

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Governmental Oversight and Accountability

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BILL: SPB 7028

INTRODUCER: For consideration by the Governmental Oversight and Accountability Committee

SUBJECT: Retirement

DATE: January 16, 2026      REVISED: \_\_\_\_\_

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>McVaney</u>	<u>McVaney</u>	_____	<b>Pre-meeting</b>

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### **I. Summary:**

SPB 7028 establishes the contribution rates paid by employers that participate in the Florida Retirement System (FRS), beginning July 1, 2026. These rates are intended to fund the full normal cost and the amortization of the unfunded actuarial liability (UAL) of the FRS. With these modifications to employer contribution rates, the FRS Trust Fund will receive roughly \$20.5 million more in revenue on an annual basis beginning July 1, 2026, when compared to the employer contributions generated based on the current statutory contribution rates. The public employers that will experience contribution changes are state agencies, state universities and colleges, school districts, counties, municipalities, and other governmental entities that participate in the FRS.

The bill also allows an elected officer, other than an officer serving as a legislator, who has completed his or her Deferred Optional Retirement Program (DROP) participation, to receive the DROP accumulations after reaching 59½ years of age without terminating from the office. This is the only authorized in-service distribution for the FRS.

The Department of Management Services and the State Board of Administration must take appropriate steps to recoup any DROP accumulations distributed to an elected officer if the DROP accumulations would have been subject to forfeiture based on the elected officer's conviction of certain crimes.

The bill establishes an alternative cost-of-living adjustment for eligible Special Risk Class members. Beginning July 1, 2026, and each July 1 thereafter, an eligible special risk class member who has been retired for at least five years will receive a cost-of-living increase of no less than 1.5%. To be eligible, the retiree must have completed either 6 years (if initially enrolled in the FRS prior to July 1, 2011) or 8 years (otherwise) of creditable service in the Special Risk Class.

The bill will increase the state funds appropriated by the Legislature for employee benefits. The bill will increase the amounts, in the aggregate, that employers participating in the FRS must contribute for retiree benefits. See Section V. Fiscal Impact Statement.

The bill takes effect July 1, 2026.

## II. Present Situation:

### The Florida Retirement System (FRS)

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.<sup>1</sup> The FRS is a contributory system, with active members contributing three percent of their salaries.<sup>2</sup>

The FRS is a multi-employer plan, governed by ch. 121, F.S., the "Florida Retirement System Act." As of June 30, 2025, the FRS had 659,233 active non-retired members, 459,428 annuitants, 14,171 disabled retirees, and 29,017 active participants of the Deferred Retirement Option Program (DROP).<sup>3</sup> As of December 2025, the FRS consisted of 1,000 total employers; it is the primary retirement plan for employees of state and county government agencies, district school boards, Florida College institutions, and state universities, and includes the 187 cities and 151 special districts that have elected to join the system.<sup>4</sup>

The membership of the FRS is divided into five membership classes:

- The Regular Class<sup>5</sup> consists of 562,840 active members and 9,932 in renewed membership;
- The Special Risk Class<sup>6</sup> includes 79,529 active members and 1,379 in renewed membership;
- The Special Risk Administrative Support Class<sup>7</sup> has 97 active members and three in renewed membership;

<sup>1</sup> Florida Department of Management Services (DMS), Division of Retirement, *Florida Retirement System Summary Plan Description*, (July 1, 2025), <https://frs.fl.gov/forms/spd-pp.pdf> (last visited Jan. 11, 2026).

<sup>2</sup> Prior to 1975, members of the FRS were required to make employee contributions of either 4 percent for Regular Class employees or 6 percent for Special Risk Class members. Employees were again required to contribute to the system after July 1, 2011. *See*, ch. 2011-68, s. 33, Laws of Fla. Members in the Deferred Retirement Option Program do not contribute to the system.

