

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 5063 PCB GEAC 08-28 Retirement Contribution Rates

SPONSOR(S): Government Efficiency & Accountability Council and Grant

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
<u>Orig. Comm.: Government Efficiency & Accountability Council</u>	<u>13 Y, 0 N</u>	<u>Hicks/Dykes</u>	<u>Cooper</u>
<u>1) Policy & Budget Council</u>	<u>31 Y, 0 N</u>	<u>Leznoff</u>	<u>Hansen</u>
<u>2)</u>	<u> </u>	<u> </u>	<u> </u>
<u>3)</u>	<u> </u>	<u> </u>	<u> </u>
<u>4)</u>	<u> </u>	<u> </u>	<u> </u>
<u>5)</u>	<u> </u>	<u> </u>	<u> </u>

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.

This bill amends s. 121.71, F.S., to revise the rates that are scheduled to become effective July 1, 2008; thereby, continuing the current year rates that became effective July 1, 2007. In addition, the bill establishes new rates to become effective on July 1, 2009. The rates proposed for July 1, 2009, 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 2007.

The bill has no fiscal impact for fiscal year 2008-09 as current year retirement contribution rates are continued for fiscal year 2008-09.

The bill provides an effective date of July 1, 2008.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

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).

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This bill amends s. 121.71, F.S., to revise the rates that are scheduled to become effective July 1, 2008; thereby, continuing the current year rates that became effective July 1, 2007. In addition, the bill establishes new rates to become effective on July 1, 2009. The rates proposed for July 1, 2009, 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 2007.

FRS Actual and Proposed Contribution Rates

Membership Class	Current Law		House Bill (Proposed Law)	
	Effective July 1, 2007	Effective July 1, 2008 (Normal Cost Rates)	Effective July 1, 2008	Effective July 1, 2009 (Blended Normal Cost Rates)
Regular	8.69%	9.59%	8.69%	9.55%
Special Risk	19.76%	22.01%	19.76%	21.93%
Special Risk Administrative	11.39%	11.90%	11.39%	11.94%
Elected State Officers	13.32%	14.99%	13.32%	14.20%
Elected Justices, Judges	18.40%	20.46%	18.40%	20.30%
Elected County Officers	15.37%	17.15%	15.37%	16.94%
Senior Management	11.96%	13.35%	11.96%	12.92%
DROP	9.80%	10.89%	9.80%	10.96%

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, 2008, and to establish the rates to become effective on July 1, 2009.

Section 2. Provides that the bill takes effect July 1, 2008.

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 2008-09.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None as the bill continues the current year contribution rates for fiscal year 2008-09.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because this bill requires counties and cities to spend funds or take an action requiring the expenditure of funds; however, an exception applies because the bill provides a declaration of important state interest and it requires all similarly situated persons to comply.

2. 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

Not applicable.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

None.