

By Senator Brandes

24-01027-18

2018980\_\_

1                   A bill to be entitled  
2       An act relating to publicly funded retirement  
3       programs; amending s. 112.63, F.S.; revising minimum  
4       requirements for actuarial reports for retirement  
5       systems or plans subject to part VII of ch. 112, F.S.;  
6       requiring the governing body responsible for the  
7       retirement system or plan to review the enrolled  
8       actuary's statement within a specified timeframe;  
9       requiring the governing body to provide a written  
10      explanation if differing actuarial assumptions are  
11      adopted; increasing the frequency by which the  
12      Department of Management Services must review and  
13      comment on a retirement system's or plan's actuarial  
14      valuations; requiring each local government retirement  
15      system or plan to submit certain information  
16      accompanying its actuarial report to the department;  
17      amending s. 112.64, F.S.; requiring the unfunded  
18      liability of retirement systems or plans established  
19      on or after a certain date to be amortized within a  
20      specified timeframe; revising requirements for  
21      determining payroll growth assumptions for unfunded  
22      liability amortization schedules; amending s. 112.664,  
23      F.S.; modifying requirements for annual reports  
24      prepared by each defined benefit retirement system or  
25      plan; amending s. 112.665, F.S.; revising duties of  
26      the department as to the oversight of local retirement  
27      systems or plans; amending s. 121.031, F.S.; requiring  
28      the administrator of the Florida Retirement System to  
29      provide the results of the system's actuarial study to

24-01027-18

2018980\_\_

30 the Governor and the presiding officers of the  
 31 Legislature annually; revising minimum requirements  
 32 for the actuarial study; amending s. 121.0312, F.S.;  
 33 requiring the Governor and the presiding officers of  
 34 the Legislature to acknowledge and review the  
 35 actuarial valuation report after receipt; specifying  
 36 minimum requirements for such review; requiring the  
 37 department to publish the written acknowledgments in a  
 38 certain manner; amending ss. 121.4501 and 212.055,  
 39 F.S.; conforming cross-references; providing a  
 40 declaration of important state interest; providing  
 41 effective dates.

42  
 43 Be It Enacted by the Legislature of the State of Florida:

44  
 45 Section 1. Section 112.63, Florida Statutes, is amended to  
 46 read:

47 112.63 Actuarial reports and statements of actuarial  
 48 impact; review.—

49 (1) Each retirement system or plan subject to ~~the~~  
 50 ~~provisions of this part must act shall~~ have regularly scheduled  
 51 actuarial reports prepared and certified by an enrolled actuary.  
 52 The actuarial report must include ~~shall consist of~~, but is not  
 53 limited to, the following:

54 (a) Adequacy of employer and employee contribution rates in  
 55 meeting levels of employee benefits provided in the system and  
 56 changes, if any, needed in such rates to achieve or preserve a  
 57 level of funding deemed adequate to enable payment through the  
 58 indefinite future of the benefit amounts prescribed by the

24-01027-18

2018980\_\_

59 system, which shall include a valuation of present assets, based  
60 on market and actuarial ~~statement~~ value, and current and  
61 prospective assets and liabilities of the system and the extent  
62 of unfunded accrued liabilities, if any.

63 (b) A plan to amortize any unfunded liability pursuant to  
64 s. 112.64 and a description of actions taken to reduce the  
65 unfunded liability.

66 (c) A description and explanation of actuarial assumptions.

67 (d) A schedule illustrating the amortization of unfunded  
68 liabilities, if any.

69 (e) A list of preretirement and postretirement benefits  
70 provided to employees, including, but not limited to, life  
71 insurance; health insurance; dental care; vision care; fitness  
72 programs, discounts, or reimbursements; continuing education or  
73 tuition credit programs; cost-of-living adjustments; payment for  
74 unused leave; disability insurance; and health savings accounts  
75 or flexible spending accounts.

76 ~~(f) A comparative review illustrating the actual salary~~  
77 ~~increases granted and~~ The rate of investment return realized  
78 over the 3-year period preceding the actuarial report with the  
79 assumptions used in both the preceding and current actuarial  
80 reports.