<sup>3</sup> DMS, Division of Retirement, *Florida Retirement System Pension Plan and Other State Administered Retirement Systems Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2025*, at 203, [https://frs.fl.gov/forms/2024-25\\_ACFR.pdf](https://frs.fl.gov/forms/2024-25_ACFR.pdf) (last visited Jan. 11, 2026).

<sup>4</sup> DMS, Division of Retirement, *Participating Employers for Fiscal Year 2025-2026* (Dec. 2025), <https://frs.fl.gov/forms/part-emp.pdf> (last visited Jan. 11, 2026).

<sup>5</sup> The Regular Class is for all members who are not assigned to another class. Section 121.021(12), F.S.

<sup>6</sup> The Special Risk Class is for members employed as law enforcement officers, firefighters, correctional officers, probation officers, paramedics and emergency technicians, among others. Section 121.0515, F.S. *See also*, DMS, *FRS Pension Plan Member Handbook* (2025), [https://frs.fl.gov/forms/member\\_handbook.pdf](https://frs.fl.gov/forms/member_handbook.pdf) (last visited Jan. 11, 2026).

<sup>7</sup> 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 Florida Retirement System. Section 121.0515(8), F.S.

- The Elected Officers' Class<sup>8</sup> has 2,148 active members and 105 in renewed membership; and
- The Senior Management Service Class<sup>9</sup> has 7,871 active members and 253 in renewed membership.<sup>10</sup>

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:<sup>11</sup>

- The defined contribution plan, also known as the Investment Plan; and
- The defined benefit plan, also known as the Pension Plan.

### ***Investment Plan***

In 2000, the Public Employee Optional Retirement Program (investment plan) was created as a defined contribution plan offered to eligible employees as an alternative to the FRS Pension Plan.<sup>12</sup>

Benefits under the investment plan accrue in individual member accounts funded by both employee and employer contributions and earnings. Benefits are provided through employee-directed investments offered by approved investment providers.<sup>13</sup>

A member vests immediately in all employee contributions paid to the investment plan.<sup>14</sup> With respect to the employer contributions, a member vests after completing one work year of employment with an FRS employer.<sup>15</sup> Vested benefits are payable upon termination or death as a lump-sum distribution, direct rollover distribution, or periodic distribution.<sup>16</sup> The investment plan also provides disability coverage for both in-line-of-duty and regular disability retirement benefits.<sup>17</sup> An FRS member who qualifies for disability while enrolled in the investment plan may apply for benefits as if the employee were a member of the pension plan. If approved for retirement disability benefits, the member is transferred to the pension plan.<sup>18</sup>

<sup>8</sup> The Elected Officers' Class includes elected state and county officers, and those elected municipal or special district officers whose governing body has chosen Elected Officers' Class participation for its elected officers. Section 121.052, F.S.

<sup>9</sup> The Senior Management Service 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 designation. Section 121.055, F.S.

<sup>10</sup> All figures are from *Florida Retirement System Pension Plan and Other State Administered Retirement Systems Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2025*, at 226.

<sup>11</sup> Florida State Board of Administration (SBA), *Plan Comparison Chart* (Jul. 2020), <https://www.myfrs.com/pdf/forms/planccomparison.pdf> (last visited Jan. 11, 2026).

<sup>12</sup> See, ch. 2000-169, Laws of Fla.

<sup>13</sup> Section 121.4501(1), F.S.

<sup>14</sup> Section 121.4501(6)(a), F.S.

<sup>15</sup> If a member terminates employment before vesting in the investment plan, the nonvested money is transferred from the member's account to the SBA for deposit and investment by the SBA in its suspense account for up to five years. If the member is not reemployed as an eligible employee within five years, any nonvested accumulations transferred from a member's account to the SBA's suspense account are forfeited. Section 121.4501(6)(b)-(d), F.S.

<sup>16</sup> Section 121.591, F.S.

<sup>17</sup> See s. 121.4501(16), F.S.

