

By Senator Torres

15-01678A-18

20181692__

1 A bill to be entitled
 2 An act relating to the Florida Retirement System;
 3 amending s. 121.021, F.S.; revising the definition of
 4 the term "normal retirement date"; amending s.
 5 121.091, F.S.; revising provisions related to the
 6 early retirement benefit calculation and the deferred
 7 retirement option program to conform to changes made
 8 by the act; amending s. 121.4501, F.S.; revising
 9 provisions related to the benefit commencement age and
 10 creditable years of service for investment plan
 11 participants to conform to changes made by the act;
 12 providing a statement of important state interest;
 13 providing an effective date.

14
 15 Be It Enacted by the Legislature of the State of Florida:

16
 17 Section 1. Subsection (29) of section 121.021, Florida
 18 Statutes, is amended to read:

19 121.021 Definitions.—The following words and phrases as
 20 used in this chapter have the respective meanings set forth
 21 unless a different meaning is plainly required by the context:

22 (29) "Normal retirement date" means the date a member
 23 attains normal retirement age and is vested, which is determined
 24 as follows:

25 (a) If a Regular Class member, a Senior Management Service
 26 Class member, or an Elected Officers' Class member ~~initially~~
 27 enrolled:

28 ~~1. Before July 1, 2011:~~

29 1.a. The first day of the month the member attains age 62;

15-01678A-18

20181692__

30 or

31 2.b. The first day of the month following the date the
32 member completes 30 years of creditable service, regardless of
33 age.

34 ~~2. On or after July 1, 2011:~~

35 ~~a. The first day of the month the member attains age 65; or~~

36 ~~b. The first day of the month following the date the member
37 completes 33 years of creditable service, regardless of age.~~

38 (b) If a Special Risk Class member initially enrolled:

39 ~~1. Before July 1, 2011:~~

40 1.a. The first day of the month the member attains age 55
41 and completes the years of creditable service in the Special
42 Risk Class equal to or greater than the years of service
43 required for vesting;

44 2.b. The first day of the month following the date the
45 member completes 25 years of creditable service in the Special
46 Risk Class, regardless of age; or

47 3.e. The first day of the month following the date the
48 member completes 25 years of creditable service and attains age
49 52, which service may include a maximum of 4 years of military
50 service credit if such credit is not claimed under any other
51 system and the remaining years are in the Special Risk Class.

52 ~~2. On or after July 1, 2011:~~

53 ~~a. The first day of the month the member attains age 60 and
54 completes the years of creditable service in the Special Risk
55 Class equal to or greater than the years of service required for
56 vesting;~~

57 ~~b. The first day of the month following the date the member
58 completes 30 years of creditable service in the Special Risk~~

15-01678A-18

20181692__

59 ~~Class, regardless of age; or~~

60 ~~e. The first day of the month following the date the member~~
61 ~~completes 30 years of creditable service and attains age 57,~~
62 ~~which service may include a maximum of 4 years of military~~
63 ~~service credit if such credit is not claimed under any other~~
64 ~~system and the remaining years are in the Special Risk Class.~~

65

66 For pension plan members, normal retirement age is attained on
67 the normal retirement date. For investment plan members, normal
68 retirement age is the date a member attains his or her normal
69 retirement date as provided in this section, or the date a
70 member is vested under the investment plan as provided in s.
71 121.4501(6), whichever is later.

72 Section 2. Subsection (3) and paragraph (a) of subsection
73 (13) of section 121.091, Florida Statutes, are amended to read:

74 121.091 Benefits payable under the system.—Benefits may not
75 be paid under this section unless the member has terminated
76 employment as provided in s. 121.021(39) (a) or begun
77 participation in the Deferred Retirement Option Program as
78 provided in subsection (13), and a proper application has been
79 filed in the manner prescribed by the department. The department
80 may cancel an application for retirement benefits when the
81 member or beneficiary fails to timely provide the information
82 and documents required by this chapter and the department's
83 rules. The department shall adopt rules establishing procedures
84 for application for retirement benefits and for the cancellation
85 of such application when the required information or documents
86 are not received.

