

1 A bill to be entitled
2 An act relating to publicly funded defined benefit
3 retirement plans; reordering and amending s. 112.625,
4 F.S.; defining the term "long-range return rate";
5 amending s. 112.63, F.S.; revising requirements for
6 actuarial reports submitted by a retirement plan or
7 system subject to part VII of ch. 112, F.S., to
8 conform; amending s. 112.64, F.S.; prohibiting the
9 actuarial assumed rate of return of a plan or system
10 from exceeding the long-range return rate, as of a
11 specified date; specifying the length of time that a
12 long-range return rate is in effect; specifying the
13 method of reducing the actuarial assumed rate of
14 return under certain conditions; providing reporting
15 requirements for a plan or system with an actuarial
16 assumed rate of return in excess of the long-range
17 return rate; amending ss. 175.261 and 185.221, F.S.;
18 conforming cross-references; providing a declaration
19 of important state interest; providing an effective
20 date.

21
22 Be It Enacted by the Legislature of the State of Florida:

23
24 Section 1. Section 112.625, Florida Statutes, is reordered
25 and amended to read:

26 | 112.625 Definitions.—As used in this act:

27 | (9)~~(1)~~ "Retirement system or plan" means any employee
28 | pension benefit plan supported in whole or in part by public
29 | funds, provided such plan is not:

30 | (a) An employee benefit plan described in s. 4(a) of the
31 | Employee Retirement Income Security Act of 1974, which is not
32 | exempt under s. 4(b)(1) of such act;

33 | (b) A plan which is unfunded and is maintained by an
34 | employer primarily for the purpose of providing deferred
35 | compensation for a select group of management or highly
36 | compensated employees;

37 | (c) A coverage agreement entered into pursuant to s. 218
38 | of the Social Security Act;

39 | (d) An individual retirement account or an individual
40 | retirement annuity within the meaning of s. 408, or a retirement
41 | bond within the meaning of s. 409, of the Internal Revenue Code
42 | of 1954;

43 | (e) A plan described in s. 401(d) of the Internal Revenue
44 | Code of 1954; or

45 | (f) An individual account consisting of an annuity
46 | contract described in s. 403(b) of the Internal Revenue Code of
47 | 1954.

48 | (7)~~(2)~~ "Plan administrator" means the person so designated
49 | by the terms of the instrument or instruments, ordinance, or
50 | statute under which the plan is operated. If no plan

51 administrator has been designated, the plan sponsor shall be
52 considered the plan administrator.

53 (2)~~(3)~~ "Enrolled actuary" means an actuary who is enrolled
54 under Subtitle C of Title III of the Employee Retirement Income
55 Security Act of 1974 and who is a member of the Society of
56 Actuaries or the American Academy of Actuaries.

57 (1)~~(4)~~ "Benefit increase" means a change or amendment in
58 the plan design or benefit structure which results in increased
59 benefits for plan members or beneficiaries.

60 (3)~~(5)~~ "Governmental entity" means the state, for the
61 Florida Retirement System, and the county, municipality, special
62 district, or district school board which is the employer of the
63 member of a local retirement system or plan.

64 (6) "Pension or retirement benefit" means any benefit,
65 including a disability benefit, paid to a member or beneficiary
66 of a retirement system or plan as defined in subsection (9)~~(1)~~.

67 (10)~~(7)~~ "Statement value" means the value of assets in
68 accordance with s. 302(c)(2) of the Employee Retirement Income
69 Security Act of 1974 and as permitted under regulations
70 prescribed by the Secretary of the Treasury as amended by Pub.
71 L. No. 100-203, as such sections are in effect on August 16,
72 2006. Assets for which a fair market value is not provided shall
73 be excluded from the assets used in the determination of annual
74 funding cost.

75 (5)~~(8)~~ "Named fiduciary," "board," or "board of trustees"

76 means the person or persons so designated by the terms of the
77 instrument or instruments, ordinance, or statute under which the
78 plan is operated.

79 ~~(8)-(9)~~ "Plan sponsor" means the local governmental entity
80 that has established or that may establish a local retirement
81 system or plan.

82 (4) "Long-range return rate" means an actuarial assumed
83 rate of return that is expected to be realized at least 50
84 percent of the time over the next 30-year period.

85 Section 2. Paragraph (c) of subsection (1) of section
86 112.63, Florida Statutes, is amended, and paragraph (h) is added
87 to that subsection, to read:

88 112.63 Actuarial reports and statements of actuarial
89 impact; review.—

90 (1) Each retirement system or plan subject to the
91 provisions of this act shall have regularly scheduled actuarial
92 reports prepared and certified by an enrolled actuary. The
93 actuarial report shall consist of, but is not limited to, the
94 following:

95 (c) A description and explanation of actuarial assumptions
96 consistent with the requirements of s. 112.64.

97 (h) A description of proposed adjustments to any actuarial
98 assumptions, if required pursuant to s. 112.64.

99
100 The actuarial cost methods utilized for establishing the amount

101 of the annual actuarial normal cost to support the promised
102 benefits shall only be those methods approved in the Employee
103 Retirement Income Security Act of 1974 and as permitted under
104 regulations prescribed by the Secretary of the Treasury.