<sup>18</sup> Pension plan disability retirement benefits, which apply for investment plan members who qualify for disability, compensate a line-of-duty disabled member up to 65 percent of the average monthly compensation as of the disability retirement date for special risk class members. Other members may receive up to 42 percent of the member's average monthly compensation for disability retirement benefits. If the disability occurs other than in the line-of-duty, the monthly

The State Board of Administration (SBA) is primarily responsible for administering the investment plan.<sup>19</sup> The Board of Trustees of the SBA is comprised of the Governor as chair, the Chief Financial Officer, and the Attorney General.<sup>20</sup>

### ***Pension Plan***

The pension plan is administered by the Secretary of Management Services (DMS) through the Division of Retirement.<sup>21</sup> The SBA manages the pension fund's assets.<sup>22</sup>

Any member initially enrolled in the pension plan before July 1, 2011, vests in the pension plan after completing six years of service with an FRS employer.<sup>23</sup> For members initially enrolled on or after July 1, 2011, the member vests in the pension plan after eight years of creditable service.<sup>24</sup> Benefits payable under the pension plan are calculated based on the member's years of creditable service multiplied by the service accrual rate multiplied by the member's average final compensation.<sup>25</sup> For most current members of the pension plan, normal retirement (when first eligible for unreduced benefits) occurs at the earliest attainment of 30 years of service or age 62.<sup>26</sup> For public safety employees in the Special Risk and Special Risk Administrative Support Classes, normal retirement is the earliest of 25 years of service or age 55.<sup>27</sup> Members, other than Special Risk Class members, initially enrolled in the pension plan on or after July 1, 2011, have longer service requirements. For members initially enrolled after that date, the member must complete 33 years of service or attain age 65.<sup>28</sup>

### ***Deferred Optional Retirement Program (DROP)***

The Deferred Optional Retirement Program (DROP)<sup>29</sup> allows eligible members<sup>30</sup> of the FRS Pension Plan to participate in the program and defer receipt of retirement benefits while continuing employment with his or her FRS employer. The deferred monthly benefits accrue, plus interest, on behalf of the employee, for the period the member participates in DROP. Upon termination of the employment with all participating FRS employers, the member receives the total DROP benefits and begins to receive the previously determined normal retirement amounts.<sup>31</sup> For retirements after July 1, 2010, for termination of employment to occur, an

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benefit may not be less than 25 percent of the average monthly compensation as of the disability retirement date.

<sup>19</sup> Section 121.091(4)(f), F.S.

<sup>20</sup> Section 121.4501(8), F.S.

<sup>21</sup> FLA. CONST. art. IV, s. 4.

<sup>22</sup> Section 121.025, F.S.

<sup>23</sup> Section 215.44, F.S.

<sup>24</sup> Section 121.021(45)(a), F.S.

<sup>25</sup> Section 121.021(45)(b), F.S.

<sup>26</sup> Section 121.091, F.S. *See also*, DMS, *FRS Pension Plan Member Handbook*, 29 (2025), [https://frs.fl.gov/forms/member\\_handbook.pdf](https://frs.fl.gov/forms/member_handbook.pdf) (last visited Jan. 11, 2026).

<sup>27</sup> Section 121.021(29)(a)1., F.S.

<sup>28</sup> Section 121.021(29)(b), F.S.

<sup>29</sup> Sections 121.021(29)(a)2., F.S.

<sup>30</sup> Section 121.091(13), F.S.

<sup>31</sup> Section 121.091(13)(a), F.S.

