

FLORIDA HOUSE OF REPRESENTATIVES

FINAL BILL ANALYSIS

This bill analysis was prepared by nonpartisan committee staff and does not constitute an official statement of legislative intent.

BILL #: [HB 5007](#) [PCB BUC 25-04](#)

TITLE: State-administered Retirement System

SPONSOR(S): Valdes

COMPANION BILL: [SB 7022](#)

LINKED BILLS: None

RELATED BILLS: None

FINAL HOUSE FLOOR ACTION: 112 Y's

0 N's

GOVERNOR'S ACTION: Pending

SUMMARY

Effect of the Bill:

The bill conforms law to the 2025-26 General Appropriations Act (GAA) as retirement contributions are included in the GAA.

The bill revises employer contribution rates for the normal costs and the unfunded actuarial liability (UAL) of the Florida Retirement System (FRS) based on the annual actuarial valuation and study.

Fiscal or Economic Impact:

The bill will have a significant fiscal impact due to the increase in employer contribution rates for the FRS.

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ANALYSIS

EFFECT OF THE BILL:

HB 5007 passed as [SB 7022](#).

The bill conforms law to the 2025-26 General Appropriations Act (GAA) as retirement contributions are included in the GAA.

The bill revises the employer contribution rates for the [FRS](#) based on the annual actuarial valuation and study.

The application of the rates recommended in the 2024 Actuarial Valuation of the FRS will have a significant fiscal impact to funds appropriated by the Legislature associated with employee salaries and benefits. Provisions of the bill relating to employer retirement contribution rates will increase amounts agencies must pay for employee retirement benefits.

The bill also provides for Legislative findings and that the Legislature determines and declares that the act fulfills an important state interest.

Subject to the Governor's veto powers, the effective date of this bill is July 1, 2025.

FISCAL OR ECONOMIC IMPACT:

The bill revises the employer contribution rates for the normal costs and the unfunded actuarial liability (UAL) of the FRS, as determined by the July 1, 2024 Annual Valuation, necessary to fund the program. The proposed employer contributions for Fiscal Year 2025-2026, compared to rates currently in effect, are contained in the table below.

STORAGE NAME: h5007z

DATE: 6/18/2025

Proposed and Current FRS Employer Contribution Rates¹

Membership Class	"Blended" Normal Costs		Unfunded Actuarial Liability		Combined Contribution Rates	
	7/1/2024	7/1/2025	7/1/2024	7/1/2025	7/1/2024	7/1/2025
Regular Class	6.73%	7.10%	4.84%	4.87%	11.57%	11.97%
Special Risk Class	18.66%	20.10%	12.07%	13.03%	30.73%	33.13%
Special Risk Administrative Class	11.54%	10.88%	26.22%	26.54%	37.76%	37.42%
Elected Officer Class						
Leg/Gov/SAs/PDs	10.70%	10.04%	50.21%	50.56%	60.91%	60.60%
Judges	14.90%	15.62%	28.49%	28.46%	43.39%	44.08%
County Officers	12.39%	11.79%	44.23%	40.72%	56.62%	52.51%
Senior Management	8.56%	8.73%	23.90%	22.45%	32.46%	31.18%
DROP	8.49%	9.37%	10.64%	10.65%	19.13%	20.02%

The proposed employer contribution rates will have a significant fiscal impact on funds paid into the FRS.

The bill will have a significant fiscal impact due to the increase in employer contribution rates for the FRS. The total combined employer contributions estimated to be paid into the Florida Retirement System for Fiscal Year 2025-2026 are illustrated in the following chart:

Employer Contribution Group	Estimated Increase in Contributions
State Agencies	\$48.9 million
School Boards	\$76.7 million
State Universities	\$11.6 million
Colleges	\$5.2 million
Counties	\$149.3 million
Other	\$18.4 million
Total:	\$310.1 million

RELEVANT INFORMATION

SUBJECT OVERVIEW:

Background

[Florida Retirement System](#)

The Florida Retirement System (FRS) was established in 1970 when the Legislature consolidated the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund. In 1972, the Judicial Retirement System was consolidated into the FRS, and in 2007, the Institute of Food and Agricultural Sciences Supplemental Retirement Program was consolidated under the Regular Class of the FRS as a closed group. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended again in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002.²

¹ Does not include the current or proposed Health Insurance Subsidy Contribution (2.00 percent) or Administrative Fee (0.04 percent)

² DMS Florida Retirement System Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2024, at p. 33.

The FRS is a multiple-employer, contributory plan³ governed by the Florida Retirement System Act.⁴ As of June 30, 2024, the FRS provides retirement income benefits to 659,333 active members,⁵ 459,428 retired members and beneficiaries, and 29,017 members in DROP.⁶ It is the primary retirement plan for employees of state and county government agencies, district school boards, state colleges, and state universities. The FRS also serves as the retirement plan for the employees of the 184 cities, 152 special districts, and two independent hospitals that have elected to join the system.⁷

The Department of Management Services (DMS) must provide an annual actuarial valuation of the FRS and report the results to the Legislature by December 31 of each year. Thereafter, the Legislature uses the results of the actuarial valuation to establish uniform employer contribution rates during the next legislative session to ensure the FRS is funded in a sound actuarial manner.

