

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 retirement
7 system or plan to report certain information to the
8 Department of Management Services by a certain date
9 and specifying the assumptions and methods to be used
10 in determining the information submitted; requiring
11 the plan sponsor to make the information available on
12 certain websites; providing consequences for failure
13 to timely submit the required information; providing a
14 method for a plan sponsor to request a hearing to
15 contest such consequences; amending s. 112.665, F.S.;
16 requiring the department to provide a fact sheet
17 specifying certain information; providing a
18 declaration of important state interest; providing an
19 effective date.

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21 WHEREAS, in 2012, there were 492 local government employee-
22 defined benefit pension plans in Florida, providing pension
23 benefits to approximately 79,000 retirees. The interests of
24 participants in many of these plans may have property rights
25 implications under state law, and

26 WHEREAS, local government employee-defined benefit pension
27 plans are becoming a large financial burden on certain local
28 governments and have already resulted in tax increases and the

29 | reduction of services, and

30 | WHEREAS, the 2012 Florida Local Government Retirement
31 | Systems Annual Report published by the Department of Management
32 | Services specifies the total unfunded actuarial accrued
33 | liability of all local government employee-defined benefit
34 | pension plans at approximately \$10 billion, and

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

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

54 | WHEREAS, the financial health of state or local government
55 | employee-defined benefit pension plans can have statewide public
56 | repercussions, and the meaningful disclosure of the value of

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57 | their assets and liabilities is necessary and desirable in order
58 | to adequately protect plan participants and their beneficiaries
59 | as well as the general public and to further efforts to provide
60 | for the general welfare and the free flow of commerce, NOW,
61 | THEREFORE,

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63 | Be It Enacted by the Legislature of the State of Florida:

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

67 | 112.66 General provisions.—The following general
68 | provisions relating to the operation and administration of any
69 | retirement system or plan covered by this part shall be
70 | applicable:

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

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

76 | 112.664 Reporting standards for defined benefit retirement
77 | plans or systems.—

78 | (1) In addition to the other reporting requirements of
79 | this part, within 180 days after the close of the first plan
80 | year that ends on or after June 30, 2013, and thereafter in each
81 | year required under s. 112.63(2), each defined benefit
82 | retirement system or plan, including the Florida Retirement
83 | System, shall electronically report the following information to
84 | the Department of Management Services in a format prescribed by

85 the department:

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

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

94 (c) The number of months or years for which the current
95 market value of assets is adequate to sustain the payment of
96 expected retirement benefits.

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

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

103 (a) The actuarial cost method, which is the Entry Age
104 Normal method.

105 (b) The assumed rate of return on investments and the
106 assumed discount rate, which are the adjusted 24-month average
107 corporate bond segment rates determined under s.
108 430(h)(2)(C)(iv) of the Internal Revenue Code by the Department
109 of the Treasury.

110 (c) Preretirement mortality calculated using the RP-2000
111 Mortality Tables for male and female employees. Postretirement
112 mortality is calculated using the RP-2000 Mortality Tables for

113 healthy white-collar employees, as projected from the year 2000
114 to the valuation year using Projection Scale AA.

115 (d) The asset valuation method, which is the market value
116 less the value of any deferred retirement option program
117 accounts.

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

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

122 (3) Each defined benefit retirement system or plan and its
123 plan sponsor shall provide the information required by this
124 section and the funded ratio of the system or plan as determined
125 in the most recent actuarial valuation as part of the
126 disclosures required under s. 166.241(3) and on any website that
127 contains budget information relating to the plan sponsor or
128 actuarial or performance information related to the system or
129 plan. The Executive Office of the Governor shall comply with
130 this subsection by making the information and funded ratio
131 relating to the Florida Retirement System available on the
132 website described in s. 215.985 which contains state financial
133 information.

134 (4) If a plan has not submitted the required information
135 to the Department of Management Services within 180 days after
136 the closing date of a plan year in which the information is
137 required to be submitted to the department, the plan shall be
138 deemed to be in noncompliance.

139 (a) The Department of Management Services may notify the
140 Department of Revenue and the Department of Financial Services

141 of the noncompliance, and the Department of Revenue and the
142 Department of Financial Services shall withhold any funds not
143 pledged for satisfaction of bond debt service and which are
144 payable to the plan sponsor until the information is provided to
145 the Department of Management Services. The Department of
146 Management Services shall specify the date the withholding is to
147 begin and notify the Department of Revenue, the Department of
148 Financial Services, and the plan sponsor 30 days before the
149 specified date.

150 (b) Within 21 days after receipt of the notice, the plan
151 sponsor may petition the Department of Management Services for a
152 hearing under ss. 120.569 and 120.57. The Department of Revenue
153 and the Department of Financial Services may not be parties to
154 the hearing but may request to intervene if requested by the
155 Department of Management Services or if the Department of
156 Revenue or the Department of Financial Services determines its
157 interests may be adversely affected by the hearing.

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

160 112.665 Duties of Department of Management Services.—

161 (1) The Department of Management Services shall:

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

166 (b) Receive and comment upon all actuarial reviews of
167 retirement systems or plans maintained by units of local
168 government;

169 (c) Cooperate with local retirement systems or plans on
170 matters of mutual concern and provide technical assistance to
171 units of local government in the assessment and revision of
172 retirement systems or plans;

173 (d) Annually issue, by January 1 ~~annually~~, a report to the
174 President of the Senate and the Speaker of the House of
175 Representatives, which ~~report~~ details division activities,
176 findings, and recommendations concerning all governmental
177 retirement systems. The report may include legislation proposed
178 to carry out such recommendations;

179 (e) Provide a fact sheet for each participating local
180 government defined benefit pension plan which summarizes
181 ~~summarizing~~ the plan's actuarial status. The fact sheet should
182 provide a summary of the plan's most current actuarial data,
183 minimum funding requirements as a percentage of pay, and a 5-
184 year history of funded ratios. The fact sheet must include a
185 brief explanation of each element in order to maximize the
186 transparency of the local government plans. The fact sheet must
187 also contain the information specified in s. 112.664(1). These
188 documents shall be posted on the department's website. Plan
189 sponsors that have websites must provide a link to the
190 department's website;

191 (f) Annually issue, by January 1 ~~annually~~, a report to the
192 Special District Information Program of the Department of
193 Economic Opportunity which ~~that~~ includes the participation in
194 and compliance of special districts with the local government
195 retirement system provisions in s. 112.63 and the state-
196 administered retirement system provisions ~~as~~ specified in part I

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197 | of chapter 121; and

198 | (g) Adopt reasonable rules to administer ~~the provisions of~~
199 | this part.

200 | Section 4. The Legislature finds that a proper and
201 | legitimate state purpose is served when employees and retirees
202 | of the state and its political subdivisions, and the dependents,
203 | survivors, and beneficiaries of such employees and retirees, are
204 | extended the basic protections afforded by governmental
205 | retirement systems that provide fair and adequate benefits and
206 | that are managed, administered, and funded in an actuarially
207 | sound manner as required by s. 14, Article X of the State
208 | Constitution and part VII of chapter 112, Florida Statutes.
209 | Therefore, the Legislature determines and declares that this act
210 | fulfills an important state interest.

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