<sup>31</sup> *Id.*

employee cannot be employed for six calendar months.<sup>32</sup> Elected officers participating in DROP are also subject to the same termination requirements to access their accrued DROP benefit.<sup>33</sup>

If a DROP participant, other than an elected officer, continues employment after the end of the member's DROP period, the member shall be deemed not retired and the DROP election is deemed null and void. The member's class membership is reestablished retroactive to the DROP entry date, and the employer must pay the FRS the difference between the DROP contribution rates and the member's class contribution rates, plus 6.5 percent interest for the period of the member's voided DROP participation.<sup>34</sup>

An elected officer may participate in DROP but is not subject to termination or reemployment limitations until the member no longer holds elective office. If the elected officer's DROP participation began before July 1, 2010, the DROP accumulations continue to earn interest until distributed at termination. If the DROP participation began on or after July 1, 2010, the earning of interest ceases at the end of DROP period. Until termination (no longer holding elected office), the elected officer may not receive the DROP accumulations or the monthly retirement benefit.<sup>35</sup>

### ***Effect of Violations of the Code of Ethics for Public Officers and Employees***

The Code of Ethics for Public Officers and Employees (Code of Ethics)<sup>36</sup> establishes ethical standards for public officials and is intended to "ensure that public officials conduct themselves independently and impartially, not using their office for private gain other than compensation provided by law."<sup>37</sup> The Code of Ethics pertains to various ethical issues, such as ethics trainings, voting conflicts, full and public disclosure of financial interests, standards of conduct, investigations and prosecutions of ethics complaints and referrals for alleged ethics violations, and the commission, among others.<sup>38</sup> Public officers and employees who are convicted of certain offenses must forfeit their monthly retirement benefits as well as any DROP funds.<sup>39</sup>

### ***Cost-of-Living Adjustment***

For a member of the Florida Retirement System pension plan whose effective retirement date is before July 1, 2011, the member receives a three percent cost-of-living adjustment (COLA).<sup>40</sup> In the 2011 Legislative Session, the COLA adjustment was reduced for future retirees.<sup>41</sup> For members enrolled on or after July 1, 2011, the COLA is zero. For retirees with years of service prior to 2011, the COLA amount is prorated.<sup>42</sup>

<sup>32</sup> Section 121.021(39)(a)2., F.S.

<sup>33</sup> 121.053,(3)(b), F.S.

<sup>34</sup> Section 121.091(13)(c)5.d., F.S.

<sup>35</sup> Section 121.053(7), F.S.

<sup>36</sup> See Pt. III, Ch. 112, F.S.; *see also* Art. II, s. 8(h)1, FLA. CONST.

<sup>37</sup> Florida Commission on Ethics, *Guide to the Sunshine Amendment and Code of Ethics for Public Officers and Employees*, <https://ethics.state.fl.us/Documents/Publications/GuideBookletInternet.pdf?cp=2026116> (last visited Jan. 13, 2025).

<sup>38</sup> See Pt. III, Ch. 112, F.S.

<sup>39</sup> Section 121.091(5)(f)-(k), F.S.

<sup>40</sup> S. 121.101(3)(b), F.S.

<sup>41</sup> Ch. 2011-68, Laws of Fla.

<sup>42</sup> Section 121.101(4)(c), F.S., provides that the COLA is prorated by taking the product of 3 percent multiplied by the quotient of the sum of the member's service credit earned for service before July 1, 2011, divided by the sum of the

Section 121.101(5), F.S., provides for the restoration of the COLA:

Subject to the availability of funding and the Legislature enacting sufficient employer contributions specifically for the purpose of funding the expiration of the cost-of-living adjustment specified in subsection (4), in accordance with s. 14, Art. X of the State Constitution, the cost-of-living adjustment formula provided for in subsection (4) shall expire effective June 30, 2016, and the benefit of each retiree and annuitant shall be adjusted on each July 1 thereafter, as provided in subsection (3).

To date, the Legislature has not provided funding to restore the COLA to current or future retirees.

#### ***In-service distributions and Termination of employment***

The FRS is a 401(a) qualified plan under the Internal Revenue Code (IRC). Accordingly, FRS contributions qualify for tax deductions and investment earnings are tax deferred until distributed to retirees. Federal regulations require 401(a) qualified plans to be established by an employer primarily to provide regular and clearly defined benefits to its employees over an extended period, typically for life, following retirement or upon reaching the normal retirement age.<sup>43</sup> Retirement involves more than just a decrease in the hours worked by an employee. Therefore, retirement benefits cannot be distributed solely because an employee's hours have been reduced before reaching normal retirement age.<sup>44</sup>

Florida law prohibits a pension benefit from being made prior to participation in DROP or termination of employment.<sup>45</sup> The law applies the same definition of termination of employment for retirements occurring either before or after normal retirement age. Thus, determining whether a bona fide termination of employment has occurred is crucial for both the tax-exempt qualification of the FRS and state statutory compliance purposes.