81 (g) ~~(f)~~ Effective January 1, 2016, the mortality tables used  
82 in either of the two most recently published actuarial valuation  
83 reports of the Florida Retirement System, including the  
84 projection scale for mortality improvement. Appropriate risk and  
85 collar adjustments must be made based on plan demographics. The  
86 tables must be used for assumptions for preretirement and  
87 postretirement mortality.

24-01027-18

2018980\_\_

88        (h) ~~(g)~~ A statement by the enrolled actuary that the report  
89 is complete and accurate and that in his or her opinion the  
90 techniques and assumptions used are reasonable and meet the  
91 requirements and intent of this part ~~act~~.

92        1. The statement must include an analysis of the assumed  
93 rate of return established by the plan's governing body. The  
94 analysis must include specific recommendations regarding an  
95 appropriate assumed rate of return.

96        2. The plan's governing body shall, within 30 days after  
97 receipt, review the statement of the enrolled actuary. If the  
98 governing body adopted actuarial assumptions other than those  
99 recommended by the enrolled actuary producing the actuarial  
100 valuation report, the plan's governing body must provide a  
101 written explanation as to why actuarial assumptions other than  
102 those recommended were adopted. The written explanation must be  
103 published as an addendum to the report.

104  
105 The actuarial cost methods used ~~utilized~~ for establishing the  
106 amount of the annual actuarial normal cost to support the  
107 promised benefits must ~~shall~~ only be those methods approved in  
108 the Employee Retirement Income Security Act of 1974 and as  
109 authorized ~~permitted~~ under regulations prescribed by the  
110 Secretary of the Treasury.

111        (2) The frequency of actuarial reports must be at least  
112 every 3 years commencing from the last actuarial report of the  
113 plan or system or October 1, 1980, if no actuarial report has  
114 been issued within the 3-year period before ~~prior to~~ October 1,  
115 1979. The results of each actuarial report must ~~shall~~ be filed  
116 with the plan administrator within 60 days after ~~of~~

24-01027-18

2018980\_\_

117 certification. Thereafter, the results of each actuarial report  
118 must ~~shall~~ be made available for inspection upon request.  
119 Additionally, each retirement system or plan covered by this  
120 part ~~act~~ which is not administered directly by the Department of  
121 Management Services shall furnish a copy of each actuarial  
122 report to the Department of Management Services within 60 days  
123 after receipt from the actuary. The requirements of this section  
124 are supplemental to actuarial valuations necessary to comply  
125 with the requirements of s. 218.39.

126 (3) A ~~No~~ unit of local government may not ~~shall~~ agree to a  
127 proposed change in retirement benefits unless the administrator  
128 of the system, before ~~prior to~~ adoption of the change by the  
129 governing body, and before ~~prior to~~ the last public hearing  
130 thereon, has issued a statement of the actuarial impact of the  
131 proposed change upon the local retirement system, consistent  
132 with the actuarial review, and has furnished a copy of such  
133 statement to the division. Such statement must ~~shall~~ also  
134 indicate whether the proposed changes are in compliance with s.  
135 14, Art. X of the State Constitution and with s. 112.64.

136 (4) Upon receipt, pursuant to subsection (2), of an  
137 actuarial report, or, pursuant to subsection (3), of a statement  
138 of actuarial impact, the Department of Management Services shall  
139 acknowledge such receipt, and ~~but shall only~~ review and comment  
140 on each retirement system's or plan's actuarial valuations ~~at~~  
141 ~~least on a triennial basis.~~

142 (a) If the department finds that the actuarial valuation is  
143 not complete, accurate, or based on reasonable assumptions or  
144 otherwise materially fails to satisfy the requirements of this  
145 part; requires additional material information necessary to

24-01027-18

2018980\_\_

146 complete its review of the actuarial valuation of a system or  
147 plan or material information necessary to satisfy the duties of  
148 the department pursuant to s. 112.665(1); or does not receive  
149 the actuarial report or statement of actuarial impact, the  
150 department shall notify the administrator of the affected  
151 retirement system or plan and the affected governmental entity  
152 and request appropriate adjustment, the additional material  
153 information, or the required report or statement. The  
154 notification must inform the administrator and the affected  
155 governmental entity of the consequences for failing to comply  
156 with the requirements of this subsection.

