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LEGISLATIVE ACTION

Senate

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House

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Floor: WD/3R

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05/03/2017 10:23 AM

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Senator Brandes moved the following:

Senate Amendment (with title amendment)

Before line 13

insert:

Section 1. Subsection (3) of section 121.031, Florida Statutes, is amended to read

121.031 Administration of system; appropriation; oaths; actuarial studies; public records.—

(3) The administrator shall cause an actuarial study of the system to be made at least annually and shall report the results of such study to the ~~Legislature~~ Governor, the President of the



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12 Senate, and the Speaker of the House of Representatives by
13 December 31 prior to the next legislative session. The study
14 shall, at a minimum, conform to the requirements of s. 112.63,
15 with the following exceptions and additions:

16 (a) The valuation of plan assets shall be based on a 5-year
17 averaging methodology such as that specified in the United
18 States Department of Treasury Regulations, 26 C.F.R. s.
19 1.412(c)(2)-1 in effect on August 16, 2006, or a similar
20 accepted approach designed to attenuate fluctuations in asset
21 values.

22 (b) The study shall include a narrative explaining the
23 changes in the covered group over the period between actuarial
24 valuations and the impact of those changes on actuarial results.

25 (c) When substantial changes in actuarial assumptions have
26 been made, the study shall reflect the results of an actuarial
27 assumption as of the current date based on the assumptions
28 utilized in the prior actuarial report.

29 (d) The study shall include an analysis of the changes in
30 actuarial valuation results by the factors generating those
31 changes. Such analysis shall reconcile the current actuarial
32 valuation results with those results from the prior valuation.

33 (e) The study shall include measures of funding status and
34 funding progress designed to facilitate the assessment of trends
35 over several actuarial valuations with respect to the overall
36 solvency of the system. Such measures shall be adopted by the
37 department and shall be used consistently in all actuarial
38 valuations performed on the system.

39 (f) The study shall include an analysis of the assumed rate
40 of return adopted by the Florida Retirement System Actuarial



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41 Assumption Conference pursuant to s. 216.136(10). This analysis
42 shall include specific recommendations regarding an appropriate
43 assumed rate of return.

44 (g)~~(f)~~ The actuarial model used to determine the adequate
45 level of funding for the Florida Retirement System shall include
46 a specific rate stabilization mechanism, as prescribed herein.
47 It is the intent of the Legislature to maintain as a reserve a
48 specific portion of any actuarial surplus, and to use such
49 reserve for the purpose of offsetting future unfunded
50 liabilities caused by experience losses, thereby minimizing the
51 risk of future increases in contribution rates. It is further
52 the intent of the Legislature that the use of any excess above
53 the reserve to offset retirement system normal costs shall be in
54 a manner that will allow system employers to plan appropriately
55 for resulting cost reductions and subsequent cost increases. The
56 rate stabilization mechanism shall operate as follows:

57 1. The actuarial surplus shall be the value of actuarial
58 assets over actuarial liabilities, as is determined on the
59 preceding June 30 or as may be estimated on the preceding
60 December 31.

61 2. The full amount of any experience loss shall be offset,
62 to the extent possible, by any actuarial surplus.

63 3. If the actuarial surplus exceeds 5 percent of actuarial
64 liabilities, one-half of the excess may be used to offset total
65 retirement system costs. In addition, if the actuarial surplus
66 exceeds 10 percent of actuarial liabilities, an additional one-
67 fourth of the excess above 10 percent may be used to offset
68 total retirement system costs. In addition, if the actuarial
69 surplus exceeds 15 percent of actuarial liabilities, an



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70 additional one-fourth of the excess above 15 percent may be used
71 to offset total retirement system costs.

72 4. Any surplus amounts available to offset total retirement
73 system costs pursuant to subparagraph 3. should be amortized
74 each year over a 10-year rolling period on a level-dollar basis.

75 Section 2. Section 121.0312, Florida Statutes, is amended
76 to read

77 121.0312 Acknowledgement of review ~~Review~~; actuarial
78 valuation report; contribution rate determination process.—

79 (1) The Governor, Chief Financial Officer, and Attorney
80 General, sitting as the Board of Trustees of the State Board of
81 Administration, shall review the actuarial valuation report
82 prepared in accordance with the provisions of this chapter. The
83 Board shall review the process by which Florida Retirement
84 System contribution rates are determined and recommend and
85 submit any comments regarding the process to the Legislature.

86 (2) Effective July 1, 2019, the Governor, the President of
87 the Senate, and the Speaker of the House of Representatives
88 shall, within 30 days of receipt, acknowledge in writing, their
89 acceptance, and review of, the actuarial valuation report
90 prepared in accordance with this chapter and any recommendations
91 regarding actuarial assumptions contained therein. The
92 department shall publish the written acknowledgements as addenda
93 to the report.

