

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.; providing additional
 6 requirements for actuarial reports submitted by a
 7 retirement plan or system subject to part VII of ch.
 8 112, F.S.; amending ss. 175.261 and 185.221, F.S.;
 9 conforming cross-references; providing a declaration
 10 of important state interest; providing an effective
 11 date.

12
 13 Be It Enacted by the Legislature of the State of Florida:

14
 15 Section 1. Section 112.625, Florida Statutes, is reordered
 16 and amended to read:

17 112.625 Definitions.—As used in this act:

18 (9)~~(1)~~ "Retirement system or plan" means any employee
 19 pension benefit plan supported in whole or in part by public
 20 funds, provided such plan is not:

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

24 (b) A plan which is unfunded and is maintained by an
 25 employer primarily for the purpose of providing deferred

26 | compensation for a select group of management or highly
27 | compensated employees;

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

30 | (d) An individual retirement account or an individual
31 | retirement annuity within the meaning of s. 408, or a retirement
32 | bond within the meaning of s. 409, of the Internal Revenue Code
33 | of 1954;

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

36 | (f) An individual account consisting of an annuity
37 | contract described in s. 403(b) of the Internal Revenue Code of
38 | 1954.

39 | (7)~~(2)~~ "Plan administrator" means the person so designated
40 | by the terms of the instrument or instruments, ordinance, or
41 | statute under which the plan is operated. If no plan
42 | administrator has been designated, the plan sponsor shall be
43 | considered the plan administrator.

44 | (2)~~(3)~~ "Enrolled actuary" means an actuary who is enrolled
45 | under Subtitle C of Title III of the Employee Retirement Income
46 | Security Act of 1974 and who is a member of the Society of
47 | Actuaries or the American Academy of Actuaries.

48 | (1)~~(4)~~ "Benefit increase" means a change or amendment in
49 | the plan design or benefit structure which results in increased
50 | benefits for plan members or beneficiaries.

51 (3)~~(5)~~ "Governmental entity" means the state, for the
52 Florida Retirement System, and the county, municipality, special
53 district, or district school board which is the employer of the
54 member of a local retirement system or plan.

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

58 (10)~~(7)~~ "Statement value" means the value of assets in
59 accordance with s. 302(c)(2) of the Employee Retirement Income
60 Security Act of 1974 and as permitted under regulations
61 prescribed by the Secretary of the Treasury as amended by Pub.
62 L. No. 100-203, as such sections are in effect on August 16,
63 2006. Assets for which a fair market value is not provided shall
64 be excluded from the assets used in the determination of annual
65 funding cost.

66 (5)~~(8)~~ "Named fiduciary," "board," or "board of trustees"
67 means the person or persons so designated by the terms of the
68 instrument or instruments, ordinance, or statute under which the
69 plan is operated.

70 (8)~~(9)~~ "Plan sponsor" means the local governmental entity
71 that has established or that may establish a local retirement
72 system or plan.

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

76 Section 2. Paragraph (g) of subsection (1) of section
77 112.63, Florida Statutes, is redesignated as paragraph (h), and
78 a new paragraph (g) is added to that subsection, to read:

79 112.63 Actuarial reports and statements of actuarial
80 impact; review.—

81 (1) Each retirement system or plan subject to the
82 provisions of this act shall have regularly scheduled actuarial
83 reports prepared and certified by an enrolled actuary. The
84 actuarial report shall consist of, but is not limited to, the
85 following:

86 (g) The plan's long-range return rate. Any plan that has
87 an actuarial assumed rate of return greater than the long-range
88 return rate must include:

89 1. The difference between the plan's actuarial assumed
90 rate of return and long-range return rate.

91 2. A description of actions taken to reduce the actuarial
92 assumed rate of return.

93 3. Any change to the plan investment strategy, including,
94 but not limited to, changes to asset class allocations, and any
95 change to actuarial methodology which results in a change to
96 either the long-range return rate or the actuarial assumed rate
97 of return of the plan.

98 4. An estimate of the additional cost to the plan or
99 system that would result if the plan used the long-range return
100 rate as the plan's actuarial assumed rate of return.

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

107 Section 3. Paragraph (b) of subsection (2) of section
108 175.261, Florida Statutes, is amended to read:

109 175.261 Annual report to Division of Retirement; actuarial
110 valuations.—For any municipality, special fire control district,
111 chapter plan, local law municipality, local law special fire
112 control district, or local law plan under this chapter, the
113 board of trustees for every chapter plan and local law plan
114 shall submit the following reports to the division:

115 (2) With respect to local law plans:

116 (b) In addition to annual reports provided under paragraph
117 (a), an actuarial valuation of the retirement plan must be made
118 at least once every 3 years, as provided in s. 112.63,
119 commencing 3 years from the last actuarial valuation of the plan
120 or system for existing plans, or commencing 3 years from
121 issuance of the initial actuarial impact statement submitted
122 under s. 112.63 for newly created plans. Such valuation shall be
123 prepared by an enrolled actuary, subject to the following
124 conditions:

125 1. The assets shall be valued as provided in s.

126 | 112.625(10) ~~s. 112.625(7)~~.

127 | 2. The cost of the actuarial valuation must be paid by the
128 | individual firefighters' retirement fund or by the sponsoring
129 | municipality or special fire control district.

130 | 3. A report of the valuation, including actuarial
131 | assumptions and type and basis of funding, shall be made to the
132 | division within 3 months after the date of valuation. If any
133 | benefits are insured with a commercial insurance company, the
134 | report must include a statement of the relationship of the
135 | retirement plan benefits to the insured benefits, the name of
136 | the insurer, the basis of premium rates, and the mortality
137 | table, interest rate, and method used in valuing the retirement
138 | benefits.

139 | Section 4. Paragraph (b) of subsection (2) of section
140 | 185.221, Florida Statutes, is amended to read:

141 | 185.221 Annual report to Division of Retirement; actuarial
142 | valuations.—For any municipality, chapter plan, local law
143 | municipality, or local law plan under this chapter, the board of
144 | trustees for every chapter plan and local law plan shall submit
145 | the following reports to the division:

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

147 | (b) In addition to annual reports provided under paragraph
148 | (a), an actuarial valuation of the retirement plan must be made
149 | at least once every 3 years, as provided in s. 112.63,
150 | commencing 3 years from the last actuarial valuation of the plan

151 or system for existing plans, or commencing 3 years from
 152 issuance of the initial actuarial impact statement submitted
 153 under s. 112.63 for newly created plans. Such valuation shall be
 154 prepared by an enrolled actuary, subject to the following
 155 conditions:

156 1. The assets shall be valued as provided in s.
 157 112.625(10) ~~s. 112.625(7)~~.

158 2. The cost of the actuarial valuation must be paid by the
 159 individual police officer's retirement trust fund or by the
 160 sponsoring municipality.

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

170 Section 5. The Legislature finds that a proper and
 171 legitimate state purpose is served when employees and retirees
 172 of the state and its political subdivisions, and the dependents,
 173 survivors, and beneficiaries of such employees and retirees, are
 174 extended the basic protections afforded by governmental
 175 retirement systems that provide fair and adequate benefits and

176 | that are managed, administered, and funded in an actuarially
177 | sound manner as required by s. 14, Article X of the State
178 | Constitution and part VII of chapter 112, Florida Statutes.
179 | Therefore, the Legislature determines and declares that this act
180 | fulfills an important state interest.

181 | Section 6. This act shall take effect July 1, 2017.