compensation of members in  
23 both plans.

24 (2) Based on the uniform rates set forth in subsection

25 (3), employers shall make monthly contributions to the  
26 Division of Retirement, which shall initially deposit the  
27 funds into the Florida Retirement System Contributions  
28 Clearing Trust Fund. A change in a contribution rate is  
29 effective the first day of the month for which a full month's  
30 employer contribution may be made on or after the beginning  
31 date of the change.

1           (3) Required employer retirement contribution rates  
 2 for each membership class and subclass of the Florida  
 3 Retirement System for both retirement plans are as follows.  
 4 Rates effective July 1, 2002, reflect an offset to normal  
 5 employer costs of \$1,237,000,000, resulting from recognition  
 6 and usage of current available excess assets of the Florida  
 7 Retirement System Trust Fund as determined pursuant to s.  
 8 121.031. Contribution rates that become effective July 1,  
 9 2003, reflect normal system costs.

<u>Membership Class</u>	<u>Percentage of Gross Compensation, Effective July 1, 2002</u>	<u>Percentage of Gross Compensation, Effective July 1, 2003</u>
<u>Regular Class</u>	<u>4.50%</u>	<u>9.87%</u>
<u>Special Risk Class</u>	<u>14.75%</u>	<u>22.89%</u>
<u>Special Risk Administrative</u>		
<u>  Support Class</u>	<u>5.30%</u>	<u>12.58%</u>
<u>Elected Officers' Class -</u>		
<u>  Legislators, Governor,</u>		
<u>  Lt. Governor,</u>		
<u>  Cabinet Officers,</u>		
<u>  State Attorneys,</u>		
<u>  Public Defenders</u>	<u>8.15%</u>	<u>15.43%</u>
<u>Elected Officers' Class -</u>		
<u>  Justices, Judges</u>	<u>14.60%</u>	<u>20.54%</u>
<u>Elected Officers' Class -</u>		
<u>  County Elected Officers</u>	<u>10.60%</u>	<u>17.52%</u>
<u>Senior Management Class</u>	<u>4.80%</u>	<u>11.68%</u>
<u>DROP</u>	<u>8.00%</u>	<u>11.56%</u>

1  
2           121.72 Allocations to optional retirement program  
3 participant accounts; percentage amounts.--

4           (1) The allocations established in subsection (4)  
5 shall fund retirement benefits under the optional retirement  
6 program and shall be transferred monthly by the Division of  
7 Retirement from the Florida Retirement System Contributions  
8 Clearing Trust Fund to the third-party administrator for  
9 deposit in each participating employee's individual account  
10 based on the membership class of the participant.

11           (2) The allocations are stated as a percentage of each  
12 optional retirement program participant's gross compensation  
13 for the calendar month. A change in a contribution percentage  
14 is effective the first day of the month for which a full  
15 month's employer contribution may be made on or after the  
16 beginning date of the change. Contribution percentages may be  
17 modified by general law.

18           (3) Employer and participant contributions to  
19 participant accounts shall be accounted for separately.  
20 Participant contributions may be made only if expressly  
21 authorized by law. Interest and investment earnings on  
22 contributions shall accrue on a tax-deferred basis until  
23 proceeds are distributed.

24           (4) Effective July 1, 2002, allocations from the  
25 Florida Retirement System Contributions Clearing Trust Fund to  
26 optional retirement program participant accounts shall be as  
27 follows:

29 <u>Membership Class</u>	<u>Percentage of Gross</u>
	<u>Compensation</u>
31 <u>Regular Class</u>	<u>9.00%</u>

1	<u>Special Risk Class</u>	<u>20.00%</u>
2	<u>Special Risk Administrative Support Class</u>	<u>11.35%</u>
3	<u>Elected Officers' Class -</u>	
4	<u>Legislators, Governor,</u>	
5	<u>Lt. Governor, Cabinet Officers,</u>	
6	<u>State Attorneys, Public Defenders</u>	<u>13.40%</u>
7	<u>Elected Officers' Class -</u>	
8	<u>Justices, Judges</u>	<u>18.90%</u>
9	<u>Elected Officers' Class -</u>	
10	<u>County Elected Officers</u>	<u>16.20%</u>
11	<u>Senior Management Service Class</u>	<u>10.95%</u>

12

13           121.73 Allocations for optional retirement program  
 14 participant disability coverage; percentage amounts.--

15           (1) The allocations established in subsection (3)  
 16 shall be used to provide disability coverage for participants  
 17 in the optional retirement program and shall be transferred  
 18 monthly by the Division of Retirement from the Florida  
 19 Retirement System Contributions Clearing Trust Fund to the  
 20 disability account of the Florida Retirement System Trust  
 21 Fund.

22           (2) The allocations are stated as a percentage of each  
 23 optional retirement program participant's gross compensation  
 24 for the calendar month. A change in a contribution percentage  
 25 is effective the first day of the month for which a full  
 26 month's employer contribution may be made on or after the  
 27 beginning date of the change. Contribution percentages may be  
 28 modified by general law.

