

Amendment No.

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	<u> </u>	(Y/N)
ADOPTED AS AMENDED	<u> </u>	(Y/N)
ADOPTED W/O OBJECTION	<u> </u>	(Y/N)
FAILED TO ADOPT	<u> </u>	(Y/N)
WITHDRAWN	<u> </u>	(Y/N)
OTHER	<u> </u>	

1 Committee/Subcommittee hearing bill: Government Operations
 2 Subcommittee

3 Representative Caldwell offered the following:

4

5 **Amendment (with title amendment)**

6 Remove everything after the enacting clause and insert:

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

9 112.66 General provisions.—The following general
 10 provisions relating to the operation and administration of any
 11 retirement system or plan covered by this part shall be
 12 applicable:

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

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

18 112.664 Reporting standards for defined benefit retirement
 19 plans or systems.—

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20 (1) In addition to the other reporting requirements of
21 this part, within 180 days after the close of the first plan
22 year that ends on or after June 30, 2013, and thereafter in each
23 year required under s. 112.63(2), each defined benefit
24 retirement system or plan, including the Florida Retirement
25 System, shall electronically report the following information to
26 the Department of Management Services in a format prescribed by
27 the department:

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

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

36 (c) The number of months or years for which the current
37 market value of assets are adequate to sustain the payment of
38 expected retirement benefits.

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

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

45 (a) The actuarial cost method, which is the Entry Age
46 Normal method.

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47 (b) The assumed rate of return on investments and the
48 assumed discount rate, which are the adjusted 24-month average
49 corporate bond segment rates determined under s.
50 430(h)(2)(C)(iv) of the Internal Revenue Code by the Department
51 of the Treasury.

52 (c) Preretirement mortality calculated using the RP-2000
53 Mortality Tables for male and female employees. Postretirement
54 mortality is calculated using the RP-2000 Mortality Tables for
55 healthy white-collar employees, as projected from the year 2000
56 to the valuation year using Projection Scale AA.

57 (d) The asset valuation method, which is the market value
58 less the value of any deferred retirement option program
59 accounts.

60 (e) The actuarial accrued liabilities, excluding the value
61 of any deferred retirement option program accounts.

62 (f) All other assumptions and methods used by the system
63 or plan in its latest valuation.

64 (3) Each defined benefit retirement system or plan and its
65 plan sponsor shall provide the information required by this
66 section and the funded ratio of the system or plan as determined
67 in the most recent actuarial valuation as part of the
68 disclosures required under s. 166.241(3) and on any website that
69 contains budget information relating to the plan sponsor or
70 actuarial or performance information related to the system or
71 plan. The Executive Office of the Governor shall comply with
72 this subsection by making the information and funded ratio
73 relating to the Florida Retirement System available on the

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74 website described in s. 215.985 which contains state financial
75 information.

76 (4) If a plan has not submitted the required information
77 to the Department of Management Services within 180 days after
78 the closing date of a plan year in which the information is
79 required to be submitted to the department, the plan shall be
80 deemed to be in noncompliance.

81 (a) The Department of Management Services may notify the
82 Department of Revenue and the Department of Financial Services
83 of the noncompliance, and the Department of Revenue and the
84 Department of Financial Services shall withhold any funds not
85 pledged for satisfaction of bond debt service and which are
86 payable to the plan sponsor until the information is provided to
87 the Department of Management Services. The Department of
88 Management Services shall specify the date the withholding is to
89 begin and notify the Department of Revenue, the Department of
90 Financial Services, and the plan sponsor 30 days before the
91 specified date.

92 (b) Within 21 days after receipt of the notice, the plan
93 sponsor may petition the Department of Management Services for a
94 hearing under ss. 120.569 and 120.57. The Department of Revenue
95 and the Department of Financial Services may not be parties to
96 the hearing, but may request to intervene if requested by the
97 Department of Management Services or if the Department of
98 Revenue or the Department of Financial Services determines its
99 interests may be adversely affected by the hearing.

100 Section 3. Subsection (1) of section 112.665, Florida
101 Statutes, is amended to read:

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102 112.665 Duties of Department of Management Services.—

103 (1) The Department of Management Services shall:

104 (a) Gather, catalog, and maintain complete, computerized
105 data information on all public employee retirement systems or
106 plans in the state, based upon a review of audits, reports, and
107 other data pertaining to the systems or plans;

108 (b) Receive and comment upon all actuarial reviews of
109 retirement systems or plans maintained by units of local
110 government;

111 (c) Cooperate with local retirement systems or plans on
112 matters of mutual concern and provide technical assistance to
113 units of local government in the assessment and revision of
114 retirement systems or plans;