157 (b) If, after a reasonable period of time, a satisfactory  
158 adjustment is not made or the report, statement, or additional  
159 material information is not provided, the department may notify  
160 the Department of Revenue and the Department of Financial  
161 Services of the noncompliance, and the Department of Revenue and  
162 the Department of Financial Services shall withhold any funds  
163 not pledged for satisfaction of bond debt service which are  
164 payable to the affected governmental entity until the adjustment  
165 is made or the report, statement, or additional material  
166 information is provided to the department. The Department of  
167 Management Services shall specify the date such action is to  
168 begin and notify the Department of Revenue, the Department of  
169 Financial Services, and the affected governmental entity 30 days  
170 before the specified date.

171 (c) Within 21 days after receipt of the notice, the  
172 affected governmental entity may petition the Department of  
173 Management Services for a hearing under ss. 120.569 and 120.57.  
174 The Department of Revenue and the Department of Financial

24-01027-18

2018980\_\_

175 Services may not be parties to the hearing, but may request to  
176 intervene if requested by the Department of Management Services  
177 or if the Department of Revenue or the Department of Financial  
178 Services determines its interests may be adversely affected by  
179 the hearing.

180         1. If the administrative law judge recommends in favor of  
181 the department, the department shall perform an actuarial  
182 review, prepare the statement of actuarial impact, or collect  
183 the requested material information. The cost to the department  
184 of performing the actuarial review, preparing the statement, or  
185 collecting the requested material information shall be charged  
186 to the affected governmental entity whose employees are covered  
187 by the retirement system or plan. If payment is not received by  
188 the department within 60 days after the affected governmental  
189 entity receives the request for payment, the department shall  
190 certify to the Department of Revenue and the Department of  
191 Financial Services the amount due, and the Department of Revenue  
192 and the Department of Financial Services shall pay such amount  
193 to the Department of Management Services from funds not pledged  
194 for satisfaction of bond debt service which are payable to the  
195 affected governmental entity.

196         2. If the administrative law judge recommends in favor of  
197 the affected governmental entity and the department performs an  
198 actuarial review, prepares the statement of actuarial impact, or  
199 collects the requested material information, the cost to the  
200 department shall be paid by the Department of Management  
201 Services.

202         (d) In the case of an affected special district, the  
203 Department of Management Services shall also notify the

24-01027-18

2018980\_\_

204 Department of Economic Opportunity. Upon receipt of  
205 notification, the Department of Economic Opportunity shall  
206 proceed pursuant to s. 189.067.

207 1. Failure of a special district to provide a required  
208 report or statement, to make appropriate adjustments, or to  
209 provide additional material information after the procedures  
210 specified in s. 189.067(1) are exhausted shall be deemed final  
211 action by the special district.

212 2. The Department of Management Services may notify the  
213 Department of Economic Opportunity of those special districts  
214 that failed to come into compliance. Upon receipt of  
215 notification, the Department of Economic Opportunity shall  
216 proceed pursuant to s. 189.067(4).

217 (5) Payments made to the fund as required by this chapter  
218 shall be based on the normal and past service costs contained in  
219 the most recent actuarial valuation, subject to being state-  
220 accepted.

221 (6) Beginning October 1, 2018 ~~July 1, 1980~~, each retirement  
222 system or plan of a unit of local government shall maintain and  
223 submit to the Department of Management Services along with the  
224 actuarial report required under this section, in an accurate and  
225 accessible format prescribed by the Department of Management  
226 Services form, the following information:

227 (a) For each active and inactive member of the system, a  
228 number or other means of identification; date of birth; sex;  
229 date of employment; period of credited service, split, if  
230 required, between prior service and current service; and  
231 occupational classification.

