

FOR CONSIDERATION By the Committee on Budget

576-03264-12

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1                   A bill to be entitled  
2       An act relating to retirement; amending s. 121.051,  
3       F.S.; revising employer contributions for members of  
4       the Florida Retirement System who are employees of  
5       public community colleges or charter technical career  
6       centers sponsored by public community colleges on a  
7       certain date; amending s. 121.055, F.S.; revising  
8       employer contributions for members of the Senior  
9       Management Service Class of the Florida Retirement  
10      System on a certain date; amending s. 121.35, F.S.;  
11      revising employer contributions for members of the  
12      optional retirement program for the State University  
13      System on a certain date; amending s. 121.71, F.S.;  
14      revising the required employer retirement contribution  
15      rates for members of each membership class and  
16      subclass of the Florida Retirement System; amending s.  
17      121.72, F.S.; revising allocations from the Florida  
18      Retirement System Contributions Clearing Trust Fund to  
19      investment plan member accounts on a certain date;  
20      amending s. 1012.875, F.S.; revising employer  
21      contributions for members of the State Community  
22      College System Optional Retirement Program on a  
23      certain date; providing that the act fulfills an  
24      important state interest; providing an effective date.

25  
26 Be It Enacted by the Legislature of the State of Florida:

27  
28       Section 1. Paragraph (c) of subsection (2) of section  
29       121.051, Florida Statutes, is amended to read:

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30 121.051 Participation in the system.—

31 (2) OPTIONAL PARTICIPATION.—

32 (c) Employees of public community colleges or charter  
33 technical career centers sponsored by public community colleges,  
34 designated in s. 1000.21(3), who are members of the Regular  
35 Class of the Florida Retirement System and who comply with the  
36 criteria set forth in this paragraph and s. 1012.875 may, in  
37 lieu of participating in the Florida Retirement System, elect to  
38 withdraw from the system altogether and participate in the State  
39 Community College System Optional Retirement Program provided by  
40 the employing agency under s. 1012.875.

41 1.a. Through June 30, 2001, the cost to the employer for  
42 benefits under the optional retirement program equals the normal  
43 cost portion of the employer retirement contribution which would  
44 be required if the employee were a member of the pension plan's  
45 Regular Class, plus the portion of the contribution rate  
46 required by s. 112.363(8) which would otherwise be assigned to  
47 the Retiree Health Insurance Subsidy Trust Fund.

48 b. Effective July 1, 2001, through June 30, 2011, each  
49 employer shall contribute on behalf of each member of the  
50 optional program an amount equal to 10.43 percent of the  
51 employee's gross monthly compensation. The employer shall deduct  
52 an amount for the administration of the program.

53 c. Effective July 1, 2011, through June 30, 2012, each  
54 member shall contribute an amount equal to the employee  
55 contribution required under s. 121.71(3). The employer shall  
56 contribute on behalf of each program member an amount equal to  
57 the difference between 10.43 percent of the employee's gross  
58 monthly compensation and the employee's required contribution

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59 based on the employee's gross monthly compensation.

60 d. Effective July 1, 2012, each member shall contribute an  
61 amount equal to the employee contribution required under s.  
62 121.71(3). The employer shall contribute on behalf of each  
63 program member an amount equal to the difference between 8.15  
64 percent of the employee's gross monthly compensation and the  
65 employee's required contribution based on the employee's gross  
66 monthly compensation.

67 ~~e.d.~~ The employer shall contribute an additional amount to  
68 the Florida Retirement System Trust Fund equal to the unfunded  
69 actuarial accrued liability portion of the Regular Class  
70 contribution rate.

71 2. The decision to participate in the optional retirement  
72 program is irrevocable as long as the employee holds a position  
73 eligible for participation, except as provided in subparagraph  
74 3. Any service creditable under the Florida Retirement System is  
75 retained after the member withdraws from the system; however,  
76 additional service credit in the system may not be earned while  
77 a member of the optional retirement program.

78 3. An employee who has elected to participate in the  
79 optional retirement program shall have one opportunity, at the  
80 employee's discretion, to transfer from the optional retirement  
81 program to the pension plan of the Florida Retirement System or  
82 to the investment plan established under part II of this  
83 chapter, subject to the terms of the applicable optional  
84 retirement program contracts.

85 a. If the employee chooses to move to the investment plan,  
86 any contributions, interest, and earnings creditable to the  
87 employee under the optional retirement program are retained by

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88 the employee in the optional retirement program, and the  
89 applicable provisions of s. 121.4501(4) govern the election.