29           (3) Effective July 1, 2002, allocations from the FRS  
 30 Contribution Clearing Fund to provide disability coverage for  
 31

1 participants in the optional retirement program, and to offset  
 2 the costs of administering said coverage, shall be as follows:

<u>Membership Class</u>	<u>Percentage of Gross</u> <u>Compensation</u>
<u>Regular Class</u>	<u>0.25%</u>
<u>Special Risk Class</u>	<u>1.33%</u>
<u>Special Risk Administrative Support Class</u>	<u>0.45%</u>
<u>Elected Officers' Class -</u>	
<u>Legislators, Governor,</u>	
<u>Lt. Governor, Cabinet Officers,</u>	
<u>State Attorneys, Public Defenders</u>	<u>0.41%</u>
<u>Elected Officers' Class -</u>	
<u>Justices, Judges</u>	<u>0.73%</u>
<u>Elected Officers' Class -</u>	
<u>County Elected Officers</u>	<u>0.41%</u>
<u>Senior Management Service Class</u>	<u>0.26%</u>

18

19 121.74 Administrative and educational  
 20 expenses.--Effective July 1, 2002, in addition to  
 21 contributions required under s. 121.71, employers  
 22 participating in the Florida Retirement System shall  
 23 contribute an amount equal to 0.15 percent of the payroll  
 24 reported for each class or subclass of Florida Retirement  
 25 System membership, which amount shall be transferred by the  
 26 Division of Retirement from the Florida Retirement System  
 27 Contribution Clearing Trust Fund to the State Board of  
 28 Administration's Administrative Trust Fund to offset the costs  
 29 of administering the optional retirement program and the costs  
 30 of providing educational services to participants in the  
 31 defined benefit program and the optional retirement program.



1 Approval of the Trustees of the State Board of Administration  
2 is required prior to the expenditure of these funds. Payments  
3 for third-party administrative or educational expenses shall  
4 be made only pursuant to the terms of the approved contracts  
5 for such services.

6 121.75 Allocation for defined benefit program.--After  
7 making the transfers required pursuant to ss. 121.71, 121.72,  
8 121.73, and 121.74, the monthly balance of funds in the  
9 Florida Retirement System Contributions Clearing Trust Fund  
10 shall be transferred to the Florida Retirement System Trust  
11 Fund to pay the costs of providing defined benefit program  
12 benefits and plan administrative costs under the defined  
13 benefit program.

14 121.76 Contributions for social security and for  
15 retiree health insurance subsidy.--Contributions required  
16 under this part shall be made or deducted, as may be  
17 appropriate, for each pay period and are in addition to  
18 employer and member contributions required for social security  
19 and the Retiree Health Insurance Subsidy Trust Fund as  
20 provided under parts I and II of this chapter.

21 121.77 Deductions from participant accounts.--The  
22 State Board of Administration may authorize the third-party  
23 administrator to deduct reasonable fees and apply appropriate  
24 charges to optional retirement program participant accounts.  
25 In no event shall administrative and educational expenses  
26 exceed the portion of employer contributions earmarked for  
27 such expenses under this part, except for reasonable  
28 administrative charges assessed against participant accounts  
29 of persons for whom no employer contributions are made during  
30 the calendar quarter. Investment management fees shall be  
31

1 deducted from participant accounts, pursuant to the terms of  
2 the contract between the provider and the board.

3 121.78 Payment and distribution of contributions.--

4 (1) Contributions made pursuant to this part shall be  
5 paid by the employer to the Division of Retirement by  
6 electronic funds transfer no later than the 5th working day of  
7 the month immediately following the month during which the  
8 payroll period ended. Accompanying payroll data must be  
9 transmitted to the Division concurrent with the  
10 contributions.

11 (2) The division, the State Board of Administration,  
12 and the third-party administrator, as applicable, shall ensure  
13 that the contributions are distributed to the appropriate  
14 trust funds or participant accounts in a timely manner.

15 (3)(a) Employer contributions and accompanying payroll  
16 data received after the 5th working day of the month shall be  
17 considered late. The employer shall be assessed by the  
18 Division a penalty of 1 percent of the contributions due for  
19 each calendar month or part thereof that the contributions or  
20 accompanying payroll data are late. Proceeds from the  
21 1-percent assessment against contributions made on behalf of  
22 participants of the defined benefit program shall be deposited  
23 in the Florida Retirement System Trust Fund, and proceeds from  
24 the 1-percent assessment against contributions made on behalf  
25 of participants of the optional retirement program shall be  
26 transferred to the third party administrator for deposit into  
27 participant accounts, as provided in paragraph (b).

28 (b) If contributions made by an employer on behalf of  
29 participants of the optional retirement program or  
30 accompanying payroll data are not received within the calendar  
31 month they are due and if that delinquency results in market

1 losses to participants, the employer shall reimburse each  
2 participant's account for market losses resulting from the  
3 late contributions. The third-party administrator, hired by  
4 the board pursuant to s. 121.4501(8), shall calculate the  
5 market losses for each affected participant. When  
6 contributions made on behalf of participants of the optional  
7 retirement program or accompanying payroll data are not  
8 received within the calendar month due, the employer shall  
9 also pay the cost of the third-party administrator's  
10 calculation and reconciliation adjustments resulting from the  
11 late contributions. The third-party administrator shall notify  
12 the employer of the results of the calculations and the total  
13 amount due from the employer for such losses and the costs of  
14 calculation and reconciliation. The employer shall remit to  
15 the Division the amount due within 10 working days after the  
16 date of the penalty notice sent by the Division. The Division  
17 shall transfer said amount to the third-party administrator,  
18 who shall deposit proceeds from the 1-percent assessment and  
19 from individual market losses into participant accounts, as  
20 appropriate. The board is authorized to adopt rules to  
21 implement the provisions regarding late contributions, late  
22 submission of payroll data, the process for reimbursing  
23 participant accounts for resultant market losses, and the  
24 penalties charged to the employers.