The Internal Revenue Service (IRS), the federal agency responsible for administering the IRC, has not provided an objective test for determining whether a bona fide termination of employment has occurred. Instead, the IRS has applied Treasury Regulation 1.409A-1(h)(l)(ii), which states whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the employer and employee reasonably anticipated that no further services would be performed after a certain date<sup>46</sup> or that the level of bona fide

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member's total service credit earned. Example: A member with 10 years of service prior to July 1, 2011, retires after 30 years of service. Divide 10 by 30 and multiply by 3 percent. In this example, the member's COLA would be 1.0%.

<sup>43</sup> 26 CFR § 1.401(a)-1(b)(1)(i).

<sup>44</sup> 26 CFR § 1.401(a)-1(b)(3).

<sup>45</sup> Section 121.091, F.S.

<sup>46</sup> The regulation provides that the employment relationship is treated as continuing intact while the individual is on a bona fide leave of absence if the leave does not exceed 6 months, or if longer, as long as the individual retains a right to reemployment pursuant to statute or contract. The IRS explains in the preamble to the regulation that "a bona fide leave of absence refers to a leave of absence where there is a reasonable expectation the service provider will return to service with the service recipient." Department of the Treasury, Internal Revenue Service, *Application of Section 409A to Nonqualified Deferred Compensation Plans*, 26 CFR Part I [TD 9321], RIN 1545-BE79 (Dated April 17, 2007).

services the employee would perform after such date would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period. However, when applying the regulation in the context of a 401(a) plan, the IRS has opined that “if both the employer and employee know at the time of ‘retirement’ that the employee will, with reasonably [sic] certainty, continue to perform services for the employer, a termination of employment has not occurred upon ‘retirement’ and the employee has not legitimately retired.”<sup>47</sup>

In order to apply the requirement of a bona fide termination, Florida law has incorporated the federal regulation and further has implemented a reemployment limitation period in which an FRS retiree may not be reemployed<sup>48</sup> by an FRS employer within six months of termination.<sup>49</sup> In addition, if the retiree is reemployed by an FRS employer during months 7 through 12, the retiree’s retirement benefit for those months is suspended and forfeited.<sup>50</sup> After the 12-month reemployment limitation period, there are no restrictions on receiving both a salary and retirement benefits when reemployed by an FRS employer.<sup>51</sup>

### **Optional Retirement Programs**

Eligible employees may choose to participate in one of three retirement programs instead of participating in the FRS:

- Members of the Senior Management Service Class may elect to enroll in the Senior Management Service Optional Annuity Program;<sup>52</sup>
- Members in specified positions in the State University System may elect to enroll in the State University System Optional Retirement Program (SUSORP);<sup>53</sup> and
- Members in specified positions at a Florida College institution may elect to enroll in the State Community College System Optional Retirement Program.<sup>54</sup>

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<sup>47</sup> IRS PLR 201147038.

<sup>48</sup> For purposes of the reemployment limitation period, the term “employment” includes the provision of services. Section 121.021(39), F.S.

<sup>49</sup> Section 121.021(39), F.S.

<sup>50</sup> Section 121.021(9)(c), F.S.

<sup>51</sup> However, for reemployed members, the FRS employer must pay retirement contributions in an amount equal to the unfunded actuarial liability portion of the employer contribution that would be required for active members of the FRS in addition to the contributions for social security and for the retiree health insurance subsidy. S. 121.091(9)(c)2., F.S.