90 b. If the employee chooses to move to the pension plan of  
91 the Florida Retirement System, the employee shall receive  
92 service credit equal to his or her years of service under the  
93 optional retirement program.

94 (I) The cost for such credit is the amount representing the  
95 present value of the employee's accumulated benefit obligation  
96 for the affected period of service. The cost shall be calculated  
97 as if the benefit commencement occurs on the first date the  
98 employee becomes eligible for unreduced benefits, using the  
99 discount rate and other relevant actuarial assumptions that were  
100 used to value the Florida Retirement System Pension Plan  
101 liabilities in the most recent actuarial valuation. The  
102 calculation must include any service already maintained under  
103 the pension plan in addition to the years under the optional  
104 retirement program. The present value of any service already  
105 maintained must be applied as a credit to total cost resulting  
106 from the calculation. The division must ~~shall~~ ensure that the  
107 transfer sum is prepared using a formula and methodology  
108 certified by an enrolled actuary.

109 (II) The employee must transfer from his or her optional  
110 retirement program account and from other employee moneys as  
111 necessary, a sum representing the present value of the  
112 employee's accumulated benefit obligation immediately following  
113 the time of such movement, determined assuming that attained  
114 service equals the sum of service in the pension plan and  
115 service in the optional retirement program.

116 4. Participation in the optional retirement program is

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117 limited to employees who satisfy the following eligibility  
118 criteria:

119 a. The employee is otherwise eligible for membership or  
120 renewed membership in the Regular Class of the Florida  
121 Retirement System, as provided in s. 121.021(11) and (12) or s.  
122 121.122.

123 b. The employee is employed in a full-time position  
124 classified in the Accounting Manual for Florida's Public  
125 Community Colleges as:

126 (I) Instructional; or

127 (II) Executive Management, Instructional Management, or  
128 Institutional Management and the community college determines  
129 that recruiting to fill a vacancy in the position is to be  
130 conducted in the national or regional market, and the duties and  
131 responsibilities of the position include the formulation,  
132 interpretation, or implementation of policies, or the  
133 performance of functions that are unique or specialized within  
134 higher education and that frequently support the mission of the  
135 community college.

136 c. The employee is employed in a position not included in  
137 the Senior Management Service Class of the Florida Retirement  
138 System as described in s. 121.055.

139 5. Members of the program are subject to the same  
140 reemployment limitations, renewed membership provisions, and  
141 forfeiture provisions applicable to regular members of the  
142 Florida Retirement System under ss. 121.091(9), 121.122, and  
143 121.091(5), respectively. A member who receives a program  
144 distribution funded by employer and required employee  
145 contributions is deemed to be retired from a state-administered

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146 retirement system if the member is subsequently employed with an  
147 employer that participates in the Florida Retirement System.

148 6. Eligible community college employees are compulsory  
149 members of the Florida Retirement System until, pursuant to s.  
150 1012.875, a written election to withdraw from the system and  
151 participate in the optional retirement program is filed with the  
152 program administrator and received by the division.

153 a. A community college employee whose program eligibility  
154 results from initial employment shall be enrolled in the  
155 optional retirement program retroactive to the first day of  
156 eligible employment. The employer and employee retirement  
157 contributions paid through the month of the employee plan change  
158 shall be transferred to the community college to the employee's  
159 optional program account, and, effective the first day of the  
160 next month, the employer shall pay the applicable contributions  
161 based upon subparagraph 1.

162 b. A community college employee whose program eligibility  
163 is due to the subsequent designation of the employee's position  
164 as one of those specified in subparagraph 4., or due to the  
165 employee's appointment, promotion, transfer, or reclassification  
166 to a position specified in subparagraph 4., must be enrolled in  
167 the program on the first day of the first full calendar month  
168 that such change in status becomes effective. The employer and  
169 employee retirement contributions paid from the effective date  
170 through the month of the employee plan change must be  
171 transferred to the community college to the employee's optional  
172 program account, and, effective the first day of the next month,  
173 the employer shall pay the applicable contributions based upon  
174 subparagraph 1.

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175           7. Effective July 1, 2003, through December 31, 2008, any  
176 member of the optional retirement program who has service credit  
177 in the pension plan of the Florida Retirement System for the  
178 period between his or her first eligibility to transfer from the  
179 pension plan to the optional retirement program and the actual  
180 date of transfer may, during employment, transfer to the  
181 optional retirement program a sum representing the present value  
182 of the accumulated benefit obligation under the defined benefit  
183 retirement program for the period of service credit. Upon  
184 transfer, all service credit previously earned under the pension  
185 plan during this period is nullified for purposes of entitlement  
186 to a future benefit under the pension plan.