87 (3) EARLY RETIREMENT BENEFIT.—Upon retirement on his or her

15-01678A-18

20181692__

88 early retirement date, the member shall receive an immediate
89 monthly benefit that shall begin to accrue on the first day of
90 the month of the retirement date and be payable on the last day
91 of that month and each month thereafter during his or her
92 lifetime. Such benefit shall be calculated as follows:

93 (a) ~~For a member initially enrolled:~~

94 ~~1. Before July 1, 2011,~~ The amount of each monthly payment
95 shall be computed in the same manner as for a normal retirement
96 benefit, in accordance with subsection (1), but shall be based
97 on the member's average monthly compensation and creditable
98 service as of the member's early retirement date. The benefit so
99 computed shall be reduced by five-twelfths of 1 percent for each
100 complete month by which the early retirement date precedes the
101 normal retirement date of age 62 for a member of the Regular
102 Class, Senior Management Service Class, or the Elected Officers'
103 Class, and age 55 for a member of the Special Risk Class, or age
104 52 if a Special Risk member has completed 25 years of creditable
105 service in accordance with s. 121.021(29)(b)3. ~~s.~~

106 ~~121.021(29)(b)1.c.~~

107 ~~2. On or after July 1, 2011, the amount of each monthly~~
108 ~~payment shall be computed in the same manner as for a normal~~
109 ~~retirement benefit, in accordance with subsection (1), but shall~~
110 ~~be based on the member's average monthly compensation and~~
111 ~~creditable service as of the member's early retirement date. The~~
112 ~~benefit so computed shall be reduced by five-twelfths of 1~~
113 ~~percent for each complete month by which the early retirement~~
114 ~~date precedes the normal retirement date of age 65 for a member~~
115 ~~of the Regular Class, Senior Management Service Class, or the~~
116 ~~Elected Officers' Class, and age 60 for a member of the Special~~

15-01678A-18

20181692__

117 ~~Risk Class, or age 57 if a special risk member has completed 30~~
118 ~~years of creditable service in accordance with s.~~
119 ~~121.021(29)(b)2.c.~~

120 (b) If the employment of a member is terminated by reason
121 of death within 10 years before normal retirement as described
122 in s. 121.021(29)(a)2. ~~s. 121.021(29)(a)1.b. or s.~~
123 ~~121.021(29)(a)2.b.~~, the monthly benefit payable to the member's
124 beneficiary shall be calculated in accordance with subsection
125 (1), but must be based on average monthly compensation and
126 creditable service as of the date of death. The benefit so
127 computed shall be reduced by five-twelfths of 1 percent for each
128 complete month by which death precedes the normal retirement
129 date specified above or the date on which the member would have
130 attained the normal retirement date had he or she survived and
131 continued his or her employment, whichever provides a higher
132 benefit.

133 (13) DEFERRED RETIREMENT OPTION PROGRAM.—In general, and
134 subject to this section, the Deferred Retirement Option Program,
135 hereinafter referred to as DROP, is a program under which an
136 eligible member of the Florida Retirement System may elect to
137 participate, deferring receipt of retirement benefits while
138 continuing employment with his or her Florida Retirement System
139 employer. The deferred monthly benefits shall accrue in the
140 Florida Retirement System on behalf of the member, plus interest
141 compounded monthly, for the specified period of the DROP
142 participation, as provided in paragraph (c). Upon termination of
143 employment, the member shall receive the total DROP benefits and
144 begin to receive the previously determined normal retirement
145 benefits. Participation in the DROP does not guarantee

15-01678A-18

20181692__

146 employment for the specified period of DROP. Participation in
147 DROP by an eligible member beyond the initial 60-month period as
148 authorized in this subsection shall be on an annual contractual
149 basis for all participants.