25 (c) Delinquency fees may be waived by the division,  
26 with regard to defined benefit program contributions, and by  
27 the State Board of Administration, with regard to optional  
28 retirement program contributions, only when, in the opinion of  
29 the division or the board, as appropriate, exceptional  
30 circumstances beyond the employer's control prevented  
31 remittance by the prescribed due date notwithstanding the

1 employer's good faith efforts to effect delivery. Such a  
2 waiver of delinquency may be granted an employer only one time  
3 each state fiscal year.

4 Section 2. Subsection (7) of section 121.052, Florida  
5 Statutes, is amended to read:

6 121.052 Membership class of elected officers.--

7 (7) CONTRIBUTIONS.--

8 (a) The following table states the required retirement  
9 contribution rates for members of the Elected Officers' Class  
10 and their employers in terms of a percentage of the member's  
11 gross compensation. A change in a contribution rate is  
12 effective with the first salary paid on or after the beginning  
13 date of the change. Contributions shall be made or deducted as  
14 may be appropriate for each pay period and are in addition to  
15 the contributions required for social security and the Retiree  
16 Health Insurance Subsidy Trust Fund.

17  
18 Dates of Contribution

19 Rate Changes	Members	Employers
20 <u>1. Effective July 1,</u>		
21 <u>2001, through June 30, 2002</u>		
22 Legislators	0%	15.14%
23 Governor, Lt. Governor, Cabinet		
24 Officers	0%	15.14%
25 State Attorneys, Public Defenders	0%	15.14%
26 Justices, Judges	0%	20.61%
27 County Elected Officers	0%	17.61%

28 2. Effective July 1, 2002, the required retirement  
29 contribution rates shall be specified in s. 121.71.

1 (b) The employer paying the salary of a member of the  
 2 Elected Officers' Class shall contribute an amount as  
 3 specified in this subsection or s. 121.71, as appropriate,  
 4 which shall constitute the entire employer retirement  
 5 contribution with respect to such member. The employer shall  
 6 also withhold one-half of the entire contribution of the  
 7 member required for social security coverage.

8 (c) The following table states the required employer  
 9 contribution on behalf of each member of the Elected Officers'  
 10 Class in terms of a percentage of the member's gross  
 11 compensation. Such contribution constitutes the entire health  
 12 insurance subsidy contribution with respect to each such ~~the~~  
 13 member. A change in the contribution rate is effective with  
 14 the first salary paid on or after the beginning date of the  
 15 change. The retiree health insurance subsidy contribution rate  
 16 is as follows:

18 Dates of Contribution	Contribution
19 Rate Changes	Rate
21 October 1, 1987, through December 31, 1988	0.24%
22 January 1, 1989, through December 31, 1993	0.48%
23 January 1, 1994, through December 31, 1994	0.56%
24 January 1, 1995, through June 30, 1998	0.66%
25 July 1, 1998, through June 30, 2001	0.94%
26 Effective July 1, 2001	1.11%

27  
 28 Such contributions shall be deposited by the administrator in  
 29 the Retiree Health Insurance Subsidy Trust Fund.

30 Section 3. Subsection (3) of section 121.055, Florida  
 31 Statutes, is amended to read:

1           121.055 Senior Management Service Class.--There is  
 2 hereby established a separate class of membership within the  
 3 Florida Retirement System to be known as the "Senior  
 4 Management Service Class," which shall become effective  
 5 February 1, 1987.

6           (3)(a) The following table states the required  
 7 retirement contribution rates for members of the Senior  
 8 Management Service Class and their employers in terms of a  
 9 percentage of the member's gross compensation. A change in the  
 10 contribution rate is effective with the first salary paid on  
 11 or after the beginning date of the change. Contributions  
 12 shall be made for each pay period and are in addition to the  
 13 contributions required for social security and the Retiree  
 14 Health Insurance Subsidy Trust Fund.

15  
 16 Dates of Contribution

Rate Changes	Members	Employers
18 <u>1. Effective</u> July 1, 19 <u>2001, through June 30, 2002</u>	0%	11.73%
20 <u>2. Effective July 1, 2002, the required retirement</u> 21 <u>contribution rate shall be as specified in s. 121.71.</u>		

22  
 23           (b) The employer paying the salary of a member of the  
 24 Senior Management Service Class shall contribute an amount as  
 25 specified in this section or s. 121.71, as appropriate, which  
 26 shall constitute the entire employer retirement contribution  
 27 with respect to such member. The employer shall also withhold  
 28 one-half of the entire contribution of the member required for  
 29 social security coverage.

30           (c) The following table states the required employer  
 31 contribution on behalf of each member of the Senior Management

1 Service Class in terms of a percentage of the member's gross  
 2 compensation. Such contribution constitutes the entire health  
 3 insurance subsidy contribution with respect to each such ~~the~~  
 4 member. A change in the contribution rate is effective with  
 5 the first salary paid on or after the beginning date of the  
 6 change. The retiree health insurance subsidy contribution  
 7 rate is as follows:

9 Dates of Contribution	Contribution
10 Rate Changes	Rate
11 October 1, 1987, through December 31, 1988	0.24%
12 January 1, 1989, through December 31, 1993	0.48%
13 January 1, 1994, through December 31, 1994	0.56%
14 January 1, 1995, through June 30, 1998	0.66%
15 July 1, 1998, through June 30, 2001	0.94%
16 Effective July 1, 2001	1.11%

17  
 18 Such contributions shall be deposited by the administrator in  
 19 the Retiree Health Insurance Subsidy Trust Fund.

