

By the Committee on Governmental Oversight and Accountability; and Senators Hooper, Berman, Gruters, Collins, Harrell, Brodeur, Boyd, Polsky, Osgood, DiCeglie, Torres, Wright, Rouson, Trumbull, Pizzo, Book, Powell, Burgess, and Davis

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1 A bill to be entitled
 2 An act relating to Special Risk Class retirement date;
 3 amending s. 121.021, F.S.; revising the definition of
 4 "normal retirement date"; decreasing the age and years
 5 of service needed to reach the normal retirement date
 6 for certain members; amending ss. 121.091 and
 7 121.4501, F.S.; conforming provisions to changes made
 8 by the act; authorizing certain members of the Special
 9 Risk Class to apply to participate in the Deferred
 10 Retirement Option Program within a specified time
 11 period; revising required employer retirement
 12 contribution rates to fund the benefit changes made by
 13 the act; providing a directive to the Division of Law
 14 Revision; providing a declaration of important state
 15 interest; providing an effective date.

16
 17 Be It Enacted by the Legislature of the State of Florida:

18
 19 Section 1. Paragraph (b) of subsection (29) of section
 20 121.021, Florida Statutes, is amended to read:

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

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

27 (b) For ~~If a~~ Special Risk Class members ~~member~~ ~~initially~~
 28 ~~enrolled:~~

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

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30 ~~1.a.~~ The first day of the month the member attains age 55
31 and completes the years of creditable service in the Special
32 Risk Class equal to or greater than the years of service
33 required for vesting;

34 ~~2.b.~~ The first day of the month following the date the
35 member completes 25 years of creditable service in the Special
36 Risk Class, regardless of age; or

37 ~~3.e.~~ The first day of the month following the date the
38 member completes 25 years of creditable service and attains age
39 52, which service may include a maximum of 4 years of military
40 service credit if such credit is not claimed under any other
41 system and the remaining years are in the Special Risk Class.

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

43 ~~a. The first day of the month the member attains age 60 and~~
44 ~~completes the years of creditable service in the Special Risk~~
45 ~~Class equal to or greater than the years of service required for~~
46 ~~vesting;~~

47 ~~b. The first day of the month following the date the member~~
48 ~~completes 30 years of creditable service in the Special Risk~~
49 ~~Class, regardless of age; or~~

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

55
56 For pension plan members, normal retirement age is attained on
57 the normal retirement date. For investment plan members, normal
58 retirement age is the date a member attains his or her normal

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59 retirement date as provided in this section, or the date a
60 member is vested under the investment plan as provided in s.
61 121.4501(6), whichever is later.

62 Section 2. Subsection (3) and paragraph (a) of subsection
63 (13) of section 121.091, Florida Statutes, are amended to read:
64 121.091 Benefits payable under the system.—Benefits may not
65 be paid under this section unless the member has terminated
66 employment as provided in s. 121.021(39) (a) or begun
67 participation in the Deferred Retirement Option Program as
68 provided in subsection (13), and a proper application has been
69 filed in the manner prescribed by the department. The department
70 may cancel an application for retirement benefits when the
71 member or beneficiary fails to timely provide the information
72 and documents required by this chapter and the department's
73 rules. The department shall adopt rules establishing procedures
74 for application for retirement benefits and for the cancellation
75 of such application when the required information or documents
76 are not received.

77 (3) EARLY RETIREMENT BENEFIT.—Upon retirement on his or her
78 early retirement date, the member shall receive an immediate
79 monthly benefit that shall begin to accrue on the first day of
80 the month of the retirement date and be payable on the last day
81 of that month and each month thereafter during his or her
82 lifetime. Such benefit shall be calculated as follows:

83 (a) 1. For all Special Risk Class members or a member of the
84 Regular Class, Senior Management Service Class, or the Elected
85 Officers' Class initially enrolled†

86 ~~1.~~ before July 1, 2011, the amount of each monthly payment
87 shall be computed in the same manner as for a normal retirement

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88 benefit, in accordance with subsection (1), but shall be based
89 on the member's average monthly compensation and creditable
90 service as of the member's early retirement date. The benefit so
91 computed shall be reduced by five-twelfths of 1 percent for each
92 complete month by which the early retirement date precedes the
93 normal retirement date of age 62 for a member of the Regular
94 Class, Senior Management Service Class, or the Elected Officers'
95 Class, and age 55 for a member of the Special Risk Class, or age
96 52 if a Special Risk member has completed 25 years of creditable
97 service in accordance with s. 121.021(29)(b)3. ~~s.~~

98 ~~121.021(29)(b)1.c.~~

99 2. For a member of the Regular Class, Senior Management
100 Service Class, or the Elected Officers' Class initially enrolled
101 on or after July 1, 2011, the amount of each monthly payment
102 shall be computed in the same manner as for a normal retirement
103 benefit, in accordance with subsection (1), but shall be based
104 on the member's average monthly compensation and creditable
105 service as of the member's early retirement date. The benefit so
106 computed shall be reduced by five-twelfths of 1 percent for each
107 complete month by which the early retirement date precedes the
108 normal retirement date of age 65 for a member of the Regular
109 Class, Senior Management Service Class, or the Elected Officers'
110 Class, ~~and age 60 for a member of the Special Risk Class, or age~~
111 ~~57 if a special risk member has completed 30 years of creditable~~
112 ~~service in accordance with s. 121.021(29)(b)2.c.~~