150 (a) *Eligibility of member to participate in DROP.*—All
151 active Florida Retirement System members in a regularly
152 established position, and all active members of the Teachers'
153 Retirement System established in chapter 238 or the State and
154 County Officers' and Employees' Retirement System established in
155 chapter 122, which are consolidated within the Florida
156 Retirement System under s. 121.011, are eligible to elect
157 participation in DROP if:

158 1. The member is not a renewed member under s. 121.122 or a
159 member of the State Community College System Optional Retirement
160 Program under s. 121.051, the Senior Management Service Optional
161 Annuity Program under s. 121.055, or the optional retirement
162 program for the State University System under s. 121.35.

163 2. Except as provided in subparagraph 6., ~~for members~~
164 ~~initially enrolled before July 1, 2011,~~ election to participate
165 is made within 12 months immediately following the date on which
166 the member first reaches normal retirement date, or, for a
167 member who reaches normal retirement date based on service
168 before he or she reaches age 62, or age 55 for Special Risk
169 Class members, election to participate may be deferred to the 12
170 months immediately following the date the member attains age 57,
171 or age 52 for Special Risk Class members. ~~Except as provided in~~
172 ~~subparagraph 6., for members initially enrolled on or after July~~
173 ~~1, 2011, election to participate is made within 12 months~~
174 ~~immediately following the date on which the member first reaches~~

15-01678A-18

20181692__

175 ~~normal retirement date, or, for a member who reaches normal~~
176 ~~retirement date based on service before he or she reaches age~~
177 ~~65, or age 60 for Special Risk Class members, election to~~
178 ~~participate may be deferred to the 12 months immediately~~
179 ~~following the date the member attains age 60, or age 55 for~~
180 ~~Special Risk Class members.~~ A member who delays DROP
181 participation during the 12-month period immediately following
182 his or her maximum DROP deferral date, except as provided in
183 subparagraph 6., loses a month of DROP participation for each
184 month delayed. A member who fails to make an election within the
185 12-month limitation period forfeits all rights to participate in
186 DROP. The member shall advise his or her employer and the
187 division in writing of the date DROP begins. The beginning date
188 may be subsequent to the 12-month election period but must be
189 within the original 60-month participation period provided in
190 subparagraph (b)1. When establishing eligibility to participate
191 in DROP, the member may elect to include or exclude any optional
192 service credit purchased by the member from the total service
193 used to establish the normal retirement date. A member who has
194 dual normal retirement dates is eligible to elect to participate
195 in DROP after attaining normal retirement date in either class.

196 3. The employer of a member electing to participate in
197 DROP, or employers if dually employed, shall acknowledge in
198 writing to the division the date the member's participation in
199 DROP begins and the date the member's employment and DROP
200 participation terminates.

201 4. Simultaneous employment of a member by additional
202 Florida Retirement System employers subsequent to the
203 commencement of a member's participation in DROP is permissible

15-01678A-18

20181692__

204 if such employers acknowledge in writing a DROP termination date
205 no later than the member's existing termination date or the
206 maximum participation period provided in subparagraph (b)1.

207 5. A member may change employers while participating in
208 DROP, subject to the following:

209 a. A change of employment takes place without a break in
210 service so that the member receives salary for each month of
211 continuous DROP participation. If a member receives no salary
212 during a month, DROP participation ceases unless the employer
213 verifies a continuation of the employment relationship for such
214 member pursuant to s. 121.021(39)(b).

215 b. The member and new employer notify the division of the
216 identity of the new employer on forms required by the division.

217 c. The new employer acknowledges, in writing, the member's
218 DROP termination date, which may be extended but not beyond the
219 maximum participation period provided in subparagraph (b)1.,
220 acknowledges liability for any additional retirement
221 contributions and interest required if the member fails to
222 timely terminate employment, and is subject to the adjustment
223 required in sub-subparagraph (c)5.d.

224 6. Effective July 1, 2001, for instructional personnel as
225 defined in s. 1012.01(2), election to participate in DROP may be
226 made at any time following the date on which the member first
227 reaches normal retirement date. The member shall advise his or
228 her employer and the division in writing of the date on which
229 DROP begins. When establishing eligibility of the member to
230 participate in DROP for the 60-month participation period
231 provided in subparagraph (b)1., the member may elect to include
232 or exclude any optional service credit purchased by the member

15-01678A-18

20181692__

233 from the total service used to establish the normal retirement
234 date. A member who has dual normal retirement dates is eligible
235 to elect to participate in either class.