Membership of the FRS is divided into the following membership classes:⁸

- Regular Class⁹ consists of 560,396 members (85 percent of the total 2024 FRS membership). This class is for all members who are not assigned to another class.
- Special Risk Class¹⁰ includes 77,990 members (11.8 percent). This class is for members employed as law enforcement officers, firefighters, correctional officers, probation officers, paramedics and emergency medical technicians, among others.
- Special Risk Administrative Support Class¹¹ has 102 members (0.015 percent). This class is for former Special Risk Class members who provide administrative support within an FRS special risk employing agency. Members of this class must maintain the certification required for their former Special Risk Class position and be subject to recall into those positions if needed.
- Elected Officers’ Class¹² has 2,086 members (0.32 percent). This class is for elected state and county officers, and for those elected municipal or special district officers whose governing body has chosen Elected Officers’ Class participation for its elected officers.
- Senior Management Service Class¹³ has 7,819 members (1.2 percent). This class is for members who fill senior management level positions assigned by law to the Senior Management Service Class or authorized by law as eligible for Senior Management Service Class designation.

Each class is funded separately based upon the costs attributable to the members of that class.

Members of the FRS have two primary plan options available for participation:

- The investment plan, which is a defined contribution plan; and
- The pension plan, which is a defined benefit plan.

Total FRS Membership by Plan

http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports [hereinafter *Annual Report*] (Last visited Mar. 16, 2025).

³ Prior to 1975, members of the FRS were required to make employee contributions of either 4 percent for Regular Class members or 6 percent for Special Risk Class members. Members were again required to contribute to the system after June 30, 2011.

⁴ Ch. 121, F.S.

⁵ As of June 30, 2024, the FRS Pension Plan, which is a defined benefit plan, had 428,667 members, and the investment plan, which is a defined contribution plan, had 230,666 members. *Annual Report*, *supra* note 1, at p. 198.

⁶ *Id.*

⁷ *Id.*, at 236.

⁸ *Annual Report*, *supra* note 1, at p. 201.

⁹ S. [121.021\(12\), F.S.](#)

¹⁰ S. [121.0515, F.S.](#)

¹¹ The Special Risk Administrative Support Class is for a special risk member who moved or was reassigned to a nonspecial risk law enforcement, firefighting, correctional, or emergency medical care administrative support position with the same agency, or who is subsequently employed in such a position under the FRS. Section [121.0515\(8\), F.S.](#)

¹² S. [121.052, F.S.](#)

¹³ S. [121.055, F.S.](#)

	2023	2024	Percent Change
Investment Plan	204,461	230,666	12.82%
Pension Plan	441,816	428,667	-2.98%
Total Membership	646,277	659,333	2.02%

Investment Plan

In 2000, the Legislature created the Public Employee Optional Retirement Program (Investment Plan), a defined contribution plan offered to eligible employees as an alternative to the FRS defined benefit plan. The investment plan was available for participation as of July 1, 2002.¹⁴ Benefits under the investment plan accrue in individual member accounts funded by employer and employee contributions. Investments are employee-directed into State Board of Administration (SBA) approved investment providers. Members of the investment plan contribute three percent of their salaries to their accounts¹⁵. The remainder of the allocation comes from employer contributions.

A member vests in the investment plan after one year with an FRS employer. Vested benefits are payable upon termination of employment or death as a lump-sum distribution, roll-over distribution, or periodic distribution. The investment plan also provides disability benefits, which is essentially an option to collect disability benefits as provided in the defined benefit plan.

The SBA is primarily responsible for administering the investment plan.¹⁶ The SBA is comprised of the Governor as chair, the Chief Financial Officer and the Attorney General.

Pension Plan (Defined Benefit Plan)

The pension plan is administered by the secretary of the Department of Management Services through the Division of Retirement. Investment management of retirement funds is handled by the State Board of Administration. Participants of the pension plan are required to contribute three percent of their salary.¹⁷

Contribution Rates

FRS employers are responsible for contributing a percentage of a member's monthly salary to the FRS Contributions Clearing Account Trust Fund in the Division of Retirement to fund the program. The employer contribution is a "blended contribution rate" set by statute¹⁸, as amended by the Legislature based on an annual actuarial valuation. The rate consists of a blending of the actuarially determined contribution rates necessary to fund the pension plan's normal cost and the allocations being made into investment plan accounts. The purpose of the blending is to establish the same employer contribution rates regardless of whether an employee participates in the pension plan or the investment plan.

¹⁴ Part II, chapter 121, F.S.

¹⁵ Section [121.71, F.S.](#)

¹⁶ Section [121.4501, F.S.](#)

¹⁷ *Id.* 11

¹⁸ Sections 121.031 and [121.71, F.S.](#)