20 Section 4. Subsections (1), (2), (3), (4), and (5) of  
 21 section 121.071, Florida Statutes, are amended to read:

22 121.071 Contributions.--Contributions to the system  
 23 shall be made as follows:

24 (1) The following tables state the required retirement  
 25 contribution rates for members of the Regular Class, Special  
 26 Risk Class, or Special Risk Administrative Support Class and  
 27 their employers in terms of a percentage of the member's gross  
 28 compensation. A change in a contribution rate is effective  
 29 with the first salary paid on or after the beginning date of  
 30 the change. Contributions shall be made or deducted as may be  
 31 appropriate for each pay period and are in addition to the

1 contributions required for social security and the Retiree  
 2 Health Insurance Subsidy Trust Fund.

3 (a)1. Retirement contributions for regular members are  
 4 as follows:

5

6 Dates of Contribution

7 Rate Changes	Members	Employers
8 <del>Effective</del> July 1, 2001, 9 <u>through June 30, 2002</u>	0%	9.91%

10 2. Effective July 1, 2002, the retirement  
 11 contributions for regular members shall be specified in s.  
 12 121.71.

13

14 (b)1. Retirement contributions for special risk  
 15 members are as follows:

16

17 Dates of Contribution

18 Rate Changes	Members	Employers
19 <del>Effective</del> July 1, 20 2001, <u>through June 30, 2002</u>	0%	22.07%

21 2. Effective July 1, 2002, retirement contributions  
 22 for special risk members shall be specified in s. 121.71.

23

24 (c)1. Retirement contributions for special risk  
 25 administrative support members are as follows:

26

27 Dates of Contribution

28 Rate Changes	Members	Employers
29 <del>Effective</del> July 1, 2001, <u>through</u> 30 <u>June 30, 2002</u>	0%	12.55%

31



1           2. Effective July 1, 2002, retirement contributions  
2 for special risk administrative support members shall be  
3 specified in s. 121.71.  
4

5           (2)(a) Effective January 1, 1975, or October 1, 1975,  
6 as applicable, each employer shall accomplish the ~~increased~~  
7 contribution required by subsection (1) by a procedure in  
8 which no employee's gross salary shall be reduced.

9           (b) Upon termination of employment for any reason  
10 other than retirement, a member shall be entitled to a full  
11 refund of the contributions he or she has made prior or  
12 subsequent to participation in the noncontributory plan,  
13 subject to the restrictions otherwise provided in this  
14 chapter.

15           (3) The employer paying the salary of a member shall  
16 contribute an amount as specified in this section or s.  
17 121.71, as appropriate, which shall constitute the entire  
18 employer retirement contribution with respect to such member.  
19 The employer shall also withhold one-half of the entire  
20 contribution of the member required for social security  
21 coverage. Contributions for social security by each member  
22 and each employer, in the amount required for social security  
23 coverage as now or hereafter provided by the federal Social  
24 Security Act, shall be in addition to contributions specified  
25 in subsection (1).

26           (4) The following table states the required employer  
27 contribution on behalf of each member of the Regular Class,  
28 Special Risk Class, or Special Risk Administrative Support  
29 Class in terms of a percentage of the member's gross  
30 compensation. Such contribution constitutes the entire health  
31 insurance subsidy contribution with respect to each such ~~the~~

1 member. A change in the contribution rate is effective with  
 2 the first salary paid on or after the beginning date of the  
 3 change. The retiree health insurance subsidy contribution rate  
 4 is as follows:

6 Dates of Contribution	Contribution
7 Rate Changes	Rate
8 October 1, 1987, through December 31, 1988	0.24%
9 January 1, 1989, through December 31, 1993	0.48%
10 January 1, 1994, through December 31, 1994	0.56%
11 January 1, 1995, through June 30, 1998	0.66%
12 July 1, 1998, through June 30, 2001	0.94%
13 Effective July 1, 2001	1.11%

14  
 15 Such contributions shall be deposited by the administrator in  
 16 the Retiree Health Insurance Subsidy Trust Fund.

17 (5) Contributions made in accordance with subsections  
 18 (1), (2), (3), and (4), and s. 121.71 shall be paid by the  
 19 employer into the system trust funds in accordance with rules  
 20 adopted by the administrator pursuant to chapter 120. ~~Such~~  
 21 ~~contributions are due and payable no later than the 25th day~~  
 22 ~~of the month immediately following the month during which the~~  
 23 ~~payroll period ended. The department may, by rule, establish a~~  
 24 ~~different due date, which shall supersede the date specified~~  
 25 ~~herein; however, such due date may not be established earlier~~  
 26 ~~than the 20th day of the month immediately following the month~~  
 27 ~~during which the payroll period ended. Effective January 1,~~  
 28 ~~1984, contributions made in accordance with subsection (3)~~  
 29 ~~shall be paid by the employer into the system trust fund in~~  
 30 ~~accordance with rules adopted by the administrator pursuant to~~  
 31 ~~chapter 120. For any payroll period ending any day of the~~