236 Section 3. Paragraph (b) of subsection (3) of section
237 121.4501, Florida Statutes, is amended to read:

238 121.4501 Florida Retirement System Investment Plan.—

239 (3) RETIREMENT SERVICE CREDIT; TRANSFER OF BENEFITS.—

240 (b) Notwithstanding paragraph (a), an eligible employee who
241 elects to participate in, or who defaults into, the investment
242 plan and establishes one or more individual member accounts may
243 elect to transfer to the investment plan a sum representing the
244 present value of the employee's accumulated benefit obligation
245 under the pension plan, except as provided in paragraph (4) (b).
246 Upon transfer, all service credit earned under the pension plan
247 is nullified for purposes of entitlement to a future benefit
248 under the pension plan. A member may not transfer the
249 accumulated benefit obligation balance from the pension plan
250 after the time period for enrolling in the investment plan has
251 expired.

252 1. For purposes of this subsection, the present value of
253 the member's accumulated benefit obligation is based upon the
254 member's estimated creditable service and estimated average
255 final compensation under the pension plan, subject to
256 recomputation under subparagraph 2. For state employees, initial
257 estimates shall be based upon creditable service and average
258 final compensation as of midnight on June 30, 2002; for district
259 school board employees, initial estimates shall be based upon
260 creditable service and average final compensation as of midnight
261 on September 30, 2002; and for local government employees,

15-01678A-18

20181692__

262 initial estimates shall be based upon creditable service and
263 average final compensation as of midnight on December 31, 2002.
264 The dates specified are the "estimate date" for these employees.
265 The actuarial present value of the employee's accumulated
266 benefit obligation shall be based on the following:

267 a. The discount rate and other relevant actuarial
268 assumptions used to value the Florida Retirement System Trust
269 Fund at the time the amount to be transferred is determined,
270 consistent with the factors provided in sub-subparagraphs b. and
271 c.

272 b. A benefit commencement age, based on the member's
273 estimated creditable service as of the estimate date.

274 c. Except as provided under sub-subparagraph d., ~~for a~~
275 ~~member initially enrolled:~~

276 ~~(I) Before July 1, 2011,~~ the benefit commencement age is
277 the younger of the following, but may not be younger than the
278 member's age as of the estimate date:

279 (I) ~~(A)~~ Age 62; or

280 (II) ~~(B)~~ The age the member would attain if the member
281 completed 30 years of service with an employer, assuming the
282 member worked continuously from the estimate date, and
283 disregarding any vesting requirement that would otherwise apply
284 under the pension plan.

285 ~~(II) On or after July 1, 2011, the benefit commencement age~~
286 ~~is the younger of the following, but may not be younger than the~~
287 ~~member's age as of the estimate date:~~

288 ~~(A) Age 65; or~~

289 ~~(B) The age the member would attain if the member completed~~
290 ~~33 years of service with an employer, assuming the member worked~~

15-01678A-18

20181692__

291 ~~continuously from the estimate date, and disregarding any~~
292 ~~vesting requirement that would otherwise apply under the pension~~
293 ~~plan.~~

294 d. For members of the Special Risk Class and for members of
295 the Special Risk Administrative Support Class entitled to retain
296 the special risk normal retirement date:

297 ~~(I) Initially enrolled before July 1, 2011, the benefit~~
298 ~~commencement age is the younger of the following, but may not be~~
299 ~~younger than the member's age as of the estimate date:~~

300 (I)~~(A)~~ Age 55; or

301 (II)~~(B)~~ The age the member would attain if the member
302 completed 25 years of service with an employer, assuming the
303 member worked continuously from the estimate date, and
304 disregarding any vesting requirement that would otherwise apply
305 under the pension plan.