115 (d) Annually issue, by January 1 ~~annually~~, a report to the
116 President of the Senate and the Speaker of the House of
117 Representatives, which ~~report~~ details division activities,
118 findings, and recommendations concerning all governmental
119 retirement systems. The report may include legislation proposed
120 to carry out such recommendations;

121 (e) Provide a fact sheet for each participating local
122 government defined benefit pension plan which summarizes
123 ~~summarizing~~ the plan's actuarial status. The fact sheet should
124 provide a summary of the plan's most current actuarial data,
125 minimum funding requirements as a percentage of pay, and a 5-
126 year history of funded ratios. The fact sheet must include a
127 brief explanation of each element in order to maximize the
128 transparency of the local government plans. The fact sheet must
129 also contain the information specified in s. 112.664(1). These

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130 documents shall be posted on the department's website. Plan
131 sponsors that have websites must provide a link to the
132 department's website;

133 (f) Annually issue, by January 1 ~~annually~~, a report to the
134 Special District Information Program of the Department of
135 Economic Opportunity which ~~that~~ includes the participation in
136 and compliance of special districts with the local government
137 retirement system provisions in s. 112.63 and the state-
138 administered retirement system provisions ~~as~~ specified in part I
139 of chapter 121; and

140 (g) Adopt reasonable rules to administer ~~the provisions of~~
141 this part.

142 Section 4. The Legislature finds that a proper and
143 legitimate state purpose is served when employees and retirees
144 of the state and its political subdivisions, and the dependents,
145 survivors, and beneficiaries of such employees and retirees, are
146 extended the basic protections afforded by governmental
147 retirement systems that provide fair and adequate benefits and
148 that are managed, administered, and funded in an actuarially
149 sound manner as required by s. 14, Article X of the State
150 Constitution and part VII of chapter 112, Florida Statutes.
151 Therefore, the Legislature determines and declares that this act
152 fulfills an important state interest.

153 Section 5. This act shall take effect July 1, 2013.

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156 **T I T L E A M E N D M E N T**

157 Remove everything before the enacting clause and insert:

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158 A bill to be entitled
159 An act relating to publicly funded defined benefit
160 retirement plans; amending s. 112.66, F.S.; providing
161 that the state is not liable for shortfalls in local
162 government retirement systems or plans; creating s.
163 112.664, F.S.; requiring a defined benefit retirement
164 system or plan to report certain information to the
165 Department of Management Services by a certain date
166 and specifying the assumptions and methods to be used
167 in determining the information submitted; requiring
168 the plan sponsor to make the information available on
169 certain websites; providing consequences for failure
170 to timely submit the required information; providing a
171 method for a plan sponsor to request a hearing to
172 contest such consequences; amending s. 112.665, F.S.;
173 requiring the department to provide a fact sheet
174 specifying certain information; providing a
175 declaration of important state interest; providing an
176 effective date.

177
178 WHEREAS, in 2012, there were 492 local government employee
179 defined benefit pension plans in Florida, providing pension
180 benefits to approximately 79,000 retirees. The interests of
181 participants in many of these plans may have property rights
182 implications under state law, and

183 WHEREAS, local government employee defined benefit pension
184 plans are becoming a large financial burden on certain local

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185 governments and have already resulted in tax increases and the
186 reduction of services, and

187 WHEREAS, the 2012 Florida Local Government Retirement
188 Systems Annual Report published by the Department of Management
189 Services specifies the total unfunded actuarial accrued
190 liability of all local government defined benefit pension plans
191 at approximately \$10 billion, and

192 WHEREAS, some economists and observers have stated that the
193 extent to which state or local government employee defined
194 benefit pension plans are underfunded is obscured by
195 governmental accounting rules and practices, particularly as
196 they relate to the valuation of plan assets and liabilities.
197 This results in a misstatement of the value of plan assets and
198 an understatement of plan liabilities, a situation that poses a
199 significant threat to the soundness of state and local budgets,
200 and

201 WHEREAS, there is currently a lack of meaningful disclosure
202 regarding the value of state or local government employee
203 defined benefit pension plan assets and liabilities. This lack
204 of meaningful disclosure poses a direct and serious threat to
205 the financial stability of such plans and their sponsoring
206 governments, impairs the ability of state and local government
207 taxpayers and officials to understand the financial obligations
208 of their government, and reduces the likelihood that state and
209 local government processes will be effective in assuring the
210 prudent management of their plans, and

211 WHEREAS, the financial health of state or local government
212 employee pension benefit plans can have statewide public

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Bill No. HB 599 (2013)

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213 | repercussions, and the meaningful disclosure of the value of
214 | their assets and liabilities is necessary and desirable in order
215 | to adequately protect plan participants and their beneficiaries
216 | as well as the general public, and to further efforts to provide
217 | for the general welfare and the free flow of commerce, NOW,
218 | THEREFORE,