<sup>52</sup> The Senior Management Service Optional Annuity Program (SMSOAP) was established in 1986 for members of the Senior Management Service Class. Employees in eligible positions may irrevocably elect to participate in the SMSOAP rather than the FRS. Effective July 1, 2017, the SMSOAP is closed to new members. Section 121.055(6), F.S. *See also*, Florida DMS, *Senior Management Service Optional Annuity Program*,

[https://www.dms.myflorida.com/workforce\\_operations/retirement/optional\\_retirement\\_programs/senior\\_management\\_service\\_optional\\_annuity\\_program](https://www.dms.myflorida.com/workforce_operations/retirement/optional_retirement_programs/senior_management_service_optional_annuity_program) (last visited Jan. 11, 2026).

<sup>53</sup> Eligible participants of the State University System Optional Retirement Program (SUSORP) are automatically enrolled in the SUSORP. However, the member must execute a contract with a SUSORP provider within the first 90 days of employment, or the employee will default into the pension plan. If the employee decides to remain in the SUSORP, the decision is irrevocable, and the member must remain in the SUSORP as long as the member remains in a SUSORP-eligible position. Section 121.35(3)(c), F.S.

<sup>54</sup> If the member is eligible for participation in a State Community College System Optional Retirement Program, the member must elect to participate in the program within 90 days of employment. Unlike the other optional programs, an employee who elects to participate in this optional retirement program has one opportunity to transfer to the FRS. Section 1012.875, F.S.

The SUSORP requires each employee to contribute three percent<sup>55</sup> of his or her gross compensation to the plan, and the employer must contribute the difference between the current employee contribution (3 percent) and 8.15 percent of the employee's gross monthly compensation (currently, the employer contribution is 5.15 percent).<sup>56</sup> The state university employer is also required to contribute an amount equal to the UAL contribution to the FRS Trust Fund.<sup>57</sup>

### Contribution Rates for the FRS

Employers that participate in the FRS must contribute a specific percentage of the members' monthly compensation to the Division of Retirement to be distributed into the FRS Contributions Clearing Trust Fund (FRS Trust Fund). The employer contribution rate is a blended contribution rate set by statute, which is the same percentage regardless of whether the member participates in the pension plan or the investment plan.<sup>58</sup> The rate is determined annually based on an actuarial study by the DMS that calculates the necessary level of funding to support all of the benefit obligations under both FRS retirement plans.

In the annual actuarial valuation of the FRS based on July 1, 2025, plan assets and liabilities, Milliman, Inc., the state actuary, determined the following key data relating to the FRS pension plan:<sup>59</sup>

	Valuation Results (in \$ billions)			
	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Actuarial Liability	\$217.4	\$226.2	\$237.4	\$243.6
Actuarial Value of Assets	\$179.2	\$184.2	\$191.6	\$200.4
Unfunded Actuarial Liability	\$38.3	\$42.0	\$45.8	\$43.3
Funded Percentage (Actuarial Value of Assets/Actuarial Liability)	82.4%	81.4%	80.7%	82.2%

The state actuary determines a rate associated with the normal cost of the pension plan (funding the prospective benefits) and a rate necessary to amortize prior unfunded actuarial liabilities (UAL) over a thirty-year period and new tranches of unfunded actuarial liabilities over a twenty-year period. The following are the current statutory employer contribution rates<sup>60</sup> for each class and the blended rates recommended by the state actuary based on current law beginning in July 2026:<sup>61</sup>

<sup>55</sup> This contribution is tied to the FRS employee contribution required by s. 121.71(3), F.S., which is three percent as of July 1, 2011.

<sup>56</sup> Section 121.35(4)(a)4., F.S.

<sup>57</sup> Section 121.35(4)(b), F.S.

<sup>58</sup> Section 121.70(1), F.S.

<sup>59</sup> Matt Larrabee, Milliman Actuarial Valuation, *Florida Retirement System Pension Plan Actuarial Valuation as of July 1, 2025*, 2 (Nov. 24, 2025), [https://frs.fl.gov/forms/2025\\_Valuation.pdf](https://frs.fl.gov/forms/2025_Valuation.pdf) (last visited Jan. 16, 2026).