306 ~~(II) Initially enrolled on or after July 1, 2011, the~~
307 ~~benefit commencement age is the younger of the following, but~~
308 ~~may not be younger than the member's age as of the estimate~~
309 ~~date:~~

310 ~~(A) Age 60; or~~

311 ~~(B) The age the member would attain if the member completed~~
312 ~~30 years of service with an employer, assuming the member worked~~
313 ~~continuously from the estimate date, and disregarding any~~
314 ~~vesting requirement that would otherwise apply under the pension~~
315 ~~plan.~~

316 e. The calculation must disregard vesting requirements and
317 early retirement reduction factors that would otherwise apply
318 under the pension plan.

319 2. For each member who elects to transfer moneys from the

15-01678A-18

20181692__

320 pension plan to his or her account in the investment plan, the
321 division shall recompute the amount transferred under
322 subparagraph 1. within 60 days after the actual transfer of
323 funds based upon the member's actual creditable service and
324 actual final average compensation as of the initial date of
325 participation in the investment plan. If the recomputed amount
326 differs from the amount transferred by \$10 or more, the division
327 shall:

328 a. Transfer, or cause to be transferred, from the Florida
329 Retirement System Trust Fund to the member's account the excess,
330 if any, of the recomputed amount over the previously transferred
331 amount together with interest from the initial date of transfer
332 to the date of transfer under this subparagraph, based upon the
333 effective annual interest equal to the assumed return on the
334 actuarial investment which was used in the most recent actuarial
335 valuation of the system, compounded annually.

336 b. Transfer, or cause to be transferred, from the member's
337 account to the Florida Retirement System Trust Fund the excess,
338 if any, of the previously transferred amount over the recomputed
339 amount, together with interest from the initial date of transfer
340 to the date of transfer under this subparagraph, based upon 6
341 percent effective annual interest, compounded annually, pro rata
342 based on the member's allocation plan.

343 3. If contribution adjustments are made as a result of
344 employer errors or corrections, including plan corrections,
345 following recomputation of the amount transferred under
346 subparagraph 1., the member is entitled to the additional
347 contributions or is responsible for returning any excess
348 contributions resulting from the correction. However, a return

15-01678A-18

20181692__

349 of such erroneous excess pretax contribution by the plan must be
350 made within the period allowed by the Internal Revenue Service.
351 The present value of the member's accumulated benefit obligation
352 may not be recalculated.

353 4. As directed by the member, the state board shall
354 transfer or cause to be transferred the appropriate amounts to
355 the designated accounts within 30 days after the effective date
356 of the member's participation in the investment plan unless the
357 major financial markets for securities available for a transfer
358 are seriously disrupted by an unforeseen event that causes the
359 suspension of trading on a national securities exchange in the
360 country where the securities were issued. In that event, the 30-
361 day period may be extended by a resolution of the state board.
362 Transfers are not commissionable or subject to other fees and
363 may be in the form of securities or cash, as determined by the
364 state board. Such securities are valued as of the date of
365 receipt in the member's account.

366 5. If the state board or the division receives notification
367 from the United States Internal Revenue Service that this
368 paragraph or any portion of this paragraph will cause the
369 retirement system, or a portion thereof, to be disqualified for
370 tax purposes under the Internal Revenue Code, the portion that
371 will cause the disqualification does not apply. Upon such
372 notice, the state board and the division shall notify the
373 presiding officers of the Legislature.

374 Section 4. The Legislature finds that a proper and
375 legitimate state purpose is served when employees and retirees
376 of the state and its political subdivisions, and the dependents,
377 survivors, and beneficiaries of such employees and retirees, are

15-01678A-18

20181692__

378 extended the basic protections afforded by governmental
379 retirement systems. These persons must be provided benefits that
380 are fair and adequate and that are managed, administered, and
381 funded in an actuarially sound manner, as required by s. 14,
382 Article X of the State Constitution and part VII of chapter 112,
383 Florida Statutes. Therefore, the Legislature determines and
384 declares that this act fulfills an important state interest.

385 Section 5. This act shall take effect July 1, 2018.