

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 7085 PCB GEAC 07-27 Retirement
SPONSOR(S): Government Efficiency & Accountability Council and Grant
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Government Efficiency & Accountability Council	10 Y, 0 N	Belcher	Cooper
1) Policy & Budget Council	26 Y, 0 N	Leznoff	Hansen
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

Section 121.71, F.S., authorizes the uniform retirement contribution rates by member class and subclass for the defined benefit and optional retirement programs for the Florida Retirement System (FRS).

Section 121.031, F.S., requires the administrator of the System [the Department of Management Services] to provide for an annual actuarial study of the System and to report the results to the legislature by December 31 prior to the next legislative session. The legislature generally adopts revised rates during that legislative session. Participating employers in the Florida Retirement System must make monthly contributions to fund the System based upon the rates as established in s. 121.71, F.S.

The 2006 Legislature adopted the current rates effective on July 1, 2006, and the July 1, 2007, effective rates based on the December 2005 actuarial study.

This bill amends s. 121.71, F.S., to revise the rates that are scheduled to become effective July 1, 2007; thereby, continuing the current year rates that became effective July 1, 2006. In addition, the bill establishes new rates to become effective on July 1, 2008. The rates proposed for July 1, 2008, are based on the results of blending the defined contribution and defined benefit plans as calculated by the actuary in the blended-rates study dated December 2006.

The bill has no fiscal impact for fiscal year 2007-08 as current year retirement contribution rates are continued for fiscal year 2007-08.

The bill provides an effective date of July 1, 2007.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Not applicable.

B. EFFECT OF PROPOSED CHANGES:

Section 121.71, F.S., authorizes the uniform retirement contribution rates by member class and subclass for the defined benefit and optional retirement programs for the Florida Retirement System (FRS).

Section 121.031, F.S., requires the administrator of the System [the Department of Management Services] to provide for an annual actuarial study of the System and to report the results to the legislature by December 31 prior to the next legislative session. The legislature generally adopts revised rates during that legislative session. Participating employers in the Florida Retirement System must make monthly contributions to fund the System based upon the rates as established in s. 121.71, F.S.

The 2006 Legislature adopted the current rates effective on July 1, 2006, and the adopted the July 1, 2007, effective rates based on the December 2005 actuarial study.

This bill amends s. 121.71, F.S., to revise the rates that are scheduled to become effective July 1, 2007; thereby, continuing the current year rates that became effective July 1, 2006. In addition, the bill establishes new rates to become effective on July 1, 2008. The rates proposed for July 1, 2008, are based on the results of blending the defined contribution and defined benefit plans as calculated by the actuary in the blended-rates study dated December 2006.

FRS Actual and Proposed Contribution Rates

Membership Class	Current Law		House Bill (Proposed Law)	
	Effective July 1, 2006	Effective July 1, 2007 (Normal Cost Rates)	Effective July 1, 2007	Effective July 1, 2008 (Blended Normal Cost Rates)
Regular	8.69%	9.55%	8.69%	9.55%
Special Risk	19.76%	21.96%	19.76%	21.92%
Special Risk Administrative	11.39%	12.65%	11.39%	11.86%
Elected State Officers	13.32%	14.80%	13.32%	14.66%
Elected Justices, Judges	18.40%	20.44%	18.40%	20.42%
Elected County Officers	15.37%	17.08%	15.37%	17.03%
Senior Management	11.96%	13.29%	11.96%	12.95%
DROP	9.80%	10.89%	9.80%	10.89%

C. SECTION DIRECTORY:

Section 1. Amends s. 121.71, F.S., to change the Florida Retirement System contributions rates that will become effective on July 1, 2007, and to establish the rates to become effective on July 1, 2008.

Section 2. Provides that the bill takes effect July 1, 2007.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None as the bill continues the current year contribution rates for fiscal year 2007-08. The rates for fiscal year 2008-09 are slightly reduced from those in current law.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None as the bill continues the current year contribution rates for fiscal year 2007-08. The rates for fiscal year 2008-09 are slightly reduced from those in current law.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

3. Other:

Article X, Section 14, State Constitution, and Part VII of ch. 112, F.S., separately require all public sector pension plans to prefund all promised pension benefits in a sound actuarial manner to avoid the intergenerational transfer of unfunded risk.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

No statement provided.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

None.