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LEGISLATIVE ACTION

Senate	.	House
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04/30/2010 08:27 PM	.	
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The Conference Committee on HB 5607 recommended the following:

1 **Senate Conference Committee Amendment (with title**
2 **amendment)**

3
4 Delete everything after the enacting clause
5 and insert:

6 Section 1. Paragraph (c) of subsection (13) of section
7 121.091, Florida Statutes, is amended to read:

8 121.091 Benefits payable under the system.—Benefits may not
9 be paid under this section unless the member has terminated
10 employment as provided in s. 121.021(39) (a) or begun
11 participation in the Deferred Retirement Option Program as
12 provided in subsection (13), and a proper application has been
13 filed in the manner prescribed by the department. The department



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14 may cancel an application for retirement benefits when the
15 member or beneficiary fails to timely provide the information
16 and documents required by this chapter and the department's
17 rules. The department shall adopt rules establishing procedures
18 for application for retirement benefits and for the cancellation
19 of such application when the required information or documents
20 are not received.

21 (13) DEFERRED RETIREMENT OPTION PROGRAM.—In general, and
22 subject to this section, the Deferred Retirement Option Program,
23 hereinafter referred to as DROP, is a program under which an
24 eligible member of the Florida Retirement System may elect to
25 participate, deferring receipt of retirement benefits while
26 continuing employment with his or her Florida Retirement System
27 employer. The deferred monthly benefits shall accrue in the
28 Florida Retirement System on behalf of the participant, plus
29 interest compounded monthly, for the specified period of the
30 DROP participation, as provided in paragraph (c). Upon
31 termination of employment, the participant shall receive the
32 total DROP benefits and begin to receive the previously
33 determined normal retirement benefits. Participation in the DROP
34 does not guarantee employment for the specified period of DROP.
35 Participation in DROP by an eligible member beyond the initial
36 60-month period as authorized in this subsection shall be on an
37 annual contractual basis for all participants.

38 (c) *Benefits payable under DROP.*—

39 1. Effective on the date of DROP participation, the
40 member's initial normal monthly benefit, including creditable
41 service, optional form of payment, and average final
42 compensation, and the effective date of retirement are fixed.



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43 The beneficiary established under the Florida Retirement System
44 is the beneficiary eligible to receive any DROP benefits payable
45 if the DROP participant dies before completing the period of
46 DROP participation. If a joint annuitant predeceases the member,
47 the member may name a beneficiary to receive accumulated DROP
48 benefits payable. The retirement benefit, the annual cost of
49 living adjustments provided in s. 121.101, and interest accrue
50 monthly in the Florida Retirement System Trust Fund. The
51 interest accrues at an effective annual rate of 6.5 percent
52 compounded monthly, on the prior month's accumulated ending
53 balance, up to the month of termination or death, except as
54 provided in s. 121.053(7). For those members entering DROP on or
55 after July 1, 2010, the interest accrues at an effective annual
56 rate of 3.0 percent compounded monthly, on the prior month's
57 accumulated ending balance, up to the month of termination or
58 death, except as provided in s. 121.053(7).

59 2. Each employee who elects to participate in DROP may
60 elect to receive a lump-sum payment for accrued annual leave
61 earned in accordance with agency policy upon beginning
62 participation in DROP. The accumulated leave payment certified
63 to the division upon commencement of DROP shall be included in
64 the calculation of the member's average final compensation. The
65 employee electing the lump-sum payment is not eligible to
66 receive a second lump-sum payment upon termination, except to
67 the extent the employee has earned additional annual leave
68 which, combined with the original payment, does not exceed the
69 maximum lump-sum payment allowed by the employing agency's
70 policy or rules. An early lump-sum payment shall be based on the
71 hourly wage of the employee at the time he or she begins



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72 participation in DROP. If the member elects to wait and receive
73 a lump-sum payment upon termination of DROP and termination of
74 employment with the employer, any accumulated leave payment made
75 at that time may not be included in the member's retirement
76 benefit, which was determined and fixed by law when the employee
77 elected to participate in DROP.

78 3. The effective date of DROP participation and the
79 effective date of retirement of a DROP participant shall be the
80 first day of the month selected by the member to begin
81 participation in DROP, provided such date is properly
82 established, with the written confirmation of the employer, and
83 the approval of the division, on forms required by the division.

84 4. Normal retirement benefits and any interest shall
85 continue to accrue in DROP until the established termination
86 date of DROP or until the participant terminates employment or
87 dies prior to such date, except as provided in s. 121.053(7).
88 Although individual DROP accounts shall not be established, a
89 separate accounting of each participant's accrued benefits under
90 DROP shall be calculated and provided to participants.

91 5. At the conclusion of the participant's DROP, the
92 division shall distribute the participant's total accumulated
93 DROP benefits, subject to the following:

94 a. The division shall receive verification by the
95 participant's employer or employers that the participant has
96 terminated all employment relationships as provided in s.
97 121.021(39).