232 (b) For each active member, current pay rate, cumulative



24-01027-18

2018980\_\_

233 contributions together with accumulated interest, if credited,  
 234 age at entry into system, and current rate of contribution.

235 (c) For each inactive member, average final compensation or  
 236 equivalent and age at which deferred benefit is to begin.

237 (d) For each retired member and other beneficiary, a number  
 238 or other means of identification, date of birth, sex, beginning  
 239 date of benefit, type of retirement and amount of monthly  
 240 benefit, and type of survivor benefit.

241 Section 2. Present subsections (4) through (7) of section  
 242 112.64, Florida Statutes, are renumbered as subsections (5)  
 243 through (8), respectively, a new subsection (4) is added to that  
 244 section, and subsection (3) and present subsection (5) of that  
 245 section are amended, to read:

246 112.64 Administration of funds; amortization of unfunded  
 247 liability.—

248 (3) For a retirement system or plan with its first plan  
 249 year beginning between October 1, 1980, and October 1, 2018  
 250 ~~which comes into existence after October 1, 1980,~~ the unfunded  
 251 liability, if any, shall be amortized within 40 years of the  
 252 first plan year.

253 (4) For a retirement system or plan that comes into  
 254 existence after October 1, 2018, the unfunded liability, if any,  
 255 shall be amortized within 30 years of the first plan year.

256 ~~(6)-(5)-(a)~~ If the amortization schedule for unfunded  
 257 liability is to be based on a contribution derived in whole or  
 258 in part from a percentage of the payroll of the system or plan  
 259 membership, the assumption as to payroll growth may ~~shall~~ not  
 260 exceed the average payroll growth for the 3 ~~10~~ years before  
 261 ~~prior to~~ the latest actuarial valuation of the system or plan

24-01027-18

2018980\_\_

262 unless a transfer, merger, or consolidation of government  
263 functions or services occurs, in which case the assumptions for  
264 payroll growth may be adjusted and may be based on the  
265 membership of the retirement plan or system subsequent to such  
266 transfer, merger, or consolidation.

267 ~~(b) An unfunded liability amortization schedule that~~  
268 ~~includes a payroll growth assumption and is in existence on~~  
269 ~~September 30, 1996, or is established thereafter, may be~~  
270 ~~continued using the same payroll growth assumption, or one not~~  
271 ~~exceeding the payroll growth assumption established at the start~~  
272 ~~of the schedule, regardless of the actual 10-year average~~  
273 ~~payroll growth rate, provided that:~~

274 1. ~~The assumptions underlying the payroll growth rate are~~  
275 ~~consistent with the actuarial assumptions used to determine~~  
276 ~~unfunded liabilities, including, but not limited to, the~~  
277 ~~inflation assumption; and~~

278 2. ~~The payroll growth rate is reasonable and consistent~~  
279 ~~with future expectations of payroll growth.~~

280 ~~(c) An unfunded liability amortization schedule that does~~  
281 ~~not include a payroll growth assumption and is in existence on~~  
282 ~~September 30, 1996, or is established thereafter, may be~~  
283 ~~continued or modified to include a payroll growth assumption,~~  
284 ~~provided that such assumption does not exceed the 10-year~~  
285 ~~average payroll growth rate as of the actuarial valuation date~~  
286 ~~such change in the amortization schedule commences. Such~~  
287 ~~schedule may be continued thereafter, subject to the reasonable~~  
288 ~~and consistent requirements in paragraph (b).~~

289 Section 3. Paragraph (d) of subsection (1) of section  
290 112.664, Florida Statutes, is amended to read:

24-01027-18

2018980\_\_

291 112.664 Reporting standards for defined benefit retirement  
292 plans or systems.—

293 (1) In addition to the other reporting requirements of this  
294 part, within 60 days after receipt of the certified actuarial  
295 report submitted after the close of the plan year that ends on  
296 or after December 31, 2015, and thereafter in each year required  
297 under s. 112.63(2), each defined benefit retirement system or  
298 plan, excluding the Florida Retirement System, shall prepare and  
299 electronically report the following information to the  
300 Department of Management Services in a format prescribed by the  
301 department:

302 (d) Information indicating the recommended contributions to  
303 the plan based on the plan's latest valuation, and the  
304 contributions necessary to fund the plan based on financial  
305 statements prepared pursuant to paragraphs (a) and (b), stated  
306 as an annual dollar value, and a percentage of valuation  
307 payroll, and a percentage of the annual revenue of the plan  
308 sponsor.

