



584972

LEGISLATIVE ACTION

Senate	.	House
Comm: WD	.	
05/01/2017	.	
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The Committee on Appropriations (Brandes) recommended the following:

1           **Senate Amendment to Amendment (686242) (with title**  
2 **amendment)**

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4           Between lines 2169 and 2170  
5 insert:

6           Section 19. Subsection (3) of section 121.031, Florida  
7 Statutes, is amended to read

8           121.031 Administration of system; appropriation; oaths;  
9 actuarial studies; public records.—

10           (3) The administrator shall cause an actuarial study of the



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11 system to be made at least annually and shall report the results  
12 of such study to the ~~Legislature~~Governor, the President of the  
13 Senate, and the Speaker of the House of Representatives by  
14 December 31 prior to the next legislative session. The study  
15 shall, at a minimum, conform to the requirements of s. 112.63,  
16 with the following exceptions and additions:

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

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

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

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

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



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40           (f) The study shall include an analysis of the assumed rate  
41 of return adopted by the Florida Retirement System Actuarial  
42 Assumption Conference pursuant to s. 216.136(10). This analysis  
43 shall include specific recommendations regarding an appropriate  
44 assumed rate of return.

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

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

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

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



69 total retirement system costs. In addition, if the actuarial  
70 surplus exceeds 15 percent of actuarial liabilities, an  
71 additional one-fourth of the excess above 15 percent may be used  
72 to offset total retirement system costs.

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

76 Section 20. Section 121.0312, Florida Statutes, is amended  
77 to read

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

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

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

95  
96 ===== T I T L E A M E N D M E N T =====

97 And the title is amended as follows:



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98           Delete line 2303  
99   and insert:  
100           and budget authority; amending s. 121.031; providing  
101           criteria to be included in the annual actuarial  
102           valuation report; amending s. 121.0312; requiring  
103           acknowledgement and review of the report; providing  
104           effective dates.