~~1 month before the 16th day of the month, such contributions are~~  
~~2 due and payable no later than the 20th day of the month; and,~~  
~~3 for any payroll periods ending any day of the month after the~~  
~~4 15th day of the month, such contributions are due and payable~~  
~~5 no later than the 5th day of the next month. Contributions~~  
~~6 received in the offices of the department after the prescribed~~  
~~7 date shall be considered delinquent unless, in the opinion of~~  
~~8 the department, exceptional circumstances beyond an employer's~~  
~~9 control prevented remittance by the prescribed due date~~  
~~10 notwithstanding such employer's good faith efforts to effect~~  
~~11 delivery; and, with respect to retirement contributions due~~  
~~12 under subsections (1) and (4), each employer shall be assessed~~  
~~13 a delinquent fee of 1 percent of the contributions due for~~  
~~14 each calendar month or part thereof that the contributions are~~  
~~15 delinquent. Such a waiver of the delinquency fee by the~~  
~~16 department may be granted an employer only one time each~~  
~~17 fiscal year. Delinquent social security contributions shall be~~  
~~18 assessed a delinquent fee as authorized by s. 650.05(4). The~~  
~~19 delinquent fee assessable for an employer's first delinquency~~  
~~20 after July 1, 1984, shall be as specified in s. 650.05(4),~~  
~~21 and, beginning with the second delinquency in any fiscal year~~  
~~22 by the employer subsequent to July 1, 1984, all subsequent~~  
~~23 delinquency fees shall be assessed against the employer at~~  
~~24 twice the applicable percentage rate specified in s.~~  
~~25 650.05(4).~~

26 Section 5. Effective July 1, 2002, paragraph (i) of  
 27 subsection (13) of section 121.091, Florida Statutes, is  
 28 amended to read:

29 121.091 Benefits payable under the system.--Benefits  
 30 may not be paid under this section unless the member has  
 31 terminated employment as provided in s. 121.021(39)(a) or

1 begun participation in the Deferred Retirement Option Program  
 2 as provided in subsection (13), and a proper application has  
 3 been filed in the manner prescribed by the department. The  
 4 department may cancel an application for retirement benefits  
 5 when the member or beneficiary fails to timely provide the  
 6 information and documents required by this chapter and the  
 7 department's rules. The department shall adopt rules  
 8 establishing procedures for application for retirement  
 9 benefits and for the cancellation of such application when the  
 10 required information or documents are not received.

11 (13) DEFERRED RETIREMENT OPTION PROGRAM.--In general,  
 12 and subject to the provisions of this section, the Deferred  
 13 Retirement Option Program, hereinafter referred to as the  
 14 DROP, is a program under which an eligible member of the  
 15 Florida Retirement System may elect to participate, deferring  
 16 receipt of retirement benefits while continuing employment  
 17 with his or her Florida Retirement System employer. The  
 18 deferred monthly benefits shall accrue in the System Trust  
 19 Fund on behalf of the participant, plus interest compounded  
 20 monthly, for the specified period of the DROP participation,  
 21 as provided in paragraph (c). Upon termination of employment,  
 22 the participant shall receive the total DROP benefits and  
 23 begin to receive the previously determined normal retirement  
 24 benefits. Participation in the DROP does not guarantee  
 25 employment for the specified period of DROP.

26 (i) Contributions.--

27 1. All employers paying the salary of a DROP  
 28 participant filling a regularly established position shall  
 29 contribute 8.0 ~~11.56~~ percent of such participant's gross  
 30 compensation for the period of July 1, 2002, through June 30,  
 31 2003, and 11.56 percent of such compensation thereafter, which

1 shall constitute the entire employer DROP contribution with  
2 respect to such participant. Such contributions, payable to  
3 the System Trust Fund in the same manner as required in s.  
4 121.071, shall be made as appropriate for each pay period and  
5 are in addition to contributions required for social security  
6 and the Retiree Health Insurance Subsidy Trust Fund. Such  
7 employer, social security, and health insurance subsidy  
8 contributions are not included in the DROP.

9 2. The employer shall, in addition to subparagraph 1.,  
10 also withhold one-half of the entire social security  
11 contribution required for the participant. Contributions for  
12 social security by each participant and each employer, in the  
13 amount required for social security coverage as now or  
14 hereafter provided by the federal Social Security Act, shall  
15 be in addition to contributions specified in subparagraph 1.

16 3. All employers paying the salary of a DROP  
17 participant filling a regularly established position shall  
18 contribute the percent of such participant's gross  
19 compensation required in s. 121.071(4), which shall constitute  
20 the employer's health insurance subsidy contribution with  
21 respect to such participant. Such contributions shall be  
22 deposited by the administrator in the Retiree Health Insurance  
23 Subsidy Trust Fund.

24 Section 6. Subsections (1), (5), and (15) of section  
25 121.4501, Florida Statutes, is amended to read:

26 121.4501 Public Employee Optional Retirement  
27 Program.--

28 (1) The Trustees of the State Board of Administration  
29 shall establish an optional defined contribution retirement  
30 program for members of the Florida Retirement System under  
31 which retirement benefits will be provided for eligible

1 employees who elect to participate in the program. The  
2 benefits to be provided for or on behalf of participants in  
3 such optional retirement program shall be provided through  
4 employee-directed investments, in accordance with s. 401(a) of  
5 the Internal Revenue Code and its related regulations. The  
6 employers shall contribute, as provided in this section s.  
7 121.71, and s. 121.571, to the Public Employee Optional  
8 Retirement Program Trust Fund toward the funding of such  
9 optional benefits.