94 Section 3. Paragraph (g) of subsection (4) of section
95 121.4501, Florida Statutes, is amended to read:

96 121.4501 Florida Retirement System Investment Plan.—

97 (4) PARTICIPATION; ENROLLMENT.—

98 (g) After the period during which an eligible employee had



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99 the choice to elect the pension plan or the investment plan, or
100 the month following the receipt of the eligible employee's plan
101 election, if sooner, the employee shall have one opportunity, at
102 the employee's discretion, to choose to move from the pension
103 plan to the investment plan or from the investment plan to the
104 pension plan. Eligible employees may elect to move between plans
105 only if they are earning service credit in an employer-employee
106 relationship consistent with s. 121.021(17)(b), excluding leaves
107 of absence without pay. Effective July 1, 2005, such elections
108 are effective on the first day of the month following the
109 receipt of the election by the third-party administrator and are
110 not subject to the requirements regarding an employer-employee
111 relationship or receipt of contributions for the eligible
112 employee in the effective month, except when the election is
113 received by the third-party administrator. This paragraph is
114 contingent upon approval by the Internal Revenue Service.

115 1. If the employee chooses to move to the investment plan,
116 the provisions of subsection (3) govern the transfer.

117 2. If the employee chooses to move to the pension plan, the
118 employee must transfer from his or her investment plan account,
119 and from other employee moneys as necessary, a sum representing
120 the present value of that employee's accumulated benefit
121 obligation immediately following the time of such movement,
122 determined assuming that attained service equals the sum of
123 service in the pension plan and service in the investment plan.
124 Benefit commencement occurs on the first date the employee is
125 eligible for unreduced benefits, using the discount rate and
126 other relevant actuarial assumptions that were used to value the
127 pension plan liabilities in the most recent actuarial valuation.



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128 For any employee who, at the time of the second election,
129 already maintains an accrued benefit amount in the pension plan,
130 the then-present value of the accrued benefit is deemed part of
131 the required transfer amount. The division must ensure that the
132 transfer sum is prepared using a formula and methodology
133 certified by an enrolled actuary. A refund of any employee
134 contributions or additional member payments made which exceed
135 the employee contributions that would have accrued had the
136 member remained in the pension plan and not transferred to the
137 investment plan is not permitted.

138 3. Notwithstanding subparagraph 2., an employee who chooses
139 to move to the pension plan and who became eligible to
140 participate in the investment plan by reason of employment in a
141 regularly established position with a state employer after June
142 1, 2002; a district school board employer after September 1,
143 2002; or a local employer after December 1, 2002, must transfer
144 from his or her investment plan account, and from other employee
145 moneys as necessary, a sum representing the employee's actuarial
146 accrued liability. A refund of any employee contributions or
147 additional participant payments made which exceed the employee
148 contributions that would have accrued had the member remained in
149 the pension plan and not transferred to the investment plan is
150 not permitted.

151 4. An employee's ability to transfer from the pension plan
152 to the investment plan pursuant to paragraphs (a)-(d), and the
153 ability of a current employee to have an option to later
154 transfer back into the pension plan under subparagraph 2., shall
155 be deemed a significant system amendment. Pursuant to s.
156 121.031(4), any resulting unfunded liability arising from actual



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157 original transfers from the pension plan to the investment plan
158 must be amortized within 30 plan years as a separate unfunded
159 actuarial base independent of the reserve stabilization
160 mechanism defined in s. 121.031(3)(g) ~~s. 121.031(3)(f)~~. For the
161 first 25 years, a direct amortization payment may not be
162 calculated for this base. During this 25-year period, the
163 separate base shall be used to offset the impact of employees
164 exercising their second program election under this paragraph.
165 The actuarial funded status of the pension plan will not be
166 affected by such second program elections in any significant
167 manner, after due recognition of the separate unfunded actuarial
168 base. Following the initial 25-year period, any remaining
169 balance of the original separate base shall be amortized over
170 the remaining 5 years of the required 30-year amortization
171 period.

172 5. If the employee chooses to transfer from the investment
173 plan to the pension plan and retains an excess account balance
174 in the investment plan after satisfying the buy-in requirements
175 under this paragraph, the excess may not be distributed until
176 the member retires from the pension plan. The excess account
177 balance may be rolled over to the pension plan and used to
178 purchase service credit or upgrade creditable service in the
179 pension plan.

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181 ===== T I T L E A M E N D M E N T =====

182 And the title is amended as follows:

183 Delete line 2

184 and insert:

185 An act relating to financial reporting; amending s.



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186 121.031; providing criteria to be included in the
187 annual actuarial valuation report; amending s.
188 121.0312; requiring acknowledgement and review of the
189 report; amending s. 121.4501, F.S.; conforming a
190 cross-reference; amending ss.