309 Section 4. Subsection (1) of section 112.665, Florida  
310 Statutes, is amended to read:

311 112.665 Duties of Department of Management Services.—

312 (1) The Department of Management Services shall:

313 (a) Gather, catalog, publish, and maintain complete,  
314 computerized data information on all public employee retirement  
315 systems or plans in the state based upon receipt and a review of  
316 audits, reports, and other data pertaining to the systems or  
317 plans;

318 (b) Receive and comment upon all actuarial reviews of  
319 retirement systems or plans maintained by units of local

24-01027-18

2018980\_\_

320 government for compliance with the requirements of this part;

321 (c) Cooperate with local retirement systems or plans on  
322 matters of mutual concern and provide technical assistance to  
323 units of local government in the assessment and revision of  
324 retirement systems or plans;

325 (d) Annually issue, by January 1, a report to the President  
326 of the Senate and the Speaker of the House of Representatives,~~7~~  
327 which details division activities, findings, and recommendations  
328 concerning all governmental retirement systems. The report may  
329 include legislation proposed to carry out such recommendations;

330 (e) Provide a fact sheet for each participating local  
331 government defined benefit pension plan which summarizes the  
332 plan's actuarial status. The fact sheet should provide a summary  
333 of the plan's most current actuarial data;~~7~~ minimum funding  
334 requirements stated as a percentage of pay, dollar value, and a  
335 percentage of the annual revenue of the plan sponsor; and a 5-  
336 year history of funded ratios. The fact sheet must include a  
337 brief explanation of each element in order to maximize the  
338 transparency of the local government plans. The fact sheet must  
339 also contain the information specified in s. 112.664(1). These  
340 documents shall be posted on the department's website. Plan  
341 sponsors that have websites must provide a link to the  
342 department's website;

343 (f) Annually issue, by January 1, a report to the Special  
344 District Accountability Program of the Department of Economic  
345 Opportunity which includes the participation in and compliance  
346 of special districts with the local government retirement system  
347 provisions in s. 112.63 and the state-administered retirement  
348 system provisions specified in part I of chapter 121; and

24-01027-18

2018980\_\_

349 (g) Adopt ~~reasonable~~ rules to administer this part.

350 Section 5. Subsections (3) and (4) of section 121.031,  
351 Florida Statutes, are amended to read:

352 121.031 Administration of system; appropriation; oaths;  
353 actuarial studies; public records.—

354 (3) The administrator shall cause an actuarial study of the  
355 system to be made at least annually and ~~shall~~ report the results  
356 of such study to the Governor, the President of the Senate, and  
357 the Speaker of the House of Representatives ~~Legislature~~ by  
358 December 31 before ~~prior to~~ the next regular legislative  
359 session. The study must ~~shall~~, at a minimum, conform to the  
360 requirements of s. 112.63, with the following exceptions and  
361 additions:

362 (a) The valuation of plan assets must ~~shall~~ be based on a  
363 5-year averaging methodology as ~~such as that~~ specified in the  
364 United States Department of Treasury Regulations, 26 C.F.R. s.  
365 1.412(c) (2)-1 in effect on August 16, 2006, or a similar  
366 accepted approach designed to attenuate fluctuations in asset  
367 values.

368 (b) The study must ~~shall~~ include a narrative explaining the  
369 changes in the covered group over the period between actuarial  
370 valuations and the impact of those changes on actuarial results.