113 (b) If the employment of a member is terminated by reason
114 of death within 10 years before normal retirement as described
115 in s. 121.021(29)(a)1.b. or s. 121.021(29)(a)2.b., the monthly
116 benefit payable to the member's beneficiary shall be calculated

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117 in accordance with subsection (1), but must be based on average
118 monthly compensation and creditable service as of the date of
119 death. The benefit so computed shall be reduced by five-twelfths
120 of 1 percent for each complete month by which death precedes the
121 normal retirement date specified above or the date on which the
122 member would have attained the normal retirement date had he or
123 she survived and continued his or her employment, whichever
124 provides a higher benefit.

125 (13) DEFERRED RETIREMENT OPTION PROGRAM.—In general, and
126 subject to this section, the Deferred Retirement Option Program,
127 hereinafter referred to as DROP, is a program under which an
128 eligible member of the Florida Retirement System may elect to
129 participate, deferring receipt of retirement benefits while
130 continuing employment with his or her Florida Retirement System
131 employer. The deferred monthly benefits shall accrue in the
132 Florida Retirement System on behalf of the member, plus interest
133 compounded monthly, for the specified period of the DROP
134 participation, as provided in paragraph (c). Upon termination of
135 employment, the member shall receive the total DROP benefits and
136 begin to receive the previously determined normal retirement
137 benefits. Participation in the DROP does not guarantee
138 employment for the specified period of DROP. Participation in
139 DROP by an eligible member beyond the initial 60-month period as
140 authorized in this subsection shall be on an annual contractual
141 basis for all participants.

142 (a) *Eligibility of member to participate in DROP.*—All
143 active Florida Retirement System members in a regularly
144 established position, and all active members of the Teachers'
145 Retirement System established in chapter 238 or the State and

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146 County Officers' and Employees' Retirement System established in
147 chapter 122, which are consolidated within the Florida
148 Retirement System under s. 121.011, are eligible to elect
149 participation in DROP if:

150 1. The member is not a renewed member under s. 121.122 or a
151 member of the State Community College System Optional Retirement
152 Program under s. 121.051, the Senior Management Service Optional
153 Annuity Program under s. 121.055, or the optional retirement
154 program for the State University System under s. 121.35.

155 2. Except as provided in subparagraph 6., for all Special
156 Risk Class members and Regular Class, Senior Management Service
157 Class, or Elected Officers' Class members initially enrolled
158 before July 1, 2011, election to participate is made within 12
159 months immediately following the date on which the member first
160 reaches normal retirement date, or, for a member who reaches
161 normal retirement date based on service before he or she reaches
162 age 62, or age 55 for Special Risk Class members, election to
163 participate may be deferred to the 12 months immediately
164 following the date the member attains age 57, or age 52 for
165 Special Risk Class members. Except as provided in subparagraph
166 6., for Regular Class, Senior Management Service Class, or
167 Elected Officers' Class members initially enrolled on or after
168 July 1, 2011, election to participate is made within 12 months
169 immediately following the date on which the member first reaches
170 normal retirement date, or, for a member who reaches normal
171 retirement date based on service before he or she reaches age
172 ~~65, or age 60 for Special Risk Class members~~, election to
173 participate may be deferred to the 12 months immediately
174 following the date the member attains age ~~60, or age 55 for~~

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

191 3. The employer of a member electing to participate in
192 DROP, or employers if dually employed, shall acknowledge in
193 writing to the division the date the member's participation in
194 DROP begins and the date the member's employment and DROP
195 participation terminates.

196 4. Simultaneous employment of a member by additional
197 Florida Retirement System employers subsequent to the
198 commencement of a member's participation in DROP is permissible
199 if such employers acknowledge in writing a DROP termination date
200 no later than the member's existing termination date or the
201 maximum participation period provided in subparagraph (b)1.

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

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

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

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

219 6. Effective July 1, 2001, for instructional personnel as
220 defined in s. 1012.01(2), election to participate in DROP may be
221 made at any time following the date on which the member first
222 reaches normal retirement date. The member shall advise his or
223 her employer and the division in writing of the date on which
224 DROP begins. When establishing eligibility of the member to
225 participate in DROP for the 60-month participation period
226 provided in subparagraph (b)1., the member may elect to include
227 or exclude any optional service credit purchased by the member
228 from the total service used to establish the normal retirement
229 date. A member who has dual normal retirement dates is eligible
230 to elect to participate in either class.