10 (5) CONTRIBUTIONS.--

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

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

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

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

30 (b) Employers are responsible for notifying  
31 participants regarding maximum contribution levels permitted

1 under the Internal Revenue Code. If a participant contributes  
2 to any other tax-deferred plan, he or she is responsible for  
3 ensuring that total contributions made to the optional program  
4 and to any other such plan do not exceed federally permitted  
5 maximums.

6 (15) STATEMENT OF FIDUCIARY STANDARDS AND  
7 RESPONSIBILITIES.--

8 (a) Investment of optional defined contribution  
9 retirement plan assets shall be made for the sole interest and  
10 exclusive purpose of providing benefits to plan participants  
11 and beneficiaries and defraying reasonable expenses of  
12 administering the plan. The program's assets are to be  
13 invested, on behalf of the program participants, with the  
14 care, skill, and diligence that a prudent person acting in a  
15 like manner would undertake. The performance of the investment  
16 duties set forth in this paragraph shall comply with the  
17 fiduciary standards set forth in the Employee Retirement  
18 Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A)-(C).  
19 In case of conflict with other provisions of law authorizing  
20 investments, the investment and fiduciary standards set forth  
21 in this subsection shall prevail.

22 (b) If a participant or beneficiary of the Public  
23 Employee Optional Retirement Program exercises control over  
24 the assets in his or her account, as determined by reference  
25 to regulations of the United States Department of Labor under  
26 s. 404(c) of the Employee Retirement Income Security Act of  
27 1974 and all applicable laws governing the operation of the  
28 program, no program fiduciary shall be liable for any loss to  
29 a participant's or beneficiary's account which results from  
30 such participant's or beneficiary's exercise of control.

31

1           (c) Subparagraph (8)(b)4. and paragraph (15)(b)  
2 incorporate the federal law concept of participant control,  
3 established by regulations of the U.S. Department of Labor  
4 under section 404(c) of the Employee Retirement Income  
5 Security Act of 1974 (ERISA). The purpose of this paragraph  
6 is to assist employers and the State Board of Administration  
7 in maintaining compliance with section 404(c), while avoiding  
8 unnecessary costs and eroding participant benefits under the  
9 Public Employee Optional Retirement Program. Pursuant to 29  
10 C.F.R. s. 2550.404c-1(b)(2)(i)(B)(1)(viii), the State Board of  
11 Administration or its designated agents shall deliver to  
12 participants of the Public Employee Optional Retirement  
13 Program a copy of the prospectus most recently provided to the  
14 plan, or shall provide such participants an opportunity to  
15 obtain this information, except that:

16           1. The requirement to deliver a prospectus shall be  
17 deemed to be satisfied by delivery of a fund profile that  
18 contains the information that would be included in a summary  
19 prospectus as described by Rule 498 under the Securities Act  
20 of 1933, 17 C.F.R. s. 230.498. When the transaction fees,  
21 expense information or other information provided by a mutual  
22 fund in the prospectus does not reflect terms negotiated by  
23 the State Board of Administration or its designated agents,  
24 the aforementioned requirement is deemed to be satisfied by  
25 delivery of a separate document described by Rule 498  
26 substituting accurate information; and

27           2. Delivery shall be deemed to have been effected if  
28 delivery is through electronic means and the following  
29 standards are satisfied:  
30  
31



1           a. Electronically-delivered documents are prepared and  
2 provided consistent with style, format, and content  
3 requirements applicable to printed documents;

4           b. Each participant is provided timely and adequate  
5 notice of the documents that are to be delivered and their  
6 significance thereof, and of the participant's right to obtain  
7 a paper copy of such documents free of charge;

8           c.(I) Participants have adequate access to the  
9 electronic documents, at locations such as their worksites or  
10 public facilities, and have the ability to convert the  
11 documents to paper free of charge by the State Board of  
12 Administration, and the Board or its designated agents take  
13 appropriate and reasonable measures to ensure that the system  
14 for furnishing electronic documents results in actual receipt,  
15 or

16           (II) Participants have provided consent to receive  
17 information in electronic format, which consent may be  
18 revoked; and

19           d. The State Board of Administration, or its  
20 designated agent, actually provides paper copies of the  
21 documents free of charge, upon request.

22           Section 7. Section 121.571, Florida Statutes, is  
23 amended to read:

24           (Substantial rewording of section. See  
25 s. 121.571, F.S., for present text.)

26           121.571 Contributions.--Contributions to the Public  
27 Employee Optional Retirement Program shall be made as follows:

28           (1) NONCONTRIBUTORY PLAN.--Each employer shall  
29 accomplish the contributions required by s. 121.71 by a  
30 procedure in which no employee's gross salary shall be  
31 reduced.

1           (2) CONTRIBUTION RATES GENERALLY.--Contributions to  
2 fund the retirement and disability benefits provided under  
3 this part shall be based on the uniform contribution rates  
4 established by s. 121.71 and on the membership class or  
5 subclass of the participant. Such contributions shall be  
6 allocated as provided in ss. 121.72 and 121.73.