371 (c) When substantial changes in actuarial assumptions have  
372 been made, the study must ~~shall~~ reflect the results of an  
373 actuarial assumption as of the current date based on the  
374 assumptions utilized in the prior actuarial report.

375 (d) The study must ~~shall~~ include an analysis of the changes  
376 in actuarial valuation results by the factors generating those  
377 changes. Such analysis shall reconcile the current actuarial

24-01027-18

2018980\_\_

378 valuation results with those results from the prior valuation.

379 (e) The study must ~~shall~~ include measures of funding status  
380 and funding progress designed to facilitate the assessment of  
381 trends over several actuarial valuations with respect to the  
382 overall solvency of the system. Such measures shall be adopted  
383 by the department and shall be used consistently in all  
384 actuarial valuations performed on the system.

385 (f) The study must include an analysis of the assumed rate  
386 of return adopted by the Florida Retirement System Actuarial  
387 Assumption Conference pursuant to s. 216.136(10). The analysis  
388 must include specific recommendations regarding an appropriate  
389 assumed rate of return.

390 (g) The actuarial model used to determine the adequate  
391 level of funding for the Florida Retirement System must ~~shall~~  
392 include a specific rate stabilization mechanism, as prescribed  
393 herein. It is the intent of the Legislature to maintain as a  
394 reserve a specific portion of any actuarial surplus, and to use  
395 such reserve for the purpose of offsetting future unfunded  
396 liabilities caused by experience losses, thereby minimizing the  
397 risk of future increases in contribution rates. It is further  
398 the intent of the Legislature that the use of any excess above  
399 the reserve to offset retirement system normal costs must ~~shall~~  
400 be in a manner that will allow system employers to plan  
401 appropriately for resulting cost reductions and subsequent cost  
402 increases. The rate stabilization mechanism operates ~~shall~~  
403 ~~operate~~ as follows:

404 1. The actuarial surplus must ~~shall~~ be the value of  
405 actuarial assets over actuarial liabilities, as is determined on  
406 the preceding June 30 or as may be estimated on the preceding

24-01027-18

2018980\_\_

407 December 31.

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

410 3. If the actuarial surplus exceeds 5 percent of actuarial  
411 liabilities, one-half of the excess may be used to offset total  
412 retirement system costs. In addition, if the actuarial surplus  
413 exceeds 10 percent of actuarial liabilities, an additional one-  
414 fourth of the excess above 10 percent may be used to offset  
415 total retirement system costs. In addition, if the actuarial  
416 surplus exceeds 15 percent of actuarial liabilities, an  
417 additional one-fourth of the excess above 15 percent may be used  
418 to offset total retirement system costs.

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

422 (4) Notwithstanding the provisions of s. 112.64(5) ~~s.~~  
423 ~~112.64(4)~~ to the contrary, the net increase, if any, in unfunded  
424 liability under the system arising from significant system  
425 amendments adopted or changes in assumptions must ~~shall~~ be  
426 amortized within 30 plan years.

427 Section 6. Effective July 1, 2019, section 121.0312,  
428 Florida Statutes, is amended to read:

429 121.0312 Acknowledgment of review; actuarial valuation  
430 report; contribution rate determination process.—

431 (1) The Governor, Chief Financial Officer, and Attorney  
432 General, sitting as the Board of Trustees of the State Board of  
433 Administration, shall review the actuarial valuation report  
434 prepared in accordance with the provisions of this chapter. The  
435 state board shall review the process by which Florida Retirement

24-01027-18

2018980\_\_

436 System contribution rates are determined and recommend and  
437 submit any comments regarding the process to the Legislature.

438 (2) The Governor, the President of the Senate, and the  
439 Speaker of the House of Representatives shall, within 30 days  
440 after receipt, acknowledge in writing their acceptance and  
441 review of the actuarial valuation report prepared in accordance  
442 with this chapter and any recommendations regarding actuarial  
443 assumptions contained therein. The review must contain an  
444 explanation from each principal as to why actuarial assumptions  
445 other than those recommended by the enrolled actuary producing  
446 the actuarial valuation report were adopted by the Florida  
447 Retirement System Actuarial Assumption Conference. The  
448 department shall publish the written acknowledgments as addenda  
449 to the report.