<sup>60</sup> Section 121.71(4) and (5), F.S.

<sup>61</sup> Letter to Kathy Gould, Florida DMS Division of Retirement Director, from Milliman Actuarial Services, entitled "Blended Proposed Statutory Rates for the 2026-2027 Plan Year Reflecting a Uniform UAL Rate for All Membership Classes and DROP: Table 1", Nov. 25, 2025 (on file with the Senate Committee on Governmental Oversight and Accountability).

<b>Membership Class</b>	<b>Current Statutory Rates</b>		<b>Recommended Rates to be effective July 1, 2026</b>	
	<b>Normal Cost</b>	<b>UAL Rate</b>	<b>Normal Cost</b>	<b>UAL Rate</b>
Regular Class	7.10%	4.87%	7.11%	4.42%
Special Risk Class	20.10%	13.03%	19.93%	12.60%
Special Risk Administrative Support Class	10.88%	26.54%	10.85%	27.11%
Elected Officer's Class				
• Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, Public Defenders	10.04%	50.56%	10.30%	51.43%
• Justices and Judges	15.62%	28.46%	15.54%	28.40%
• County Officers	11.79%	40.72%	11.45%	41.49%
Senior Management Service Class	8.73%	22.45%	8.68%	21.86%
Deferred Retirement Option Program	9.37%	10.65%	9.43%	10.20%

For all membership classes, except the DROP and certain members with renewed membership, employees contribute three percent of their compensation towards retirement.<sup>62</sup>

After employer and employee contributions are placed into the FRS Contributions Clearing Trust Fund, the allocations under the investment plan are transferred to third-party administrators to be placed in the employee's individual investment accounts, whereas contributions under the pension plan are transferred into the FRS Trust Fund.<sup>63</sup>

The aggregate employer contributions anticipated to be paid into the FRS Trust Fund in Fiscal Year 2026-2027 based on the blended rates recommended by the annual state actuary after completing the 2025 Actuarial Valuation would decrease by approximately \$231.4 million when compared to employer contributions that would be due based on the current statutory contribution rates. The impacts of this bill by employer group for Fiscal Year 2026-2027 are noted below.<sup>64</sup>

<sup>62</sup> Section 121.71(3), F.S.

<sup>63</sup> See ss. 121.4503 and 121.72(1), F.S.

<sup>64</sup> Milliman Actuarial Services, *Florida Retirement System Estimated 2026-2027 Employer Contribution Increases/(Decreases) Due to Rate Changes* (on file with the Senate Committee on Governmental Oversight and Accountability).

Employer Group	Change in Contributions
<b>State Agencies</b>	(\$31.7) m
<b>Universities</b>	(\$28.5) m
<b>Colleges</b>	(\$6.6) m
<b>School Boards</b>	(\$79.9) m
<b>Counties</b>	(\$70.5) m
<b>Other</b>	(\$14.2) m
<b>Total</b>	(\$231.4) m

### III. Effect of Proposed Changes:

**Section 1** amends s. 121.053, F.S., to allow an elected officer, other than an officer serving as a legislator, to remain in office and receive his or her accumulated Deferred Optional Retirement Program (DROP) proceeds after attaining the age of 59½ years. This is the only instance of an in-service distribution in the Florida Retirement System (FRS) plan.

**Section 2** amends s. 121.091, F.S., to require the Division of Retirement and the State Board of Administration to take steps to recoup from an elected officer whose retirement benefits, including DROP proceeds, are subject to forfeiture.

