

By Senator Brandes

22-00447C-13

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1 A bill to be entitled

2 An act relating to publicly-funded defined benefit
3 retirement plans; amending s. 112.66, F.S.; providing
4 that the state is not liable for shortfalls in local
5 government retirement systems or plans; creating s.
6 112.664, F.S.; requiring a defined benefit system or
7 plan to report certain information to the Department
8 of Management Services and specifying the assumptions
9 and methods to be used in determining the information
10 submitted; requiring the plan sponsor to make the
11 information available on certain websites; providing a
12 time certain for submission of the information;
13 providing consequences for failure to submit the
14 required information; providing an effective date.

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16 WHEREAS, in 2012, there were 492 local government employee
17 defined benefit pension plans in Florida, providing pension
18 benefits to approximately 79,000 retirees. The interests of
19 participants in many of these plans may have property rights
20 implications under state law, and

21 WHEREAS, local government employee defined benefit pension
22 plans are becoming a large financial burden on certain local
23 governments and have already resulted in tax increases and the
24 reduction of services, and

25 WHEREAS, the 2012 Florida Local Government Retirement
26 Systems Annual Report published by the Department of Management
27 Services specifies the total unfunded actuarial accrued
28 liability of all local government defined benefit pension plans
29 at approximately \$10 billion, and

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30 WHEREAS, some economists and observers have stated that the
31 extent to which state or local government employee defined
32 benefit pension plans are underfunded is obscured by
33 governmental accounting rules and practices, particularly as
34 they relate to the valuation of plan assets and liabilities.
35 This results in a misstatement of the value of plan assets and
36 an understatement of plan liabilities, a situation that poses a
37 significant threat to the soundness of state and local budgets,
38 and

39 WHEREAS, there is currently a lack of meaningful disclosure
40 regarding the value of state or local government employee direct
41 benefit pension plan assets and liabilities. This lack of
42 meaningful disclosure poses a direct and serious threat to the
43 financial stability of such plans and their sponsoring
44 governments, impairs the ability of state and local government
45 taxpayers and officials to understand the financial obligations
46 of their government, and reduces the likelihood that state and
47 local government processes will be effective in assuring the
48 prudent management of their plans, and

49 WHEREAS, the financial health of state or local government
50 employee pension benefit plans can have statewide public
51 repercussions, and the meaningful disclosure of the value of
52 their assets and liabilities is necessary and desirable in order
53 to adequately protect plan participants and their beneficiaries
54 as well as the general public, and to further efforts to provide
55 for the general welfare and the free flow of commerce, NOW,
56 THEREFORE,

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58 Be It Enacted by the Legislature of the State of Florida:

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Section 1. Subsection (14) is added to section 112.66, Florida Statutes, to read:

112.66 General provisions.—The following general provisions relating to the operation and administration of any retirement system or plan covered by this part are ~~shall be~~ applicable:

(14) The state is not liable for any obligation relating to any current or future shortfall in any local government retirement system or plan.

Section 2. Section 112.664, Florida Statutes, is created to read:

112.664 Reporting standards for defined benefit retirement plans or systems.—

(1) In addition to the other reporting requirements of this part, effective July 1, 2013, and for every other plan year completed on or after January 1, 2013, each defined benefit retirement system or plan, including the Florida Retirement System, shall electronically report the following information to the Department of Management Services in a format established by the department:

(a) The long-term funded ratio calculated in a manner similar to the Government Accounting Standards Board's Statement No. 67, Financial Reporting for Pension Plans, including the market value of its assets, the value of its actuarial liabilities, and the amount of its unfunded accrued liability, if any.

(b) The dollar value of the unfunded accrued liability, if any, of the plan.

(c) The number of months or years for which the current

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88 market value of assets are adequate to sustain the payment of
89 expected retirement benefits.

90 (d) The recommended contributions to the plan under the
91 calculations required under paragraph (a) stated as an annual
92 dollar value and a percentage of valuation payroll.

93 (2) Each defined benefit retirement system or plan shall
94 use the following assumptions and methods in determining the
95 information required under subsection (1):

96 (a) The actuarial cost method, which is the Entry Age
97 Normal method.

98 (b) The assumed rate of return on investments and the
99 assumed discount rate, which are the adjusted 24-month average
100 corporate bond segment rates determined under s.
101 430(h)(2)(C)(iv) of the Internal Revenue Code by the Department
102 of the Treasury.

103 (c) Preretirement mortality calculated using the RP-2000
104 Mortality Tables for male and female employees. Postretirement
105 mortality is calculated using the RP-2000 Mortality Tables for
106 healthy white-collar employees, as projected from the year 2000
107 to the valuation year using Projection Scale AA.

108 (d) The asset valuation method, which is the market value
109 less the value of any deferred retirement option program
110 accounts.

111 (e) All other assumptions and methods used by the system or
112 plan in its latest valuation.

113 (3) Each defined benefit retirement system or plan and its
114 plan sponsor shall provide the information required by this
115 section and the funded ratio of the system or plan as determined
116 in the most recent actuarial valuation as part of the

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117 disclosures required under s. 166.241(3) and on any website that
118 contains budget information relating to the plan sponsor or
119 actuarial or performance information related to the system or
120 plan.

121 (4) Each retirement system or plan shall submit the
122 information required by this section to the department within
123 180 days after the close of the plan year together with
124 appropriate signed actuarial certification as established by the
125 department. For those plan years ending between January 1, 2013,
126 and July 1, 2013, the due date for the submission of information
127 is October 1, 2013.

128 (5) A plan established under chapter 175 or chapter 185
129 that fails to submit the information on a timely basis shall be
130 deemed to be in noncompliance with chapters 175 and 185, as
131 applicable.

132 (6) Any local government defined benefit pension plan that
133 fails to submit the information on a timely basis shall be
134 deemed to be in noncompliance with this part.

135 Section 3. This act shall take effect July 1, 2013.