450 Section 7. Paragraph (f) of subsection (4) of section  
451 121.4501, Florida Statutes, is amended to read:

452 121.4501 Florida Retirement System Investment Plan.—

453 (4) PARTICIPATION; ENROLLMENT.—

454 (f) After the period during which an eligible employee had  
455 the choice to elect the pension plan or the investment plan, or  
456 the month following the receipt of the eligible employee's plan  
457 election, if sooner, the employee shall have one opportunity, at  
458 the employee's discretion, to choose to move from the pension  
459 plan to the investment plan or from the investment plan to the  
460 pension plan. Eligible employees may elect to move between plans  
461 only if they are earning service credit in an employer-employee  
462 relationship consistent with s. 121.021(17)(b), excluding leaves  
463 of absence without pay. Effective July 1, 2005, such elections  
464 are effective on the first day of the month following the



24-01027-18

2018980\_\_

465 receipt of the election by the third-party administrator and are  
466 not subject to the requirements regarding an employer-employee  
467 relationship or receipt of contributions for the eligible  
468 employee in the effective month, except when the election is  
469 received by the third-party administrator. This paragraph is  
470 contingent upon approval by the Internal Revenue Service.

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

473 2. If the employee chooses to move to the pension plan, the  
474 employee must transfer from his or her investment plan account,  
475 and from other employee moneys as necessary, a sum representing  
476 the present value of that employee's accumulated benefit  
477 obligation immediately following the time of such movement,  
478 determined assuming that attained service equals the sum of  
479 service in the pension plan and service in the investment plan.  
480 Benefit commencement occurs on the first date the employee is  
481 eligible for unreduced benefits, using the discount rate and  
482 other relevant actuarial assumptions that were used to value the  
483 pension plan liabilities in the most recent actuarial valuation.  
484 For any employee who, at the time of the second election,  
485 already maintains an accrued benefit amount in the pension plan,  
486 the then-present value of the accrued benefit is deemed part of  
487 the required transfer amount. The division must ensure that the  
488 transfer sum is prepared using a formula and methodology  
489 certified by an enrolled actuary. A refund of any employee  
490 contributions or additional member payments made which exceed  
491 the employee contributions that would have accrued had the  
492 member remained in the pension plan and not transferred to the  
493 investment plan is not permitted.

24-01027-18

2018980\_\_

494           3. Notwithstanding subparagraph 2., an employee who chooses  
495 to move to the pension plan and who became eligible to  
496 participate in the investment plan by reason of employment in a  
497 regularly established position with a state employer after June  
498 1, 2002; a district school board employer after September 1,  
499 2002; or a local employer after December 1, 2002, must transfer  
500 from his or her investment plan account, and from other employee  
501 moneys as necessary, a sum representing the employee's actuarial  
502 accrued liability. A refund of any employee contributions or  
503 additional member payments made which exceed the employee  
504 contributions that would have accrued had the member remained in  
505 the pension plan and not transferred to the investment plan is  
506 not permitted.

507           4. An employee's ability to transfer from the pension plan  
508 to the investment plan pursuant to paragraphs (a) and (b), and  
509 the ability of a current employee to have an option to later  
510 transfer back into the pension plan under subparagraph 2., shall  
511 be deemed a significant system amendment. Pursuant to s.  
512 121.031(4), any resulting unfunded liability arising from actual  
513 original transfers from the pension plan to the investment plan  
514 must be amortized within 30 plan years as a separate unfunded  
515 actuarial base independent of the reserve stabilization  
516 mechanism defined in s. 121.031(3)(g) ~~s. 121.031(3)(f)~~. For the  
517 first 25 years, a direct amortization payment may not be  
518 calculated for this base. During this 25-year period, the  
519 separate base shall be used to offset the impact of employees  
520 exercising their second program election under this paragraph.  
521 The actuarial funded status of the pension plan will not be  
522 affected by such second program elections in any significant

24-01027-18

2018980\_\_

523 manner, after due recognition of the separate unfunded actuarial  
524 base. Following the initial 25-year period, any remaining  
525 balance of the original separate base shall be amortized over  
526 the remaining 5 years of the required 30-year amortization  
527 period.