187           Section 2. Paragraph (d) of subsection (6) of section  
188 121.055, Florida Statutes, is amended to read:

189           121.055 Senior Management Service Class.—There is hereby  
190 established a separate class of membership within the Florida  
191 Retirement System to be known as the "Senior Management Service  
192 Class," which shall become effective February 1, 1987.

193           (6)

194           (d) *Contributions.*—

195           1.a. Through June 30, 2001, each employer shall contribute  
196 on behalf of each member of the Senior Management Service  
197 Optional Annuity Program an amount equal to the normal cost  
198 portion of the employer retirement contribution which would be  
199 required if the member were a Senior Management Service Class  
200 member of the Florida Retirement System Pension Plan, plus the  
201 portion of the contribution rate required in s. 112.363(8) that  
202 would otherwise be assigned to the Retiree Health Insurance  
203 Subsidy Trust Fund.

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204 b. Effective July 1, 2001, through June 30, 2011, each  
205 employer shall contribute on behalf of each member of the  
206 optional annuity program an amount equal to 12.49 percent of the  
207 employee's gross monthly compensation.

208 c. Effective July 1, 2011, through June 30, 2012, each  
209 member of the optional annuity program shall contribute an  
210 amount equal to the employee contribution required under s.  
211 121.71(3). The employer shall contribute on behalf of such  
212 employee an amount equal to the difference between 12.49 percent  
213 of the employee's gross monthly compensation and the amount  
214 equal to the employee's required contribution based on the  
215 employee's gross monthly compensation.

216 d. Effective July 1, 2012, each member of the optional  
217 annuity program shall contribute an amount equal to the employee  
218 contribution required under s. 121.73. The employer shall  
219 contribute on behalf of such employee an amount equal to the  
220 difference between 9.27 percent of the employee's gross monthly  
221 compensation and the amount equal to the employee's required  
222 contribution based on the employee's gross monthly compensation.

223 e.d. The department shall deduct an amount approved by the  
224 Legislature to provide for the administration of this program.  
225 Payment of the contributions, including contributions made by  
226 the employee, shall be made by the employer to the department,  
227 which shall forward the contributions to the designated company  
228 or companies contracting for payment of benefits for the member  
229 under the program.

230 2. Each employer shall contribute on behalf of each member  
231 of the Senior Management Service Optional Annuity Program an  
232 amount equal to the unfunded actuarial accrued liability portion



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233 of the employer contribution which would be required for members  
234 of the Senior Management Service Class in the Florida Retirement  
235 System. This contribution shall be paid to the department for  
236 transfer to the Florida Retirement System Trust Fund.

237 3. An Optional Annuity Program Trust Fund shall be  
238 established in the State Treasury and administered by the  
239 department to make payments to provider companies on behalf of  
240 the optional annuity program members, and to transfer the  
241 unfunded liability portion of the state optional annuity program  
242 contributions to the Florida Retirement System Trust Fund.

243 4. Contributions required for social security by each  
244 employer and employee, in the amount required for social  
245 security coverage as now or hereafter may be provided by the  
246 federal Social Security Act shall be maintained for each member  
247 of the Senior Management Service retirement program and are in  
248 addition to the retirement contributions specified in this  
249 paragraph.

250 5. Each member of the ~~Senior Management Service~~ optional  
251 annuity program may contribute by way of salary reduction or  
252 deduction a percentage amount of the employee's gross  
253 compensation not to exceed the percentage amount contributed by  
254 the employer to the optional annuity program. Payment of the  
255 employee's contributions shall be made by the employer to the  
256 department, which shall forward the contributions to the  
257 designated company or companies contracting for payment of  
258 benefits for the member under the program.

259 Section 3. Paragraph (a) of subsection (4) of section  
260 121.35, Florida Statutes, is amended to read:

261 121.35 Optional retirement program for the State University

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262 System.—

263 (4) CONTRIBUTIONS.—

264 (a)1. Through June 30, 2001, each employer shall contribute  
265 on behalf of each member of the optional retirement program an  
266 amount equal to the normal cost portion of the employer  
267 retirement contribution which would be required if the employee  
268 were a regular member of the Florida Retirement System Pension  
269 Plan, plus the portion of the contribution rate required in s.  
270 112.363(8) that would otherwise be assigned to the Retiree  
271 Health Insurance Subsidy Trust Fund.