7           (3) CONTRIBUTIONS FOR SOCIAL SECURITY COVERAGE AND FOR  
8 RETIREE HEALTH INSURANCE SUBSIDY.--Contributions required  
9 under this section shall be in addition to employer and member  
10 contributions required for social security and the Retiree  
11 Health Insurance Subsidy Trust Fund as provided in ss.  
12 112.363, 121.052, 121.055, and 121.071, as appropriate.

13           Section 8. Section 11 of chapter 2001-235, Laws of  
14 Florida, is amended to read:

15           Section 11. It is the intent of the Legislature that  
16 the costs attributable to the additional cost-of-living  
17 increase for special risk retirees and Deferred Retirement  
18 Option Program participants as provided under section 2 shall  
19 be funded by recognition of excess actuarial assets, amortized  
20 over 30 years with the payments assumed to remain relatively  
21 stable when expressed as a percentage of payroll. For fiscal  
22 year 2001-2002, the payment shall be \$9.3 million. For fiscal  
23 year 2002-2003, the payment shall be ~~\$15.1~~<sup>\$19</sup> million, and,  
24 thereafter, payments shall increase by 5 percent per year. If  
25 insufficient funds are available to fund this additional cost  
26 through recognition of excess actuarial assets in fiscal year  
27 2002-2003 and any year thereafter, and there remains an  
28 unfunded actuarial liability attributable to the one-time  
29 cost-of-living increase provided under section 2, the payroll  
30 contribution rate for the Special Risk Class of the Florida  
31 Retirement System shall be increased by .93 percent effective

1 July 1 of that year, unless the Legislature provides an  
2 alternative funding mechanism before that date.

3 Section 9. Section 23 of chapter 2000-169, Laws of  
4 Florida, is hereby repealed.

5 Section 10. The contribution rates proposed in this  
6 act shall be in addition to all other changes to such  
7 contribution rates which may be enacted into law to take  
8 effect on July 1, 2002. The Division of Statutory Revision is  
9 directed to adjust the contribution rates set forth herein  
10 accordingly.

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

23 Section 12. Paragraph (h) of subsection (1),  
24 subsection (3), and paragraph (c) of subsection (6) of section  
25 121.055, Florida Statutes, as amended by chapter 2001-262,  
26 Laws of Florida, are amended to read:

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

1 (1)

2 (h)1. Except as provided in subparagraph 3., effective  
3 January 1, 1994, participation in the Senior Management  
4 Service Class shall be compulsory for the State Courts  
5 Administrator and the Deputy State Courts Administrators, the  
6 Clerk of the Supreme Court, the Marshal of the Supreme Court,  
7 the Executive Director of the Justice Administrative  
8 Commission, the Capital Collateral Regional Counsels, the  
9 clerks of the district courts of appeals, the marshals of the  
10 district courts of appeals, and the trial court administrator  
11 and the Chief Deputy Court Administrator in each judicial  
12 circuit. Effective January 1, 1994, additional positions in  
13 the offices of the state attorney and public defender in each  
14 judicial circuit may be designated for inclusion in the Senior  
15 Management Service Class of the Florida Retirement System,  
16 provided that:

17 a. Positions to be included in the class shall be  
18 designated by the state attorney or public defender, as  
19 appropriate. Notice of intent to designate positions for  
20 inclusion in the class shall be published once a week for 2  
21 consecutive weeks in a newspaper of general circulation  
22 published in the county or counties affected, as provided in  
23 chapter 50.

24 b. One nonelective full-time position may be  
25 designated for each state attorney and public defender  
26 reporting to the Department of Management Services; for  
27 agencies with 200 or more regularly established positions  
28 under the state attorney or public defender, additional  
29 nonelective full-time positions may be designated, not to  
30 exceed 0.5 percent of the regularly established positions  
31 within the agency.

1           c. Each position added to the class must be a  
2 managerial or policymaking position filled by an employee who  
3 serves at the pleasure of the state attorney or public  
4 defender without civil service protection, and who:

5           (I) Heads an organizational unit; or

6           (II) Has responsibility to effect or recommend  
7 personnel, budget, expenditure, or policy decisions in his or  
8 her areas of responsibility.

9           2. Participation in this class shall be compulsory,  
10 except as provided in subparagraph 3., for any judicial  
11 employee who holds a position designated for coverage in the  
12 Senior Management Service Class, and such participation shall  
13 continue until the employee terminates employment in a covered  
14 position. Effective January 1, 2001, participation in this  
15 class is compulsory for assistant state attorneys, assistant  
16 statewide prosecutors, assistant public defenders, and  
17 assistant capital collateral regional counsels. Effective  
18 January 1, 2002, participation in this class is compulsory for  
19 assistant attorneys general.

20           3. In lieu of participation in the Senior Management  
21 Service Class, such members, excluding assistant state  
22 attorneys, assistant public defenders, assistant statewide  
23 prosecutors, assistant attorneys general, and assistant  
24 capital collateral regional counsels, may participate in the  
25 Senior Management Service Optional Annuity Program as  
26 established in subsection (6).

27           (3)(a) The following table states the required  
28 retirement contribution rates for members of the Senior  
29 Management Service Class and their employers in terms of a  
30 percentage of the member's gross compensation. A change in the  
31 contribution rate is effective with the first salary paid on

1 or after the beginning date of the change. Contributions  
 2 shall be made for each pay period and are in addition to the  
 3 contributions required for social security and the Retiree  
 4 Health Insurance Subsidy Trust Fund.