**Section 3** amends s. 121.101, F.S., to establish an alternative cost-of-living adjustment for Special Risk Class members. Beginning July 1, 2026, and each July 1 thereafter (there is only one adjustment each calendar year), an eligible special risk class member who has been retired for at least five years will receive a cost-of-living increase of no less than 1.5%. To be eligible for this alternative cost-of-living increase, a retiree initially enrolled in the FRS prior to July 1, 2011, must complete service of at least 72 calendar months (equivalent to the 6-year vesting period) in the Special Risk Class, and a retiree initially enrolled in the FRS on or after July 1, 2011, must complete service of at least 96 calendar months (equivalent to the 8-year vesting period) in the Special Risk Class.

The aggregate employer contributions anticipated to be paid into the Florida Retirement System Trust Fund in Fiscal Year 2026-2027 based on the blended rates recommended by the annual state actuary after completing a special actuarial study regarding the alternative cost-of-living adjustment for eligible Special Risk Class retirees would increase by approximately \$252 million when compared to employer contributions that would be due based on the current statutory contribution rates. The impacts of this bill by employer group for Fiscal Year 2026-2027 are noted below.<sup>65</sup>

<sup>65</sup> Letter to Kathy Gould, Florida DMS Division of Retirement Director, from Milliman Actuarial Services, entitled “*Special Actuarial Study of Senate Concept Providing 1.5% Prospective Minimum COLA Rate to Eligible Special Risk Class Members and Beneficiaries: Table 2*”, Jan. 7, 2026 (on file with the Senate Committee on Governmental Oversight and Accountability).

Employer Group	Change in Contributions
<b>State Agencies</b>	\$49.8 m
<b>Universities</b>	\$2.0 m
<b>Colleges</b>	\$0.5 m
<b>School Boards</b>	\$10.0 m
<b>Counties</b>	\$173.0 m
<b>Other</b>	\$16.7 m
<b>Total</b>	\$252.0 m

**Section 4** amends s. 121.71, F.S., to set the employer-paid normal cost contribution rates to the Florida Retirement System Trust Fund for each membership class and subclass of the FRS. The bill also updates the employer-paid contribution rates for each membership class to address the unfunded actuarial liabilities of the FRS. These rates are based on the combination of the blended rates recommended from the Actuarial Valuation and changes associated with the implementation of the alternative cost-of-living adjustment for Special Risk Class retirees and beneficiaries.

**Section 5** provides a legislative finding that the bill fulfills an important state interest.

**Section 6** provides that the bill takes effect July 1, 2026.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

Article VII, s. 18(a) of the State Constitution provides that: “No county or municipality shall be bound by any general law requiring such county or municipality to spend funds...unless the legislature has determined that such law fulfills an important state interest and unless: ...the expenditure is required to comply with a law that applies to all persons similarly situated....”

This bill includes legislative findings that the bill fulfills important state interests, and the bill applies to all persons similarly situated (those employers participating in the Florida Retirement System), including state agencies, school boards, state universities, community colleges, counties, municipalities, and special districts.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

**D. State Tax or Fee Increases:**

This bill does not impose, authorize to impose, or raise a state tax or fee. Thus, the requirements of Art. III, s. 19 of the State Constitution are not applicable.

**E. Other Constitutional Issues:**

None identified.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

The aggregate employer contributions anticipated to be paid into the Florida Retirement System Trust Fund in Fiscal Year 2026-2027 will increase by approximately \$20.5 million when compared to employer contributions that would be due based on the current statutory contribution rates. The impacts of this bill by employer group for Fiscal Year 2025-2026 are noted below.

<b>Employer Group</b>	<b>Change in Contributions</b>
<b>State Agencies</b>	\$18.1 m
<b>Universities</b>	(\$26.5) m
<b>Colleges</b>	(\$6.1) m
<b>School Boards</b>	(\$70.0) m
<b>Counties</b>	\$102.5 m
<b>Other</b>	\$2.5 m
<b>Total</b>	\$20.5 m

**VI. Technical Deficiencies:**

None identified.

**VII. Related Issues:**

None identified.

**VIII. Statutes Affected:**

This bill substantially amends sections 121.053, 121.091, 121.101, and 121.71 of the Florida Statutes.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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