98 b. The terminated DROP participant or, if deceased, the
99 participant's named beneficiary, shall elect on forms provided
100 by the division to receive payment of the DROP benefits in



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101 accordance with one of the options listed below. If a
102 participant or beneficiary fails to elect a method of payment
103 within 60 days after termination of DROP, the division shall pay
104 a lump sum as provided in sub-sub-subparagraph (I).

105 (I) Lump sum.—All accrued DROP benefits, plus interest,
106 less withholding taxes remitted to the Internal Revenue Service,
107 shall be paid to the DROP participant or surviving beneficiary.

108 (II) Direct rollover.—All accrued DROP benefits, plus
109 interest, shall be paid from DROP directly to the custodian of
110 an eligible retirement plan as defined in s. 402(c)(8)(B) of the
111 Internal Revenue Code. However, in the case of an eligible
112 rollover distribution to the surviving spouse of a deceased
113 participant, an eligible retirement plan is an individual
114 retirement account or an individual retirement annuity as
115 described in s. 402(c)(9) of the Internal Revenue Code.

116 (III) Partial lump sum.—A portion of the accrued DROP
117 benefits shall be paid to DROP participant or surviving spouse,
118 less withholding taxes remitted to the Internal Revenue Service,
119 and the remaining DROP benefits must be transferred directly to
120 the custodian of an eligible retirement plan as defined in s.
121 402(c)(8)(B) of the Internal Revenue Code. However, in the case
122 of an eligible rollover distribution to the surviving spouse of
123 a deceased participant, an eligible retirement plan is an
124 individual retirement account or an individual retirement
125 annuity as described in s. 402(c)(9) of the Internal Revenue
126 Code. The proportions must be specified by the DROP participant
127 or surviving beneficiary.

128 c. The form of payment selected by the DROP participant or
129 surviving beneficiary must comply with the minimum distribution



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130 requirements of the Internal Revenue Code.

131 d. A DROP participant who fails to terminate all employment
132 relationships as provided in s. 121.021(39) shall be deemed as
133 not retired, and the DROP election is null and void. Florida
134 Retirement System membership shall be reestablished
135 retroactively to the date of the commencement of DROP, and each
136 employer with whom the participant continues employment must pay
137 to the Florida Retirement System Trust Fund the difference
138 between the DROP contributions paid in paragraph (i) and the
139 contributions required for the applicable Florida Retirement
140 System class of membership during the period the member
141 participated in DROP, plus 6.5 percent interest compounded
142 annually.

143 6. The retirement benefits of any DROP participant who
144 terminates all employment relationships as provided in s.
145 121.021(39) but is reemployed in violation of the reemployment
146 provisions of subsection (9) shall be suspended during those
147 months in which the retiree is in violation. Any retiree in
148 violation of this subparagraph and any employer that employs or
149 appoints such person without notifying the Division of
150 Retirement to suspend retirement benefits are jointly and
151 severally liable for any benefits paid during the reemployment
152 limitation period. The employer must have a written statement
153 from the retiree that he or she is not retired from a state-
154 administered retirement system. Any retirement benefits received
155 by a retiree while employed in violation of the reemployment
156 limitations must be repaid to the Florida Retirement System
157 Trust Fund, and his or her retirement benefits shall remain
158 suspended until payment is made. Benefits suspended beyond the



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159 end of the reemployment limitation period apply toward repayment
160 of benefits received in violation of the reemployment
161 limitation.

162 7. The accrued benefits of any DROP participant, and any
163 contributions accumulated under the program, are not subject to
164 assignment, execution, attachment, or any legal process
165 whatsoever, except for qualified domestic relations orders by a
166 court of competent jurisdiction, income deduction orders as
167 provided in s. 61.1301, and federal income tax levies.

168 8. DROP participants are not eligible for disability
169 retirement benefits as provided in subsection (4).

170 Section 2. Subsection (3) of section 121.71, Florida
171 Statutes, is amended, present subsection (4) of that section is
172 renumbered as subsection (5), and a new subsection (4) is added
173 to that section, to read

174 121.71 Uniform rates; process; calculations; levy.—

175 (3) Required employer retirement contribution rates for
176 each membership class and subclass of the Florida Retirement
177 System for both retirement plans are as follows:

Membership Class	Percentage of Gross Compensation, Effective July 1, <u>2010</u> 2009	Percentage of Gross Compensation, Effective July 1, <u>2011</u> 2010
Regular Class	<u>9.76%</u> 8.69%	<u>9.76%</u> 9.63%
Special Risk Class	<u>22.15%</u> 19.76%	<u>22.15%</u> 22.11%



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Special Risk

Administrative

Support Class 11.24% ~~11.39%~~ 11.24% ~~12.10%~~

181

Elected Officers' Class -

Legislators, Governor,

Lt. Governor,

Cabinet Officers,

State Attorneys,

Public Defenders 14.38% ~~13.32%~~ 14.38% ~~15.20%~~

182

Elected Officers' Class -

Justices, Judges 19.39% ~~18.40%~~ 19.39% ~~20.65%~~

183

Elected Officers' Class -

County Elected Officers 16.62% ~~15.37%~~ 16.62% ~~17.50%~~

184

Senior Management Class 11.70% ~~11.96%~~ 11.70% ~~13.43%~~

185

DROP 10.07% ~~9.80%~~ 10.07% ~~11.14%~~

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187 (4) In order to address unfunded actuarial liabilities of
188 the system, the additional required employer retirement
189 contribution rates for each membership class and subclass of the
190 Florida Retirement System for both retirement plans are as
191 follows:



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	<u>Percentage of</u> <u>Gross</u> <u>Compensation,</u> <u>Effective July 1,</u> <u>2010</u>	<u>Percentage of</u> <u>Gross</u> <u>Compensation,</u> <u>Effective July 1,</u> <u>2011</u>
192		
	<u>Membership Class</u>	
193	<u>0.00%</u>	<u>1.74%</u>
	<u>Regular Class</u>	
194	<u>0.00%</u>	<u>6.57%</u>
	<u>Special Risk Class</u>	
	<u>Special Risk</u> <u>Administrative</u> <u>Support Class</u>	
195	<u>0.00%</u>	<u>17.57%</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>	
196	<u>0.00%</u>	<u>18.76%</u>
	<u>Elected Officers' Class -</u> <u>Justices, Judges</u>	
197	<u>0.00%</u>	<u>12.10%</u>
	<u>Elected Officers' Class -</u> <u>County Elected Officers</u>	
198	<u>0.00%</u>	<u>21.73%</u>
	<u>Senior Management Class</u>	
199	<u>0.00%</u>	<u>10.19%</u>



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DROP 0.00% 5.47%

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Section 3. Section 121.74, Florida Statutes, is amended to read:

121.74 Administrative and educational expenses.—In addition to contributions required under ss. ~~s.~~ 121.71 and 121.73, effective July 1, 2010, through June 30, 2014, employers participating in the Florida Retirement System shall contribute an amount equal to 0.03 ~~0.05~~ percent of the payroll reported for each class or subclass of Florida Retirement System membership. Effective July 1, 2014, the contribution rate shall be 0.04 percent of the payroll reported for each class or subclass of membership. The, which amount contributed shall be transferred by the Division of Retirement from the Florida Retirement System Contributions Clearing Trust Fund to the State Board of Administration's Administrative Trust Fund to offset the costs of administering the optional retirement program and the costs of providing educational services to participants in the defined benefit program and the optional retirement program. Approval of the trustees of the State Board of Administration is required before ~~prior to~~ the expenditure of these funds. Payments for third-party administrative or educational expenses shall be made only pursuant to the terms of the approved contracts for such services.

Section 4. As part of the actuarial study required by s. 121.031(3), Florida Statutes, based on the results of June 30, 2010, the administrator of the Florida Retirement System shall contract with the state actuary to conduct an actuarial study of the Florida Retirement System which considers the following



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228 methods of funding the Deferred Retirement Option Program:

229 (1) Through a separate contribution rate regardless of the
230 participant's membership class, which had been the principle
231 method through the 2009 valuation;

232 (2) Treat participants as retirees such that the payroll
233 associated with the participants is not used to develop the
234 contribution rates for the respective membership class, and the
235 employer is not required to make contributions on such payroll
236 except for unfunded actuarial liability contributions; and

237 (3) Treat participants as active members such that the
238 payroll associated with the participants is used to develop the
239 contribution rates for the respective membership class, and the
240 employer is required to make contributions on the payroll at the
241 same contribution rate as the employer pays for an active member
242 of the applicable class.

243 Section 5. The Legislature finds that a proper and
244 legitimate state purpose is served when employees and retirees
245 of the state and its political subdivisions, and the dependents,
246 survivors, and beneficiaries of such employees and retirees, are
247 extended the basic protections afforded by governmental
248 retirement systems. These persons must be provided benefits that
249 are fair and adequate and that are managed, administered, and
250 funded in an actuarially sound manner, as required by s. 14,
251 Article X of the State Constitution and part VII of chapter 112,
252 Florida Statutes. Therefore, the Legislature determines and
253 declares that this act fulfills an important state interest.

254 Section 6. This act shall take effect July 1, 2010.

255
256 ===== T I T L E A M E N D M E N T =====



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257 And the title is amended as follows:

258 Delete everything before the enacting clause
259 and insert:

260 A bill to be entitled

261 An act relating to retirement; amending s. 121.091,
262 F.S.; reducing the interest rate paid on deferred
263 retirement benefits for members entering DROP on or
264 after a specified date; amending s. 121.71, F.S.;
265 revising the payroll contribution rates for the
266 membership classes of the Florida Retirement System
267 for the state fiscal years effective July 1, 2010, and
268 July 1, 2011; specifying the required employer
269 retirement contribution rates for each membership
270 class and subclass of the system in order to address
271 unfunded actuarial liabilities of the system; amending
272 s. 121.74, F.S.; revising the amount that employers
273 are required to contribute for administrative and
274 educational expenses; requiring the state actuary to
275 consider additional factors when conducting the annual
276 actuarial study of the Florida Retirement System;
277 specifying the factors to be considered; providing a
278 declaration of important state interest; providing an
279 effective date.