105 Section 3. Present subsection (7) of section 112.64,
106 Florida Statutes, is renumbered as subsection (9) and new
107 subsections (7) and (8) are added to that section, to read:

108 112.64 Administration of funds; amortization of unfunded
109 liability.—

110 (7) Beginning January 1, 2021, the actuarial assumed rate
111 of return for each plan year may not be greater than the long-
112 range return rate. Beginning with the 2021 plan year, the long-
113 range return rate is effective for each plan or system for a 5-
114 year period, and must be reevaluated and reestablished for each
115 subsequent 5-year period thereafter and be consistent with the
116 definition in s. 112.625(4). Each plan or system with an
117 actuarial assumed rate of return greater than the long-range
118 return rate on or after January 1, 2021, shall reduce the
119 actuarial assumed rate of return for the next plan year by at
120 least 25 basis points and shall continue to reduce the actuarial
121 assumed rate by at least an additional 25 basis points for each
122 subsequent plan year until the actuarial assumed rate of return
123 is equal to or less than the long-range return rate.

124 (8) Any plan or system that for any plan year has an
125 actuarial assumed rate of return greater than the long-range

126 return rate shall include at least the following information in
127 any report required under s. 112.63:

128 (a) The total necessary adjustment required to bring the
129 actuarial assumed rate of return in compliance with the long-
130 range return rate currently in effect.

131 (b) The number of plan years required to bring the
132 actuarial assumed rate of return in compliance with the long-
133 range return rate currently in effect.

134 (c) Any change to the plan investment strategy, including,
135 but not limited to, changes to asset class allocations, and any
136 change to actuarial methodology which results in a change to
137 either the long-range return rate or the actuarial assumed rate
138 of return of the plan.

139 (d) The additional cost to the plan or system resulting
140 from any changes required to be made to the actuarial assumed
141 rate of return using the long-range return rate currently in
142 effect.

143 Section 4. Paragraph (b) of subsection (2) of section
144 175.261, Florida Statutes, is amended to read:

145 175.261 Annual report to Division of Retirement; actuarial
146 valuations.—For any municipality, special fire control district,
147 chapter plan, local law municipality, local law special fire
148 control district, or local law plan under this chapter, the
149 board of trustees for every chapter plan and local law plan
150 shall submit the following reports to the division:

151 (2) With respect to local law plans:

152 (b) In addition to annual reports provided under paragraph
153 (a), an actuarial valuation of the retirement plan must be made
154 at least once every 3 years, as provided in s. 112.63,
155 commencing 3 years from the last actuarial valuation of the plan
156 or system for existing plans, or commencing 3 years from
157 issuance of the initial actuarial impact statement submitted
158 under s. 112.63 for newly created plans. Such valuation shall be
159 prepared by an enrolled actuary, subject to the following
160 conditions:

161 1. The assets shall be valued as provided in s.
162 112.625(10) ~~s. 112.625(7)~~.

163 2. The cost of the actuarial valuation must be paid by the
164 individual firefighters' retirement fund or by the sponsoring
165 municipality or special fire control district.

166 3. A report of the valuation, including actuarial
167 assumptions and type and basis of funding, shall be made to the
168 division within 3 months after the date of valuation. If any
169 benefits are insured with a commercial insurance company, the
170 report must include a statement of the relationship of the
171 retirement plan benefits to the insured benefits, the name of
172 the insurer, the basis of premium rates, and the mortality
173 table, interest rate, and method used in valuing the retirement
174 benefits.

175 Section 5. Paragraph (b) of subsection (2) of section

176 | 185.221, Florida Statutes, is amended to read:

177 | 185.221 Annual report to Division of Retirement; actuarial
178 | valuations.—For any municipality, chapter plan, local law
179 | municipality, or local law plan under this chapter, the board of
180 | trustees for every chapter plan and local law plan shall submit
181 | the following reports to the division:

182 | (2) With respect to local law plans:

183 | (b) In addition to annual reports provided under paragraph
184 | (a), an actuarial valuation of the retirement plan must be made
185 | at least once every 3 years, as provided in s. 112.63,
186 | commencing 3 years from the last actuarial valuation of the plan
187 | or system for existing plans, or commencing 3 years from
188 | issuance of the initial actuarial impact statement submitted
189 | under s. 112.63 for newly created plans. Such valuation shall be
190 | prepared by an enrolled actuary, subject to the following
191 | conditions:

192 | 1. The assets shall be valued as provided in s.
193 | 112.625(10) ~~s. 112.625(7)~~.

194 | 2. The cost of the actuarial valuation must be paid by the
195 | individual police officer's retirement trust fund or by the
196 | sponsoring municipality.

197 | 3. A report of the valuation, including actuarial
198 | assumptions and type and basis of funding, shall be made to the
199 | division within 3 months after the date of the valuation. If any
200 | benefits are insured with a commercial insurance company, the

201 report must include a statement of the relationship of the
202 retirement plan benefits to the insured benefits, the name of
203 the insurer, the basis of premium rates, and the mortality
204 table, interest rate, and method used in valuing the retirement
205 benefits.

206 Section 6. The Legislature finds that a proper and
207 legitimate state purpose is served when employees and retirees
208 of the state and its political subdivisions, and the dependents,
209 survivors, and beneficiaries of such employees and retirees, are
210 extended the basic protections afforded by governmental
211 retirement systems that provide fair and adequate benefits and
212 that are managed, administered, and funded in an actuarially
213 sound manner as required by s. 14, Article X of the State
214 Constitution and part VII of chapter 112, Florida Statutes.
215 Therefore, the Legislature determines and declares that this act
216 fulfills an important state interest.

217 Section 7. This act shall take effect July 1, 2017.
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