231 Section 3. Paragraph (b) of subsection (3) of section
232 121.4501, Florida Statutes, is amended to read:

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233 121.4501 Florida Retirement System Investment Plan.—

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

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

247 1. For purposes of this subsection, the present value of
248 the member's accumulated benefit obligation is based upon the
249 member's estimated creditable service and estimated average
250 final compensation under the pension plan, subject to
251 recomputation under subparagraph 2. For state employees, initial
252 estimates shall be based upon creditable service and average
253 final compensation as of midnight on June 30, 2002; for district
254 school board employees, initial estimates shall be based upon
255 creditable service and average final compensation as of midnight
256 on September 30, 2002; and for local government employees,
257 initial estimates shall be based upon creditable service and
258 average final compensation as of midnight on December 31, 2002.
259 The dates specified are the "estimate date" for these employees.
260 The actuarial present value of the employee's accumulated
261 benefit obligation shall be based on the following:

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262 a. The discount rate and other relevant actuarial
263 assumptions used to value the Florida Retirement System Trust
264 Fund at the time the amount to be transferred is determined,
265 consistent with the factors provided in sub-subparagraphs b. and
266 c.

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

269 c. Except as provided under sub-subparagraph d., for a
270 member initially enrolled:

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

274 (A) Age 62; or

275 (B) The age the member would attain if the member completed
276 30 years of service with an employer, assuming the member worked
277 continuously from the estimate date, and disregarding any
278 vesting requirement that would otherwise apply under the pension
279 plan.

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

283 (A) Age 65; or

284 (B) The age the member would attain if the member completed
285 33 years of service with an employer, assuming the member worked
286 continuously from the estimate date, and disregarding any
287 vesting requirement that would otherwise apply under the pension
288 plan.

289 d. For members of the Special Risk Class and for members of
290 the Special Risk Administrative Support Class entitled to retain

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291 the special risk normal retirement date:

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

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

296 (II) ~~(B)~~ The age the member would attain if the member
297 completed 25 years of service with an employer, assuming the
298 member worked continuously from the estimate date, and
299 disregarding any vesting requirement that would otherwise apply
300 under the pension plan.

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

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

306 ~~(B) The age the member would attain if the member completed~~
307 30 years of service with an employer, assuming the member worked
308 continuously from the estimate date, and disregarding any
309 vesting requirement that would otherwise apply under the pension
310 plan.

311 e. The calculation must disregard vesting requirements and
312 early retirement reduction factors that would otherwise apply
313 under the pension plan.

314 2. For each member who elects to transfer moneys from the
315 pension plan to his or her account in the investment plan, the
316 division shall recompute the amount transferred under
317 subparagraph 1. within 60 days after the actual transfer of
318 funds based upon the member's actual creditable service and
319 actual final average compensation as of the initial date of

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320 participation in the investment plan. If the recomputed amount
321 differs from the amount transferred by \$10 or more, the division
322 shall:

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

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

338 3. If contribution adjustments are made as a result of
339 employer errors or corrections, including plan corrections,
340 following recomputation of the amount transferred under
341 subparagraph 1., the member is entitled to the additional
342 contributions or is responsible for returning any excess
343 contributions resulting from the correction. However, a return
344 of such erroneous excess pretax contribution by the plan must be
345 made within the period allowed by the Internal Revenue Service.
346 The present value of the member's accumulated benefit obligation
347 may not be recalculated.

348 4. As directed by the member, the state board shall

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

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

369 Section 4. Members of the Special Risk Class of the Florida
370 Retirement System who have not reached eligibility for
371 participation in the Deferred Retirement Option Program (DROP)
372 and who would be past their 12-month DROP election limitation
373 period upon enactment of this act may apply for participation in
374 DROP within the 12 months immediately following the effective
375 date of this act.

376 Section 5. (1) In order to fund the benefit changes
377 provided in this act, the required employer contribution rates

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378 for the members of the Florida Retirement System established in
379 s. 121.71(4), Florida Statutes, are increased as follows:

380 (a) By 0.87 percentage point for the Special Risk Class.

381 (b) By 0.20 percentage point for the Deferred Retirement
382 Option Program.

383 (2) In order to fund the benefit changes provided in this
384 act, the required employer contribution rates for the unfunded
385 actuarial liability of the Florida Retirement System established
386 in s. 121.71(5), Florida Statutes, are increased by 0.40
387 percentage point for the Special Risk Class.

388 (3) The adjustments provided in subsections (1) and (2) are
389 in addition to any other changes to such contribution rates
390 which may be enacted into law to take effect on July 1, 2023.
391 The Division of Law Revision is directed to adjust accordingly
392 the contribution rates provided in s. 121.71, Florida Statutes.

393 Section 6. The Legislature finds that a proper and
394 legitimate state purpose is served when employees and retirees
395 of the state and its political subdivisions, and the dependents,
396 survivors, and beneficiaries of such employees and retirees, are
397 extended the basic protections afforded by governmental
398 retirement systems that provide fair and adequate benefits and
399 that are managed, administered, and funded in an actuarially
400 sound manner as required by s. 14, Article X of the State
401 Constitution and part VII of chapter 112, Florida Statutes.
402 Therefore, the Legislature determines and declares that this act
403 fulfills an important state interest.

404 Section 7. This act shall take effect July 1, 2023.