5  
 6 Dates of Contribution

7 Rate Changes	Members	Employers
8 Effective July 1, 2001	0%	11.73%

9  
 10 (b) The employer paying the salary of a member of the  
 11 Senior Management Service Class shall contribute an amount as  
 12 specified in this section which shall constitute the entire  
 13 employer retirement contribution with respect to such member.  
 14 The employer shall also withhold one-half of the entire  
 15 contribution of the member required for social security  
 16 coverage.

17 (c) The following table states the required employer  
 18 contribution on behalf of each member of the Senior Management  
 19 Service Class in terms of a percentage of the member's gross  
 20 compensation. Such contribution constitutes the entire health  
 21 insurance subsidy contribution with respect to the member. A  
 22 change in the contribution rate is effective with the first  
 23 salary paid on or after the beginning date of the change. The  
 24 retiree health insurance subsidy contribution rate is as  
 25 follows:

27 Dates of Contribution	Contribution
28 Rate Changes	Rate
29 October 1, 1987, through December 31, 1988	0.24%
30 January 1, 1989, through December 31, 1993	0.48%
31 January 1, 1994, through December 31, 1994	0.56%

1	January 1, 1995, through June 30, 1998	0.66%
2	July 1, 1998, through June 30, 2001	0.94%
3	Effective July 1, 2001	1.11%

4

5 Such contributions and accompanying payroll data are due and  
 6 payable no later than the 5th working day of the month  
 7 immediately following the month during which the payroll  
 8 period ended and shall be deposited by the administrator in  
 9 the Retiree Health Insurance Subsidy Trust Fund.

10 (6)

11 (c) Participation.--

12 1. Any eligible employee who is employed on or before  
 13 February 1, 1987, may elect to participate in the optional  
 14 annuity program in lieu of participation in the Senior  
 15 Management Service Class. Such election shall be made in  
 16 writing and filed with the department and the personnel  
 17 officer of the employer on or before May 1, 1987. Any  
 18 eligible employee who is employed on or before February 1,  
 19 1987, and who fails to make an election to participate in the  
 20 optional annuity program by May 1, 1987, shall be deemed to  
 21 have elected membership in the Senior Management Service  
 22 Class.

23 2. Any employee who becomes eligible to participate in  
 24 the optional annuity program by reason of initial employment  
 25 commencing after February 1, 1987, may, within 90 days after  
 26 the date of commencement of employment, elect to participate  
 27 in the optional annuity program. Such election shall be made  
 28 in writing and filed with the personnel officer of the  
 29 employer. Any eligible employee who does not within 90 days  
 30 after commencement of such employment elect to participate in  
 31

1 the optional annuity program shall be deemed to have elected  
2 membership in the Senior Management Service Class.

3 3. A person who is appointed to a position in the  
4 Senior Management Service Class and who is a member of an  
5 existing retirement system or the Special Risk or Special Risk  
6 Administrative Support Classes of the Florida Retirement  
7 System may elect to remain in such system or class in lieu of  
8 participation in the Senior Management Service Class or  
9 optional annuity program. Such election shall be made in  
10 writing and filed with the department and the personnel  
11 officer of the employer within 90 days of such appointment.  
12 Any eligible employee who fails to make an election to  
13 participate in the existing system, the Special Risk Class of  
14 the Florida Retirement System, the Special Risk Administrative  
15 Support Class of the Florida Retirement System, or the  
16 optional annuity program shall be deemed to have elected  
17 membership in the Senior Management Service Class.

18 4. Except as provided in subparagraph 5., an  
19 employee's election to participate in the optional annuity  
20 program is irrevocable as long as such employee continues to  
21 be employed in an eligible position and continues to meet the  
22 eligibility requirements set forth in this paragraph.

23 5. Effective from July 1, 2002, through September 30,  
24 2002, any active employee in a regularly established position  
25 who has elected to participate in the Senior Management  
26 Service Optional Annuity Program has one opportunity to choose  
27 to move from the Senior Management Service Optional Annuity  
28 Program to the Florida Retirement System defined benefit  
29 program.

30 a. The election must be made in writing and must be  
31 filed with the department and the personnel officer of the



1 employer before October 1, 2002, or, in the case of an active  
2 employee who is on a leave of absence on July 1, 2002, within  
3 90 days after the conclusion of the leave of absence. This  
4 election is irrevocable.

5 b. The employee will receive service credit under the  
6 defined benefit program of the Florida Retirement System equal  
7 to his or her years of service under the Senior Management  
8 Service Optional Annuity Program. The cost for such credit  
9 shall be an amount representing the present value of that  
10 employee's accumulated benefit obligation for the affected  
11 period of service.

12 c. The employee must transfer the total accumulated  
13 employer contributions and earnings on deposit in his or her  
14 Senior Management Service Optional Annuity Program account. If  
15 the transferred amount is not sufficient to pay the amount  
16 due, the employee must pay a sum representing the remainder of  
17 the amount due. In no case may the employee retain any  
18 employer contributions or earnings thereon from the Senior  
19 Management Service Optional Annuity Program account.

20 Section 13. Except as otherwise provided herein, this  
21 act shall take effect June 1, 2002.  
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