272 2. Effective July 1, 2001, through June 30, 2011, each  
273 employer shall contribute on behalf of each member of the  
274 optional retirement program an amount equal to 10.43 percent of  
275 the employee's gross monthly compensation.

276 3. Effective July 1, 2011, through June 30, 2012, each  
277 member of the optional retirement program shall contribute an  
278 amount equal to the employee contribution required in s.  
279 121.71(3). The employer shall contribute on behalf of each such  
280 member an amount equal to the difference between 10.43 percent  
281 of the employee's gross monthly compensation and the amount  
282 equal to the employee's required contribution based on the  
283 employee's gross monthly compensation.

284 4. Effective July 1, 2012, each member of the optional  
285 retirement program shall contribute an amount equal to the  
286 employee contribution required in s. 121.71(3). The employer  
287 shall contribute on behalf of each such member an amount equal  
288 to the difference between 8.15 percent of the employee's gross  
289 monthly compensation and the amount equal to the employee's  
290 required contribution based on the employee's gross monthly

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291 compensation.

292 ~~5.4.~~ The payment of the contributions, including  
 293 contributions by the employee, shall be made by the employer to  
 294 the department, which shall forward the contributions to the  
 295 designated company or companies contracting for payment of  
 296 benefits for members of the program. However, such contributions  
 297 paid on behalf of an employee described in paragraph (3)(c) may  
 298 not be forwarded to a company and do not begin to accrue  
 299 interest until the employee has executed a contract and notified  
 300 the department. The department shall deduct an amount from the  
 301 contributions to provide for the administration of this program.

302 Section 4. Subsection (4) and (5) of section 121.71,  
 303 Florida Statutes, are amended to read:

304 121.71 Uniform rates; process; calculations; levy.—

305 (4) Required employer retirement contribution rates for  
 306 each membership class and subclass of the Florida Retirement  
 307 System for both retirement plans are as follows:

308

Membership Class	Percentage of Gross Compensation, Effective July 1, <u>2012</u> <del>2011</del>	Percentage of Gross Compensation, Effective July 1, <u>2013</u> <del>2012</del>
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309

310

Regular Class	<u>3.55%</u> <del>3.28%</del>	<u>3.55%</u> <del>3.28%</del>
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311

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312	Special Risk Class	<u>11.01%</u> <del>10.21%</del>	<u>11.01%</u> <del>10.21%</del>
	Special Risk	<u>3.94%</u> <del>4.07%</del>	<u>3.94%</u> <del>4.07%</del>
	Administrative		
	Support Class		
313	Elected Officers' Class—	<u>6.51%</u> <del>7.02%</del>	<u>6.51%</u> <del>7.02%</del>
	Legislators, Governor,		
	Lt. Governor,		
	Cabinet Officers,		
	State Attorneys,		
	Public Defenders		
314	Elected Officers' Class—	<u>10.02%</u> <del>9.78%</del>	<u>10.02%</u> <del>9.78%</del>
	Justices, Judges		
315	Elected Officers' Class—	<u>8.36%</u> <del>9.27%</del>	<u>8.36%</u> <del>9.27%</del>
	County Elected Officers		
316	Senior Management Class	<u>4.84%</u> <del>4.81%</del>	<u>4.84%</u> <del>4.81%</del>
317	DROP	<u>4.33%</u> <del>3.31%</del>	<u>4.33%</u> <del>3.31%</del>

318

319 (5) In order to address unfunded actuarial liabilities of

320 the system, the required employer retirement contribution rates

321 for each membership class and subclass of the Florida Retirement

322 System for both retirement plans are as follows:

323

Membership Class	Percentage of	Percentage of
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**CODING:** Words ~~stricken~~ are deletions; words underlined are additions.

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	Gross Compensation, Effective July 1, <u>2012</u> <del>2011</del>	Gross Compensation, Effective July 1, <u>2013</u> <del>2012</del>
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324

325

Regular Class

0.49%      2.02% ~~2.16%~~

326

Special Risk Class

2.75%      7.03% ~~8.21%~~

327

Special Risk  
Administrative  
Support Class

0.83%      27.04% ~~21.40%~~

328

Elected Officers' Class—  
Legislators, Governor,  
Lt. Governor,  
Cabinet Officers,  
State Attorneys,  
Public Defenders

0.88%      27.18% ~~21.76%~~

329

Elected Officers' Class—  
Justices, Judges

0.77%      16.38% ~~12.86%~~

330

Elected Officers' Class—  
County Elected Officers

0.73%      23.01% ~~22.05%~~

331

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Senior Management Service Class	0.32%	<u>11.25%</u>	<del>10.51%</del>
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332