528 5. If the employee chooses to transfer from the investment  
529 plan to the pension plan and retains an excess account balance  
530 in the investment plan after satisfying the buy-in requirements  
531 under this paragraph, the excess may not be distributed until  
532 the member retires from the pension plan. The excess account  
533 balance may be rolled over to the pension plan and used to  
534 purchase service credit or upgrade creditable service in the  
535 pension plan.

536 Section 8. Paragraphs (d) and (e) of subsection (9) of  
537 section 212.055, Florida Statutes, are amended to read:

538 212.055 Discretionary sales surtaxes; legislative intent;  
539 authorization and use of proceeds.—It is the legislative intent  
540 that any authorization for imposition of a discretionary sales  
541 surtax shall be published in the Florida Statutes as a  
542 subsection of this section, irrespective of the duration of the  
543 levy. Each enactment shall specify the types of counties  
544 authorized to levy; the rate or rates which may be imposed; the  
545 maximum length of time the surtax may be imposed, if any; the  
546 procedure which must be followed to secure voter approval, if  
547 required; the purpose for which the proceeds may be expended;  
548 and such other requirements as the Legislature may provide.  
549 Taxable transactions and administrative procedures shall be as  
550 provided in s. 212.054.

551 (9) PENSION LIABILITY SURTAX.—

24-01027-18

2018980\_\_

552 (d) The local government may use the pension liability  
553 surtax proceeds in the following manner:

554 1. If the proceeds of the pension liability surtax have  
555 been actuarially recognized as provided in s. 112.64(7) ~~s.~~  
556 ~~112.64(6)~~, the local government must distribute the proceeds to  
557 an eligible defined benefit retirement plan or system, not  
558 including the Florida Retirement System.

559 2. If the proceeds of the pension liability surtax have not  
560 been actuarially recognized, the local government is authorized  
561 to distribute the proceeds to an eligible defined benefit  
562 retirement plan or system, not including the Florida Retirement  
563 System, to pledge the proceeds of the surtax to repay debts  
564 incurred for the purpose of making advanced payments toward the  
565 unfunded liability of an underfunded defined benefit retirement  
566 plan or system, and to reimburse itself from the proceeds of the  
567 surtax for any borrowing costs associated with such debts.

568 (e) The ordinance providing for the imposition of the  
569 pension liability surtax must specify how the proceeds will be  
570 used:

571 1. The ordinance must specify the method of determining the  
572 percentage of the proceeds, and the frequency of such payments,  
573 distributed to each eligible defined benefit retirement plan or  
574 system if the proceeds of the pension liability surtax are  
575 actuarially recognized as provided in s. 112.64(7) ~~s. 112.64(6)~~.

576 2. The ordinance must specify the local government's  
577 intention to incur debt for the purpose of making advanced  
578 payments toward the unfunded liability of an underfunded defined  
579 benefit retirement plan or system if the proceeds of the pension  
580 liability surtax are not actuarially recognized as provided in

24-01027-18

2018980\_\_

581 s. 112.64(7) ~~s. 112.64(6)~~.

582       Section 9. The Legislature finds that a proper and  
583 legitimate state purpose is served when employees and retirees  
584 of the state and its political subdivisions, and the dependents,  
585 survivors, and beneficiaries of such employees and retirees, are  
586 extended the basic protections afforded by governmental  
587 retirement systems that provide fair and adequate benefits and  
588 that are managed, administered, and funded in an actuarially  
589 sound manner as required by s. 14, Article X of the State  
590 Constitution and part VII of chapter 112, Florida Statutes.  
591 Therefore, the Legislature determines and declares that this act  
592 fulfills an important state interest.

593       Section 10. Except as otherwise expressly provided in this  
594 act, this act shall take effect July 1, 2018.