DROP	0.00%	<u>6.21%</u>	<del>6.36%</del>
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333

334 Section 5. Subsection (4) of section 121.72, Florida  
 335 Statutes, is amended, and subsection (5) is added to that  
 336 section, to read:

337 121.72 Allocations to investment plan member accounts;  
 338 percentage amounts.—

339 (4) Effective July 1, 2002, through June 30, 2012,  
 340 allocations from the Florida Retirement System Contributions  
 341 Clearing Trust Fund to investment plan member accounts are as  
 342 follows:

343

Membership Class	Percentage of Gross Compensation
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344

Regular Class	9.00%
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345

Special Risk Class	20.00%
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346

Special Risk Administrative Support Class	11.35%
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347

Elected Officers' Class— Legislators, Governor,	13.40%
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348

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Lt. Governor, Cabinet Officers,  
State Attorneys, Public Defenders

349

Elected Officers' Class—  
Justices, Judges

18.90%

350

Elected Officers' Class—  
County Elected Officers

16.20%

351

Senior Management Service Class

10.95%

352

353 (5) Effective July 1, 2012, allocations from the Florida  
354 Retirement System Contributions Clearing Trust Fund to  
355 investment plan member accounts are as follows:  
356

Membership Class

Percentage of  
Gross  
Compensation

357

Regular Class

6.30%

358

Special Risk Class

14.00%

359

Special Risk Administrative Support Class

7.95%

360

Elected Officers' Class—  
Legislators, Governor,

9.38%

361

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Lt. Governor, Cabinet Officers,  
State Attorneys, Public Defenders

362

Elected Officers' Class- 13.23%  
Justices, Judges

363

Elected Officers' Class- 11.34%  
County Elected Officers

364

Senior Management Service Class 7.67%

365

366

367 Section 6. Paragraph (a) of subsection (4) of section  
368 1012.875, Florida Statutes, is amended to read:

369 1012.875 State Community College System Optional Retirement  
370 Program.—Each Florida College System institution may implement  
371 an optional retirement program, if such program is established  
372 therefor pursuant to s. 1001.64(20), under which annuity or  
373 other contracts providing retirement and death benefits may be  
374 purchased by, and on behalf of, eligible employees who  
375 participate in the program, in accordance with s. 403(b) of the  
376 Internal Revenue Code. Except as otherwise provided herein, this  
377 retirement program, which shall be known as the State Community  
378 College System Optional Retirement Program, may be implemented  
379 and administered only by an individual Florida College System  
380 institution or by a consortium of Florida College System  
381 institutions.

382 (4) (a) 1. Through June 30, 2011, each college must



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383 contribute on behalf of each program member an amount equal to  
384 10.43 percent of the employee's gross monthly compensation.

385 2. Effective July 1, 2011, through June 30, 2012, each  
386 member shall contribute an amount equal to the employee  
387 contribution required under s. 121.71(3). The employer shall  
388 contribute on behalf of each program member an amount equal to  
389 the difference between 10.43 percent of the employee's gross  
390 monthly compensation and the employee's required contribution  
391 based on the employee's gross monthly compensation.

392 3. Effective July 1, 2012, each member shall contribute an  
393 amount equal to the employee contribution required under s.  
394 121.71(3). The employer shall contribute on behalf of each  
395 program member an amount equal to the difference between 8.15  
396 percent of the employee's gross monthly compensation and the  
397 employee's required contribution based on the employee's gross  
398 monthly compensation.

399 ~~4.3.~~ The college shall deduct an amount approved by the  
400 district board of trustees of the college to provide for the  
401 administration of the optional retirement program. Payment of  
402 this contribution must be made directly by the college or  
403 through the program administrator to the designated company  
404 contracting for payment of benefits to the program member.

405 Section 7. The Legislature finds that a proper and  
406 legitimate state purpose is served when employees and retirees  
407 of the state and its political subdivisions, and the dependents,  
408 survivors, and beneficiaries of such employees and retirees, are  
409 extended the basic protections afforded by governmental  
410 retirement systems. These persons must be provided benefits that  
411 are fair and adequate and that are managed, administered, and

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412 funded in an actuarially sound manner, as required by s. 14,  
413 Article X of the State Constitution and part VII of chapter 112,  
414 Florida Statutes. Therefore, the Legislature determines and  
415 declares that this act fulfills an important state interest.  
416 Section 8. This act shall take effect July 1, 2012.